



# Quarterly Report 2/2014

*The traditional fish market in Bergen has come under roof.  
Nye Mathallen has ceilings of fire-retardant.*

*Photographer Jan Lillehamre/Edel Biesel Arkitekter*

Amounts in NOK million	Second quarter		6 months		Total	
	2014	2013	2014	2013	2013	2012
Operating revenues	2 389,1	2 181,6	4 648,7	4 030,3	8 009,4	8 121,5
EBITDA	151,4	77,9	274,5	79,4	226,9	267,8
Depreciation	67,7	66,8	137,1	132,2	271,6	250,9
Operating profit	83,7	11,1	137,4	-52,8	-44,7	16,9
Gross operating margin/EBITDA	6,3 %	3,6 %	5,9 %	2,0 %	2,8 %	3,3 %
Net operating margin/EBIT	3,5 %	0,5 %	3,0 %	-1,3 %	-0,6 %	0,2 %
Value change of financial instruments to fair value	-6,9	-3,3	-12,4	5,4	5,5	-7,9
Profit before tax	60,9	-14,4	93,8	-84,2	-117,1	-64,3
Profit per share in NOK	0,36	-0,08	0,55	-0,48	-0,71	-0,36
Cash flow from operational activities, in NOK per share	0,56	0,15	0,36	-1,68	0,67	1,49
Total equity *	45,5	-8,9	1 575,6	1 508,2	1 518,2	1 543,6
Equity ratio *	-0,4 %	-1,4 %	31,6 %	31,4 %	33,4 %	35,6 %
Total assets *	204,5	183,8	4 987,7	4 801,4	4 539,8	4 342,1
Investments *	47,0	73,9	83,8	137,3	351,2	339,4
Return on capital employed *	1,9 %	5,2 %	9,0 %	-3,6 %	-1,5 %	0,5 %
Capital employed *	19,7	63,1	3 097,3	3 110,5	3 020,1	2 780,7
Net interest-bearing liabilities *	-29,8	54,6	1 509,0	1 567,1	1 476,0	1 211,3
Net working capital *	140,6	119,6	2 169,3	2 083,5	1 793,3	1 719,9
Number of employees *	7	-30	3 302	3 318	3 276	3 375
Sick leave percentage *	-0,1 %	-0,7 %	5,4 %	5,6 %	5,3 %	5,4 %
Frequency of accidents with absence, H1 value *	-3,1	-1,6	18,7	19,1	16,0	15,0
Number of shareholders	952	956	952	956	953	956
Average number of shares (mill)	129,5	129,5	129,5	129,5	129,5	129,5

\* The first column shows the change in value during the quarter

- **Revenues in the second quarter of NOK 2,389.1 million (NOK 2,181.6 million) and operating profit of NOK 83.7 million (NOK 11.1 million).**
- **Internal improvement measures have had an effect.**
- **Good, broadly diversified order backlog for the Building Systems Division.**
- **Continued good market conditions for the mechanised wood part of the Group.**
- **The project to rationalise the use of capital has released about MNOK 80 million in working capital.**
- **Agreement on refinancing of the Group's long-term debt was entered into in the second quarter.**

## In brief

After somewhat higher than normal demand for the season throughout the first quarter, the seasonal increase in demand in the second quarter was somewhat lower than normal for the mechanised wood part of the Group. The prices on the international market for industrial wood continued the rising trend from the last three quarters. The level of activity in the Group's export markets in the Middle East, North Africa and China has been good. In addition, the positive economic development in the USA is contributing to an improvement in the market balance in Europe. Increasing production of industrial wood from spruce has, however, entailed a somewhat more hesitant price performance for these products. The prices for chip and fibre products were generally stable. The supply of raw materials to the log-consuming units has improved to a satisfactory level throughout the quarter. The saw log prices, which have been higher than the same period in the previous year, increased somewhat at the start of the second quarter.

The demand for processed wood products has been satisfactory during the period, and the prices have been higher than the same period last year.

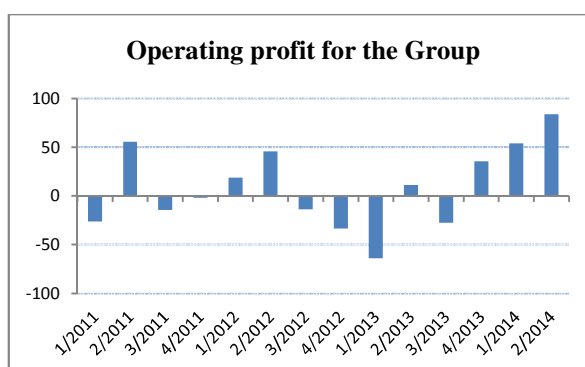
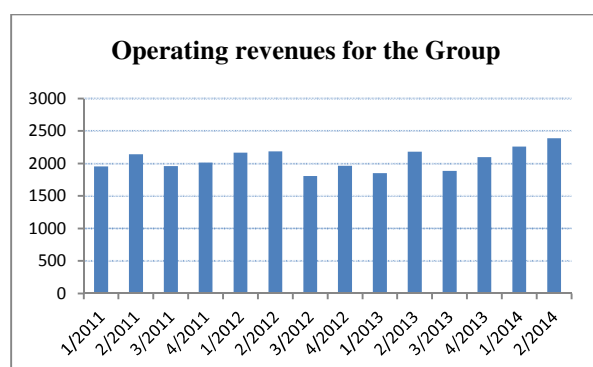
The Building Systems Division's main markets are characterized by a weaker economy than the other parts of the Group, but the market activity showed nevertheless a seasonally normal development throughout the quarter. The order backlog at the start of the third quarter was larger and more diversified than at the same time last year. The improvement measures in the Group that were implemented last year have in general progressed and performed as intended. The measures are aimed at rapid profit improvement from ongoing operations, improvement of long-term competitiveness, and reduction of risk in the project business, as well as cash flow improvement through freeing up working capital and reducing investments. Savings have been realised in many areas, but there is still more potential, and we continue to give high priority to this work.

## Revenues and results

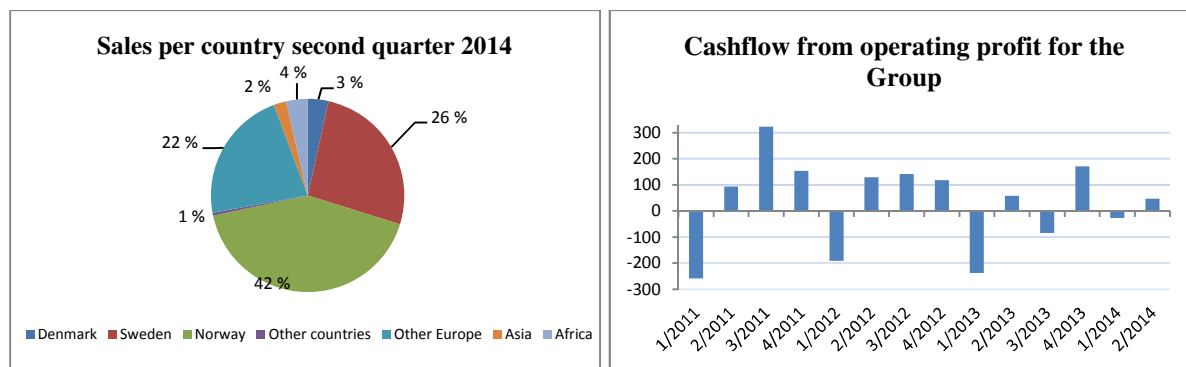
The operating revenues in the second quarter increased compared with the same period last year. This is mainly attributed to higher prices for finished goods in the Timber and Wood divisions, as well as a higher level of activity for the Modular Buildings companies and the Laminated Timber business in Norway. For the companies in the Timber and Wood divisions, the operational improvements and restructuring realised, as well as the improved market conditions, are the main reason for the earnings improvement compared with last year. For the export-oriented units, the foreign exchange rates have made a positive contribution to the competitiveness compared with the same period last year. In the Building Systems Division, the second quarter was marked by write-downs linked to project assessments in the electrical business. Corresponding write-downs have not been necessary after the restructuring that has been carried out, and, in combination with the increased level of activity and operational improvements for others parts of the operations, this is the main reason for the earnings improvement for the division.

Net financial expenses for the quarter were lower than for the same period in 2013. The lower net interest-bearing liabilities throughout the quarter are the main reason for this. Unrealised losses on financial instruments that have been used to hedge foreign exchange rates, interest rates and power prices were higher than the corresponding period last year. Non-cash items related to this totalled minus NOK 6.9 million (minus NOK 3.3 million) for the quarter and an accumulated minus NOK 12.4 million (plus NOK 5.4 million). The negative performance is attributed to lower interest rates and power prices, as well as a weakening of NOK and SEK relative to the most important export currencies.

MNOK	Second quarter		6 months		12 months	
	2014	2013	2014	2013	2013	2012
<b>Operating revenues</b>						
Timber	783,4	716,7	1 567,0	1 321,7	2 554,9	2 428,2
Wood	840,9	809,6	1 602,8	1 388,0	2 820,4	2 836,9
Building Systems	751,0	647,3	1 437,9	1 259,7	2 514,1	2 799,3
Other businesses	880,5	691,3	1 716,0	1 419,8	2 623,7	2 616,7
<i>Internal</i>	<i>-866,7</i>	<i>-683,3</i>	<i>-1 675,1</i>	<i>-1 358,9</i>	<i>-2 503,7</i>	<i>-2 559,6</i>
The Group	2 389,1	2 181,6	4 648,7	4 030,3	8 009,4	8 121,5
<b>EBITDA</b>						
Timber	63,2	45,3	128,0	40,4	104,4	25,3
Wood	74,6	51,3	117,6	54,0	128,4	128,7
Building Systems	20,7	-10,9	44,6	-2,3	18,9	135,1
Other businesses	-7,2	-7,9	-15,7	-12,7	-24,7	-21,3
The Group	151,4	77,9	274,5	79,4	226,9	267,8
<b>Operating profit</b>						
Timber	35,2	17,7	71,1	-14,2	-11,6	-74,6
Wood	46,9	25,5	61,9	2,4	23,5	29,6
Building Systems	11,4	-21,3	25,5	-22,4	-19,1	97,0
Other businesses	-9,8	-10,8	-21,1	-18,6	-37,5	-35,1
The Group	83,7	11,1	137,4	-52,8	-44,7	16,9







## Investments, balance sheet and funding

Investments totalling NOK 47.0 million (NOK 73.9 million) were made during the second quarter, and NOK 83.8 million (NOK 137.3 million) during the first half of the year.

The planned level of investment activity for 2014 has been reduced overall by approximately NOK 150 million compared with 2013. Such a reduction is possible since the Group has made extensive investments of a strategic nature in recent years, in addition to significant investments in upgrades, maintenance and restructuring. Investments in 2014 will be largely directed towards necessary maintenance and upgrades that are natural to implement in conjunction with maintenance.

At the end of the second quarter, the book value of the Group's total assets was NOK 4,987.7 million (NOK 4,801.4 million).

Cash flow from operating activities in the second quarter was NOK 72.5 million (NOK 19.4 million), which corresponds to NOK 0.56 per share (NOK 0.15). The corresponding cash flow for the first half year was NOK 46.3 million (NOK minus 218.0 million), which corresponds to NOK 0.36 per share (minus NOK 1.68). The improvement in the cash flow from operating activities in the second quarter combined with the same period last year is attributed primarily to improved earnings. Cash flow from working capital items was minus NOK 64.1 million in the second quarter (minus NOK 43.2 million) and minus NOK 199.3 million for the first half year (minus NOK 273.9 million). The ongoing project of rationalise the use of capital has as of 30. June released working capital of approx. NOK 80 million.

Net interest-bearing liabilities were NOK 1,509.0 million (NOK 1,567.1 million) at the end of the second quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 25.7 million (NOK 38.1 million). At the end of the year, the equity was NOK 425.5 million (NOK 370.9 million).

At the turn of the half year, an agreement to refinance the Group's long-term debt was entered into with maturity in May 2015, as well as seasonal financing with maturity at the end of the third quarter. The new loan agreement enters into force on 10 July and expires on 30 June 2017. The agreement provides satisfactory financial flexibility for the Group during this period. The terms reflect the market conditions when the agreement was entered into. The equity and maximum gearing requirements have increased somewhat in the new agreement, but they are still within the targets that follow from the Group's strategy plan for the period.

Equity at the end of the second quarter amounted to NOK 1,575.6 million (NOK 1,508.2 million), which is equivalent to NOK 12.16 (NOK 11.64) per share. The equity ratio was 31.6 per cent (31.4 per cent). 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.

In the second quarter, exchange rate fluctuations resulted in a reduction in equity of NOK 3.4 million (increase of NOK 2.0 million).

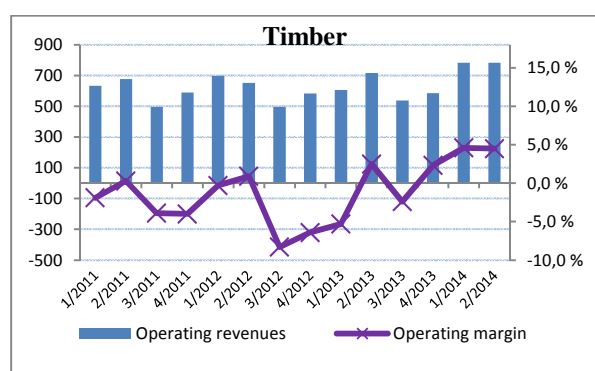
## Divisions

### Timber

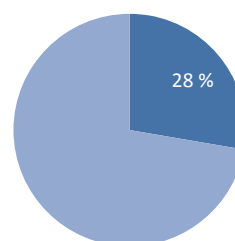
Amounts in NOK million	Second quarter		6 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	661,7	616,4	1 326,0	1 134,1	2 195,1	2 047,5
Sales to internal customers	121,7	100,3	241,0	187,6	359,8	380,7
Operating revenues	783,4	716,7	1 567,0	1 321,7	2 554,9	2 428,2
Depreciation and impairment	28,0	27,5	56,9	54,5	116,0	99,9
Operating profit	35,2	17,7	71,1	-14,2	-11,6	-74,6
Operating margin in per cent	4,5 %	2,5 %	4,5 %	-1,1 %	-0,5 %	-3,1 %
Net operating capital (% of operating revenues) *	1,5 %	0,2 %	17,0 %	19,6 %	17,7 %	18,6 %
Total assets *	29,3	-28,1	1 671,5	1 609,3	1 684,3	1 579,1
Equity *	29,3	-25,8	793,5	667,7	748,4	710,2
Capital employed *	15,1	-6,3	1 226,2	1 224,0	1 277,5	1 244,5
Return on capital employed *	-0,2 %	8,0 %	11,4 %	-2,2 %	-0,9 %	-6,0 %
Investments*	16,2	34,4	27,8	64,7	119,5	151,6
Number of employees *	3	-2	702	686	677	696

\* The first column shows the change in value during the quarter

The increase in operating revenues in the second quarter is attributed primarily to the development of the prices for industrial wood. The volumes were at the same level as the corresponding period last year. The demand on the export markets, the Middle East, North Africa and China in particular, has been good, and the direction of the exchange rates has been positive at the same time. Among others after extensive storm-felling in certain geographies, the production of industrial wood from spruce has been high, and the market balance at the end of the quarter was marked somewhat by this. The other products continued to show a good stable development. The operating conditions were good, and there has not been any unforeseen interruption in the production. Good stable operations, a higher sawing yield after the realisation of operational improvements and restructuring, and improved market conditions, are the main reasons for the earnings improvement. The prices for chip and fibre products were stable at a somewhat lower level. The supply of saw logs was satisfactory, but the prices were higher compared with the same period last year.



Timber's share of the Groups sale to external customers



## Wood

Amounts in NOK million	Second quarter		6 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	813,6	792,4	1 550,8	1 352,0	2 748,0	2 763,7
Sales to internal customers	27,3	17,2	52,0	36,0	72,5	73,2
Operating revenues	840,9	809,6	1 602,8	1 388,0	2 820,4	2 836,9
Depreciation and impairment	27,7	25,8	55,7	51,6	104,9	99,1
Operating profit	46,9	25,5	61,9	2,4	23,5	29,6
Operating margin in per cent	5,6 %	3,1 %	3,9 %	0,2 %	0,8 %	1,0 %
Net operating capital (% of operating revenues) *	0,9 %	-1,7 %	31,6 %	38,6 %	28,4 %	28,7 %
Total assets *	37,7	111,2	2 101,0	2 078,2	1 957,7	1 905,8
Equity *	39,2	17,3	826,0	794,7	788,2	791,4
Capital employed *	7,8	31,1	1 458,6	1 493,7	1 414,6	1 362,9
Return on capital employed *	4,4 %	6,8 %	8,7 %	0,4 %	1,8 %	2,4 %
Investments*	23,4	26,4	40,8	41,7	174,7	132,7
Number of employees *	6	-4	999	1 049	1 011	1 063

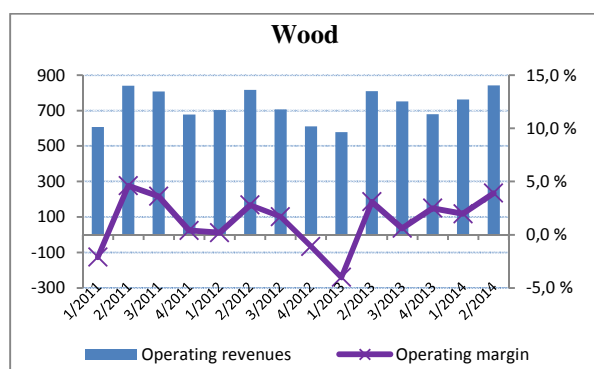
\* The first column shows the change in value during the quarter

The second quarter yielded the expected seasonal increase in market activity, but the increase was somewhat less than normal since the spring season started to a certain extent in the first quarter after the mild winter.

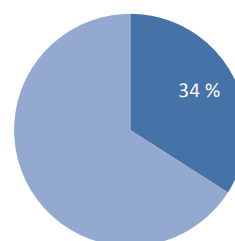
The operating revenue for the quarter increased as a result of price increases for finished goods, while the volumes were somewhat lower. The volumes were somewhat higher overall for the first half year, compared with the same period last year.

The raw material prices for both sawn timber and purchased industrial wood increased compared with the same period last year. Due to the realisation of operational improvements and higher finished good prices, the earnings nevertheless improved.

The operating conditions were good during the period. The processing costs were, however, affected by lower than expected efficiency due to the delayed start-up after individual investments that were made, as well as the insurance excess charged after the flood damage suffered by Moelven Trysil AS. The local emergency response plans functioned as intended and contributed a great deal to limiting the scope of the damage. No additional losses linked to the flooding are therefore expected. The progress of other improvement efforts is according to the original plan.



Wood's share of the Groups sale to external customers



## Building Systems

Amounts in NOK million	Second quarter		6 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	750,1	643,4	1 435,1	1 255,3	2 505,3	2 796,1
Sales to internal customers	0,9	3,9	2,8	4,4	8,8	3,2
Operating revenues	751,0	647,3	1 437,9	1 259,7	2 514,1	2 799,3
Depreciation and impairment	9,3	10,4	19,1	20,1	38,0	38,1
Operating profit	11,4	-21,3	25,5	-22,4	-19,1	97,0
Operating margin in per cent	1,5 %	-3,3 %	1,8 %	-1,8 %	-0,8 %	3,5 %
Net operating capital (% of operating revenues) *	3,6 %	0,5 %	16,0 %	15,4 %	14,4 %	12,5 %
Total assets *	17,8	-51,4	1 259,7	1 182,2	1 189,9	1 243,3
Equity *	-17,7	-21,7	536,2	482,5	544,1	494,0
Capital employed *	0,8	-9,1	640,1	616,0	637,6	603,1
Return on capital employed *	-0,8 %	-6,7 %	8,6 %	-6,7 %	-2,1 %	18,3 %
Investments*	5,8	11,0	11,1	24,4	43,4	46,3
Number of employees *	-6	-25	1 469	1 454	1 460	1 486

\* The first column shows the change in value during the quarter

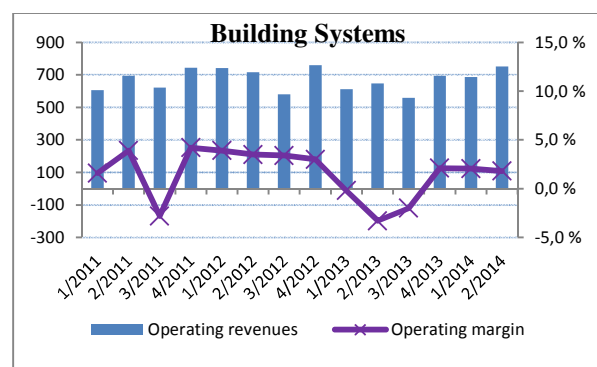
The division increased its overall operating revenues and improved its operating profit significantly compared with the same period last year. In general, the market conditions have been good and stable in Sweden, even though there has been somewhat of a hesitant attitude towards the start-up of new projects. The market conditions in Norway have been more challenging. The earnings for the second quarter of 2013 were affected by a substantial write-down of the project inventory in the Electrical Installations business.

The overall order backlog for the division is higher and distributed better among the individual companies, compared with the same time last year.

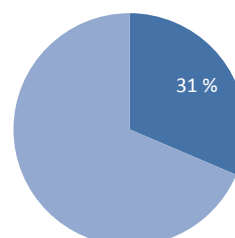
The Laminated Timber business in Sweden has experienced challenging market conditions, but it has adapted well to this. For the Norwegian part of the business, the level of activity has been good, especially for the project part. Good operations have contributed to an improvement in earnings during a period of higher raw material costs as a result of price increases for industrial wood.

The Modular Buildings companies reported higher operating revenues compared with the corresponding period last year. The margins are somewhat lower due, among other things, to cost overruns at building sites. Additional improvement measures have been implemented to improve profitability.

For the Modular System Interiors companies, the market conditions for new builds have been challenging in both Norway and Sweden. In Sweden, however, the development is in a positive direction, but from a low level. The RMA (restoration, modernisation and addition) markets have been satisfactory in both Norway and Sweden. The operating revenues for the quarter were on par with the same period last year. The operating margin was, however, lower in spite of the realisation of savings through efficiency improvement measures. As of May 2014, the business will operate in Norway and Sweden under the common name of Moelven Modus.



Building Systems' share of the Groups sale to external customers



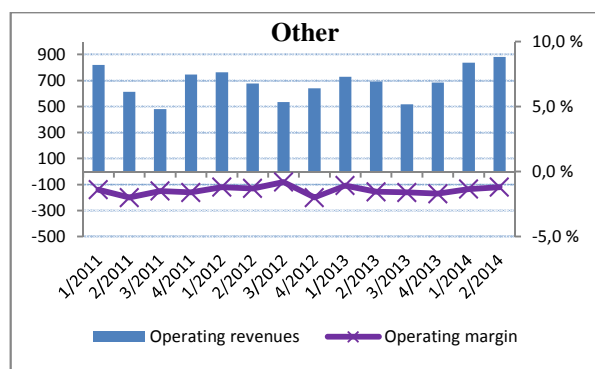
## Øvrige virksomheter

Amounts in NOK million	Second quarter		6 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	181,4	129,5	374,0	288,9	645,3	514,2
Sales to internal customers	699,1	561,8	1 342,1	1 130,9	1 978,4	2 102,5
Operating revenues	880,5	691,3	1 716,0	1 419,8	2 623,7	2 616,7
Depreciation and impairment	2,6	3,0	5,4	6,0	12,8	13,8
Operating profit	-9,8	-10,8	-21,1	-18,6	-37,5	-35,1
Operating margin in per cent	-1,1 %	-1,6 %	-1,2 %	-1,3 %	-1,4 %	-1,3 %
Net operating capital (% of operating revenues) *	-3,2 %	-3,1 %	4,7 %	3,7 %	7,0 %	4,0 %
Total assets *	4,9	75,2	2 769,9	2 634,9	2 695,7	2 330,2
Equity *	-35,0	4,5	946,7	1 070,8	1 015,4	1 032,5
Capital employed *	-54,0	89,5	2 182,4	2 172,8	2 162,0	1 827,7
Return on capital employed *	0,2 %	-0,1 %	-0,3 %	-0,1 %	-0,2 %	-0,4 %
Investments*	1,5	2,0	4,0	6,5	13,6	8,9
Number of employees *	4	0	132	129	128	130

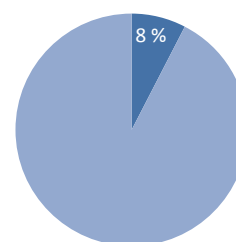
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Other businesses include Moelven Industrier ASA, which includes the group support functions for finance, accounting, insurance, communications, HR and ICT. As a common function for the Group's mechanical wood business, timber supply and sales of chips and energy products are centralised in the companies Moelven Skog AB, Moelven Virke AS and Vänerbränsle AB. Moelven Bioenergi AS is also included.

Fluctuations in operating revenues within the area of Other businesses are largely due to fluctuations in the level of activity within timber supply and sales of chips and energy products. The main activity is internal sales, which do not materially affect the results within the business area. The cost increase compared with the same period last year is attributed to a higher level of activity in the parent company related to improvement projects. In order to safeguard the supply of timber and market opportunities for chip and energy products in the region that was affected by the closure of Södra Cell Tofte, a train solution was established to transport pulp wood and chips to Sweden. The arrangement entails increased external sales due to pulp wood now being purchased and subsequently sold externally. The business is based on fixed agreements on both the customer and supplier sides, and the risk is low. The increase in internal sales is attributed to higher timber sales as a result of somewhat lower raw material inventories than desired at the start of the quarter.



Other's share of the Groups sale to external customers





## Employees

Employees	Per second quarter 2014				Per second quarter 2013			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	627	75	10,7 %	702	610	76	11,1 %	686
Wood	829	171	17,1 %	999	875	174	16,6 %	1 049
Building Systems	1 373	96	6,5 %	1 469	1 355	99	6,8 %	1 454
Others	101	31	23,5 %	132	97	32	24,8 %	129
The Group	2 930	373	11,3 %	3 302	2 937	381	11,5 %	3 318

Sickness absence rate in %	Per second quarter		H1 Value	Per second quarter	
	2014	2013		2014	2013
Timber	4,64 %	4,99 %	Timber	15,0	32,1
Wood	5,59 %	5,43 %	Wood	28,5	19,2
Building Systems	5,84 %	6,33 %	Building Systems	15,4	14,5
Others	2,41 %	2,36 %	Others	0,0	0,0
The Group	5,38 %	5,62 %	The Group	18,7	19,1

In the second quarter, total absence due to illness was 5.2 per cent (5.0 per cent), where 2.6 per cent (2.5 per cent) represents long-term absence. This increase lies within the expected natural variation of the level, and there is no specific cause. The Group continues to work with measures to reduce absence due to illness to the maximum target level of 5 per cent.

There were 21 (25) personal injuries during the quarter that resulted in absence. The H1 figure (number of personal injuries resulting in absence per million hours worked) was reduced compared with the end of the second quarter last year. This level is, however, unacceptably high. The Group's target figure for H1 is 0. Efforts to achieve this target have been further intensified, beyond previous levels. Following a prolonged period with extensive investments in safer machinery and equipment, the most important measures being implemented are raising employee awareness, management training programmes in HSE as well as improved safety procedures and clearer workplace descriptions. Phase II of the *Hel Hjem* [Home in One Piece] safety campaign was launched in the second quarter. The aim of the campaign is to improve the safety culture within the Group, with a greater management focus, increased reporting and a high degree of employee involvement as important ingredients. We are now seeing increased reporting of undesired incidents and hazardous conditions, which is very important in order to prevent accidents.

## Outlook

Overall, we do not expect to see any major changes in international market prices for industrial wood in the third quarter. There is still good demand in many markets, while the supply has also increased after a period of high production levels, especially for spruce products. At the same time, the exchange rates for NOK and SEK are at levels that give a better point of departure for competition on the export markets than at the same time last year. A continued weak performance for housing construction is expected in Norway in the third quarter. In Sweden, housing construction is increasing, but from a low level. However, the main portion of the Group's deliveries is made to the RMA markets, which are more stable than the new build market. The level of activity is expected to follow the normal seasonal variations with an upswing after the summer holidays.

For the Building Systems Division, demand in the building and construction sector in Scandinavia is expected to be on par with the previous year, with normal seasonal variations throughout the year. For the third quarter, this entails an increase in the level of activity after the summer holidays. The division has a better and more diversified order book than at the same time in 2013. The companies have adapted their capacity and cost structure to the prevailing market conditions.

A good level of activity is expected in the log market in the third quarter. However, there continues to be uncertainty regarding the long-term consequences in the raw material market and the market for chip products as a result of major changes in the paper and cellulose industry in Norway.

Throughout 2013, a number of measures and projects were identified, implemented and closely followed up in order to improve the results of ongoing operations, ensure better competitiveness in the long term and reduce the risk of losses related to certain projects. This work has improved the result significantly, and will continue in 2014. The Board expects that, combined, the measures will increase the Group's cash flow throughout an economic cycle.

The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to undertake any necessary adaptations.

The Board expects a more challenging second half of 2014, but that the Group's result in 2014 still will be significantly better than in 2013.

## Statement by the Board and CEO

We confirm that the consolidated financial statements for the period from 1 January to 30 June 2014 have been prepared to the best of our judgement in accordance with IAS 34 Interim Reporting, and that the information presented in the financial statements for the first half of the year provide a fair representation of the Group's assets, debt, financial situation and overall results, in addition to providing a fair overview of important events during the accounting period and their influence on the financial statements for the first half of the year, the most central risk factors and factors of uncertainty that the business faces in the next accounting period, and significant transactions with related parties.

Moelv, 10 July 2014

The Board of Directors of Moelven Industrier ASA

Sign.  
Asbjørn Reinkind  
Chairman

Sign.  
Trond Stangeby

Sign.  
Sverre A. Larssen

Sign.  
Elisabeth Krokeide

Sign.  
Heidi Hemstad

Sign.  
Martin Fauchald

Sign.  
Lars-Håkan Karlsson

Sign.  
Hans Rindal  
President and CEO

## Condensed quarterly financial statement for Moelven Group second quarter 2014

### Profit and loss and total comprehensive income

Amounts in NOK million	Second quarter		6 months		Total	
	2014	2013	2014	2013	2013	2012
Operating revenues	2 389,1	2 181,6	4 648,7	4 030,3	8 009,4	8 121,5
Depreciation	67,7	66,8	137,1	132,2	271,6	250,9
Cost of goods sold	1 533,6	1 427,0	2 970,0	2 627,4	5 184,7	5 264,3
Payroll expenses	475,1	467,6	944,7	910,5	1 750,1	1 727,1
Other operating expenses	229,0	209,0	459,4	413,0	847,7	862,4
<b>Operating profit</b>	<b>83,7</b>	<b>11,1</b>	<b>137,4</b>	<b>-52,8</b>	<b>-44,7</b>	<b>16,9</b>
Income from associates	0,0	0,0	0,0	0,0	0,0	-3,7
Value change of financial instruments to fair value	-6,9	-3,3	-12,4	5,4	5,5	-7,9
Other financial income	5,0	2,2	11,0	12,7	20,2	15,8
Other financial expenses	-20,9	-24,4	-42,2	-49,5	-98,1	-85,5
<b>Profit before tax</b>	<b>60,9</b>	<b>-14,4</b>	<b>93,8</b>	<b>-84,2</b>	<b>-117,1</b>	<b>-64,3</b>
Estimate income tax	14,8	-3,4	22,9	-21,7	-24,5	-17,3
<b>Net profit</b>	<b>46,1</b>	<b>-10,9</b>	<b>70,9</b>	<b>-62,5</b>	<b>-92,6</b>	<b>-47,1</b>
Non-controlling interest share	0,4	0,2	0,2	-0,8	-1,6	-1,8
Owner of parent company share	45,6	-11,2	70,7	-61,7	-91,0	-45,3
Earnings per share (in NOK)	0,4	-0,1	0,5	-0,5	-0,7	-0,4
Statement of comprehensive income						
Net profit	46,1	-10,9	70,9	-62,5	-92,6	-47,1
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	18,8	64,8
Income tax on items that are not reclassified to profit or loss	0,0	0,0	0,0	0,0	-5,1	-18,1
	0,0	0,0	0,0	0,0	13,7	46,7
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	-3,4	2,0	-17,0	27,7	58,4	-12,6
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,0	0,0
Other changes	3,0	0,0	3,5	1,7	-5,0	16,6
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,0
	-0,4	2,0	-13,5	29,4	53,4	4,0
Other comprehensive income, net of tax	-0,4	2,0	-13,5	29,4	67,1	50,7
<b>Total comprehensive income for the period</b>	<b>45,7</b>	<b>-9,0</b>	<b>57,4</b>	<b>-33,1</b>	<b>-25,5</b>	<b>3,6</b>
<b>Comprehensive income assigned to:</b>						
Owners of parent company	45,2	-9,2	57,2	-32,3	-23,9	5,4
Non-controlling interests	0,4	0,2	0,2	-0,8	-1,6	-1,8

## Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12.
	2014	2013	2013
Intangible assets	46,1	49,6	48,4
Tangible fixed assets	1 783,8	1 751,9	1 876,6
Financial fixed assets	12,1	6,1	8,1
<b>Total fixed assets</b>	<b>1 842,0</b>	<b>1 807,6</b>	<b>1 933,1</b>
Inventory	1 425,5	1 337,2	1 263,6
Receivables	1 706,4	1 621,3	1 317,2
Liquid assets	13,8	35,2	25,9
<b>Total current assets</b>	<b>3 145,7</b>	<b>2 993,7</b>	<b>2 606,7</b>
<b>Total assets</b>	<b>4 987,7</b>	<b>4 801,4</b>	<b>4 539,8</b>
Share capital*	647,7	647,7	647,7
Other equity	927,8	860,5	870,4
<b>Total equity</b>	<b>1 575,6</b>	<b>1 508,2</b>	<b>1 518,2</b>
Provisions	160,7	166,3	143,1
Long term interest-bearing liabilities	1 135,8	1 307,0	1 321,3
Long term interest-free liabilities	2,1	2,5	2,3
<b>Total long term liabilities</b>	<b>1 298,6</b>	<b>1 475,8</b>	<b>1 466,7</b>
Short term interest-bearing liabilities	385,9	295,3	180,6
Short term liabilities	1 727,6	1 522,1	1 374,3
<b>Total short term liabilities</b>	<b>2 113,5</b>	<b>1 817,4</b>	<b>1 554,9</b>
<b>Total liabilities</b>	<b>3 412,1</b>	<b>3 293,2</b>	<b>3 021,7</b>
<b>Total equity and liabilities</b>	<b>4 987,7</b>	<b>4 801,4</b>	<b>4 539,8</b>

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



## Statement of change in equity for the Group

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total per 1.1.2013	647,7	180,7	0,0	706,1	1 534,5	9,1	1 543,6
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	-61,7	-61,7	-0,8	-62,5
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	27,7	27,7	0,0	27,7
Other changes	0,0	0,0	0,0	1,7	1,7	0,0	1,7
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	29,4	29,4	0,0	29,4
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	-2,4	-2,4
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	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	0,0	0,0	-2,4	-2,4
<b>Total as at 30.06.2013</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>673,9</b>	<b>1 502,3</b>	<b>5,9</b>	<b>1 508,2</b>
Total per 1.1.2014	647,7	180,7	0,0	682,2	1 510,6	7,6	1 518,2
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	70,7	70,7	0,2	70,9
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	-17,0	-17,0	0,0	-17,0
Other changes	0,0	0,0	0,0	-0,4	-0,4	3,8	3,5
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	-17,4	-17,4	3,8	-13,5
<b>Transactions with owners, entered directly against equity</b>							
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	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total as at 30.06.2014</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>735,6</b>	<b>1 564,0</b>	<b>11,6</b>	<b>1 575,6</b>

## Cashflow statement for the Group

Amounts in NOK million	Per 30.06	
	2014	2013
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	70,9	-62,5
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	137,1	132,2
Impairment	0,0	0,0
Income from associated companies	0,0	0,0
Tax paid	0,0	-1,2
Unpaid pension costs entered as costs and unreceived pension funds entered as income	2,4	14,6
Loss (profit) on sale of fixed assets	0,1	0,0
Net value change of financial instruments to fair value	12,3	-5,4
Income tax	22,9	-21,7
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-159,6	-47,3
Changes in accounts receivable and other receivables	-395,8	-359,7
Changes in trade accounts payable	175,6	49,7
Changes in provisions and benefits to employees	17,7	-1,5
Changes in short-term liabilities excluding borrowing	162,8	84,9
<b>Cash flow from operational activities</b>	<b>46,3</b>	<b>-218,0</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-83,8	-137,3
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	0,3	0,0
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
<b>Cash flow from investment activities</b>	<b>-83,5</b>	<b>-137,3</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Raising short term debt	231,2	223,0
Repayment of short term debt	-1,0	-0,4
Change in bank overdrafts	-24,8	-33,4
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	-173,4	180,1
Changes in other long-term liabilities	-8,1	-4,3
Payment of dividend	0,0	0,0
<b>Cash flow from financial activities</b>	<b>24,0</b>	<b>365,0</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>-13,2</b>	<b>9,7</b>
Liquid assets start of period	25,9	25,5
Effect of exchange rate changes on liquid assets	0,0	0,0
<b>Liquid assets end of period</b>	<b>12,7</b>	<b>35,2</b>
<b>Cash and cash equivalents</b>		
Liquid assets	12,7	35,2
Unused drawing rights	412,8	335,7
Restricted bank deposits	0,0	0,0
<b>Cash and cash equivalents</b>	<b>425,5</b>	<b>370,9</b>

## Notes to the summary consolidated quarterly financial statements

### ***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 summary consolidated financial statements for the second quarter of 2014 ended the 30<sup>th</sup> of June 2014 include Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The annual accounts for 2013 are available at [2013.moelven.com](http://2013.moelven.com).

### ***Note 2 – Statement of conformity***

The consolidated financial statements for the second quarter of 2014 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 2013.

The summary consolidated quarterly financial statements were approved by the Board on 24 April 2014.

### ***Note 3 – Accounting policies***

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2013. Currency rates in the consolidated statements are derived 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 summary 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 2013 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2013.

### ***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 are normally subject to variability throughout the year. This involves a low season during the first quarter, increasing activity and a peak season over the second and third quarters, and diminishing activity in the final 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 - Tangible fixed assets

Amounts in NOK million	Per 30.06	
	2014	2013
Book value per 1.1	1 913,8	1 744,5
Acquisitions	83,8	137,2
Business combinations	0,0	0,0
Disposals	0,0	0,0
Depreciations	-137,4	-132,2
Transfers	-7,2	-4,9
Translation differences	-34,3	45,6
Book value per 30.06	1 818,7	1 790,1

## Note 8 - Financial instruments

Amounts in NOK million	Per 30.06.2014			Per 31.12.2013		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	1,4	-7,4	-6,0	2,3	-7,4	-5,0
Interest rate derivatives	0,0	-58,9	-58,9	0,0	-44,8	-44,8
Power derivatives	0,0	-11,9	-11,9	0,0	-14,6	-14,6
Total	1,4	-78,1	-76,8	2,3	-66,7	-64,4

Amounts in NOK million	Per 30.06.2013			Per 31.12.2012		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	2,8	-10,0	-7,2	3,2	-2,0	1,2
Interest rate derivatives	0,0	-44,3	-44,3	0,0	-62,0	-62,0
Power derivatives	0,0	-12,8	-12,8	0,0	-8,9	-8,9
Total	2,8	-67,1	-64,3	3,2	-72,9	-69,7

### ***Note 9 – 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 2013 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	Per 30.06	
	2014	2013
Timber	57,9	-31,6
Wood	46,3	-11,9
Building Systems	26,3	-22,9
Other	-36,7	-17,9
Profit before tax in segments	93,8	-84,3
Eliminations	0,0	0,0
Profit before tax in Group Accounts	93,8	-84,3

### ***Note 10 – Related parties***

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of saw logs, 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. Eidsiva Energi Marked AS trade 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 40 per cent of Moelven's total purchasing requirement for saw log of 4 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven' 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 185 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 11 - Events after the balance sheet date***

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



Moelven is organised into four divisions: Timber, Wood, Building Systems and Other. The sawmills in Timber supply sawed wood products and components to industrial customers in Scandinavia and the rest of Europe. These use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The processing 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, electrical installations and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. Other comprises holding companies, supply businesses and bioenergy companies. The division is heavily focused on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 52 operating units in Norway and Sweden and has 3,302 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (25.1 per cent), Eidsiva Vekst AS (23.8 per cent), Agri MI AS (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.7 per cent), AT Skog SA (7.3 per cent) and Havass Skog SA (4.0 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

## Quality rooms

More information:

[www.moelven.com](http://www.moelven.com)

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