

BERGS

Interim Report
1 January – 30 June 2021

Q2



Interim Report

1 January–30 June 2021

SECOND QUARTER (1 APRIL–30 JUNE)*

- Net sales increased by 52% to SEK 826 million (545). The increase in net sales was mainly related to higher sales prices, but higher sales volumes also contributed positively.
- EBITDA amounted to SEK 146 million (52), an increase primarily related to higher sales prices for products in Wood Protection and Sawn Wood. The EBITDA margin was 17.7% (9.5).
- Operating profit amounted to SEK 128 million (35), corresponding to an operating margin of 15.5% (6.4).
- Profit for the period amounted to SEK 118 million (24).
- Earnings per share, before and after dilution, was SEK 0.34 (0.04).
- Cash flow from operating activities amounted to SEK 27 million (143), negatively affected by a higher level of working capital due to higher sales- and raw material prices.
- Financial net debt totalled SEK 263 million (565) as of 30 June 2021.
- The acquisition of the Performance Timber Products Group in the UK was completed in June. Transaction costs of SEK 5 million affected the result for the second quarter.

INTERIM PERIOD (1 JANUARY–30 JUNE)*

- Net sales increased by 32% to SEK 1,419 million (1,073). The increase in net sales was mainly related to higher sales prices, but higher sales volumes also contributed positively.
- EBITDA amounted to SEK 211 million (81), an increase primarily related to higher sales prices for products in Wood Protection and Sawn Wood. The EBITDA margin was 14.9% (7.5).
- Operating profit amounted to SEK 175 million (48), corresponding to an operating margin of 12.3% (4.5).
- Profit for the period amounted to SEK 171 million (30).
- Earnings per share, before and after dilution, was SEK 0.49 (0.10).
- Cash flow from operating activities amounted to SEK -81 million (137), negatively affected by a higher level of working capital due to higher sales- and raw material prices.
- A strategic orientation and new financial targets that reflect the Group's growth and profitability ambitions were publicised in March.

*) 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 page 16.

The Group's key performance indicators

AMOUNTS IN SEK million	2021 Apr-Jun 3 months	2020 Apr-Jun 3 months	2021 Jan-Jun 6 months	2020 Jan-Jun 6 months	2020 Jan-Dec 12 months
Net sales	826	545	1,419	1,073	2,149
EBITDA	146	52	211	81	212
EBITDA margin, %	17.7	9.5	14.9	7.5	9.9
Operating profit	128	35	175	48	137
Operating margin, %	15.5	6.4	12.3	4.5	6.4
Profit for the period	118	24	171	30	169
Earnings per share, before and after dilution, SEK	0.34	0.04	0.49	0.10	0.30
Earnings per share, including discontinued operations, SEK	0.34	0.07	0.49	0.09	0.49
Equity per share, SEK	3.92	3.27	3.92	3.27	3.61

Cover: Windows delivered by Mumford & Wood, a company in the PTP Group, as part of a refurbishment of a boutique hotel in Pimlico, London.

Record earnings in second quarter and continued good market prospects

SECOND QUARTER

2021 continues to be a strong year, and we reported an EBITDA of SEK 146 million for the second quarter, compared with SEK 52 million last year. Net sales during the quarter amounted to SEK 826 million, an increase of SEK 281 million (or 52 per cent) year-on-year. The increase is attributable to higher sales prices and increased capacity utilisation.

The market for renovation remains strong and new construction has also increased in several of our key markets. Order intake during the quarter was high and capacity utilisation was close to maximum. Increased raw material prices have been offset by increased prices for our products and margins have increased.

PERFORMANCE BY PRODUCT AREA

Wood Protection

The market for renovations and improvements remains strong. Demand is and remains significant, which has resulted in shortages in parts of our product range. We are seeing a continued trend towards more exclusive products and increased interest in sustainability from consumers. The expansion of our capacity for linseed oil impregnation (Linax) is proceeding according to plan and our English distribution business is performing well.

Joinery

The high demand for garden products continues and deliveries to the French market in particular have been at record highs. The market for windows and doors also remains strong and our capacity for 2021 is now almost completely sold out.

Sawn Wood

The market for sawn wood products has performed very strongly with sharp price increases as a result. Prices in the US market rose very sharply during the winter and spring and we are now seeing a fairly strong rebound. At the same time, prices in Europe and Japan continue to rise. Despite production increases, inventory levels remain low ahead of the autumn.

Despite increased raw material costs, we estimate that the margins for our sawmills will be good for the rest of the year.

Other (Energy & Logistics)

The market for pellets was disappointing during the previous year and remained so in early 2021. We are now seeing prices stabilise at low levels. This in combination with reduced raw material prices means that we expect a slightly better performance for the coming autumn and winter.

ACQUISITIONS AND INVESTMENTS

On 23 June, the UK-based Performance Timber Products Group (PTPG) was acquired. PTPG is one of the UK's leading players in the premium wooden windows and doors segment. In addition to

own production, the business encompasses sales of bespoke windows and doors, primarily for unique renovation projects, as well as retail sales through a well-developed network of 43 showrooms in the UK. The business will be part of the Joinery product area and is expected to have annual sales of approximately SEK 250 million.

This acquisition strengthens our position in the key UK market, simultaneously enabling an expansion of our existing operations in Latvia. The Board has today decided to invest approximately SEK 20 million in our door and window operations in Latvia to increase production capacity by 60 per cent. The investment will be ready by the spring of 2022.

During the summer, approximately SEK 35 million will be invested in our Latvian sawmill, Vika Wood, to further improve productivity.

STRATEGY

The work of transforming Bergs from a sawmill company to an active owner company continues. Our respective operating companies are working in line with the business plans to develop the operations. One area being prioritised is digital development, where several projects are ongoing.

The acquisition of PTPG is a step in our strategy to expand in the Joinery product area, where we see continued interesting opportunities.

FUTURE PROSPECTS

We believe that the market will remain favourable for the rest of the year. The continued impact of the pandemic and relatively low interest rates mean that interest in renovation and new construction remains significant. Order intake for all product areas remains healthy and we expect full capacity utilisation during the third quarter. Seasonal sales volumes in the last quarter of the year, mainly for Wood Protection, are somewhat lower. At the same time, we expect a good cash flow for the rest of the year.

Vimmerby, 29 July 2021

Peter Nilsson
President and CEO



Net sales and operating profit

APRIL-JUNE 2021 COMPARED WITH APRIL-JUNE 2020

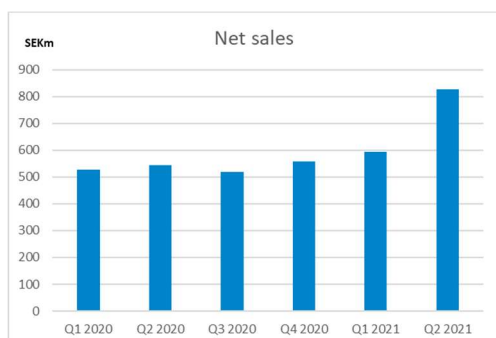
Net sales for the second quarter of 2021 amounted to SEK 826 million (545). The increase of SEK 281 million, corresponding to 52 per cent, is attributable primarily to higher sales prices for products in Wood Protection and Sawn Wood but also to higher sales volumes. Higher sales volumes in Joinery contributed positively.

EBITDA increased to SEK 146 million (52), which corresponds to an EBITDA margin of 17.7 % (9.5). The increase is primarily related to higher sales prices for products in Wood Protection and Sawn Wood.

Operating profit amounted to SEK 128 million (35), which corresponds to an operating margin of 15.5 % (6.4).

JANUARY-JUNE 2021 COMPARED WITH JANUARY-JUNE 2020

Net sales for the first half year of 2021 amounted to SEK 1,419 million (1,073). The increase of SEK 346 million, corresponding to 32 per cent, is attributable primarily to higher sales prices for products in Wood Protection and Sawn Wood but also to higher sales volumes. Higher sales volumes in Joinery contributed positively.



EBITDA increased to SEK 211 million (81), which corresponds to an EBITDA margin of 14.9% (7.5). The increase is primarily related to higher sales prices for products in Wood Protection and Sawn Wood.

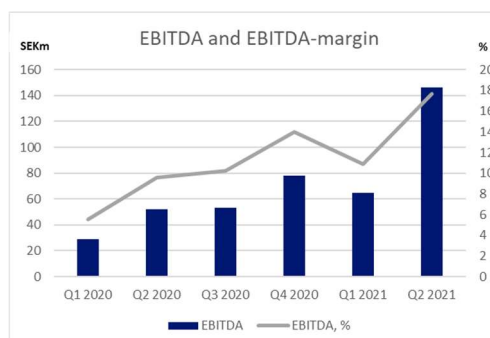
Operating profit amounted to SEK 175 million (48), which corresponds to an operating margin of 12.3 % (4.5).

APRIL-JUNE 2021 COMPARED WITH JANUARY-MARCH 2021

Net sales amounted to SEK 826 million, compared with SEK 593 million for the first quarter of 2021, up SEK 233 million. The increase is attributable primarily to higher sales prices for products in Wood Protection and Sawn Wood but also to higher sales volumes. Higher sales volumes in Joinery contributed positively.

EBITDA amounted to SEK 146 million (65), corresponding to an EBITDA margin of 17.7 % (11.0). The increase is primarily related to higher sales prices for products in Wood Protection and Sawn Wood.

Operating profit amounted to SEK 128 million (47).



Cash flow and financing

Cash flow from operating activities for the period January–June amounted to SEK -81million (137). The cash-flow effects from changes in working capital amounted to SEK -280 million (44). The first half of the year was characterised by seasonally higher accounts receivable and inventories. Working capital also increased due to higher sales- and raw material prices. Last year's cash flow was significantly affected by reduced raw material stock in the divested Swedish sawmill business. Investments in property, plant and equipment amounted to SEK -44 million (-42).

The Group's net financial debt at 30 June 2021 totalled SEK 263 million, compared to SEK -32 million (net cash holdings) at 31 December 2020. The net debt/equity ratio was 0.19. The higher net debt is attributable to higher working capital, dividends paid and the acquisition of Performance Timber Products Group. The

acquisition was primarily financed by a new term loan of SEK 100 million.

Loans and credit facilities on 30 June 2021, SEK million:

Loan	Limit	Repayments, years			Total utilised
		0–1	1–2	2–	
Term loans		277			277
Revolving credit facility	100				50
Overdraft facilities	115				19
Total		277	—	—	346

Available cash and cash equivalents, including unutilised credit facilities, totalled SEK 245 million.

Net financial items for the Group for January–June amounted to SEK 0 million (-17), of which SEK 5 million (3) in unrealised positive currency exchange differences related to receivables in the Parent Company pertaining to dividends from subsidiaries.

Product areas

Bergs's operational activities consist of independent subsidiaries with clear responsibilities for results, who conduct operations in three different product areas. These are Wood Protection, Joinery and Sawn Wood. Moreover, Bergs is engaged in the production of pellets as well as port and distribution operations in the UK.

The product areas constitute reporting segments as of 2021. The figures for 2020 have been restated in accordance with the new segment division.

Product area	Wood Protection	Joinery	Sawn Wood	Other (Energy & Logistics)
Products	Treated wood (impregnated, fire-retardant, etc.) in accordance with international standards and environmental requirements. This also includes a special range of untreated and treated planed products for the DIY sector	High-quality wood products such as doors, windows, houses, outdoor furniture and garden products.	Sawn products for processing by industrial customers.	Pellets and fire logs for heating. Port and distribution operations in the UK

NET SALES

Amounts in SEK m	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Wood Protection	421	267	687	519
Joinery	102	64	182	123
Sawn Wood	313	202	540	404
Other	30	37	70	88
Internal net sales	-40	-25	-60	-59
External net sales	826	545	1,419	1,073

EBITDA

Amounts in SEK m	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Wood Protection	79	21	111	29
Joinery	8	6	15	11
Sawn Wood	80	26	113	40
Other	-5	5	-5	11
Joint and eliminations	-16	-6	-23	-10
EBITDA	146	52	211	81

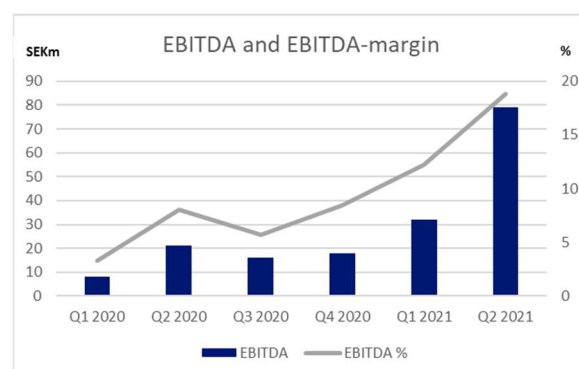
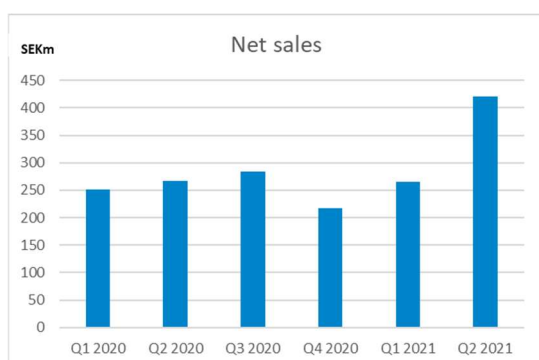
WOOD PROTECTION

Wood Protection conducts operations in wood preservatives. Operations are conducted in Sweden, Estonia and the UK. The majority of production takes place at the Byko-Lat and Bitus subsidiaries.

Amounts in SEK m	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Net sales	421	267	687	519
EBITDA	79	21	111	29
Operating profit	74	17	102	21
EBITDA margin, %	18.8	8.0	16.2	5.6
Operating margin, %	17.6	6.2	14.8	4.0

Net sales for the second quarter amounted to SEK 421 million (267). The increase was primarily attributable to higher sales prices as a result of healthy demand but also to higher sales volumes.

EBITDA amounted to SEK 79 million (21). The increase was primarily attributable to higher sales prices.



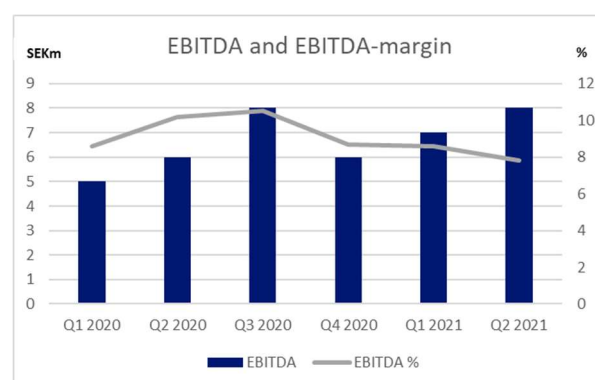
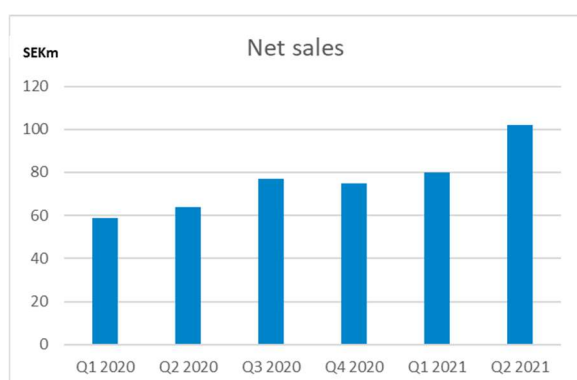
JOINERY

The Joinery product area manufactures processed products from wood such as houses, windows and doors as well as a broad range of garden products such as fencing, windbreaks, benches, tables and swimming pool sets.

Amounts in SEK m	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Net sales	102	64	182	123
EBITDA	8	6	15	11
Operating profit	6	5	11	9
EBITDA margin, %	7.8	10.2	8.2	8.9
Operating margin, %	5.9	8.3	6.0	7.3

Net sales for the second quarter amounted to SEK 102 million (64). The increase was primarily attributable to higher sales volumes for garden products, windows and doors.

EBITDA amounted to SEK 8 million (6). The increase is primarily attributable to higher sales volumes. Costs related to the start-up of the Swedish sales and market subsidiary Woodworks by Bergs affected the result by SEK -3 million (-2).



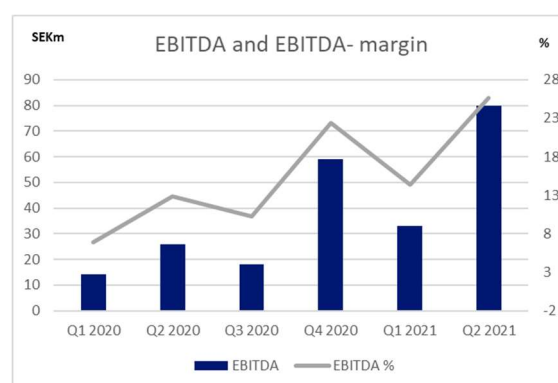
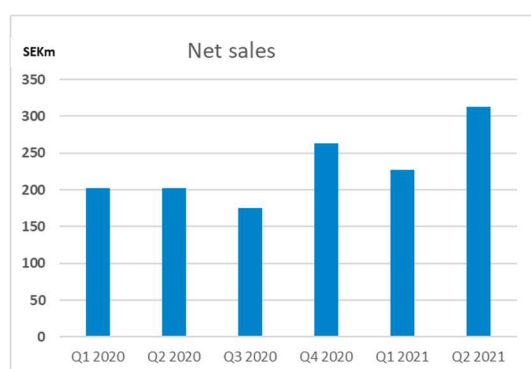
SAWN WOOD

The Sawn Wood product area produces sawn products from two subsidiaries: Vika Wood in Latvia and Laesti in Estonia. These companies process raw forestry materials into planks and boards in various dimensions, lengths and qualities.

Amounts in SEK m	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Net sales	313	202	540	404
EBITDA	80	26	113	40
Operating profit	74	16	99	23
EBITDA margin, %	25.6	12.9	20.9	9.9
Operating margin, %	23.6	7.9	18.3	5.7
Sales volumes, '000 m3	102	89	193	177
Production volume, '000 m3	103	87	199	179

Net sales for the second quarter amounted to SEK 313 million (202). The increase was primarily attributable to higher sales prices but higher sales volumes also contributed positively.

EBITDA amounted to SEK 80 million (26). The higher earnings are attributable primarily to higher sales prices, as a result of healthy demand for sawn products but also to higher sales and production volumes. Demand exceeded production and stock among producers is low.

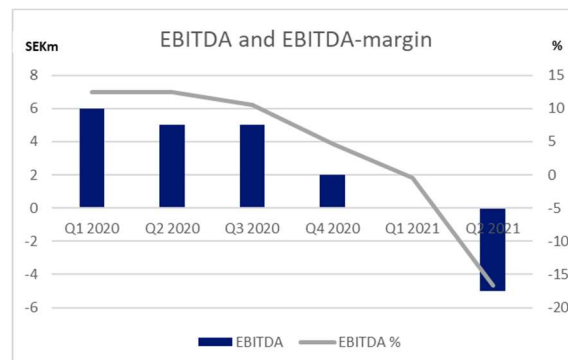
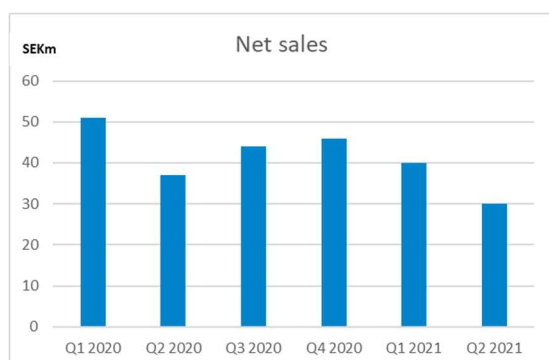
**OTHER (ENERGY & LOGISTICS)**

In addition to the three product areas, Bergs owns additional assets in the form of pellet manufacturing as well as a port and logistics facility in the UK.

Amounts in SEK m	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Net sales	30	37	70	88
EBITDA	-5	5	-5	11
Operating profit/loss	-11	2	-15	4
EBITDA margin, %	-16.7	12.4	-7.1	12.5
Operating margin, %	-36.7	5.0	-21.4	4.5

Net sales for the second quarter amounted to SEK 30 million (37). The lower net sales were attributable primarily to lower sales volumes and sales prices for pellets.

EBITDA amounted to SEK -5 million (5). The decrease is attributable to pellet operations that performed negatively as a result of the warm weather and good access to pellets in the market.



Other information

TAX

Recognised tax for the period January-June amounted to SEK -4 million (2). The effective tax rate was 2 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 regarding undistributed profits in the Baltic companies totalled approximately SEK 95 million at 30 June 2021.

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.

EFFECTS OF COVID-19

We have seen restrictions being eased in most markets as infection rates decline and vaccination programs are implemented. However, the situation is still uncertain. Bergs operates in market and customer segments that to date have been negatively impacted to only a lesser extent; in our opinion, this will continue to be the case. During the quarter, we had a small number of employees who fell ill with COVID-19. There have been no serious cases, and production has not been impacted.

ACQUISITION OF PERFORMANCE TIMBER PRODUCTS GROUP

On 23 June 2021, Bergs acquired all shares in the UK-based Performance Timber Products Group (PTPG). The company manufactures, markets, and sells bespoke windows and doors in the premium segment and in 2020 had sales of approximately GBP 22 million.

With this acquisition, Bergs gains access to a number of robust brands, extensive marketing and logistics knowledge, and a reputable producer of high-quality wooden windows and doors. The transaction consolidates Berg's position in the UK and creates opportunities for further expansion in the Joinery product area.

A significant proportion of PTPG's products have been supplied for many years by Berg's subsidiary Byko-Lat in Latvia. This collaboration will now be developed further, combining local market presence and knowledge of customer needs in the UK market with efficient production of high-quality windows and doors. The transaction creates opportunities for Byko-Lat to implement its plans for further expansion and development of the manufacture of windows and doors.

The acquired business is recognised in Bergs as of 23 June 2021 and is included in the Joinery product area. The acquisition is expected to contribute a turnover of approximately SEK 250 million per year and show an EBITDA margin that over time is in line with the Group's targets. In addition to a favourable cash flow, the acquisition is expected to make a positive contribution to earnings per share already during the current year.

The purchase price on a debt-free basis amounted to SEK 142 million, of which SEK 113 million related to shares and was paid in cash. The acquisition was largely financed by a new loan within the framework of an existing loan agreement with Danske Bank and the Swedish Export Credit Corporation. Through the acquisition, Berg's reported goodwill and other intangible fixed assets will increase preliminarily by SEK 112 million.

For further information about the acquisition, see note 5 on page 17.

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 January–June amounted to SEK -13 million (-9).

CALENDAR

Interim Report, January–September 2021	28 October 2021
--	-----------------

This interim report has not been subject to review by the company's auditors.

The Board of Directors and President certify that the half-year interim report gives a true and fair view of the Company's and Group's operations, financial position and result of operations, and describes material risks and uncertainties facing the Company and the companies included in the Group.

Vimmerby, 29 July 2021
Bergs Timber AB (publ)

Michael Bertorp
Chairman of the Board

Åke Bergh
Board member

Ingrida Bluma
Board member

Jón Helgi Guðmundsson
Board member

Lars Gustafsson
Board member

Guðmundur H Jónsson
Board member

Peter Nilsson
President and CEO

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 required to disclose pursuant to the EU's Market Abuse Regulation. The information was released for publication on 29 July 2021 at 1:00 p.m. CEST. 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, Sweden.
Tel: +46 10 199 84 00

Condensed consolidated income statement

Amounts in SEK m (Pertains to continuing operations unless otherwise stated)	2021 Apr-Jun 3 months	2020 Apr-Jun 3 months	2021 Jan-Jun 6 months	2020 Jan-Jun 6 months	2020 Jan-Dec 12 months
Net sales	826	545	1,419	1,073	2,149
Changes to products in process and finished goods	9	-37	61	-29	-30
Other operating income	3	3	6	8	5
Total	838	511	1,486	1,052	2,124
Operating expenses					
Raw materials and consumables	-497	-341	-922	-704	-1,311
Other external costs	-105	-63	-188	-150	-341
Personnel costs	-90	-55	-165	-117	-260
Depreciation/amortisation and impairment	-18	-17	-36	-33	-75
Total operating expenses	-710	-476	-1,311	-1,004	-1,987
Operating profit	128	35	175	48	137
Finance income	0	0	5	0	1
Financial expenses	-8	-31	-5	-17	-45
Profit after financial items	120	4	175	31	93
Tax on profit for the period	-2	9	-4	2	12
Profit for the period from continuing operations	118	13	171	33	105
Profit/loss from discontinued operations, net after tax	-	11	-	-3	64
Profit for the period	118	24	171	30	169
Attributable to					
Parent Company shareholders	118	24	171	30	169
Non-controlling interests	—	—	—	—	—
Earnings per share, before and after dilution, continuing operations, SEK	0.34	0.04	0.49	0.10	0.30
Earnings per share, before and after dilution, including discontinued operations, SEK	0.34	0.07	0.49	0.09	0.49
Average number of shares, thousands	346,728	346,728	346,728	346,728	346,728

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

Statement of comprehensive income (net after tax)

Amounts in SEK m	2021 Apr-Jun 3 months	2020 Apr-Jun 3 months	2021 Jan-Jun 6 months	2020 Jan-Jun 6 months	2020 Jan-Dec 12 months
Profit for the period	118	24	171	30	169
Change in hedge reserve (net after tax)	—	9	—	4	2
Translation differences	-5	-26	6	-3	-22
Comprehensive income for the period	113	7	177	31	149
Attributable to:					
Parent Company shareholders	113	7	177	31	149
Non-controlling interests	—	—	—	—	—

Condensed consolidated balance sheet

Amounts in SEK m	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	327	192	187
Property, plant and equipment, incl. right-of-use assets	735	711	665
Financial assets	1	1	1
Deferred tax assets	22	23	14
Total non-current assets	1,085	927	867
Current assets			
Inventory	509	297	349
Current receivables	486	498	241
Cash and bank balances	101	110	242
Assets classified as held for sale	-	368	-
Total current assets	1,096	1,273	832
TOTAL ASSETS	2,181	2,200	1,699
Equity and liabilities			
Equity	1,359	1,133	1,251
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	15	535	168
Other non-current liabilities and provisions	16	13	5
Deferred tax liabilities	29	32	19
Total non-current liabilities	60	580	192
Current liabilities			
Interest-bearing liabilities	349	132	42
Non-interest bearing liabilities	413	331	214
Liabilities associated with assets classified as held for sale	-	24	-
Total current liabilities	762	487	256
TOTAL EQUITY AND LIABILITIES	2,181	2,200	1,699

CHANGES IN EQUITY (NO MINORITY EXISTS)

Amounts in SEK m	2021 Jan-Jun 6 months	2020 Jan-Jun 6 months	2020 Jan-Dec 12 months
Equity, opening balance	1,251	1,102	1,102
Comprehensive income for the period	177	31	149
Dividend paid	-69	0	0
Total equity at the end of the period	1,359	1,133	1,251

Condensed cash flow statement

Amounts in SEK m	2021 Apr-Jun 3 months	2020* Apr-Jun 3 months	2021 Jan-Jun 6 months	2020* Jan-Jun 6 months	2020* Jan-Dec 12 months
Operating activities					
Profit after financial items, incl. discontinued operations	120	18	175	27	184
Adjustments for non-cash items**	28	50	32	66	39
Income taxes paid	-7	0	-7	0	0
Cash flow from operating activities before changes in working capital	141	68	199	93	223
Change in inventories	-65	164	-142	206	181
Change in operating receivables	-93	-25	-218	-167	79
Change in operating liabilities	44	-64	80	5	-128
Cash flow from operating activities	27	143	-81	137	355
Sale of industry segments	-	-	-	-	390
Business combination	-73	-	-73	-	-
Acquisition of property, plant and equipment	-27	-22	-44	-42	-69
Sale of property, plant and equipment	0	0	0	6	6
Change in financial assets	0	0	0	0	0
Cash flow from investment activities	-100	-22	-117	-36	327
Change in financial receivables and liabilities	110	-92	125	-77	-524
Paid dividend	-69	-	-69	-	-
Cash flow from financing activities	41	-92	56	-77	-524
Cash flow for the period	-32	29	-142	24	158
Cash and cash equivalents at start of period	133	84	242	86	86
Translation differences in cash and cash equivalents	0	-3	1	0	-2
Cash and cash equivalents at end of period	101	110	101	110	242

*) The cash flow statement for 2020 is including the discontinued operations. The Swedish sawmill business was sold on 1 September 2020. All balance items have not been fully allocated to discontinued operations since the operations were run in the same legal entity as the continuing operations. Therefore, the cash flow statement includes the discontinued operations.

**) Pertains primarily to depreciation and unrealised exchange rate effects.

The Group's key performance indicators and targets

Amounts in SEK m	Financial targets	2021 Apr-Jun 3 months	2020 Apr-Jun 3 months	2021 Jan-Jun 6 months	2020 Jan-Jun 6 months	2020 Jan-Dec 12 months
Net sales		826	545	1,419	1,073	2,149
EBITDA		146	52	211	81	212
EBITDA margin, %	>9	17.7	9.5	14.9	7.5	9.9
Operating profit		128	35	175	48	137
Operating margin, %		15.5	6.4	12.3	4.5	6.4
Return on capital employed, %, 12 months						8.3
Earnings per share, SEK		0.34	0.04	0.49	0.10	0.30
Earnings per share, incl. discontinued operations, SEK		0.34	0.07	0.49	0.09	0.49
Interest-bearing net debt		263	565	263	565	-32
Net debt/equity ratio	<1.0	0.19	0.50	0.19	0.50	neg
Equity/assets ratio, %		62.3	51.5	62.3	51.5	74.0
Average number of shares, thousands		346,728	346,728	346,728	346,728	346,728
Equity per share, SEK		3.92	3.27	3.92	3.27	3.61

Condensed Parent Company statement of income

Amounts in SEK m	2021 Jan–Jun 6 months	2020 Jan–Jun 6 months
Other operating income	2	6
Total	2	6
Operating expenses		
Other external costs	-7	-8
Personnel costs	-8	-7
Depreciation	0	0
Other operating expenses	0	0
Total operating expenses	-15	-15
Operating loss	-13	-9
Finance income	5	12
Financial expenses	-4	-17
Loss after financial items	-12	-14
Tax on profit for the period	2	2
Loss for the period	-10	-12

Condensed Parent Company balance sheet

Amounts in SEK m	2021 30 Jun	2020 30 Jun
Assets		
Property, plant and equipment	1	0
Financial assets	1,238	1,302
Total non-current assets	1,239	1,302
Receivables from Group companies	1	187
Other current receivables	24	5
Cash and bank balances	68	23
Total current assets	93	215
TOTAL ASSETS	1,332	1,517
Liabilities and equity		
Equity	842	852
Untaxed reserves	20	0
Non-current liabilities	0	528
Current liabilities	470	137
TOTAL EQUITY AND LIABILITIES	1,332	1,517

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 2020; refer to pages 60–65. 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

Income is recognised at a point in time, normally upon delivery, and after the sale of the Swedish sawmills, income essentially pertains only to sawn and processed wood products.

January–June 2021 Amounts in SEK m	Wood Protection	Joinery	Sawn Wood	Other	Group total
Sweden	158	14	0	16	188
UK	253	62	23	27	365
Baltics	21	5	298	5	329
Rest of Europe	234	97	83	22	436
Rest of world	7	1	92	1	101
Total external net sales	673	179	496	71	1,419

January–June 2020 Amounts in SEK m	Wood Protection	Joinery	Sawn Wood	Other	Group total
Sweden	102	2	0	18	122
UK	158	43	6	19	226
Baltics	16	1	216	4	237
Rest of Europe	223	66	57	30	376
Rest of world	0	0	112	0	112
Total external net sales	499	112	391	71	1,073

3. DISCONTINUED OPERATIONS

On 1 September 2020, the sale of 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 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 for the period, net after tax, from discontinued operations are presented as a single amount in the consolidated income statement.

Net earnings from discontinued operations

Amounts in SEK m	2021 Apr-Jun 3 months	2020 Apr-Jun 3 months	2021 Jan-Jun 6 months	2020 Jan-Jun 6 months	2020 Jan-Dec 12 months
Net sales	—	336	—	664	858
Earnings from the disposal	—	—	—	—	87
Expenses	—	-314	—	-634	-819
EBITDA	—	22	—	30	126
Depreciation	—	-8	—	-34	-35
Operating profit/loss	—	14	—	-4	91
Taxes	—	-3	—	1	-27
Net earnings from discontinued operations	—	11	—	-3	64

4. FINANCIAL INSTRUMENTS BY CATEGORY

Amounts in SEK m	Level	Carrying amount 30 Jun 2021	Fair value 30 Jun 2021	Carrying amount 31 Dec 2020	Fair value 31 Dec 2020
Financial assets at amortised cost					
Financial investments	—	0	0	0	0
Trade receivables	—	442	442	207	207
Other receivables	—	20	20	14	14
Cash and cash equivalents	—	101	101	242	242
Derivatives for hedge accounting					
Derivatives	2	0	0	0	0
		563	563	463	463
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	—	348	348	200	200
Accounts payable	—	202	202	96	96
Earnout	3	-	-	10	10
Other liabilities	—	63	63	25	25
Derivatives for hedge accounting					
Derivatives	2	0	0	0	0
		613	613	331	331

The Group has a framework agreement with the primary bank for trade in derivatives. Fair value of foreign exchange forward contracts and currency option contracts are equal to the market value of the contracts at the balance sheet date, which is recognised under level 2. Liabilities to credit institutions run with variable interest and a market-based credit margin, which is why fair value corresponds to carrying amount. At this closing date, the difference between the carrying amount and fair value of liabilities on Level 3 was marginal

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: Data for the asset or liability that is not completely based on observable market data.

5. ACQUISITIONS

On 23 June 2021, Bergs acquired all shares in the UK-based company Performance Timber Products Group (PTPG). The company manufactures, markets, and sells bespoke windows and doors in the premium segment. The acquired business is recognised in Bergs from 23 June 2021 and is included in the Joinery product area.

Preliminary purchase price allocation

The purchase method has been used for reporting of the acquisition. A preliminary purchase price allocation has been prepared as shown in the table below. The analysis is preliminary as individual items are subject to further analysis for fair value and may be adjusted.

Amounts in SEK million

Purchase consideration, cash			113
Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Goodwill and other intangible assets	26	112	138
Property, plant and equipment	54		54
Inventories	14		14
Other current assets	24		24
Cash and cash equivalents	40		40
Provisions	-12		-12
Other operation liabilities	-145		-145
	1	112	113

Cash flow effect

Amounts in SEK m

Purchase consideration, cash	-113
Cash and cash equivalents in acquired company	40
Transaction costs	-5
	-78

Transaction costs amounted to SEK 5 million and are included in Other external costs in the income statement.

The acquired company was consolidated as of 23 June 2021 and contributed SEK 0 million in net sales and SEK 0 million in operating profit for the period 23 June–30 June 2021. If the company had been consolidated as of 1 January 2021, it would have contributed SEK 152 million in net sales and SEK 10 million in operating profit.

6. INFORMATION ON RISKS AND UNCERTAINTIES**Price trends sawn products**

The price trend for sawn 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. Bergs is working continually to minimise the risks of the spread of contagion among employees in our operations. The outbreak of COVID-19 has to date had a limited impact on Bergs.

Financial risks

Bergs 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 certain part of the expected currency flow for the next six months can be hedged.

Cost of fixed assets

Owing to the existence of goodwill, the recognised cost of fixed assets is 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 2021, 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 77 of the 2020 Annual Report.

For a complete presentation of the identified risk as well as the company's risk management efforts, refer to pages 37–39 of the 2020 Annual Report.

7. RELATED-PARTY TRANSACTIONS

Transactions with Board members, senior executives and companies related to them have not been of such scope that they had any material impact on the Group's financial position and earnings.

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 2020 Annual Report.

In conjunction with the acquisition of the operations of the primary shareholder Norvik in the Baltics and the UK in 2018, an agreement was signed that an earnout may be paid. The remaining unpaid earnout totalling SEK 10 million, was paid in June 2021.

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 2020 Annual Report.

The estimates and reconciliation of alternative performance measures can be found on the company's website, www.bergstimber.com under Financial reports.

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 when comparing between periods. Items affecting comparability encompasses items of a non-recurring nature and may be attributable to restructuring, depreciation, acquisitions and profit or loss from sales of operations.
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)

9. QUARTERLY OUTCOME BY SEGMENT, CONTINUING OPERATIONS

Segments are monitored and reported including operating profit.

Statement of income

Amounts in SEK m	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2020 Full year
Net sales	826	593	558	518	545	528	2,149
Wood Protection	421	266	217	284	267	252	1,020
Joinery	102	80	75	77	64	59	274
Sawn Wood	313	227	263	175	202	202	841
Other	30	40	46	44	37	51	179
Joint and elim	-40	-20	-43	-63	-25	-35	-166
EBITDA	146	65	78	53	52	29	212
Wood Protection	79	32	18	16	21	8	64
Joinery	8	7	6	8	6	5	26
Sawn Wood	80	33	59	18	26	14	117
Other	-5	0	2	5	5	6	18
Joint and elim	-16	-7	-8	6	-6	-5	-13
EBITDA margin, %	17.7	11.0	14.0	10.2	9.5	5.5	9.9
Wood Protection	18.8	12.2	8.4	5.7	8.0	3.3	6.3
Joinery	7.8	8.6	8.7	10.5	10.2	8.6	9.5
Sawn Wood	25.6	14.4	22.5	10.3	12.9	6.9	13.9
Other	-16.7	-0.5	4.6	10.5	12.4	12.5	9.9
Operating profit	128	47	58	31	35	13	137
Wood Protection	74	28	14	13	17	4	47
Joinery	6	5	5	5	5	4	19
Sawn Wood	74	25	52	12	16	7	87
Other	-11	-4	-2	1	2	2	3
Joint and elim	-15	-7	-11	0	-5	-4	-19
Operating margin, %	15.5	7.9	10.4	6.0	6.4	2.5	6.4
Wood Protection	17.6	10.6	6.4	4.5	6.2	1.6	4.6
Joinery	5.9	6.4	6.1	6.7	8.3	6.7	6.9
Sawn Wood	23.6	11.2	19.8	6.8	7.9	3.5	10.3
Other	-36.7	-10.7	-3.7	2.0	5.0	3.7	1.6

This is Bergs

– an international wood products Group

Product areas



44%

Wood Protection

Treated wood (impregnated, fire-retardant, etc.) in accordance with international standards and environmental requirements. This also includes a special range of untreated and treated planed products for the DIY sector. Common applications include façade panelling, carcasses, wood decks and similar constructions where the requirements for function, sustainability and aesthetics are stringent.



12%

Joinery

High-quality wood products such as houses, doors, windows, outdoor furniture and garden products.



36%

Sawn Wood

Sawn products for further processing by another industry.

Note: The numbers are based on Group sales in 2020

In addition to these three product areas, Bergs conducts operations in pellet production and logistics. This operation represents 8 per cent of the Group's sales.

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 2.1 billion

Sales in 2020

950

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 wood processing 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 completed product and delivery

Financial targets

- Bergs's target is to achieve annual growth of 10 per cent over a business cycle
- Bergs's target is to achieve an EBITDA margin of 9 per cent over a business cycle
- Bergs aims for financial net debt less than equity
- Bergs's target is an annual dividend of normally 25–40 per cent of profit for the year after tax

www.bergstimber.com

Cover photo: Julian Calverley 2016