

BERGS



Interim Report

1 January–30 September 2020

Interim Report

1 January–30 September 2020

THIRD QUARTER (1 JULY–30 SEPTEMBER) *

- Net sales increased by 12% to SEK 518 million (463). The higher net sales were mainly related to higher sales volumes of processed wood products to the DIY sector.
- EBITDA amounted to SEK 53 million (31). Adjusted EBITDA (adjusted for items affecting comparability) amounted to SEK 53 million (21), an increase primarily related to higher margin for sawn products but also to higher sales volumes for the DIY sector. Adjusted EBITDA margin was 10.2% (4.5).
- EBITDA, including earnings from discontinued operations prior to the sale of the Swedish sawmills, amounted to SEK 62 million (28). Adjusted EBITDA amounted to SEK 62 million (18), corresponding to an EBITDA margin of 8.7% (2.5).
- Operating profit amounted to SEK 31 million (12). Adjusted operating profit amounted to SEK 31 million (2).
- Cash flow from operating activities, including discontinued operations, amounted to SEK 167 million (151). The cash flow was positively affected by lower working capital.
- Earnings per share, before and after dilution, was SEK 0.08 (0.01). Earnings per share, before and after dilution, including discontinued operations, was SEK 0.27 (-0.01).
- The sale of the Swedish sawmill business to Vida was finalised on 1 September. The earnings from the sale totalled SEK 87 million and was recognised in earnings from discontinued operations.

INTERIM PERIOD (1 JANUARY–30 SEPTEMBER) *

- Net sales declined by 4% to SEK 1,591 million (1,651), mainly related to lower sales volumes and lower sales prices for sawn products.
- EBITDA amounted to SEK 134 million (127). Adjusted EBITDA amounted to SEK 134 million (106). Lower sales volumes and sales prices for sawn products were offset by lower costs for raw material. Higher sales volumes to the DIY sector contributed positively. Adjusted EBITDA margin was 8.4% (6.4).
- EBITDA, including earnings from discontinued operations prior to the sale of the Swedish sawmills, amounted to SEK 173 million (169). Adjusted EBITDA amounted to SEK 186 million (148), corresponding to an adjusted EBITDA margin of 7.6% (5.9).
- Operating profit amounted to SEK 79 million (81). Adjusted operating profit amounted to SEK 79 million (60).
- Cash flow from operating activities, including discontinued operations, amounted to SEK 304 million (145).
- Earnings per share, before and after dilution, was SEK 0.18 (0.18). Earnings per share, before and after dilution, including discontinued operations, was SEK 0.36 (0.22).

*) The Swedish sawmill business was sold on 1 September 2020 and was recognised as discontinued operations. Comparative periods in the consolidated income statement have been restated. The consolidated income statement, balance sheet (current period) and key performance indicators reflect the continuing operations, unless otherwise indicated. For more information on discontinued operations, see pages 6 and 15. Comparison of discontinued operations are affected by that the operations comprise 2 months in quarter 3 2020 and 8 months in the period January–September 2020.

The Group's key performance indicators

AMOUNTS IN SEK million	2020 Jul–Sep 3 months	2019 Jul–Sep 3 months	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Net sales	518	463	1,591	1,651	2,056
EBITDA	53	31	134	127	133
Adjusted EBITDA (adjusted for items affecting comparability)	53	21	134	106	115
Adjusted EBITDA margin, %	10.2	4.5	8.4	6.4	5.6
Operating profit	31	12	79	81	73
Operating margin, %	6.0	2.6	5.0	4.9	3.6
Adjusted operating profit	31	2	79	60	55
Adjusted operating margin, %	6.0	0.4	5.0	3.6	2.7
EBITDA incl. discontinued operations	149	28	261	169	172
Adjusted EBITDA incl. discontinued operations	62	18	186	148	154
Adjusted EBITDA margin incl. discontinued operations, %	8.7	2.5	7.6	5.9	4.8
Earnings per share, before and after dilution, SEK	0.08	0.01	0.18	0.18	0.13
Earnings per share, including discontinued operations, SEK	0.27	-0.01	0.36	0.22	0.13
Equity per share, SEK	3.54	3.30	3.54	3.30	3.18

Note: For a reconciliation of alternative performance measures including adjusted EBITDA and adjusted operating profit and corresponding margins, see page 18.

Bergs reports improved result for the third quarter

IMPROVED EARNINGS AND STRONG CASH FLOW

Demand in the third quarter remained strong for the majority of the Group's products. It was especially strong for products in the DIY market and in renovation. This has benefited Bergs's specialisation in pressure-treated wood, garden products, windows, doors and timber for construction. The volumes for our core markets in the UK, US, France, Sweden and Latvia have increased. The prices for wood products have increased in pace with strong demand and limited supply. Sales prices for sawdust, pellets and wood chips fell as a result of an excess supply of wood for pulp and energy.

EBITDA for the quarter, including earnings from discontinued operations and earnings from the sale of the Swedish sawmill business, totalled SEK 149 million. Earnings from the sale amounted to SEK 87 million. EBITDA, adjusted for earnings from the sale, amounted to SEK 62 million, an improvement of SEK 44 million year-on-year. The improved earnings are an effect of higher margins for the sawmills and high sales volumes of processed wood products to the DIY sector.

As a result of the divestment of the Swedish sawmill business and inventory reductions in other operations, cash flow for the quarter was strong and has substantially strengthened our financial position. Net financial debt at the end of the quarter was SEK 11 million, compared with SEK 664 million year-on-year.

EFFECTS OF COVID-19

Industrial construction in 2020 has decreased in several countries as a result of workplaces and plants being shut down. At the same time, the DIY, renovation and gardening product ranges performed well and have been favourable for Bergs's sales. At present, we are seeing this trend continue.

Our personnel have been healthy, and to date we have been able to maintain full production capacity. Like the rest of society, Bergs is gradually becoming better at managing the current situation with an increased share of working and meeting remotely. We are prepared for the possibility that the prevailing situation will continue for a long period of time.

BERGS'S STRATEGIC DEVELOPMENT

The disposal of the Swedish sawmill business was a major decision for Bergs, and at the same time marked the beginning of a new strategic direction. After completing the divestment and other measures, we now have a financially strong company and continuing operations are solid. At present, Bergs is carrying out comprehensive strategy initiatives to clarify our future direction and how we will achieve growth, a higher and more stable margin over time and increased shareholder value.

The results of the review will be ready during the winter and communicated at that time.

FUTURE PROSPECTS

The ongoing pandemic will continue to leave its mark on the economy. Apart from normal seasonal variations, at present we are not witnessing any slowdown in demand for the Group's products, and order intake remains strong. Despite normal stockpiling during the winter period, we expect cash flow to remain positive over the remainder of the year. The market for raw forestry materials in the Baltics and Sweden remains affected by an excess supply of pulp and energy wood, potentially reducing the pace of harvesting and by extension access to saw logs.

Vimmerby, 3 November 2020

Peter Nilsson
Chief Executive Officer



Net sales and operating profit

JULY–SEPTEMBER 2020, COMPARED TO JULY–SEPTEMBER 2019

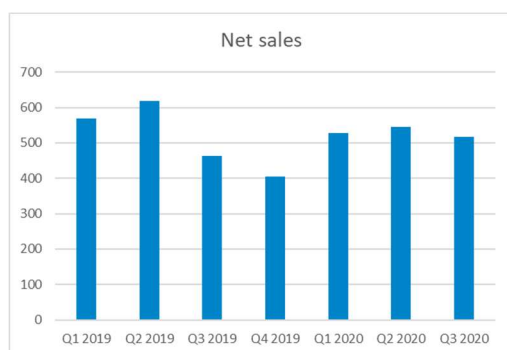
Net sales for the third quarter 2020 amounted to SEK 518 million (463). The increase of SEK 55 million was mainly related to higher sales volumes of processed wood products to the DIY sector.

EBITDA increased to SEK 53 million (31). Adjusted EBITDA increased to SEK 53 million (21), which corresponds to an adjusted EBITDA margin of 10.2% (4.5). The increase was mainly due to higher margins for the sawmills due to lower costs for raw material. Higher sales volumes to the DIY sector contributed positively.

Operating profit amounted to SEK 31 million (12). Adjusted operating profit amounted to SEK 31 million (2).

JANUARY–SEPTEMBER 2020 COMPARED WITH JANUARY–SEPTEMBER 2019

Net sales were SEK 1,591 million compared to SEK 1,651 million for the year-earlier period, down SEK 60 million. The decrease was attributable to lower sales volumes and sales prices for sawn products.



EBITDA amounted to SEK 134 million (127). Adjusted EBITDA amounted to SEK 134 million (106), corresponding to an adjusted EBITDA margin of 8.4% (6.4). Lower sales volumes and sales prices for sawn products were offset by lower costs for raw material. Higher sales volumes to the DIY sector contributed positively.

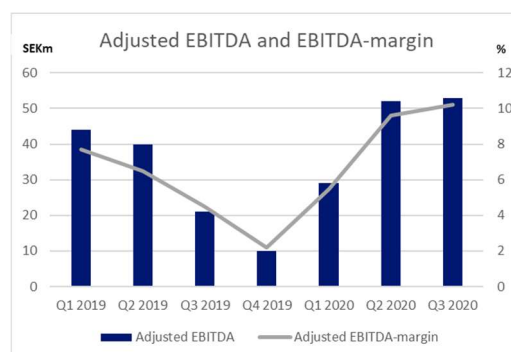
Operating profit amounted to SEK 79 million (81). Adjusted operating profit amounted to SEK 79 million (60).

JULY–SEPTEMBER 2020 COMPARED WITH APRIL–JUNE 2020

Net sales for the third quarter 2020 amounted to SEK 518 million compared to SEK 545 million for the second quarter 2020, down SEK 27 million. The decrease was attributable to lower seasonal sales volumes for sawn products.

EBITDA amounted to SEK 53 million (52), corresponding to an EBITDA margin of 10.2% (9.5).

Operating profit amounted to SEK 31 million (35).



Cash flow and financing

Cash flow from operating activities for January–September, including discontinued operations, amounted to SEK 304 million (145). The cash flow effect of changes in working capital was SEK 159 million (22). The lower tied-up capital was mainly explained by lower stocks. Investments in property, plant and equipment amounted to SEK 58 million (96). Cash flow from operating activities in the third quarter amounted to SEK 167 (151) million, positively affected by reduced operating receivables and stock levels.

The Group's net financial debt at 30 September 2020 totalled SEK 11 million, compared to SEK 675 million at 31 December 2019. The net debt/equity ratio was 0.01. The decrease in net debt was attributable to the sale of the Swedish sawmill business alongside higher earnings and lower working capital.

In conjunction with the sale of the Swedish sawmill business, repayments of SEK 364 million in term loans and SEK 70 million to

Norvik pertaining to a vendor's mortgage were made. The revolving credit facility limit was lowered to SEK 100 million from SEK 250 million as a consequence of reduced borrowing needs.

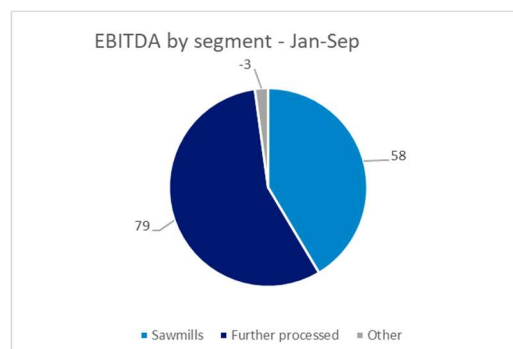
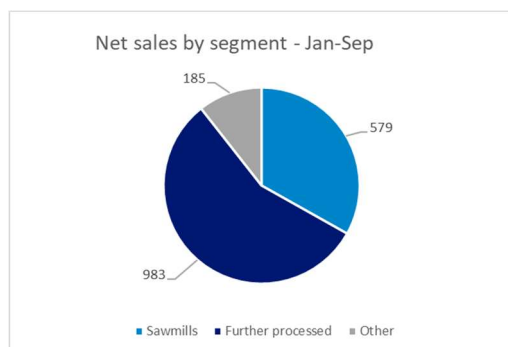
Summary of loans and credit facilities at 30 September 2020, SEK million:

Loan	Limit	Repayments, years			Total utilised
		0-1	1-2	2-	
Term loans		23	176		199
Revolving credit facility	100				0
Overdraft facilities	120				2
Total		23	176	–	201

Available cash and cash equivalents, including unutilised credit facilities, totalled SEK 422 million. In addition, there were granted but unused bank guarantee limits of SEK 25 million. Net financial items for the January–September period amounted to SEK -22 million (-20).

Segment reporting

Bergs has identified two segments that are reported and monitored on an ongoing basis: Sawmills and Further processed. The distribution and port business in the UK and Group-wide activities are reported in Other. The now-sold Swedish sawmill business, previously reported in the Sawmills segment, is recognised as discontinued operations. Comparative periods have been restated; see pages 6 and 15 for more information on discontinued operations.



SAWMILLS

Sawmills consist of Vika Wood in Latvia and Laesti in Estonia. The now-sold sawmills in Sweden are recognised as discontinued operations, see pages 6 and 15.

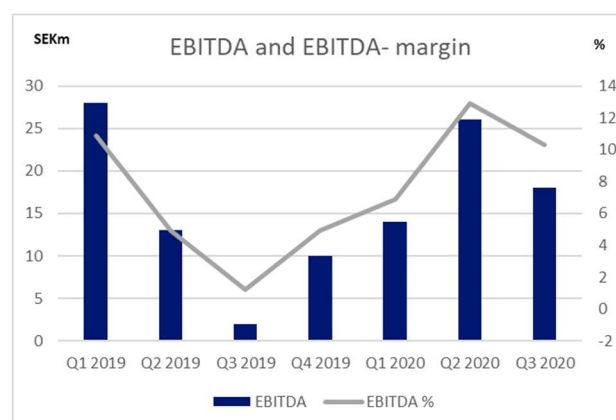
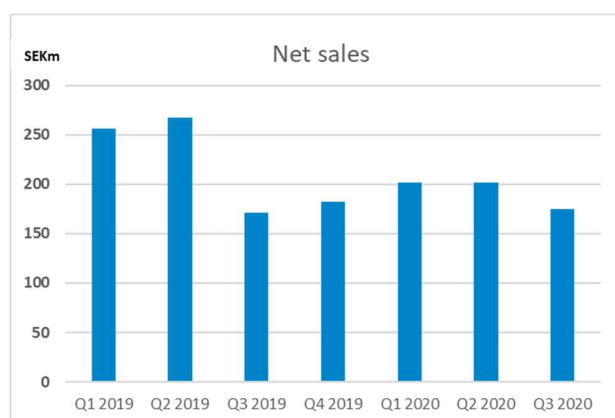
Amounts in SEK m	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Net sales	175	171	579	694
EBITDA	18	2	58	43
Operating profit	12	-8	35	18
EBITDA margin, %	10.3	1.2	10.0	6.2
Operating margin, %	6.9	-	6.0	2.6
Sales volumes, thousand m3	77	77	254	296
Production volume, thousand m3	70	78	249	302

Net sales for the third quarter amounted to SEK 175 million (171). The increase was attributable to higher sales prices.

EBITDA for the third quarter was SEK 18 million (2). The increase was mainly due to lower costs for raw material.

Net sales for the January–September period decreased to SEK 579 million (694). The decrease was related to lower sales volumes and sales prices. The lower sales volumes were attributable to the discontinued sawmills in Broakulla and Savi.

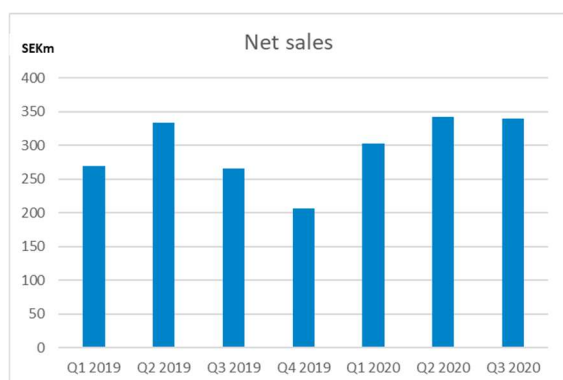
EBITDA for the January–September period amounted to SEK 58 million (43). Lower sales prices and sales volumes were compensated by lower costs for raw material.



FURTHER PROCESSED

Further Processed comprises Byko-Lat in Latvia, Bitus, Fågelfors and Woodworks by Bergs in Sweden. The product range comprises planed wood products for the DIY sector, doors and windows, prefabricated element- and modular houses, garden products and pellets. Bitus is one of Europe's largest plants for wood preservatives. Fågelfors is a major producer of pellets and fire logs for the energy market. Woodworks by Bergs is a newly established sales company for further processed products in the Swedish market.

Amounts in SEK m	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Net sales	339	265	983	867
EBITDA	31	21	79	65
Operating profit	18	12	49	48
EBITDA margin, %	9.1	7.9	8.0	7.5
Operating margin, %	5.3	4.5	5.0	5.5

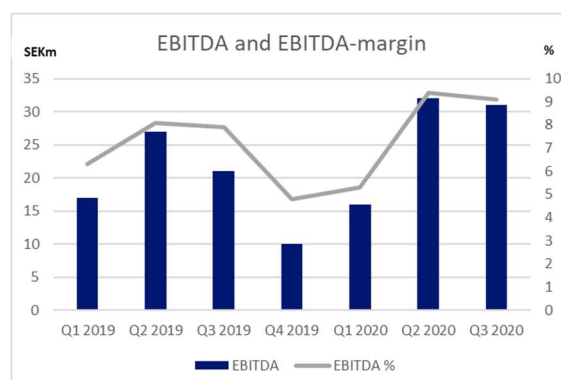


Net sales for the third quarter amounted to SEK 339 million (265). The increase was primarily attributable to higher sales volumes for the DIY sector.

EBITDA for the third quarter was SEK 31 million (21). The higher earnings were mainly attributable to higher sales volumes and lower costs for raw material.

Net sales for the January–September period increased to SEK 983 million (867). The increase was mainly due to higher sales volumes and the pellet business that was acquired in the second quarter of 2019.

EBITDA for the January–September period amounted to SEK 79 million (65). The higher earnings were mainly attributable to higher sales volumes and lower costs for raw material.

**OTHER**

Other consists of the distribution and port business in the UK and Group-wide activities. Net sales for the January–September period

2020 amounted to SEK 185 million (162). EBITDA amounted to SEK -3 million (18). Adjusted EBITDA amounted to SEK -3 million (-3).

Discontinued operations

The Swedish sawmill business was sold on 1 September 2020 and is recognised as discontinued operations. For more information on discontinued operations, see page 15.

Amounts in SEK m	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep
Net sales	194	258	858	868
EBITDA	96	-3	126	42
Adjusted EBITDA	9	-3	52	42
Operating profit	95	-10	91	19
Adjusted operating profit/loss	8	-10	34	19
Adjusted EBITDA margin, %	4.6	–	6.1	4.8
Adjusted operating margin, %	4.1	–	4.0	2.2

Net sales for the third quarter amounted to SEK 194 million (258). The decrease was primarily attributable to lower sales volumes. The sawmills were sold on 1 September 2020.

EBITDA for the third quarter amounted to SEK 96 million (-3), whereof SEK 87 million in earnings from the disposal of the sawmills. Adjusted EBITDA was SEK 9 million (-3). The increase was primarily attributable to lower costs for raw material.

Net sales for the January–September period decreased to SEK 858 million (868). The decrease was primarily attributable to lower sales volumes due to the disposal of the sawmills and lower sales prices.

EBITDA for the January–September period amounted to SEK 126 million (42). Adjusted EBITDA amounted to SEK 52 million (42). Lower sales prices were offset by lower costs for raw material.

Other information

TAX

Recognised tax for the January–September period 2020 was SEK 4 million (2). The effective tax rate was -7 per cent, lower than Sweden's corporate tax rate. The lower effective tax rate was attributable to no tax having been recognised for the Baltic companies.

In Latvia and Estonia, the corporate income tax is 0 per cent on reinvested profits. Corporate tax is applicable and payable when dividends are distributed. No corporate income taxes have been recognised for the Group companies in the Baltics. Unrecognised deferred taxes on undistributed profits in the Baltic companies totalled approximately SEK 65 million at 30 September 2020.

SEASONAL FLUCTUATIONS

Bergs's business is subject to seasonal fluctuations. The demand for processed wood products in the construction sector is generally higher in April–October. The demand for sawn products is normally higher in March–June and September–November. Sales volumes during the winter and summer months are normally lower. The market for pellets correlates to the winter season. The production volume in the sawmills is lower in the third quarter as a result of the summer holidays and maintenance work.

DIVESTMENT OF THE SWEDISH SAWMILL BUSINESS

The sale of Bergs's Swedish sawmill business to Vida was completed on 1 September. The transaction encompassed the sawmills in Orrefors, Vimmerby and Mörlunda. All personnel employed at each sawmill and in the purchasing organisation for raw materials were offered employment at Vida. Vida also acquired the assets of the already discontinued operation at Gransjö.

The total purchase consideration for the operations, including the working capital involved, was SEK 390 million, of which SEK 303 million pertained to non-current assets. Earnings from the sale amounted to SEK 87 million.

The transaction, taken together with the liquidation of other working capital, means that Bergs's financial net debt has been substantially reduced. Net debt at 30 September totalled SEK 11

million, corresponding to a net debt/equity ratio of approximately 1 per cent.

After the sale, Bergs consists of wood processing operations in wood preservatives, planing, buildings, windows, doors, garden products and pellets. Annual net sales total approximately SEK 2,000 million, with a margin that over time has been higher and more stable than that reported by the Swedish sawmill business. In addition, Bergs conducts sawmill business in Latvia and Estonia with annual production of approximately 350,000 cubic metres, as well as port and distribution operations in the UK.

For further information on the effects of the sale, refer to Note 3.

EVENTS AFTER THE END OF THE QUARTER

There are no events after the end of the quarter to be reported.

PARENT COMPANY

The activities of the Parent Company pertain to the management of shares in subsidiaries, Group-wide administrative tasks and Group financing. Operating loss for the Parent Company for the January–September period amounted to SEK -12 million (-10).

2021 ANNUAL GENERAL MEETING

The Annual General Meeting for 2020 financial year will be held on 5 May 2021. Additional information on time and venue will be released later.

REPORTING PERIODS

Year-end report for 2020	3 February 2021
Interim Report, January–March 2021	5 May 2021
Interim Report, January–June 2021	29 July 2021
Interim Report, January–September 2021	28 October 2021

The undersigned declare that the interim report provides a fair review of the Parent Company's and Group's operations, financial position and earnings and describes the material risks and uncertainty factors facing the Parent Company and the Group companies.

Vimmerby, 3 November 2020

Peter Nilsson

Chief Executive Officer

Further information regarding the interim report can be provided by the CEO, Peter Nilsson, on telephone number +46 70 315 09 27 or CFO, Anders Marklund, on +46 70 284 47 96.

The information in this interim report is such that Bergs Timber AB (publ) is obliged to disclose pursuant to the EU's Market Abuse Regulation. The information was released for publication on 3 November 2020 at 1:00 p.m. The interim report is available on the company's website, www.bergstimber.com

Bergs Timber AB (publ), corporate registration number: 556052-2798, Stora Torget 3, SE-598 37 Vimmerby, Tel: +46 010-199 85 00

Review Report

Bergs Timber AB (publ), corp. reg. no. 556052-2798

INTRODUCTION

We have reviewed the interim condensed financial information (interim report) for Bergs Timber (publ) for 30 September 2020 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Kalmar, 3 November 2020

Deloitte AB

Magnus Andersson
Authorised Public Accountant

Condensed consolidated statement of income

Amounts in SEK m (Pertains to continuing operations unless otherwise stated)	2020 Jul–Sep 3 months	2019 Jul–Sep 3 months	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Net sales	518	463	1,591	1,651	2,056
Changes to products in process and finished goods	9	-13	-20	4	18
Other operating income	0	19	4	37	42
Total	527	469	1,575	1,692	2,116
Operating expenses					
Raw materials and consumables	-298	-305	-1,002	-1,144	-1,431
Other external costs	-106	-72	-252	-227	-298
Personnel costs	-70	-61	-187	-194	-254
Depreciation/amortisation and impairment	-22	-19	-55	-46	-60
Other operating expenses	0	0	0	0	0
Total operating expenses	-496	-457	-1,496	-1,611	-2,043
Operating profit	31	12	79	81	73
Finance income	0	0	0	2	1
Financial expenses	-5	-8	-22	-22	-34
Profit after financial items	26	4	57	61	40
Tax on profit for the period	2	1	4	2	3
Profit for the period from continuing operations	28	5	61	63	43
Profit/loss from discontinued operations, net after tax	67	-8	64	14	2
Profit/loss for the period	95	-3	125	77	45
Attributable to					
Parent Company shareholders	95	-3	125	77	45
Non-controlling interests	–	–	–	–	–
Earnings per share, before and after dilution, SEK*	0.08	0.01	0.18	0.18	0.13
Earnings per share, before and after dilution, including discontinued operations, SEK*	0.27	-0.01	0.36	0.22	0.13
Average number of shares, thousands	346,728	346,728	346,728	342,768	343,758

*) When calculating earnings per share, the average number of shares held is used

Statement of comprehensive income (net after tax)

Amounts in SEK m	2020 Jul–Sep 3 months	2019 Jul–Sep 3 months	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Profit/loss for the period	95	-3	125	77	45
Change in hedge reserve (net after tax)	-2	-4	2	-4	-1
Translation differences	0	13	-3	35	22
Comprehensive income for the period	93	6	124	108	66
Attributable to:					
Parent Company shareholders	93	6	124	108	66
Non-controlling interests	–	–	–	–	–

Condensed consolidated balance sheet

Amounts in SEK m	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	193	194	193
Property, plant and equipment, incl. right-of-use assets	698	955	948
Financial assets	1	9	3
Deferred tax assets	25	0	6
Total non-current assets	917	1,158	1,150
Current assets			
Inventory	294	655	667
Current receivables	356	387	328
Cash and bank balances	204	107	86
Total current assets	854	1,149	1,081
TOTAL ASSETS	1,771	2,307	2,231
Equity and liabilities			
Equity	1,226	1,144	1,102
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	180	611	604
Other non-current liabilities and provisions	6	17	2
Deferred tax liabilities	32	12	17
Total non-current liabilities	218	640	623
Current liabilities			
Interest-bearing liabilities	35	160	157
Non-interest bearing liabilities	292	363	349
Total current liabilities	327	523	506
TOTAL EQUITY AND LIABILITIES	1,771	2,307	2,231
CHANGES IN EQUITY *)			
Amounts in SEK m	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Equity, opening balance	1,102	1,052	1,052
New share issue after issue expenses	0	18	18
Dividend paid	0	-34	-34
Comprehensive income for the period	124	108	66
Total equity at the end of the period	1,226	1,144	1,102

*) There is no minority.

Condensed cash flow statement (incl. discontinued operations*)

Amounts in SEK m	2020 Jul–Sep 3 months	2019 Jul–Sep 3 months	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Operating activities					
Profit/loss after financial items, incl. discontinued operations	121	-6	148	81	45
Adjustments for non-cash items**	-69	17	-3	42	64
Income taxes paid	0	0	0	0	0
Cash flow from operating activities before changes in working capital	52	11	145	123	109
Change in inventory	45	46	251	31	11
Change in operating receivables	137	159	-30	15	71
Change in operating liabilities	-67	-65	-62	-24	-44
Cash flow from operating activities	167	151	304	145	147
Acquisition of subsidiaries	–	-10	–	-25	-25
Acquisition of property, plant and equipment	-16	-40	-58	-96	-131
Sale of operations	390	–	390	–	–
Sale of property, plant and equipment	0	0	6	0	11
Change in financial assets	0	0	0	0	8
Cash flows from investing activities	374	-50	338	-121	-137
Change in financial receivables and liabilities	-448	-68	-525	40	35
Dividend paid	–	–	–	-34	-34
Cash flow from financing activities	-448	-68	-525	6	1
Cash flow for the period	93	33	117	30	11
Cash and cash equivalents at start of period	110	73	86	74	74
Translation differences in cash and cash equivalents	1	1	1	3	1
Cash and cash equivalents at end of period	204	107	204	107	86

*) All balance items have not been fully allocated to discontinued operations since the Swedish sawmill business was operated in the same legal entity as other continuing operations. Therefore, the cash flow statement includes the discontinued operations.

**) Pertains primarily to depreciation and earnings from the sale of operations.

The Group's key performance indicators and targets

Amounts in SEK m	Financial targets	2020 Jul–Sep 3 months	2019 Jul–Sep 3 months	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Net sales		518	463	1,591	1,651	2,056
EBITDA		53	31	134	127	133
Adjusted EBITDA		53	21	134	106	115
Adjusted EBITDA margin, %	>7	10.2	4.5	8.4	6.4	5.6
Operating profit		31	12	79	81	73
Operating margin, %		6.0	2.6	5.0	4.9	3.6
Adjusted operating profit		31	2	79	60	55
Adjusted operating margin, %		6.0	0.4	5.0	3.6	2.7
Return on capital employed, %, 12 months	>10	–	–	–	–	4.1
Earnings per share, SEK		0.08	0.01	0.18	0.18	0.13
Earnings per share, incl. discontinued operations, SEK		0.27	-0.01	0.36	0.22	0.13
Interest-bearing net debt		11	664	11	664	675
Net debt/equity ratio	<1.0	0.01	0.58	0.01	0.58	0.61
Equity/assets ratio, %		69.2	49.6	69.2	49.6	49.4
Average number of shares, thousands		346,728	346,728	346,728	342,768	343,758
Equity per share, SEK		3.54	3.30	3.54	3.30	3.18

Condensed Parent Company statement of income

Amounts in SEK m	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months
Other operating income	8	7
Total	8	7
Operating expenses		
Other external costs	-10	-7
Personnel costs	-10	-10
Depreciation	0	0
Other operating expenses	0	0
Total operating expenses	-20	-17
Operating loss	-12	-10
Finance income	18	1
Financial expenses	-23	-9
Loss after financial items	-17	-18
Tax on profit for the period	2	2
Loss for the period	-15	-16

Condensed Parent Company balance sheet

Amounts in SEK m	2020 30 Sep	2019 30 Sep
Assets		
Financial assets	1,239	1,366
Total non-current assets	1,239	1,366
Receivables from Group companies	54	247
Other current receivables	4	5
Cash and bank balances	44	1
Total current assets	102	253
TOTAL ASSETS	1,341	1,619
Liabilities and equity		
Equity	850	849
Non-current liabilities	176	597
Current liabilities	315	173
TOTAL EQUITY AND LIABILITIES	1,341	1,619

Notes

1. ACCOUNTING POLICIES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act. Other accounting policies and calculation methods that are applied for the Group and the Parent Company conform to the principles that were used when preparing the most recent annual report for 2019; refer to pages 56–62. There are certain new and changed standards and interpretations that will enter into force in 2020 or later, but these are not considered to have any significant impact on the company's accounts. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere of the interim report. Amounts in brackets refer to the amount for the same period in the previous financial year, unless otherwise stated. There may be differences due to rounding.

2. EXTERNAL NET SALES BY MARKET

January–September 2020 Amounts in SEK m	Sawmills	Further processing	Other	Internal sales	Group total
Sweden		224		-50	174
UK	13	209	185	-103	304
Baltics	322	35		-3	354
Rest of Europe	86	414			500
Rest of world	158	101			259
Total	579	983	185	-156	1,591

January–September 2019 Amounts in SEK m	Sawmills	Further processing	Other	Internal sales	Group total
Sweden		155		-8	147
UK	24	358	162	-62	482
Baltics	394	4		-2	396
Rest of Europe	93	349			442
Rest of world	183	1			184
Total	694	867	162	-72	1,651

3. DISCONTINUED OPERATIONS

On 1 September 2020, the sale the Swedish sawmill business to Vida Aktiebolag was completed. The transaction encompassed the sawmills in Orrefors, Vimmerby and Mörlunda. Vida also acquired the assets of the already discontinued operation at Gransjö. The purchase consideration, including liabilities assumed, amounted to SEK 390 million. The purchase consideration was paid in cash and has impacted the Group's cash and cash equivalents in a corresponding amount. Earnings from the sale amounted to SEK 87 million including transaction costs.

The Swedish sawmill business was recognised as discontinued operations. Comparative periods in the consolidated income statement are restated to reflect the classification of the Swedish sawmill business as discontinued operations. Profit/loss for the period, net after tax, is presented as a single amount in the consolidated income statement.

Net earnings from discontinued operations

Amounts in SEK m	2020 Jul–Sep 3 months	2019 Jul–Sep 3 months	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Net sales	194	258	858	868	1,150
Earnings from the disposal	87	–	87	–	–
Expenses	-185	-261	-819	-826	-1,111
EBITDA	96	-3	126	42	39
Depreciation	-1	-7	-35	-23	-34
Operating profit/loss	95	-10	91	19	5
Taxes	-28	2	-27	-5	-3
Net earnings from discontinued operations	67	-8	64	14	2

Assets and liabilities sold

Amounts in SEK m

Property, plant and equipment, incl. right-of-use assets	210
Inventory	119
Assets	329
Interest-bearing liabilities, non-current	2
Interest-bearing liabilities, current	15
Other current liabilities	9
Liabilities	26
Disposed net assets	306
Impact on cash and cash equivalents, purchase consideration	390

4. RESULTS AND KEY PERFORMANCE INDICATORS—CONTINUING AND DISCONTINUED OPERATIONS

Amounts in SEK m	2020 Jul–Sep 3 months	2019 Jul–Sep 3 months	2020 Jan–Sep 9 months	2019 Jan–Sep 9 months	2019 Jan–Dec 12 months
Net sales	712	721	2,449	2,519	3,206
Continuing operations	518	463	1,591	1,651	2,056
Discontinued operations	194	258	858	868	1,150
Adjusted EBITDA	62	18	186	148	154
Continuing operations	53	21	134	106	115
Discontinued operations	9	-3	52	42	39
Adjusted EBITDA margin, %	8.7	2.5	7.6	5.9	4.8
Continuing operations	10.2	4.5	8.4	6.4	5.6
Discontinued operations	4.6	–	6.1	4.8	3.4
Adjusted operating profit	39	-8	113	79	60
Continuing operations	31	2	79	60	55
Discontinued operations	8	-10	34	19	5
Adjusted operating margin, %	5.5	–	4.6	3.1	1.9
Continuing operations	6.0	0.4	5.0	3.6	2.7
Discontinued operations	4.1	–	4.0	2.2	0.4

5. FINANCIAL INSTRUMENTS BY CATEGORY

Amounts in SEK m	Level	Carrying amount 30 Sep 2020	Fair value 30 Sep 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2019
Financial assets measured at fair value through profit or loss					
Financial investments	–	1	1	1	1
Financial assets at amortised cost					
Trade receivables	–	304	304	265	265
Other receivables	–	52	52	28	28
Cash and cash equivalents	–	204	204	86	86
Derivatives for hedge accounting					
Derivatives	2	0	0	2	2
		561	561	382	382
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	–	205	205	680	680
Accounts payable	–	125	125	210	210
Loans from Norvik	3	0	0	70	70
Earnout	3	10	10	9	10
Other liabilities	–	40	40	31	31
Derivatives for hedge accounting					
Derivatives	2	0	0	2	2
		380	380	1,002	1,003

Valuation levels:

1: Quoted prices in an active market for identical assets or liabilities, such as shares or obligations listed on the stock market.

2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either direct (as quoted market prices) or indirect (obtained from quoted market prices), such as foreign exchange forwards or rate swaps.

3: Inputs for the asset or liability that is not fully based on observable market data.

6. INFORMATION ON RISKS AND UNCERTAINTIES

Price trends

The price trend for wood products is largely governed by how global consumption corresponds with global production. The cost of raw materials is a large component of the finished product's sales value, which is why the product is very sensitive to changes in prices for raw forestry materials. Raw material is best sourced locally and the supply and demand of raw material has a considerable effect on pricing in the short term.

COVID-19

The coronavirus crisis, the outcome and consequences of which are difficult to assess, has increased uncertainty and may impact the Group's performance and profitability; refer to page 3.

Financial risks

Bergs Timber is exposed to financial risks, which are primarily related to liquidity and cash flow risks in conjunction with liquidity and liability management and currency risks in export transactions. A large part of the financing is dependent on fulfilling conventional financial undertakings. Regarding exposure to exchange rate risk, the Group's policy states that normally 50–75 per cent of the expected currency flow for the next six months shall be hedged.

Cost of fixed assets

Owing to the existence of goodwill, the recognised cost of fixed assets tested for impairment. The test is based on our best assessment of the future performance. The testing performed in conjunction with the previous year-end report showed that there was no need for impairment. In light of the positive earnings performance in 2020, there are no indications of a need for impairment. A future negative deviation may affect the recognised cost of fixed assets. For a further description of impairment testing please, refer to page 74 of the 2019 Annual Report.

For a complete presentation of the identified risk as well as the company's risk management efforts, refer to pages 28–30 of the 2019 Annual Report.

7. RELATED-PARTY TRANSACTIONS

Transaction with members of the Board, senior executives and related-party companies include advisory services, timber products and construction services as well as sales of mechanical equipment, by-products and impregnation services. All transactions took place at market value. The transactions did not have any material impact on the Group's financial position or results.

The Parent Company has conducted transactions with the Group's subsidiaries in the form of sales of management and administration services. The scope of transactions with related parties has not changed compared to the information provided in the 2019 Annual Report.

In September, the Parent Company amortised the vendor's mortgage of SEK 70 million that the primary shareholder, Norvik, issued in connection with Bergs's acquisition in May 2018 of Norvik's operations in the Baltics and the UK. As a result of this payment, the entire purchase consideration has been settled with the exception of any earnouts to be paid pertaining to earnings for 2020 that could total a maximum of SEK 10 million.

8. ALTERNATIVE PERFORMANCE MEASURES

Bergs Timber presents key performance indicators (KPI) in the interim report that supplement the financial measures defined according to IFRS, known as alternative performance measures (APM). The company believes that these performance measures provide valuable information to investors and the company's management since they enable, among other things, measurement of the company's performance, trends and financing. Because not all companies calculate financial key performance indicators in the same way, these are not always comparable. The alternative performance measures should be regarded as a supplement to the key performance indicators defined under IFRS. For further definitions and reasons for use, please refer to Note 32 in the 2019 Annual Report.

Definitions of key performance indicators

EBITDA	Operating profit before depreciation/amortisation and impairment of tangible and intangible assets.
EBITDA margin	EBITDA as a percentage of net sales
Adjusted EBITDA	Operating profit before depreciation/amortisation and impairment of tangible and intangible assets, adjusted for items affecting comparability.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales
Operating profit	Earnings before financial items and tax
Operating margin	Operating profit as a percentage of net sales
Adjusted operating profit	Earnings before financial items and tax, adjusted for items affecting comparability
Adjusted operating margin	Adjusted operating profit as a percentage of net sales
Return on capital employed	Profit/loss after financial items plus financial expenses in relation to the average capital employed
Capital employed	Equity plus interest-bearing liabilities and provisions
Interest-bearing net debt	Interest-bearing liabilities and provisions less cash and cash equivalents and current investments
Net debt/equity ratio	Net interest-bearing liabilities in relation to equity
Equity/assets ratio	Equity as a percentage of the balance-sheet total
Equity per share	Equity in relation to the total number of shares outstanding
Items affecting comparability	Items affecting comparability comprise the financial effects from events or transactions with significant consequences that are relevant to understanding earnings in a comparison between periods. Items affecting comparability comprise non-recurring items such as restructuring, impairments, acquisitions, and earnings from disposal of assets or businesses.
Production volume	Nominal sawn volume in cubic metres less estimated offcuts and wastage in further internal production processes
Sales volumes	Nominal delivered volume in cubic metres (volume calculated before planing, if any)

RECONCILIATION TABLE FOR PERFORMANCE MEASURES

Continuing operations

Amounts in SEK m	2020 Jul-Sep 3 months	2019 Jul-Sep 3 months	2020 Jan-Sep 9 months	2019 Jan-Sep 9 months	2019 Jan-Dec 12 months
Equity					1,102
Interest-bearing liabilities					761
Provisions					5
Capital employed					1,868
Profit/loss after financial items					40
Financial expenses					34
Total					74
Average capital employed					1,789
Return on capital employed, %					4.1
Interest bearing liabilities, long-term	180	611	180	611	604
Interest bearing liabilities, short-term	35	160	35	160	157
Total interest-bearing liabilities	215	771	215	771	761
Cash and cash equivalents	-204	-107	-204	-107	-86
Interest-bearing net debt	11	664	11	664	675
Interest-bearing net debt	11	664	11	664	675
Equity	1,226	1,144	1,226	1,144	1,102
Net debt/equity ratio	0.01	0.58	0.01	0.58	0.61
Equity	1,226	1,144	1,226	1,144	1,102
Total assets	1,771	2,307	1,771	2,307	2,231
Equity/assets ratio, %	69	50	69	50	49
Operating profit	31	12	79	81	73
Depreciation/amortisation and impairment	22	19	55	46	60
EBITDA	53	31	134	127	133
Items affecting comparability	-	-10	-	-21	-18
Adjusted EBITDA	53	21	134	106	115
Net sales	518	463	1,591	1,651	2,056
Adjusted EBITDA margin, %	10.2	4.5	8.4	6.4	5.6
Operating profit	31	12	79	81	73
Net sales	518	463	1,591	1,651	2,056
Operating margin, %	6.0	2.6	5.0	4.9	3.6
Operating profit	31	12	79	81	73
Items affecting comparability	-	-10	-	-21	-18
Adjusted operating profit	31	2	79	60	55
Net sales	518	463	1,591	1,651	2,056
Adjusted operating margin, %	6.0	0.4	5.0	3.6	2.7

SPECIFICATION OF ITEMS AFFECTING COMPARABILITY

Continuing operations

Amounts in SEK m	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Settlement of negative goodwill	–	–	–	–	–	11	–
Restructuring costs	–	–	–	-3	-5	–	–
Earnout reversed	–	–	–	–	15	–	–
Impact on EBITDA	–	–	–	-3	10	11	–
Impact on operating profit	–	–	–	-3	10	11	–

Items affecting comparability recognised in Q2–Q3 2019 pertain to Other segment. Items affecting comparability in Q4 2019 pertain to the Sawmills segment.

RECONCILIATION TABLE FOR PERFORMANCE MEASURES

Discontinued operations

Amounts in SEK m	2020 Jul-Sep 3 months	2019 Jul-Sep 3 months	2020 Jan-Sep 9 months	2019 Jan-Sep 9 months	2019 Jan-Dec 12 months
Operating profit	95	-10	91	19	5
Depreciation/amortisation and impairment	1	7	35	23	34
EBITDA	96	-3	126	42	39
Items affecting comparability	-87	-	-74	-	-
Adjusted EBITDA	9	-3	52	42	39
Net sales	194	258	858	868	1 150
Adjusted EBITDA margin, %	4.6	–	6.1	4.8	3.3
Operating profit	95	-10	91	19	5
Net sales	194	258	858	868	1 150
Operating margin, %	49.0	–	10.6	2.2	0.4
Operating profit	95	-10	91	19	5
Items affecting comparability	-87	-	-57	-	-
Adjusted operating profit	8	-10	34	19	5
Net sales	194	258	858	868	1 150
Adjusted operating margin, %	4.1	–	4.0	2.2	0.4

SPECIFICATION OF ITEMS AFFECTING COMPARABILITY

Discontinued operations

Amounts in SEK m	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Earnings from sale of sawmills	87	–	–	–	–	–	–
Closure of sawmill	–	–	-13	–	–	–	–
Impact on EBITDA	87	–	-13	–	–	–	–
Depreciation of non-current assets	–	–	-17	–	–	–	–
Impact on operating profit	87	–	-30	–	–	–	–

9. QUARTERLY OUTCOME BY SEGMENT

Segments are monitored and reported including operating profit.

Statement of income

Amounts in SEK m	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Net sales	518	545	528	405	463	619	569
Sawmills	175	202	202	182	171	267	256
Further Processed	339	342	302	207	265	333	269
Other	80	46	59	46	52	56	54
Intra-Group deliveries	-76	-45	-35	-30	-25	-37	-10
EBITDA	53	52	29	7	31	51	44
Sawmills	18	26	14	7	2	13	28
Further Processed	31	32	16	10	21	27	17
Other	4	-6	-1	-10	8	11	-1
Adjusted EBITDA	53	52	29	10	21	40	44
Sawmills	18	26	14	10	2	13	28
Further Processed	31	32	16	10	21	27	17
Other	4	-6	-1	-10	-2	0	-1
Adjusted EBITDA margin, %	10.2	9.5	5.5	2.5	4.5	6.5	7.7
Sawmills	10.3	12.9	6.9	5.5	1.2	4.9	10.9
Further Processed	9.1	9.4	5.3	4.8	7.9	8.1	6.3
Operating profit	31	35	13	-7	12	36	32
Sawmills	12	16	7	-2	-8	5	21
Further Processed	18	23	8	4	12	23	13
Other	1	-4	-2	-9	8	8	-2
Adjusted operating profit	31	35	13	-4	2	25	32
Sawmills	12	16	7	1	-8	5	21
Further Processed	18	23	8	4	12	23	13
Other	1	-4	-2	-9	-2	-3	-2
Adjusted operating margin, %	6.0	6.4	2.5	–	0.4	4.0	5.6
Sawmills	6.9	7.9	3.5	0.5	–	1.9	8.2
Further Processed	5.3	6.7	2.6	1.9	4.5	6.9	4.8

This is Bergs – an international wood products Group

Bergs Timber processes raw materials from sustainable forests in Sweden, Estonia and Latvia.
The entire business process creates value for a large number of stakeholders.



RAW FORESTRY MATERIALS 0.8m m³fub

Purchase of saw timber from private and state forest owners in Estonia and Latvia.

SAWMILLS 0.4 m m³

Planks and boards in various dimensions, lengths and qualities.

Cellulose chips, sawdust and bark to external customers.

FURTHER PROCESSED

Planned products for construction and renovation

Windows, doors, wooden buildings and house modules

Garden products Outdoor furniture, fences, windbreaks, privacy screens

Wood preservatives Impregnated and fire-retardant wood

Pellets and fire logs

OTHER DISTRIBUTION

Harbour and logistics centre in the UK
Logistics services

Our operations – conducted through wholly owned subsidiaries in Sweden, Estonia, Latvia and the UK – encompass sawmills and processing as well as distribution and logistics. Bergs is listed on Nasdaq Stockholm,

SEK 2 billion

Sales

~850

Employees

Business concept

Bergs owns and develops companies that produce and sell processed timber products to discerning customers in selected markets.

This means that:

- We own and develop companies in the timber industry
- Our subsidiaries develop and produce processed wood products, with the customer's needs in focus
- We have a decentralised business model
- We work sustainably throughout the value chain – with raw materials from responsibly cultivated forests – all the way to

Financial targets

- EBITDA margin: >7% over a business cycle
- Return on capital employed: >10% over a business cycle
- Growth: 2% organic and 5–10% including acquisitions over a business cycle
- Dividends normally 25–40% of net profit
- Net debt/equity ratio: <1.0

www.bergstimber.com