

BERGS

Interim Report
1 January – 31 March

2022 Q1



Interim Report

1 January – 31 March 2022

FIRST QUARTER (1 JANUARY–31 MARCH)

- Net sales increased by 53% to SEK 910 million (593). The increase was mainly related to higher sales prices in Sawn Wood and higher sales volume in Joinery.
- EBITDA amounted to SEK 82 million (65); higher sales prices in Sawn Wood compensated higher raw material costs in Wood Protection. Higher volumes in Joinery and higher margins in the pellet business contributed positively. The EBITDA margin was 9.0% (11.0).
- Operating profit amounted to SEK 61 million (47), corresponding to an operating margin of 6.7% (7.9).
- Profit for the period amounted to SEK 63 million (53).
- Earnings per share, before and after dilution, were SEK 0.18 (0.15).
- Cash flow from operating activities amounted to SEK 124 million (–108), positively affected by a lower level of working capital.
- Financial net debt totalled SEK 130 million (94) as of 31 March, corresponding to a net debt/equity ratio of 0.08 (0.07).
- A new loan agreement was made with Danske Bank and SEB. The total credit facilities amount to SEK 650 million and have a three-year term.
- Performance Timber Products Group acquired all shares in the English company P&P Holdings Limited that sells, distributes and installs windows and doors in Surrey and South West London.

The Group's key performance indicators

	2022 Jan–March 3 months	2021 Jan–March 3 months	2021 Jan–Dec 12 months
AMOUNTS IN SEK million			
Net sales	910	593	3,055
EBITDA	82	65	503
EBITDA margin, %	9.0	11.0	16.5
Operating profit	61	47	426
Operating margin, %	6.7	7.9	13.9
Profit for the period	63	53	417
Earnings per share, SEK	0.18	0.15	1.20
Equity per share, SEK	4.86	3.79	4.66

First page: In the spring and summer, demand is high for Bitus AB's various wood protection products

Continued good demand and order intake

FIRST QUARTER

The first quarter of the year developed in line with our expectations. Seasonally lower deliveries and increased raw material costs for Wood Protection were largely offset by the result from Sawn Wood and a strong development for Joinery. Demand and order intake for our product areas remained good. For the quarter, EBITDA amounts to SEK 82 million, compared with SEK 65 million the previous year. Net sales for the quarter amounted to SEK 910 million, an increase of 53 percent compared with the previous year. Cash flow from operating activities was strong and amounted to SEK 124 million.

MARKET

The market for sawn wood products is affected by the ongoing war in Ukraine. Europe normally imports close to 10 percent of the annual consumption of wood products from Russia and Belarus. As sanctions have come into force and with significant problems with the logistics flow from Russia, imports have gradually decreased and will according to current sanction rules cease completely.

Russian goods continue to be exported, mainly to China, at the same time as production is expected to gradually decrease. This has created an imbalance in the global wood products market and we are now seeing some shortages and price increases in the market. The price of wood chips and shavings is also affected, with price increases being implemented before the summer. The war has also caused disruptions in transport by both ships and trucks. This has resulted in rising logistics costs. It is currently difficult to fully see the effects of the war and we expect a continued rather volatile market for sawn wood products.

The positive trend for wood products continues. There is great interest among politicians, architects and builders to gradually increase the proportion of renewable raw materials where wood is doing well. Despite price increases for building materials, the market for new construction and renovation remains strong. Ahead of the spring and summer, we see a continued stable development in demand for all the Group's products. Not least, we see a promising development in Joinery with windows and doors as the largest products.

PERFORMANCE BY PRODUCT AREA

WOOD PROTECTION

The first quarter of the year is seasonally our weakest quarter for Wood Protection with lower delivery volumes and inventory build-up for the spring and summer season. This in combination with increased raw material costs had a negative effect on earnings. Demand for the coming high season is good and price increases have been achieved that will improve earnings. Demand for high-quality and more exclusive products continues to increase. After a weak start of the year, we also see an improvement in the English market.

Our business in Latvia has traditionally purchased sawn wood products from Russia. These deliveries have been strongly affected and are now ceasing completely. The inventory at our operations was large at the beginning of the year and we have gradually compensated for the loss of Russian raw material with increased deliveries from our own sawmill in Estonia, as well as from other existing Baltic and Scandinavian suppliers.

The investment in expanded capacity for linseed oil impregnation, with the Linax brand, at our Swedish unit in Nybro has gone according to plan and production has started.

JOINERY

Demand for windows, doors and garden products remains good and order intake remains at a high level. Increased costs for raw materials and logistics have been offset by increased prices for our products. The PTP Group acquired in the UK in 2021 has developed well and we continue to see interesting expansion opportunities. During the spring, the first two Swedish showrooms for windows and doors were opened. In addition to this, several projects are underway to increase our product offering.

SAWN WOOD

After the autumn and winter price declines, the market is now strengthening. This is linked to the ongoing war in Ukraine and the continued good demand for wood products. The cost of the sawmills' raw material, saw logs, is rising. However, this is well offset by increased sales prices for wood products and by-products. We have a good supply of raw materials at our two Baltic sawmills and expect continued full capacity utilization during the summer.

OTHER (ENERGY & LOGISTICS)

In the wake of increased costs for energy, the market for pellets has improved markedly during the spring. Inventory levels are very low and prices are rising. After a weak development in 2021, we now see improved margins for our pellet business.

FUTURE PROSPECTS

The construction activity remains good and the order backlog in most markets is good. At the same time, uncertainty is increasing regarding the effect of rising inflation, the ongoing war and expected interest rate hikes. Despite increased uncertainty, we currently see no weakening of demand for our products and the effects of increased costs are likely to be offset by higher prices.

Vimmerby, 5 May 2022

Peter Nilsson
President and CEO



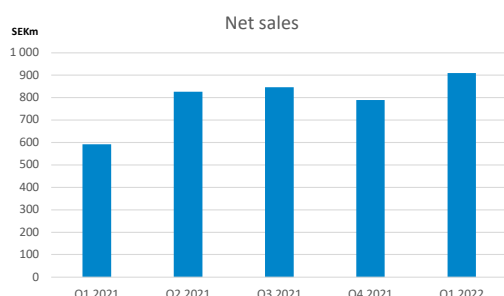
Net sales and operating profit

JANUARY–MARCH 2022 COMPARED WITH JANUARY–MARCH 2021

Net sales for the first quarter of 2022 amounted to SEK 910 million (593). The increase of SEK 317 million, corresponding to 53 per cent, is attributable primarily to higher sales prices for products in Sawn Wood and higher sales volumes in Joinery. Higher sales prices in Wood Protection contributed positively.

EBITDA increased to SEK 82 million (65), which corresponds to an EBITDA margin of 9.0% (11.0). Higher sales prices in Sawn Wood compensated higher raw material costs in Wood Protection. Higher volumes in Joinery and higher margin in the pellet business contributed positively.

Operating profit amounted to SEK 61 million (47), which corresponds to an operating margin of 6.7% (7.9).

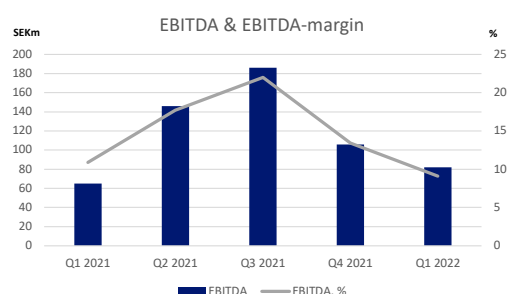


JANUARY–MARCH 2022 COMPARED WITH OCTOBER–DECEMBER 2021

Net sales amounted to SEK 910 million, compared with SEK 790 million for the fourth quarter of 2021, up SEK 120 million. The increase is attributable to higher sales prices in Sawn Wood and higher sales volumes in Joinery and Wood Protection.

EBITDA amounted to SEK 82 million (106), corresponding to an EBITDA margin of 9.0% (13.4). The decrease is related to higher raw material costs for products in Wood Protection.

Operating profit amounted to SEK 61 million (85), corresponding to an EBIT margin of 6.7% (10.8)



Cash flow and financing

Cash flow from operating activities for the period January–March amounted to SEK 124 million (–108). The cash-flow effects from changes in working capital amounted to SEK 58 million (–166). The lower working capital was mainly attributable to lower stocks. Investments in property, plant and equipment amounted to SEK –22 million (–17).

The Group's net financial debt at 31 March 2022 totalled SEK 130 million, compared to SEK 223 million at 31 December 2021. The net debt/equity ratio was 0.08.

In January, Bergs entered a new loan agreement with Danske Bank and SEB regarding among other things, refinancing of the major part of the Group's existing loans. The new credit facilities in the total of SEK 650 million have a three-year term and include one term loan of SEK 250 million and a revolving loan facility of SEK 400 million. In addition, the Group has an overdraft facility with Danske Bank of SEK 50 million.

Loans and credit facilities on 31 March 2022, SEK million:

LOAN	Limit	Repayments, years			Total utilised
		0–1	1–2	2–	
Term loans		25		225	250
Revolving credit facility	400				0
Overdraft facilities	50				0
Total		25	–	225	250

Available cash and cash equivalents, including unutilised credit facilities, totalled SEK 576 million.

Net financial items for the Group for January–March amounted to SEK –2 million (8).

Product areas

Bergs's operational activities consist of independent subsidiaries with clear responsibilities for results, conducting 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.

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	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Wood Protection	322	266	1,392
Joinery	198	80	495
Sawn Wood	346	227	1,117
Other	61	40	190
Internal net sales	–17	–20	–139
External net sales	910	593	3,055

EBITDA

AMOUNTS IN SEK m	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Wood Protection	–12	32	249
Joinery	21	7	42
Sawn Wood	73	33	259
Other	8	0	–6
Joint and eliminations	–8	–7	–41
EBITDA	82	65	503

WOOD PROTECTION

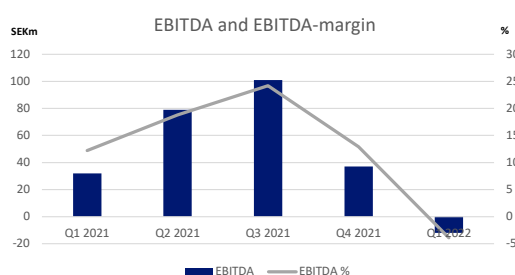
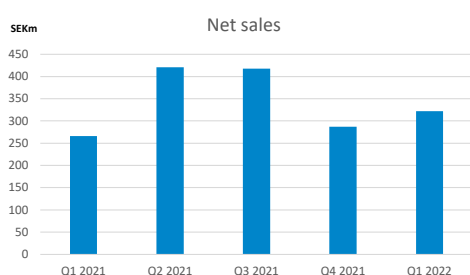
Wood Protection conducts operations in wood preservatives. Operations are located in Sweden, Latvia and the UK. The majority of production takes place at the Byko-Lat and Bitus subsidiaries.

AMOUNTS IN SEK m	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Net sales	322	266	1,392
EBITDA	–12	32	249
Operating profit	–17	28	232
EBITDA margin, %	–3.7	12.2	17.9
Operating margin, %	–5.3	10.6	16.7

Net sales for the first quarter amounted to SEK 322 million (266). The increase was primarily attributable to higher sales prices.

EBITDA amounted to SEK –12 million (32). The decrease was primarily attributable to higher raw material costs that not could be offset by higher sales prices.

The lower result compared with the fourth quarter 2021 was attributable to higher raw material costs.



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. The production facilities are located in Latvia and the UK.

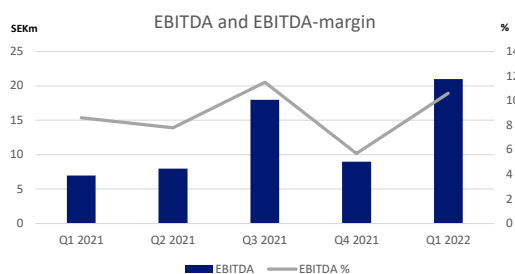
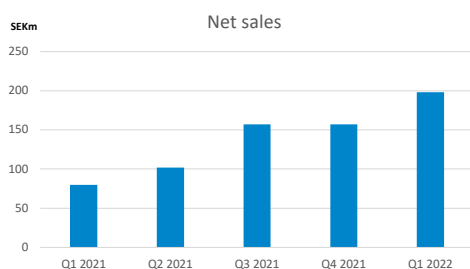
AMOUNTS IN SEK m	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Net sales	198	80	495
EBITDA	21	7	42
Operating profit	17	5	32
EBITDA margin, %	10.6	8.6	8.5
Operating margin, %	8.6	6.4	6.5

Net sales for the first quarter amounted to SEK 198 million (80). The increase was primarily attributable to higher sales volumes for windows

and doors related to the acquisition of PTP Group that was made in June 2021.

EBITDA amounted to SEK 21 million (7). 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).

The higher result compared to the fourth quarter 2021 is mainly due to higher sales volumes and price increases to compensate for higher costs for raw material and logistics.



SAWN WOOD

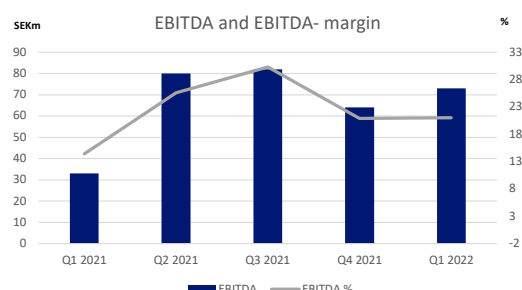
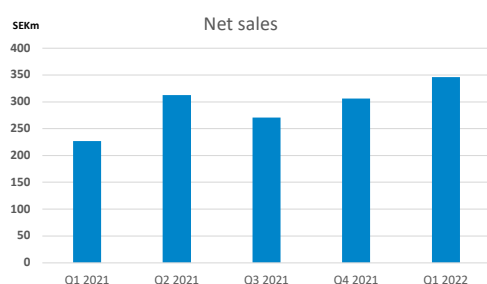
The Sawn Wood product area produces sawn products from two subsidiaries: Vika Wood in Latvia and Laesti in Estonia. These companies process raw forestry materials into planks and boards in various dimensions, lengths and qualities.

AMOUNTS IN SEK m	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Net sales	346	227	1,117
EBITDA	73	33	259
Operating profit	65	25	229
EBITDA margin, %	21.1	14.4	23.2
Operating margin, %	18.8	11.2	20.5
Sales volumes, '000 m ³	94	91	338
Production volume, '000 m ³	93	96	346

Net sales for the first quarter amounted to SEK 346 million (227). The increase was primarily attributable to higher sales prices.

EBITDA amounted to SEK 73 million (33). The higher earnings are attributable primarily to higher sales prices because of healthy demand for sawn products. Demand have exceeded production and stock levels among producers have been low.

The higher result compared to the fourth quarter 2021 was explained by higher sales prices and sales volumes.



OTHER (ENERGY & LOGISTICS)

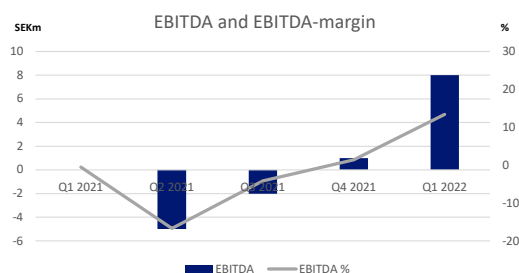
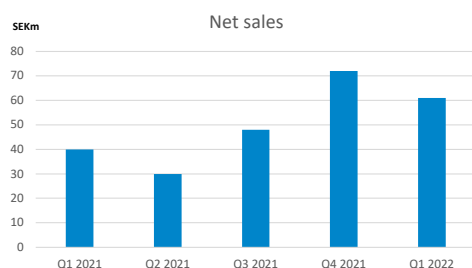
In addition to the three product areas, Bergs owns additional assets in the form of pellet manufacturing as well as a port and logistics facility in the UK.

AMOUNTS IN SEK m	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Net sales	61	40	190
EBITDA	8	0	-6
Operating profit/loss	3	-4	-26
EBITDA margin, %	13.1	-0.5	-3.2
Operating margin, %	4.9	-10.7	-13.7

Net sales for the first quarter amounted to SEK 61 million (40). The increase in net sales were attributable primarily to higher sales volumes and sales prices of pellets.

EBITDA amounted to SEK 8 million (0). The improved profit was explained by higher sales volumes and prices for pellets.

The higher result compared to the fourth quarter 2021 was explained by higher sales prices for pellets.



Other information

TAX

Recognised tax for the period January–March amounted to SEK 4 million (–2), positive tax cost. 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 regarding undistributed profits in the Baltic companies totalled approximately SEK 185 million at 31 March 2022.

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.

GEOPOLITICAL SITUATION

Given the tragic development of the war in Ukraine, we can assume that most companies will be affected in some way. Currently unclear how, but unexpected adverse effects can not be ruled out. Bergs has no sales in the current conflict area.

Bergs has raw material supply for our unit in Latvia within Wood Protection from Russia and Belarus. Work is underway to find alternative supplies, both from our own sawmills and from external suppliers. The raw material supply to our Baltic sawmills is entirely from the Baltics and Scandinavia.

The undersigned certify that the 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, May 5, 2022
Bergs Timber AB (publ)

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 5 May 2022 at 8:00 a.m. CET. The interim report is available on the company's website, www.bergstimber.com

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ACQUISITIONS

P&P Holdings Ltd

On 13 January 2022, Performance Timber Products Group acquired all shares in the English company P&P Holdings Limited with annual sales of approximately GBP 7 million (SEK 85 million). P&P sells, distributes and installs windows and doors in Surrey and South West London. The companies have been working closely together for several years, where P&P sells windows and doors under the name Timber Windows, which is PTPG's network of showrooms for retail sales.

The purchase price was about SEK 12 million on a cash and debt free basis. Goodwill and other surplus values are preliminary estimated to about SEK 8 million.

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. Loss after financial items for the Parent Company for January–March amounted to SEK –6 million (0).

CALENDAR

Interim report, January–June 2022	25 July 2022
Interim report, January–September 2022	27 October 2022
Year-end report for 2022	2 February 2023

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

Condensed consolidated income statement

AMOUNTS IN SEK m	2022 Jan-Mar 3 months	2021 Jan-Mar 3 months	2021 Jan-Dec 12 months
Net sales	910	593	3,055
Changes to products in process and finished goods	-5	52	65
Other operating income	2	3	19
Total	907	648	3,139
Operating expenses			
Raw materials and consumables	-585	-425	-1,868
Other external costs	-139	-83	-397
Personnel costs	-101	-75	-371
Depreciation/amortisation and impairment	-21	-18	-77
Total operating expenses	-846	-601	-2,713
Operating profit	61	47	426
Finance income	3	10	9
Financial expenses	-5	-2	-12
Profit after financial items	59	55	423
Tax on profit for the period	4	-2	-6
Profit for the period	63	53	417
Attributable to			
Parent Company shareholders	63	53	417
Non-controlling interests	-	-	-
Earnings per share, before and after dilution, SEK*	0.18	0.15	1.20
Average number of shares, thousands	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	2022 Jan-Mar 3 months	2021 Jan-Mar 3 months	2021 Jan-Dec 12 months
Profit for the period	63	53	417
Change in hedge reserve (net after tax)	–	0	–
Translation differences	7	11	17
Comprehensive income for the period	70	64	434
Attributable to:			
Parent Company shareholders	70	64	434
Non-controlling interests	–	–	–

Condensed consolidated balance sheet

AMOUNTS IN SEK m	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	337	190	329
Property, plant and equipment, incl. right-of-use assets	818	679	800
Financial assets	7	1	7
Deferred tax assets	23	18	22
Total non-current assets	1,185	888	1,158
Current assets			
Inventory	676	434	733
Current receivables	426	372	331
Cash and bank balances	126	133	94
Total current assets	1,228	939	1,158
TOTAL ASSETS	2,413	1,827	2,316
Equity and liabilities			
Equity	1,686	1,315	1,616
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	229	164	12
Other non-current liabilities and provisions	5	3	5
Deferred tax liabilities	30	29	30
Total non-current liabilities	264	196	47
Current liabilities			
Interest-bearing liabilities	27	63	305
Non-interest bearing liabilities	436	253	348
Total current liabilities	463	316	653
TOTAL EQUITY AND LIABILITIES	2,413	1,827	2,316

Changes in equity (no minority exists)

AMOUNTS IN SEK m	2022 Jan-Mar 3 months	2021 Jan-Mar 3 months	2021 Jan-Dec 12 months
Equity, opening balance	1,616	1,251	1,251
Comprehensive income for the period	70	64	434
Dividend paid	–	–	–69
Total equity at the end of the period	1,686	1,315	1,616

Condensed cash flow statement

AMOUNTS IN SEK m	2022 Jan–Mar 3 months	2021 Jan–Mar 3 months	2021 Jan–Dec 12 months
Operating activities			
Profit after financial items	59	54	423
Adjustments for non-cash items*	19	4	59
Income taxes paid	–12	0	–3
Cash flow from operating activities before changes in working capital	66	58	479
Change in inventories	68	–77	–362
Change in operating receivables	–89	–125	–58
Change in operating liabilities	79	36	6
Cash flow from operating activities	124	–108	65
Investing activities			
Business combination	–9	–	–73
Acquisition of property, plant and equipment	–22	–17	–143
Sale of property, plant and equipment	0	0	0
Change in financial assets	0	0	–6
Cash flow from investment activities	–31	–17	–222
Financing activities			
Change in financial receivables and liabilities	–61	15	77
Paid dividend	–	–	–69
Cash flow from financing activities	–61	15	8
Cash flow for the period	32	–110	–149
Cash and cash equivalents at start of period	94	242	242
Translation differences in cash and cash equivalents	0	1	1
Cash and cash equivalents at end of period	126	133	94

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

The Group's key performance indicators and targets

AMOUNTS IN SEK m	Financial targets	2022 Jan-Mar 3 months	2021 Jan-Mar 3 months	2021 Jan-Dec 12 months
Net sales		910	593	3,055
EBITDA		82	65	503
EBITDA margin, %	>9	9.0	11.0	16.5
Operating profit		61	47	426
Operating margin, %		6.7	7.9	13.9
Return on capital employed, %, 12 months		–	–	25.6
Earnings per share, SEK		0.18	0.15	1.20
Interest-bearing net debt		130	94	223
Net debt/equity ratio	<1.0	0.08	0.07	0.14
Equity/assets ratio, %		69.9	72.0	69.8
Average number of shares, thousands		346,728	346,728	346,728
Equity per share, SEK		4.86	3.79	4.66

Condensed Parent Company statement of income

AMOUNTS IN SEK m	2022 Jan-Mar 3 months	2021 Jan-Mar 3 months
Other operating income	1	1
Total	1	1
Operating expenses		
Other external costs	-5	-3
Personnel costs	-3	-4
Depreciation	0	0
Total operating expenses	-8	-7
Operating loss	-7	-6
Finance income	4	8
Financial expenses	-3	-2
Loss after financial items	-6	0
Tax on profit for the period	2	0
Profit/loss for the period	-4	0

Condensed Parent Company balance sheet

AMOUNTS IN SEK m	31 Mar 2022	31 Mar 2021
Assets		
Property, plant and equipment	0	1
Financial assets	1,172	1,156
Total non-current assets	1,172	1,157
Receivables from Group companies	126	1
Other current receivables	8	10
Cash and bank balances	66	126
Total current assets	200	137
TOTAL ASSETS	1,372	1,294
Liabilities and equity		
Equity	848	922
Untaxed reserves	21	20
Non-current liabilities	225	162
Current liabilities	278	190
TOTAL EQUITY AND LIABILITIES	1,372	1,294

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 2021; refer to pages 64–69.

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 income essentially pertains only to sawn and processed wood products.

January–March 2022 AMOUNTS IN SEK m	Wood Protection	Joinery	Sawn Wood	Other	Group total
Sweden	62	3	0	10	75
UK	97	137	13	28	275
Baltics	8	1	186	4	199
Rest of Europe	147	56	48	12	263
Rest of world	3	0	94	1	98
Total external net sales	317	197	341	55	910

January–March 2021 AMOUNTS IN SEK m	Wood Protection	Joinery	Sawn Wood	Other	Group total
Sweden	52	4	0	12	68
UK	108	30	9	13	160
Baltics	11	2	129	3	145
Rest of Europe	89	42	33	12	176
Rest of world	3	1	40	0	44
Total external net sales	263	79	211	40	593

3. FINANCIAL INSTRUMENTS BY CATEGORY

AMOUNTS IN SEK m	Level	Carrying amount 31 Mar 2022	Fair value 31 Mar 2022	Carrying amount 31 Dec 2021	Fair value 31 Dec 2021
Financial assets at amortised cost					
Financial investments	–	0	0	0	0
Trade receivables	–	383	383	270	270
Other receivables	–	13	13	34	34
Cash and cash equivalents	–	126	126	94	94
		522	522	398	398
Financial liabilities measured at amortised cost					
Non-current interest-bearing liabilities	–	229	229	12	12
Accounts payable	–	193	193	123	123
Current interest-bearing liabilities	–	27	27	305	305
Other liabilities	–	50	50	32	32
		499	499	472	472

Liabilities to credit institutions run with variable interest and a market-based credit margin, which is why fair value corresponds to carrying amount.

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.

4. 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.

Geopolitical risks

Given the tragic development of the war in Ukraine, we can assume that most companies will be affected in some way. Currently unclear how, but unexpected adverse effects can not be ruled out. Bergs has no sales in the current conflict area.

Bergs has raw material supply for our unit in Latvia within Wood Protection from Russia and Belarus. Work is underway to find alternative supplies, both from our own sawmills and from external suppliers. The raw material supply to our Baltic sawmills is entirely from the Baltics and Scandinavia.

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 2022, 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 81 of the 2021 Annual Report.

For a complete presentation of the identified risk as well as the company's risk management efforts, refer to pages 41–43 of the 2021 Annual Report.

5. 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 2021 Annual Report.

6. ALTERNATIVE PERFORMANCE MEASURES

Bergs 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 30 in the 2021 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
Operating profit	Earnings before financial items and tax
Operating margin	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
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)

7. QUARTERLY OUTCOME BY SEGMENT

Segments are monitored and reported including operating profit.

STATEMENT OF INCOME

AMOUNTS IN SEK m	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2021 Full year
Net sales	910	790	846	826	593	3,055
Wood Protection	322	287	418	421	266	1,392
Joinery	198	156	157	102	80	495
Sawn Wood	346	306	271	313	227	1,117
Other	61	72	48	30	40	190
Joint and elim	-17	-31	-48	-40	-20	-139
EBITDA	82	106	186	146	65	503
Wood Protection	-12	37	101	79	32	249
Joinery	21	9	18	8	7	42
Sawn Wood	73	64	82	80	33	259
Other	8	1	-2	-5	0	-6
Joint and elim	-8	-5	-13	-16	-7	-41
EBITDA margin, %	9.0	13.4	22.0	17.7	11.0	16.5
Wood Protection	-3.7	12.9	24.2	18.8	12.2	17.9
Joinery	10.6	5.8	11.5	7.8	8.6	8.5
Sawn Wood	21.1	20.9	30.3	25.6	14.4	23.2
Other	13.1	1.4	-4.2	-16.7	-0.5	-3.2
Operating profit	61	85	166	128	47	426
Wood Protection	-17	32	98	74	28	232
Joinery	17	7	14	6	5	32
Sawn Wood	65	56	74	74	25	229
Other	3	-4	-7	-11	-4	-26
Joint and elim	-7	-6	-13	-15	-7	-41
Operating margin, %	6.7	10.8	19.6	15.5	7.9	13.9
Wood Protection	-5.3	11.1	23.4	17.6	10.6	16.7
Joinery	8.6	4.5	8.9	5.9	6.4	6.5
Sawn Wood	18.8	18.3	27.3	23.6	11.2	20.5
Other	4.9	-5.6	-14.6	-36.7	-10.7	-13.7

This is Bergs – an international wood products Group

Product areas



44%

Wood Protection

In the Wood Protection product area, wood raw material is processed through impregnation, finishing and painting with the aim of improving the characteristics of the wood in terms of service life span and to create effective protection against moisture, fire and microorganisms. Aesthetic aspects as a result of these refining processes is also of great importance when choosing materials for constructions by designers and architects.



15%

Joinery

The product area comprises high-quality windows and doors, houses, including the so-called Attefall-houses, as well as a wide range of garden products such as outdoor furniture, windbreaks, playground equipment and wooden decking and paneling for swimming pools and similar details for gardens and public outdoor environment.



35%

Sawn Wood

In the product area, sawmill operations are conducted at two facilities in Latvia respectively Estonia. Some of the production is further refined by other subsidiaries in the group to high-quality products such as windows and doors. Remaining production is mainly sold to other industrial customers in Europe for further processing.

Note: The numbers are based on Group sales in 2021.

In addition to these three product areas, Bergs conducts operations in pellet production and logistics. This operation represents 6 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.

Sales in 2021

SEK 3.1 billion

Employees

950

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