

ANNUAL REPORT
2017



Mjøstårnet, Brumunddal. Photo: Moelven

This document contains the formal requirements for annual reporting. The annual report for Moelven 2017 with complementary information about the year, is available at 2017.moelven.com

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COMMENTS BY THE CEO



Positive development for Moelven

Moelven earned NOK 420 million from operations in 2017. This is an improvement of NOK 125 million compared with the previous year. Operating revenues for the full year increased by 4.5 per cent to NOK 10,768 million.

For Moelven, 2017 was a year in which the positive development from 2016 continued. Internally, we have continued to improve underlying operations and, externally, we have benefited from good market conditions.

The restructuring work we started in 2014 has produced results. During the last year, we have reduced our net interest-bearing debt and increased our equity ratio to 41.5 per cent. The return on capital employed (ROCE) is now at 14.2 per cent. All of this is well within the target we set ourselves in 2014. It gives a good basis for being able to provide our owners with a good return on investment over time.

The improvement and restructuring measures aimed at achieving our long-term goals will continue in 2018 as well.

Efforts aimed at reducing injuries has been given high priority for several years. When one looks at Moelven's progress on HSE, the figures tell us two things. The number of reports of hazardous situations and near accidents has risen in the last year. This shows there is a greater focus on HSE.

However, there are still far too many injuries at Moelven, and the development during 2017 has not been satisfactory. We are more than 3,500 employees and all of us should "come home safe". We have a shared responsibility here, and the effort to reduce injuries will be important in the time to come.

How have Moelven's divisions done in 2017?

All three of Moelven's divisions have shown clear improvements in profitability, despite the fact that they operate in different markets that are impacted differently by economic cycles.

The improvement work in the Timber division continued in 2017. The main tasks involves primarily developing and improving its competitiveness in the global markets. During the year, it has been pleasing to see the improvements in profitability that have taken place, amongst others at Moelven Dalaträ AB and at Moelven Årjäng Såg AB.

The Wood division continues to benefit from a growing market for building materials. In particular, there is an increase in the demand for products that require minimal processing after assembly.

Moelven Vänerply AB is Scandinavia's only plywood producer, and is another company in the Wood division with a positive development.

We have invested more than NOK 100 million in modernising its machinery since we acquired the company in 2011. The investments has increased capacity and productivity, which in turn has produced a good return. In order to further improve the technical standard and increase the share of prefabricated products, additional investments will be made.

Moelven's Building Systems division is experiencing a higher level of activity, especially within Modular Buildings and Laminated Timber.

The glulam-technology, which took off 30 years ago in connection with the Olympic Winter Games in Lillehammer in 1994, has been a great journey so far. Since the Lillehammer Winter Olympics, we have developed technology that has taken us from the Vikingship arena to the construction of Gardermoen international airport and onwards, via innumerable wooden bridges, to the "Treet" apartment block in Bergen and now the worlds tallest wooden building, "Mjøstårnet" in Brumunddal.

At just above 80 metres tall, "Mjøstårnet" will be an international landmark building. Moelven is proving that the high rises of the future can be built of wood. We are very proud of this. The building and technology are being noticed far beyond the borders of Norway and the Nordic region.

What does the future look like for Moelven?

Sustainability and the environment are gaining more attention in society. Wood and its characteristics are often emphasized in order to meet both public requirements and, not least, end-users' expectations for environmentally friendly products. This contributes to an increase in the demand for wood products.

With solid, well-run operating units and a positive market development with a focus on sustainable business, we believe that Moelven is facing a positive future.

We must continue our internal improvements for increased efficiency and profitability, but ensure that we deliver products and solutions that are sought in the market. We must continue to focus on quality and reliability and further develop our competitive edge.

Technology brings Moelven into Industry 4.0 - the fourth industrial revolution, The development is fast and provides exciting opportunities for the Group. "The smart digital sawmill" is a two-year project at our largest sawmill, Moelven Valåsen AB. The purpose is to use technology that enables increased

yield and increased capacity by reducing the number of production stops and reducing energy consumption. We are looking forward to following the project and the results in the year to come.

The technological development has also been implemented, among other things, by increasing the level of robotization in the production of modules. At Moelven Byggmodul AB in Säffle, a new production line has been built with a high degree of robotization. The production line has contributed to an increase in capacity of 80%. This has meant that the need for employees by the way has increased, and in total we have created 40 new jobs. We are now well in the process of transferring experience and knowledge to other units in Moelven.

We must also be more forward-thinking in the way we work. For example, we must be better at thinking holistically, also regarding the working careers of our employees. We are now entering a time when continuous learning will be a natural part of the job. Global changes affect us faster than before. This means that in the future, skills must be learned, unlearned and learned again several times.

Internally, we have developed education programs for our employees so that they can further develop the skills they possess.

The digitization of the value chain continues, and places great demands on new skills. In order to meet the future need of skilled personnel resources, we have also established our own trainee programme. We strongly believe in this. We notice that more and more people want to work in Moelven. our employees so that they can further develop the skills they possess.

Our industry is forward-looking, and with framework conditions in line with those of our international competitors, we will be well-equipped for the future. The infrastructure is of great importance to our business. Looking at our colleagues in Sweden, they have better framework conditions regarding infrastructure than we have in Norway. If the domestic industry is to be a driver for Norway in the future, a cost-effective infrastructure must be facilitated.

We will continue to focus on continuous operational improvements. If our in-house work is successful and we seize opportunities in the market, then we will have a good starting point for the future.



Morten Kristiansen
CEO
Moelven Industrier AS

Main figures

Amounts in NOK million	2017	2016	2015	2014	2013
THE GROUP					
Operating revenues	10,768.4	10,309.7	9,690.4	8,828.2	8,009.4
Gross operating profit (EBITDA)	716.1	601.6	553.9	490.0	226.9
Depreciation	278.1	290.1	289.6	286.5	271.6
Impairment	17.6	16.5	49.5	0.0	0.0
Operating profit	420.4	295.0	214.8	203.6	-44.7
Financial items	-46.8	-42.5	-56.3	-88.2	-72.4
Profit before tax	373.6	252.5	158.5	115.3	-117.1
Total assets	5,044.6	4,766.8	4,778.1	4,653.2	4,539.8
Equity in per cent	41.5	38.0	36.8	34.2	33.4
Operating margin in per cent	3.9	2.9	2.2	2.3	-0.6
Investments	357.0	275.2	215.8	195.1	351.2
Number of employees	3,546	3,492	3,426	3,326	3,276
TIMBER					
Operating revenues	3,118.2	3,020.6	3,010.1	2,872.3	2,543.9
Gross operating profit (EBITDA)	266.9	181.1	145.1	199.5	104.4
Depreciation	102.7	111.1	119.5	116.5	116.0
Impairment	17.6	16.5	49.5	0.0	0.0
Operating profit	146.7	53.5	-23.9	83.0	-11.6
Financial items	-17.4	-13.1	-9.0	-26.3	-29.3
Profit before tax	129.3	40.4	-32.9	56.7	-40.9
Total assets	1,545.5	1,567.1	1,664.5	1,754.5	1,684.3
Operating margin in per cent	4.7	1.8	-0.8	2.9	-0.5
Investments	99.2	64.2	75.9	67.6	119.5
Number of employees	650	674	679	703	677
WOOD					
Operating revenues	3,805.6	3,529.9	3,275.7	3,066.2	2,820.4
Gross operating profit (EBITDA)	265.7	274.5	237.4	225.3	128.4
Depreciation and impairment	110.9	113.8	113.7	114.4	104.9
Operating profit	154.8	160.6	123.7	110.9	23.4
Financial items	-24.8	-24.4	-27.1	-23.6	-30.7
Profit before tax	129.9	136.2	96.6	87.3	-7.3
Total assets	2,413.9	2,151.6	2,146.7	2,044.8	1,966.7
Operating margin in per cent	4.1	4.5	3.8	3.6	0.8
Investments	119.9	114.7	96.8	82.1	174.7
Number of employees	1,079	1,039	1,009	993	1,011
BUILDING SYSTEMS					
Operating revenues	3,856.4	3,616.8	3,375.2	2,836.7	2,514.1
Gross operating profit (EBITDA)	206.7	166.3	185.2	98.8	18.9
Depreciation and impairment	52.8	51.2	44.4	41.6	38.0
Operating profit	153.9	115.1	140.8	57.2	-19.1
Financial items	-1.6	-1.7	-0.1	6.4	0.1
Profit before taxes	152.3	113.4	140.7	63.5	-19.0
Total assets	1,808.9	1,653.2	1,616.8	1,256.4	1,189.9
Operating margin in per cent	4.0	3.2	4.2	2.0	-0.8
Investments	118.9	84.5	40.2	37.9	43.4
Number of employees	1,687	1,647	1,607	1,498	1,460
OTHER OPERATIONS					
Operating revenues	3,414.6	3,388.9	3,003.8	3,204.4	2,623.7
Gross operating profit (EBITDA)	-23.2	-20.3	-13.9	-33.6	-24.7
Depreciation and impairment	11.7	13.9	12.0	13.9	12.8
Operating profit	-34.9	-34.2	-25.9	-47.5	-37.5
Financial items	-2.9	-3.4	-20.1	-44.7	-12.4
Profit before tax	-37.8	-37.6	-45.9	-92.2	-49.9
Investments	19.1	11.8	3.0	7.5	13.6
Number of employees	130	132	131	132	128

Report of the Board of Directors 2017

2017 in brief

2017 was another good year for Moelven, operating revenues increased to NOK 10.8 billion and operating profit improved to NOK 420.4 million compared to NOK 295.0 million in 2016. The Group's rate of return on employed capital increased to 14.2%, from 9.9% in 2016.

With exports to more than 40 countries and on several continents, Moelven is dependent on developments in the global economy. Combined, approximately 15 per cent of the Group's turnover is in markets beyond Scandinavia. The geographical spread is broad enough to have a diversifying effect. It is mainly sawn timber that is exported.



*The demand for sawn timber was very good in 2017.
(Photo: Moelven)*

For the Timber division in isolation the export share outside of Scandinavia is 45 per cent, and for the Wood division it is 10 per cent. Both price developments on the international market for sawn timber and exchange rate developments therefore have a major impact on the business. International price levels are rapidly transferred to the domestic market in Scandinavia. In 2017 there has been good international demand for sawn timber. The delivery rate to the Middle East, North Africa and Asia was somewhat reduced in the first six months. This was however not related to the underlying demand for sawn timber, but was due to issues in connection with sea transport and public regulations. These were resolved in the second half of the year. Prices for sawn timber internationally increased compared to the previous year, while currency conditions, in particular against the EUR, contributed to good competitiveness for the export-oriented units. The UK is an important export market for Moelven. Prices in GBP have increased, and compensate the majority of the margin shortfall as a result of the depreciation of the pound following the Brexit referendum.



*Moelven Wood Prosjekt AS supplied the facades in untreated cedar to the project "Grilstad Marina" in Trondheim.
(Photo: Matthias Herzog)*

The Wood division mainly sells its processed wood products on the building materials market in Scandinavia. Demand from this market has been satisfactory, although activity in rehabilitation, conversion and extension (RCE) in Sweden dropped somewhat and stabilised at a lower level after changes to the tax rules related to deductions in 2016. Price levels for the division as a whole increased for both finished goods and raw materials compared to the previous year.

Timber stocks at the start of the year were satisfactory with regard to planned production levels for the winter of 2017. Access to timber in the first half of the year was normal for the season. In the second half of the year access was somewhat reduced in certain areas as a result of the wet autumn. The situation towards the end of the year, and at the end of 2017 timber stocks were satisfactory and on a par with the same time in 2016. For the Swedish units sawlog prices have been on a par with the previous year throughout 2017, while the Norwegian units have seen a slight increase in sawlog prices. Prices for wood chip and fibre products for the Swedish units have been at the same level as 2016. For the Norwegian units currency conditions and costs related to logistics had a certain negative effect in the second half of the year.

Building Systems operates exclusively in building and construction in Scandinavia. Deliveries are to professional players in both the new building and RCE-markets. Demand for the division's products and services have been satisfactory through the year as a whole. The combined order backlog at the end of the year was NOK 105 million lower than the previous year. Market conditions saw somewhat different developments in Norway and Sweden as the year progressed. In Sweden activity levels have remained high, but with signs of a certain slowdown after some years of very high activity. On the Norwegian side the oil slowdown is a thing of the past and market activity has been increasing.



Climate smart construction and architectural innovation in the project "Ångsnäs Terrass" in Huddinge. Building modules supplied by Moelven Byggmodul AB.

Strategy

Sustainability and the climate challenges the world is facing are attracting more and more attention. This, in combination with increased knowledge and awareness of wood's properties and opportunities, have led to greater interest in environmentally friendly building with wood as a building material. Among the Moelven Group's products and services, the deliveries from Wood and Building systems are most visible to the outside world. This concerns both processed wood building materials, bridges and other load-bearing structures in glulam and module-based apartment buildings. In addition, activity in infrastructure is high. Use of wood in connection with this is also on the increase, and is an important cause of the good demand for sawn timber, which is the main product of the Timber companies.

For the Moelven Group sustainability and environmental impact have been central topics for a long time, and are a natural part of the culture and mindset in a business based on wood as a raw material. In the annual strategy work, the board has nevertheless placed even greater emphasis on sustainability in 2017. Starting from 2017, sustainability reporting in accordance with the GRI standards (Global Reporting Initiative) and climate accounts according to the GHG protocol (GreenHouse Gas) are included in public reporting.



Moelven's mechanical wood business uses raw materials from sustainable forestry. Read more about this in the Group's Sustainability Report for 2017. (Photo: Johan Alp)

Besides the environmental and sustainability theme, HSE has become steadily more important in the strategy work.

The Group has a long-term target of zero injuries – it should be safe to work at Moelven. However, the

development in the injury rate has not been satisfactory, with only a marginal improvement in H1 value from 12.8 in 2016 to 12.4 in 2017. In the strategy plan a subsidiary goal has been established for 2020 that the number of lost time injuries per million worked hours (LTI rate) shall be below five and that the number of reported hazardous conditions / near accidents shall be at least 3,500 (one per employee). The goal for sick leave is to reduce this to below four per cent within the end of the strategy period. The health, safety and environment strategy can be summarized in nine points:

- Clear goals
- Clear leadership
- Increased use of resources
- Clear sharing of responsibility
- Increased expertise
- Underpinning systems
- Unambiguous processes and rules
- Incentives and consequences
- Frequent information.

With regard to business, the Group is in a phase where large parts of operations are doing well and with improving results, while other parts of operations still fail to meet the requirements to profitability and returns that have been defined. It is thus important that the right priorities and choices are made, to have the best possible foundation for sustained profitability. The shareholder values in Moelven are best ensured and developed by the organization focusing on developing the units the company currently possesses, which in all likelihood will reach profitability targets in the course of an economic cycle. New investments must be adjusted to the strategic choices that have been made and take place within the applicable financial framework. Investments and growth will mainly take place on the basis of existing business areas.

Efforts on internal improvement work and restructuring in accordance with the action plan that was drawn up in the autumn of 2014 have proceeded with full strength in 2017, and are the main cause of the improved results. In addition, several organizational changes are being implemented, as well as major investment projects that will improve efficiency and profitability. At the Group's two largest sawmills in Sweden, Moelven Valåsen AB and Moelven Notnäs AB, investment projects are being carried out with an overall framework of around SEK 164 million. Besides exploiting the opportunities afforded by new technology, competence development and organizational rationalization have high priority in these projects. Investments will be made in stages, and will be completed by the summer of 2019. At Moelven Byggmodul AB's factory in Säffle, the investment project for a robotized production line was completed according to plan in the second quarter of 2017. The project, which had a framework of SEK 72 million, almost doubled the overall capacity at the factory and provided more rational production solutions.

CORPORATE GOVERNANCE

At the Corporate Assembly meeting after the annual general meeting on 26 April 2017, Aud Ingvild Storås was elected as new member of the board of directors to replace Mari Wilhelmsen. Beyond this, there have been no changes to the board in 2017. As of 26 April the board has consisted of Olav Fjell (chairman), Trond Stangeby (deputy chairman), Elisabeth Krokeide, Aud Ingvild Storås, Asbjørn Bjørnstad, Martin Fauchald and Lars Håkan Karlsson.

Corporate governance at the Moelven Group is based on the current Norwegian recommendation for corporate governance of October 2014. The Board's report on the Group's policies and practice for corporate governance in accordance with section 3-3b of the Norwegian Accounting Act has been incorporated into the board's account of corporate governance on page XX. Comprehensive information on the Group's governing bodies is published at www.moelven.no, and in note 28.

Corporate structure

Moelven acquired DLH's Swedish operations in Hässleholm on 21 November 2016. The acquisition included inventory, warehouses and office premises, and gave Moelven improved market access in southern Sweden and strengthened logistics. In March 2017 it was decided to move the entire storage and processing activity in Malmö to Hässleholm. In connection with the move, Malmö AB, which owned the old warehouse building in Malmö, was sold. The company had no employees. Moelven Wood retains a sales office in Malmö.

On 25 September the Board of Moelven Norsälven AB decided to discontinue sawmill operations. This is because the plant's technical condition is so poor that even significant investments would most likely fail to turn it into a future-oriented and profitable plant. The closing of Moelven Norsälven is part of a structural overall assessment required to create better overall profitability in the Moelven Group.

A total of 42 employees are affected by the closure. Production at the facility stopped at the turn of the year, and liquidation will largely be completed in the first quarter of 2018.

Moelven Våler AS and Moelven Løten AS have established joint management and administration. The main reason for the two companies to enter into an administrative partnership is to save costs and strengthen both companies' competitiveness. The companies will both continue as separate legal entities, but with administrative coordination.

On 10 October the two wholly-owned Timber companies Moelven Ransbysågen AB and Moelven Notnäs AB were merged into one company with the latter as the acquiring company. The merged company is called Moelven Notnäs Ransby AB. The companies have for an extended period shared

management and market organization. The operations will continue with two production locations.

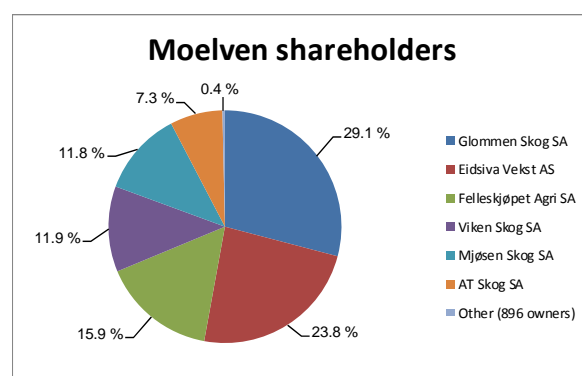
With effect from 1 January Moelven Tom Heurlin AB in Ånimskog was transferred from Timber to Wood. In the course of 2017, the company's activities have been restructured and adapted to Wood's market strategy within Scandinavia. The company's planing activities are included in the production and processing of interior panels together with the sister companies Moelven Värmlands Trä AB (Säffle) and Moelven Notnäs Wood AB (Notnäs). The structure process entails downsizing of 16 employees in Ånimskog and 9 in Säffle. The merger between the companies was completed with effect from 27 December, with Moelven Notnäs Wood AB as the acquiring company. Operations continue at three production locations under the company name Moelven Wood Interiör AB.

Moelven Polska Sp. z o.o was established in the fourth quarter of 2017 as a wholly-owned subsidiary of Moelven Industrier ASA. The company is a sales company and will have no production of its own. Moelven Polska Sp. z o.o. will serve the Polish market, primarily with sales of Timber's products.

This is the Moelven Group

Ownership structure

The Moelven Group is owned by Glommen Skog SA (29.1 %), Eidsiva Vekst AS (23.8%), Felleskjøpet Agri SA (15.9%), Viken Skog SA (11.9%), Mjøsen Skog SA (11.8%) and AT Skog SA (7.3%). Most of the remaining 0.4 per cent is owned by private individuals.



Vision

Moelven is a Scandinavian Group. All production units are located in Scandinavia, which is also the primary market. Moelven's vision is *to be the natural choice for people who wish to build and live Scandinavian*, and the Group shall take the lead in developing buildings that are based on Scandinavian building traditions. Within this framework, activities are based on a desire and an ability to contribute to creating good spaces – good environments to live and work in, and for all social functions. Good Scandinavian environments are often

close to nature in their form and content. Wood and other natural materials are essential parts of what Moelven makes and are dominant in the greater part of the product range. Natural materials are environmentally friendly building materials and building solutions when it comes to houses, modules, bridges and interior products. Moelven offers a wide range of building products and building systems and associated services. The Scandinavian market accounts for 85 per cent of sales revenues and 85 per cent of the Group's products and services are used for new building or renovation, conversion and extension of homes and commercial property. A large part of the remaining operation consists of sales of biomass for biofuel and for pulp, paper and particle board production. The Group also supplies wood products to the furniture, interior and packaging sectors.

Location

The Group has its headquarters in Moelv in Norway and consists of 37 production companies in 46 production locations, and a number of offices for sales, service and fitting. Most of the production units are companies and workplaces with a strong local presence in rural communities in South East Norway and the western part of Central Sweden. The offices for sales, service and fitting are located in larger population centres around Norway, Sweden, Denmark, the United Kingdom, Germany, the Netherlands and Poland. Production in Norway and Sweden is of approximately the same volume, but the Swedish units export a greater proportion of their production than the Norwegian. Out of a total of 3 546 (3,492) employees at the end of 2017, 1,662 (1,625) work in Norway, 1 856 (1,839) in Sweden, 20 (19) in Denmark and 8 (9) in other countries.

Divisions

The Group is divided into three divisions: Timber, Wood and Building Systems, each of which focuses on one of the main segments of industry, trade and project. There is also an Other Businesses reporting area, which consists of the holding companies with group functions, supply businesses, fibre products and bioenergy companies.

Timber

The Timber division consists of 11 production companies and 5 sales offices, supplying industrial timber, components and chip products made from local spruce and pine. The customers are mainly industrial companies that buy intermediate products for their own production of construction timber, glulam, panels, flooring, mouldings, windows, packaging, board and paper products and for bioenergy. About 55 per cent of operating revenues come from Scandinavian customers. At the end of 2017, there were 650 (674) employees, 242 (235) of them in Norway, 400 (430) in Sweden and 8 (9) in other countries.

Wood

The Wood division comprises 18 production companies, 3 customer centres and one project sales company. The main products are white and impregnated building wood, external cladding, boards, length-adapted products and chip products, as well as interior products such as mouldings, flooring and interior panels. Wood also trades in purchased products. Around 75 per cent of timber and board production is sold through the building products trade and wood processing industry. Wood is one of the leading suppliers to the Scandinavian market and about 90 per cent of its operating revenues come from Scandinavian customers. At the end of 2017, there were 1 079 (1,039) employees, 586 (581) of them in Norway, 473 (439) in Sweden and 20 (19) in Denmark.

Building Systems

The Building Systems division consists of 7 production companies at 12 production locations and a number of sales, service and fitting offices. Building Systems is divided into the business areas Glulam, Building Modules and Interior System, all three of which are market leaders in Norway and Sweden. The division's building and contracting customers buy customised building modules, flexible interior solutions systems and associated services and advanced glulam structures. In addition to bridges and load-bearing structures, the glulam unit also has considerable sales of standard laminated timber beams through the building products trade, as well as components for the prefabricated house industry. Operating revenues are primarily from Scandinavian customers. At the end of 2017, there were 1 687 (1 647) employees, 783 (757) of them in Norway and 904 (890) in Sweden. In order to ensure adequate flexibility in production capacity to meet seasonal and economic fluctuations in the market, the divisions use hired workers to some extent. Hired workers are not included in the employee figures. Hiring is from staffing companies who comply with the EU temporary agency work directive, and this entails that hired personnel are ensured the same terms as if they were employed by Moelven.

Other Businesses

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 comprises the Group companies Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. In addition there is the affiliate Weda Skog AB. At the end of 2017, there were 130 (132) employees, 51 (52) of them in Norway and 79 (80) in Sweden.

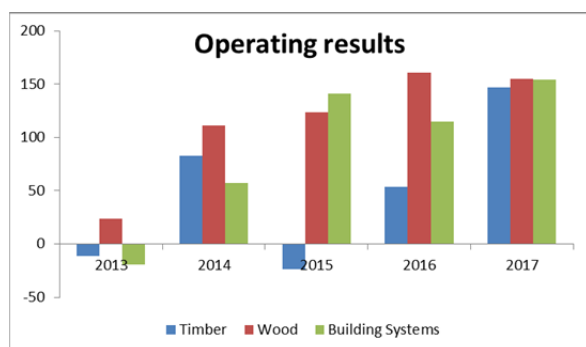
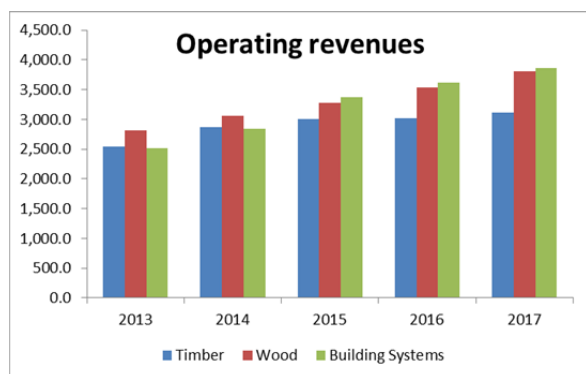
CORPORATE SOCIAL RESPONSIBILITY

The Board has processed and approved the Groups general strategy and guidelines relating to HSE, social responsibility, the environment and competition law.

The discussion of these areas is included in the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

OPERATING REVENUES AND RESULTS

Amounts in NOK million	2017	2016
Operating revenue	10,768.4	10,309.7
EBITDA	716.1	601.6
Avskrivninger and impairment	295.7	306.6
Driftsresultat	420.4	295.0
Profit before tax	373.6	252.5



Operating revenues in 2017 increased by 4.5 per cent compared to 2016. The main causes are increased sawn timber prices, a changed product mix in Wood, and a higher level of activity in Building Modules and Glulam. Operating income for the year including restructurings, increased by 42.4 per cent. The operating result for 2017 includes a charge from the third quarter of NOK 46.1 million. The background for the item is the decision to close Moelven Norsälven AB from the turn of the year, in addition to a resolved dispute related to a larger project in Building Systems. In 2016 a write-down of fixed assets was completed in

the Timber division amounting to NOK 16.5 million and a disparagement of the project portfolio in Building Systems amounting to NOK 40.0 million. Corrected for this, the increase in operating income was 32.7 per cent. The operating margin was improved to 3.9 per cent (2.9).

Overall, delivery volumes have been somewhat higher than the previous year. Increased prices for sawn timber and a change product mix to the building products trade further contributed to the increase in operating revenues compared to the previous year. In addition to its own production, the Group buys sawn timber externally. Price developments for sawn timber have thus also affected the Group's raw material costs. For the timber-consuming part of the Group, raw material costs in Sweden have been at the same level as the previous year throughout 2017, while the Norwegian units saw a certain increase in sawlog prices. Prices for wood chip and fibre products for the Swedish units have been at the same level as 2016. For the Norwegian units currency conditions and costs related to logistics had a certain negative effect in the second half of the year.

The FIFO principle requires that inventory calculations are adjusted in line with developments in raw material costs. Along with an update of real value assessments of inventory, this has provided a positive effect totalling NOK 39.7 million (9.0) for the year. The items do not have any impact on cash flow.

The accumulated financial result for 2017 is positively impacted by NOK 9.6 million as a result of a reversal of previously allocated warranty costs.

The Group employs financial instruments as a hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items connected to fair value adjustments on unrealised hedging instruments comprised NOK 4.7 million (14.6) Net financial expenses excluding changes in the value of financial instruments and recognized guarantee provisions were NOK 51,7 million in 2017, compared to NOK 57.0 million the previous year. Lower average net interest-bearing liabilities are the main reason for this.

Timber

Amounts in NOK million	2017	2016
Operating revenue	3,118.2	3,020.6
EBITDA	266.9	181.1
Avskrivninger and impairment	120.3	127.6
Driftsresultat	146.7	53.5
Profit before tax	129.3	40.4

Activity and demand in the Timber division's main markets was consistently good in 2017, with normal seasonal variations throughout the year. Both deliveries and production volumes increased compared to 2016. The figures for 2017 are affected both by production at Moelven Norsälven AB closing down in the fourth quarter, and that Moelven Tom Heurlin AB

was transferred to Wood as of 1 January 2017. Average prices also increased in 2017. Most of the exports take place from the division's Swedish units, and the bulk is settled in EUR. For 2017 as a whole, EUR has been stronger against SEK than in 2016. The UK is an important export market for Timber. Prices in GBP have increased, and compensate the majority of the margin shortfall as a result of the depreciation of the pound following the Brexit referendum. Deliveries to the Middle East, North Africa and Asia were somewhat reduced due to challenges related to sea transport and public regulations. The situation was largely resolved in the course of the second half of the year.

Operating conditions in 2017 were generally good, particularly in the first quarter with a milder winter than in 2016.

Several units have improved efficiency as a result of the ongoing improvement work. In Sweden both Moelven Notnäs AB and Moelven Valåsen AB have completed investment projects in 2017 to ensure competitive and future-oriented cost efficiency, and have achieved good results. On the Norwegian side, Moelven Våler AS and Moelven Løten AS have been administratively coordinated into one unit.

Several units remain that fail to generate satisfactory results, and improvement work to bring these up to acceptable profitability levels is central in the division's action and strategy plans. In all improvement work, as for the projects at Notnäs and Valåsen, much emphasis is on assessing how new technology may be adopted to ensure future-oriented development opportunities for the company with regard to capacity and value creation.

Timber stocks at the start of the year were satisfactory with regard to planned production levels for the winter of 2017. Access to timber in the first half of the year was normal for the season. In the second half of the year access was somewhat reduced in certain areas as a result of the wet autumn. The situation improved towards the end of the year, and at the end of 2017 timber stocks were satisfactory and on a par with the same time in 2016. For the Swedish units timber prices have been on a par with the previous year throughout 2017, while the Norwegian units have seen a slight increase in sawlog prices. Prices for wood chip and fibre products for the Swedish units have been at the same level as 2016. For the Norwegian units, currency conditions and costs related to logistics had a certain negative effect in the second half of the year.

Due to price developments the profits have seen a positive effect of a value adjustment to inventories totalling NOK 15.1 million. The corresponding price adjustment in 2016 was NOK -1.6 million. The result for 2017 includes impairment of fixed assets and cost provisions from the third quarter related to the closure of Moelven Norsälven AB totalling NOK 29.0 million.

In 2016 an impairment of NOK 16.5 million was carried out as a consequence of the restructuring of Moelven Tom Heurlin AB prior to transfer to the Wood division in the fourth quarter of 2016.

Wood

Amounts in NOK million	2017	2016
Operating revenue	3,805.6	3,529.9
EBITDA	265.7	274.5
Avskrivninger and impairment	110.9	113.8
Driftsresultat	154.8	160.6
Profit before tax	129.9	136.2

Around 80 per cent of the sawn timber and building products production of Wood is sold through the building products trade in Scandinavia. The remainder is mainly sold to industrial customers, both in the form of sawn timber, chip products and processed goods. Sales of custom products such as surface-treated or cut-to-length products are on the increase. Commissioning and building of new homes is at a high level in both countries. The same applies in renovation, conversion and extension, even after a certain decline related to the oil slowdown in Norway and changed tax rules for renovation, conversion and extension deductions in Sweden. In 2017 demand from the building products trade in Scandinavia was satisfactory. The increase in operating revenues is mainly due to a change in product mix and increased finished product prices. Raw material costs have also increased, and have made rationalization measures necessary in order to maintain results.

The planing mills in the division use mainly sawlogs as raw material, and raw material costs for these units have therefore increased as a result of the price developments for sawlogs.

Timber stocks at the start of the year were satisfactory with regard to planned production levels for the winter of 2017. Access to timber in the first half of the year was normal for the season. In the second half of the year access was somewhat reduced in certain areas as a result of the wet autumn. The situation improved towards the end of the year, and at the end of 2017 timber stocks were satisfactory and on a par with the same time in 2016. For the Swedish units sawlog prices have been on a par with the previous year throughout 2017, while the Norwegian units have seen a slight increase in sawlog prices. Prices for wood chip and fibre products for the Swedish units have been at the same level as 2016. For the Norwegian units, currency conditions and costs related to logistics had a certain negative effect in the second half of the year.

Due to price developments, the profits for 2017 have been credited with a price adjustment to inventories totalling NOK 24.6 million. The corresponding price adjustment in 2016 amounted to NOK 10.6 million.

Building Systems

Amounts in NOK million	2017	2016
Operating revenue	3,856.4	3,616.8
EBITDA	206.7	166.3
Avskrivninger and impairment	52.8	51.2
Driftsresultat	153.9	115.1
Profit before tax	152.3	113.4

Both activity levels and operating results improved compared to 2016. At the end of the year the order backlog for the division was good overall, but NOK 105 million less than at the same time the previous year. The increase in operating revenues compared to 2016 is due to increased activity in Glulam and Building Modules in both Norway and Sweden. The operating revenues for 2016 include NOK 268 million from the electrical installations business, which now has been completely discontinued.

The improvement in operating income compared to the previous year is mainly due to an improved result in Building Modules, in addition to income and expense corrections related to certain larger projects. Operating income for 2017 is charged with expense corrections totalling NOK 17.2 million as a result of a concluded dispute, and the operating income for 2016 is charged with income corrections totalling NOK 40 million as a result of a review of the project portfolio.

For Glulam 2017 has been a year of high activity and good demand for both standard glulam and projects in both Norway and Sweden. Delivery volumes increased compared to the corresponding period last year, and production capacity with the current business model is practically fully utilised. Partly due to increased emphasis on sustainability and increased knowledge about the fire properties of glulam and the opportunities it provides, demand for glulam for load bearing structures in different types of buildings is increasing. On the Swedish market there has nevertheless been significant pressure on prices due to strong competition.

In Building Modules activity has been good in all market segments in Sweden. Towards the end of the year there was a certain reduction in demand, but the level remains high. This applies in particular to the residential and project markets, although the demand for housing has dropped to more normal levels. Demand is also good for rental modules, but competition from foreign players is on the increase and contributes to pressure on prices.

In Norway the picture has been more complex. The market for Moelven's residential concept was consistently good throughout the year, while the market for projects and standard modules picked up in the course of the year as a consequence of increasing investment in infrastructure. In 2017 the operations in both Norway and Sweden have undertaken investments for continued specialization and industrialization of wood module production.

For Interior system – Moelven Modus – in 2017 the Norwegian market has been characterized by increased demand after the oil slowdown had braked the activity the previous year. In Sweden market activity has generally been high for some time, but the boom has led to the increased establishment of competing companies and pressure on prices. At the end of the year demand was good in both the new building and RCE- market, but with strong competition. The particularly applies to the major cities of Oslo, Stockholm, Gothenburg and Malmö. Increased focus and emphasis on sustainable and climate-smart solutions has contributed to an increase of interest in using wood as a building material and having visible wood in the finished projects among both architects and customers.

Other Businesses

Amounts in NOK million	2017	2016
Operating revenue	3,414.6	3,388.9
EBITDA	-23.2	-20.3
Avskrivninger and impairment	11.7	13.9
Driftsresultat	-34.9	-34.2
Profit before tax	-37.8	-37.6

Fluctuations in operating revenues in the area of Other Businesses are largely fluctuations in the level of activity within timber supply and sales of wood chips and energy products. The main activity is internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, train solutions have been established for the transport of these. The business is based on fixed agreements on both the customer and supplier sides.

INVESTMENTS, BALANCE SHEET AND FINANCING

In the course of 2017 development and improvement investments of NOK 126 million (71) have been made. Upgrades and maintenance investments were NOK 231 million (204), and overall investments for the year were NOK 357 million (275). The increase in investments in 2017 compared to 2016 is partly due to the investment program in the group's current strategy plan, and partly that postponed projects have been implemented. For the year as a whole depreciation amounted to NOK 295.7 million (306.6). The year's depreciations include an impairment of the fixed assets at Moelven Norsälven AB of NOK 17.6 million. The depreciations for 2016 include an impairment of the fixed assets at Moelven Tom Heurlin AB which was completed in the fourth quarter of NOK 16.5 million. At the turn of the year the book value of the group's total assets was NOK 5,044.6 million (4,766.8).

Cash flow from operating activities was NOK 676.2 million (NOK 421.5 million), corresponding to NOK 5.22 per share (NOK 3.25). Beyond the result and normal fluctuations in working capital items, the improvements compared to last year are mainly due to reduced working capital in projects. Cash flow from working capital items was NOK 48.7 million (-121.88).

Net interest-bearing liabilities were NOK 760.5 million (NOK 1 026.9 million) at the turn of the year. Financial leases are included in net interest-bearing liabilities in the amount of NOK 19.8 million (NOK 22.3 million). Cash reserves including short-term credit facilities were NOK 1 172.0 million (NOK 874.7 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 year amounted to NOK 2,092.5 million (NOK 1,813.4 million), equivalent to NOK 16.08 (NOK 13.95) per share. The equity ratio was 41.5 per cent (38.0 per cent). The dividend for 2016 of NOK 0.48 per share, totalling NOK 62.2 million, was paid and charged to equity in the second quarter. Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The extent and consequences of likely variations in exchange rates are within acceptable risk limits. Year to date the change is NOK 41.1 million (-67.3). Approximately half of the Group's assets are recognized in SEK. The total assets thus also change based on the exchange rate, and the equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

RISK

The Group's profits and balance sheet are affected by several external factors that can be influenced by Moelven to a greater or lesser extent.

For some of the risk areas that affect the Group, there are functioning financial markets where the risk of fluctuations can be reduced. This applies, for example, to interest rates, exchange rates and electricity. The Group's financial policy is that it is the industrial activities rather than financial transactions that shall create the conditions necessary for profitability. The main aim of the guidelines for the use of financial instruments is to reduce fluctuations and create more predictability. In other areas, such as raw materials, finished goods and projects, other methods of hedging risk must be used. As far as possible, fixed price contracts or index linking of contracts is used, for example. The Group's composition of units directed at different primary markets also has the effect of reducing risk. The primary markets are seldom affected by economic fluctuations at the same time, while the cost side can still benefit from economies of scale.

Sensitivity analysis		
Estimated change in operating profit and profit per share for one per cent change in price		
Factor	Δ Operating profit NOK mill	NOK per share
Operating profit		
Sawlog price - spruce and pine	25	0,19
Sawn timber price - spruce	11	0,08
Sawn timber price - pine	10	0,08
Chip and fibre product prices	5	0,04
Planed wood prices in Scandinavia	18	0,14
Laminated timber prices , standard dimensions	2	0,02
Electricity prices change 1€/MWh	0,7	0,01
Financial items		
Permanent change in NOK and SEK	7	0,05
Interest rate change +/- 100 b.p.	6	0,05

Ref. Note 5 to the financial statements for more information on financial items.

Prices of finished goods

The units of the Moelven Group operate in markets with free competition and many players. The creation of prices therefore occurs freely in the marketplace, and assuming unchanged volumes a change in process will affect the group as shown on the sensitivity table.

Sawlog prices

The Moelven Group's units annually use around 4.2 million cubic metres sawn spruce and pine in production. The total value is approximately NOK 2,500 million, including transport costs. Spruce and pine account for approximately equal portions of the round timber. Moelven does not own any forest, but buys all its timber from external suppliers. These suppliers are in turn dependent on functioning markets within an acceptable transport distance, as well as satisfactory price levels for both sawlogs and pulpwood. The cost of timber is by far the biggest single cost for the Group, and changes in timber prices have an immediate and substantial impact on margins. This involves both a price risk and a volume risk. The Group therefore focuses on entering into price agreements that as far

as possible correlate timber prices with expected changes in the price of finished goods.

Prices of chips and biomass

The price of cellulose chips and biomass, which come from saw and planing production in Timber and Wood, is of great significance for the Group's revenues. Even though work is constantly going on to improve the utilisation of raw material, only about half of each log becomes industrial timber after passing through a sawmill. The remaining half is cellulose chipping and sawdust, in addition to various dry fractions. Part of this is used for our own energy production, while the rest is sold to the particle board, bioenergy and fibre industries. Since a change in the profit margin for these products has a direct influence on the Group's results, the distance to the customers and access to efficient logistics solutions for road and rail transport are of great importance.

Electricity prices

The price of electric power is another important factor that affects the Group's profitability. About 230 GWh of electric power a year is bought via the Group's electricity suppliers on the Nasdaq OMX Commodities exchange.

According to the Group's finance policy, the need for electric power shall be secured against price fluctuations so as to ensure stability and predictability. The anticipated power requirement is hedged within stated maximum and minimum levels by trading futures on Nasdaq OMX with a 5 year maximum horizon.

Interest rate risk

The Group's net interest-bearing debt is subject to interest rate risk. The bulk of the debt in SEK, which is why interest rates in Sweden are most important for the development of the Group's interest expense. The Group companies will be financed with loans from the parent company. All external borrowing is done by the parent company, which also makes hedging in accordance with financial policy. The hedging instruments that can be used are ordinary interest rate swaps, FRAs and composite swaps of types that are normally used for such purposes. The extent of hedging is measured in terms of the combined duration of outstanding debt and hedging arrangements. The total duration should be minimum 12 months and maximum 60 months and shall not be entered into hedging agreements with a maturity of more than 10 years.

Exchange rate risk

About 15 per cent of the Group's operating revenues come from markets outside Scandinavia and carry exchange rate risks.

Additionally, there is significant internal and external trade within the group with both raw materials and finished products between Sweden and Norway. The most important currency crosses are EUR/SEK, GBP/SEK, SEK/NOK and EUR/NOK. Moelven uses forward contracts to counteract large cash flow

fluctuations as a result of variations in exchange rates. Because of the hedging strategy that has been chosen, changes must be long-term so as to have the full effect on the Group's profitability, and during the hedging period operational adaptations may be made to compensate for the external changes. During the hedging period, operational adaptations may be made to compensate for the external changes. About half of the Group's total balance sheet is connected to activities in Sweden. The balance sheet figures will therefore be affected by the prevailing exchange rate between the Swedish and Norwegian kroner. A large part of equity is secured against this in that share investment in most of the Group's Swedish subsidiaries is financed in Swedish krona. At the end of 2017, the total equity that is exposed to exchange rate risk amounted to SEK 1,028.7 million (SEK 804.9 million).

Credit risk

It is the Group's policy that credit sales over a certain size shall be secured in the form of either guarantees or credit insurance. In practice, credit insurance is used most. There are internal guidelines and follow-up routines for unsecured sales, which only occur when no other security is possible.

Liquidity risk

The Group's foreign capital financing consists of the long-term credit facility with a total ceiling of NOK 850 million and SEK 750 million. Once the loan agreement's option to extend the term was used in the second quarter of 2017, maturity is in June 2020 with the possibility for a further extension of one year until June 2021.

The loan agreement includes normal default clauses with regard to dividends, equity, net equity value and debt ratio. As at 31 December 2017, the Group's key figures were better than the levels at which the default clauses are triggered. In addition to the long-term drawing facilities, the group also has short term credit facilities in its bank systems, amounting altogether to about NOK 312 million, which is renewed annually.

Risk of damage and interruption to production

The Group has a policy for industrial insurance that is centrally managed and which is followed by all companies. This policy gives guidelines for insurance cover, preventive measures, risk review and preparation of continuity plans. The continuity plans become key plans if a fire/damage should occur. The plans cover immediate efforts, disaster management and the ability to continue deliveries to customers. Through its industrial insurance, the Group is covered for financial loss exceeding NOK 3 million per individual claim.

IT

In an increasingly connected world with increasing digitization both in general in society but also in businesses like Moelven, an ongoing assessment of IT risk is important. Interconnected value chains increase efficiency, productivity and quality, but also increase

vulnerability to digital service outages. With increasing threats both domestically and internationally and recent years' media reported incidents following IT attacks against businesses and public institutions, Moelven devoted extra attention to IT security and risk last year. Moelven follows basic principles of IT security, and constantly works to identify and monitor risks, protect systems and data, maintain IT security and prepare and manage any incidents and recover from these.

Risk of loss of reputation

Moelven places great emphasis on maintaining a good reputation. This is measured regularly using a brand survey that is conducted by external partners. There is financial risk linked to any loss of Moelven's reputation. The reputation risk is not quantified. Openness is what characterises the way the Group relates outwardly to society and the media and inwardly to employees of the Group. This applies whether it concerns positive or negative circumstances for Moelven, in line with Moelven's brand platform.

Risk of loss of environmental costs

The activities of the Moelven Group follow the prevailing legislation and regulations with regard to emissions and waste management. The Group has made provisions in the accounts for all known obligations in connection with environmental protection. The purpose of the Group's environmental policies is to minimize the risk of negative impact on the natural environment and thus the potential environmental cost as well.

From 2017 the group has intensified focus on sustainability with an aim to be climate positive.

EMPLOYEES, HEALTH, SAFETY AND THE ENVIRONMENT

For a detailed description of the HSE area, please refer to the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

EFFECT ON THE EXTERNAL ENVIRONMENT

For a detailed description of how the group's activities impact the external environment, please refer to the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

INNOVATION

Innovation is defined as the entire process from an idea arises until the customer has bought a new product that represents an added value, or a new production process is implemented.

Moelven's innovation focus is mainly to engage in development and innovation linked to a specific application of a product or in a production process. The group does itself engage in basic research, but

participates in projects where this is deemed appropriate. The R&D projects must contribute to strengthen the various business areas in the group and reduce business risk. This may also entail participation in innovation projects outside of our own value chain, but in projects that support Moelven's operations and opportunities for growth. One example is the ongoing project at Moelven Töreboda AB to develop and improve building systems and acoustics in tall wooden buildings. The project is being carried out in cooperation with Företagsforskarskolen Prowood, where the purpose is to support and increase the competitive strength of the Swedish timber industry. Two doctoral fellows have been hired for the project, which gives the business unique access to the remaining academic community.

In order for the group's mission statement to "give people good rooms" is to be upheld over time, it is essential that products and processes continuously develop in step with the outside world. Responsibility for is with corporate management. The group must facilitate innovation and provide resources, support and coordination. The innovation processes are conducted in the individual business areas where expertise is greatest. Where there are larger parts of the Moelven group that will benefit from the innovation area, joint projects are carried out.

Norwegian Wood Cluster SA (NWC) is a newly-established industrial cluster in the forestry and timber industry value chain. NWC is owned by Hunton Fiber AS, Forestia AS, Boligpartner AS, Moelven Industrier ASA, Gausdal Bruvoll SA, Mjøsen Skog SA, Glommen Skog SA, Statskog SF and NTNU.

Operations started up on 1 September 2017 when the newly-appointed cluster manager Engebret Dæhlin took up position. NWC has offices in Mustad Industrial Park in Gjøvik.

In the start-up phase a significant proportion of the cluster manager's activity and focus has been to get to know and build relations among both the cluster members and prioritized external stakeholders, as well as within the timber industry in general. A strategy has been adopted for NWC with the following prioritized target areas:

- Strengthened employee expertise
- Strengthened R&D expertise
- Increased degree of advanced industrialization
- More research- and market-based innovation

This forms the basis of the cluster's activities and projects that will be implemented throughout 2018. Moelven's participation in Norwegian Wood Cluster will provide us with a platform for development along with other players and be an important contribution to the group's R&D work going forward.

Product development and innovation

The laminated timber area has been at the forefront of developing new products and technical solutions for many years. The more than 80 meters tall Mjøstårnet is under construction in Brumunddal. Mjøstårnet will be the world's tallest wooden building, and is a result of expertise that has been developed through many years in joints, oscillation, dynamics and fire resistance. The Trä8 system, which is a key component of Mjøstårnet, has been under development at Moelven Töreboda AB for several years. Trä8 is a glulam-based building system for tall wooden buildings. In addition to the actual glulam structure, the system takes into account modern requirements with regard to fire safety, acoustics and engineering methods. The structures in Mjøstårnet are scaled to withstand a full fire in a fire cell without causing the building to collapse.



«Mjøstårnet» in Brumunddal is already before completion the world's tallest wooden building. When completed, the building will be more than 80 meters tall and an international landmark building. (Photo: Rune F. Andersen)

In Timber the company Moelven Profil AS produces parts for door and window systems from pine and spruce. In recent years demand for heartwood parts has increased by 30%. In order to accommodate the market, the company has established the "heartwood project." The heartwood project is a pilot project that aims to apply new X-ray technology to determine the heartwood proportion in pine. The project has received financial support from Innovation Norway.

In Wood product development is of great importance in order for the choice of products to both follow the shifting market trends and satisfy requirements toward quality and functionality.

The goal is to offer customers the market's best, most diverse and most modern product range in wood. Innovation work is divided into two main directions. One aims to develop modern products that contribute towards inspiration and new trends at the end-user.

Development may focus both on design, use of material, environmental properties and degree of processing. One example is surface-treated cladding where demand has increased rapidly. Because surface treatment takes place industrially and in a controlled environment, the production process becomes more environmentally sustainable while also providing more added values for the end user. The other main direction aims to simplify work with the products at the building site. Examples of such solutions are preprocessed internal panels with concealed nails, various floor solutions, sheet products with reduced widths to ease handling, ready cut lengths, etc.

Product development and innovation

The Moelven group continually works to rationalize and improve processes at all stages from purchasing to finished product. For the project part of the glulam business, the use of new technology to process individual elements in the load-bearing structures is a precondition to provide complex, high-quality systems. For the part of glulam that is directed at the building products trade and for the processing units in Wood, the logistics systems are of great importance. Reduced costs and the environmental impact of efficient transport are important. The customers' access to a wide range of products with short delivery times must be ensured.

For the timber-consuming units in Timber and Wood, it is primarily the optimisation of the production processes that is of key importance. The goal of safeguarding the values inherent in the raw materials is the key with regard to both environmental and financial sustainability. The use of X-ray photography, camera sorting and mechanical strength sorting are tools that contribute to optimizing raw material utilization. At Moelven Valåsen AB a two year project is ongoing called "The smart digital sawmill," where the objective is to increase the level of digitization in the sawmill to increase the recovery factor, increase capacity by reducing the number of production stops and reduce energy consumption. This is done by increasing the number of sensors in production and connecting these in order to further utilize data. In the project at Valåsen, Moelven has actively focused on ensuring that infrastructure, systems, data and patterns that are developed and put into operation are documented, centralized and owned by Moelven such that these may be developed by ourselves and not least deployed at other units in Moelven Industrier. The group has therefore chosen to use sensor technology and tools for capture, advanced analysis and machine learning from well-known and market leading manufacturers. This thus supports an architecture and strategy where all of Moelven's companies may benefit from and take part in the results and technology the project has built the first stage of. Further development and deployment is planned for the second half of 2018. In 2017 a new control system was employed at several units for operator visualization and control. This has resulted in improved efficiency and productivity.

Furthermore, a pilot project has been established for the implementation of a common maintenance system. Here too, the purpose is to standardize and coordinate this type of work to a greater extent. Next to profitability improvements from the actual improvement work at each individual unit, this work is about exploiting the overall expertise the group possesses, to share this across units and standardize the solutions that provide the best result.

For the module and interior businesses it is important to exploit the competitive advantage inherent in the module concept rather than traditional building concepts: Industrial production of the modules indoors and shorter overall building time because several processes can take place simultaneously, and the modules can be quickly assembled at the building site. Development and refinement of technical solutions for production, connection of technical installations and assembly at the building site is important to operate profitable industrial production of module-based building solutions, and to exploit the advantages the concept provides. In connection with the conversion of Moelven Byggmodul AB's production facility in Säffle, new and improved production equipment was developed in cooperation with local suppliers. Besides capacity and efficiency improvements, the utilization of robot technology has enabled major improvements in HSE and logistics. The project, which has been very successful, was completed in the spring of 2017 and was the reason Moelven Byggmodul AB was named "Lean builder of the year" at Byggegalan in Stockholm on 27 March. The award is presented by Lean Forum Bygg and the Byggindustrin journal.

The industrial mindset that has formed the basis of the project in Säffle is used as a template for future similar investment projects.



Moelven Byggmodul AB in Säffle was named «Lean builder of the year» at Byggegalan in Stockholm on 27 March. The award is presented by Lean Forum Bygg and the Byggindustrin journal. (Photo: Tommy Hellström)

ALLOCATION OF THE NET PROFIT FOR THE YEAR

The Board of Directors' dividend policy is based on Moelven's shareholders receiving a predictable and satisfactory cash return on their share investment. The policy provides guidelines for how much of the profit, or of distributable equity in years with a loss, shall be distributed as a dividend. The Group's net profit for

2017 was NOK 293.0 million (179.1). The equity ratio was 41.5 per cent (38.0 per cent). The Group has adequate equity to disburse a dividend in accordance with the applicable dividend policy. Based on the results for 2017 and taking into account the normal seasonal variations in the Group's employed capital and equity ratio, the Board proposes a dividend of NOK 0.68 per share to the annual general meeting. This totals NOK 88,088,073.

The parent company Moelven Industrier ASA, which distributes a dividend for the Group, had a net profit of NOK 120.2 million for the year in 2017 after the receipt of group contributions and share dividends from subsidiaries. The company will have sufficient distributable equity and liquidity for the distribution of the dividend at the adjusted time for the decision on dividends.

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that affects the accounts that have been presented.

GOING CONCERN ASSUMPTION

In accordance with the requirements in the Norwegian accounting legislation, the Board of Directors confirms that the prerequisites have been met for preparation of the accounts under the assumption that the Company will continue as a going concern and that the annual accounts have been prepared under this assumption.

OUTLOOK

The growth in the global economy is continuing. In Norway the mainland economy is approaching normal levels after a period of poor developments. In Sweden activity levels remain high, even though the strong growth is showing signs of levelling off in certain markets. The rest of Europe continues with a marginal positive growth rate. In the USA the economy is still improving, although the growth rate is somewhat lower than previously. Moelven has only occasional deliveries to the United States, but the group nevertheless sees a positive effect from an improved global market balance. Growth in China is declining, while there are indications of higher activity in the rest of Asia. The Middle East and North Africa are still characterized by unrest and regulations from public authorities that complicate international trade. However, the underlying demand is good in the latter markets.

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

The currency situation continues to contribute to maintain competitive ability in export markets, particularly for the Group's Swedish businesses where trading is in EUR or USD. Prices in GBP have increased, and thus compensate some of the margin shortfall as a result of the depreciation of the pound following the Brexit referendum.

In Norway demand for processed products is expected to remain on a par with 2017, albeit with regional

differences. Building activity in and around the major cities, with the exception of south-west Norway, is expected to remain high. In Sweden the need for new homes remains high and activity in the new building market is strong, but growth is showing signs of levelling off. Activity in the renovation, conversion and extension market remains good. No major changes are expected in the markets, and the Swedish market is expected to be at the same level as 2017 overall. Timber inventories and access to timber at the start 2018 are acceptable with regard to planned production. For glulam it is expected that the positive trend of choosing wood for load bearing structures will continue. In both Norway and Sweden demand is good for module-based buildings for housing purposes. Demands toward short construction times are increasing. This applies equally to homes, schools and care facilities. In Sweden the market for system interiors is strong in the areas around Stockholm, Gothenburg and Malmö. On the Norwegian side of the border the market in the Oslo region is strong. In the rest of the country the

market for new commercial buildings is showing signs of improvement following a slow period. Good activity is expected to continue in Norway and Sweden in renovation, conversion and extension. The Group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides the Group with a good starting point for further improvements. For 2018 the board expects activity levels and results comparable to 2017. Return on employed capital was 14.2 per cent in 2017, which is a marked improvement from 9.9 per cent in 2016. The group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. The programme for operational improvement and structuring of the Group in line with the long-term strategy plan therefore continues unabated and will contribute to continued improved profitability for the underlying operations. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to develop the Group in line with the strategy plan.

Moelv, 14 March 2018
The Board of Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Ingvild Storås

Trond Stangeby
Deputy chair

Elisabeth Krokeide

Asbjørn Bjørnstad

Martin Fauchald

Lars Håkan Karlsson

Morten Kristiansen
CEO

Corporate governance

Corporate governance at the Moelven Group is based on the current Norwegian recommendation for corporate governance of October 2014. The recommendation is available in its entirety at www.nues.no

The list below gives references to where the points required by section 3-3b of the Norwegian Accounting Act may be found.

Requirements in accordance with section 3-3b of the Norwegian Accounting Act	Reference to Report on corporate governance at Moelven 1:
1: A statement of the recommendation and regulations on corporate governance that the company is comprised of or otherwise chooses to follow.	Introduction to the report Point 1. Report on corporate governance
2: Information about where the recommendations and regulations mentioned in No. 1 are publicly available.	Point 1 Report on corporate governance:
3: Reasons for any deviations from the recommendations and regulations mentioned in No. 1.	There is one deviation from the recommendation. This is described in Points 9.
4: A description of the main elements in the company's, and for accountants who prepare consolidated accounts also the group's, systems for internal control and risk management connected to the accounts reporting process.	Point 10 Risk management and internal control
5: Clauses in the articles of association that wholly or partly extend or deviate from the provisions of chapter 5 of the Public Limited Company Act.	No such clauses exist. The articles of association are published on www.moelven.no and are also included in the notice of the annual general meeting as an attachment.
6: Composition of the board, Corporate Assembly, supervisory council and audit committee, any working groups for these bodies, as well as a description of the main elements of prevailing instructions and guidelines for the work of these bodies and any working groups.	Point 8 Corporate Assembly and board, composition and impartiality. Point 9 The work of the board
7: Clauses that regulate the appointment and replacement of board members.	Point 8 Corporate Assembly and board, composition and impartiality.
8: Clauses and authorities that enable the board to decide that the company shall buy back or issue own shares or capital certificates.	Point 3 Share capital and dividends

1. Report on corporate governance

In accordance with the Public Limited Company Act it is the board of the company that is responsible for ensuring the proper organisation of the business and administration of the company. Moelven has a number of independent legal entities that are organised as limited companies in several countries. In accordance with company law in the respective companies, the boards of these companies have a corresponding responsibility for the individual entity as the board of directors has for the parent company and the group as a whole. The groups activities are based on Scandinavian values. The basic values sustainability, reliability and using the opportunities that arise have become over time a natural part of the company culture. They also form the basis for the company's guidelines on social responsibility, ethics, anti-corruption, HSE, employment conditions etc. A complete summary of the guidelines adopted by the board is given in point 10.

2. Business activities

In accordance with the company's articles of association, the company's purpose is fabrication and activities that are associated with this, trade and other financial activities, as well as participation in other companies by means of share subscription and other means. The board emphasises long-term, sustainable development and lays down in the group's strategic plan that the main focus in future shall be the improvement and further development of existing activities. The group has passed the critical size that is necessary to assert itself in competition. Quality shall be prioritised ahead of size and is an essential basis for both profitability and further growth. Both solidity and financing are satisfactory and give the necessary room for manoeuvre. The company's activities, objectives and main strategies are described in detail in the board's annual report.

3. Share capital and dividends

At the end of 2017, equity in the parent company Moelven Industrier ASA was NOK 810.1 million (NOK 778.6 million). For the group as a whole, equity was NOK 2,092.5 million (NOK 1,813.4 million). The equity ratio was 41.5 per cent (38.0 per cent). The board's objective is a minimum of 40 per cent, a level that in the opinion of the board is appropriate in light of the economic fluctuations that have been seen in recent years. The board has adopted a dividend policy that is in line with the provisions of the shareholders' agreement between the company's six largest owners, who together represent 99.6 per cent of all shares. Given that considerations of the company's financial position and other sources of capital are satisfactorily safeguarded, the main rule of dividend policy is a cash dividend corresponding to 50 per cent of profit after tax, although a minimum of NOK 0.40 per share. The board is not authorised to perform capital increases or buy own shares.

On 26 April 2016 the General Meeting decided to issue a dividend of NOK 0.48 per share, or NOK 62,179,816 in total. The dividend was paid out prime May 2017. Based on the annual net profit for 2017 and having considered the normal seasonal variations in the Group's working capital needs and equity ratio, the board proposes to issue a dividend of NOK 0.68 per share, or NOK 88,088,073 in total. The parent company, Moelven Industrier ASA, which will distribute the dividend on behalf of the Group, posted annual net profit of NOK 120.2 million in 2017, including group contributions and dividends from subsidiaries.

4. Equal treatment of shareholders and transactions with related parties

The share capital of Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5. The company owns 1,100 of its own shares. The company is not listed on the stock exchange. In total, the shares are distributed among approximately 900 shareholders. The six largest shareholders, Glommen Skog SA (29.1 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.8 per cent) and AT Skog SA (7.3 per cent) together control 99.6 per cent. Most of the remaining 0.4 per cent is owned by private individuals. A number of shareholders' agreements have been entered into between the six largest shareholders. Among other things, these determine that the company must be run as an independent unit with a long-term perspective and with continued focus on Scandinavia as the main market. The agreements also contain clauses regarding the composition of the board, dividend policy, strategic focus areas and share transfer. 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. Of Moelven's total purchasing requirement of approximately 4.2 million m³ measured under bark, approximately 40 per cent comes from the Norwegian forest owner cooperatives

that are also shareholders. The Moelven group also supplies biofuel to a bioenergy plant owned by Eidsiva Energi AS. Eidsiva Energi Marked AS trades electric power to Moelven's Norwegian industrial operations. All these transactions are performed in areas where there are observable market prices and the arm's length principle is applied. Where other suppliers can offer better prices or terms, these will be chosen.

Moelven's supply of energy raw materials to Eidsiva's bioenergy plant represents between 60 and 70 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is around 40 GWh.

The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 230 GWh. Moelven has a long tradition of running its operations in accordance with the laws and ethical guidelines of the industry with 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.

5. Free marketability

The articles of association do not place any form of limitation on trading in the company's shares. The shares may be freely traded to the extent that individual shareholders have not made undertakings to other shareholders. The shareholder's agreements contain clauses regarding first option and tag-along rights. Since the company is not listed and the six largest shareholders together own 99.6 per cent of the shares, there is little trading in shares.

6. Annual General Meeting

The notice of the general meeting, the content of the notification and accessibility of documentation follow the requirements set by the Public Limited Company Act and the regulations on general meetings. Facilitation is made for the general meeting to be able to vote for every single candidate to be elected by the shareholders to the Corporate Assembly. The employees of the group hold their own election of employee representatives on the Corporate Assembly. The chairman of the board, the chairman of the Corporate Assembly and the auditor attend the general meeting. Traditionally, the chairman of the Corporate Assembly has been elected to chair the general meeting. The procedures for attending and voting by proxy are described in the notification. Since 99.6 per cent of the shares are controlled by the six largest shareholders, there has not been a need to prepare guidelines to ensure an independent chair of the annual general meeting or to appoint a person who can vote for the shareholders as a proxy.

7. Nominating committee and compensation committee

The annual general meeting annually elects a nominating committee consisting of up to five representatives of the shareholders and adopts guidelines for the nominating committee's work. The

annual general meeting has adopted guidelines for the nomination committee that regulate the committee's composition and period of service. The members of the nominating committee must be independent of the company's board and senior executives. The nominating committee keeps the corporate assembly informed of its work on a regular basis. It is thereby considered that sufficient facilitation is in place to allow shareholders to propose candidates to the nominating committee.

The nominating committee submits the following proposals:

- Proposal to the annual general meeting regarding the election of shareholder-elected members and deputy members to the Corporate Assembly and remuneration to the members and deputy members of the Corporate Assembly.
- Proposal to the Corporate Assembly regarding the election of the chairman and deputy of the Corporate Assembly. to the Corporate Assembly regarding the election of the chairman and deputy of the Board of Directors.
- Proposal to the Corporate Assembly regarding election of shareholder-elected members and deputy members to the Board of Directors.

The proposals must include information about the candidates' expertise, capacity and impartiality. The guidelines for the nominating committee specify that the governing bodies must be composed based on an overall assessment of the company's need for expertise, capacity and balanced decisions that safeguard the interests of shareholders.

The remuneration committee consists of the nominating committee, complemented by a representative designated by the employee-elected members of the Corporate Assembly. The remuneration committee submits a proposal to the annual general meeting on determining remuneration for the members of the Corporate Assembly and to the Corporate Assembly on determining remuneration for the Board of Directors. Remuneration to the Board and Corporate Assembly shall not be performance-based.

8. Corporate Assembly and board, composition and impartiality.

The Corporate Assembly has 12 members, four of whom are elected among and by the employees. The company's six largest shareholders, who together control 99.6 per cent of the shares, are all represented in the Corporate Assembly. The members of the board of Moelven Industrier ASA are elected by the Corporate Assembly, normally for 1 year at a time. Three Corporate Assembly meetings are held annually. The board has seven members, five of them shareholder-elected and two representatives of the employees. The employees also elect one deputy representative, who

attends board meetings. The chair and deputy chair of the board are independent of the company's main shareholders and are appointed by the Corporate Assembly. One of the other three shareholder-elected board members is connected with the company's main shareholders. The shareholder's agreements include provisions relating to the election of the chair and shareholder-elected board members. The representatives of the employees are independent of the company's general management. No senior executives are members of the board. Two of the five shareholder-elected board members are women. The proportion of female employees in the group is 11.0 per cent (11.0). The rules on gender representation do not therefore apply to the employees' representatives. The composition of the board thereby satisfies the requirements regarding gender representation on the board. Apart from the employees' representatives on the board, only one board member receives remuneration other than directors' fees from the company. This amounts to NOK 50,000 and relates to winding up an appointment in France. Contact information for the board members is published on the company's website. Through the guidelines for the work of the nominating committee, which are described under point 7, the main shareholders are assured good knowledge of the board members' background and general competence. With the existing ownership structure, therefore, no further information is given. From experience, non-attendance at board meetings is exceptional.

9. The work of the board

The board's administration of the company follows the provisions of the Public Limited Company Act. Instructions have been determined for the board of Moelven Industrier ASA that give guidelines for the board's work. Every meeting reviews the monthly reporting of operational developments, financial data and HSE statistics for the group. There is also the following schedule of work for every calendar year:

- January: Report for fourth quarter of preceding year. Review and evaluation of group guidelines and policies, including risk management and internal control.
- March: Annual accounts with notes and annual report for preceding year.
- April: Report for first quarter and preparation for ordinary general meeting.
- June: Status reporting and strategic discussions.
- August: Report for first six months.
- Recapitulation of strategic discussions with summary of ongoing strategic discussions throughout the year.
- October: Report for third quarter and strategy plan as finished document.
- December: Business plan and budget for the coming year.

The chair of the board is independent of the company's main shareholders. The board has not addressed issues of a material nature in which the chair is or has been a party. According to the rules of procedure, the board members must not participate in the consideration or decision of issues that are of particular importance to themselves or to any related parties that must be considered to have major personal or financial interest in the matter. The same applies to the CEO. By related parties it is also understood companies in which the board member represents ownership interests. Self-evaluation of the work of the board is normally performed at the beginning of every year. The board uses committees as needed. Based on an assessment of risk conditions and the need for control, as well as ownership structure, it has been decided to deviate from the NUES recommendation and allow the complete board function as an audit committee. The board only determines remuneration for the President and CEO. Remuneration for the remainder of management is determined by the President and CEO in line with guidelines adopted by the board. There are no option programmes or share-based payments for senior executives. The task of the board in respect of compensation is therefore limited and no separate compensation committee has been set up in the board. In addition to board members, the CEO, CFO and board secretary normally also attend normal board meetings. Other representatives of the administration, the divisions or auditor attend as needed. The board has determined instructions for the work of the CEO. Group management consists of the CEO and the managing director of each division. Group management and the directors of the group's shared services attend group management meetings. For more information about governing bodies and group management, refer to the notes to the annual accounts.

10. Risk management and internal control

All units within the group have individual, local responsibility and operate as independent parts of a coordinated network that is characterised by openness and cooperation. Risk management and internal control are tailored for the organisational model. The local company management and the boards of the individual companies follow up on risk management and internal control in accordance with prevailing laws and regulations. There are also control functions at divisional and group level, as well as in individual companies where the nature of the business leads to increased risk of faults, non-compliance or irregularities.

Because of the scope of activities, it has been decided to limit reporting to the board to a focus on group, divisions and competitive arenas, as well as selected key figures and non-compliance reporting by unit. In connection with annual strategy and budget activities, the board reviews the group's most important risk areas. If needed, and based on the annual risk assessment, the group's reporting and control routines are adapted so that identified risks can be satisfactorily covered. In addition to established internal rules and

routines, the internal control is largely based on the internal control environment. This environment includes people at all levels of the company. It covers integrity, ethical values, competence, management philosophy, form of operation, organisational structure, distribution of responsibility and authority and personnel policy. The board and management place great emphasis on communicating the established basic position to risk management out in the organisation.

All units close their accounts monthly and report to the parent company on the third working day of the following month. Reporting occurs in accordance with standardised systems and common guidelines so as to ensure consistency and the greatest possible comparability right across all units. An important control measure that follows naturally from the management and organisational model is the monthly benchmark and consolidated data report from the group to the reporting units. The same monthly report that is sent to the board is also sent back to company management in each individual company. In this way, many are involved in control and follow-up of management and governing data. The reporting cycle supports the feeling of responsibility, not just for the results of one's own unit, but also for the divisions and group as a whole. The board considers that this reporting and control environment gives satisfactory control of the business.

The board has reviewed and approved the following general guidelines:

- Instructions to the board and general manager of Moelven Industrier ASA
- Moelven's financial policy
- Moelven's dividend policy
- Moelven's guidelines for compliance with competition law
- Moelven's insurance and risk strategy - general insurance
- Moelven's environmental policy
- Moelven's code of conduct

The Board is also informed of the group's other guidelines, which combined with the guidelines adopted by the Board, comprise the basis for the Group's code of conduct:

- Moelven's brand platform
- HSE manual
- Staff regulations
- Policy for an open company culture
- Policy on alcohol and drugs
- Data discipline instructions
- Policy for social media
- Brand and communication strategy
- Guidelines for transfer pricing between companies
- Dealing with internal irregularities

11. Remuneration to the board

Remuneration to the board is decided annually by the Corporate Assembly. The remuneration to board

members is a fixed amount that is determined in advance and is independent of profits. No option or share based remuneration is used and neither are there any other incentive schemes. For further information about directors' fees and any remuneration other than fees to board members, refer to the notes to the accounts.

12. Remuneration to senior executives

The board determines the CEO's salary. There are no option or share based payments. Principles and ceilings have been determined for profits-related payment within the group. Among other things, it has been determined that agreements of profits-related remuneration shall have a duration of a maximum of one year at a time and that such remuneration shall have an upper ceiling. The board's declaration on management salaries, including guidelines for determining remuneration to senior executives, is presented to the annual general meeting as a separate document. The annual general meeting adopts each of the guidelines separately. For further information about remuneration to group management, refer to the notes to the annual accounts.

13. Information and communication

The board determines the group's financial calendar annually; this is published in the annual report and on

the company's website. The group's quarterly and annual reports are primarily published on the internet, but are also sent by post on request. The board has established a practice of organising annual owners' meetings so as to create an arena for the exchange of information and discussion between the owners. It has not been found necessary to establish guidelines for these.

14. Company takeover

The company is not listed and there is a shareholders' agreement between the six largest shareholders, who together own 99.6 per cent of the shares, that regulates the transfer of shares, among other things. No guidelines have therefore been prepared for the board in connection with any takeover bid.

15. Auditor

The auditor has annual meetings with the board without administration being present. The auditor also participates in board meetings when the annual accounts are discussed. The auditor also presents the audit plan, summaries following interim audits of the subsidiaries and central risk areas and the group's handling of these.

Remuneration to the auditor, expressed as statutory audit and other services, appears in a separate note to the annual accounts.

Moelv 14 March 2018

The Board of Directors of Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Ingvild Storås

Elisabeth Krokeide

Trond Stangeby
Deputy chair

Asbjørn Bjørnstad

Martin Fauchald

Lars Håkan Karlsson

Morten Kristiansen
CEO

*“The future is built from
wood”*

Sustainability Report
2017

MOELVEN

Sustainability – the recurring theme from vision to strategy

“The **natural** choice for people building and living the Scandinavian way”

- *Moelven’s vision*

Moelven’s operations are based on managing forestry resources and producing sustainable products and renewable energy. Moelven’s basis is that all development, construction and operations must be sustainable, and that stringent requirements apply towards health, safety and the environment for all of our employees and those who are affected by our operations.

Moelven’s vision, mission, values and human resource ideal are the foundation for all of our employees and the strategic choices that are taken. Sustainability permeates this from the top down. Sustainability is one of our values, and a new Group strategy established in 2017 further emphasizes that sustainability must permeate all strategic efforts.

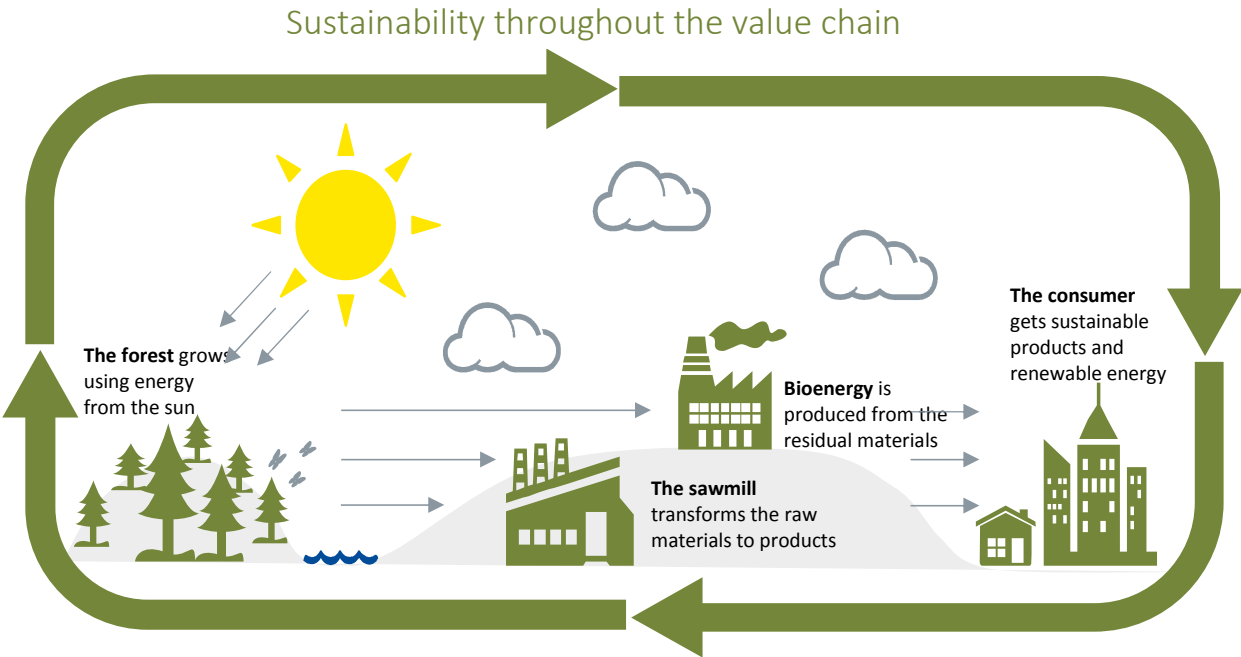
Our vision –The natural choice for people building and living the Scandinavian way

Our mission – Supplying quality rooms

Our values – Sustainable , reliable, uses opportunities

Our human resources ideal – Moelven provides opportunities for people with the drive to succeed

A growing global market which comes with constantly more stringent environmental requirements, gives Moelven’s wood-based products excellent prospects for future growth. Moelven’s main activities are based on managing forestry resources and producing sustainable products and renewable energy. Moelven has a presence in the entire value chain through harvesting, processing, energy production, product development, infrastructure development and construction and housing projects. The Group therefore has the possibility to ensure that the supplied products are manufactured in a sustainable manner throughout the value chain.





Moelven's values

SUSTAINABLE

Moelven has respect for people and the environment. We base our activities on renewable resources and have turned sustainability and the long-term view into our competitive advantage. There is a strong desire to take responsibility for our environment.

RELIABLE

Moelven can be trusted. We deliver at the agreed time and with the right quality. There is a strong focus on openness and honesty – being able to admit to weaknesses and mistakes is the basis for progress and trust.

EXPLOITING OPPORTUNITIES

Moelven seeks solutions. The Group has the abilities and resources to be a leader in product development and creativity. We have always been a company at the forefront, exploiting opportunities that changing times afford.

The background of the page is a photograph of a large stack of cut logs. The logs are stacked in a way that shows their circular cross-sections, revealing the natural wood grain. Some logs have bright pink or red markings on their ends. The stack is piled high, and the top of the logs is visible against a clear, light blue sky. A semi-transparent green rectangular box is positioned in the upper-middle part of the image, containing white text. Another smaller green box is below it, containing white text.

Mission – Give people quality spaces

Since 1899 Moelven has successively produced cartwheels, barracks, ship cranes, agricultural appliances, homes, modules and a number of different input factors for both new buildings and renovation. Looking back, we see a wide range of products and services, but a recurring feature is the use of wood in combination with engineering expertise, innovation and sustainability. But what do we see when we look ahead? What will we produce next year – in 5 years – or in 10 years? There are some products we are fairly certain that we will be producing in 10 years too. Just as surely, there are some products that will be gone, and new products will arrive. Products that we currently are unaware of, but which will be important to us. In many ways, this is Moelven: We develop products ourselves and are driven by customers and partners who see new needs and new challenges. This is why we don't know what we'll be producing a few years ahead in time.

What we can say is this: We want to contribute to build good spaces – indoors and outdoors. Good spaces come into being through cooperation between customers, architects designers and not least end users. We shall supply quality products that contribute to creating these spaces. Our market is primarily Scandinavia – it is here we source our raw materials and here we meet our customers. Moelven is not only wood – but wood is a key component in our production, in the same way that it is a key component in Scandinavian tradition and Scandinavian building traditions. And – regardless of what we produce in 2017 or 2027; we will contribute to creating good spaces.

Moelven and the UN's sustainable development goals

The UN's sustainable development goals are a global plan to eradicate poverty, combat inequality and stop climate change by 2030.

Sustainable development is about taking care of the needs of people living today without harming future generations' opportunities to meet theirs. The sustainable development goals reflect the three dimensions in sustainable development: climate and environment, economy and social conditions.

Moelven wishes to contribute to a sustainable world, and therefore uses the UN's sustainable development goals as a starting point. Moelven has identified the four main sustainable development goals that are impacted both positively and potentially negatively by the Group's activities. These sustainable development goals help orient work on sustainability in Moelven, while also placing it in a global context.



Climate action

"Take urgent action to combat climate change and its impacts"

Moelven can contribute to stopping climate change by reducing its climate impact and contribute to renewable bioenergy production. Moelven's wood products also store carbon, and can also contribute to increase absorption of carbon from the atmosphere by forests.



Life on land

"Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss."

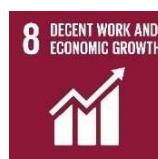
As a customer of the forestry industry, Moelven is responsible for to promoting sustainable forestry. Moelven achieves this through communication with the forest owners, as well as certification schemes such as PEFC and FSC.



Good health and well-being

"Ensure healthy lives and promote well-being for all at all ages."

Moelven has responsibility to contribute to a safe and secure workplace for its employees, suppliers and customers. Consumers are also affected by Moelven's products, and Moelven therefore focuses on creating good spaces by using non-harmful chemicals, among other things.



Decent work and economic growth

"Promote inclusive and sustainable economic growth, employment and decent work for all."

Moelven contributes to create economic growth and workplaces by way of its operations. Through tax, salary payments and purchases from suppliers, Moelven contributes in particular to local value creation.

Our focus areas for sustainability

Focus on long term value creation

For Moelven sustainability is not only about making the right choices for the outside world, but also making choices that contribute to create long-term value for the company. Sustainability is thus a natural part of the company strategy, through vision, values and policies.

The timber is as old as we are

The company A/S Moelven Brug was established in 1899, and has been involved in long-term value creation for almost 120 years. Depending on species, growth conditions and site quality, a forest is ready for harvest after approximately 60-120 years. This means that some of the timber Moelven currently uses as a raw material is as old as the

company itself. This is a good example of why long-term value creation is a natural part of Moelven.

We need to think of value creation holistically

Raw material from the forest is Moelven's primary resource, but sustainability means far more than this to Moelven. It also concerns the climate, the people, the local communities, nature and the local environment. Sustainability is thus about creating long-term value through proper management of resources.



Moelven's four main focus areas and basic premise for sustainability.

Goal of continuous improvement

Moelven takes responsibility for the environment through sustainable and long-term exploitation of renewable resources. Our goal is continuous environmental improvement in our projects, products and services. We actively seek opportunities to reduce negative environmental impacts in a life cycle perspective. Moelven shall conduct its business in compliance with applicable statutes, regulations and rules. Moelven works towards a sustainable development of society and to constantly improve the business's impact on the internal and external environment.

Four focus areas, one basic premise

In 2017 analyses have been conducted to identify focus areas and long-term ambitions for sustainability that ensure that we meet our stakeholders' expectations, are prepared for future requirements and demand, and that may contribute to increased market shares and reduced costs. Moelven's strategy for sustainability is based on 4 key focus areas and a basic premise (also see illustration):

- We have climate-smart products and solutions
- We safeguard natural resources
- We focus on people
- We create local values









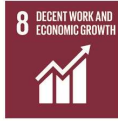
Ethical business practices are the foundation of our corporate strategy; we are a reliable partner.

Systematic prioritization

The analysis that forms the basis for choice of focus areas and important topics related to the focus areas, has been conducted in accordance with the Global Reporting Initiative's guidelines. It includes an assessment of environmental and social impact through the value chain, stakeholder expectations now and in the future, and market-related changes. The key focus areas have been chosen on the basis of what is important for long-term value creation in Moelven, and how the company affects and is affected by its stakeholders. This also constitutes the basis where Moelven has the greatest positive and negative impact on the outside world, while also emphasizing those areas where Moelven has the greatest possible impact.



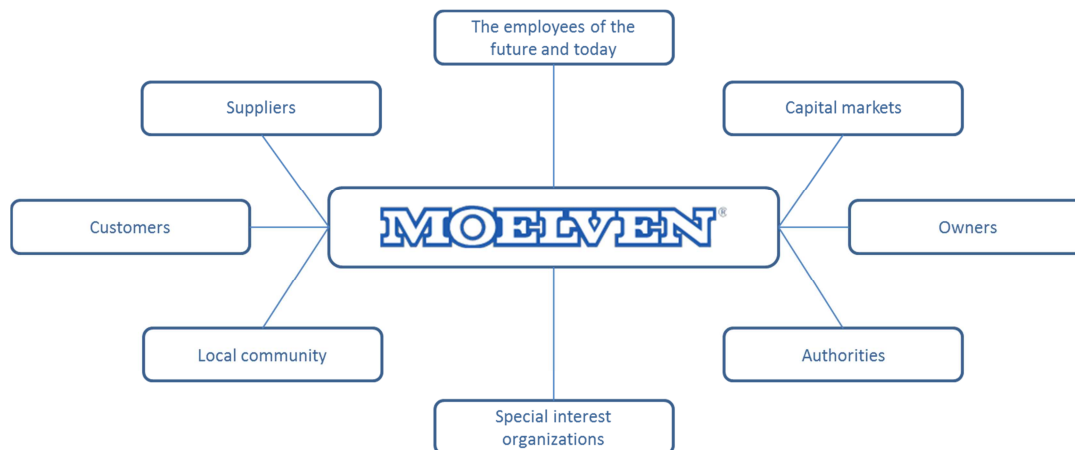
Summary: Focus areas, ambitions, results and goals

	 Climate-smart products and solutions	 Safeguards natural resources	 Focus on people	 Local values	 Code of Conduct
Ambition	We and our products shall be climate positive	We shall use renewable resources, and fully exploit them	We shall be an attractive and safe workplace	We shall create green workplaces	We are a reliable partner
Important issues	1: Energy consumption in own production. 2: Transport of goods 3: Production of bio-energy 4: Climate benefits from the forest 5: Climate smart design 6: Waste management in administration	1: Sustainable materials 2: Resource optimization 3: Resource-efficient design and packaging 4: Waste management in production	1: HSE 2: Involved and competent employees 3: Health-friendly use of chemicals 4: Creating quality spaces	1: Economic value creation in the local community 2: Local community	1: Anti-corruption and ethics
Sustainability goal					
Results in 2017	133,558 tons emitted CO ₂ equivalents (location-based) 1,551,601 tons CO ₂ stored in produced goods 812,639,286 tkm roadtransport, 133,723,275 tkm railroadtransport and 121,337,790 tkm seatransport 64% of Moelven Wood AB's (Sweden) products have an environmental assessment or product certification	100 % sawlog supply certified according to PEFC or FSC, or satisfying FSC Controlled Wood standard >51 % yield 400 tons plastic recycled 2,000 tons plastic used	LTI-rate: 12,4 Severity rate: 218 Risk reports: 2,147 Absence due to illness: 5,6 % 3,546 employees 27 apprenticeships 100 % of employees has completed internal HSE-training	4,161,215,380 NOK total value creation in Norway and Sweden 3,546 direct workplaces No reported violations of environmental legislation that has resulted in fines in 2017	No reported instances or fines related to corruption or price fixing.
Goals 2020 and priorities for 2018	8 % reduction in electricity consumption by 2020 Establish indicators to measure energy consumption for heating of premises and drying of wood Further increase the use of Euro 5 and Euro 6 trucks Optimize logistics Increase transparency and traceability of climate effect towards customers	Waste sorting ratio of 90 % for all units by 2020 Identify possibilities to reduce waste and increase reuse Carry out a complete survey of the use of plastic in Moelven during 2018	LTI-rate < 5 Absence due to illness < 4 % Risk reports > 3,500 Continued rollout of HSE training programme Survey customer satisfaction throughout the whole group Standard routines for implementation execution and follow-up of employee surveys	No violations of environmental legislation. Survey economic value creation in Sweden.	No reported instances or fines related to corruption or price fixing.

We listen to our stakeholders

Moelven's strategy for sustainability, and the analysis of importance, is defined on the basis of an assessment of the stakeholders'

opinions. The following groups are defined as Moelven's stakeholders:



Summary of stakeholder dialogue and expectations

Stakeholder group	What do they care about	How do we communicate with them
Customers	<ul style="list-style-type: none"> • Price and quality • Certification • Sustainable forestry • Climate • Waste 	<ul style="list-style-type: none"> • Sales and marketing • Digital media • Customer surveys • Meetings and conversations • Quarterly and annual reporting
The employees of the future and today	<ul style="list-style-type: none"> • Working conditions • Vision • Corporate social responsibility • Environment • Personal development 	<ul style="list-style-type: none"> • Meetings and conversations • Digital media • Trade fairs • Advertising
Authorities	<ul style="list-style-type: none"> • Innovation • Cooperation • Climate • Forestry • Reporting 	<ul style="list-style-type: none"> • Meetings and conversations • Cluster collaborations • Quarterly and annual reporting
Local community	<ul style="list-style-type: none"> • Environment • Jobs • Local value creation • Transparency 	<ul style="list-style-type: none"> • Marketing • Digital media • Meetings and conversations • Quarterly and annual reporting
Owners	<ul style="list-style-type: none"> • Long-term strategy • Resource optimization • Climate and environment 	<ul style="list-style-type: none"> • Meetings and conversations • Quarterly and annual reporting
Suppliers (incl. forest owners)	<ul style="list-style-type: none"> • Sustainable financial operations • Resource optimization • Sustainable forestry 	<ul style="list-style-type: none"> • Meetings and conversations • Cluster collaborations • Digital media
Special interest organizations	<ul style="list-style-type: none"> • Resource optimization • Biofuel • Certification • Biodiversity 	<ul style="list-style-type: none"> • Meetings and conversations • Conferences • Cluster collaboration • Digital media
Capital markets	<ul style="list-style-type: none"> • Long-term strategy • Risk and opportunities • Transparency 	<ul style="list-style-type: none"> • Meetings and conversations • Quarterly and annual reporting



Climate-smart products and solutions

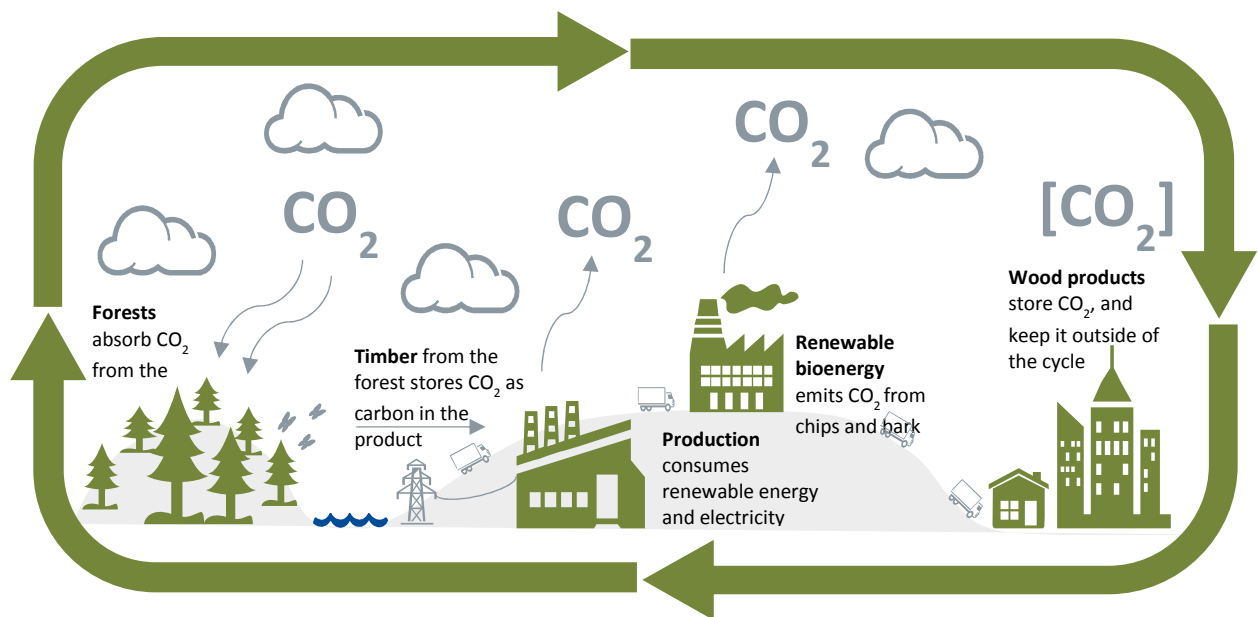
We have climate smart products and solutions

Moelven affects the climate through many of the company's operations. The forest absorbs CO₂ from the atmosphere through the photosynthesis process, and stores this as carbon in the tree. The timber log is processed into high-quality products and materials that last a long time, while the residual products such as bark and chips can be used to produce bioenergy.

At a sawmill more than half of the log is turned into sawn timber. Sawn timber is then processed into other products, and can in many cases replace competing materials with a greater climate impact than wood. At the same time, storage of carbon in wood products contributes to extending the storage capacity of the carbon cycle. Production and long-term use of wood products can thus have a positive climate impact.

The other half of the log ends up as chips and bark. This is used in industrial processes such as raw material for bioenergy or for paper and cardboard production. Bioenergy produced using biomass from forests is defined as renewable, as it is part of the natural carbon cycle. Moelven produces bioenergy that we ourselves use in production, or sell to external customers. Moelven also sells a large proportion of biomass, which is used for energy production, for example in district heating plants.

Moelven also has a negative impact in the climate through the use of energy based on fossil fuels. Sawmills and production consume electricity and fuel to power their operations. Moelven also contributes to greenhouse gas emissions at suppliers through its purchases. It is particularly transport that has a negative climate impact.



Norway's first energy-plus house

The kindergarten "Kistefosdammen" at Heggedal in Asker is Norway's first official energy-plus house. Moelven has delivered the facade in untreated Malm100. Malm 100 is very maintenance-friendly, and untreated it quickly gets a light gray or silver gray patina. In order to be regarded as a energy-plus house, the building must produce 2 kWh per m² per year. This is achieved through 320 m² solar panels, three wells for geothermal energy and use of climate-friendly building materials. Expected consumption versus expected production suggests an overproduction of energy of 7,600 kWh a year.

(Source and photo: Byggeindustrien)



Climate account results

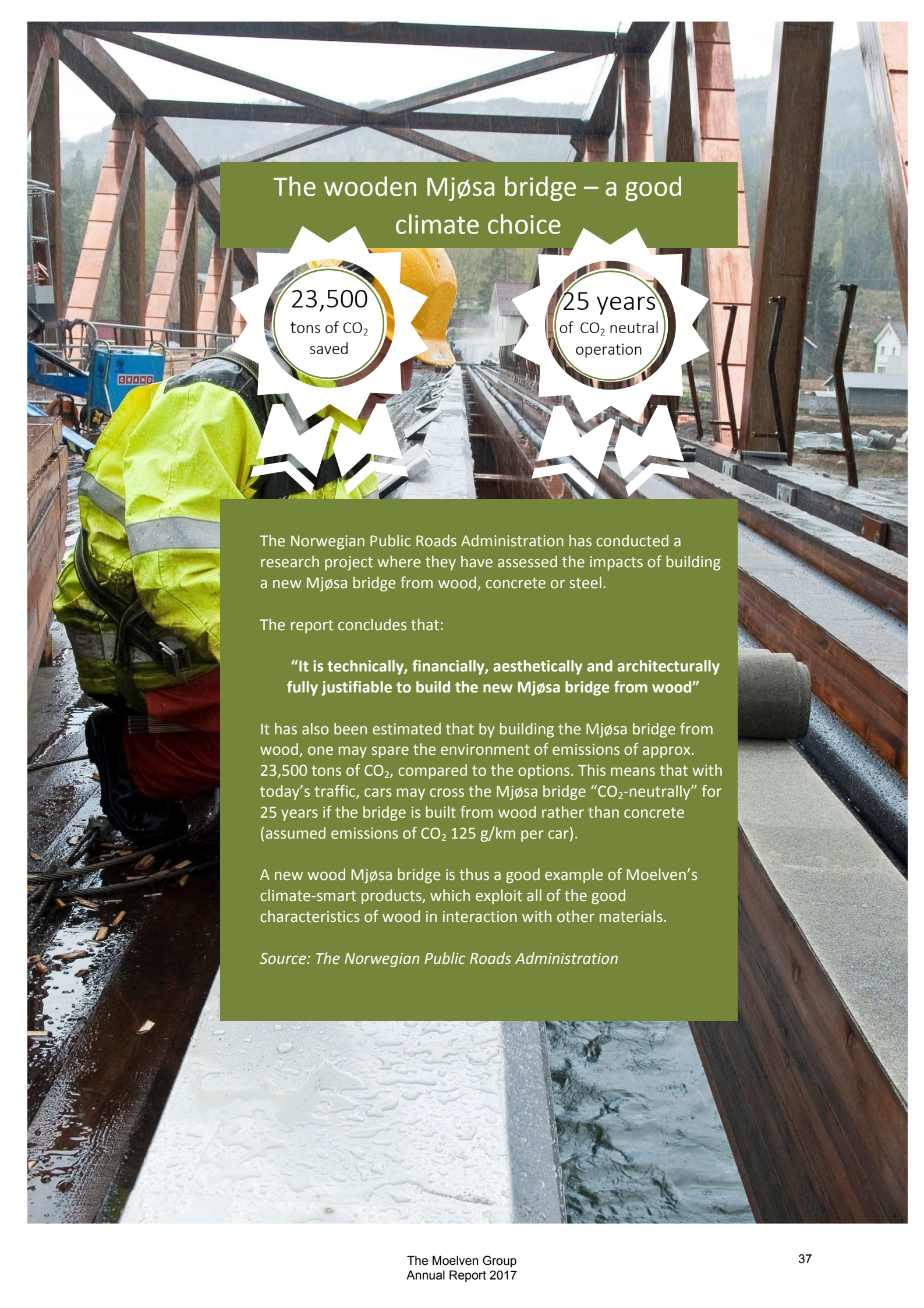
For the first time, in 2017 Moelven is reporting its climate accounts in accordance with the GHG protocol. This is the most widely recognized method for greenhouse gas reporting that provides a transparent and clear result. In 2016 Moelven

reported in accordance with ISO14064, where other system limits, emission factors and conversion values were used. The results for 2016 and 2017 are thus not directly comparable, and the 2016 figures are therefore not presented.

	2017 (tons CO₂ equivalents)
Scope 1 (Emissions in Moelven)	10,741
Fuel oil	532
Diesel	8,829
Petrol	18
Moelven-owned transport of products (to customer)	1,246
Moelven-owned transport of products (from supplier)	69
Direct bio-based emissions (beyond scope)	409,859
Bark	282,600
Sawdust	21,254
Chopping chips	79,556
Cutting chips	21,106
Cellulose chips	4,003
Pellets	739
Biodiesel	331
Scope 2 (Emissions related to electricity consumption)	
Location-based calculation	14,079
Market-based calculation	80,899
Scope 3 (Emissions outside of Moelven)	108,737
Transport of products to customers performed by third parties	63,208
Third party transport of products (from supplier)	44,639
Air travel	296
Work-related car transport	595
Total emissions (scope 1, scope 2 location-based, scope 3)	133,558
Total emissions (scope 1, scope 2 market-based, scope 3)	200,377

The climate accounts are based on emissions of CO₂, as no emissions of other greenhouse gases have been identified or quantified, such as CH₄, N₂O, HFC, PFC, SF₆ or NF₃. As 2017 is the first year of reporting in accordance with the GHG protocol, 2017 has been set as the base year for future comparisons. Emission factors are largely taken from Defra (Department for Environment, Food & Rural Affairs). Emission factors for electricity

are based on NVE's factors in Norway, while Energimarknadsinspektionen and Reddis et al. 2015's factors have been used for Sweden. For calculations of bio-based emission, EN 16449 has been used, based on values from Tretekniskinstitutt and Erik Eid Hohle (Bioenergi). For system delimitation, the principle for ownership and where Moelven is the invoice recipient for the activity forms the basis.



The wooden Mjøsa bridge – a good climate choice

23,500
tons of CO₂
saved

25 years
of CO₂ neutral
operation

The Norwegian Public Roads Administration has conducted a research project where they have assessed the impacts of building a new Mjøsa bridge from wood, concrete or steel.

The report concludes that:

“It is technically, financially, aesthetically and architecturally fully justifiable to build the new Mjøsa bridge from wood”

It has also been estimated that by building the Mjøsa bridge from wood, one may spare the environment of emissions of approx. 23,500 tons of CO₂, compared to the options. This means that with today's traffic, cars may cross the Mjøsa bridge “CO₂-neutrally” for 25 years if the bridge is built from wood rather than concrete (assumed emissions of CO₂ 125 g/km per car).

A new wood Mjøsa bridge is thus a good example of Moelven's climate-smart products, which exploit all of the good characteristics of wood in interaction with other materials.

Source: The Norwegian Public Roads Administration

Energy use in own production

**IMPORTANCE:
MOST
IMPORTANT**



Where and why is it important?

Moelven has significant energy consumption in production, which at the same time is one of the greatest drivers of greenhouse gas emissions. It is therefore a key component in the Group's ability to supply climate-smart products and services.

Energy consumption in own production is important both to Moelven and stakeholders as it represents an environmental challenge while also constituting a major expense. Moelven produces a large proportion of its own energy consumption through the incineration of biomass.

Policy and approach

Moelven's environmental policy states that the company must reduce energy consumption at its plants. This will be done by actively participating in technology and market developments in the bioenergy sector, and by investigating alternative energy use at those plants that use fossil fuel for heating.

To achieve this, Moelven has therefore set a target of covering at least 95 % of requirements toward heating premises and drying from self-produced bioenergy in the timber industry.

Moelven also actively works with innovation, and an example of this is the Moelven Valåsen AB sawmill in Karlskoga in Sweden. Here a major innovation project is being implemented where digital technology has been applied to increase efficiency and reduce the sawmill's energy consumption. Among other things, a detailed energy survey has been carried out. More details on the energy survey and Valåsen are available on the next page.

Evaluation of results

Approximately two thirds of the Moelven Group's overall energy consumption is self-produced from

the incineration of biomass, but

there is also significant consumption of electricity. The bioenergy is used mainly for the heating of premises and drying of wood, and represents approximately 80 % on average of the combined energy consumption at a sawmill. Electricity is used to operate production lines, debarking, operating saws and lighting. Smaller amounts of fossil fuel are also used, mainly for vehicles, but also at certain locations and in certain operating circumstances such as heating.

Category	Volume (GWh)
Total fossil energy consumption (fuel)	44
Total bioenergy production (lower calorific value)	622
Total electricity consumption	231
Total sales of bioenergy	66
Purchase of district heating	1,249

Ambitions:

- ▶ Moelven shall be climate-positive
- ▶ Moelven shall reduce energy consumption
- ▶ 95 per cent of the requirements for heating premises and drying from self-produced bioenergy in the timber industry.

Results:

- ▶ 44 GWh fossil energy consumption
- ▶ 622 GWh bioenergy production
- ▶ 231 GWh electricity consumption
- ▶ 78 % of the energy survey in Sweden is completed

Measures:

- ▶ Reduce electricity consumption by 8% by 2020
- ▶ Establish indicators to measure energy consumption for the heating of premises and drying in the timber industry
- ▶ Extend existing targets



Energy survey

Moelven is in the process of conducting a comprehensive energy survey of operations in Sweden. The project is being conducted pursuant to the act relating to energy surveys in major enterprises, and is staggered across a four year period. As at March 2018 two steps have been completed, and 78 per cent of operations in Sweden are covered. The results from the survey so far form an important part of the basis for the measures that will be implemented to reach the target of reducing electricity consumption by 8 per cent by 2020.

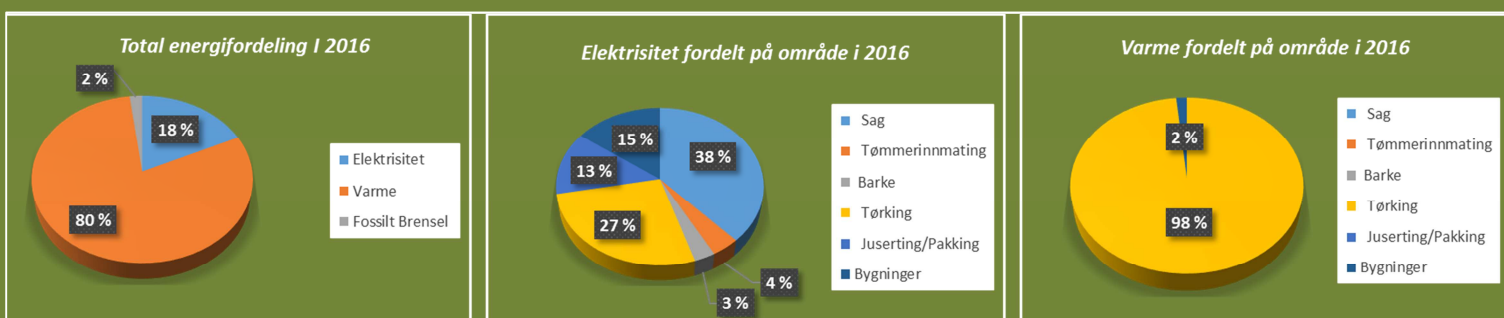
In addition to the energy survey, a project is being carried out at Moelven Valåsen AB in Karlskoga in Sweden to assess, identify and test new technologies in the development of “The digital sawmill”. As early as two years ago, Moelven Valåsen installed an X-ray machine that takes pictures of each individual log before sawing. A number of sensors have also been installed to both increase the recovery factor for timber and provide increased traceability. A survey of energy consumption at the factory has been carried out since 2016, where one has taken a closer look at which type of energy that is used in different parts of operations. The division included buildings and processes, production and storage facilities, such as offices and workshop premises..

Since 2016 around 400 sensors have been installed, which continuously register energy data for heat, electricity and renewable fuel. With these data, the operation can maintain an overview of energy levels at all times. This provides a good basis for improvement and rationalization work.

In the project at Valåsen Moelven has actively focused on ensuring that infrastructure, systems, data and patterns that are developed and deployed are documented, centralized and owned by Moelven, such that these may be developed by ourselves and not least deployed at other units in Moelven Industrier. Along with experience from the energy survey, this is decisive to reach the target of an 8% reduction of electricity consumption by 2020.

The results from the survey show that energy consumption at the sawmill is distributed among heat (80%), electricity (18%) and fossil fuel (2%). Of the energy related to heating, it is the drying process that uses the majority of the energy with 98%. The remainder is used for heating premises, heat for ventilation and hot water.

It is the actual sawing process the uses the most electrical energy, with a share of 37% of the overall electricity consumption.



Transport of goods

IMPORTANCE:
MOST
IMPORTANT



Where and why is it important?

The timber industry is a transport-intensive industry where large volumes of materials must be transported across great distances. This applies both to transport from suppliers to Moelven, internally at Moelven and from Moelven to the markets.

Transport is a considerable challenge for the Group, in terms of both the environment and economy. Both raw material procurement, intermediate transport and delivery of finished products is a major cost driver that affects the company's strategy and decisions. It can also be a burden for several stakeholders, as transport can have a negative impact on the climate and local community.

Policy and approach

Moelven is a co-owner and member of several transport cooperatives that carry out a large proportion of transport in Moelven. These transport cooperatives enable Moelven to have a strong impact with the transporters and allows us to set requirements. Examples of this are Transportfelleskapet Østlandet AS (TFØ) Transportselskapet Nord AS (TSN) and Woodtrans AS.

These transport cooperatives also enable rationalization through a reduction in empty loads by combining the transport of finished products and by-products.

Moelven also uses rail and sea transport 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. Rail in particular is used for the delivery of biomass in Norway and Sweden.

Moelven's environmental policy sets targets and guidelines for transport at Moelven:

- ▶ *Moelven shall minimize the negative effect on the environment (noise and dust from heavy transport by using environmentally classified trucks, minimum EURO-5 or EURO-6, and also by to the greatest possible degree using transporters who strive for an environmentally friendly driving pattern.*

- ▶ *The environmental impact of transport shall be minimized through coordination and optimization of the product flow.*

These targets and guidelines have been implemented in the partnership agreements with providers of truck transport services in both Norway and Sweden.

Moelven also actively works with the framework conditions for transport. An example of this is the initiative "Godspakke Innlandet", where Moelven has joined forces with other industry partners to quantify the costs and benefits of different initiatives from the authorities. Improved road standards, and thus the opportunity for increased axle load limits, are measures on the part of the authorities that will help to reduce the environmental impacts of road transport.

Work is also being done to open a greater road network in Norway for the use of 25.25 metre heavy goods vehicles with a total weight of 60 tons for finished products and by-products. In Sweden the permitted total weight for heavy goods vehicles has been increased from 60 to 64 tons in general, and in 2017 the Swedish parliament adopted a resolution to allow a total weight of 74 tons on roads that can sustain such loads from 1 July. In Norway trial schemes have started for permitting heavy goods vehicles with a corresponding total weight for timber transport. These changed framework conditions contribute to reduce the number of transport loads and thus to a positive environmental effect.

Evaluation of results

	Road transport (tkm)	Rail (tkm)	Sea transport (tkm)
Transport of products to customer (where Moelven is the invoice recipient)	408,897,874	129,770,775	121,337,790
Transport of timber to Moelven	275,738,298	3,952,500	-
Transport of other goods to Moelven	76,078,321	-	-
Total	812,639,286	133,723,275	121,337,790

Ambitions:


- ▶ Environmental impacts from transport must be minimised
- ▶ Use of Euro 5 and Euro 6 trucks only

Results:

- ▶ KPIs for transport are established at the company and division levels.

Measures:

- ▶ Assess the use of Euro 5 and Euro 6 trucks
- ▶ Improve reporting of transport, including the transport of products to customers



Moelven Virke AS, which is responsible for the raw material supply and fibre trade for the mechanised wood operations in Norway, uses rail transport extensively. The transport concerns both raw materials to Moelven's industry, and pulpwood and fibre products to customers. Depending on the contract with the customer, Moelven Virke is in some cases responsible for transport, while in other cases the customer is responsible for transport. The latter transport is beyond Moelven's climate accounts, but is included below to illustrate the extent. Total annual train transport linked to timber supply and fibre trade comprise 2,738,311,125 tkm in 515 train departures. Transporting all or parts of this volume by road would not be sustainable either in terms of environmental impact or economy. In addition there are the positive environmental effects of the products being transported. Substantial volumes of bioenergy raw materials are supplied, which has a positive climate impact in that bioenergy replaces oil heating. One of Moelven's customers, Stockholm Xergy (formerly Fortum Värme), has calculated that the heat production from the company's bioenergy plant outside Stockholm alone can contribute to reduce CO₂ emissions by 650,000 tons annually by phasing out fossil power.



Besides being a very important topic with regard to environmental impact and costs, the transport of goods is the single area that leads to most activity within the industry areas. This entails a significant risk of accidents and harm to personnel and equipment. Moelven therefore has clear safety procedures to ensure safety:

- High visibility clothing, protective goggles, helmets and protective footwear are mandatory. (Applies to occupation on industrial areas in general.)
- The driver is given the loading or unloading location from the office or forklift driver. Any passengers must not leave the vehicle.
- Before unloading, the load must always be checked for any displacement before straps are loosened, and if necessary loads must be secured using a forklift before straps are released.
- Handling of straps must only take place when forklift is stationary or at a safe distance.
- Forklifts always have right of way in the area. The driver must stay within sight of the forklift operator to achieve eye contact.
- It is strictly forbidden to occupy spaces next to or underneath loads during loading/unloading.
- Loads must be secured in accordance with regulations before leaving the loading area.



“Godspakke Innlandet” – a partnership for better framework conditions

Godspakke Innlandet is a part of input to the National Transport plan and a part of the Norwegian Railway Directorate’s drive within combination transport, industrial cargo, forestry and international goods flows. Among other things, the package proposes electrification of the section Kongsvinger – Elverum – Hamar, new connecting tracks in Kongsvinger, Elverum and Hamar, and new multi-purpose terminals.

Efficient transport systems are a precondition for exploiting forest resources, and in order for Norwegian businesses to be competitive in European markets. “Godspakke Innlandet” is a comprehensive package of measures for the rail network in the interior to strengthen freight transport by rail.

The initiative will make the railway far more competitive for north-south transport from Nordland, Trøndelag, Nord-Vestlandet and the region towards Sweden and the continent, and correspondingly in the opposite direction. Among other things, the package will reduce transport times for trains between Kvam in Gudbrandsdalen and Karlstad by 24 hours, reduce the forestry and wood industries’ transport costs by NOK 57 million a year, and give industry in Nordland improved competitive ability through the opportunity for faster deliveries.

Godspakken Innlandet will contribute to reduce greenhouse gas emissions through transporting timber by rail instead of road, replacing diesel locomotives with electric locomotives, and reduce CO₂ emissions on longer distances by using trains instead of trucks by 70%.

GODSPAKKE INNLANDET

ET NETTVERK AV MULIGHETER

Kombitransport | Industrigods
Skogsnæring | Internasjonale godsstrømmer

Climate benefits from the forest

Importance:
IMPORTANT



Where and why is it important?

A large proportion of Moelven's climate smart products use timber as a raw material. The forest is a part of the natural carbon cycle, and stores large amounts of CO₂ from the atmosphere through photosynthesis. By contributing to efficient and sustainable forestry, in addition to efficient utilization of the timber, Moelven can contribute to increase the forest's ability to absorb CO₂ from the atmosphere and store it in products. The climate impact is thus positive.

Policy and approach

Moelven Skog AB is responsible for purchasing timber in Sweden and is one of the companies that has the greatest opportunity to impact the climate benefits Moelven has in the forest. They work in accordance with the vision "Mer TIMMER i skogen". The vision concerns how the forest owners can maximize the potential of the forest. It gives Moelven more and better raw materials, while also providing forest owners with good returns. Through communication, seminars and one-on-one meetings with the forest owners, Moelven contributes to advise and guide forest owners to increase yields in the forest. Moelven Skog AB thus works directly with the forest owners to increase the climate benefits in the forest.

In Norway it is Moelven Virke AS, who is responsible for the purchasing of timber. Due to a different form of organization among forest owners in Norway, Moelven Virke AS is not directly involved in harvesting or managing forests in the same manner as Moelven Skog AB. As a corporation, Moelven nevertheless has a responsibility towards its suppliers to treat and process the products in a sustainable manner.

In Moelven's environmental policy it is stated that through energy recovery (incineration) after end of use, wood products must return at least 3 times as much energy than is consumed throughout the life cycle.

Raw materials from sustainable forestry

Sustainable and long-term forestry are keywords for Moelven Skog AB. The company is responsible for the supply of raw materials to the Group's timber consuming units in Sweden, and buys timber from more than 10,000 forest owners in Värmland, Västra Götaland and Örebro län. Moelven Skog AB continuously works to develop and improve work methods and procedures with an aim of ensuring that harvesting takes place at the right place in the right season, and of minimizing the environmental impact of heavy logging equipment. Among other things, this happens through the proprietary training programme P3 (planning, production and precision). Within the programme own personnel are trained in addition to those contractors who regularly use it.

However, every year incidents occur that cause alarm among the general public, for example logging close to waterways or damage to forest roads. This often leads to mention in newspapers, on the Internet, radio or TV. In some cases criticism is justified, but more often than not the reason is a lack of insight into modern forestry. In those cases media coverage does not necessarily provide sober and fair picture of the actual circumstances. In the case of larger logging operations Moelven Skog AB therefore greatly emphasizes training personnel and providing information to the general public on how logging will be carried out. The company also continuously works on certification of forest owners in order for them to be active and aware of rules, for example related to planting of new forest after logging. The goal is to operate long-term and sustainable forestry and that the general public should have an understanding of the framework conditions for forestry.



Photo: Johan Alp

Evaluation of results

Large amounts of CO₂ from the atmosphere are stored in Moelven's products as carbon. Through sustainable forestry and long use of the products, Moelven will contribute to increase the carbon cycle's absorption of CO₂, which may reduce the CO₂ concentration in the atmosphere when compared to leaving the forest untouched. It is important to be aware that there are several uncertainties that affect the overall picture, for example greenhouse gas emissions from the soil after deforestation.

By comparing Moelven's climate accounts with the overall amount of CO₂ stored in the products, it becomes clear that the amount of CO₂ stored in the products in 2017 is several times greater than Moelven's greenhouse gas emissions. This may indicate that Moelven, and the materials we produce, are climate positive. In order to conclude, it is necessary to have a better understanding of and insight into forestry operations after deforestation.

Moelven's sales of pulp wood to bioenergy industry and direct sales of district heating based on biomass can replace fossil energy sources and thus reduce society's climate impact.

Description	Volume (m ³)	CO ₂ stored (tons)	Emissions (tons CO ₂)
Total purchased volume	4,915,000	3,518,730	
Produced sawn timber	2,160,000	1,551,601	
Chips for renewable energy production (incl. smelters)	325,700	NA	
Overall CO ₂ emissions (location-based)			134,768
Overall CO ₂ emissions (market-based)			198,538

Calculation basis:

Source for calculation of CO₂ is EN16449. Source for density is Bramming et al. (2006). Physical and mechanical properties of Norwegian spruce and pine. An activity in the SSFF project. Treteknisk Rapport 65, 2006.

It is assumed that a cubic metre saw timber of spruce has a basic density of 363 kg/m³, and pine has a basic density of 418 kg/m³. Basic density is dry weight of wet volume (>30% wood humidity). The carbon content is assumed at 50% of the dry weight. Equal proportions of spruce and pine are assumed.

Spruce: $363 \cdot 0.5 \cdot 44 / 12 = 665.5 \text{ kg CO}_2 / \text{m}^3 \text{ saw timber}$ **Pine:** $418 \cdot 0.5 \cdot 44 / 12 = 766.3 \text{ kg CO}_2 / \text{m}^3 \text{ saw timber}$

Ambitions:

- ▶ We and the materials we produce shall be climate positive

Results:

- ▶ 3.5 million tons of CO₂ stored in purchased timber
- ▶ 1.5 million tons CO₂ stored in sawn timber

Measures:

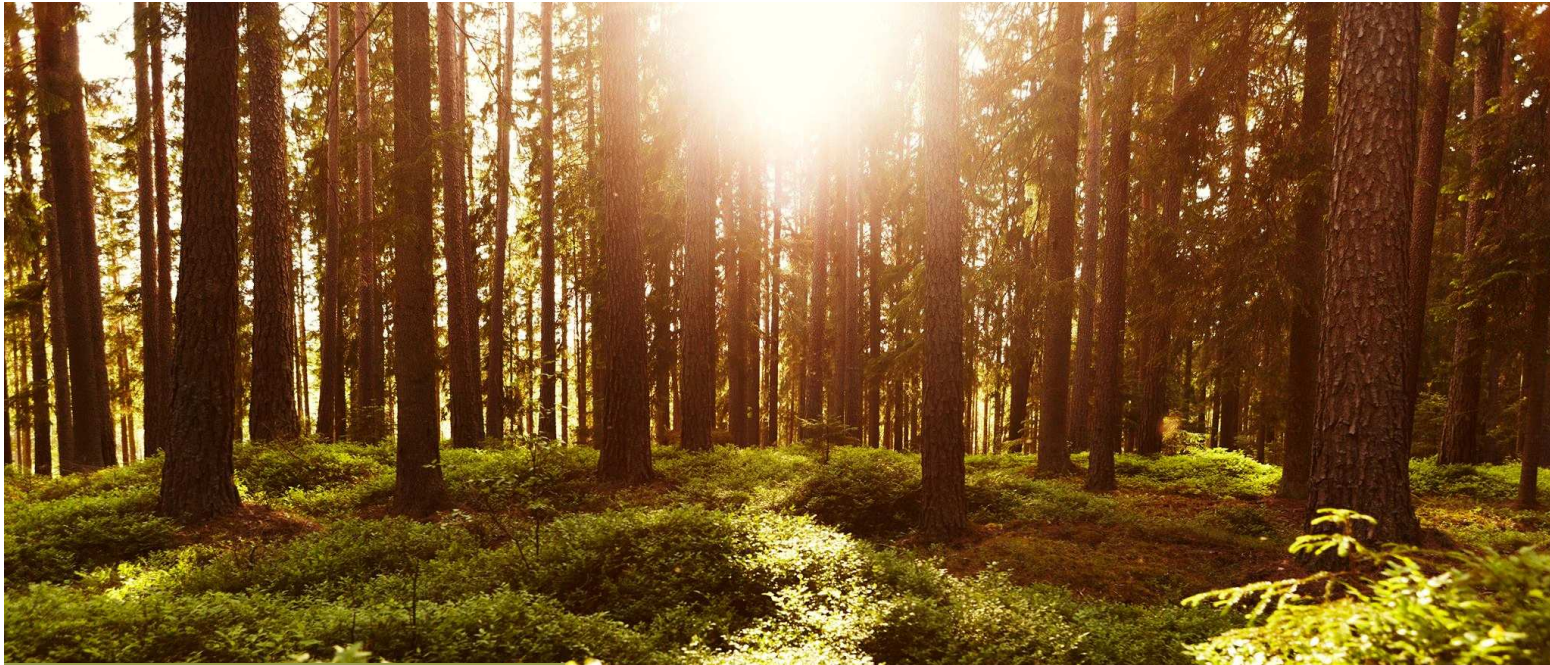
- ▶ Develop a better understanding of Moelven's role in the carbon cycle and prove that Moelven is climate positive

Waste management and recycling in Moelven Modus

Moelven also has operations that are primarily based on other raw materials than wood. Moelven Modus undertakes around 2,000 office projects every year. The office solutions are designed to be possible to dismantle and reconfigure according to the user's needs. Moelven Modus greatly emphasizes reducing its impact on the environment and strives to have a circular mindset to minimize environmental impact, CO₂ footprint and waste. In partnership with GC Rieber Eiendom AS, Nordea Liv and Rasmussen Eiendom, Moelven Modus has established a recycling warehouse in Bergen. Calculations for a single project have shown that recycling could reduce CO₂ emission by eleven tons.

Moelven Modus is active in several government-funded development projects in Sweden. Several recycling projects are also ongoing in partnership with customers in Norway and Sweden, including SE Banken in Oslo and Uppsala municipality in Sweden.





ENVIRONMENTALLY FRIENDLY CONSTRUCTION

Why use wood?

When the tree grows..



.. It uses carbon dioxide (CO₂), water and light.

The tree captures CO₂ and stores carbon.

IF THE TREE DIES, THE CARBON DIOXIDE (CO₂) IS RELEASED BACK IN NATURE.

If the tree is felled down, it will still storage carbon.

The forest therefore is beneficial both when it grows and when used in timber products.

Source and inspiration: Svensk trä

The forest in Norway captures approximately 70% of anthropogenic CO₂ emission in the country, according to Trefokus. How can it then be positive to chop down the forest to use the materials in wooden buildings and other wood products?

Photosynthesis is an important reason for this. The tree consumes the most carbon dioxide (CO₂) when it's growing, and absorbs less CO₂ when fully grown. When the tree dies in the forest and rots, the carbon dioxide is returned into the environment. However, if the tree is felled, the tree remains a carbon repository.

Why should we harvest forests?

For each tree that is felled in Scandinavia, two new trees are planted, which when growing consume more CO₂ than grown trees. A spruce is fully grown and ready for harvesting after 45- 130 years, depending on how fast the forest grows. This means that active forestry contributes to capture more CO₂ than if the forest gradually dies by itself.

According to Trefokus, increased forest production would make it fully possible to increase the amount of captured CO₂ from around 1.2 billion tons of CO₂ in 2013 to 1.5 billion tons in 60-70 years.

Which benefit does the forest have as a building material?

Wood as a building material is renewable and environmentally friendly. Little energy is required to fell and process wood. Energy from renewable sources is largely used when timber is processed, rather than energy from oil. This results in low emissions in the production phase.

Building with wood rather than other building materials reduces greenhouse gas emissions.

Climate smart design

Importance: IMPORTANT



Where and why is it important?

Moelven produces climate smart products and materials, which have a lower climate impact than competing materials. The products may have a climate impact in both production and use, and it is therefore important to consider the product's entire life cycle.

Certification is important in order to communicate this to the market and to give customers the opportunity to make sustainable product and material choices. As many of the certification schemes cover more than just the climate, this chapter will also cover other environmental impacts

Buildings and the construction industry represent approximately 40% of the world's energy consumption and 33% of the world's greenhouse gas emissions. Moelven therefore plays an important role in producing and developing climate smart products and services. Customers and consumers are to an increasing extent concerned about the environmental impact. Particularly the climate impact of different products and services is of great significance, which makes this topic difficult

Policy and approach

Certification allows customers and consumers to make informed choices and compare different products and materials. Moelven's products therefore have a number of different certifications that cover the customers' various requirements and needs.

The raw material certification schemes PEFC and FSC are key certifications that guarantee that the wood material comes from sustainable forestry. See more about PEFC and FSC certification in the *Sustainable Materials* chapter.

Moelven is also subject to several regulatory requirements for certification. In particular, there are three different EU directives that apply for Moelven's products, "Construction Products Regulations" (CPR), "Registration, Evaluation, Authorisation and Restriction of Chemicals" (REACH) and "Biocidal Products Regulations" (BPR). These regulatory requirements are integrated in Moelven's procedures, and all products that Moelven produces must comply with the requirements that follow from these directives.

In Norway, BREEAM-NOR is the Norwegian adaptation of BREEAM, the biggest driver in the choice of climate-friendly products. This is the industry's own environmental certification tool for

buildings. The purpose is to motivate sustainable design and construction throughout the entire construction project, from early phase to finished building. BREEAM-NOR is an effective tool for coordinating the various players in a construction project and integrating sustainable thinking at all stages. BREEAM-NOR sets the requirements for material selection, such as the delivery of certified products in PEFC-CoC / FSC-CoC, EPD (Environmental Declaration), Eco Product, Emission Testing on Interior Products (Hea2 with M1 Certificate or Agbb).

Beyond certifications and regulatory requirements, Moelven also works with the marketing of its products and materials, and is a key player in promoting wood as a climate smart product and building material. Here Moelven has a responsibility and an opportunity to influence the consumer to make climate smart choices by choosing Moelven's products. Among other things, Moelven has interior designers actively working on this issue.

Evaluation of results

A large proportion of Moelven's products and materials are certified under various certification schemes. The next page includes a summary of relevant environmental certifications and tools that are relevant for Moelven's products and materials.

Ambitions:

- ▶ Moelven's products and materials should be climate positive

Results:

- ▶ More than 64% of Moelven Wood AB's products have an environmental assessment or a product certification

Measures:

- ▶ Survey environmental assessments and product certifications in the Group

Environmental certifications and tools

There are a number of different players who have separate certification and documentation schemes related to environment and health. These tools and certification schemes can either cover a product alone, or an entire building or a project. A large

proportion of Moelven's products and materials are covered by one or more tools and certification schemes, which give customers and users the opportunity to make informed choices based on sustainability criteria.

Environmental Product Declaration (EPD):

An EPD is a brief third party-verified and registered document with transparent and comparable information about products' environmental performance throughout the life cycle. Both the underlying LCA (Life-Cycle Assessment) and EPD are always based on international standards

Building Product Declaration (BPD)

Byggvaredeklarasjon is a standardized way of describing a product. Information concerning the material's origin, chemical content, environmental impact, certifications and a description of the product's installation, use and how to handle it after use.

BREEAM-NOR

BREEAM-NOR is an environmental certification system for buildings. The system is effective tool for coordinating the various actors in a construction project and integrating sustainable thinking in all aspects. See also the mention on the previous page.

Byggarubedömning (BVB)

BVB is a Swedish association that has developed a system for assessing building materials based on sustainability. The assessments are based on the environmental impact throughout the life cycle and the chemical content in building materials. BVB is also working on establishing an assessment system for social conditions in the value chain.

BASTA Bedömningar

BASTA is a Swedish product certification scheme for chemical content in products. The EU requirements in the REACH directive are at the core of BASTA's product certification.

SundaHus

SundaHus Miljödata is a tool that assesses the environmental properties of different products in the construction industry. This tool provides Moelven's customers with the opportunity to compare different products based on a standardized assessment model.

Production of bioenergy

Importance:
MOST



Where and why is it important?

Bioenergy is energy that is produced from materials formed in continuous biological processes. Unlike fossil energy, bioenergy is considered to have climate neutral emissions as it is a part of the carbon cycle, and assumes net positive forest growth. Bioenergy can also replace fossil energy sources and therefore makes a positive contribution to the zero emission society.

At Moelven the energy is utilized as heat, and is sold externally as district heating. Biomass is also sold to external customers, who use this to produce bioenergy either in the form of heat for own industry, district heating or electricity

In order to ensure good financial operations, Moelven is dependent on exploiting the entire log, and bioenergy is thus an important resource to

Policy and approach

The energy potential of the Group's chip and bark products, including cellulose chips, is approximately 2,7 TWh (60% humidity), which means that it has a considerable potential, both for increasing our own energy production and also for increasing the market for bioenergy in general.

In Moelven's environmental policy the following goals and guidelines are given:

- ▶ Moelven shall reduce energy consumption at its plants and obtain at least 95% of the need for heating of premises and drying from self-produced bioenergy (wood industry).
- ▶ Moelven shall actively participate in technology and market developments in the bioenergy sector, and by investigating alternative energy use at those plants who use fossil fuel for

heating.

Evaluation of results

Moelven has conducted a survey of bioenergy consumption internally, and the sale of bioenergy and the sale of chips to external bioenergy industry. The results show that Moelven has a consumption of 388 GWh bioenergy in the shape of heat. As described in the chapter *Energy us in own production*, this is mainly used for drying.

Moelven also purchases significant amounts of bioenergy from external companies. This is because there often are different relationships between owners, operators and supplier of biomass for combustion boilers.

Moelven Bioenergi AS and Langmoen Energisentral

Langmoen Energisentral with a 10MW bioenergy plant opened in 2011. Moelven Bioenergi AS owns and operates this plant, which uses energy raw materials supplied by Moelven and Mjøsen Skog. The plant's largest customer is the TINE SA's plant in Brumunddal, which receives approximately 40 GWh of process steam per year. At TINE the investment has led to the phasing out of old, polluting oil furnaces and the transition to renewable bio-based energy.

Moelven is thus contributing to TINE's goal of reducing greenhouse gas emissions by 30% by 2020.



Description	Energy GWh
Chips to external bioenergy industry	349 (lower calorific value)
Bioenergy produced in Moelven	622 (lower calorific value)
Consumed bioenergy	388 (supplied energy)
Bioenergy sold to companies outside the Group	66 (supplied energy)
Calculated average efficiency in combustion boiler	72 %



Transportation of chips from Moelven Soknabruket AS by train.
Read more about the extent of railroadtransport in the chapter «Transport of goods»

Ambitions:

- ▶ Moelven shall reduce energy its consumption

Results:

- ▶ 349 GWh (lower calorific value) of energy raw material sold to the bioenergy industry.
- ▶ 622 GWh (lower calorific value) energy raw material used in own production

Measures:

- ▶ Improve measurement and reporting of bioenergy consumption and production at the Group level



Safeguard natural resources

We safeguard natural resources

Moelven seeks solutions. The Group has the abilities and resources to be a leader in product development and innovation. We have always been a company at the forefront, exploiting opportunities that changing times afford.

- “Exploiting opportunities” is one of Moelven’s basic values

Moelven does not own any forest, but buys all its timber from external suppliers. Moelven has thus no right to decide how the forest is managed, but can influence forest owners by imposing requirements, for example through certifications. Moelven also has

an important task in seeking solutions and using the opportunities in processing raw materials by having efficient operations and exploiting the full potential of the raw material, in order to ensure that the customer buys a sustainable product.



* Only a selection of input factors are included

Sustainable materials

Importance:
MOST

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Where and why is it important?

Moelven's environmental policy describes how Moelven shall use, as far as possible, natural choices that come from the forest. To ensure that these raw materials come from sustainable forestry, Moelven buys certified timber

Moelven is a major purchaser of timber, and is thus responsible for contributing to sustainable forestry. Sustainable forestry is important to both Moelven and many of Moelven's stakeholders. It contributes to the forest being managed with consideration toward the basis for sustained use of the forest, including considerations to biological diversity in the forest and the conditions for engaging in outdoor activities.

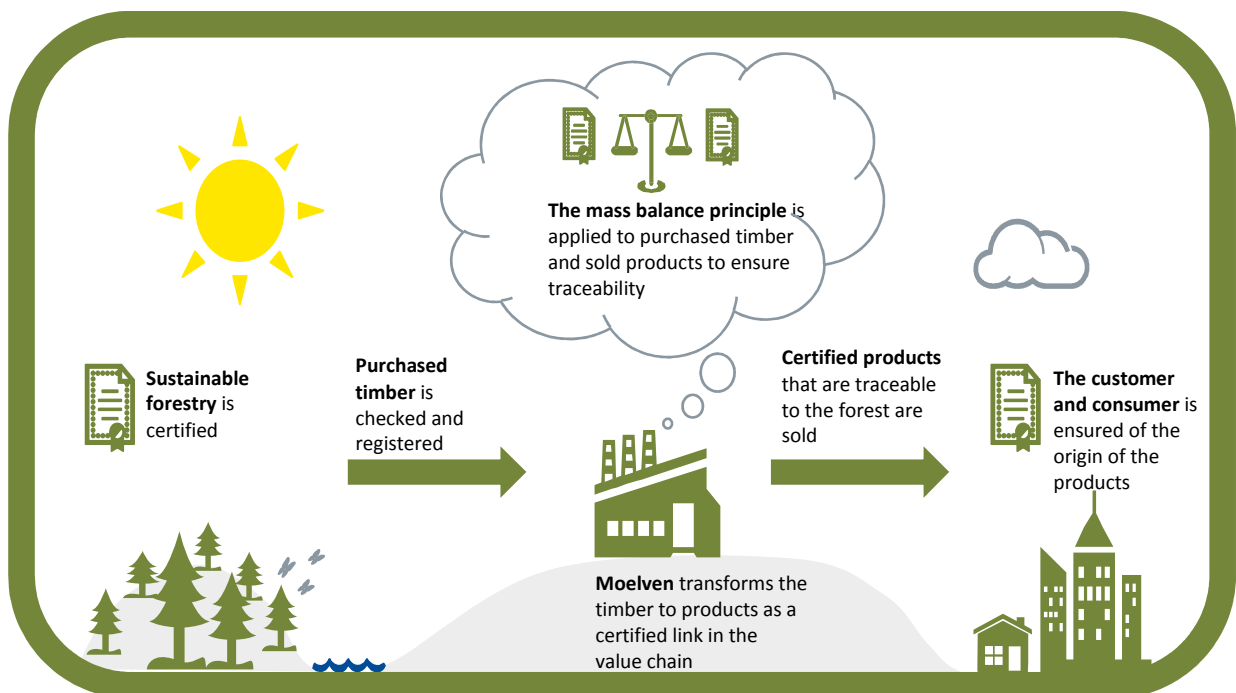
Policy and approach

Moelven's environmental policy describes the following:

- ▶ Moelven must maintain and develop its systems for certified purchases, and maximise purchases and utilization of environmentally certified raw materials from certified forestry.
- ▶ Moelven must maximise the exploitation of raw materials through optimizing production and utilizing the residual products
- ▶ Moelven shall not buy raw materials from:
 - Illegal harvests

- Forests with a high preservation value
- Forests where time-honoured or social rights are violated
- Forests with genetically manipulated trees.
- Natural forests that have been harvested with the intention of using the area for plantations or non-forestry applications.

All of the companies in the Group's timber processing operations are organized for and work to meet applicable requirements for PEFC (Programme for the Endorsement of Forest Certification), FSC (Forest Stewardship Council) and FSC Controlled Wood's traceability standard.



PEFC is an international NGO that works for responsible forestry, and issues certificates to players who meet the criteria they have defined. The organization promotes sustainable forestry through third-party certification. Moelven is a link in the value chain through processing the timber, and is thus responsible to ensure traceability, in order to label its products as PEFC certified.

Like PEFC, FSC is also an international NGO that works for responsible forestry, and issues certificates to players who meet their requirements to sustainable forestry. The difference between these two certifications lies mainly in the story of how these were developed.

FSC issues two different certifications, FSC certification and FSC Controlled Wood. The difference between these two is that FSC certification applies to the actual forestry operations, while FSC Controlled Wood is a certification that merely verifies that the forest the timber comes from is not an unacceptable source.

In the certification Moelven operates as an intermediary in the value chain, and the company is thus responsible for securing traceability. As traceability at the unit level is not possible through the sawmill, Moelven practices the mass balance

principle to ensure that all products that are sold are correctly certified. This means that Moelven cannot sell more products with certification than it buys. This is checked at the invoice level, where the reference to the certification in the sales invoice refers to certification in the purchasing invoice

Evaluation of results

100% of all timber Moelven purchases are certified in accordance with either PEFC, FSC or FSC Controlled Wood. In Norway there is a requirement that all harvesting of forests must take place in accordance with PEFC’s rules. In Sweden rules are different, and most of the timber is certified in accordance with either FSC or FSC Controlled Wood.

The system Moelven currently has for purchasing timber is satisfactory in relation to ensuring that it comes from sustainable forestry.

Moelven also purchases processed wood products that are a part of Moelven’s product range. These products are purchased by several different players who operate in different countries. Moelven’s aims to determine where these products originate and define how it can contribute to ensure that the products are from sustainable forestry.



<p>Ambitions:</p> <ul style="list-style-type: none"> ▶ Moelven shall contribute to sustainable forestry, and not purchase raw materials from illegal harvesting 	<p>Results:</p> <ul style="list-style-type: none"> ▶ 100 % of the sawlog supply controlled in accordance with FSC Controlled Wood, and a high share of PEFC and FSC certifications. 	<p>Measures:</p> <ul style="list-style-type: none"> ▶ Assess certification in “traded products”
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BREEAM® NOR

Moelven – A natural partner in BREEAM projects

BREEAM is Europe's leading environmental certification tool for buildings. The purpose of the tool is to motivate sustainable design and building throughout the construction project, from the beginning to finished building. The tool may be used for new building or rehabilitation projects in the industry, retail, office, education and residential building categories. For other types of buildings one can develop an adapted set of criteria.

BREEAM is currently developed and tailored to fit in to markets in several countries. Through BREEAM-NOR, the Norwegian Green Building Council (NGBC) and the construction and property industry in Norway have adapted BREEAM for the Norwegian market. Here construction projects can achieve certification through an authorised BREEAM-NOR auditor based on environmental performance in nine categories – management, health and indoor environment, energy, transport, water, materials, waste, land use and ecology and pollution. Five levels of BREEAM-NOR certificates are issued; Pass, Good, Very Good, Excellent and Outstanding.

BREEAM has proven to be an effective tool to coordinate the various parties in a building project and integrate a sustainable mindset at all levels. International studies show that BREEAM buildings have a higher market value, lower operating costs and increased user satisfaction, among other benefits.

Today Moelven has contributed to the process of developing more buildings with BREEAM certification, and Moelven actively works on adapting its products and materials in order to simplify the process for customers in the development of BREEAM projects. This is done through focusing on continuous improvement in the production process, but also through Moelven's climate smart design.

An example of BREEAM certification is the outdoor kindergarten Haukåsen Barnehage (pictured), which has "Very good" certification. The building thus has a clear environmentally friendly profile, both with regard to materials, heating source, energy consumption and



Resource optimization

Importance:
MOST



Where and why is it important?

Moelven is a resource-intensive industrial company, with overall purchases of 4,915,000 m³ sawn timber and pulpwood. There is thus a huge potential in resource rationalization and optimization through even small production changes.

In order to secure economic operations, Moelven is therefore dependent on exploiting resources optimally and using all by-products. This is an important issue for Moelven, as it affects the operating margin.

Policy and approach

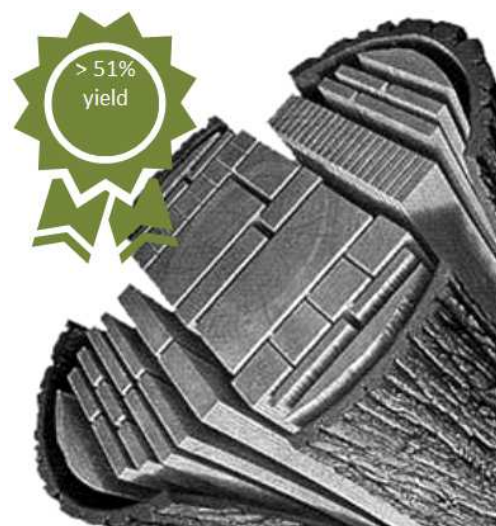
Moelven focuses on resource optimization throughout the value chain. This applies not only to raw materials, but also in transport and among employees. See more about this in the chapters *Transport of goods* and *Involved and competent employees*.

At the sawmills all logs are analysed to perform an optimal extraction of material. This means that each individual log is analysed with regard to size, twisting and position of knots. The saw is then set based on this. Moelven Valåsen AB actively works with this issue and has installed an X-ray machine that analyses all logs prior to sawing. The technique used in the further process provides full traceability up to finished lumber. There are significant opportunities for improvement and development in advanced data analysis, which may improve selection on the basis of historical measurements and results. This is a part of the innovation project at Moelven Valåsen AB, in development of the digital sawmill.

The LEAN principles also form the basis for operations at several of Moelven's locations that aim to reduce waste and increase efficiency. One of the focus areas is to visualize real time production data for the operators involved, so that they have the opportunity to improve the work processes directly.

LEAN is also important with regard to safety at the plants. Experience shows that many workplace accidents happen outside of ordinary operations,

and it has been proven that order and tidiness are important to reduce risk. More about this can be found in the *Health, safety and the environment* chapter.



Evaluation of results

Resource optimization through selection of logs is not only based on maximizing the recovery factor, but also for maximizing the product value. This is because the market value of certain selections can vary in relation to the volume of the selection.

An important principle for Moelven is to exploit the whole log. Regardless of how the selection is made, Moelven therefore ensures that all by-products, including chips and bark, are used internally or sold.

Ambitions:

- ▶ We shall exploit the whole log

Results:


- ▶ Yield > 51%

Measures:

- ▶ Survey LEAN projects in the Group

Resource-efficient design and packaging

Importance:
IMPORTANT



Where and why is it important?
 Moelven not only impacts the environment through production, but also in the usage phase. In the usage phase two areas have been identified as particularly important; design and packaging.

Through resource-efficient design and industrial production, Moelven has the opportunity to reduce the need for processing materials at building sites. In industrial production there is greater control, and there is the opportunity to reduce waste and environmental impact through efficient production.

Moelven also uses plastic extensively for packaging, which may have an environmental impact. Plastic takes a long time to break down in nature, and unnecessary packaging can potentially impact a customer's certification

Policy and approach

Moelven's environmental policy provides the following guideline:

- ▶ The exploitation of raw materials must be maximized through product optimization and utilizing the residual products.

Moelven produces several types of products that are designed to provide an environmental benefit. Through resource-efficient design Moelven can produce more from less while also reducing production costs.

Packaging is also another cost driver, which is of limited visible value to the customer. Moelven has therefore set a goal to survey plastic consumption across the company to identify opportunities to reduce the company's environmental impact, while also reducing costs.

Evaluation of results

A survey of Moelven's use of plastic was carried out in 2017. This survey shows that Moelven had a consumption of 2,000 tons of plastic in 2017. 400 tons of plastic were delivered for recycling. These are significant volumes. Moelven will therefore conduct a more detailed survey in order to identify opportunities to reduce plastic consumption and replace this with more environmentally friendly options in the course of 2018.

Through its industrial production of composite building materials, Moelven can reduce waste and increase efficiency at the building site. An example of this is Moelven Byggmodul, which makes ready-made factory built modules with full sanitary, electrical and ventilation systems. Through efficient mass production with good planning, building modules will reduce time and waste at the building site, which results in good, resource efficient design.

Ambitions:	Results:	Measures:
<ul style="list-style-type: none"> ▶ We have climate-smart products and materials ▶ The exploitation of raw materials must be maximized through product optimization and utilizing the residual products. 	<ul style="list-style-type: none"> ▶ 2,000 tons of plastic consumed ▶ 407 tons of plastic recycled ▶ 9,000 building modules delivered 	<ul style="list-style-type: none"> ▶ Identify resource efficient products in the Group ▶ Moelven shall identify opportunities to reduce waste and the use of packaging

Waste management

Importance:
IMPORTANT



Where and why is it important?

As a production business, Moelven produces significant waste volumes. A large proportion of this is waste that is either recyclable or may be used for energy recovery.

Waste management is an important matter to Moelven and its stakeholders. In addition to a negative environmental impact, the amount of waste is an indication of inefficient production that impacts the operating result and the price of the finished product.

Policy and approach

Moelven's environmental policy describes the following guidelines and targets for waste:

- ▶ Sort and recycle waste as far as technically possible and annually follow up waste volumes per ton of final product.
- ▶ Minimize the share of waste in approved landfills in accordance with results from registration and the action plan for the waste system.
- ▶ Ensure that any depositing of bark and other waste takes place at only approved disposal sites.
- ▶ Be able to document that any of the company's disposal sites comply with applicable statutes and regulations concerning covering, control programmes, handling of runoff, plans for termination and modification.

The various units in the Moelven Group are themselves responsible for waste management. This is carried out in cooperation with local waste management businesses, who have different opportunities for handling waste.

Several of Moelven's location apply LEAN production methods. These are based on continuous improvement and a reduction of wasting in the organization. Waste is a form of wasting that

impacts the cost of production, and should therefore be reduced to a minimum.

Evaluation of results

In 2017 Moelven conducted a groupwide survey of waste for the first time. Waste statistics were retrieved from all waste handling companies and compiled. However, some uncertainty has been identified in the data presented as different methods are used by the different companies for compiling data.

In 2017 Moelven had a total waste volume of 11,532 tons. This includes 1,894 tons of hazardous waste, mainly ash from incinerators and chemicals such as paint. The remainder consists of wood, plastic and mixed waste.

The sorting ratio has been measured at 65%, but this figure is very uncertain as it has been calculated in arrears by the waste management companies. Different methods have also been used for calculating the sorting ratio by the different companies, and a weighted average has not been used for calculating the overall sorting ratio. The figure should therefore only be considered to be guiding. Several of Moelven's locations have a sorting ratio of more than 90%, which satisfies the most stringent BREEAM requirement.



Waste management at Moelven Byggmodul AB

At Moelven Byggmodul AB in Säffle one has strongly emphasized waste management when rebuilding assembly line 2. The goal has been to simplify sorting at the source in production. Several recycling stations have therefore been established that all offer good opportunities to sort waste directly. The stations are clearly indicated by signs both on and above each individual container, and the stations look the same regardless of where they are located in the business. This measure is one of several that led to the company being named “Årets Leanbyggare” (Lean builder of the year) at the Bygge-galan building fair in Stockholm on 27 March. The award is presented by Lean Forum Bygg and the Byggindustrin journal.

Category	Volume
Total waste volume (tons)	11,532
Total hazardous waste volume (tons)	1,894
Total volume other waste (tons)	9,733
Mixed waste (tons)	3,957
Wood (tons)	4,266
Plastic (tons)	407
Other recyclable waste (tons)	1,582
Sorting ratio (%)	65%

A sorting ratio of 65% is not consistent with Moelven’s goal of sorting and recycling waste as far as technically possible. Because of this, throughout 2018 Moelven will actively cooperate with local waste handling companies to improve this statistic.

The company will also establish an overarching goal of 90% sorting, which meets the most stringent BREEAM requirement.

Moelven Modus is one of the Moelven companies which has a conscious attitude to waste and who has transformed this into a competitive advantage. It supplies modifiable office landscape solutions where the product they supply may be reused, as opposed to installation built in place. By applying principles from circular economy, Moelven Modus’s products are designed for reuse. Moelven Modus therefore measures its remodelling projects based on both recycling and reuse. This gives the customer lower costs, and reduces environmental impact.

Ambitions:

- ▶ Sorting and recycling waste as far as technically possible

Results:

- ▶ 11,532 tons of waste
- ▶ 1,894 tons of hazardous waste
- ▶ 407 tons of plastic
- ▶ 65% sorting ratio.

Measures:

- ▶ Continue surveying waste
- ▶ Establish a new ambition of a 90% sorting ratio



Focus on people

Focus on people

Supplying quality rooms

- *Moelven's mission*


Moelven's mission is to focus on the customer and end-user of Moelven's products and services. The mission means that Moelven creates both indoor and outdoor spaces that are aesthetically pleasing, while also being functional and safe.

It is not only the customers and end-users Moelven is accountable to. Moelven is also accountable to employees, suppliers, partners and the local community.

Employees, suppliers and customers are entitled to a safe and secure workplace. Here, Moelven's code

of conduct and HSE work are key. Involved and competent employees are important for Moelven's strategy for long-term value creation.

Moelven's products are largely based on renewable forests, but other products and chemicals are also used in the processing of the material. Added products and chemicals can potentially impact people, and this is covered in more detail in the chapter "Health friendly chemical use."



Moelven supports Save the Children

Moelven has extended its partnership with Save the Children and donated NOK 500,000 in 2017, as in 2016, to help children and young people with schooling and education in some of the world's poorest countries.



Health, safety and the environment

Importance:
MOST



Where and why is it important?

Health, safety and the environment (HSE) is a collective term for work with health protection, environmental protection, the working environment, safety and security for employees and users. This chapter mainly deals with those parts of HSE that concern people, while the environment is covered in the chapters “We have climate-smart products and services,” “Health-friendly chemical use” and “Local community.”

A safe working environment for employees, hired staff, customers and suppliers is essential for sustainable added value. It is of course one of the areas of greatest importance to both Moelven and its stakeholders.

*We shall be an **attractive and safe** workplace*

- *Moelven’s ambition*

Policy and approach

The overarching responsibility for HSE is with the management of the individual subsidiary. HSE is therefore on the agenda in all board meetings and executive management meetings. Moelven also has a dedicated safety committee comprising executive management, the HR director and employee representatives. In addition, the divisions’ HSE resources and the HR department meet regularly during the year in the HSE forum. These forums process and discuss corporate HSE issues, exchange experience and develop proposals for new procedures and guidelines.

The Group has developed a HSE manual that is tailored for each individual unit and accessible to all employees. The manual describes relevant procedures and guidelines for the HSE area.

Moelven has a common system, fPortal, for recording accidents, near accidents and hazardous conditions. This system ensures that the Group has a central overview of all reported incidents, and is an important aid for each individual company in the work to identify, implement and follow up relevant improvement measures to reach the long-term goal of 0 injuries. Work to reduce absence due to illness is mainly related to three primary areas: close follow-up of the employee, including focus on and follow up of residual capacity for work,

measures to promote well-being and health, as well as emphasis on HSE when investing in new production equipment. Follow-up of employees is done by each individual company in accordance with applicable rules in the countries in which they operate. There is much emphasis on maintaining dialogue with employees on sick leave with a view to making the absence period as short as possible.

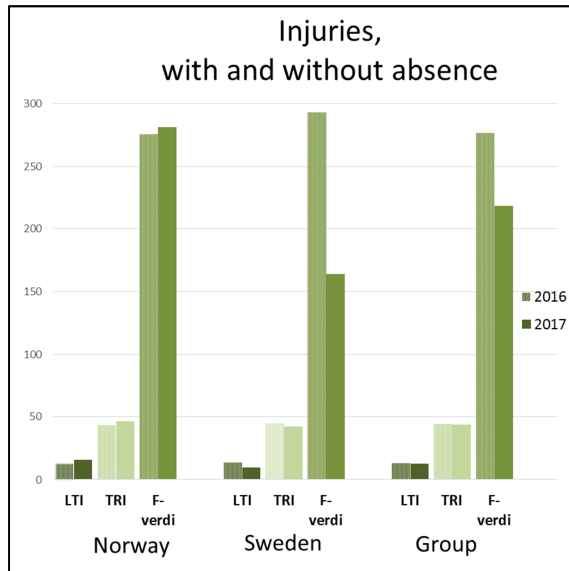
Moelven has health insurance for all employees, and this works as a good HSE measure to get those employees who need health services and treatment back to work faster. Health insurance was established in 2007 and has seen good effect, particularly for employees with musculoskeletal ailments.

Evaluation of results

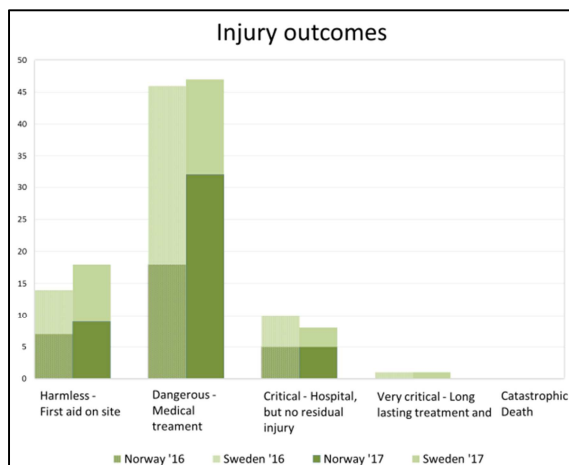
In order to reduce the number of accidents, Moelven has a strong focus on near accidents and hazardous conditions. Through high levels of reporting of near accidents and hazardous conditions, the company has the opportunity to identify HSE risks and implement risk-reducing measures before an eventual injury or incident occurs.

In 2017 a total of 360 (329) accidents, 813 (488) near accidents and 1 334 (920) hazardous

conditions related to persons were recorded. It is positive that the number of reported near accidents and hazardous conditions has increased, as this gives the Group a better basis for implementing good improvement measures. The number of injuries with absence per million hours worked (LTI rate) saw a small reduction in 2017. The number of days of absence due to injury per million hours worked (injury rate) was reduced by more than 20%.



There are still too many who are injured when working at Moelven, and work to reduce the number of injuries continues unabated in 2018. The most frequent injuries are falls, twisting/spraining and crushing injuries.



In 2017, overall absence due to illness remained stable, and was 5.55 per cent, which is higher than

the Group's goal of 4.5%. A high rate of absence due to illness is not compatible with Moelven's values. A reduction in and stabilisation of absence at a low level is thus a priority.

For the Group as a whole both short and long term absence has remained stable at the same level as previous years, but with some variations between Norway and Sweden. In Norway long-term absence has dropped by 7.5%, while in Sweden it has increased by 10.2%. Short-term absence has been stable in Sweden, while in Norway it has increased by 10.8%.

Absence due to illness		2017	2016
Norway	Long-term absence	3,19 %	3,45 %
	Short-term absence	2,76 %	2,50 %
	Total sickleave	5,95 %	5,95 %
Sweden	Long-term absence	2,26 %	2,06 %
	Short-term absence	2,72 %	2,66 %
	Total sickleave	4,98 %	4,72 %
Total	Long-term absence	2,67 %	2,71 %
	Short-term absence	2,88 %	2,89 %
	Total sickleave	5,55 %	5,60 %

In 2017 a new e-learning programme was developed for HSE training. All employees must complete the course by the end of the first quarter of 2018. All new employees must complete the course shortly after employment.

Moelven organizes annual "Better working environment" courses as a part of continuous work on HSE. The courses provide basic training in handling health, safety and environment issues, and cover the requirements toward HSE training for both executives, safety representatives and members of working environment committees. Besides employees with mandatory requirements for such training, the course is open to anyone who works with and/or wants to know more about HSE work. In 2017 49 employees completed the course.

Number of employees		2017	2016
Norway	Men	1,510	1,480
	Women	152	145
	Women %	9,1 %	8,9 %
	Total	1,662	1,625
Sweden	Men	1,629	1,609
	Women	227	230
	Women %	12,2 %	12,5 %
	Total	1,856	1,839
Other	Men	17	18
	Women	11	10
	Women %	39,3 %	34,5 %
	Total	28	28

Ambitions:

- ▶ LTI < 5 in 2020
- ▶ Absence due to illness < 4 % i 2020
- ▶ 3,500 risk reports

Results:

- ▶ LTI = 12.4
- ▶ Absence due to illness = 5.6%
- ▶ 2,147 risk reports

Measures:

- ▶ Increased use of resources
- ▶ HSE training
- ▶ Consequences of violations

Involved and competent employees

Importance:
MOST



Where and why is it important?

Moelven is a large employer with 3,546 employees, and it is important that the employees have a workplace where they are happy and have the opportunity to challenge themselves. This is of course important to the employees, but it is also important to Moelven, as there is a clear link between employee satisfaction and Moelven's results.

Moelven is also dependent on attracting tomorrow's talent to ensure long term value creation in a sector that is undergoing continuous change through rationalization and the development of existing and new products and services. Involved and competent employees is therefore also an important factor that affects Moelven's attractiveness as an employer

*Provide **opportunities** to people with a drive to succeed*

- Moelven's human resources ideal
-

Policy and approach

The Group's human resources ideal is to provide opportunities to people with a drive to succeed. This ideal establishes guidelines for the Group's objectives in terms of which persons are recruited, what expertise is demanded, how new employees are introduced, and which development and career opportunities are offered.

Moelven focuses on long-term employment relationships and strives to offer its employees the opportunity to develop in their jobs. Motivated and competent employees are encouraged to take their personal development further, including through internal management programmes at several management levels.

Moelven will continue to focus on increased management expertise. Good managers are one of the most important factors for employees to enjoy work, and for the business to do well financially. This ideal establishes guidelines for the Group's objectives in terms of which persons are recruited, what expertise is demanded, how new employees are introduced, and which development and career opportunities are offered.

The two young, newly graduated construction engineers Karoline Røste Omdahl and Dennis Afonso Pettersen are a part of the construction team at Moelven Limtre AS, and are proud to work at the company many consider to be world leaders in large load-bearing wood structures. "You feel privileged to come straight from school and being given opportunities like this. Rumour has it in the university college community that expertise is top-notch at Moelven Limtre. Being new in the game and having the opportunity to work with people who know so much is not only great, it's also reassuring and instructive," Karoline says.



Moelven will continue to focus on increased management expertise. In 2017 Moelven participated in two regional trainee schemes; Trainee Innlandet in Norway and the Higher ambition programme in Sweden. The purpose of both programmes is to attract and retain competent employees with master's degree educations in the Interior region in Norway and Värmland in Sweden. In 2018 Moelven will start its own trainee programme to effectively attract, develop and retain graduates with bachelor-level degrees or technical vocational school educations.

Good skilled worker expertise is essential for Moelven. In order to systematically recruit new employees, even more attention will be given to apprenticeships. At the same time there are efforts to improve the expertise of the existing workforce through several measures that are currently being planned. There is also focus on a good process to welcome new employees so that they have a good introduction both to their tasks and Moelven as an employer.

Employee surveys are regularly conducted in all of Moelven's businesses. These surveys take the 'temperature' of how the employees experience their work situation. The survey is an aid to develop a good and health-promoting work environment, and to create a good feedback and improvement culture. In short, the survey says something about employee satisfaction.

Evaluation of results

In 2017 Moelven had 27 apprentice contracts in Norway. The apprentice is a good scheme that provides value to both the employees and Moelven. The apprentices have the opportunity to train for a profession by working at the company, while Moelven has access to competent labour that develops successively throughout the period. No apprentices were hired in other countries than Norway in 2017, as this scheme is not established in the same way in Sweden.

In 2017 Moelven recruited a total of 4 trainee candidates; 3 in Norway and 1 in Sweden. All candidates have a master's degree and participate in regional trainee programmes.

In the course of 2017 39 employees took part in development programmes for supervisors. Supervisors play a very important role as first line

managers, and a continued strengthening of this role is important.

Moelven has a dedicated management development programme for corporate executives, members of the companies' executive teams and key employees in the Group. In 2017 18 employees took part in this programme.



Ambitions:

- ▶ Involved and competent employees

Results:

- ▶ Trainee scheme established in Norway
- ▶ 27 apprentices

Measures:

- ▶ Start up of trainee scheme in Sweden

Health-friendly chemical use

Importance:
IMPORTANT



Where and why is it important?

Moelven uses chemical and products in its production to increase the life of the products and materials, and to create good spaces. Some of these products may have a potential impact on health and the environment, but correct use should not pose any risks.

This is an important topic for Moelven, as these products may entail a risk during production in the event of improper handling. It is also a topic many customers and consumers are concerned with, and it is therefore important to Moelven to be transparent in the use of these chemicals to establish peace of mind and confidence with the customer.

Policy and approach

The following is stated in Moelven's environmental policy and code of conduct:

- ▶ Moelven must minimize the effect on ground and water by using environmentally friendly chemical, oils and adhesives to the greatest possible extent.
- ▶ Moelven must only handle of chemicals, oils and adhesives at designated places with approved enclosure or similar installations to reduce the impact of eventual spills.

Moelven is also subject to several regulatory requirements related to chemical use. In particular, there are three different EU directives that apply for Moelven's products, "Construction Products

Regulations" (CPR), "Registration, Evaluation, Authorisation and Restriction of Chemicals" (REACH) and "Biocidal Products Regulations" (BPR). These regulatory requirements are integrated in Moelven's procedures, and all products that Moelven produces must comply with the requirements that follow from these directives.

Evaluation of results

In 2017 Moelven conducted the first groupwide survey of selected chemicals and treatment products that are used in the wood industry. These chemicals and treatment products were chosen based on consumption, potential health impacts and stakeholder dialogue.

Moelven Limtre has for more than 20 years developed, produced and assembled large, load-bearing glulam structures. Glulam for bridges is largely produced using impregnated pine. In some cases the bridges are additionally impregnated with creosote after all processing is completed. This is done at the customer's request, and is carried out by subcontractors. Creosote is a distillation product of coaltar, and glulam impregnated with creosote will therefore smell of tar. The treatment provides excellent durability and satisfies the Norwegian Public Road Administration's requirement that bridges must have a 100-year lifespan with a minimum of maintenance.

Creosote can be harmful to health. The risk is mainly present during the actual application of the substance, as the risk increases by exposure through skin contact in combination with sunlight. Moelven therefore recommends that everyone who works with and near creosote uses sunscreen to reduce health risk. There are also other health and environmental risks linked to creosote, but at the volumes and with the applications the substance has in connection with glulam bridges, these risks are negligible.



Name	Description	Consumption
Impregnation fluid	<p>Area of application: Provides resistance to moisture, rot and fungus attacks and increases the product's lifetime.</p> <p>Potential health impacts: Moelven's impregnation fluid does not contain heavy metals and consists of biodegradable antifungicides. No negative health impacts have been identified through proper use of the chemical or product.</p>	1,040,860 (litres)
Paint, primer and stain	<p>Area of application: Paint, primer and stain are both aesthetically pleasing and provide resistance to moisture, rot and fungus attacks and increase the product's lifetime.</p> <p>Potential health impacts: Moelven can paint, prime and stain products more efficiently and in a safer environment compared to treatment after installations. It is therefore considered that industrial application of pain, primer and stain reduces health impacts compared to treatment in place.</p>	2,357,627 (litres)
Fire impregnation	<p>Area of application: Moelven's unique Fireguard impregnation provides resistance and passive protection against fire. Used for both internal and external products.</p> <p>Potential health impacts: The product has been documented to be an environmentally friendly impregnation agent and meets the requirements of EUs Building Product directive, and waste is handled as ordinary timber. The Fireguard liquid does not contain bromine compounds or boric acid, which is on the priority list under Reach. No hazardous chemicals are emitted during use or in the event of fire.</p>	147,580 (litres)
Adhesive	<p>Area of application: Adhesives are used as a binding agent in many products, for example glulam. Moelven uses mainly MUF (melamine-urea-formaldehyde) and some PRF (phenol-resorcinol-formaldehyde) in glulam. All glulam is labeled in accordance with which type of adhesive that has been used.</p> <p>Potential health impacts: Moelven largely uses adhesives produced from oil that does not originate from fossil sources, and thus has a low environmental impact. Proper use of glulam has no health impacts for the user.</p>	6,801,258 (litres)
Osmo	<p>Area of application: Osmo is a wood treatment product based on natural oil and waxes. The oil penetrates the wood and protects it from within. The wax creates an elastic, microporous surface that protects the wood from external impacts, and the wood thus preserves its natural appearance and is protected.</p> <p>Potential health impacts: There are no known potential health impacts from using Osmo. It consists of sunflower, soya, lentil and thistle oil, and is approved for use in contact with foodstuffs.</p>	81,319 (litres)

Ambitions:

- ▶ Moelven must as far as possible use health-friendly and environmentally friendly

Results:

- ▶ The main categories of chemicals have been surveyed

Measures:

- ▶ Continue survey of chemical use and explore alternatives

We create quality rooms

Importance:
IMPORTANT



Where and why is it important?

Quality rooms permeate all activities in Moelven, from care for the employees' working environment and encounters with customers and suppliers to the finished product: A building to live in or for commercial activity.

Supplying quality rooms

- *Moelven's mission*

Policy and approach

Moelven shall supply solutions that are characterized by quality, efficiency and contemporary design. We shall also supply products and services that cover the purposes and needs of customers and end-users. These can be spaces for pleasure, playing, work or contemplation. These may be public spaces or private rooms, outdoors or indoors. Good spaces should also apply to actions and choices that concern suppliers and subcontractors. Moelven enables good collaboration with suppliers by acting in an honest and professional manner. At the same time there are requirements that partners also operate in a sustainable and ethically justifiable manner.

The people who work at Moelven are also subject to these requirements. Moelven creates good spaces for employees by providing well organized working conditions, contemporary and good premises, a clear code of conduct and procedures for health, safety and the environment.

By creating quality rooms for the employees, a good foundation is established to create value for customers and end-users. Moelven provides quality rooms for customers by being aware of what the customer seeks, focusing on how materials are extracted and the product is developed, and an

approach to ensuring that customer experience a good buying process with Moelven. Moelven achieves this through a clearly established company strategy and brand strategy.

Evaluation of results

Whether Moelven manages to provide good spaces to its employees, customers and suppliers is reflected in the financial log-term results, customer surveys and employee surveys.

The financial results and description of future prospects are presented in the annual accounts and the report of the Board of Directors, while involvement and expertise are described in the chapter *Involved and competent employees*.

The different units at Moelven conduct customer surveys, but this is not centrally coordinated through the Group, and different methods are used. In the course of 2018 Moelven will therefore assess the customer survey results with an aim of reporting on this collectively in 2018.

Ambitions:

- ▶ Moelven shall contribute to create quality rooms

Results:

- ▶ Quality Rooms are established as a part of the company's marketing communication

Measures:

- ▶ Survey customer satisfaction across the company
- ▶ Document that the Group complies with the mission through sustainability work.



Safeguards local values

Economic value creating in the local community

Importance:

MOST



Where and why is it important?

Moelven operates in numerous small communities in Norway and Sweden where we often are a key employer and contributor in the local economy. How we choose to operate will have direct impacts on the local communities, and we are also dependent on having good relationships with our local communities to attract the right people and work with our surroundings. It is important that we have a conscious attitude to recruitment, financial contributions and local purchases and contracts.

This aspect is particularly important where we are a major contributor in the local community.

Policy and approach

Moelven consists of 37 production companies across 46 production locations in Norway and Sweden. Most of the production companies have in common that they are located in geographically rural areas in close proximity to the forest and historical ports for timber. This means that the companies are often large in a local context, and that they become a significant contributor to local businesses. Both directly and indirectly.

Several of Moelven's companies are important cornerstone businesses in their areas. Moelven's businesses create ripple effects for subcontractors and the rest of the economy in the shape of turnover and added value. Moelven pays company tax and an employer's contribution, and the employees pay income tax. Together this makes up the companies' and group's contribution to society.

Evaluation of results

If one uses the Federation of Norwegian Enterprises' calculation for social contribution one

can find the companies' direct contribution of taxes and duties. The calculation shows that in 2017 Moelven's Norwegian businesses contributed NOK 1,931,538,000 in overall added value*.

The tax and duty accounts for the Norwegian companies amounted to NOK 376,658,000, after deduction of public grants. This corresponds to the cost of 3,570 pupils in Norwegian elementary school, 9,416 days of hospital stays or 3,964 metres of two-lane road. The tax and duty accounts for the Swedish companies amounted to 476,548,000, and the indirect local economic added value in the Swedish economy comes in addition to the Norwegian added value.

There are also several other ripple effects around a business, not least in the local community, that this estimate does not show. Among other things, we focus on local buying whenever possible, and on creating local job opportunities.

Country	Norway	Sweden	Others*	Total
Revenue	8,370,190	9,019,049	151,307	17,540,545
Corporate tax	24,637	42,998	60	67,695
Total paid AGA	124,790	236,505	9,542	370,836
Tax paid on wages	230,152	199,597	873	430,622
Public grants	2,921	2,551	0	5,473
Number of employees	1,662	1,856	28	3,546

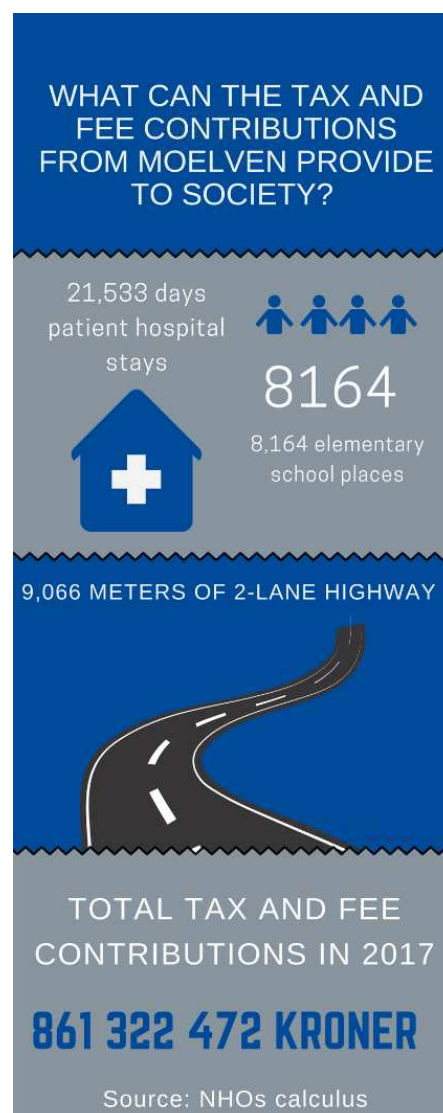
The calculations in the figure to the right have been performed using the Federation of Norwegian Enterprises' social contribution calculator. The calculation has been carried out by compiling Moelven's overall turnover, product inputs, tax on ordinary income, paid employer's contribution, overall paid income tax from employee salaries, and deducted government grants. The figures have been collected from Moelven's Norwegian and Swedish companies, and is in the Swedish companies converted to NOK (as at 31.12.17.) Because the two countries have different tax and duty systems, and access to different markets, there is some uncertainty regarding the figures.

The calculation shows only the direct taxes and duties the Group contributes.

The model does not include the secondary and tertiary effects (ripple effects) that Moelven contributes.

For Moelven the multiplier effect is significant as the group's individual companies, particularly in the Timber and Wood division, mainly belong to smaller communities in rural areas.

Several of Moelven's companies are important "cornerstone companies" that make a significant contribution to jobs and business in these areas. Here the significance of the ripple effect is reinforced, as it is difficult to redistribute the added value locally.



Ambitions:

- ▶ Create more local jobs

Results:


- ▶ Estimated tax and fee contributions of NOK 861,322,472 in 2017.

Measures:

- ▶ Further develop assessments of economic value creation in local communities

Local communities

Importance:
MOST



Where and why is it important?
 Moelven has more than 20 incinerator plants that produce energy for production and sale from biomass. This is defined as renewable energy, but nevertheless affects the local environment through emission of particulate matter, NOx and CO.

Moelven also impacts the local environment through transport and water consumption. Water is used to sprinkle timber to prevent it from drying out and becoming damaged during storage.

Policy and approach

Moelven also affects the local environment through several activities, such as energy production in incinerator plants, transport, waste handling and water consumption.

Moelven's environmental policy describes the following:

- ▶ Moelven's responsibility includes past influence from activities on the ground, water, air and/or surroundings from watering (runoff), heating, transport to and from the plants, the depositing of bark, handling of oils, adhesives, handling of chemicals for impregnation storage, use, waste), as well as activities producing noise and dust.
- ▶ Moelven must reduce emissions of substances such as NOx, SOx and CO to air from boilers at the plant in accordance with the results from registration and plans of action for the relevant plant.
- ▶ Moelven must implement measures to adapt noise levels and dust formation at plants in accordance with the targets at the respective plants.

Evaluation of results

Moelven has 24 of its own bioenergy plants that produce energy used in our own production, and sells surplus energy to external customers. The incineration plants vary in size from 1 MW to 15 MW, with an average of 5 MW installed capacity.

These plants are subject to national emission permits, and exhaust gases are regularly checked in accordance with local registration and action plans.

The table below shows an average of the measured concentrations of significant emissions from the incineration plants that may affect the local environment.

Emissions	Average concentration (PPM)
NOx	136
PM / Dust	99
CO	1,327

Moelven has had no violations of the pollution act or similar legislation in 2017 that have led to fines

Ambitions:

- ▶ Reduce emission of NOx, SOx and CO

Results:

- ▶ No violations of the pollution act or similar legislation in 2017 that have led to fines

Measures:

- ▶ Extend assessments of local environmental impacts.



A reliable partner

We are a reliable partner

Importance:
**MOST
IMPORTANT**



Where and why is it important?

Moelven shall, as described in our values, be a company one can trust. Moelven being a reliable partner is therefore established as a basic assumption for the sustainability strategy and must form the basis of all activities.

Moelven is conscious of its attitude to anti-corruption. This applies both in dealings with suppliers and customers at the corporate level, and in the individual business.

Moelven considers anti-corruption work to be an important part of efforts to achieve long-term sustainable development. Anti-corruption work minimizes the risk of getting into situations that have a negative effect on reputation or finances.

Reliable

Moelven can be trusted. We deliver at the agreed time and with the right quality. There is a strong focus on openness and honesty - being able to admit to weaknesses and mistakes is the basis for progress and trust.

- *Reliability is one of Moelven's basic values*

Policy and approach

Anti-corruption and ethics are key components of Moelven's corporate strategy. A good and reliable reputation is decisive for our business activities and must ensure credibility towards our customers, suppliers and other stakeholders, and contributes to us being perceived as an attractive employer.

Moelven dissociates itself from all forms of corruption and improper actions that impede free competition and market balance. In the Group's business activities there must always be a sound, ethical and moral attitude towards employees, customers, suppliers and other business partners, which entails that employees must neither accept nor offer bribes or other benefits for business or personal gain.

In the work on underpinning a comprehensive approach to anti-corruption in Moelven, a code of conduct and a description of procedures that must be followed in the event of undesired incidents have been developed at the corporate level, which must be complied with. The code of conduct and Moelven's attitude towards competition law have been communicated to company executives, the sales and marketing organization and financial managers in physical meetings, and has also been communicated to other employees.

Within the activities of the Moelven group, there shall not be any differential treatment on account of gender, ethnic origin, language, sexual orientation, religion or philosophy. Job descriptions, areas of responsibility, expertise and work effort form the basis for determining pay, promotion and recruitment. It is only expertise that matters. Further,

Moelven shall adapt conditions for people with reduced functional abilities.

Nor does Moelven accept conditions at suppliers' or customers' operations that constitute breaches of the UN declaration of human rights or other unethical conditions such as child labour.

From 2016 the code of conduct was included as a part of the employment contract for new employees. This ensures that new employees familiarize themselves with the code of conduct from the first day. As a supplement to the work on establishing a common platform for ethics among the employees, some companies in the group have also established their own guidelines with local adjustments. Moelven Modus has for example developed its own e-learning programme with accompanying tests.

Moelven has also established guidelines and procedures for whistleblowing. Moelven wants to make clear to all employees that the Group wants a corporate culture based on transparency. It must be acceptable to raise concerns and blameworthy conditions, and they shall be discussed and

resolved. The guidelines also provide for anonymity, and it is described.

Evaluation of results

In 2017 there were no reported instances of corruption or price fixing in the Moelven Group. These are of course satisfactory results, but continuous focus on the topic is necessary, and current work must continue.

One instance of sexual harassment recorded in the Group in 2017. The case was pursued locally in accordance with existing guidelines, and has been fully processed and clarified. In light of events in society at large, the board, before the aforementioned case became known, decided that the guidelines should be updated with particular emphasis on whistleblowing procedures and sexual harassment.

Beyond this, no need has been registered to implement special measures to ensure compliance with the code of conduct



Ambitions:

- ▶ No instances of corruption or price fixing

Results:

- ▶ No reported instances of corruption or price fixing in 2017

Measures:

- ▶ Pursue existing work on anti-corruption and ethics

Moelven GRI Index - 2017

Global Reporting Initiative (GRI) is a network-based organization, and is behind the development of the world's most widely used sustainability reporting framework. The GRI framework contains principles, themes and indicators that can be used by organizations to measure and report economic, environmental and social performance.

Moelven reports according to the framework GRI Standards: Core option.

The table below presents Moelven's reporting in relation to the guidelines of GRI Standards.

For more details about GRI, see www.globalreporting.org

GRI 102 - Management Approach

GRI §	Description	Source
Organisational profile		
102-1	Name of the reporting organization	Annual report, Note 1 (p.88)
102-2	Activities, brands, products and services	Annual report, Directors' Report (p. 9-10)
102-3	Location of company headquarters	Annual report, Note 1 (p.88)
102-4	Countries where the organization operates	Annual report, Directors' Report (p. 9-10), Note 6.2 (p.106)
102-5	Ownership structure and legal form	Annual report, Directors' Report (p. 9-10)
102-6	Markets served	Annual report, Directors' Report (p. 9-10), Note 6.2 (p.106)
102-7	Scale of the organization	Annual report, Hovedtall (p.6)
102-8	Information on the workforce	Annual report , Directors' Report (p. 9-10), Focus on people (p.60-65)
102-9	Supply chain	Safeguards natural resources (p.51-59)
102-10	Significant changes in scale, structure, ownership or supply chain during the reporting period	Annual report,Directors' Report (p. 9-10)
102-11	Precautionary principle	" <i>Moelven applies the precautionary principle</i> ", See also the group's Sustainability Report 2017
102-12	External initiatives	Annual report , Directors' Report - Innovation (p. 16), Sustainability Report 2017: Moelven and UN's sustainability goals (p.29), A reliable partner (p.73-75)
102-13	Membership of industry associations/advocacy organisations	Annual report, Directors' Report - Innovation (p. 16), Sustainability Report 2017
Strategi		
102-14	CEO's comments	Annual report: Positive development for Moelven (p.4.-5)
Ethics and integrity		
102-16	Core values, principles, standards and code of conduct	Sustainability – the recurring theme from vision to strategy (p.2), A reliable partner (p.73-75)
Governance		
102-18	Governance	Annual report: Corporate governance (p.20-24)
Stakeholder engagement		
102-40	Stakeholders	We listen to our stakeholders (p.33)
102-41	Collective agreements	Annual report: Note 3.25 (p.97)
102-42	Definition and selection of stakeholders	We listen to our stakeholders (p.33)
102-43	Stakeholder dialogue	We listen to our stakeholders (p.33)
102-44	Key topics	We listen to our stakeholders (p.33)
Report profile		
102-45	Entities included in the consolidated accounts	Annual report: Note 22 (p.116)
102-46	Definition of report content av aspect boundaries	Our focus areas for sustainability (p. 30)
102-47	List of material aspects	Summary: Focus areas, ambitions, results and goals (p.32)
102-48	Correction of previously disclosed information	N/A
102-49	Change of reporting	"2017 is the first year reported according to GRI Standards"
102-50	Reporting period	01.01.17-31.12.17
102-51	Date of most recent previous report	2016
102-52	Reporting cycle	Calendar year

102-53	Contact point for questions regarding report	Rune F. Andersen - rune-f.andersen@moelven.com
102-54	Claims of reporting in accordance with the GRI Standards	Moelven GRI Index - 2017
102-55	GRI Index	Moelven GRI Index - 2017

Material aspects

	Description	Source ref.	Exception	Reason	Description of exception
Climate smart products and solutions – Energy consumption in production					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 38-39	NA		
103-2	Description of methodology and results	p. 38-39	NA		
103-3	Evaluation of methodology and results	p. 38-39	NA		
<i>GRI 302 – Energy</i>					
302-1	Energy consumption in own production	p. 38, 50	NA		
302-4	Reduction of energy consumption	NA	Not reported	Information not available	Comparable figures for 2016 are not available.
<i>GRI 305 – Emissions</i>					
305-1	Direkte GHG emissions (scope 1)	p. 36	NA		
305-2	Indirect GHG emissions - energy (scope 2)	p. 36	NA		
305-3	Other indirect GHG emissions (scope 3)	p. 36	NA		
305-4	Reduction of GHG emissions	NA	Not reported	Information not available	Comparable figures for 2016 are not available.
Climate smart products and solutions – Transportation of goods					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 40-43	NA		
103-2	Description of methodology and results	p. 40-43	NA		
103-3	Evaluation of methodology and results	p. 40-43	NA		
<i>Moelven indicator</i>					
M1	Transport summary	p. 41	NA		
<i>GRI 305 – Utslipp</i>					
305-1	Direkte GHG emissions (scope 1)	p. 36	NA		
305-2	Indirect GHG emissions - energy (scope 2)	p. 36	NA		
305-3	Other indirect GHG emissions (scope 3)	p. 36	NA		
305-4	Reduction of GHG emissions	NA	Not reported	Information not available	Comparable figures for 2016 are not available.
Climate smart products and solutions – Climate benefits from the forest					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 44-46	NA		
103-2	Description of methodology and results	p. 44-46	NA		
103-3	Evaluation of methodology and results	p. 44-46	NA		
<i>Moelven indicator</i>					
M2	CO ₂ in purchased timber	p. 45	NA		
Climate smart products and solutions – Climate smart design and marketing					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 47-48	NA		
103-2	Description of methodology and results	p. 47-48	NA		
103-3	Evaluation of methodology and results	p. 47-48	NA		
<i>Moelven indicator</i>					
M3	Textindicator – description of certification schemes	p. 48	NA		
M4	Certification of finished goods	p. 47	Data for Norway not reported	Information not available	Reporting routines will be implemented in 2018.
Climate smart products and solutions – Production of bioenergy					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 49-50	NA		
103-2	Description of methodology and results	p. 49-50	NA		
103-3	Evaluation of methodology and results	p. 49-50	NA		

<i>GRI 302 - Energy</i>					
302-1	Energy consumption	p. 38, 50	NA		
Safeguards natural resources- Sustainable materials					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 53-55	NA		
103-2	Description of methodology and results	p. 53-55	NA		
103-3	Evaluation of methodology and results	p. 53-55	NA		
<i>Moelven indicator</i>					
M5	PEFC and FSC certification	p. 53-55	Details on certification	Information not available	Reporting routines will be implemented in 2018.
Safeguards natural resources– Resource optimization					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 56	NA		
103-2	Description of methodology and results	p. 56	NA		
103-3	Evaluation of methodology and results	p. 56	NA		
<i>GRI 301 – Materialer</i>					
301-1	Materialforbruk	p. 52, 56	NA		
<i>Moelven indicator</i>					
M6	Yield	p.56	NA		
Safeguards natural resources- Resource efficient design and packaging					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 57	NA		
103-2	Description of methodology and results	p. 57	NA		
103-3	Evaluation of methodology and results	p. 57	NA		
<i>Moelven indicatorer</i>					
M7	Interior projects including reuse	NA	Not reported	Information not available	Reporting routines will be implemented in 2018.
Safeguards natural resources– Waste management					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 58-59	NA		
103-2	Description of methodology and results	p. 58-59	NA		
103-3	Evaluation of methodology and results	p. 58-59	NA		
<i>GRI 306 – Avfall</i>					
306-2	Waste statistics	p. 59	Waste management methodology not reported	Information not available.	Waste management methodology varies. Standard reporting routines will be implemented during 2018.
Focus on people – HES					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 62-63	NA		
103-2	Description of methodology and results	p. 62-63	NA		
103-3	Evaluation of methodology and results	p. 62-63	NA		
<i>GRI 403 – HMS</i>					
403-2	HES-statistics	p. 62-63	Occupational diseases and statistics per gender not reported	Information not available	Reporting routines will be implemented in 2018.
Focus on people – Involved and competent employees					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 64-65	NA		
103-2	Description of methodology and results	p. 64-65	NA		
103-3	Evaluation of methodology and results	p. 64-65	NA		
<i>Moelven indicator</i>					
M8	Webrecruiter-statistikk	p. 65	NA		

Focus on people – Health-friendly use of chemicals					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 66-67	NA		
103-2	Description of methodology and results	p. 66-67	NA		
103-3	Evaluation of methodology and results	p. 66-67	NA		
<i>Moelven indicator</i>					
M9	Consumption of chemicals	p. 67	NA		
Focus on people – Supplying quality rooms					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 68	NA		
103-2	Description of methodology and results	p. 68	NA		
103-3	Evaluation of methodology and results	p. 68	NA		
<i>Moelven indicator</i>					
M10	Customer satisfaction	NA	Not reported	Information not available	The information cannot be aggregated. An indicator for measuring customer satisfaction across units and divisions will be established.
Local values – Economic value creating in the local community					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 70-71	NA		
103-2	Description of methodology and results	p. 70-71	NA		
103-3	Evaluation of methodology and results	p. 70-71	NA		
<i>Moelven indicator</i>					
M11	Tax and fee contributions	p. 70	NA		
M12	Economic value creating in the local community	p. 71	NA		
Local values – Local environment					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 72	NA		
103-2	Description of methodology and results	p. 72	NA		
103-3	Evaluation of methodology and results	p. 72	NA		
<i>GRI – Environmental compliance</i>					
307-1	Deviations from environmental legislation	p. 72	NA		
<i>Moelven indicator</i>					
M13	Average concentration in emissions to air	p. 72	NA		
A reliable partner – Ethics and integrity					
<i>GRI 103 – Management approach</i>					
103-1	Description of aspect and boundaries	p. 74-75	NA		
103-2	Description of methodology and results	p. 74-75	NA		
103-3	Evaluation of methodology and results	p. 74-75	NA		
<i>GRI 205 – Anti-corruption</i>					
205-3	Confirmed corruption incidents	p. 75	NA		
205-4	Confirmed price fixing incidents	p. 75	NA		

Annual account for the Moelven Group

Financial key figures

Amounts in NOK million	Explanations*	2017	2016	2015	2014	2013
RESULTS						
Operating revenues		10,768.4	10,309.7	9,690.4	8,828.2	8,009.4
Gross operating profit (EBITDA)		716.1	601.6	553.9	490.0	226.9
Depreciation and impairment		295.7	306.6	339.1	286.5	271.6
Operating profit		420.4	295.0	214.8	203.6	-44.7
Net interest and financial items		-46.8	-42.5	-56.3	-88.2	-72.4
Profit before tax		373.6	252.5	158.5	115.3	-117.1
Net profit		293.0	179.1	117.0	88.4	-92.6
BALANCE SHEET						
Investments in production equipment	A	357.0	275.2	215.8	195.1	351.2
Total assets		5,044.6	4,766.8	4,778.1	4,653.2	4,539.8
Equity		2,092.5	1,813.4	1,756.9	1,592.3	1,518.2
Net interest-bearing liabilities		761.7	1,026.9	1,110.4	1,353.1	1,476.1
Capital employed	B	2,884.4	2,846.9	2,870.8	2,959.9	3,020.1
EARNINGS/RETURN						
Net operating margin	C	3.9 %	2.9 %	2.2 %	2.3 %	-0.6 %
Gross operating margin	D	6.6 %	5.8 %	5.7 %	5.6 %	2.8 %
Return on equity	E	15.0 %	10.0 %	7.0 %	5.7 %	-6.0 %
Return on capital employed, 12 months rolling	F	14.2 %	9.9 %	7.2 %	5.4 %	-1.2 %
Return on total assets	G	8.6 %	6.2 %	4.6 %	4.4 %	-0.6 %
Interest cover	H	5.9	3.6	2.3	1.9	-0.1
CAPITAL STRUCTURE						
Equity ratio	I	41.5 %	38.0 %	36.8 %	34.2 %	33.4 %
Asset turnover	J	2.2	2.2	2.1	1.9	1.8
Debt-equity ratio	K	0.36	0.57	0.63	0.85	0.97
Net interest bearing debt / EBITDA		1.06	1.71	2.00	2.76	6.50
LIQUIDITY						
Liquid ratio I	L	1.67	1.64	1.59	1.70	1.68
Liquid ratio II	M	0.77	0.74	0.68	0.65	0.70
Cash flow from operational activities	N	676.2	421.5	584.6	351.5	86.2
SHARES						
Profit per share in NOK	O	2.26	1.41	0.91	0.68	-0.70
Average number of shares (mill)		129.5	129.5	129.5	129.5	129.5
Cash flow from operational activities, in NOK per share	P	5.22	3.25	4.51	2.71	0.67
Equity per share	Q	16.08	13.95	13.48	12.29	11.72
Assessment value in NOK as at 01.01		13.98	13.68	13.06	12.28	13.22
Dividend per share in NOK	R	0.68	0.48	0.45	0.40	0.00
PERSONNEL						
Number of employees as at 31.12		3,546	3,492	3,426	3,326	3,276
Sick leave percentage	S	5.6 %	5.6 %	5.5 %	5.5 %	5.4 %
absence, H1 value	T	12.4	12.8	15.7	15.9	16.1

* Explanations of key figures are presented on the following page

Formulas for the key figures

A:	Capitalized investments - goodwill
B:	Equity + interest bearing debt
C:	$\frac{\text{Operating profit}}{\text{Operating revenues}}$
D:	$\frac{\text{Operating profit} + \text{depreciation and impairments}}{\text{Operating revenues}}$
E:	$\frac{\text{Net profit}}{\text{Average equity}}$
F:	$\frac{\text{Operating profit} + \text{interest income}}{\text{Average capital employed, 12 months}}$
G:	$\frac{\text{Operating profit} + \text{interest income}}{\text{Average total capital}}$
H:	$\frac{\text{Profit before tax} + \text{finance cost}}{\text{Finance cost}}$
I:	$\frac{\text{Equity}}{\text{Total capital}}$
J:	$\frac{\text{Operating revenues}}{\text{Average total capital}}$
K:	$\frac{\text{Net interest bearing debt}}{\text{Equity}}$
L:	$\frac{\text{Current assets}}{\text{Short term debt}}$
M:	$\frac{\text{Liquid funds} + \text{financial assets} + \text{receivables}}{\text{Short term debt}}$
N:	Result after tax payable + depreciation - non controlling interest and correction regarding non liquid items from result and working capital
O:	$\frac{\text{Earnings assigned to Moelven's shareholders}}{\text{Average number of shares}}$
P:	$\frac{\text{Cash flow from operations}}{\text{Average number of shares}}$
Q:	$\frac{\text{Total equity assigned to Moelven's shareholders}}{\text{Average number of shares}}$
R:	Dividend proposal
S:	$\frac{\text{Sickness absence}}{\text{Available hours} - \text{overtime}}$
T:	Number of injuries absence per million working hours, 12 months rolling

Consolidated accounts

Income statement for the group

Amounts in NOK million	Note	2017	2016
Sales revenue	7	10,713.6	10,273.8
Other operating revenues		54.8	35.9
Operating revenues	6	10,768.4	10,309.7
Product expenses		6,844.3	6,539.5
Changes in inventory raw materials, goods under manufacture and finished goods		-45.1	13.0
Payroll expenses	11, 23, 28	2,153.3	2,113.2
Depreciation of tangible and intangible assets	8, 10	278.1	290.1
Impairment of tangible assets	8, 10	17.6	16.5
Other operating expenses	11	1,099.8	1,042.5
Operating expenses		10,348.0	10,014.8
Operating profit		420.4	295.0
Income from associates	16	0.0	0.0
Value increase of financial instruments to fair value		13.5	20.9
Other financial income	12	16.2	32.4
Value reduction of financial instruments to fair value		-18.2	-6.4
Other financial costs	12	-58.3	-89.4
Net financial items		-46.8	-42.5
Profit before tax		373.6	252.5
Income tax	13	80.7	73.4
Net profit		293.0	179.1
Profit assigned to:			
Non-controlling interests		-0.1	-4.1
Owners of parent company		293.0	183.1
Annual profit transferred to/from other equity		293.0	179.1
Total allocation		293.0	179.1
Earnings per share (in NOK)			
Earnings per share assigned to Moelven's shareholders	21	2.26	1.41
Statement of comprehensive income			
Amounts in NOK million	Note	2017	2016
Net profit		293.0	179.1
Other comprehensive income			
<i>Items that are not reclassified subsequently to profit or loss</i>			
Actuarial gains (losses) on defined-benefit pension schemes	23	0.1	-1.9
Income tax on items that are not reclassified to profit or loss	13	0.0	0.5
		0.1	-1.4
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation differences		41.2	-67.3
Proportion of other income and costs in associated companies	16	0.2	0.1
Other changes		7.1	4.4
Income tax on items that may be reclassified to profit or loss	13	0.0	0.0
		48.5	-62.9
Other comprehensive income, net of tax		48.6	-64.2
Total comprehensive income for the period		341.5	114.9
Comprehensive income assigned to:			
Owners of parent company		341.6	119.0
Non-controlling interests		-0.1	-4.1

Consolidated statement of financial position 31.12

Amounts in NOK million	Note	2017	2016
ASSETS			
Deferred tax assets	14	42.4	40.3
Goodwill	10	13.3	13.3
Other intangible assets	10	21.0	19.3
Total intangible assets		76.6	72.8
Land		109.3	104.9
Buildings and other property		476.8	441.7
Machinery and plant		1,130.0	1,063.4
Fixtures and fittings, tools, office machines etc.		46.5	27.1
Total fixed assets	8	1,762.5	1,637.2
Investments in associated companies	16	3.8	3.8
Investments in other shares	15	0.5	1.2
Bonds and other receivables		1.9	1.5
Net pension funds	23	1.8	2.2
Total financial fixed assets		7.9	8.7
Total assets		1,847.1	1,718.7
Inventory	17	1,524.1	1,464.1
Accounts receivable	18, 19	1,436.8	1,358.5
Other receivables	18	196.2	210.0
Total receivables		1,633.0	1,568.5
Financial derivatives	26	10.2	9.0
Bank deposits, cash etc.	20	30.2	6.6
Total current assets		3,197.6	3,048.1
Total assets		5,044.6	4,766.8

Amounts in NOK million	Note	2017	2016
LIABILITIES AND EQUITY			
Share capital	27	647.7	647.7
Own shares		0.0	0.0
Share premium reserve		130.9	180.7
Retained earnings		1,304.1	978.2
Total equity assigned to owners of parent company		2,082.7	1,806.6
Non-controlling interests		9.8	6.8
Total equity		2,092.5	1,813.4
Pension liabilities	23	22.3	22.7
Deferred tax	14	171.3	133.0
Other provisions	24	49.3	25.0
Total provisions		242.9	180.6
Liabilities to credit institutions	5	760.8	887.6
Other long term liabilities	5, 9	22.0	22.6
Other long term liabilities - non interest-bearing		6.3	6.5
Total long term liabilities		789.0	916.7
Liabilities to credit institutions	5	0.0	112.4
Financial derivatives	26	89.5	83.7
Accounts payable		721.7	574.7
Public duties payable		155.3	188.1
Tax payable	13	45.1	31.4
Other short term liabilities	19, 24, 25	908.5	865.9
Total short term liabilities		1,920.2	1,856.1
Total liabilities		2,952.1	2,953.4
Total equity and liabilities		5,044.6	4,766.8
Guarantees	24	19.5	18.7
Mortgages	5	-	1.1
Number of shares (Face value per share NOK 5.-)	27	129,541,284	129,541,284

Moelv, 14. March 2018
Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Trond Stangeby
Deputy chair

Elisabeth Krokeide

Aud Ingvild Storås

Asbjørn Bjørnstad

Martin Fauchald

Lars Håkan Karlsson

Morten Kristiansen
CEO

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	Own shares	Other equity	Total		
Total as at 1.1.2016	647.7	180.7	0.0	917.4	1,745.8	11.1	1,756.9
Comprehensive income for the period							
Net profit	0.0	0.0	0.0	183.1	183.1	-4.1	179.1
Other comprehensive income							
Translation differences	0.0	0.0	0.0	-67.2	-67.2	-0.1	-67.3
Other changes	0.0	0.0	0.0	4.5	4.5	0.0	4.4
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	-1.9	-1.9	0.0	-1.9
Income tax on other comprehensive income	0.0	0.0	0.0	0.5	0.5	0.0	0.5
Other comprehensive income (net of tax)	0.0	0.0	0.0	-64.2	-64.2	-0.1	-64.3
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend to owners	0.0	0.0	0.0	-58.3	-58.3	0.0	-58.3
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	0.0	0.0	-58.3	-58.3	0.0	-58.3
Total as at 31.12.2016	647.7	180.7	0.0	978.2	1,806.6	6.8	1,813.4
Total as at 1.1.2017	647.7	180.7	0.0	978.2	1,806.6	6.8	1,813.4
Comprehensive income for the period							
Net profit	0.0	0.0	0.0	293.0	293.0	-0.1	293.0
Other comprehensive income							
Translation differences	0.0	0.0	0.0	41.1	41.1	0.1	41.2
Other changes	0.0	0.0	0.0	4.1	4.1	3.0	7.1
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Income tax on other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other comprehensive income (net of tax)	0.0	0.0	0.0	45.3	45.3	3.1	48.3
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend to owners	0.0	-49.8	0.0	-12.4	-62.2	0.0	-62.2
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	-49.8	0.0	-12.4	-62.2	0.0	-62.2
Total as at 31.12.2017	647.7	130.9	0.0	1,304.1	2,082.7	9.8	2,092.5

Consolidated cash flow statement

Amounts in NOK million	Note	2017	2016
CASH FLOW FROM OPERATIONAL ACTIVITIES:			
Net profit		293.0	179.1
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>			
Depreciation	8, 10	278.1	290.1
Impairment	8, 10	17.6	16.5
Income from associated companies	16	0.0	-0.1
Tax paid	13	-33.0	-20.8
entered as income		0.8	-1.0
Profit / loss on sale of fixed assets		-14.3	0.8
Net value change of financial instruments to fair value		4.7	-14.6
Non cash financial items		47.4	47.4
Interest payments received		0.2	0.2
Interest paid		-47.6	-47.6
Income tax	13	80.7	73.4
<i>Changes in operating assets and liabilities:</i>			
Changes in inventory		-60.1	63.7
Changes in accounts receivable and other receivables		-64.5	-134.8
Changes in trade accounts payable		147.0	19.4
Changes in provisions and benefits to employees		62.3	0.0
Changes in short-term liabilities excluding borrowing		-36.0	-50.4
Cash flow from operational activities		676.2	421.5
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Investment in plant and equipment exc. acquisition	8,10	-357.0	-275.2
Net cash outlay on acquisition		0.0	0.0
Receipts from sale of fixed assets		17.1	4.1
Sale of other long-term investments		0.0	23.6
Purchase of subsidiaries, reduced by cash in company		5.0	0.0
Cash flow from investment activities	8	-334.9	-247.5
CASH FLOW FROM FINANCING ACTIVITIES:			
Short term borrowing		0.0	0.0
Payment of short term debt		0.0	0.0
Changes in short-term loans and overdraft		-112.4	32.7
Purchase of non-controlling interests		0.0	0.0
Change in long term debt facility - loan payments		-524.9	-1,428.5
Change in long term debt facility - new loans		379.9	1,288.5
Payment of other long term debt		1.6	-5.5
Payment of dividend		-62.2	-58.3
Cash flow from financial activities	26	-317.9	-171.1
Net increase (reduction) in liquid assets during year		23.6	3.0
Liquid assets 1.1		6.6	3.6
Effect of exchange rate changes on liquid assets		0.0	0.0
Liquid assets 31.12		30.2	6.6
Cash and cash equivalents 31.12			
Liquid assets 31.12		30.2	6.6
Unused drawing rights 31.12		1,141.8	868.1
Restricted bank deposits		0.0	0.0
Cash and cash equivalents 31.12	20	1,172.0	874.7

Changes in liabilities arising from financing activities

	Liabilities		Cash management		Hedging instruments			Net
	Other borrowings	Finance leases	Deposit	Overdraft	Currency and Assets	Liabilities	Interest Liabilities	
Restated balance at 1.1.2017	894.4	22.3	6.6	112.4	9.0	1.1	82.6	1,097.2
Changes from financing cash flows:	-143.4	-	62.2	-112.4	-	-	-	-318.0
Proceeds from loans and borrowings	381.5							
Installments and other changes in bank overdrafts	-524.9		62.2	-112.4				
Changes arising from obtaining and losing control of subsidiaries or other businesses:							-	-
The effect of changes in foreign exchange rates:	17.4	-		-			-	17.4
Changes in fair value:	-	-		-	1.2	6.9	-1.1	4.6
Other changes:	0.8	-2.5	-38.6	-	-	-	-	36.9
Changes in bank overdraft			14.1					
Capitalized borrowing costs - long term	0.8		-7.1					
Capitalized interest costs - long term			-28.2					
Capitalized net interest derivatives			-15.3					
Capitalized borrowing costs - cash management			-2.4					
Capitalized interest costs - cash management			0.3					
Changes in finance leases		-3.3						
Interest leases		0.8						
Balance at 31.12.2017	769.2	19.8	30.2	-	10.2	8.0	81.5	838.1

Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's head office is at Industriveien 2, 2390 Moelv, Norway.

The Group's activities are described in the board's annual report.

Note 2 - Basis for preparing the annual accounts

The consolidated accounts of the Moelven have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS interpretations committee (IFRIC), as determined by the EU.

The consolidated accounts were presented by the board on 14 March 2018 and the ordinary general meeting to discuss the annual accounts has been fixed for 25 April 2018.

The consolidated accounts are based on the principles of historic cost accounting with the exception of the following items:

- Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.
- Financial instruments at fair value through profit or loss. These include derivatives for hedging interest rates, foreign exchange and electric power.

The consolidated accounts have been prepared with uniform accounting principles for similar transactions and events under otherwise similar conditions.

Note 3 - Significant accounting principles

Presented below are the most important accounting principles that have been used in preparing the consolidated accounts. These principles have been used in the same way for the comparison figures in the consolidated accounts.

3.1 Consolidation principles

The consolidated accounts include Moelven Industrier ASA and companies over which Moelven Industrier ASA has control of. Control is ordinarily achieved when the Group owns more than 50% of the shares in the company, but annual assessments are carried out of whether the Group also has control of companies where the stake is less than 50%. An investor controls an undertaking in which an investment is made when the investor is exposed to or has rights to variable returns from its involvement in that undertaking, and has the opportunity to influence these returns through its power over the undertaking. Non-controlling interest are included in group equity.

The acquisition method is used for recognising company mergers on the income statement. Companies which are bought or sold during the course of the year are included in the Group accounts from the date on which control is achieved until the date on which it ceases.

Changes in holdings in the subsidiaries that do not lead to loss of control are entered as an equity transaction. The remuneration is entered at fair value and the difference between remuneration and the value of the holding entered on the balance sheet is entered against the majority owner's equity.

With changes in holdings that lead to loss of control, remuneration is measured at fair value. The balance sheet value of holdings and obligations in the subsidiary and the non-controlling interest are deducted on the date of loss of control. The difference between the remuneration and the balance sheet value of the holding is included on the income statement as a gain or loss. Any remaining holding is measured at fair value and any gain or loss included on the income statement as part of the gain/loss on the sale of the subsidiary. Amounts included in other income and costs are entered on the income statement.

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operational management. We have holdings between 20 per cent and 50 per cent in our associates. The Group accounts include the Group's share of profits from associates entered by equity method from the time significant control was achieved and until such control ceases.

When the Group's losses exceed the investment in an associated company, the Group's balance sheet value is reduced to zero and further loss is not entered unless the Group has an obligation to cover this loss.

All other investments are entered in accordance with IAS 39, *Financial instruments: Recognition and measurement* more detailed information on which is given in note 26.

Intercompany transactions and intercompany balances, including internal earnings and unrealised gains and losses are eliminated. Unrealised earnings in respect of transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there are indications of depreciation of value of assets that are sold internally.

3.2 New standards and interpretations

Below is a summary of new and revised standards that have been decided, but which have not come into force as at 14 March 2018.

	<i>Date of entry into force</i>	<i>Implementation date</i>
<i>New standards and interpretations</i>		
IFRS 9 Financial Instruments	1 January 2018	Fiscal year 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Fiscal year 2018
IFRS 16 Leases	1 January 2019	Fiscal year 2019

IFRS 9 Financial instruments

The standard regulates the classification, measurement and accounting of financial assets and financial obligations. Compulsory effective date is 1 January 2018.

In comparison to IAS 39, IFRS 9 includes new principles for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

It is not expected that the transition to an "expected loss model" according to IFRS 9 will result in significant changes. The Group has a very restrictive credit policy, and has as a result of this historically had very low losses on receivables. In project operations, projects with expected losses have been isolated and are shown separately in the accounts for 2017. See note 19.

The actual implementation effect related to financial instruments will depend on which instruments the Group has and the macroeconomic conditions that apply at the time of implementation, in addition to considerations that the Group will make in the future. The Moelven Group employs only simple financial instruments and does not use hedge accounting.

Based on the assessments that have been carried out, the new standard is not expected to affect the consolidated accounts at the time of implementation to any material degree.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts from customers, which replaces the current revenue recognition standards (IAS11 and IAS 18) and interpretations, introduces a new model for recognition and measurement of revenue from sales contracts with customers. The standard takes effect for fiscal years that start on 1 January 2018 or later.

The new model is based on a five stage process, which must be followed for all sales contracts with customers to determine when and how revenue should be recognized on the income statement.

The most significant changes in IFRS 15 in relation to current practice are:

- A sales transaction should be recognized as revenue in the profit and loss accounts as control (which can either take place at a certain time or over time) of the product or service transfers to the customer (the current "risk and rewards" concept is thus replaced by a control concept)
- New and more detailed guidance on how part transactions in a sales contract are identified, and how the individual components are recognized and measured
- New and more detailed guidance for recognition of revenue over time

The Moelven Group has performed an analysis of the new standard's expected significance for the Group. Based on analyses of the Group's current product mix and contract types within the divisions in both Timber, Wood and Building, the Moelven Group is of the opinion that the new standard will have minor significance on the following areas:

- The new requirements to discretion and assessments of for example variable consideration, identification of sales contracts' sub-components, etc., can impact the amount and/or timing for recognition of revenue.

This applies in particular in relation to larger construction contracts. It is considered that the impact based on the existing product mix is minimal. In 2017 no contracts have been identified that will have such effect.

The Group has concluded that IFRS 15 will not impact recognition and measurement of the Group's other revenues, including the sale of retail goods, produced goods, services and rental income.

Overall, the assessment based on the conducted analyses is that the impact on recognition and measurement is insignificant for the current product mix and contract types.

IFRS 16 Leases

IFRS 16 Leases supersedes the current standard *IAS 17 Leases*, and must be used from the 2019 fiscal year.

The new standard will change the Moelven Group's recognition of leases for the agreements which under IAS 17 have been recognized as operational leases.

As at 31.12.2017 the Moelven Group has entered 52% of posted rental costs as financial leases, with capitalization of right of use of rent as an asset and the payment obligation as a financial obligation. The overall financial obligation for leases at the turn of the year was NOK 19.8 million. Correspondingly, the right of use of rent as an asset was entered at NOK 18.9 million.

For more information on the Group's leases, see note 9.

According to the new standard, there is no longer a distinction between financial and operational rent. The new standard requires capitalization of all leases as a financial asset and financial obligation. There are exceptions for short leases and leases where the underlying asset is of low value.

The purpose of the accounting standard is to provide better information on a company's rights and obligations, and to ensure better comparability between companies that themselves own their operating assets and those that lease these.

For the Moelven Group the new standard will have an impact on the posting of leases for vehicles and premises, and require a new evaluation of forklift agreements that currently are posted as operational leases. Moelven largely owns all buildings and associated machinery used in operations, with a limited exception at individual units where leases must be adjusted to the new standard. Some leases include several components such as right of use and services. These must be split into the individual components and each component must be assessed independently.

The effect of the new standard will affect EBITDA and operating profit, as a result of rent costs being moved from operating expenses to depreciation and interest charge. Earnings before tax will not be affected over time, but at the start of the lease period costs from depreciation and interest will exceed the actual rental costs. Towards the end of the tenancy depreciation and interest will be less than the rental costs.

On the balance sheet assets and total assets will increase by the current value of the right of use to the leased objects. Correspondingly, debt will increase by the current value of the financial obligations. The equity ratio will be reduced as a result of increased total assets.

Cash flow from operating activities will increase as the assets are depreciated, while the cash flow from financial activities is reduced as debt is written down. The Group's overall cash flow is not affected.

The Group will use retroactive application of IFRS 16 without reworking comparative figures and with effect on the equity's opening balance in the transition year. The entire impact of the transition to IFRS 16 will be taken against the opening balance for equity in 2019.

3.3 Functional currency and presentation currency

The Group's presentation currency is NOK. This is also the functional currency of the parent company. Subsidiaries with other functional currencies are converted to the day rate for balance items and to the transaction rate for income statement items. Average monthly exchange rate is used as an approximation of transaction rate. Translation differences are entered against other income and costs ("OCI"). In any future sale of investments in foreign subsidiaries, accumulated translation differences that are referred to the majority owners will be entered on the income statement.

3.4 Use of estimates in preparing the annual accounts

Management has used estimates and assumptions which have affected assets, liabilities, income, costs and information regarding potential obligations. This applies in particular to depreciation of fixed assets, assessment of added value and goodwill in connection with acquisitions, inventory, project assessments and pension commitments. Future events may cause the estimates to change. Estimates and the underlying assumptions are continually assessed. Changes in

accounting estimates are entered into the accounts during the period in which the changes occur. Where changes also affect future periods, the effect is distributed across the current and future periods. Also see note 4.

3.5 Foreign currency

Foreign exchange transactions

Foreign exchange transactions are calculated at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currency are converted to Norwegian kroner by using the rate of exchange on the balance date. Non-monetary items which are measured at historical exchange rates expressed in foreign currency are converted to Norwegian kroner by using the exchange rate at the time of transaction. Non-monetary items which are measured at fair value expressed in foreign currency are converted to the exchange rate determined at the time of the balance. Foreign currency fluctuations are recognised on the income statement continuously over the accounting period.

Activities abroad

Assets and liabilities in foreign companies including goodwill and fair value adjustments which arise on consolidation are converted to Norwegian kroner by using the exchange rate on the balance date. Income and expenses in foreign enterprises are converted to Norwegian kroner by using the average exchange rate.

Exchange rate differences are entered in other income and costs ("OCI").

3.6 Income

Income is recognised on the income statement when it is probable that transactions will generate future financial benefit which will accrue to the company and the size of the amount can be reliably estimated. Sales income is presented after deduction of value added tax and discounts. Internal sales within the Group are eliminated.

Income from sale of goods is entered on the income statement once delivery has taken place and most of the risk and profit have been transferred.

Income from sale of services and long-term manufacturing projects is entered on the income statement as the project progresses, when the outcome of the transaction can be reliably estimated. Whether a project is classified as a manufacturing project is determined by whether the project to a significant degree is tailored to the customer's needs and that it is difficult to sell to others without major adjustments. In some of the companies, progress is measured as accrued costs in relation to total estimated costs, while in other companies; progress is measured on invoicing in relation to the contract total. When the result of the transaction cannot be reliably estimated, only income corresponding to accrued project costs will be recognised as income. In the period in which a project is identified as giving a negative result, the estimated loss on the contract will be recognised on the income statement in its entirety.

The Group produces and sells energy to end customers. The sale is entered as income when the energy has been delivered and is read off at the customer's premises. Sales are entered based on the prices achieved, which are contract prices, but which can also be subject to price guarantee for the delivery period. Not including the financing element in sales is being considered. Otherwise, payment terms correspond to those that are normal in the market.

Interest earnings are recognised as they are earned.

Dividends are entered when the shareholders' rights to receive dividends have been adopted by the general meeting.

IFRS 15 Revenue from contracts with customers will be implemented from the 2018 fiscal year, replacing *IAS 18 Revenue*. Information on the implementation period and consequences for the Group is described in section 3.2.

3.7 Segments

For management purposes the Group is organised into four different divisions according to products and range of services. The divisions represent the basis for the primary report segments. In segment reporting, internal earnings on sales between the segments are eliminated. Financial information regarding segments and geographical distribution is presented in Note 6.

In segment reporting, internal earnings on sales between the segments are eliminated.

3.8 Loan costs

Loan costs are entered on the income statement when the cost arises. Loan costs are entered on the balance sheet to the extent that they are directly related to the purchase and manufacture of an asset and where the manufacturing period is long. A long manufacturing period means close to 12 months. Interest rate costs accrue during the build period until the asset is entered on the balance sheet. Balance entry of the loan costs is done until the point when the asset is ready for use. If the cost price exceeds the asset's fair value, it is written down.

3.9 Income tax

Tax costs consist of payable tax and changes in deferred tax. Deferred tax/tax benefits are calculated on all differences between book and taxable values of assets and liabilities, with the exception of:

- group goodwill
- temporary differences related to affiliated companies the Group controls when the temporary differences will be reversed and it is not assumed to occur in the foreseeable future.

Deferred tax advantage is recognised on the income statement when it is probable that the company will have sufficient tax surplus in later periods to utilise the tax advantage. The companies enter deferred tax benefits that have not been previously entered to the extent that it has become probable that the company may make use of the deferred tax benefit. Likewise the company will reduce deferred tax advantages to the extent that the company no longer regards it as probable that it can utilise the deferred tax advantage.

Deferred tax and deferred tax advantages are measured based on anticipated future tax rates for the companies in the Group where temporary differences have previously arisen. Deferred tax and deferred tax advantages are recognised at nominal value and are classified as financial capital expenditure (long-term liability) on the balance sheet. Payable tax and deferred tax are entered directly against equity to the extent that the tax entries relate to equity transactions.

3.10 Research & Development

Expenses associated with research activities are recognised on the income statement when they arise. Costs relating to development activities are entered on the balance sheet to the extent to which the product or process is technically and commercially realisable and the Group has sufficient resources to complete the development. The costs that are entered include material costs, direct payroll costs and a proportion of directly attributable joint expenses. Development costs entered on the balance sheet are entered as acquisition costs minus accumulated depreciation and write-down.

Development costs entered on the balance sheet are depreciated on a straight line basis over the estimated lifetime of the asset.

3.11 Tangible fixed assets

Tangible fixed assets are measured at acquisition cost, less accumulated depreciations and write downs. When assets are sold or disposed of, the value on the balance sheet is deducted and any profit or loss is entered on the income statement.

Acquisition price for fixed assets is the purchase price including duties/taxes and costs directly associated with preparing the fixed assets for use. Costs after the fixed asset has been taken into use, such as continuous maintenance, are entered on the income statement, while other costs that are expected to provide future financial benefit are entered on the balance sheet.

Depreciation is calculated on a straight-line basis with the following decomposition and depreciation period:

Type of asset	Significant components	Depreciation period
Office buildings	Building Sprinkling Fire alarm Technical installations	15 - 20 years 10 year 10 year 7 - 10 years
Warehouse	Building only	15 - 20 years
Dryer	Dryers are structured that should be viewed as a whole. Depreciation should be the same for all dryer elements: Building Machine Control Culvert	10 - 15 years 10 - 15 years 10 - 15 years 10 - 15 years
Machines	Machine Control systems Foundation	10 - 12 years 10 - 12 years 10 - 12 years
Production premises	Building Technical installation	10 - 15 years Approx. 10 years

	Water and drainage Sprinkler system	Approx. 10 years Approx. 10 years
Boiler house	Building Culvert Boiler unit	15 - 20 years 10 - 15 years 10 - 15 years
Fixtures and fittings, tools, office machinery, etc.	No decomposition	4 - 7 years
Vehicles	No decomposition	4 - 7 years
Plots		No depreciation

Depreciation period and method are reviewed annually. Scrap value is estimated at each year end and changes to estimates of scrap value are recognized as a change in estimate.

Plants under construction are classified as fixed assets and are recorded at cost until manufacture or development is completed. Plant under manufacture is not depreciated until the asset is taken into use.

3.12 Leasing

Financial lease agreements

Lease agreements for which the Group assumes the main risk and profit involved in ownership of the asset are financial lease agreements. At the beginning of the lease period, financial lease agreements are recognised at an amount corresponding to the lower of either fair value or the present value of the minimum lease. For calculation of the lease agreement's present value the implicit interest cost in the lease agreement is used if it is possible to calculate this. If not, the company's marginal borrowing interest is used. Direct expenses relating to establishing the lease contract are included in the asset's cost price.

The same depreciation time is used as for the company's other depreciable assets. Where reasonable certainty that the company will assume ownership at the end of the lease period does not exist, the asset is depreciated over the shorter of the duration of the lease agreement and the asset's economic life cycle.

Operational lease agreements

Lease agreements where the main risk and profit associated with ownership of the asset are not transferred are classified as operational lease agreements. Lease payments are classified as operating expenses and are recognised on a straight-line basis over the contract period.

IFRS 16 Leases will be implemented from the 2019 fiscal year, replacing *IAS 17 Leases*. Information on the implementation period and consequences for the Group is described in section 3.2.

3.13 Intangible assets

Intangible assets acquired separately are entered on the balance sheet at cost. The costs of intangible assets acquired through acquisitions are recognized in the consolidated financial statements at fair value at the acquisition date. Intangible assets entered on the balance sheet are entered in the accounts at cost less any depreciation or write down.

Internally generated intangible assets, with the exception of recognised development costs, are not entered on the balance sheet but are entered as costs on an ongoing basis.

Useful lifetime is either predetermined or non-predetermined. Intangible assets with a predetermined limited economic useful life are depreciated over this period and tested for write down if there are indications of impairment. Depreciation method and period are assessed at least annually. Changes in depreciation method and/or period are treated as estimate changes.

Intangible assets with indefinite useful lives are tested for impairment at least yearly.

Intangible assets with indefinite useful life are not depreciated. The useful life is assessed annually to determine whether the assumption of indefinite useful life is reasonable. If not, a change is made to predetermine useful life prospectively.

Software

Costs relating to the purchase of new software are entered on the balance sheet as an intangible asset as long as these costs are not part of the acquisition cost of hardware. Software is normally depreciated on a straight line basis over 3 years. Costs arising as a result of maintaining the future usefulness of software are entered as costs if the changes to the software do not increase the future financial benefit of the software.

3.14 Business combinations and goodwill

Business combinations are entered in accordance with the acquisition method. Refer to note 3.24 with regard to the measurement of non-controlling interest. Transaction costs are entered on the income statement as they occur.

Remuneration for the purchase of a company is measured at fair value on the date of acquisition.

When a company is purchased, all assets and obligations taken over are assessed for classification and assignment in accordance with contract conditions, economic circumstances and relevant conditions on the date of acquisition. Assets and debts taken over are recognized on the balance sheet at fair value on the consolidated opening balance unless IFRS 3 indicates that other measurement rules shall be used.

Allocation of added value in business combinations is amended if new information arises regarding fair value on the date of taking control. Allocation can be changed up to 12 months after the date of acquisition if this is specified at the time of acquisition. The non-controlling interests are calculated as the minorities' percentage of identifiable assets and debts.

In the case of step by step acquisition, earlier assets are measured at fair value on the date of acquisition. Changes in the value of earlier assets are entered on the income statement.

Goodwill is calculated as the sum of the remuneration and book value of the non-controlling interest and fair value of previously owned assets, less the net value of identifiable assets and obligations calculated on the date of acquisition. Goodwill is not depreciated but tested at least annually for loss in value.

If the net value of identifiable assets and obligations calculated on the date of acquisition exceeds the remuneration (negative goodwill), the difference will be recognized at the acquisition date.

3.15 Public grants

Public grants are entered in the accounts when there is reasonable certainty that the company will fulfil the conditions associated with the grants. Recognition of operational grants is calculated systematically over the grant period. Grants are recognized as deductions from the cost that the grant is intended to cover. Investment subsidy is entered on the balance sheet in a systematic way over the life cycle of the asset. Investment subsidy is entered either as deferred income or as a deduction when determining the value of the asset on the balance sheet.

3.16 Financial instruments

According to IAS 39 Financial Instruments - recognition and measurement, financial instruments within the scope of IAS 39 are classified in the following categories: financial assets at fair value through profit or loss, held to maturity, loans and receivables, available for sale and other obligations.

Financial instruments that are primarily held for the purpose of selling or buying back in the short term, financial instruments in a portfolio of identified instruments that are controlled together and where there are clear signs of short term realisation of gains and derivatives that have not been designated as hedging instruments are classified as held for trading purposes. These instruments are included in the category financial assets at fair value through profit or loss, together with financial instruments that qualify as, and have been designated as, instruments at fair value through profit or loss. Financial guarantee contracts are measured at the higher of what follows from IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 18 Revenue, unless the contracts qualify as, and have been designated as, instruments at fair value through profit or loss.

Financial assets with fixed or determinable cash flows and fixed redemption dates, where the Group has the intention of and the ability to hold the investment to maturity, are classified as investments held to maturity, with the exception of those instruments that the company designates as instruments at fair value through profit or loss or available for sale, or which meet the criteria for inclusion in the category loans and receivables.

Financial assets with fixed or determinable cash flows that are not listed in an active market are classified as loans and receivables, with the exception of instruments that the Group has designated as instruments at fair value through profit or loss or available for sale.

All other financial assets are classified as available for sale.

Financial obligations that do not fall into the category held for trading purposes and that have not been designated as instruments at fair value through profit or loss are classified as other obligations.

Financial instruments held to maturity are included in financial fixed assets, unless the redemption date is within 12 months of the balance date. Financial instruments in the Group that are held for trading purposes are classified as current assets. Financial instruments available for sale are presented as current assets if management has decided to dispose of the instrument within 12 months of the balance date.

Investments held to maturity, loans and receivables and other obligations are recognised at amortised cost. Financial instruments classified as available for sale and held for trading purposes are recognised at fair value, as observed in the market on the balance date, without deduction for costs connected with sale.

Gains or losses resulting from changes in the fair value of financial investments classified as available for sale are recognised as other income and costs until the investment is realised. On realisation, accumulated gains or losses on the financial instrument that have previously been recognised against equity are reversed and the gain or loss is entered on the income statement.

Gains or losses resulting from changes in the fair value of financial investments classified as held for trading purposes or that have been designated as instruments at fair value through profit or loss are entered on the income statement and presented as financial income or cost.

The fair value of financial instruments that are traded in active markets is determined at the end of the reporting period by referring to the listed market price from traders of financial instruments (buying rate for long positions and selling rate for short positions), without deduction for transaction costs.

For financial instruments that are not traded in an active market, the fair value is determined with the aid of a suitable valuation method. Such valuation methods involve the use of recent market transactions at arm's length between well-informed and voluntary parties, if such are available, referral to the current fair value of another instrument that is practically the same, discounted cash flow calculation or other valuation model.

An analysis of fair value of financial instruments and other details regarding the measurement of these is given in the note 26.

IFRS 9 Financial instruments will be implemented from the 2018 fiscal year, replacing *IAS 39 Financial instruments - Recognition and measurement*. Information on the implementation period and consequences for the Group is described in section 3.2.

3.17 Hedging

The Group performs financial hedging transactions. However on the basis of an assessment of cost and benefit of hedge accounting in accordance with IAS 39, it has been decided that the Group does not perform hedge accounting.

3.18 Derivatives that are not hedging instruments

Financial derivatives that are not recognised as hedging instruments are assessed at fair value. Changes in fair value are entered on the income statement on an ongoing basis.

An inbuilt derivative is separated from the host contract and recognised as a derivative if and only if all the following conditions are fulfilled:

- The financial characteristics and the financial risk of an inbuilt derivative are not closely related to the financial characteristics and the financial risk of the host contract.
- A separate instrument with the same conditions as the inbuilt derivative would have satisfied the definition of a derivative.
- The combined instrument (main contract and inbuilt derivative) is not measured at fair value through profit or loss.

3.19 Impairment of financial assets

Financial assets valued at amortised cost are written down when it is probable based on objective evidence that the instrument's cash flow has been affected negatively by one or more events occurring after the initial recognition of the instrument.

The write-down amount is entered on the income statement. If the cause of the write down later ceases and the cessation can be objectively associated with an event taking place after the inclusion of the write-down, the previous write-down is reversed. This reversal must not result in the balance value of the financial asset exceeding the amount of

what the amortised cost would have been, if the loss in value had not been included at the time when the write-down was reversed. Reversal of earlier write down is presented as income.

Financial assets classified as available for sale are written down when there are objective indications that the value of the asset has fallen. The accumulated loss that has been entered directly to equity (the difference between acquisition cost and current fair value less write-down that has previously been included on the income statement and any amortisation amount) is removed from equity and entered on the income statement. If the fair value of a debt instrument classified as available for sale increases at a later date, and the increase can be objectively linked to an event that occurred after the write-down was entered on the income statement, the write-down shall be reversed on the income statement. Write down of an investment in an equity instrument is not reversed on the income statement.

3.20 Inventory

Inventory is recognised on the income statement at the lower of acquisition cost or net sales price. Net sales price is an estimated sales price for ordinary operations minus estimated costs for completion, marketing and distribution. Acquisition cost is allocated by use of the FIFO method and includes expenses accrued when acquiring the goods and the costs of bringing the goods to their current condition and location. Proprietary goods include variable and fixed costs that can be allocated based on normal capacity utilisation.

3.21 Projects

The Building Systems division primarily performs contract assignments (projects). For projects, Moelven mainly uses current income entry based on the anticipated end result. This means that income is entered in line with the execution of the work, based on the degree of completion.

Additional claims and disputed amounts are not normally entered until agreement has been reached or there is a court judgement. However part of the claim is entered if there is an overwhelming probability of the anticipated outcome. Provision is made for claims activities based on historical experience and identified risks. Guarantee periods are normally from three to five years.

For projects that are expected to result in a loss, the entire loss is entered on the income statement as soon as it is identified. Costs of tendering and other preparatory work are entered as they arise.

For projects that are directed by outside companies, invoicing is performed monthly with 30 day payment terms. Invoicing is normally done in line with the completion of the work, but there are also payment schedules that do not correspond to progress.

For projects, both income and costs are scheduled. Income that has been earned but not yet invoiced is entered under the item "Completed, not invoiced". Invoiced income that has not yet been earned (forward payment plans) is entered under the item "Prepayments from customers" under other short term liabilities; see note 19. Only one of these items is used per project.

Scheduling of costs (accrued, not entered) is recognised as trade accounts payable, while provisions for claims activities on concluded projects are entered as claims provisions etc.

Part of the outstanding receivables is secured in the form of bank guarantees or other forms of security. There is not considered to be any credit risk associated with public sector customers. Refer to note 5 on financial risk.

Refer to note 19 Projects in progress, note 18 Accounts receivable, note 25 A Other short term liabilities and note 24 Claims provisions etc.

When the result of the transaction cannot be reliably estimated, only income corresponding to accrued project costs will be recognised as income.

IFRS 15 Revenue from contracts with customers will be implemented from the 2018 fiscal year, replacing *IAS 18 Revenue*. Information on the implementation period and consequences for the Group is described in section 3.2.

3.22 Cash and cash equivalents

Cash includes cash holdings and bank deposits. Cash equivalents are short term liquid investments that can be immediately converted into a known amount of cash and that have a maximum of 3 months to maturity.

In the cash flow statement, the bank overdraft has been subtracted from the balance of cash and cash equivalents.

3.23 Equity

Own shares

On repurchase of own shares, the purchase price including immediate costs is entered as a change in equity. The nominal value of treasury shares is presented on a separate line below share capital, while payment in excess of nominal value reduces other equity. Losses or gains on own share transactions are not entered on the income statement, but are offset against equity.

Costs of equity transactions

Transaction costs directly associated with equity transactions are entered directly to equity after deduction for tax.

Other equity

Translation differences Translation differences arise in conjunction with currency differences on consolidation of foreign units.

Currency differences on monetary items (liability or receivable) that are in reality part of a company's net investment in a foreign unit are also entered as translation differences.

For disposal of foreign units the accumulated translation difference associated with the unit is reversed and entered on the income statement for the same period as the profit or loss on the disposal is entered on the income statement.

3.24 Non-controlling interests (minority interests)

Minority interests in the consolidated financial statements represent the minority's share of the carrying value of equity. In a business combination, non-controlling interest are measured according to their proportionate share of identified assets and debt.

The subsidiary company's results, as well as the individual components of other income and costs, are attributable to owners of the parent company and the non-controlling interest. The total result is attributed to the parent company's owners and to the non-controlling interest, even if this leads to a negative minority interest.

3.25 Employee benefits

The Group's Norwegian companies:

All Norwegian companies have collective, contribution-based pension schemes. The contribution-based scheme provides coverage for disability. Pension premiums are entered as costs as they occur. The company's collective defined benefit scheme was terminated in 2015 by issuing paid-up policies. All new employees are included in the defined contribution scheme. A few defined benefit schemes remain for a limited number of individuals. The closed schemes are defined benefit plans that give the employees entitlement to agreed future pension benefits. The benefits are based on the number of years of earning and pay level on retirement.

The Group's foreign companies:

Many of the Group's foreign companies offer their employees pensions based on agreed individual contribution-based pension schemes. In Sweden, most employees are covered by a collective occupational pension agreement. The scheme is defined as a multi-employer plan. Salaried staffs born before 1979 are included in an individual occupational pension scheme that is also defined as a defined benefit plan. Because of the difficulty of reliably measuring the benefit level of these plans, there is insufficient information on an individual basis to enter the plans in the accounts as defined benefit schemes. The plans are entered as if they were contribution-based schemes. The salaried staff, born after 1979, are included in an occupational pension scheme that is premium based and is therefore treated in the accounts as contribution-based.

Defined-benefit pension schemes

Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. Pension funds are valued at fair value. Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. The period's net pension costs are classified as payroll and personnel costs.

Gains and losses on the curtailment or settlement of a defined-benefit pension scheme are recognised on the income statement on the date the curtailment or settlement occurs.

Curtailment occurs when the Group decides on a significant reduction in the number of employees covered by a scheme or changes the conditions for a defined-benefit pension scheme so that a considerable part of the present employees' future earning no longer qualifies for benefits or only qualifies for reduced benefits.

Defined contribution pension scheme

In 2015 defined contribution schemes were converted to defined benefit schemes for all Norwegian employees of Moelven. The contribution to the pension scheme comprises from 3.6% to 21.7% of salary. Pension premiums are entered as costs as they occur.

3.26 Provisions

A provision is recognised when the Group has an obligation (legal or self-imposed) as a result of an earlier event, it is probable (more probable than not) that a financial settlement will take place as a result of this obligation and the amount can be reliably measured. If the effect is considerable, the provision is limited by discounting anticipated future cash flow by using a discount rate before tax that reflects the market price of the monetary value and, if relevant, the risk associated with the specific provision.

A provision for guarantees is included when the underlying products or services are sold. Calculation of the provision is based on historical information on guarantees and a probability weighting of possible outcomes.

Provisions for restructuring costs are included when the Group has approved a detailed and formal restructuring plan and the restructuring has already started or has been made public.

3.27 Conditional liabilities and assets

Conditional liabilities are not recognised in the annual accounts. Significant conditional liabilities are noted, with the exception of conditional liabilities where the probability of the liability is low.

A conditional asset is not recognised in the annual accounts, but is reported where it is probable that a benefit will accrue to the Group.

3.28 Events after the balance sheet date

New information about the company's financial position on the balance date that arises after the balance date is taken in to consideration in the annual accounts. Events after the balance date that do not affect the company's financial position on the balance date, but which will influence the company's financial position in the future, are reported if they are significant.

Currency exchange rates

The following exchange rates against the Norwegian kroner (NOK) have been used in consolidating the accounts.

	2017	2016
Swedish krone (SEK)		
Income statement rate	0.9680	0.9823
Balance sheet rate	0.9996	0.9512
Danish krone (DKK)		
Income statement rate	1.2542	1.2481
Balance sheet rate	1.3218	1.2222
Euro (EUR)		
Income statement rate	9.3295	9.2928
Balance sheet rate	9.8403	9.0863
British pound (GBP)		
Income statement rate	10.6512	11.3937
Balance sheet rate	11.0910	10.6130

The income statement rate is an average rate for the year.

Balance sheet rate is the closing rates 31.12.

Note 4 – Critical accounting estimates and judgements

In preparing the annual accounts in accordance with IFRS, the company's management have used estimates based on good faith and assumptions which are believed to be realistic. Situations or changes may arise which may mean that such estimates require adjustment and thereby affect the company's assets, debt, equity or profit and loss.

The company's most important accounting estimates relate to the following:

- Valuation and depreciation on tangible fixed assets.
- Valuation of inventory
- Fair value of assets and obligations in acquisitions.
- Project valuations

Anticipated useful life of the company's production equipment is affected by the technological development and profitability of the plant. Choice of depreciation period is an estimate.

If there are indications of a fall in value, the inventory in the subsidiaries must be tested for value loss. Book value is then compared with estimated net sales value. Management must take many things into account when making this estimate.

The company's recognised goodwill and intangible assets are assessed for write down annually. Impairment testing of intangible assets are presented in Note 10b. The company is greatly affected by economic cycles that lead to considerable fluctuations in fair value in the company. The group is particularly affected by developments in the export markets in Europe and Africa, as well as fluctuations in the building industry in Scandinavia. Exchange rates and market interest rates also affect valuation. Valuations of the various established segments will naturally vary within a range of +/- 20%. For businesses in less mature markets, the range may be even greater. Moelven must distribute the cost price of acquired companies over acquired assets and acquired debt based on estimated fair value. The valuation estimates require management to make considerable assessments in the choice of method, estimates and assumptions. Significant acquired intangible assets that Moelven has included, comprise customer base and goodwill. The assumptions made for the assessment of intangible assets include, but are not limited to, estimated average lifetime of customer relationships based on natural loss of customers. The assumptions made for the assessment of assets include, but are not limited to, the reacquisition costs of fixed assets. Management's assessments of fair value are based on assumptions that are deemed to be reasonable, but that have a built in uncertainty, and as a result of this the actual results may differ from the calculations.

Project assessment is dependent on estimates of degree of completion, anticipated final status, any loss projects, guarantee obligations and claims. The managements of the subsidiaries within Building Systems use figures based on experience, among others, in preparing the estimates.

Projects under construction is presented in note 19.

Note 5 - Financial risk management

Risk management principles and processes

The Moelven Group's operations entail various forms of financial risk. The group has designed a financial policy whose main purpose is to reduce risk and establish predictable financial framework for the industrial operations. Financial risk is managed by the finance department of Moelven Industrier ASA in collaboration with the various operational unit, in a cost-effective manner. The adopted policy should minimize the potentially negative effects the financial markets may have on the Group's cash flow. The financial guidelines are primarily based on the concept that it is the industrial operations, rather than financial transactions, that should ensure profitability. The most important financial risks and the principles for the finance department are described below.

5.1 Market risk

The market risk is the risk that a financial instrument's fair value or future cash flow will fluctuate as a result of changes in market prices. Market risk includes three types of risk: currency exchange rate risk, interest rate risk and other price risk.

5.1.1 Foreign currency - transaction risk

Transaction risk means the exchange rate risk that is caused by the possibility of exchange rate changes in the period between the time a transaction in foreign currency is agreed and the time of settlement. About 15 per cent of the Group's operating revenues comes from markets outside Scandinavia and carry exchange rate risks. The companies import raw materials and finished goods to both Sweden and Norway. There is also significant trade both within the group and externally between Sweden and Norway. The key currencies are EUR, GBP, DKK and SEK, but the Moelven Group is also exposed to USD, CAD and CHF.

In accordance with the group's financial policy, cash flow fluctuations as a result of variation in exchange rates must be kept within a defined outcome area through the use of hedging instruments. Currency terms are primarily used. All hedging in the group shall be done by the group's central financial department in Moelv, both internally for the group companies and net exposure externally. Norwegian subsidiaries hedge against NOK, Swedish ones against SEK. Results from Swedish subsidiaries are included as part of net investment in foreign subsidiaries and are not hedged for exchange rate fluctuations in compliance with the current finance policy.

In accordance with the financial policy, net exposure in foreign currency shall be hedged against rate fluctuations according to the following main principles:

- At least 90 per cent of obligations in foreign currency shall be hedged when entering into the contract. This relates mainly to investment projects where machinery and equipment is bought from abroad.
- Expected net exposure in the upcoming 24 months will be secured within the defined maximum and minimum limits.

Because of the hedging strategy that has been chosen, changes in exchange rates must be long-term so as to have the full effect on the Group's profitability. During the hedging period, operational adaptations may be made to compensate for the external changes.

Sensitivity - foreign currency

The table below shows the transaction volume for the main currencies in 2017 and 2016. The group does not use hedge accounting, and the equity effect of changed market values for currency hedges therefore corresponds to the ordinary result after taxes. The effects of changed competitiveness due to exchange rate changes are not included in the sensitivity analysis.

Transaction risk and hedges in the main currencies in 2017

NOK mill	EUR	GBP	DKK	USD	Others
Operating revenues	961	409	145	68	43
Operating expenses	645	9	114	14	23
Net exposure	316	400	31	54	20
Estimated annual net exposure	316	400	31	54	20
Hedging volume as at 31.12.2017 maturing <12 months	238	97	5	6	2
Hedging ratio as at 31.12.2017 for the next 12 Months	75.4 %	24.1 %	15.4 %	11.1 %	8.4 %

Transaction risk and hedges in the main currencies in 2016

NOK mill	EUR	GBP	DKK	USD	Others
Operating revenues	873	353	167	112	32
Operating expenses	511	16	147	26	27
Net exposure	362	337	20	86	5
Estimated annual net exposure	362	337	20	86	5
Hedging volume as at 31.12.2016 maturing <12 months	77	56	-	17	-
Hedging ratio as at 31.12.2016 for the next 12 months	21.3 %	16.6 %	0.0 %	19.3 %	0.0 %

5.1.1 – Currency - transaction risk (cont.)

In addition to the exposure shown in the above tables, the group has an annual exposure in SEK/NOK corresponding to approximately 132 million. The exposure is due to net export from Swedish group companies to Norway, and is currency hedged in the usual manner at the company level. Since a large proportion of the Group's total production takes place in Sweden, the Group also has significant costs in Sweden. Net profit from the Swedish subsidiaries are included in retained earnings, and the currency risk arising in connection with these units' operating income and expenses are taken into account the risk related with the risk of conversion to equity.

The table below shows sensitivity in the results before tax to exchange rate changes when all other conditions remain unchanged. The calculations are on the basis of rate changes being constant for the whole year. The effects of currency hedging, changes in the market value of financial hedging instruments and revaluing of balance sheet items have not been taken into account.

	Average FX rate 2017	Net exposure in NOK	NOK decrease 1 %		NOK decrease 10 %		NOK increase 1 %		NOK increase 10 %	
			FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)
Movement EUR/NOK	9,33	316	9,42	3,16	10,26	31,62	9,24	-3,16	8,40	-31,62
Movement GBP/NOK	10,65	400	10,76	4,00	11,72	40,01	10,54	-4,00	9,59	-40,01
Movement DKK/NOK	1,25	31	1,27	0,31	1,38	3,12	1,24	-0,31	1,13	-3,12
Movement SEK/NOK	0,97	132	0,98	1,32	1,06	13,20	0,96	-1,32	0,87	-13,20

The market value of financial derivatives used for currency hedging depends on the balance sheet exchange rate in relation to the hedging rates that have been achieved. Changes in market value will result in an unrealized gain or loss and be recognized as financial cost. The table below shows how the ordinary result before taxes would have been affected by a change in the balance sheet date. The calculation is made on the basis of actual hedging volumes in the specified currencies per 31.12.2017.

	FX rate per 31.12	volume 31.12	NOK decrease 1 %		NOK decrease 10 %		NOK increase 1 %		NOK increase 10 %	
			FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)
Movement EUR/NOK	9,84	0	9,939	-0,10	10,82	-0,98	9,74	0,10	8,86	0,98
Movement GBP/NOK	11,09	0	11,202	-0,11	12,20	-1,11	10,98	0,11	9,98	1,11
Movement DKK/NOK	1,32	0	1,335	0,00	0,00	0,00	1,31	0,00	1,19	0,00
Movement SEK/NOK	1,00	12	1,010	0,01	1,10	0,10	0,99	-0,01	0,90	-0,10

5.1.2 – Currency translation risk

In this context, translation risk means exchange rate risk due to the balance sheet including items that are denominated in a foreign currency. For the group companies, this translation risk is eliminated in that financing shall occur in the same currency as the asset is entered in the accounts.

About half of the Group's total balance sheet is connected to activities in Sweden. The balance sheet figures will therefore be affected by the prevailing exchange rate between the Swedish and Norwegian kroner. A large part of equity is secured against fluctuations as the share investment in most of the group's Swedish subsidiaries is financed in Swedish kroner.

The table below shows the effect on consolidated equity by a change in the exchange rate of +/- 10 percent:

Amounts in NOK million	2017	2016
10 % movement SEK/NOK	102,8	76,6
10 % movement EUR/NOK	6,2	0,4
10 % movement DKK/NOK	3,1	2,0
10 % movement GBP/NOK	6,1	0,3
Total effect	118,2	79,3

5.1.3 – Interest rate risk

Interest rate risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market interest rates. The Group's net interest-bearing debt is subject to interest rate risk. The group companies are to be funded with internal loans from the parent company in the currency that is the subsidiary's local currency. This essentially means either NOK or SEK. All external borrowing is done by the parent company, which also makes hedging in accordance with financial policy. Hedging instruments that can be used is interest rate swaps, FRAs and complex basis swap. The extent of hedging is measured in terms of the combined duration of outstanding debt and hedging activities. The total duration should be minimum of 12 months and maximum 60 months. Interest rate hedging agreements with a maturity of more than 10 years shall not be entered.

The Group's average net debt in 2017 was NOK 940,9 million (1,143.0). If the entire debt had been without interest rate hedging, an interest rate change of one percentage point would lead to a change in the group's financing cost of NOK 9.5 million. However, pursuant to the financial policy, part of the debt is secured against interest rate fluctuations through the use of financial hedging instruments. Interest rate swaps are the main instrument. At the end of 2017 the hedge ratio was 63.5 per cent. Unrealized market value changes of interest rate instruments are recognized in the profit and loss account, but do not affect the cash flow. The unrealized market value of interest rate instruments is tied to the remaining term of the instrument, which according to the group's finance policy may be up to 10 years.

5.1.3 – Interest rate risk (cont.)

Estimated effect on profit before tax by a change in interest rates and yield curves in the future are shown in the table below. The group does not use hedge accounting, and the equity effect therefore equals the result after tax.

	Average NRBG 2017	Average hedged share	Interest rate movement -100 bp	Interest rate movement +100 bp
Estimated interest cost, 100% floating rate	940.90		9.5	-9.5
Secured portion not affected by market fluctuations		63.5 %	-6.1	6.1
Net effect on annual interest expenses before unrealized items			3.4	-3.4
Unrealized gains / losses on hedging instruments that are recognized			-35.7	32.9
The total effect including unrealized value change			-32.3	29.5

5.1.4 - Other price risk

Other price risk is the risk that a financial instrument's fair value or future cash flow will fluctuate because of changes in market prices (apart from changes that are due to interest rate risk or exchange rate risk), regardless of whether these changes are caused by factors that are specific for the individual financial instrument or the instrument's issuer, or by factors that affect all corresponding financial instruments that are traded in the market.

The price of electric power is an important factor that affects the Group's profitability. About 230 GWh of electric power a year is bought via the Group's electricity suppliers on the Nasdaq OMX exchange.

According to the Group's financial policy, the need for electric power shall be secured against price fluctuations to ensure stability and predictability. The anticipated power requirement is hedged within stated maximum and minimum levels by forward buying on Nasdaq OMX with a 5 year maximum horizon.

The price of electric power is denominated in EUR. The Group's power costs are therefore affected by both price changes and exchange rate changes. Based on the Financial Supervisory Authority's statements in 2016 concerning long-term supply contracts for energy, the proportion of the market value change for energy hedges that can be attributed to exchange rate changes is treated as a embedded currency derivative. The value is included in the group's accounts, while the actual supply contracts are kept outside pursuant to IAS 39. The value as at 31.12.2017 amounted to NOK -1.0 million (0.6 million) The group's annual electricity consumption has been relatively stable, apart from increases caused by business combinations.

Accounting of energy hedging differs in Norway and Sweden. Hedging of power consumption in Norway is subject to the exception rules on purchasing for own consumption in IAS 39, and are only entered when the power delivery takes place. For the hedges in Sweden the market value is capitalized at the time of reporting, and the value change is entered against the result.

The table below illustrates the effects on results before tax of a change in the electricity price of +/- 1 EUR per MWh at different exchange rate levels for EURNOK.

Amount in NOK million	Consumption	Residual effect	EURNOK		
	in Gwh	in EUR 1000	9.50	9.75	10.00
Increase in the price of 1 EUR / MWh	231	-210.00	-2.19	-2.25	-2.31
Hedged share of consumption upcoming year	63.1 %	135.45	1.38	1.42	1.46
Sensitivity taking into account hedging		-74.55	-0.81	-0.83	-0.85

The effect on ordinary result before tax of exchange rate changes on the total consumption per year is shown in the table below:

Amount in NOK million	Consumption	Price	EURNOK		
	in Gwh	EUR/MWh	9.50	9.75	10.00
Yearly consumption	230.80	30	65.78	67.51	69.24
Changes in the cost of currency change EURNOK from 8.75				1.73	3.46

The table below shows the sensitivity to changes in the price level for electricity forward contracts at Nasdaq OMX. The starting point in secured volume per 31.12.2017 and provided that the price curve for futures contracts changed with 1 EUR / MWh.

Amount in NOK million	Hedged vol.	Value in	EURNOK		
	in MWh	EUR 1000*	9.50	9.75	10.00
Hedging according to IAS 39 relating to own use (consumption in Norway)	143,662	4,309.86	40.94	42.02	43.10
Hedging where market value are recognized according to IAS 39	175,051	5,251.53	49.89	51.20	52.52
Total	318,713	9,561.39	90.83	93.22	95.61

*) Assuming EUR 30/MWh

5.1.5 – Liquidity risk

Liquidity risk means risk that the company will have difficulties in fulfilling financial obligations that are settled with cash or another financial asset.

The group's foreign capital funding consists of a long-term credit facility maturing in June 2020, in addition to short-term credit facilities in the banking systems. The long-term loan agreement was entered into in June 2016, and includes two credit limits of NOK 850 million and SEK 750 million respectively. The agreement initially had a 3 year term, with the option to request an extension of 1 year up to 2 times in the agreement's 2 first years. In the second quarter of 2017 the first of these two options was used, and the agreement's maturity was changed from June 2019 to June 2020. Any decision to request a further extension of the agreement will be made in the course of March/April 2018.

The agreement includes general default clauses on minimum equity ratio of 33 per cent, net equity value of NOK 1.1 billion and debt ratio of a maximum 1.0. As at 31 December 2017, the Group's key figures were above the agreed levels. In addition to the long-term credit facility, the group also has available short-term credit of NOK 312 million, which is renewed annually. As at 31 December 2017, the group deposit amount was NOK 30.9 million. Long-term cash flow forecasts are prepared in connection with the strategy and budget process. The finance department monitors the utilisation of the credit facilities against the long-term liquidity needs, to ensure that the group has sufficient long-term financing to carry out operation and development of the group in accordance with the current strategy plan.

Short-term cash flow forecasts are prepared at the company level and reported weekly to the Group's finance department, which aggregates the forecasts and monitors the group's total liquidity requirements. Based on these forecasts, the finance department ensures that the group has sufficient and reasonable cash equivalents available to meet operational obligations. Surplus liquidity is used to repay long-term debt. Short-term investments are thus only made exceptionally.

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.

Maturity structure

NOK mill	Book value 31.12.2017	Cash flows per year					
		0-2 md	3-10 md	2019	2020	2021	2022 +
Debt to credit institutions	760.8	4.0	20.1	21.6	770.3		
Interest rate derivatives	81.5	2.7	13.4	15.9	13.5	11.9	27.4
Financial leasing	19.8	1.4	7.1	3.6	2.4	1.7	3.4
Other long term debt, interest-bearing	2.2		0.1	0.1	0.1	0.0	2
Other long term debt, non interest-bearing	6.3		5.1				
Long-term contracts	870.5	8.1	45.8	41.2	786.3	13.6	32.8
Liabilities to suppliers	721.7	721.7					
Financial derivatives	89.5						
Tax payable	45.1	9.5	32.6	3.0			
Public duties payable	155.3	155.3					
Other short term liabilities	757.0	164.2	199.0				
Total contracts with annual renewal	1,768.6	1,050.7	231.6	3.0	-	-	-

The table above does not show cash flow from accounts payable, other interest-free debt and cash flow from currency derivatives. A summary of the nominal value of financial derivatives is presented in note 26.3.

Short term interest-bearing debt next 12 months	-
Long-term interest-bearing debt (payable in 12 months or later)	774.3

Long-term interest-bearing debt by currency

NOK million	2017	2016
NOK	570.4	560.6
SEK	219.3	349.6
Total	789.7	910.2

Loans secured with mortgages in assets:

NOK million	2017*	2016
Overdrafts		0.0
Long-term loans		1.1
Total		1.1

*The loan was repaid in 2017

Book value of mortgaged assets:

NOK million	2017*	2016
Machinery and plant		17.6
Buildings		10.0
Plots		2.3
Inventory		18.7
Accounts receivable		2.5
Total		51.1

*The loan was repaid in 2017

5.1.6 – Refinancing risk

Refinancing risk is the risk of difficulties arising in refinancing the Group's long-term liabilities. In accordance with the group's financial policy, the remaining time to maturity of the group's main financing shall be a minimum of 1 year. The Group's long-term financing is syndicated loans from a few selected financial institutions which the Group has cooperated closely with for an extended period. The background for this is the significance of these financial institutions' focus on the mechanised wood industry, combined with industry competence and knowledge of risk profiles and seasonal and other fluctuations. The present financing has been taken up with negative pledge declaration and default clauses linked with key figures on the balance sheet. The loan agreements do not contain any profit-related default clauses.

5.1.7 – Credit risk

Credit risk arises in transactions with settlements ahead in time. For the Moelven Group this mainly concerns transactions with customers and suppliers, in addition to trading in financial derivatives and deposits in banks and financial institutions.

As a general rule, the group only enters into financial transactions with financial institutions that participate in the long-term financing of the group. None of these has a credit rating poorer than A with the major credit rating agencies. The group has corresponding principles in relation to bank deposits and purchasing of financial services.

In accordance with the group's financial policy, credit is only given against satisfactory security. This mainly means credit insurance or warranties, but letter of credit, advance payments and offsetting are also used. The group's framework agreements for credit insurance and guarantees are with counterparties recognized in the market and with an A credit rating.

In certain cases it is not possible to obtain satisfactory security for credit sales. A function has therefore been established for determining internal credit limits and follow-up of credit sales.

Of the group's total capitalized receivable, the use of the various forms of hedging against credit risk are distributed as follows:

Credit insurance	approx. 60%
Guarantees	approx. 8-10%
Cash advances, offset agreements, etc.	approx. 25%
Letters of credit, etc.	< 1%
Unsecured acc, credit policy	< 1%
Other	approx. 4-6%

5.2 – Risk related to asset management

The Group's goals for asset management are:

- To ensure the basis for continued good operations to contribute a satisfactory and predictable return for the owners.
- To ensure sufficient financial room for maneuver to achieve the established targets of profitable growth and development of the Group.
- To keep capital costs as low as possible.

The rule of thumb in the group's dividend policy indicates that a cash dividend corresponding to 50 per cent of net profit, albeit a minimum of 40 øre per share. Considerations to the company's financial position and other capital sources must always be satisfactorily maintained.

The equity ratio goal is a minimum of 40 per cent, a level that is appropriate in light of the economic fluctuations that have been seen in recent years. In addition, Moelven's operations have a seasonal requirement for working capital that cause great variations in the equity ratio.

The Group has an objective of a debt ratio of 0.50 for a normal seasonal balance. In accordance with the current loan agreement, the debt ration cannot exceed 1.00. The debt ratio is calculated by dividing net interest-bearing debt by equity.

NOK million	2017	2016
Interest-bearing debt	791.9	1,033.5
Interest-bearing assets	30.2	6.6
Net interest-bearing liabilities	761.7	1,026.9
Total equity	2,092.5	1,813.4
Liabilities/equity	0.36	0.57

Note 6 - Operating segments

6.1 – Main figures for the group and operating segments

Criteria for division

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (construction materials) 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.

Group management represents the group's decision maker. The operating segments are managed by their peculiarity.

The segments are divided in accordance with who the customers are. Timber has mainly industrial customers, Wood has mainly end users and building product chains as customers and Building Systems has customers in the contracting sector. The others are the remaining companies, mainly the parent company, timber supply and bioenergy.

In Timber and Wood especially, there is a great deal of collaboration between segments, but there are internal transactions between all four segments. Transactions between the segments are agreed on the arm's length principle. Income from customers outside the segment is reported to group management according to the same principles as the consolidated income statement.

Group management is mostly focused on the following key figures: Sales income, profit margins, net operating capital, employed capital and returns on employed capital, interest-bearing debt and investments. In addition, the development of sickness absence and injury statistics is carefully monitored.

The accounting principles that form the basis for segment reporting are the same as those used for consolidated accounting and are described in note 3.

Principal figures	Konsern		Timber		Wood		Building Systems		Other	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Amounts in NOK million										
Sales to external customers	10,768.4	10,309.7	2,499.5	2,410.6	3,623.9	3,359.7	3,854.7	3,611.1	875.7	1,006.9
Sales to internal customers	0.0	0.0	618.8	610.0	181.7	170.2	1.7	5.7	2,538.9	2,382.0
Operating revenues	10,768.4	10,309.7	3,118.2	3,020.6	3,805.6	3,529.9	3,856.4	3,616.8	3,414.6	3,388.9
Gross operating profit (EBITDA)	716.1	601.6	266.9	181.1	265.7	274.5	206.7	166.3	-23.2	-20.3
Depreciation and impairment	295.7	306.6	120.3	127.6	110.9	113.8	52.8	51.2	11.7	13.9
Operating profit	420.4	295.0	146.7	53.5	154.8	160.6	153.9	115.1	-34.9	-34.2
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial income	16.2	32.4	-2.1	3.0	9.5	8.0	2.9	3.2	50.3	71.9
Value change financial instr.	-4.7	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial costs	-58.3	-89.4	-15.3	-16.0	-34.3	-32.3	-4.5	-4.8	-53.3	-75.3
Profit before tax	373.6	252.5	129.3	40.4	129.9	136.2	152.3	113.4	-37.8	-37.6
Operating margin in per cent	3.9 %	2.9 %	4.7 %	1.8 %	4.1 %	4.5 %	4.0 %	3.2 %	-1.0 %	-1.0 %
Cash flow										
from operating profit	716.1	601.6	266.9	181.1	265.7	274.5	206.7	166.3	-23.2	-20.3
Fixed assets	1,762.5	1,637.2	552.9	576.5	748.3	695.4	374.1	289.3	87.2	75.9
Inventory	1,524.1	1,464.1	417.3	426.2	891.5	794.1	177.7	166.4	37.6	77.4
Accounts receivable	1,297.3	1,236.7	265.7	216.7	382.8	360.3	533.3	534.5	115.6	125.3
Accounts payable	721.7	574.7	209.7	214.2	260.1	202.1	248.8	208.6	285.8	247.0
Projects net	-28.3	-44.0	0.0	0.0	0.0	0.0	-28.3	-44.0	0.0	0.0
Net operating capital (% of operating revenues)	19.2 %	20.2 %	17.5 %	16.3 %	27.4 %	27.6 %	11.3 %	12.5 %	1.4 %	4.9 %
Total assets	5,044.6	4,766.8	1,545.5	1,567.1	2,413.9	2,151.6	1,808.9	1,653.2	2,398.0	2,453.6
Interest bearing liabilities	791.9	1,033.5	235.9	305.8	594.0	561.8	86.1	83.4	636.9	845.7
Interest free liabilities	2,160.2	1,919.9	556.9	473.5	786.5	657.9	924.8	877.5	563.1	563.1
Capital employed	2,884.4	2,846.9	988.6	1,093.7	1,627.4	1,493.8	884.1	775.6	1,834.9	1,890.5
Return on capital employed	14.2 %	9.9 %	14.3 %	4.6 %	9.3 %	10.3 %	17.8 %	14.4 %	-0.4 %	-0.2 %
Equity	2,092.5	1,813.4	752.7	787.8	1,033.4	932.0	798.0	692.2	1,198.0	1,044.8
Equity ratio	41.5 %	38.0 %	48.7 %	50.3 %	42.8 %	43.3 %	44.1 %	41.9 %	50.0 %	42.6 %
Investments	357.0	275.2	99.2	64.2	119.9	114.7	118.9	84.5	19.1	11.8
Number of full-time equivalents	3,546.0	3,491.5	650.0	674.0	1,079.0	1,038.5	1,687.0	1,647.0	130.0	132.0
Sick leave in %	5.6 %	5.6 %	4.7 %	5.0 %	5.1 %	5.0 %	6.3 %	6.5 %	2.9 %	3.3 %
H1 value	12.4	12.8	12.9	15.7	8.8	7.5	15.1	16.5	4.6	0.0

Reconciliation between reported segments operating revenues, profit before tax, assets and liabilities and other significant conditions

	2017	2016
Operating revenues		
Operating revenues for reported segments	14,194.8	13,556.2
Elimination of internal transactions	-3,426.4	-3,246.5
Consolidated operating revenues	10,768.4	10,309.7
Profit before tax		
Annual profit from reported segments	373.6	252.5
Elimination of internal transactions	0.0	0.0
Consolidated profit before tax	373.6	252.5
Assets		
Total assets from reported segments	8,166.3	7,825.5
Elimination of internal transactions	-3,121.7	-3,058.7
Consolidated total assets	5,044.6	4,766.8
Liabilities		
Total liabilities from reported segments	4,384.1	4,368.7
Elimination of internal transactions	-1,432.0	-1,415.3
Consolidated total liabilities	2,952.1	2,953.4

6.2 – Geographical segments

The presentation of geographical segments shows operating revenues based on the geographical location of the customers.

Amounts in NOK million	Operating revenues	
	2017	2016
Norway	4,101.2	4,016.5
Sweden	4,698.8	4,406.4
Denmark	345.2	341.6
United Kingdom	382.1	345.0
Germany	175.8	200.6
Other Europe	554.6	504.1
Asia	205.6	185.2
Africa	287.5	263.3
Other countries	17.7	47.1
Total	10,768.4	10,309.7

No customers represents more than 10 % of income.

Presentation of number of employees, fixed assets, employed capital and investments is shown based on geographical location of the assets.

Amounts in NOK million	Number of		Fixed Assets		Capital employed		Investments	
	2017	2016	2017	2016	2017	2016	2017	2016
Norway	1,662	1,625	827.0	806.1	1,974.2	2,166.5	152.3	130.9
Sweden	1,856	1,839	935.3	830.9	2,008.1	1,790.3	204.6	144.2
Denmark	20	19	0.1	0.1	32.6	25.5	0.0	0.0
England	5	5	0.1	0.0	5.5	3.3	0.1	0.0
Germany	2	3	0.0	0.1	5.0	4.2	0.0	0.0
Netherlands	1	1	0.0	0.0	1.3	1.1	0.0	0.0
<i>Internal</i>					-1,142.3	-1,144.0		
Total	3,546	3,492	1,762.5	1,637.2	2,884.4	2,846.9	357.0	275.2

Note 7 - Sales income

Amounts in NOK million	2017	2016
Sale of goods	6,900.7	6,955.4
Sale of services - service contracts	-	89.3
Income from construction contracts	3,812.9	3,229.1
Sales income	10,713.6	10,273.8

In sales income for the group, internal deliveries and services between the group companies amounting to NOK 6,540 million have been eliminated (NOK 6,365 million).

Note 8 - Fixed assets

Amounts in NOK million	Plots	Buildings and other property	Machinery and plant	Fixtures and fittings, tools etc.	Total
Acquisition value as at 31.12.2015	100.4	1,093.0	3,730.4	252.7	5,176.4
Acquisitions	3.9	78.2	179.2	7.2	268.5
Disposals	0.1	0.0	-1.1	-3.1	-4.0
Transfers	4.1	0.5	-6.0	-3.1	-4.5
Translation differences	-3.6	-20.8	-59.7	-2.1	-86.1
Acquisition value as at 31.12.2016	105.0	1,150.9	3,842.8	251.6	5,350.3
Accumulated ordinary depreciations 31.12.2015	0.0	666.5	2,531.4	213.5	3,411.4
Disposals accumulated depreciations	0.0	0.0	0.1	0.4	0.5
Depreciation and write downs for the year	0.0	42.8	248.3	11.1	302.2
Accumulated ordinary depreciations 31.12.2016	0.0	709.2	2,779.6	224.2	3,713.0
Book value 31.12.2015	100.4	426.5	1,199.0	39.2	1,765.2
Book value 31.12.2016	104.9	441.7	1,063.4	27.1	1,637.2
Acquisition value as at 31.12.2016	105.0	1,150.9	3,842.8	251.6	5,350.3
Acquisitions	7.2	76.3	238.8	29.0	351.3
Disposals	-3.7	0.0	-3.2	-0.9	-7.8
Transfers	-0.9	-2.4	25.8	0.1	22.6
Translation differences	1.8	11.2	30.1	1.1	44.3
Acquisition value as at 31.12.2017	109.3	1,236.0	4,134.3	281.0	5,760.7
Accumulated ordinary depreciations 31.12.2016	0.0	709.2	2,779.6	224.2	3,713.0
Disposals accumulated depreciations	-	3.5	3.4	0.6	7.6
Depreciation and write downs for the year	0.0	53.6	228.2	10.9	292.7
Accumulated ordinary depreciations 31.12.2017	0.0	759.2	3,004.4	234.5	3,998.1
Book value 31.12.2016	105.0	441.7	1,063.2	27.4	1,637.3
Book value 31.12.2017	109.3	476.8	1,130.0	46.5	1,762.5

Ordinary depreciation rates are given in note 3.11

8.2. Impairment

The result for 2017 were impacted by an impairment loss of NOK 17.6 million as a result of the restructuring of Moelven Norsälven AB. The result for 2016 were impacted by an impairment loss of NOK 16.5 million as a result of the restructuring of Moelven Tom Heurlin AB. The impairment of the cash-generating entity's value is entirely recognized in profit and the recoverable amount is estimated to be the value in use.

Temporarily out of order

For 2017 there is a facility to book value of NOK 3.5 million temporarily out of service. The plant is not impaired as the entry into service is assessed on an on-going basis.

Note 9 - Leasing

Operating leases

The group recognised expenses of NOK 12.2 million in relation to operating leases in 2017. The equivalent expense in 2016 was NOK 18.4 million.

Minimum lease payments relating to operating leases

	2017	2016	2016
0-1 year	25.7	0-1 year	21.0
1-2 years	34.1	1-2 years	19.9
2-5 years	39.2	2-4 years	23.7
> 5 years	19.6	> 4 years	20.7
Total	118.6		85.3

Financial leases

Leases where control and substantially all the risks have been transferred to the group are classified as finance leases.

Further information are given in note 3.

Minimum lease payments relating to finance leases

	2017	2016	2016
0-1 year	13.3	0-1 year	15.1
1-2 years	6.8	1-2 years	7.8
2-5 years	5.4	2-4 years	2.6
> 5 years	0.4	> 4 years	2.0
Total	25.9		27.5

Capitalized value of leased assets

18.9 19.3

Note 10 a - Intangible assets

Beløp i NOK mill.	Goodwill	Other intangible assets	Total
Acquisition value as at 31.12.2015	16.9	59.4	76.3
Acquisitions	0.0	6.6	6.6
Disposals	0.0	0.0	0.0
Transfers	-3.6	9.7	6.1
Translation differences	0.0	-0.6	-0.6
Acquisition value as at 31.12.2016	13.3	75.3	88.5
Accumulated ordinary depreciations 31.12.2015	0.0	51.5	51.5
Disposals accumulated depreciations	0.0	0.0	0.0
Depreciation and write downs for the year	0.0	4.5	4.5
Accumulated ordinary depreciations 31.12.2016	0.0	56.0	56.0
Book value 31.12.2015	16.9	8.0	24.8
Book value 31.12.2016	13.3	19.3	32.5
	0 %	20 %	
Acquisition value as at 31.12.2016	13.3	75.3	88.5
Acquisitions	0.0	5.7	5.7
Disposals	0.0	0.0	0.0
Transfers	0.0	-1.9	-1.9
Translation differences	0.0	0.9	0.9
Acquisition value as at 31.12.2017	13.3	80.0	93.2
Accumulated ordinary depreciations 31.12.2016	0.0	56.0	56.0
Disposals accumulated depreciations	0.0	0.0	0.0
Depreciation and write downs for the year	0.0	3.0	3.0
Accumulated ordinary depreciations 31.12.2017	0.0	58.9	58.9
Book value 31.12.2016	13.3	19.3	32.5
Book value 31.12.2017	13.3	21.0	34.3
Ordinary depreciation rates in per cent	0 %	20 %	

Note 10 b - Impairment test of goodwill

As of 31 December 2017 goodwill in the group entered on the balance sheet amounted to NOK 13.3 million. This is linked to the acquisitions of Sør-Tre Bruk AS, Granvin Bruk AS and Eco Timber AS that were completed in 2010. These three acquired companies are all in the Wood division and it is the division's operation that is deemed to be the cash flow generating group that goodwill shall be tested against.

Amounts in NOK million

Book value of goodwill:	2017	2016
Sør-Tre/Granvin/Eco Timber	13.3	13.3
Other units	0.0	0.0
Total	13.3	13.3

Goodwill is tested at the level monitored by group management, which means that there are groups of cash flow generating units (CGUs).

The recoverable amount of CGU is determined based on an assessment of the division's value in use. Value in use is estimated by discounting expected future cash flows after tax, discounted at an appropriate discount rate after tax that takes into account maturity and risk.

The projections of cash flows based on budgets approved by management for the first four years. The cash flows are arrived at by taking the historical figures for the CGUs as a basis, but with an allowance for an expected moderate growth in the total market, Moelven's market share and the prices of the products. In management's opinion it is reasonable to assume that considerable development of new products and technologies will occur in these areas. Net expectations for operating margins are improvements. When it comes to fixed assets and production capacity, the management believes that these have the capacity needed to handle future growth. After four years, it is placed a conservative estimate of 2.5 per cent nominal growth in net cash flows. In the terminal period, investments and depreciation equal.

The rate used for discounting cash flows is 8,0 per cent. This is based on a risk-free rate of 1,6 per cent, an added risk premium of 5.9 per cent, an equity beta of 1.2 and a liquidity premium of 3.0 per cent. In addition this is weighted up against the long-term borrowing rate of 3.2 per cent. The risk premium is based on observations of comparable companies.

There was no write down of goodwill in either 2017 or 2016. In 2016, a company with a recorded goodwill of NOK 3.6 million was sold from Buildings Systems.

Maximum exposure to possible write down of goodwill is NOK 13.3 million. We have calculated sensitivity for the write down assessments, and a 5.5 per cent change in discount rate would lead to write down of the goodwill in the Wood division in the consolidated accounts.

Segments - Groups of cash-generating units (CGU):

Amounts in NOK million	2017		2016	
	Goodwill at year end	Sales/impairment	Goodwill at year end	Sales/impairment
Timber	0.0	0.0	0.0	0.0
Wood	13.3	0.0	13.3	0.0
Building Systems	0.0	0.0	0.0	3.6
Total goodwill	13.3	0.0	13.3	3.6

Note 11 Payroll expenses, employees and remuneration to auditor

11 a Payroll expenses

Amounts in NOK million	2017	2016
Payroll cost	1,686.7	1,673.9
Social security cost	364.1	341.5
Pension costs - contribution-based pension schemes	101.7	97.0
Pension costs - defined-benefit pension schemes	0.8	0.7
Total	2,153.3	2,113.2

11 b Number of employees

Average number of employees in 2017 was 3,536 and in 2016 it was 3,521. Moelven had 3,546 employees at the end of 2017 compared to 3,492 employees at the end of 2016.

11 c Remuneration to auditor

Amounts in NOK million, paid during the financial year	2017	2016
Legally required audit	4.5	4.2
Other attestation services	0.0	0.0
Tax consultancy	0.1	0.1
Other, non auditing services	0.8	1.4
Total	5.5	5.7

Note 12 - Financial income and costs

Amounts in NOK million	2017	2016
Financial income	29.7	53.3
Financial costs	-76.5	-95.7
Financial income		
Interest income from financial assets*	0.3	0.2
Foreign currency gains	11.3	27.5
Other financial income	4.6	4.6
Value increase of financial instruments to fair value	13.5	20.9
Total financial income	29.7	53.3
Financial costs		
Interest costs of financial liabilities*	-2.6	-2.0
Interest costs on long term financial liabilities*	-42.9	-45.6
Foreign currency losses	-9.4	-21.0
Other financial costs	-3.4	-20.7
Value reduction of financial instruments to fair value	-18.2	-6.4
Total financial costs	-76.5	-95.7
Net financial items	-46.8	-42.5

* measured at amortized cost

Note 13 - Tax expense

Amounts in NOK million	2017	2016
Tax payable	50.6	33.0
Deferred tax changes	30.0	40.4
Total tax expenses	80.7	73.4
	2017	2016
Tax payable for the year	45.1	31.4
Total tax payable	45.1	31.4

Reconciliation of tax calculated against the Group's weighted average tax rate and tax expense as it appears in the Income Statement:

Amounts in NOK million	2017	2016
Profit before tax	373.6	252.5
Tax calculated with the group's tax rate 19.6 per cent (29.0 per cent)	73.3	73.2
Tax effects of:		
Difference due to different tax rates	-4.7	-4.1
Change of tax rate in Norway	-0.2	-0.5
Contribution from associated companies	0.0	0.0
Permanent differences	12.3	4.6
Other	0.0	0.2
Tax cost on the income statement	80.7	73.4

	2016	2015
Weighted average tax rate	21.6 %	29.1 %

Amounts in NOK million Tax on items entered against other income and expenses	2017			2016		
	Before tax	Tax costs	After tax	Before tax	Tax costs	After tax
<i>Elements not later reclassified to earnings</i>						
Actuarial gains (losses) on defined-benefit pension schemes	0.1	0.0	0.1	-1.9	0.5	-1.4
<i>Elements that can be later reclassified to earnings</i>						
Translation differences	41.2	0.0	41.2	-67.3	0.0	-67.3
Other changes	7.3	0.0	7.3	4.5	0.0	4.5
Other income and expenses during the period (after tax)	48.6	0.0	48.6	-64.7	0.5	-64.2

Note 14 - Deferred tax

Deferred tax benefits and deferred tax are netted when there is a legal right to give and receive group contribution between the entities.

The table below shows the basis that has resulted in recognised deferred tax benefits and deferred tax.

14.1 Assets and obligations with deferred tax consist of:

Amounts in NOK million	2017	2016
Temporary differences		
Asset reserves	6.3	-3.9
Inventory	41.6	44.5
Cost provisions	-18.8	54.4
Other short-term temporary differences	189.3	-116.2
Sub-total short-term differences	218.4	-21.2
Fixed assets	-5.0	90.6
Profit and loss account	8.4	10.5
Pension funds	0.0	0.0
Pension commitments	-22.1	-22.5
Other long-term items	392.1	382.1
Sub-total long-term items	373.4	460.7
Tax-assessed loss carry-forward.	-7.8	-9.0
Net temporary differences	583.9	430.5
Deferred tax asset	42.4	40.3
Deferred tax	171.3	133.0
Net deferred tax	129.0	92.7

14.2 Assets with deferred tax from loss carry-forward

Amounts in NOK million	2017	2016
Norway	0.4	2.2
Sweden	0.0	0.0
Denmark	0.0	0.0
Total deferred tax benefit from loss carry-forward	0.4	2.2

The group has no recorded deferred tax regarding carry-forward losses in other countries than Norway.

14.3 Analysis of deferred tax through the year

Amounts in NOK million	2017	2016
Net deferred tax obligation 1 January	92.7	58.8
Included on income statement	30.0	40.4
Other income and costs pensions	0.0	0.3
Included in equity	0.0	0.0
Translation differences and other	6.3	-6.8
Net deferred tax obligation 31 December	129.0	92.7

Note 15 - Other shares

Amounts in NOK million	Holding %	The company's share capital	Number of shares owned by Moelven	Total face value	Book value 31.12
Owned by Moelven Industrier ASA:					
Various shares					31
Total Moelven Industrier ASA					31
Owned by other group companies					
Transportfelleskapet Østlandet AS	25.0 %	500	250	100	126
Transportselskapet Nord AS	12.5 %	500	125	63	64
Svenskt Limträ AB	33.0 % SEK	100	333 SEK	33	50
Others					228
Total others					469
Total group					500

Note 16 - Investments in associated companies

Amounts in NOK million	2017	2016
Book value as at 01.01	3.8	3.3
Proportion of annual profit	0.2	0.1
Additions	0.0	0.4
Disposals	-0.2	0.0
Translation differences	0.0	0.0
Proportion of other income and expenses	0.0	0.0
Book value as at 31.12	3.8	3.8

Amounts in NOK million

2016

Name	Home country	Assets	Liabilities	Income	Profit	Book value	Share-holding
Weda Skog AB 1)	Sweden	37.6	34.6	278.6	0.7	2.6	30.0 %
Woodtrans AS	Norway	4.7	4.4	17.4	-0.6	1.2	34.0 %
		42.3	38.9	296.0	0.1	3.8	

2017

Name	Home country	Assets	Liabilities	Income	Profit	Book value	Share-holding
Weda Skog AB 1)	Sweden	43.9	38.1	279.7	-0.3	2.6	30.0 %
Woodtrans AS	Norway	6.3	5.4	22.1	0.5	1.2	34.0 %
		50.2	43.5	301.9	0.2	3.8	

1) The company has deviating accounting with balance sheet date 31.08. The result of four months will be insignificant for Moelven Group. It is therefore not prepared any interim balance.

Note 17 - Inventory

Amounts in NOK million	2017	2016
Raw materials and purchased semi finished goods	510.5	494.1
Goods in processing	210.7	223.4
Finished own products	800.0	743.8
Prepayments to supplier	3.0	2.7
Total inventory	1,524.1	1,464.1
Amounts in NOK million		
Inventory valued at acquisition cost	1,161.2	1,058.9
Inventory valued at fair value	363.0	405.2
Total inventory	1,524.1	1,464.1

Write down of inventory to fair value in 2017 is included in profit and loss with NOK 16.9 million. The equivalent value in 2016 was NOK 18.0 million. The book value of inventories pledged as security in 2016 was NOK 1.1 million. The loan was redeemed in 2017.

Note 18 - Accounts receivable and other receivables

Amounts in NOK million	Note	2017	2016
Accounts receivable			
Accounts receivable gross		1,300.8	1,241.6
Provision for loss on accounts receivable		-3.5	-4.9
Earned not invoiced	19	139.4	121.8
Accounts receivable entered on the balance sheet		1,436.8	1,358.5
The year's confirmed losses on receivables		0.0	1.1
Changes in provision for loss		-1.4	-2.0
Losses on receivables on income statement		-1.3	-0.9
Other receivables			
VAT in credit		30.4	71.0
Other receivables		165.8	138.9
Total other receivables		196.2	210.0

Part of the outstanding receivables is secured in the form of bank guarantees or other forms of security. There is not considered to be any credit risk associated with public sector customers. Refer to note 5 on financial risk.

Other receivables consist of other deferred income, prepayments and operations-related items. The groups accounts receivable are mainly secured through credit insurance.

Currency breakdown of accounts receivable before provision for loss

Amounts in NOK million	2017	2016
NOK	570.2	506.6
SEK	609.8	620.8
EUR	46.6	52.9
DKK	15.6	14.5
GBP	44.2	38.9
Other currencies	14.3	7.9
Total	1,300.8	1,241.6

Age distribution of outstanding accounts receivable

Amounts in NOK million	2017	2016
Accounts receivable within credit terms	1,015.3	961.4
Under 30 days beyond due date	253.3	219.3
31 to 60 days beyond due date	6.7	22.8
61 to 90 days beyond due date	3.4	3.4
91 to 180 days beyond due date	1.3	6.1
Over 180 days beyond due date	20.9	28.5
Total	1,300.8	1,241.6

Note 19 - Projects in progress

Amounts in NOK million

	Note	2017	2016
Distribution of sales			
Project sales		3,464.3	3,229.1
Service contracts	7	-	89.3
Sale of goods		348.6	313.7
Total		3,812.9	3,632.0
Projects in progress entered on the income statement *)			
Accumulated income		1,609.1	1,462.8
Accumulated accrued expenses		1,351.0	1,256.5
Accumulated contributions		74.1	48.0
Loss projects in progress **)		0.0	0.0
Earned not invoiced income	18	139.4	121.8
Prepayments from customers	25	147.1	109.1
Deferment of costs (+ liability/ - receivable)		5.1	37.6

*) Projects in production, not handed over to customer

***) Anticipated losses on these projects have been entered on the income statement

For projects that are directed by outside companies, invoicing is performed monthly with 30 day payment terms. Invoicing is normally done in line with the completion of the work, but there are also payment schedules that do not correspond to progress. For projects, both income and costs are scheduled. Income that has been earned but not yet invoiced is entered under the item "Completed, not invoiced". Invoiced income that has not yet been earned (forward payment plans) is entered under the item "Prepayments from customers" under other short term liabilities, see note 25. Only one of these items is used per project. Thus each project shows either a net receivable for the customer or a net liability to the customer.

Scheduling of costs (accrued, not entered) is recognised as trade accounts payable, while provisions for claims activities on concluded projects are entered as claims provisions etc.

Note 20 - Cash and cash equivalents

Amounts in NOK million	2017	2016
Bank deposits 31.12.	30.2	6.6
Unused drawing rights 31.12	1,141.8	868.1
Restricted bank deposits	0.0	0.0
Cash and cash equivalents 31.12	1,172.0	874.7

Note 21 - Earnings per share and equity per share

Earnings per share

Earnings per share is calculated by dividing the share of the annual profits allocated to the company's shareholders by a weighted average of the number of ordinary shares issued over the year, less own shares.

	2017	2016
Annual profit assigned to Moelven's shareholders	293.0	183.1
Average number of shares	129.5	129.5
Earnings per share	2.26	1.41

Equity per share

Equity per share is calculated by dividing the share of equity assigned to the company's shareholders by a weighted average of the number of ordinary shares issued over the year, less own shares.

	2017	2016
Total equity assigned to owners of parent company	2,082.7	1,806.6
Average number of shares	129.5	129.5
Equity per share	16.08	13.95

Note 22 - Group companies

The following companies are included in the Group. The list is group according to division structure. Book value shows the book value in the separate financial statement of the owner of the company.

Amounts in NOK 1,000	Holding %	The company's share capital	Number of shares in Moelven's ownership	Book value 31.12	Organization number
Timber					
Moelven Våler AS	100 %	48,000	4,800	48,005 *	982,793,076
Moelven Numedal AS	100 %	10,000	1,000	10,005 *	982,792,991
Moelven Løten AS	100 %	12,000	1,200	12,005 *	982,792,932
Moelven Mjøsbuket AS	100 %	12,000	12,000	15,990 *	935,944,562
Moelven Telemarksbuket AS	51.0 %	14,059	710	5,550 *	983,188,397
Moelven Valåsen AB	100 %	50,000 SEK	500,000	149,940 **	556310-4206
Moelven Dalaträ AB	100 %	20,000 SEK	200,000	54,978 **	556118-4614
Moelven Nössemark Trä AB	100 %	300 SEK	3,000	26,211 **	556199-3782
Moelven Årjäng Såg AB	100 %	300 SEK	3,000	49,980 **	556215-9177
Moelven Notnäs Ransby AB	100 %	3,250 SEK	650,000	66,973 **	556217-1636
Moelven Norsälven AB	100 %	3,500 SEK	35,000	19,992 **	556040-2181
Moelven Component AB	100 %	2,580 SEK	25,800	7,793 **	556217-2543
Moelven Profil AS	100 %	15,000	15,000	15,030 *	997,404,165
UJ-Trading AB	100 %	1,500 SEK	15,000	8,996 **	556227-4547
Moelven U.K. Ltd	100 %	950 GBP	950,000	10,426 *	1775490
Moelven Deutschland GmbH	100 %	110 EUR	11	217 *	2920400496
Moelven Nederland B.V.	100 %	36 EUR	360	317 *	32,123,165
Moelven Polska sp.z.o.o	100 %	450 PLN	9,000	1,068 *	-
Wood					
Moelven Wood AS	100 %	5,500	5,500	10,000 *	941,809,030
Moelven Wood AB	100 %	9,000 SEK	90,000	15,031 **	556201-9785
Moelven Van Severen AS	100 %	35,000	3,500	35,005 *	982,793,068
Moelven Østerdalsbuket AS	100 %	20,000	2,000	20,005 *	982,793,041
Moelven Sognabuket AS	100 %	30,000	3,000	32,511 *	982,793,017
Moelven Langmoen AS	100 %	18,000	1,800	37,156 *	882,792,862
Moelven Eidsvoll AS	100 %	8,500	850	18,500 *	951,278,017
Moelven Treinteriør AS	100 %	3,500	3,500	8,482 *	910,888,471
Moelven Danmark A/S	100 %	5,000 DKK	50,000	12,417 *	11,932,371
Moelven Are AS	100 %	300	100	50,116 *	839,265,832
Moelven Eidsvold Værk AS	100 %	32,500	32,500	35,578 *	937,577,087
Moelven Trysil AS	100 %	15,600	15,600	35,634 *	984,029,497
Moelven Sør Tre AS	100 %	8,487	8,487	50,000 *	835,259,072
Moelven Granvin Bruk AS	99.3 %	1,490	2,959	16,672 *	881,146,312
Moelven List AB	100 %	5,500 SEK	55,000	22,025 **	556297-9129
Moelven Wood Interiör AB	100 %	3,800 SEK	38,000	68,273 **	556148-6803
Moelven Valåsen Wood AB	100 %	20,100 SEK	201,000	28,376 **	556343-2839
Moelven Edanesågen AB	100 %	4,000 SEK	4,000	77,895 **	556061-4462
Moelven Lovene AB	100 %	5,000 SEK	50,000	6,997 **	556851-8517
Moelven Vänerply AB	100 %	20,000 SEK	5,000	19,992 **	556851-5026
Moelven Wood Prosjekt AS	100 %	300	3,000	11,000 *	982,680,913
Moelven Malmö Holding AB	100 %	2,580 SEK	2,580	15,496 **	556451-0278
Moelven Multi3 AS	100 %	3,425 NOK	6,850	7,192 *	993,797,758

Note 22 - Group companies (cont.)

Amounts in NOK 1,000	Holding %	company's	Moelven's ownership 31.12		number
Building Systems					
Moelven Limtre AS	100 %	11,000	11,000	43,028 *	913,711,300
Moelven Töreboda AB	100 %	12,000 SEK	120,000	47,981 **	556023-8023
Moelven ByggModul AS	100 %	31,688	158,440	89,299 *	941,809,219
Moelven Byggmodul Hjellum AS	100 %	4,206	50,001	60,585 *	927,486,210
Moelven Byggmodul AB	100 %	5,000 SEK	50,000	89,964 **	556310-7134
Moelven Modus AS	100 %	22,000	2,200	95,000 *	951,269,778
Moelven Modus AB	100 %	4,000 SEK	40,000	45,582 **	556175-3178
Moelven Elprosjekt AS	100 %	10,000	50,000	12,000 *	980,342,182
Moelven Elektro AB	100 %	100 SEK	1,000	2,099 **	556783-8239
Others					
Moelven Industrier AB	100 %	197,046 SEK	19,704,581	241,406 *	556064-4170
Moelven Skog AB	100 %	5,000 SEK	400	24,990 **	556624-0957
Moelven Virke AS	100 %	5,000	50,000	4,546 *	975,924,955
Moelven Bioenergi AS	100 %	6,000	6,000,000	6,800 *	990,041,881
Vänerbränsle AB	82.3 %	336 SEK	2,613	2,806 **	556432-9851
Skåre Kontorshotell AB	100 %	100 SEK	1,000	725 **	556550-1664
Moelven Portefølje AS	100 %	1,000	1,000	1,155 *	982,792,835

*) Company owned by Moelven Industrier ASA

***) Company owned by Moelven Industrier AB

Note 23 - Pension costs and pension commitments

Pension schemes

The pension funds and commitments on the balance sheet mainly relate to the group's Norwegian companies.

Secured schemes

The group's defined benefit scheme regarding the Norwegian companies was ended in 2015. New employees will be affiliated a contributions based pension scheme. The contribution scheme include a risk coverage in case of disability.

The Group is required to have an occupational scheme by legislation on compulsory occupational pensions. The pension schemes fulfil the requirements of this legislation.

Unsecured schemes

Unsecured schemes relate to guaranteed pension liabilities. These are calculated in accordance to IFRS pension costs. There are no unsecured pension commitments that have not been included in the calculation mentioned above. The remaining pension commitments in balance sheet, are related to agreed arrangements for a small number of previous and current employees.

A new AFP scheme from 01 January 2011 for the Group's Norwegian companies

All employees in the Norwegian companies in the group should be comprised by the right to early retirement (AFP), early retirement schemes in the private sector from the age of 62 if they fulfil the requirements of this scheme. The new AFP scheme which came into force in 2011 is defined as a defined-benefit multi-employer plan, but accounted for as a defined contribution scheme until reliable and sufficient information enabling the companies to account for its proportionate share of pension costs, pension obligations and pension funds in the scheme. The company's obligations related to the new AFP scheme is therefore not recorded as a liability.

The group's foreign companies

Many of the group's foreign companies offer their employees pensions based on agreed individual contribution-based pension schemes.

In Sweden, most employees are covered by a collective occupational pension agreement. The scheme is defined as a multi-employer plan. Salaried staff born before 1979 are included in an individual occupational pension scheme that is also defined as a defined benefit plan. Because of the difficulty of reliably measuring the benefit level of these plans, there is insufficient information on an individual basis to enter the plans in the accounts as defined benefit schemes. The plans are accounted for as if they were contribution-based, in accordance with good accounting practice. Salaried staff born after 1979 are included in an occupational pension scheme that is premium based and is therefore treated in the accounts as contribution-based.

23.1 – Economic and actuarial assumptions

The following economic assumptions have been made:

	2017	2016
Return on pension funds	0.00 %	2.10 %
Discount rate	2.30 %	2.10 %
Annual pay increase	2.50 %	2.25 %
Annual G adjustment (National Insurance Scheme's amount)	2.25 %	2.00 %
Annual adjustment of pensions being paid	2.25 %	2.00 %
Average employer's contribution factor	14.10 %	14.10 %

23.2 - Pension commitments entered in the accounts

Amounts in NOK million

	2017	2016
Present value of the secured pension commitments	3.6	4.2
Present value of the unsecured pension commitments	19.4	19.0
Total present value of pension commitments	23.0	23.2
Fair value of pension funds	-3.1	-3.5
Net pension liability outside Norway	0.6	0.8
Pension commitments entered	20.5	20.5

In the balance sheet the pension commitments are entered gross with the following amounts:

Net pension funds	1.8	2.2
Pension liabilities	22.3	22.7

23.3 – Pension costs

Amounts in NOK million	2017	2016
Pension entitlements accrued in the year	0.3	0.2
Administration costs	0,0	0,0
Change in pension plans	0,0	0,0
Net financial costs/income	0.5	0.5
Pension costs secured and unsecured defined benefit schemes	0.8	0.7
Contribution pension costs and other pension costs	101.7	97.0
Pension cost (net) entered on the income statement	102.5	97.7

Note 24 - Provisions

Guarantee liability on projects

Guarantee provisions	2017	2016
Guarantee provisions as at 1.1	26.5	19.1
Used during the year	-1.5	-0.9
Reversed during the year	-0.1	-0.1
New provisions during the year	14.1	8.3
Guarantee provisions 31.12	39.1	26.5

In the balance sheet the guarantee obligation is entered with the following	2017		2016	
	Amount in the balance sheet	Guarantee	Amount in the balance sheet	Guarantee
Other provisions	49.3	27.9	25.0	21.5
Other short term liabilities	908.5	11.2	865.9	5.0
		39.1		26.5

Other guarantee liability

	2017	2016
Loan guarantees/financial guarantees	19.5	18.7

Loans with mortgages were redeemed in 2017.

Moelven Industrier is operating business that can effect the external environment. Moelven performs periodical mapping of the environmental effect of our production. Based on these mappings, Moelven has assessed that the recognition criteria of a reliable estimate is not fulfilled. There is therefore not recognized any provisions regarding environmental effects.

Note 25 - Other short-term liabilities

Other short term liabilities	Note	2017	2016
Prepayments from customers	19	147.1	109.1
Accrued holiday pay		199.0	181.7
Bonus provisions		164.2	137.2
Accrued costs and other short term liabilities		398.3	437.9
Total other short term liabilities		908.5	865.9

Prepayments from customers relates to invoiced income on projects that has not been earned (invoiced, not performed). Refer to note 19 Projects.

Note 26 - Financial instruments

26.1 Book value of financial assets and obligations by category

Financial assets 31.12.2017

Amounts in NOK million	Assets	Recognized at		Level 1*	Level 2*	Level 3*	Total fair value
		fair value	Book value				
Accounts receivable	1436.8		1436.8				
Other receivables	196.2		196.2				
Financial instruments - currency derivative		3.5	3.5		3.5		3.5
Fin. instr. - emb. cur. derivative in hedg. of el.power			0.0		0.0		0.0
Financial instruments - power derivative		6.7	6.7	6.7			6.7
Bank deposits etc.	30.2		30.2				
Investments in equities	0.5		0.5			0.5	0.5
Total	1,663.7	10.2	1,673.9				

*Description is presented on the next page

Financial obligations 31.12.2017

Amounts in NOK million	Assets	Recognized at		Level 1	Level 2	Level 3	Total fair value
		fair value	Book value				
Liabilities to credit institutions	760.8		760.8		769.9		769.9
Financial leases	19.8		19.8		19.8		19.8
Other long term liabilities	6.8		8.4		8.4		8.4
Financial instruments - currency derivative	0.0	7.0	7.0		7.0		7.0
Fin. instr. - emb. cur. derivative in hedg. of el.	0.0	1.0	1.0		1.0		1.0
Financial instruments - interest derivative	0.0	81.5	81.5		81.5		81.5
Payables	721.7		721.7				
Overdrafts	0.0		0.0				
Total	1509.0	89.5	1600.2				

Financial assets 31.12.2016

Amounts in NOK million	Assets	Recognized at		Level 1	Level 2	Level 3	Total fair value
		fair value	Book value				
Accounts receivable	1358.5		1358.5				
Other receivables	210.0		210.0				
Financial instruments - currency derivative		5.6	5.6		5.6		5.6
Fin. instr. - emb. cur. derivative in hedg. of el.power		0.6	0.6		0.6		0.6
Financial instruments - power derivative		2.8	2.8	2.8			2.8
Bank deposits etc.	6.6		6.6				
Investments in equities	1.2		1.2			1.2	1.2
Total	1,576.3	9.0	1,585.3				

Financial obligations 31.12.2016

Amounts in NOK million	Assets	Recognized at		Level 1	Level 2	Level 3	Total fair value
		fair value	Book value				
Liabilities to credit institutions	887.6		887.6		898.5		898.5
Financial leases	22.3		22.3		22.3		22.3
Other long term liabilities	6.8		6.8		6.8		6.8
Financial instruments - currency derivative	0.0	1.1	1.1		1.1		1.1
Fin. instr. - emb. cur. derivative in hedg. of el.	0.0		0.0		0.0		0.0
Financial instruments - interest derivative	0.0	82.6	82.6		82.6		82.6
Payables	574.7		574.7				
Overdrafts	112.4		112.4				
Total	1603.7	83.7	1687.4				

26.1 (Cont.)

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.

26.2 Nominal value of financial derivatives

Amounts in NOK million	As of 31 December	
	2017	2016
Interest rate derivatives		
Maturing under 1 year	0.0	0.0
Maturing 2 - 5 years	249.9	314.0
Maturing 6 - 10 years	372.9	286.8
Total	622.8	600.8
Currency derivatives, forward contracts for sale of foreign currency		
Maturing 0-6 months	299.9	154.4
Maturing 7-12 months	65.3	30.4
Maturing >12 months	2.0	1.9
Total	367.2	186.7
Currency derivatives, forward contracts for purchase of foreign currency		
Maturing 0-6 months	15.4	84.3
Maturing 7-12 months	0.0	11.1
Maturing >12 months	0.0	0.0
Total	15.4	95.4
Power derivatives		
Maturing less than 1 year	21.2	21.0
Maturing 1-2 years	20.1	11.9
Maturing 3-4 years	4.7	5.4
Total	46.0	38.3
Power derivatives accounted according to IAS 39 as purchase for own use*		
Maturing less than 1 year	15.1	12.7
Maturing 1-2 years	17.3	6.8
Maturing 3-4 years	0.0	7.3
Total	32.3	26.9

The table shows the nominal gross value in NOK.

Sales of foreign currency is sales against NOK and SEK. Calculation of nominal value in NOK is done by using the nominal value of SEK converted to NOK by using the balance sheet date rate.

Acquisitions of foreign currency are mainly sales of SEK against NOK and SEK against EUR.

Power contracts are bought forward contracts for electricity.

*The market value of power derivatives for own consumption was NOK 8.4 million in 2017 and NOK 5.9 million in 2016.

Note 27 - Share capital and share premium reserve

The last capital increase was in 2004 when Moelven acquired the Are Group. The share capital was increased by NOK 52.5 million.

Shareholders		Number of shares	shares in per cent
Glommen Skog SA	Norway	37,692,572	29.10 %
Eidsiva Vekst AS	Norway	30,803,178	23.78 %
Felleskjøpet Agri SA	Norway	20,535,451	15.85 %
Viken Skog SA	Norway	15,378,530	11.87 %
Mjøsen Skog SA	Norway	15,221,334	11.75 %
AT Skog SA	Norway	9,442,026	7.29 %
6 largest owners		129,073,091	99.64 %
Other 896 shareholders		468,193	0.36 %
Total 902 shareholders		129,541,284	100 %

Summary of shareholders as at 31.12.2017

Number of shares	129,542,384
Number of own shares	1,100
Number of voting shares	129,541,284
Face value	NOK 5,-
Share capital	647,711,920
Number of shares on average	129,541,284

Summary of shareholders as at 31.12.2016

Number of shares	129,542,384
Number of own shares	1,100
Number of voting shares	129,541,284
Face value	NOK 5,-
Share capital	647,711,920
Number of shares on average	129,541,284

Note 28 - Remuneration to group management, board and corporate assembly

28.1 – Shares in Moelven Industrier ASA owned by members of the group management, board and corporate assembly

<u>The Corporate assembly</u>	<u>Deputy members</u>	<u>The board of Directors</u>	<u>Group Executive Board</u>	
Egil Magnar Stubbsjøen	0 Gudmund Nordtun	0 Olav Fjell	0 Morten Kristiansen	500
Terje Uggen	0 Erik A. Dahl	0 Trond Stangeby	0 Anders Lindh	0
Maren Kyllingstad	0 Anne Sagstuen Nysæther	0 Elisabeth Krokeide	0 Bjarne Hønningstad	2 700
Thor Svegård	0 Leif Henning Asla	0 Aud Ingvild Storås	0 Marcus Johansson	1 012
John Arne Ulvan	0 Jan Kollsgård	0 Asbjørn Bjørnstad	0	
Olav A. Veum	0 Anders Roger Øynes	0 Martin Fauchald *)	0 <u>Group shared services</u>	
Gudbrand Gulsvik	0 Tor Henrik Kristiansen	0 Lars Håkan Karlsson *)	0 Morten Sveiverud	2 350
Rolf Th. Holm	0 Thorvald Grini	0	Even Rognan Lutnæs	0
Trond Sønnes *)	0 Kim Arne Fjeld	0 <u>Deputy members</u>		
John Inge Lorentsen *)	0 Leif Bjarne Udem *)	0 Terje Johansen	0	
Ann-Christine Löfborg *)	0 Ove Gunarsson *)	0 Ingrid Therese Tjøsvold	0	
Lennart Perez *)	0 Jonas Andersson *)	0 Iver Melby *)	74	
		Jan Peter Olsson *)	0	
		Ole Magnus Vinna *)	0	
		Keio Wedin *)	0	

*) Employee's representatives

28.2 Declaration of determination of remuneration for the Group Executive Board

Background

In accordance with section 6-16a of the Public Limited Company Act, the board of Moelven Industrier ASA has prepared a declaration on the fixing of pay and other remuneration for senior executives within the group. The declaration, which was adopted by the general meeting of 26 April 2016, has been the guideline for the 2016 financial year. An identical declaration, which will be presented to the general meeting of 26 April 2017, will be the guideline for the 2017 financial year.

The following persons are involved

The declaration covers the group management of Moelven Industrier ASA. Group management means the CEO and the heads of the divisions.

General

Moelven shall have a level of pay and other terms of employment that is necessary in order to be able to keep and recruit managers with good competence and the capacity to achieve the objectives that are set.

Salary

Moelven's main principle is that senior executives shall have fixed salary. Salary is adjusted annually, normally with effect from 1 July.

Other benefits in kind

Moelven shall have other benefits, in the form of free car, free newspapers and free telephony for example, where this makes work easier and is deemed to be reasonable in relation to general practice in the market.

Bonuses and other variable elements of the remuneration

Over and above the main principle of fixed pay, the board wishes it to be possible to offer other variable forms of remuneration in cases where this is found to be appropriate. Bonuses may be used to a limited extent and by special agreement and shall be directly dependent on operating profit.

Remuneration linked to shares etc.

Moelven has no form of remuneration for companies within the group that is linked to shares or the development of the share price, including shares, subscription rights and options. In the event of the establishment of such a scheme, it shall cover a large number of employees and such remuneration shall represent a smaller proportion than the fixed pay.

Pension schemes

Moelven shall have pension conditions that are on a level with the general market in the home country. New employees shall join contributory pension schemes.

Pay after termination of employment

In the event of immediate termination of employment by the company, management shall as a standard be entitled to pay for 18 months, less pay earned by any new employer during this period.

Previous financial years

Management pay policy in previous financial years has been in line with the content of this declaration.

The board reserves the right to deviate from these guidelines if there are serious grounds for doing so in individual cases. If the board should deviate from these guidelines, their reasons for doing so must appear in the minutes of the meeting.

28.3 – Remuneration to senior executives etc.

Amounts in NOK 1,000 paid during the financial year	2017			2016		
	Salaries	Pension costs	Other benefits	Salaries	Pension costs	Other benefits
Remuneration to:						
CEO Morten Kristiansen	4,706.0	192.7	201.0	3,923.3	610.6	205.8
Managing Director Timber, Anders Lindh - from 1.12.2016	1,769.9	143.8	181.2	148.3	19.6	14.6
Managing Director Timber, Ole Helge Aalstad - until 30.9.16	0.0	0.0	0.0	1,648.1	189.5	133.8
Managing Director Wood, Bjarne Hønningstad	2,359.4	161.1	195.9	2,099.1	298.4	184.2
Managing Director Building Systems, Marcus Johansson	1,831.2	582.5	88.1	1,797.0	488.4	71.7
Total	10,666.5	1,080.1	666.2	9,615.8	1,606.5	610.1

On termination of employment, the President and CEO and the Managing Directors of Timber and Wood have 18 month's pay after termination, less pay from new position/employer. The Managing Director of Building Systems has a similar agreement for 6 months.

28.4 - Remuneration to the board and corporate assembly

Amounts in NOK 1,000 paid during the financial year	2017	2016
Remuneration to the board of Directors	1,295.1	1,256.5
Remuneration to the corporate assembly	250.0	312.4

The chairman of the board of directors receives NOK 515,000 and the board members NOK 123,600 in annual remuneration. Deputy members of the board receive NOK 5,700 per meeting. The chairman of the corporate assembly receives NOK 61,800 in annual remuneration. The members and deputy members of the corporate assembly receive NOK 5,700 per meeting.

Note 29 - Shareholders' agreement and related parties

29.1 Shareholders' agreement

The share capital of Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5 and there is only one share class. In total the shares are distributed among 934 shareholders, of which the six largest, Eidsiva Vekst AS, Felleskjøpet Agri SA and the forest owner cooperatives Glommen Skog SA, Mjøsen Skog SA, AT Skog SA and Viken Skog SA, control a total of 99.6 per cent. There is several shareholders' agreements between these shareholders. Among other things, this shareholders' agreement has clauses that determine that the company shall be run as an independent unit with a long-term perspective and with continued focus on Scandinavia as the main market. The agreement also contains clauses regarding the composition of the board, dividend policy, strategic focus areas and share transfer.

29.2 Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. There will also be deliveries of biofuel from the Moelven group to a bioenergy plant owned by Eidsiva Energi AS, with possible buy-back of bioenergy for Moelven's industries in connection with the energy plant. Also, Eidsiva Energi Marked AS sells electric power to Moelven's Norwegian industrial operations. All these transactions have in common that the arm's length principle shall be applied. Where other suppliers can offer better prices or terms, these will be used. About 45 per cent of Moelven's total purchasing requirement for timber of 4.2 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven's supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh.

The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of about 230 GWh.

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

Note 30 - Events after the date of balance

No subsequent events have taken place that should have any effect on the 2017 annual report.

Annual accounts for Moelven Industrier ASA

Income statement

Amounts in NOK million	Note	Moelven Industrier ASA	
		2017	2016
Other operating revenues	15	104.8	100.4
Operating revenues	2	104.8	100.4
Payroll expenses	10.11	63.2	58.1
Depreciation on tangible and intangible fixed assets	9	7.4	7.9
Other operating expenses	10	81.6	77.1
Operating expenses		152.2	143.1
Operating profit		-47.3	-42.7
Income from investment in subsidiaries 1)		101.1	132.3
Value increase of financial instruments to fair value	8	3.8	26.9
Interest income from group companies	15	57.1	60.7
Other financial income from group companies		3.1	3.5
Other financial income		11.1	25.1
Value reduction of financial instruments to fair value	8	0.0	-8.3
Impairment of financial assets	6	65.4	-74.4
Interest costs to group companies		-2.6	-3.6
Other interest costs		-42.3	-45.6
Other financial costs		-20.0	-25.2
Net financial items		176.9	91.4
Ordinary result before taxes		129.6	48.7
Tax on ordinary result	3	9.3	13.2
Net profit		120.2	35.5
Dividend distributed, NOK 0.45 per share		0.0	-58.3
Allocated to dividend, NOK 0.68 / NOK 0.48 per share		-88.1	-62.2
To/from other equity		-32.2	85.0
Total	14	-120.2	-35.5

1) Including group contribution

Balance as at 31.12

Amounts in NOK million	Note	Moelven Industrier ASA	
		2017	2016
ASSETS			
Deferred tax assets	3	24.0	25.7
Other intangible assets	9	1.0	3.7
Total intangible assets		25.1	29.4
Land		3.7	3.7
Buildings and other property		5.1	5.6
Machinery and plant		4.9	11.2
Fixtures and fittings, tools, office machinery etc.		25.3	5.8
Total tangible fixed assets	9	39.0	26.3
Investments in subsidiaries	12	1,052.7	1,050.6
Investments in associated companies	13	3.8	3.8
Loans to group companies	15	1,298.7	1,276.5
Investments in other shares		0.0	0.8
Other long-term receivables		1.4	1.4
Total financial fixed assets		2,356.6	2,333.1
Total fixed assets		2,420.6	2,388.8
Accounts receivable		0.2	0.4
Accounts receivable group companies	15	4.8	2.8
Receivables group contributions/dividend	15	101.1	132.3
Other receivables		11.3	13.2
Total receivables		117.3	148.7
Financial derivatives	8	11.5	8.2
Bank deposits, cash etc.	5	0.0	0.0
Total current assets		128.9	156.9
Total assets		2,549.5	2,545.7

Amounts in NOK million	Note	Moelven Industrier ASA	
		2017	2016
LIABILITIES AND EQUITY			
Share capital		647.7	647.7
Own shares		0.0	0.0
Share premium reserve		130.9	130.9
Total contributed equity		778.6	778.6
Retained earnings		31.5	0.0
Total equity	14	810.1	778.6
Pension liabilities	11	19.9	19.6
Total allowances for liabilities		19.9	19.6
Liabilities to credit institutions	5	760.8	886.5
Other long-term not interest-bearing debt		5.1	5.1
Total long term liabilities		765.9	891.6
Liabilities to credit institutions	5	732.9	604.7
Financial derivatives	8	91.7	92.2
Trade accounts payable		6.6	8.9
Trade accounts payable to group companies	15	3.3	2.4
Public duties payable		4.3	4.3
Dividends		88.1	62.2
Tax payable	3	7.5	2.5
Other short term liabilities	4	19.3	78.7
Total short term liabilities		953.6	855.9
Total liabilities		1,739.4	1,767.1
Total equity and liabilities		2,549.5	2,545.7
Guarantee liability	7	698.3	753.1
Number of shares (Face value per share NOK 5.-)	16	129,541,284	129,541,284

Moelv 14 March 2017
The Board of Directors of Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Trond Stangeby
Deputy chair

Elisabeth Krokeide

Ingvild Storås

Asbjørn Bjørnstad

Martin Fauchald

Lars Håkan Karlsson

Morten Kristiansen
CEO

Cash flow statement

Amounts in NOK million	Note	Moelven Industrier ASA	
		2017	2016
CASH FLOW FROM OPERATIONAL ACTIVITIES:			
Ordinary result before taxes		129.6	48.7
Tax paid this year	3	-2.5	0.0
Depreciation	9	7.4	7.9
Value change investments		-65.4	74.4
Correction items - financial derivatives		-3.8	-18.6
Unpaid pension costs entered as costs and unreceived pension funds entered as income	11	-0.5	-1.4
Changes in accounts receivable and other receivables excluding group contribution		0.2	2.5
Changes in trade accounts payable		-1.5	-0.2
Changes in short-term liabilities excluding borrowing		0.0	63.1
Cash flow from operational activities		63.4	176.4
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Investment in plant and equipment exc. acquisition	9	-17.4	-7.5
Net cash flow from investments in shares		0.9	17.7
Generated funds from mergers		0.0	0.0
Long-term investments, financial		-18.4	89.4
Receivables from group contributions / dividends		31.2	-96.8
Cash flow from investment activities		-3.7	2.8
Profit before tax			
Changes in short-term loans and overdraft	5	128.2	-5.3
Changes in long-term liabilities		-125.7	-115.6
Payment of dividend		-62.2	-58.3
Cash flow from financial activities		-59.7	-179.2
CASH HOLDINGS			
Net change in liquidity through year		0.0	0.0
Cash holdings 1.1.		0.0	0.0
Cash holdings 31.12	5	0.0	0.0

Note 1 - Accounting principles

The annual accounts have been prepared in accordance with the provisions of the Norwegian Accounting Act and with generally accepted accounting principles.

1.1 Use of estimates

Management has used estimates and assumptions that have affected the income statement and the valuation of assets and liabilities, as well as uncertain assets and obligations on the date of balance in the preparation of the annual accounts in accordance with good accounting practice.

1.2 Foreign currency

Foreign exchange transactions are calculated at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currency are converted to Norwegian kroner by using the rate of exchange on the balance date. Non-monetary items which are measured at historical exchange rates expressed in foreign currency, are converted to Norwegian kroner by using the exchange rate at the time of transaction. Non-monetary items which are measured at fair value expressed in foreign currency are converted to the exchange rate determined at the time of measurement. Exchange rate changes are entered on the income statement as they occur during the accounting period under other financial items.

1.3 Operating revenues

The operating revenues consist mainly of division of joint costs among the subsidiaries. Sales are invoiced as the services occur.

1.4 Tax

Tax costs consist of payable tax and changes in deferred tax. Deferred tax/tax benefits are calculated on all differences between the company's accounting and tax carrying values of assets and liabilities. Deferred tax is calculated at 23 per cent of the temporary differences between the book and taxable values, as well as tax losses carried forward at the end of the reporting year. Net deferred tax benefits are entered on the balance sheet to the extent that it is probable they can be utilised.

Payable tax and deferred tax are entered directly against equity to the extent that the tax entries relate to equity items.

1.5 Classification and valuation of balance sheet items

Current assets and short-term debt include items which become due for payment within a year after the date of acquisition and items associated with the goods cycle. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of acquisition cost and fair value. Short-term debt is recognised on the balance sheet at the nominal amount at the time it is taken out.

Fixed assets are measured at acquisition cost, less depreciations and write downs. Long-term debt is recognised in the balance sheet at the nominal amount at the time of establishment.

1.6 Research & Development

Research and development expenses are entered on the balance sheet to the extent to which a future financial benefit can be identified that is linked to the development of an identifiable intangible asset, and the expenses can be reliably measured. Otherwise, such expenses are recognised as costs on an on-going basis. Development that is entered on the balance sheet is depreciated on a straight line basis over the financial lifetime. Research expenses are recognised as costs on an on-going basis.

1.7 Tangible fixed assets

Tangible fixed assets are entered on the balance sheet and depreciated on a straight line basis over the asset's expected lifetime. Major assets that consist of significant components having different lifetimes are depreciated with different depreciation times for the different components. Direct maintenance of equipment is recognised continuously as an expense under operating expenses, while increased costs or improvements are added to the equipment's price and amortised concurrently. If the recoverable value of the asset is lower than book value, it is written down to recoverable value. Recoverable value is the higher of net sales value and value in use. Value in use is the present value of the future cash flow that the asset is expected to generate.

1.8 Subsidiaries/associated companies

Subsidiary and associates are assessed by the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless write down has been necessary. Write down to fair value is been done when the decrease in value is due to causes that cannot be considered to be transitory and where this must be considered necessary according to good accounting practice. Write downs are reversed when the reason for write down no longer exists.

Dividends, group contributions and other payments from subsidiaries are entered as revenue during the same year as provision is made for them in the subsidiary's accounts. If the dividend/group contribution exceeds the proportion of earned profit after the date of acquisition, the surplus represents part repayment of invested capital and is deducted from the value of the investment on the parent company's balance sheet.

1.9 Receivables

Trade accounts receivable and other receivables are recognised in the balance sheet at their nominal value after deductions for provision for expected loss. Provision for losses is made on the basis of individual assessment of each debt.

1.10 Short-term investments

Short-term investments (shares assessed as current assets) are valued at the lower of acquisition cost and fair value on the date of balance. Dividends received and other payments from the companies are entered as other financial income.

1.11 Pensions

The company has collective, contribution-based pension schemes. These are schemes with a savings portion and a risk portion with earnings right. Pension premiums are entered as costs as they occur.

Defined-benefit pension schemes

Of defined benefit plans, the company still have an on-going taxable joint annuity policy valid for a limited number of people

Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. Estimate changes and changes in financial and actuarial assumptions (actuarial gains and losses) are entered against equity (OCI). The period's net pension costs are classified as payroll and personnel costs.

1.12 Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents comprise cash, bank deposits, and other short-term liquid investments.

Note 2 - Operating revenues

Amounts in NOK million	2017	2016
Subsidiaries' proportion of joint costs	58.2	54.6
Subsidiaries' proportion of IT services	38.2	36.4
Rent income - outside the group	0.8	0.7
Rent income - inside the group	2.4	2.6
Other	5.3	6.1
Total other operating income	104.8	100.4

In accordance with the company specification under note 15, a total of NOK 102.2 million is operating income from our subsidiaries. Total Norwegian operating income amounts to NOK 48.4 million, Swedish NOK 53.1 million and Danish company NOK 0.7 million.

Note 3 - Tax

Amounts in NOK million

Tax expense for the year	2017	2016
Recognized tax on ordinary income:		
Total tax payable	7.5	2.5
Changes in deferred tax from income statement	1.9	10.7
Tax expense	9.3	13.2

Taxable income:

Ordinary result before taxes	129.6	48.7
Permanent differences	-95.0	-0.2
Actuarial losses entered against OCI	-0.9	-1.2
Changes in temporary differences	-2.6	-17.5
Use of tax loss carry forwards	0.0	-19.6
Taxable income:	31.1	10.2

Tax payable in the balance sheet

Tax on income	-9.6	-11.8
Tax payable on received group contribution	17.1	14.3
Tax payable in the balance sheet	7.5	2.5

Calculation of effective tax rate

Ordinary result before taxes	129.6	48.7
Calculated tax on ordinary result before taxes	31.1	12.2
Tax effect of permanent differences	-22.8	-0.1
Effect on deferred tax from change in tax per cent from 24 % to 23 %	1.0	1.1
Total	9.3	13.2
Effective tax rate	7.2 %	27.1 %

Tax effect of temporary differences and carried forwards giving rise to delayed or deferred tax advantages, specified on types of temporary differences:

	2017	2016	Changes
Fixed assets	-4.6	-3.5	-1.1
Gains and losses	0.9	1.1	-0.2
Provisions	-0.2	0.0	-0.2
Pensions commitments	-19.9	-19.6	-0.3
Other differences	-0.6	-1.1	0.5
Total	-24.4	-23.1	-1.3
Shares and other securities	-80.2	-84.0	3.8
Calculation base for deferred taxes	-104.6	-107.1	2.6
Deferred tax assets / deferred tax (23% / 24 %)	-24.0	-25.7	
Effect on deferred tax from change in tax per cent from 24 % to 23 %	1.0	1.1	

Note 4 - Other short term liabilities

Other short-term liabilities consist mainly of accrued costs not yet due for payment.

Note 5 - Liquid holdings and debt

5.1 Interest-bearing holdings and debt

		2017	2016
Overdraft and interest-bearing debt		732.9	604.7
Long-term interest-bearing liabilities in			
NOK	4.41 %	555.9	549.2
SEK	4.15 %	204.9	337.3
DKK		0.0	0.0
EUR		0.0	0.0
Total long-term interest-bearing debt		760.8	886.5
Net interest-bearing debt		1,493.7	1,491.2

5.2 Repayment schedule long-term liabilities

Amounts in NOK million		2017	2016
<i>Long-term liabilities that fall due for payment in</i>			
1 year		0.0	0.0
2 years		0.0	0.0
3 years		760.8	886.5
4 years		0.0	0.0
5 years		0.0	0.0
6 years or later		0.0	0.0
Profit before tax			

5.3 Ceilings and withdrawals in syndicated loan market

Amounts in NOK million		2017	2016
Ceiling		1,599.7	1,563.4
Withdrawal		760.8	886.5
Remaining term in months		29	jan.00

The company's equity capital financing consists of a long-term credit facility maturing in June 2020, in addition to short-term credit facilities in the banking systems. The long-term loan agreement was entered into June 2016 and comprises two drawing frames of NOK 850 million and SEK 750 million respectively. The agreement initially had 3 years' maturity, with the option to request an extension of 1 year up to 2 times during the first 2 years of the agreement. In the second quarter of 2017, the first of these two options was used and the maturity of the agreement was changed from June 2019 to June 2020. Any decision to request further extension of the agreement will be made in the course of March / April 2018.

The loans have been taken with negative security declaration and have normal clauses relating to equity, equity ratio and debt ratio.

5.4 Future access to liquidity

Long financing

Amounts in NOK million	2017	2016
as at 31.12	1,599.7	1,563.4
in 1 year	1,599.7	1,563.4
in 2 years	1,599.7	1,563.4
in 3 years	0.0	0.0
in 4 years	0.0	0.0
in 5 years	0.0	0.0
in 6 years or later	0.0	0.0

Short financing

In addition to the long-term access to liquidity, the group has loan facilities that are renewed each year. As at 31.12.2017 these were NOK 312 million. As a result of normal seasonal variations, the group's net interest-bearing debt was at its highest in March 2017, NOK 1,159.9 million. The long term loan facilities as at 31.12.2017 will cover liquidity needs for the coming two and a half years.

Note 6 - Financial market risk and impairment of financial assets

6.1 Financial market risk

Assets with associated financial market risk consist of loans in foreign currency to subsidiaries, mainly in SEK. Exchange rate exposure is eliminated in that the loans are financed with debts in the same currency. Interest rate risk connected with the same receivables and liabilities is reduced by using rate swaps. In order to assist subsidiaries in covering risks associated with buying and selling currency, and within limits defined by the Board, currency positions are taken for internal exchange. The company also carry out the the hedging of the Group's consumption of electricity. For the Swedish part of the Group, this is done through trading financial contracts on the Nasdaq OMX Commodities. The realized hedging income is allocated to the subsidiaries according to consumption, resulting in no net impact for Moelven Industrier ASA. Hedge accounting is not used.

6.2. Impairment of financial assets

Shares in subsidiaries are assessed with regard to indications of impairment. Net reversal of impairment of cost amounts NOK 3 mill. In addition, a provision made in 2016 for risks on loans and guarantee obligations to group companies with NOK 62,4 mill have been reversed following a settlement agreement.

Note 7 - Guarantee liability

Amounts in NOK million	2017	2016
Unconditional guarantees	318.2	222.1
Payment and contract guarantees	329.7	474.3
Tax deduction guarantees	50.4	56.7
Total	698.3	753.1

The company has no restricted bank deposits. The company's cash credit accounts are included in the group's account systems. The company can thus be collectively responsible for more than the company's withdrawals. The employees' tax deduction funds are secured with guarantees furnished by an external credit institution.

Note 8 - Financial instruments

The following types of hedging are used:

Rate swaps, currency future contracts, structured forward buying of currency, future contracts for electric power.
Hedge accounting is not used.

Financial assets entered at fair value	2017	2016
Exchange rate derivatives	11.5	8.2
Total assets presented on the financial derivatives line	11.5	8.2

Financial obligations entered at fair value	2017	2016
Interest rate derivatives	81.5	82.6
Exchange rate derivatives	10.2	9.6
Total obligations presented on the financial derivatives line	91.7	92.2

Interest derivatives and power derivatives are entered in accordance with the lowest value principle.
As at 31.12.17, power contracts had a positive market value of NOK 15.1 million (8.7).

Value changes of financial instruments recognised in the profit and loss account	2017	2016
Value change financial instruments, gain	3.8	26.9
Value change financial instruments, loss	0.0	-8.3
Net result of financial instruments	3.8	18.6

Profit before tax

The Group has no hedging instruments not traded in functional markets. Fair value is calculated based on observable market prices for similar instruments.

Presentation of nominal value and duration of financial instruments

Amounts in NOK million	2017	2016
Interest rate derivatives		
Maturing under 1 year	0.0	0.0
Maturing 2 - 5 years	249.9	314.0
Maturing 6 - 10 years	372.9	286.8
Total	622.8	600.8
Currency derivatives, forward contracts for sale of foreign currency		
Maturing 0-6 months	259.4	311.6
Maturing 7-12 months	45.1	41.4
Maturing >12 months	2.0	1.9
Total	306.5	354.9
Currency derivatives, forward contracts for purchase of foreign currency		
Maturing 0-6 months	389.0	363.1
Maturing 7-12 months	73.0	43.4
Maturing >12 months	2.0	3.7
Total	464.0	410.2
Power derivatives		
Maturing under 1 year	36.3	33.8
Maturing 1-2 years	37.3	18.7
Maturing 3-4 years	4.7	12.8
Total	78.3	65.3

Note 9 - Fixed assets and intangible assets

Amounts in NOK million	Land	Buildings and other property	Machinery and plant	Fixtures and fittings, tools etc.	Other intangible assets	Total
Acquisition value as at 31.12.2015	3.7	29.6	11.2	34.6	27.3	106.4
Acquisitions	0.0	0.0	5.6	1.3	0.6	7.5
Disposal acquisition value	0.0	-0.1	-0.1	0.2	0.0	0.0
Acquisition value as at 31.12.2016	3.7	29.5	16.7	36.1	27.9	113.9
Accumulated ordinary depreciations 31.12.2015	0.0	23.5	4.9	27.3	20.4	76.1
Disposals accumulated depreciations	0.0	-0.1	-0.1	0.1	0.0	-0.1
Depreciation and write downs for the year	0.0	0.5	0.7	2.9	3.8	7.9
Accumulated ordinary depreciations 31.12.2016	0.0	23.9	5.5	30.3	24.2	83.9
Book value 31.12.2015	3.7	6.1	6.3	7.3	6.9	30.3
Book value 31.12.2016	3.7	5.6	11.2	5.8	3.7	30.0
Ordinary depreciation rates in per cent	0	2,5-10 %	5-10 %	10-20 %		

Amounts in NOK million	Land	Buildings and other property	Machinery and plant	Fixtures and fittings, tools etc.	Other intangible assets	Total
Acquisition value as at 31.12.2016	3.7	29.5	16.7	36.1	27.9	113.9
Acquisitions	0.0	0.0	0.2	17.2	0.0	17.4
Disposal acquisition value	0.0	0.0	-5.9	5.9	0.0	0.0
Acquisition value as at 31.12.2017	3.7	29.5	11.0	59.1	27.9	131.3
Accumulated ordinary depreciations 31.12.2016	0.0	23.9	5.5	30.3	24.2	83.9
Profit before tax	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and write downs for the year	0.0	0.5	0.7	3.5	2.7	7.4
Accumulated ordinary depreciations 31.12.2017	0.0	24.4	6.2	33.8	26.9	91.3
Book value 31.12.2016	3.7	5.6	11.2	5.8	3.7	30.0
Book value 31.12.2017	3.7	5.1	4.9	25.3	1.0	40.0
Ordinary depreciation rates in per cent	0	2,5-10 %	5-10 %	10-20 %	20/33%	

Note 10 - Payroll expenses, remuneration to group management, board and auditor

10.1 – Payroll expenses

Amounts in NOK million	2017	2016
Salaries	49.2	45.9
Employer contribution and social costs	8.0	7.6
Pension costs ref. defined benefit and contribution based pension schemes	4.3	3.4
Other benefits/other personnel costs inc. proportion charged to subsidiaries	1.7	1.2
Total	63.2	58.1
Number of man years	54	52

10.2 – Remuneration to group management

Amounts in NOK million	2017			2016		
	Salary	Pension costs	Other benefits	Salary	Pension costs	Other benefits
CEO Morten Kristiansen	4,706.0	192.7	201.0	3,923.3	610.6	205.8
Head of Timber division, Anders Lindh - from Dec.16	1,769.9	143.8	181.2	148.3	19.6	14.6
Head of Timber division, Ole Helge Aalstad up to Sept. 16	0.0	0.0	0.0	1,648.1	189.5	133.8
Head of Wood division, Bjarne Hønningstad	2,359.4	161.1	195.9	2,099.1	298.4	184.2
Head of Building Systems division, Marcus Johansson	1,831.2	582.5	88.1	1,797.0	488.4	71.7
Total	10,666.5	1,080.1	666.2	9,615.8	1,606.4	610.1

Profit before tax

There is not given any loans or guarantees to the company management.

See note 28 to the consolidated accounts for fixing of salary and other benefits for group management.

15.3 – Remuneration to auditor

Amounts in NOK million	2017	2016
Amount ex VAT		
Legally mandated account audit	0.5	0.7
Other services related to certification	0.0	0.0
Tax advisory services	0.0	0.0
For services other than audit	0.3	0.8
Total	0.9	1.5

Note 11 - Pension costs and pension liabilities

Pension schemes

The company is obliged to have an occupational pension scheme pursuant to the Act on Mandatory Occupational Pensions. The pension scheme complies with the law requirements, and is better than the minimum requirements in the law. With regard to defined-benefit pension schemes the company is still subject to taxable collective annuity scheme liabilities for a limited number of individuals.

Unsecured schemes

All obligations related to previous AFP schemes has ceased. Remaining unsecured schemes are related to other guaranteed obligations applicable to a limited number of people.

A new AFP scheme from 01 January 2011 for the Group's Norwegian companies

The new AFP scheme which came into force in 2011 is defined as a defined-benefit multi-company scheme, but is entered as a defined-contribution scheme until reliable and sufficient information enabling the companies to account for its proportionate share of pension costs, pension obligations and pension funds in the scheme. The company's obligations related to the new AFP scheme is therefore not recorded as a liability.

11.1 – Economic and actuarial assumptions

	2017	2016
Return on pension funds	2.30 %	2.10 %
Discount rate	2.30 %	2.10 %
Annual pay increase	2.50 %	2.25 %
Annual G adjustment (National Insurance Scheme's basic amount)	2.25 %	2.00 %
Annual adjustment of pensions being paid	2.25 %	2.00 %

11.2 – Pension costs

Amounts in NOK million	2017	2016
Pension entitlements accrued in the year	0.3	0.1
Interest costs on the pension commitments	0.4	0.5
Pension costs secured and unsecured defined benefit schemes	0.7	0.6
Contribution pension costs and other pension costs	3.6	2.8
Profit before tax	4.3	3.4

11.3 - Pension liabilities

Amounts in NOK million	2017	2016
Balance as at 01.01.		
Accrual of future pensions	20.0	19.8
Pension commitments (gross)	20.0	19.8
Pension funds	-2.8	-2.7
Employer contributions	2.4	2.4
Pension commitments (net)	19.6	19.5
Balance as at 31.12		
Pension commitments (gross)	20.4	20.0
Pension funds (anticipated)	-3.0	-2.8
Employer contributions	2.5	2.4
Pension commitments (net)	19.9	19.6
Net pension funds, secured schemes that can be netted	0.0	0.0
Pension commitments, secured (and unsecured) schemes that cannot be netted	19.9	19.6
Pension commitments, contractual pension (AFP)	0.0	0.0
Total pension commitments	19.9	19.6

11.4 – Key figures

	2017	2016
Number of active members secured schemes	4	4
Number of pensioners secured schemes	9	9

Note 12 - Shares in subsidiaries

Amounts in NOK 1,000	Office, municipality /country	Holding %	The company's share capital	The company's total equity	The company's net profit in 2015	Number of shares in Moelven's ownership	Total face value	Book value 31.12.
Moelven Industrier ASA owns								
Moelven Van Severen AS	Namsos	100.0 %	35,000	49,550	3,234	3,500	35,000	35,005
Moelven Østerdalsbruket AS	Stor-Elvdal	100.0 %	20,000	41,138	5,749	2,000	20,000	20,005
Moelven Våler AS	Våler	100.0 %	48,000	99,685	37,167	4,800	48,000	48,005
Moelven Soknabruket AS	Ringerike	100.0 %	30,000	87,042	20,398	3,000	30,000	32,511
Moelven Numedal AS	Flesberg	100.0 %	10,000	29,074	5,705	1,000	10,000	10,005
Moelven Løten AS	Løten	100.0 %	12,000	24,929	-1,138	1,200	12,000	12,005
Moelven Telemarksbruket AS	Bø	51.0 %	14,059	10,816	-372	710	14,059	5,550
Moelven Wood AS	Eidsvoll	100.0 %	5,500	15,315	420	5,500	5,500	10,000
Moelven Langmoen AS	Ringsaker	100.0 %	18,000	72,896	6,891	1,800	18,000	37,156
Moelven Portefølje AS	Ringsaker	100.0 %	1,000	9,893	13	1,000	1,000	1,155
Moelven Eidsvoll AS	Eidsvoll	100.0 %	8,500	28,303	-12,675	850	8,500	18,500
Moelven Treinteriør AS	Ringsaker	100.0 %	3,500	15,172	3,932	3,500	3,500	8,482
Moelven Modus AS	Ullensaker	100.0 %	22,000	103,170	7,251	2,200	22,000	95,000
Moelven ByggModul AS	Ringsaker	100.0 %	31,688	109,784	10,331	158,440	31,688	89,299
Moelven Bioenergi AS	Ringsaker	100.0 %	6,000	18,627	3,095	6,000,000	6,000	6,800
Moelven Limtre AS	Ringsaker	100.0 %	11,000	66,728	-877	11,000	11,000	43,028
Moelven Industrier AB	Sverige	100.0 %	197,046 SEK	408,589	-33,657	19,704,581	197,046	241,406
Moelven Danmark A/S	Danmark	100.0 %	5,000 DKK	17,659	1,235	50,000	5,000	12,417
Moelven U.K. Ltd	Storbritannia	100.0 %	950 GBP	499	187	950,000	50	10,426
Moelven Deutschland GmbH	Tyskland	100.0 %	110 EUR	505	42	11	110	217
Moelven Nederland B.V.	Nederland	100.0 %	36 EUR	136	11	360	36	317
Profit before tax	Spydeberg	100.0 %	300	51,757	1,832	100	300	50,116
Moelven Mjøsbruket AS	Gjøvik	100.0 %	12,000	49,223	15,543	12,000	12,000	15,990
Moelven Eidsvold Værk AS	Eidsvoll	100.0 %	32,500	64,944	-1,969	32,500	32,500	35,578
Moelven Trysil AS	Trysil	100.0 %	15,600	41,789	4,720	15,600	15,600	35,634
Moelven Multi3 AS	Ringsaker	100.0 %	3,425	6,924	-2,544	6,850	3,425	7,192
Moelven Virke AS	Ringsaker	100.0 %	5,000	12,214	3,185	50,000	5,000	4,546
Moelven Sør Tre AS	Kragerø	100.0 %	8,487	19,973	-120	8,487	8,487	50,000
Moelven Granvin Bruk AS	Granvin	99.3 %	1,490	20,485	1,334	2,959	1,480	16,672
Moelven Wood Prosjekt AS	Ringsaker	100.0 %	300	4,253	2,720	3,000	300	11,000
Moelven Profil AS	Grue	100.0 %	15,000	22,551	1,117	15,000	15,000	15,030
Moelven ByggModul Hjellum AS	Hamar	100.0 %	4,206	84,193	11,159	50,001	4,206	60,585
Moelven Elprosjekt AS	Ringsaker	100.0 %	10,000	19,883	-27,416	50,000	10,000	12,000
Moelven Polska sp.z.o.o	Polen	100.0 %	450 PLN	9,000	0	9,000	450	1,068
Total Moelven Industrier ASA								1,052,700

*) Voting rights is equal to ownership share.

Note 13 - Investments in associated companies

Amounts in NOK 1,000	Holding %	The company's share capital	The company's total equity	The company's net profit in 2017	Number of shares in Moelven's ownership	Total face value	Book value 31.12.
Owned by Moelven Industrier ASA:							
Weda Skog AB, Sweden	30.0 % SEK	10,000	10,079	4	3,000,000	3,000	2,632
Woodtrans AS, Norway	34.0 % NOK	1,310	2,556	1,615	445	445	1,187
Total							3,819

*) Voting rights is equal to ownership share.

Note 14 - Equity

Amounts in NOK million	Share capital	Share premium funds	Own shares	Other equity	Total equity
Equity 31.12.2016	647.7	130.9	0.0	0.0	778.6
Annual profit				120.2	120.2
Actuarial gains and losses, and other direct to equity				-0.7	-0.7
Allocated to dividend				-88.1	-88.1
Equity 31.12.2017	647.7	130.9	0.0	31.5	810.1

For information regarding developments in share capital, summary of shareholders, shareholder agreements and closely related parties, shares owned by members of the board of Directors, corporate assembly and group management, declaration on fixing of salary and other remuneration to group management and also remuneration to the board of directors and corporate assembly, see notes 27, 28 and 29 to the consolidated accounts.

Note 15 - Transactions with related parties

Amounts in NOK million	Holding %	Interests from		Loans to group companies	Receivables group contributions	Accounts receivable group companies	Trade accounts payable group companies
		Other operating revenue	group companies on loans				
Moelven Industrier ASA							
Moelven Van Severen AS	100.0 %	1.2	1.5	34.4		0.519	
Moelven Østerdalsbruket AS	100.0 %	1.0	0.8	19.0	0.2		
Moelven Våler AS	100.0 %	4.6	0.8	17.5	51.0	0.386	0.03
Moelven Soknabruket AS	100.0 %	1.7	4.5	113.0	14.9		0.0
Moelven Numedal AS	100.0 %	1.9	0.6	15.0	2.2		
Moelven Løten AS	100.0 %	1.3	0.1	3.2		0.061	
Moelven Telemarksbruket AS	51.0 %	1.0	0.4	10.0			
Moelven Wood AS	100.0 %	6.8					0.1
Moelven Langmoen AS	100.0 %	1.0	0.9	27.5			
Moelven Eidsvoll AS	100.0 %	0.5	0.4	15.5			
Moelven Treinteriør AS	100.0 %	0.4	0.3	6.6		0.0	
Moelven Modus AS	100.0 %	4.5				0.1	
Moelven ByggModul AS	100.0 %	4.8				1.4	0.0
Moelven ByggModul Hjellum AS	100.0 %	2.3			30.0		
Moelven Bioenergi AS	100.0 %	0.3	0.3	5.1		0.1	
Moelven Elprosjekt AS	100.0 %		0.6	22.0			
Moelven Limtre AS	100.0 %	5.7				0.3	
Moelven Industrier AB	100.0 %	0.0	19.2	499.8			2.7
Moelven Are AS	100.0 %	0.5					
Moelven Mjøsbruket AS	100.0 %	2.3	0.5	11.5	2.0		0.0
Moelven Eidsvold Værk AS	100.0 %	1.2	2.4	59.5			
Profit before tax	100.0 %	0.9					
Moelven Multi3 AS	100.0 %	1.2	0.2	5.7		0.3	0.1
Moelven Virke AS	100.0 %	0.5				0.2	0.2
Moelven Sør Tre AS	100.0 %	0.4	0.5	11.5			
Moelven Granvin Bruk AS	99.3 %	0.6	0.9	21.5		0.2	
Moelven Wood Prosjekt AS	100.0 %	0.2			0.3	0.1	
Moelven Profil AS	100.0 %	1.5	1.0	23.9	0.5		
Moelven Danmark AS	100.0 %	0.7				0.06	
Moelven UK Ltd.	100.0 %	0.0				0.00	

Note 15 - Transactions with related parties (cont.)

Swedish companies owned by Moelven Industrier AB

Amounts in NOK million	Holding %	Interests from		Loans to group companies	Receivables group contributions	Accounts receivable group companies	Trade accounts payable group companies
		Other operating revenue	group companies on loans				
Moelven Notnäs Ransby AB	100.0 %	6.9	1.7	44.3			
Moelven List AB	100.0 %	0.8	0.4	10.2			
Moelven ByggModul AB	100.0 %	7.5				0.1	
Moelven Norsälven AB	100.0 %	2.4	0.3	5.7			
Moelven Värmlands Trä AB	100.0 %	0.7	0.3	6.9			
Moelven Component AB	100.0 %	1.4	0.4	9.3		0.3	
Skåre Kontorshotell AB	100.0 %		0.1	1.2			
Moelven Wood AB	100.0 %	5.1					
Moelven Notnäs Wood AB	100.0 %	0.5					
Moelve Valåsen Wood AB	100.0 %	1.3	1.2	30.0			
Moelven Valåsen AB	100.0 %	8.1	1.7	41.9		0.6	0.1
Moelven Dalaträ AB	100.0 %	3.8	1.0	25.0			
Moelven Modus AB	100.0 %	2.6				0.0	
Moelven Edanesågen AB	100.0 %	1.7	2.3	40.0			
Moelven Nössemark Trä AB	100.0 %						
Moelven Årjäng Såg AB	100.0 %	3.1					
Moelven Tom Heurlin AB	100.0 %	0.9	1.2	29.0		0.0	
Moelven Skog AB	100.0 %	1.5	1.2	31.6			
Moelven Töreboda AB	100.0 %	2.5	0.8	20.7			
Vänerbränsle AB	82.3 %	0.1					
Moelven Lovene AB	100.0 %	0.1	0.2	4.4			
Moelven Vänerply AB	100.0 %	1.6	3.0	76.5			
UJ Trading AB	100.0 %	0.3					
Total 2017		102.2	51.7	1,298.7	101.1	4.8	3.3
Total 2016		98.6	53.5	1,276.5	132.3	2.8	2.4



To the General Meeting of Moelven Industrier ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Moelven Industrier ASA. The financial statements comprise:

- The financial statements of the parent company Moelven Industrier ASA (the Company), which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Moelven Industrier ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Hamar, March 14, 2018
KPMG AS

Stein Erik Lund
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Statement by the Corporate Assembly

The following items were discussed at the meeting of the Corporate Assembly held on 22 March 2018:

- Annual report and proposed Annual Financial Statement by the Board of Directors and President/CEO for the 2017 accounting year for Moelven Industrier ASA and group.
- Board's proposed allocation of profit for year in Moelven Industrier ASA.
- Board's determination of remuneration to Group Executive Board.
- The Statement by the Corporate Assembly to the General Meeting.

The Corporate Assembly recommends that the general meeting approve the Board of Directors and CEO's annual report and accounts for Moelven Industrier ASA and group in 2017, including allocation of the result for the year in Moelven Industrier ASA.

The Corporate Assembly also recommends that the general meeting approve the Board of Directors proposal for remuneration to corporate management.

22 March 2018

Egil Magnar Stubsjøen

Chairman of the Corporate Assembly

Financial calendar 2018

2. February 2018
Fourth Quarter report 2017

25. April 2018
General meeting – Annual Accounts 2017

Publishing Quarterly

27. April 2018
First Quarter Report 2018

29. August 2018
Second Quarter Report 2018

26. October 2018
Third Quarter Report 2018

31. January 2019
Fourth Quarter Report 2018

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