

Quarterly report 1/2022



Photo: Solon Eiendom

Together with Solon Eiendom and the recognized architect Einar Jarmund Arkitekter & co, Moelven Byggmodul AS delivers 66 holiday apartments at Hafjell. Great emphasis has been placed on creating attractive units with modern architecture, optimized for module production with a focus on good project economics. All apartments have a fantastic view and are located in the immediate vicinity of the alpine ski resort and cross-country trails in Hafjell.

Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Operating revenues	3,945	3,182	14,872	11,665
EBITDA	816	378	3,389	1,011
Gross operating margin/EBITDA in per cent	20.7 %	11.9 %	22.8 %	8.7 %
Depreciation and impairment	84	88	403	348
Operating profit	732	290	2,986	662
Net operating margin/EBIT in per cent	18.6 %	9.1 %	20.1 %	5.7 %
Profit before tax	754	297	2,991	604
Profit per share in NOK	4.59	1.80	18.1	3.6
Cash flow from operational activities, in NOK per share	-1.37	1.11	21.0	8.3
Total equity	5,089	2,981	4,588	2,865
Equity ratio	58.6 %	48.0 %	55.5 %	49.1 %
Total assets	8,691	6,210	8,269	5,833
Investments	68	72	420	272
Return on capital employed in per cent, 12 month rolling	76.9 %	24.2 %	73.5 %	17.9 %
Capital employed	5,382	3,592	4,890	3,500
Net interest-bearing liabilities	-1,081	516	-1,312	536
Net working capital	3,676	2,635	3,093	2,273
Number of employees	3,328	3,353	3,312	3,391
Sick leave percentage	8.5 %	5.5 %	5.7 %	6.2 %
Lost Time Injury Frequency rate, rolling LTI-rate	5.8	11.9	6.9	11.7
Average number of shares (mill)	129.5	129.5	129.5	129.5

- The first quarter of 2022 was the third best quarter in Moelven's history and the best first quarter of all time.
- Operating revenues were NOK 3,945 million (3,182).
- The operating result was NOK 732 million (NOK 290 million).
- Return on employed capital (12-month rolling basis) was 76.9 per cent (24.2).
- Continued strong demand and high level of activity in the international market for sawn timber.
- Reduced demand from the building materials trade in Scandinavia.
- Improvement in the order situation for Building Systems.

In brief

International demand for sawn timber remained high through the first quarter. The Group's turnover outside Scandinavia annually comprises 17-20 per cent of operating revenues, and the majority of this export goes to the international sawn timber market. In addition to being an important market for Moelven, this market is also a key indicator for developments in timber prices in Scandinavia. After a drop in prices towards the end of 2021 and real prices through the first quarter of 2022 that were lower than the previous quarter, price developments levelled off and started to rise again towards the end of the quarter.

Price developments have primarily been driven by high demand and reduced production of sawn timber on the American continent. As a result of this, several companies that ordinarily operate on the European market have shifted their volumes to the American market. Following Russia's attack on Ukraine, sanctions on Russia and Belarus have led to a further reduction in the supply of goods on the European market. The entire global wood product market is characterised by concerns that volume shortages may occur on the supply side. Many players therefore want to build up their inventories in order to be prepared for such a situation. Private consumption has long been an important driving force for developments in the overall demand and remains at a high level, although it is now being curbed somewhat by rising costs of living and uncertainty related to the war in Ukraine. This in turn affects demand for sawn timber directly through new builds, maintenance and renovation. Increased online trade also contributes to good demand for sawn timber for packaging purposes. In addition, wood is considered an attractive and sustainable material and is taking market shares from other types of materials.

Activity in the building materials trade in Scandinavia was overall slightly lower in the first quarter of 2022 than in the corresponding period in 2021 after activity in the consumer market declined. Price levels are significantly reduced since the peak levels in the third quarter of 2021, but were nevertheless higher than in the first quarter of 2021.

Activity in building and construction, infrastructure and smaller projects has been good. Demand for modular builds for residential and leisure housing purposes in Sweden improved through 2021 and was at a satisfactory level in the first quarter of 2022. For the Norwegian business activities, market activity within this segment was lower in the first quarter of 2022.

Access to forest raw materials was good in both Norway and Sweden in the first quarter. Sawlog inventories have increased and production units have had sufficient raw materials to cover production throughout the quarter. At the end of the quarter, sawlog inventories were higher than at the same time in 2021, and more than adequate in relation to the current production plans. In both countries, prices for sawn timber of both spruce and pine have increased compared to the first quarter of 2021. For the business in Sweden, the prices of chip and fibre products have dropped compared to the first quarter of 2021. On the Norwegian side the prices of cellulose chips have increased, while the prices for other assortments have dropped compared to the same period last year.

Moelven Danmark AS was sold to Frøslev Træ Holding A/S with effect from 1 March. Moelven Danmark AS is a package supplier of wood-based products to the Danish construction industry. At the time of the sale the company had 20 employees. In accordance with the agreements entered into in connection with the sale, the Moelven group will continue the sale of boards, sawn timber and planed construction wood through the newly-established company Moelven Danmark Sales A/S. The other operations of Moelven Danmark A/S will continue under the Frøslev Træ brand.

Eldrid Mona Furuhovde (51) has been appointed new director of economy and finance in Moelven. She is scheduled to take up her position on 1 August. Furuhovde comes from a position as partner and consultant in auditor company BDO.

Stefan Djupvik (43) was appointed IT Director in March. Djupvik came to Moelven last autumn as head of the IT department's development team.

The South-Eastern Norway Regional Health Authority has highlighted Moelven's area in Moelv as one of the alternatives for locating a new hospital for the Mjøsa region. The future hospital structure in Innlandet will be determined by the board of the South-Eastern Norway Regional Health Authority on 25 August 2022. Up until this date, various processes and analyses will be take place. Moelven is in dialogue with the South-Eastern Norway Regional Health Authority to look at solutions for the de alternatives where parts of Moelven's industrial area may become part of the area of a new major hospital in Moelv. This may entail that Moelven will have to move parts of its operations. Moelven is in dialogue with Ringsaker municipality to study various alternatives for relocation such that the Group's development opportunities and operations are safeguarded if the South-Eastern Norway Regional Health Authority decides on an alternative that affects our industrial area.

Moelven strongly disapproves of the Russian invasion of Ukraine, and has put a stop to all direct trade with Russia and Belarus. Neither Moelven nor our customers want to be associated with players from Russia and Belarus as the situation now stands. Moelven has only had a few products and deliveries that originate from these countries into industrial operations, and that it has been necessary to find alternative suppliers for.

Moelven has a partnership agreement with SOS Children's Villages that involves an annual contribution of NOK 500,000.

As a consequence of the war in Ukraine, in March it was decided to provider extra support of NOK 1 million in 2022 where the funds go directly to the emergency relief measures SOS Children's Villages are working with in Ukraine.

SOS Children's Villages has a separate disaster fund to help children and families affected by war and disasters. Their first priority is always to provide children with care and protection. SOS Children's Villages distributes food, water, clothes and other necessities. They provide psychological support and help children process traumatic experiences.

When the annual deadline for Moelven's trainee programme expired in February 2022, 164 applications had been received. Moelven's trainee programme is a unique development platform for graduates from university colleges, universities or technical vocational schools. In the course of 18 months the trainees get the opportunity to test two different job categories, while also taking part in a competence programme that both provides them with a large network and knowledge of Moelven's value chain.

Operating income and profit/loss

Operating revenues were considerably higher than in the corresponding period in 2021. The main reason for this is higher price levels, although the delivery volumes for the Group as a whole also were higher than in the first quarter of 2021.

In terms of profitability, the timber processing business activities delivered a substantially better quarter than in the same period the previous year, mainly due to the international price picture with higher finished goods prices for sawn timber and further processed timber. Reduced prices for chip and fibre products pull in the opposite direction, together with increased sawlog prices and a generally

higher cost level, especially for energy and transport. Measures to ensure production capacity and activity levels at building sites at a time where the COVID-19 pandemic has led to increased short-term sickness absence has also contributed to increased costs.

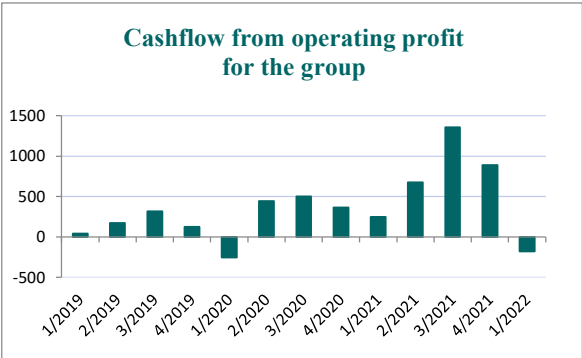
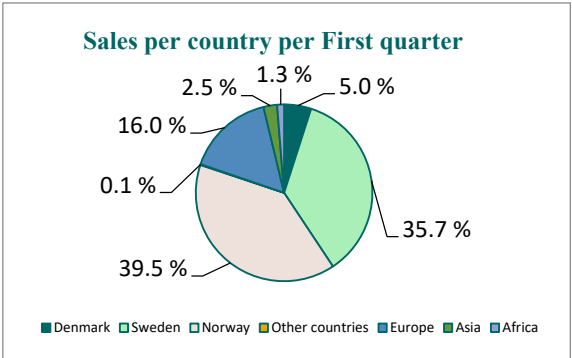
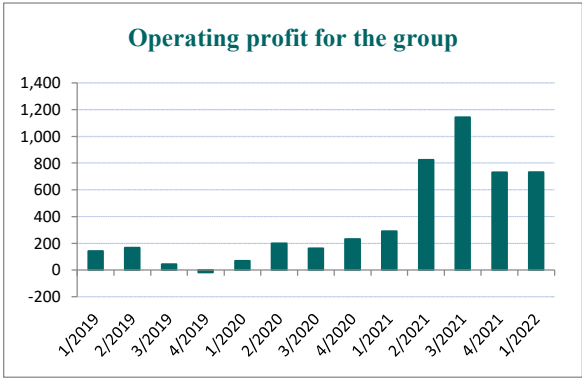
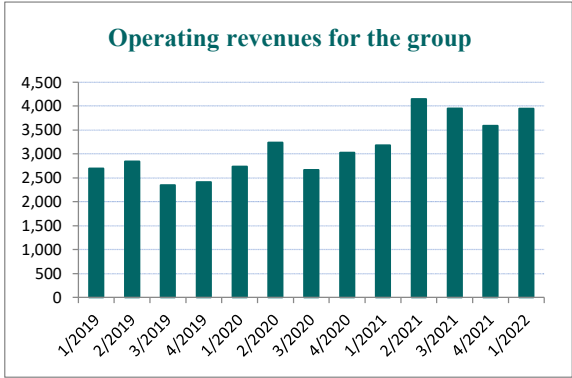
The operating result includes a sales gain in the Wood division of NOK 26 million related to the sale of 100 per cent of the shares in Moelven Danmark AS to Frøslev Træ A/S.

Operating profit in the Building Systems Division was also better than for the corresponding period in 2021. The main reason is improved earnings in the glulam business in Norway and Sweden, and the system interiors business Moelven Modus AS where action plans laid down in 2021 to improve competitiveness and reestablish profitable operations are now yielding results.

The Group utilises financial instruments to hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items connected to fair value adjustments on capitalised, unrealised hedging instruments comprised NOK 42 million for the quarter (5 million). At the same time the financial result has been charged with NOK 15 million in foreign exchange losses that are mainly due to the strengthening of the krone towards the end of the first quarter.

Pre-tax profit was NOK 754 million (297).

Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Operating revenues				
Timber	1,382	1,003	5,046	3,445
Wood	1,571	1,181	6,164	4,730
Building Systems	1,019	956	3,913	3,347
Other businesses	1,315	1,220	4,553	3,802
<i>Internal</i>	-1,342	-1,179	-4,803	-3,659
The Group	3,945	3,182	14,872	11,665
EBITDA				
Timber	426	193	1,794	366
Wood	318	142	1,504	482
Building Systems	54	47	160	166
Other businesses	-10	-4	-6	-4
<i>Internal</i>	29	0	-62	0
The Group	816	378	3,389	1,011
Operating profit				
Timber	400	168	1,691	259
Wood	290	112	1,384	372
Building Systems	34	24	19	76
Other businesses	-21	-14	-47	-45
<i>Internal</i>	29	0	-62	0
The Group	732	290	2,986	662



Investments, balance sheet and financing

During the first quarter, investment totalling NOK 68 million (NOK 72 million) were activated. In the Group's long-term strategy plan an increase in investments in 2021 compared to the previous year was planned. The increase is mainly linked to two individual projects that will continue through the whole of 2022.

Depreciation and impairments in the quarter were NOK 84 million (88). The decline is mainly due to the strengthening of NOK against SEK compared to the first quarter of 2021.

At the end of the first quarter 2022, the Group's total assets were recorded at NOK 8,691 million (6,210). The increase in total capital is mainly due to high receivables as a result of increased turnover in the wood processing operations, increased inventories of raw materials and finished products, in addition to higher cash holdings than normal due to good earnings in 2021 and the first quarter of 2022.

Cash flow from operating activities in the first quarter of 2022 was minus NOK 178 million (plus 144), corresponding to minus NOK 1.37 (1.11) per share. The change compared to the previous year is due to increased tied up capital in inventories and accounts receivable. Cash flow from working capital items was minus NOK 635 million in the first quarter (minus 193). The Group has a restrictive credit policy, and uses credit insurance and guarantees to secure receivables.

At the end of the first quarter 2022 the Group had a net interest-bearing investment of NOK 1,081 million (NOK 516 million in net interest-bearing debt). The strong liquidity situation is mainly due to good cash flow from operations.

Cash reserves including unused credit facilities were NOK 3,220 million (1,730). The available loan facility in the Group's main financing varies in step with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the first quarter 2022 amounted to NOK 5,089 million (2,981), which is equivalent to NOK 39.28 (23.01) per share. The equity ratio was 58.6 per cent (48.0).

The proposed dividend for 2021 of NOK 9.06 per share (3.64), totalling NOK 1,174 million (472), will, assuming approval at the Annual General Meeting on 28 April 2022, only be charged to equity and disbursed in the second quarter.

Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The scope and consequences of probable exchange rate fluctuations are within acceptable risk limits. In the first quarter, exchange rate fluctuations resulted in an unrealised reduction in equity of minus NOK 93 million (minus 109).

Approximately half of the Group's assets are recognised in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

Divisions

Timber

Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Sales to external customers	1,125	794	3,911	2,745
Sales to internal customers	256	210	1,135	700
Operating revenues	1,382	1,003	5,046	3,445
Depreciation and impairment	26	25	103	107
Operating profit	400	168	1,691	259
Operating margin in per cent	28.9 %	16.7 %	33.5 %	7.5 %
Net operating capital (% of operating revenues)	14.1 %	12.3 %	14.5 %	13.3 %
Total assets	3,473	1,909	3,079	1,743
Equity	1,665	1,038	1,285	931
Capital employed	1,703	1,198	1,327	1,101
Return on capital employed in per cent, 12 month rolling	112.2 %	31.8 %	104.8 %	22.4 %
Investments	31	32	194	88
Total number of employees	641	604	630	636

The high demand for sawn timber both internationally and on the home market in Scandinavia continued through the first quarter of 2022. In sum, market activity was good through the quarter. The price level on the international sawn timber market dropped towards the end of 2021, but in the course of the first quarter of 2022 this trend turned and prices started to rise again towards the end of the quarter. In total, price levels through the first quarter were lower than in the previous quarter, but nevertheless higher than in the first quarter of 2021.

Private consumption has long been an important driving force for developments in the overall demand and remains at a high level, although it is now being curbed somewhat by rising costs of living and uncertainty related to the war in Ukraine. This affects demand for sawn timber directly through new builds, maintenance and renovation. Increased online trade also contributes to good demand for sawn timber for packaging purposes. In addition, wood is considered an attractive and sustainable material and is taking market shares from other types of materials. The supply of goods on the European market has been reduced over time because several producers have directed their export volumes towards a strong US timber market.

Following Russia's attack on Ukraine, sanctions on Russia and Belarus have led to a further reduction in the supply of goods on the European market. The entire global wood product market is marked by the war and a concern that volume shortages may occur on the supply side. Many players therefore want to build up their inventories in order to be prepared for such a situation. In addition, the lack of transport capacity has at times limited access to goods.

Delivery volumes from the division's units in the quarter were higher than the same period in 2021. The main reason is that low finished product inventories limited the delivery capacity in the first quarter of 2021.

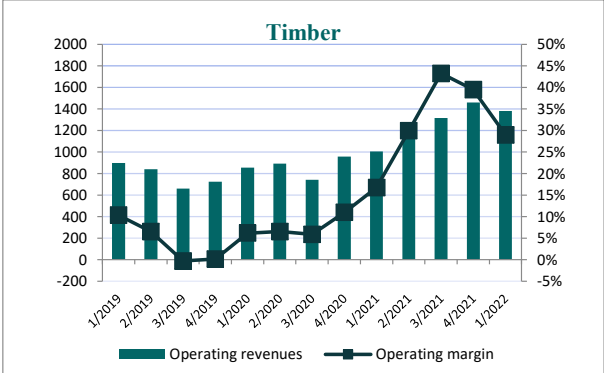
The production volume was also higher than in the first quarter of 2021. Processing costs per unit rose due to increased energy costs, high maintenance costs as a result of high utilisation rates at the plants over time, as well as increased cost levels in society in general. Access to road transport capacity has

been somewhat reduced due to the driving and resting rules that were introduced in the EU in 2020 and that are now in effect. In combination with high demand for transport capacity and increased fuel prices, this has led to an increase in transport costs. In addition, operating costs have increased due to measures to maintain production capacity in a period when the COVID-19 pandemic led to increased short-term absence.

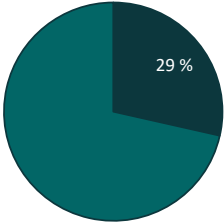
Technical safety inspections in 2021 that have been conducted in connection with the improvement project “HSE towards 2023” have revealed a need for remedial measures in certain places. This work is still ongoing, and will for all intents and purposes be completed in the course of 2022.

NOK and SEK have been strengthened against export currencies in the first quarter, but the exchange rates still remain at levels that ensure good competitiveness in the export markets.

Access to forest raw materials was good in both Norway and Sweden in the first quarter. Sawlog inventories have increased and production units have had sufficient raw materials to cover production throughout the quarter. At the end of the quarter, sawlog inventories were higher than at the same time in 2021, and more than adequate in relation to the current production plans. In both countries, prices for sawn timber of both spruce and pine have increased compared to the first quarter of 2021. For the business in Sweden, the prices of chip and fibre products have dropped compared to the first quarter of 2021. On the Norwegian side the prices of cellulose chips have increased, while the prices for other assortments have dropped compared to the same period last year.



Timber’s share of the Groups sale to external customers



Wood

Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Sales to external customers	1,499	1,122	5,916	4,518
Sales to internal customers	72	59	247	212
Operating revenues	1,571	1,181	6,164	4,730
Depreciation and impairment	28	30	119	111
Operating profit	290	112	1,384	372
Operating margin in per cent	18.5 %	9.5 %	22.5 %	7.9 %
Net operating capital (% of operating revenues)	33.6 %	30.2 %	28.6 %	26.8 %
Total assets	4,161	3,002	3,866	2,802
Equity	1,719	1,296	1,529	1,243
Capital employed	2,033	1,825	1,746	1,793
Return on capital employed in per cent, 12 month rolling	69.8 %	24.0 %	62.7 %	19.6 %
Investments	29	17	155	130
Total number of employees	1,103	1,099	1,108	1,099

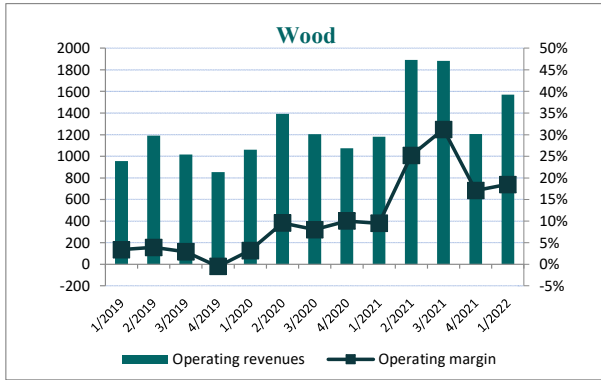
Demand from the building products trade for wood-based building materials increased in the first quarter of 2022, but was nevertheless somewhat lower than in the same period last year. The main reason is the decline in the consumer market related to the refurbishment and maintenance of residential and leisure housing. Within the professional market, activity remained at a normal level for the season. The price level was in sum significantly higher than in the corresponding period in 2021, and resulted in an increase in operating income even though the overall delivery volume was lower than in the first quarter of the previous year.

Reduced delivery volumes and a good production rate allowed finished goods inventories to increase during the quarter. At the end of the first quarter 2022 the finished goods inventories were at satisfactory levels to meet the high season that starts in the second quarter.

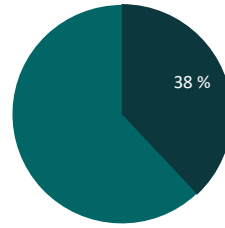
For the division's sawlog consuming units, processing costs increased somewhat compared to the same period last year. In the first quarter alone, the most important reasons for this were increased energy costs, high maintenance costs as a result of high utilisation rates at the plants over time, as well as increased cost levels in society in general. Technical safety inspections in 2021 that have been conducted in connection with the improvement project "HSE towards 2023" have revealed a need for remedial measures in certain places. This work is still ongoing, and will for all intents and purposes be completed in the course of 2022.

Extra staffing to manage high short-term absence as a result of the COVID-19 situations is also a contributing factor to increased costs.

Access to forest raw materials was good in both Norway and Sweden in the first quarter. Sawlog inventories have increased and production units have had sufficient raw materials to cover production throughout the quarter. At the end of the quarter, sawlog inventories were higher than at the same time in 2021, and more than adequate in relation to the current production plans. In both countries, prices for sawn timber of both spruce and pine have increased compared to the first quarter of 2021. For the business in Sweden, the prices of chip and fibre products have dropped compared to the first quarter of 2021. On the Norwegian side the prices of cellulose chips have increased, while the prices for other assortments have dropped compared to the same period last year.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Sales to external customers	1,018	955	3,899	3,343
Sales to internal customers	1	1	13	4
Operating revenues	1,019	956	3,913	3,347
Depreciation and impairment	20	23	140	90
Operating profit	34	24	19	76
Operating margin in per cent	3.3 %	2.5 %	0.5 %	2.3 %
Net operating capital (% of operating revenues)	11.6 %	10.8 %	11.1 %	11.3 %
Total assets	1,772	1,948	1,694	1,909
Equity	688	841	667	852
Capital employed	806	1,004	782	1,028
Return on capital employed in per cent, 12 month rolling	3.4 %	9.8 %	2.2 %	7.3 %
Investments	4	19	54	22
Total number of employees	1,401	1,486	1,383	1,490

The order backlog for the division as a whole saw few changes in the first quarter of 2022, and was at a satisfactory level overall at the end of the quarter.

For the glulam businesses in both Norway and Sweden, market activity in the first quarter was at a very good level for the season. Increased prices for steel and concrete contribute to increase demand for glulam halls that otherwise normally would use steel support structures.

The delivery rate has been satisfactory. Measures to increase production and reduce delivery times, particularly in Sweden, have yielded results.

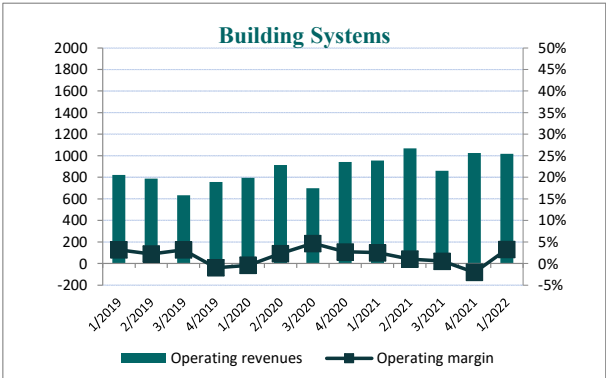
Through the "One ERP" project a new ERP system has been implemented in both the Swedish and Norwegian operations. The glulam business now has the same ERP system as the wood processing business in Timber and Wood. Production costs have increased compared to the same period in 2021, mainly due to increased energy costs, increased prices for input factors and increased price levels in society in general.

For the modular buildings operations in Norway, activities in the building and construction segment have been satisfactory with good production. The launch of a new concept of high-standard modules for workmen's sheds in the building and construction market has shown promising results. In the project market, activity has been low with small volumes in public tenders. Also within the residential and leisure housing market, demand for modular builds has been lower than expected. Overall, this has made it necessary to temporarily stop production at the factory at Hjellum at the beginning of the second quarter 2022. Apart from this, operations in factories is ensured until into the third quarter of 2022. Rising prices for most categories of building materials used as input factors in production, as well as some challenges in obtaining adequate deliveries of certain goods, place high demands on planning and efficiency in operations to ensure a sound level of profitability.

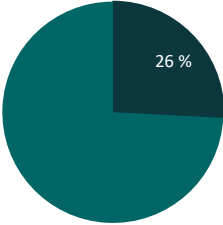
For the Swedish modular buildings activity, market activity was good within all market segments in the first quarter of 2022. Incoming orders were satisfactory, and the order situation at the end of the quarter provides the basis for a good level of activity in factories through the first half-year. The Swedish business activities also experienced a challenging situation in terms of price developments and access to building materials in general.

Both Norwegian and Swedish operations have been affected by very high short-term sickness absence related to COVID-19. This has posed challenges in terms of maintaining activity levels and increased costs.

For the system interiors business, Moelven Modus AS, market activity in the first quarter was satisfactory, with several exciting project inquiries and a good order situation. Action plans to improve competitiveness and re-establish profitable operations are in the process of being deployed and implemented, and have started to yield results. Moelven Modus AS has also had periods with high levels of short-term sickness absence related to COVID-19 that have challenged the ability to maintain activity levels and increased costs.



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

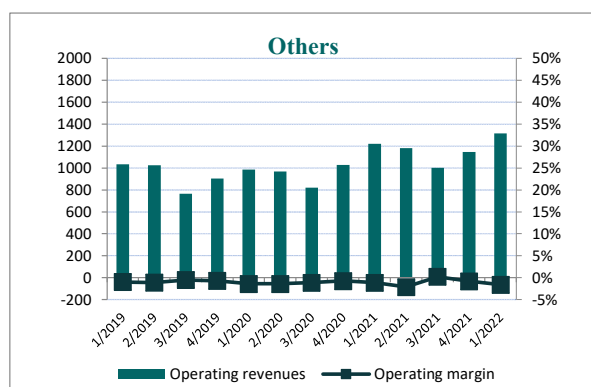


Other Businesses

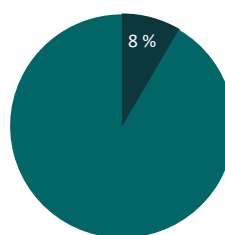
Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Sales to external customers	333	338	1,253	1,152
Sales to internal customers	982	883	3,300	2,651
Operating revenues	1,315	1,220	4,553	3,802
Depreciation and impairment	11	10	41	41
Operating profit	-21	-14	-47	-45
Operating margin in per cent	-1.6 %	-1.2 %	-1.0 %	-1.2 %
Net operating capital (% of operating revenues)	6.7 %	6.2 %	5.2 %	4.4 %
Total assets	3,914	2,650	3,969	2,474
Equity	2,571	1,357	2,714	1,450
Capital employed	2,639	1,721	2,868	1,811
Return on capital employed in per cent, 12 month rolling	-2.7 %	-1.0 %	-2.3 %	-1.0 %
Investments	4	4	18	32
Total number of employees	183	164	191	166

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

Operating revenues in the area of Other Businesses are largely due to activities within sawlog supply and sales of wood chip and energy products. A major part of this turnover is intercompany. The decline in operating profits compared to the first quarter of 2021 is mainly due to costs related to rebranding in accordance with the Group's new brand profile.



Others's share of the groups sale to external customers



Employees

Employees	Per First quarter 2022				Per First quarter 2021			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	571	70	10.9 %	641	542	62	10.3 %	604
Wood	926	177	16.0 %	1,103	924	175	15.9 %	1,099
Building Systems	1,287	114	8.1 %	1,401	1,370	116	7.8 %	1,486
Other businesses	127	56	30.6 %	183	120	44	26.8 %	164
The Group	2,911	417	12.5 %	3,328	2,956	397	11.8 %	3,353

Sickness absence rate	Per First quarter	
	2022	2021
Timber	8.2 %	5.0 %
Wood	8.3 %	6.0 %
Building Systems	9.3 %	5.9 %
Other businesses	3.6 %	1.6 %
The Group	8.5 %	5.5 %

	Per First quarter	
	2022	2021
Timber	8.8	16.9
Wood	3.4	5.7
Building Systems	7.2	15.6
Other businesses	0.0	0.0
The Group	5.8	11.9

The first quarter of 2022 was a new positive record quarter in terms of injury rates. Never before has the LTI1 rate on a 12-month rolling basis been as low as 5.8 for the Group as a whole. The LTI1 rate is the injury rate expressed as the number of injuries with subsequent sickness absence per million hours worked.

Moelven's ultimate objective in safety work is that no-one should get injured at work. An LTI rate of 5.8 (11.9) at the end of the first quarter 2022 is a continuation of the positive developments over the past year, and represents a significant improvement from earlier. The actual number of injuries with absence was 8, compared to 14 in the corresponding period in 2021.

The TRI (Total Recorded Injury) rate measures the total number of injuries per million worked hours. At the end of the first quarter of 2022, the TRI rate on a 12-month rotating basis was 17.2 compared to 26.9 at the same time in 2021. The total number of injuries with and without absence in the first quarter 2022 was 21 (43).

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

In 2022 the goal is that the LTI1 rate shall be lower than 6 and that the TRI rate shall be lower than 24, both on a 12-month rolling basis. The developments in the second half of 2021, with a reduction in the LTI1 rate from 11.4 as of 30 June 2021 to 5.8 at year-end, and the TRI rate from 26.6 to 17.2, shows that the action plan for further development and improvement of the safety culture throughout Moelven – "HSE towards 2023" - is in the process of producing results.

The main points of the action plan are:

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

In the first quarter, absence due to illness was 8.5 per cent (6.2), where 2.7 per cent (3.1) represents long-term absence. The long term trend for developments in sickness absence has been falling for some time, but the COVID-19 pandemic has led to greater variations than normal. Short-term absence has increased after the repeal of infection control measures, due to virus variants that are more infectious but that result in milder illness. Many of Moelven's businesses have sickness absence levels lower than the maximum target for 2022 of 4.0 per cent. There is nevertheless much to be gained, and work is actively ongoing to reduce sickness absence for both individual companies and the Group as a whole to below the target level. Efforts include the rollout of the Active Employee/Active Leadership concept and employee surveys adapted to this concept for the entire Group. Close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels.

Outlook

The IMF estimates in the April edition of the “World Economic Outlook” report that the world economy will grow by 3.6 per cent in 2022. The estimate for 2022 has thus been reduced by 0.8 percentage points since the January report. Although COVID-19 still poses challenges, it is currently the war in Ukraine and the consequences of it that are the most important reason that the growth estimate is adjusted downwards. Beyond the humanitarian crisis experienced by the population in the area, it is impossible to predict which consequences this will have for the rest of the world. There has already been a significant increase in energy prices, and increasing scarcity of certain raw materials and other input factors originating in Russia, Belarus or Ukraine. The sanctions that are directed at Russia and Belarus will hamper activity and growth in the world economy. It must also be expected that market balances will be disrupted as a consequence of both supply-side and demand-side changes, for example further increases in energy prices, raw material shortages, logistics challenges and reduced demand due to inflation.

Overall demand, particularly from consumer markets, will likely be adversely impacted by reduced disposable income as a result of generally increased cost levels. The consequences of the COVID-19 pandemic seem to have less and less significance, although increased short-term sickness absence and strict infection control measures similar to those introduced by China in Shanghai at the end of the first quarter may pose some challenges. In particular for the Group’s businesses located in Eastern Norway, increased sickness absence will pose challenges if the Norwegian government’s heralded introduction of prohibition against the hiring of manpower is implemented. In general, the easing the infection control measures as we have seen in the first quarter of 2022 is expected to result in a shift in consumption towards increased spending on travel and experiences, while the situation in Ukraine is pulling in the opposite direction.

Moelven follows the infection situation closely, and maintains a high level of readiness for the reintroduction of intercompany measures if developments require it.

International demand for wood-based products was very good in the first quarter of 2022. Both demand and price levels are expected to remain at a good level towards the summer. In the longer term, the war in Ukraine means that uncertainty regarding further developments is very high. NOK and SEK have strengthened considerably against the export currencies from the weakest levels experienced early on in the pandemic, but the rates are still at levels that ensure good competitiveness in the export markets. Increased demand for transport capacity resulting from increased world trade, as well as logistical challenges resulting from the infection situation and the war in Ukraine, is expected to result in further increases in transport costs.

Within the market for further processed wood in Scandinavia, a clear division of demand between the professional market and the consumer market is expected. Good activity is expected to continue in rehabilitation, conversions and extensions. The start-up of new building projects is expected to remain low. This may partly be compensated by increased activity in public sector construction projects. Developments in consumer demand will depend to a greater extent on changes in disposable income.

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

Regardless of the COVID-19 pandemic, the Building Systems division has had a lower level of activity than desirable in certain business areas. The current production capacity has been adjusted to this. The market situation for the glulam companies is at a level that ensures good capacity utilisation with

good profit levels. For the building module companies a generally satisfactory level of activity is expected. The activity level in the system interiors business is satisfactory, but the competition situation is demanding. Measures are ongoing to reestablish satisfactory profitability under the prevailing market conditions. For the division as a whole, higher interest rates and high construction costs are expected to lead to lower start-ups, but greater activity in the renovation, conversion and extension market.

The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. At the end of the first quarter, the rate of return was a huge 76.9 per cent. As 2022 progresses, a normalisation of market activity and profit levels is expected. Uncertainty remains high, however, especially due to the war in Ukraine.

The Board considers the Group's solvency and long-term access to liquidity to be good, and sufficient to implement planned improvement measures in accordance with the Group's strategy. For 2022, the Board expects a level of activity and result somewhat lower than for 2021, but still at a good level compared to earlier years.

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

Condensed income statement and comprehensive income

Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Operating revenues	3,945	3,182	14,872	11,665
Cost of goods sold	2,140	1,874	7,564	7,191
Payroll expenses	609	615	2,465	2,280
Depreciation and impairment	84	88	403	348
Other operating expenses	379	315	1,454	1,184
Operating Profit	732	290	2,986	662
Financial income	47	7	43	24
Financial expenses	25	1	37	83
Profit before tax	754	297	2,991	604
Estimate income tax	160	63	642	132
Net profit	595	234	2,349	471
Owner of parent company share	595	234	2,349	472
Earnings per share (in NOK)	4.59	1.80	18.13	3.64
Statement of comprehensive income				
Net profit	595	234	2,349	471
Other comprehensive income				
<i>Items that are not reclassified subsequently to profit or loss</i>				
Reclassification of realised translation differences to profit and loss	0	0	-6	0
Actuarial gains (losses) on defined-benefit pension schemes	0	0	-2	-2
Income tax on items that are not reclassified to profit or loss	0	0	0.4	0.4
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	-93	-109	-138	134
	-93	-109	-146	133
Total comprehensive income for the period	501	125	2,203	605
Comprehensive income assigned to:				
Owners of parent company	502	125	2,203	605
Non-controlling interests	0.1	0.0	0.2	-0.2

Condensed statement of financial position

Amounts in NOK million	Per 30.03		Per 31.12	
	2022	2021	2021	2020
Intangible assets	86	71	86	74
Tangible fixed assets	2,154	2,215	2,200	2,293
Financial fixed assets	3	5	3	6
Total fixed assets	2,242	2,292	2,289	2,373
Inventory	2,244	1,650	2,174	1,504
Contract assets	231	77	149	92
Receivables	2,556	2,070	2,023	1,717
Liquid assets and current financial investments	1,418	122	1,634	147
Total current assets	6,449	3,918	5,980	3,433
Assets held for sale	0	0	0	27
Total assets	8,691	6,210	8,269	5,833
Share capital*	648	648	648	648
Other equity	4,441	2,334	3,940	2,217
Total equity	5,089	2,981	4,588	2,865
Provisions	456	325	312	280
Long term interest-bearing liabilities	196	438	195	454
Lease liabilities	93	167	102	174
Total long term liabilities	745	930	610	909
Contract liabilities	255	129	244	140
Short term liabilities	2,602	2,170	2,828	1,902
Total short term liabilities	2,857	2,299	3,072	2,042
Liabilities held for sale	0	0	0	17
Total liabilities	3,602	3,229	3,682	2,968
Total liabilities and equity	8,691	6,210	8,269	5,833

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

Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company			Total	Non-controlling interests	Total equity
	Share capital	Share premium funds	Other equity			
Total pr 01.01.2021	648	131	2,076	2,854	11	2,865
Comprehensive income for the period						
Net profit	0	0	234	234	0	234
Other comprehensive income						
Translation differences	0	0	-109	-109	0	-109
Other comprehensive income (net of tax)	0	0	-109	-109	0	-109
Transactions with owners, recognized directly against equity						
Exit non controlling interests du to sale of subsidiary	0	0	0	0	-8	-8
Total transactions with owners	0	0	0	0	-8	-8
Total as at 31.03.2021	648	131	2,201	2,979	2	2,981
Total pr 01.01.2022	648	131	3,806	4,585	2	4,588
Comprehensive income for the period						
Net profit	0	0	595	595	0	595
Other comprehensive income						
Translation differences	0	0	-93	-93	0	-93
Other comprehensive income (net of tax)	0	0	-93	-93	0	-93
Transactions with owners, entered directly against equity						
Other changes	0	0	0.1	0.1	0	0.1
Total transactions with owners	0	0	0.1	0.1	0	0.1
Total as at 31.03.2022	648	131	4,308	5,086	3	5,089

Consolidated statement of cash flow

Amounts in NOK million	Per 31.12.	
	2022	2021
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	595	234
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	84	88
Impairment	0	0
Tax paid	-340	-42
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0	0
Loss (profit) on sale of fixed assets	0	-1
Net value change of financial instruments to fair value	-42	-5
Income tax	160	63
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-99	-145
Changes in accounts receivable and other receivables	-652	-338
Changes in trade accounts payable	80	114
Changes in provisions and benefits to employees	-10	-7
Changes in short-term liabilities excluding borrowing	46	183
Cash flow from operational activities	-178	144
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-68	-72
Investment in current financial assets	200	0
Receipts from sale of fixed assets	1	2
Sale of subsidiaries excl cash in business sold	66	-2
Cash flow from investment activities	199	-73
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing (+) / repayment (-) of long term debt	1	-16
Payment of leases	-9	-10
Cash flow from financial activities	-9	-26
Net increase (reduction) in liquid assets during year	12	44
Liquid assets start of period	1,214	100
Effect of exchange rate changes on liquid assets	-52	-49
Liquid assets end of period	1,174	95

Notes to the consolidated financial statements

Note 1 – General information

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

Note 2 – Statement of conformity

The consolidated financial statements for the first quarter of 2022 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2021. The consolidated quarterly financial statements were approved by the Board on 28 April 2022.

Note 3 – Accounting policies

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

Note 4 – Critical judgements and estimates

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

Note 5 – Pensions and taxes

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

Note 6 – Seasonal fluctuations

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

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

Note 7 – Sales revenues

First quarter Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Norway	177	113	782	530	464	396	109	85	1,532	1,124
Sweden	238	188	485	413	476	504	195	227	1,394	1,333
Rest of Europe	571	396	173	156	75	50	0	0	819	601
Rest of the world	137	93	15	19	0	0	0	0	153	112
Total Sales revenues	1,122	790	1,456	1,118	1,015	950	304	312	3,897	3,170
Other operating revenues	2	3	38	1	3	5	4	3	47	12
Total operating revenues	1,124	793	1,495	1,119	1,018	955	308	315	3,945	3,182

Note 8 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 31.12.	
	2022	2021
Book value per 1.1	2,217	2,321
Acquisitions	68	72
Lease acquisitions	2	6
Disposals	0	-1
Depreciations	-84	-88
Transfers	7	-1
Translation differences	-38	-68
Book value per 31.12.	2,171	2,240

Note 9 - Financial instruments

Amounts in NOK million	31.03.2022			31.12.2021			31.03.2022		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	39	-23	16	18	-24	-6		16	
Interest rate derivatives	4	-8	-4	1	-26	-25			-4
Embedded derivative - currency		-0	-0	0		0			-0
Money market fund	201		201	400		400		201	
Total	244	-31	213	420	-50	370			

Amounts in NOK million	31.03.2021			31.12.2020			31.03.2021		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	27	-24	4	20	-11	9			4
Interest rate derivatives		-36	-36		-52	-52			-36
Embedded derivative - currency		-0	-0		-2	-2			-0
Total	27	-60	-33	20	-65	-46			

*

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

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

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

Note 10 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2020 for further information about segments. Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

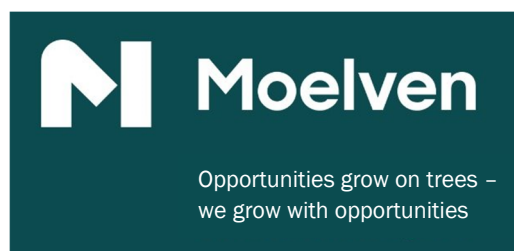
Amounts in NOK million	First quarter		12 months	
	2022	2021	2021	2020
Timber	413	161	1,682	260
Wood	281	96	1,364	353
Building Systems	34	23	23	71
Other	-3	16	-16	-81
Internal	29	0	-62	0
Profit before tax	754	297	2,991	604

Note 11 – Related parties

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

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

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn timber products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East, North Africa and China. The industrial customers use the products as intermediate goods in their own production. Shavings, chips and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 36 production companies in Norway and Sweden and has 3,328 employees. Moelven also has its own sales offices in Denmark, England and Germany. The Moelven group is owned by Glommen Mjøsen Skog SA (66.8 per cent) and Viken Skog SA (32.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.



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