

## Year-end report for Bergs Timber AB (publ) 1 January 2019 – 31 December 2019



### Key Highlights

- Disappointing Q4 but a more balanced market seems to surface
- Plan for consolidation of our sawmill production in 2020 for improved competitiveness
- Good order book for further processed products
- Launched "Woodworks by Bergs" for sales of doors, windows, houses, garden products and protected wood

### Fourth quarter (1 October – 31 December)

- **Net sales** for the fourth quarter 2019 amounted to SEK 687 (772) million. The decrease is due to lower sales volumes and prices for sawn timber.
- **Operating profit** amounted to SEK -22 (49) million. Adjusted for restructuring costs in Estonia, the operating profit was SEK -19 million.
- **Profit after tax** was SEK -32 (48) million. Earnings per share, before and after dilution, was SEK -0.09 (0.14).
- **Cash flow from operations** amounted to SEK 2 (44) million and capital expenditures amounted to SEK 35 (27) million.

### Full year (1 January – 31 December)

- **Net sales** for the financial year 2019 amounted to SEK 3,206 (2,655) million. The increase relates to the acquisition of the Norvik operations in the Baltics and the UK and Fågelfors Hyvleri.
- **Operating profit** amounted to SEK 78 (202) million, representing an operating margin of 2.4 (7.6) percent. Adjusted for one-off items, the operating profit was SEK 60 million.
- **Profit after tax** was SEK 45 (174) million. Earnings per share, before and after dilution, was SEK 0.13 (0.66).
- **Cash flow from operations** amounted to SEK 147 (232) million and capital expenditures amounted to SEK 131 (157) million.
- The board proposes a dividend of SEK 0.04 (0.10) per share, corresponding to SEK 14 million.

The Group's key performance indicators	2019	2018	2019	2018	2017/18
	Oct-Dec 3 months	Oct-Dec 3 months	Jan-Dec 12 months	Jan-Dec 12 months	Sep-Dec 16 months
Amount in SEK million					
Net sales	687	772	3,206	2,655	3,031
EBITDA	3	68	172	261	301
EBITDA margin, %	0.4	8.8	5.4	9.8	9.9
Operating profit	-22	49	78	202	229
Operating margin, %	neg	6.3	2.4	7.6	7.6
Earnings per share, before and after dilution, SEK	-0.09	0.14	0.13	0.66	0.75
Equity per share, SEK	3.18	3.09	3.18	3.09	3.09

Note: The acquired companies from Norvik are consolidated from 15 May 2018 and Fågelfors Hyvleri is consolidated from 27 June 2019, which affects the comparability with previous periods.

## CEO Comments

### **Disappointing Q4 but a more balanced market seems to surface**

The market for sawn and planed timber has been very challenging during the fourth quarter and prices have continued to decrease. The outbreak of the spruce bark beetle in Central Europe and South Sweden and the ensuing oversupply of low cost logs have continued to negatively affect the timber market. The spruce bark beetle situation in Central Europe is still not resolved and harvesting of damaged logs continues. The situation in South Sweden has improved and at the moment there are only small volumes of damaged logs available in the market. The Baltic region is not affected by the spruce bark beetle problems.

Consumption of timber products remains stable. The market in the US continues to improve and a gradually better market conditions could be expected in the UK after the Brexit decision. The market balance has improved during December as production volumes have been slightly reduced in Europe and more substantially in Canada. Finnish production was reduced by 28 % in December, compared to the same period the previous year, due to a labour dispute which is still ongoing in several sawmills. Stock levels are not increasing and seems to be levelling out, which is a good sign at this time of the year.

Prices for sawn timber has continued to fall during 2019 and has for the fourth quarter reached unprofitable levels for most sawmills. However, as a consequence of the improved market balance some price increases have been recorded for deliveries during the beginning of 2020.

The market for doors, windows and garden products remains stable.

### **Bergs Timber's development**

The fourth quarter has been very challenging for our Swedish sawmills. Reduced production volumes and lowering sales prices have led to negative margins. Reduced production volumes during the Christmas break have helped to improve our stock situation and should in combination with cost reductions and stabilized prices gradually improve the result.

Margins at Vika Wood, our Latvian sawmill, have been hit by lower sales prices. However, log prices have been reduced and the profitability during the fourth quarter has been satisfactory. Due to further reductions in log prices, we expect better margins at Vika Wood for the first quarter 2020.

We have made changes in the management for our Estonian sawmill company Laesti during the fourth quarter. The investment in the new log infeed will start during February. Raw material cost has come down for 2020 and we expect improved results.

Byko-Lat, our Latvian processing company, has increased the capacity for doors and windows as well as for house production. Our order books are at good levels for the first quarter 2020.

Our UK port and distribution company has been through a reconstruction period. In combination with challenging market conditions, the financial performance has been unsatisfactory. Infrastructure investments, organisation and operational improvements are now in place. We expect volumes and results to improve during 2020. Our own vessel was sold in February 2020 and an agreement for a time charter arrangement has been signed.

### **Focus areas**

The margins for Bergs Timber have decreased during 2019 and the result for the fourth quarter is unsatisfying. Margins for further processing remains at reasonable levels whilst our Swedish and Estonian sawmills are loss making.

During the first quarter 2020, we will finalise a plan to improve competitiveness at our Swedish and Estonian sawmills.

During December we launched a sales and distribution company, "Woodworks by Bergs", which will handle sales of doors, windows, houses, garden products and related products on the Swedish market. Recruitments have started and we expect deliveries to start during spring this year. This investment is together with our development of the UK operations exciting and gives us a platform for increased sales of more processed timber products.

Our new sustainability plan will be launched together with our annual report for 2019.

Bergs Timber concentrates its efforts to consolidate the existing sawmill production and to strengthen the sales and distribution organisations. Our medium to long term goal is to further raise the productivity in our sawmill sector while at the same time promote the development of Bergs Timber as a timber processing and distribution company.

Peter Nilsson  
Chief Executive Office

### Net sales and operating profit for the period 1 October-31 December 2019

Net sales for the fourth quarter 2019 amounted to SEK 687 (772) million. The decrease of SEK 85 million is mainly explained by lower sales volumes and prices for the sawmills. Net sales for further processed products was unchanged compared to last year. Adjusted for the acquisition of Fågelfors Hyvleri, net sales for further processed products has decreased due to lower sales volumes and prices.

The operating profit decreased to SEK -22 (49) million. Lower prices for timber products due to oversupply and lower sales- and production volumes are the main explanation for the lower operating profit. Adjusted for restructuring costs of SEK 3 million in Estonia, the operating profit was SEK -19 million.

### Net sales and operating profit for the period 1 January-31 December 2019

Net sales for the full year 2019 amounted to SEK 3,206 (2,655) million. The increase of SEK 551 million is explained by the acquisition of the Norvik companies, included in the Group's net sales from 15 May 2018. The net sales for the Swedish companies decreased by SEK 162 million due to lower sales volume and lower prices for sawn timber compared to the previous year. The prices for by-products were higher than last year.

The operating profit was SEK 78 (202) million, corresponding to an operating margin of 2.4 (7.6) percent. The operating profit for the Swedish entities, SEK 15 million, was SEK 126 million lower than the same period previous year. Lower prices for sawn timber products, higher raw material prices and lower sales volume had a negative impact on operating profit, partly compensated by higher sales prices for by-products. The acquired companies contributed with SEK 48 million.

Adjusted for income from negative excess value and transaction costs related to the acquisition of Fågelfors Hyvleri, fair valuation of contingent consideration and one-off items in the UK and Estonia, the adjusted operating profit was SEK 60 million.

The table shows a bridge for the period January-December for the Swedish units from 2018 and the impact from the acquired companies:

SEK million	Jan-Dec 2018 Swedish units	Change 2019 Swedish units	Jan-Dec 2019 Swedish units	Jan-Dec 2019 Acquired companies	Jan-Dec 2019 Other	Jan-Dec 2019 Group
Net sales	1,534	-162	1,372	1,834	-	3,206
EBITDA	177	-123	54	103	15	172
Operating profit	141	-126	15	48	15	78

### Net sales and operating profit for the fourth quarter compared to the third quarter 2019

Net sales for the fourth quarter 2019 was SEK 687 million compared to SEK 721 million for the third quarter 2019, a decrease of SEK 34 million. The decrease was attributable to lower sales volumes for further processed products due to seasonality.

Operating profit for the fourth quarter, excluding one-off items, was SEK -19 million compared to SEK -8 million for the third quarter, a decrease of SEK 11 million. The lower operating profit was mainly attributable to the further processed business and caused by lower sales volumes due to seasonality but also by lower sales prices. Profitability for doors, windows, houses and garden products was stable, whereas products to the DIY-sector was affected by lower margins.

## Cash flow and financing

Cash flow from current operations totalled SEK 147 (232) million for the period January-December 2019 and SEK 2 (44) million for the fourth quarter 2019. Capital expenditures for the period January-December 2019 amounted to SEK 131 (157) million.

The Group's financial net debt as per 31 December 2019 amounted to SEK 664 million compared to SEK 580 million 31 December 2018. The net debt/equity ratio was 0.60. The increase in Group net debt is mainly due to the acquisition of Fågelfors Hyvleri that was completed in June 2019. The net debt has increased by SEK 10 million due to changed accounting principles on lease obligations in accordance with IFRS 16 Leases.

On 14 June 2019, Bergs Timber AB and its subsidiaries entered into an agreement with Danske Bank A/S, Denmark, Sweden Branch and AB Svensk Exportkredit (SEK) as lenders regarding, among other things, refinancing of the major part of the group's existing loans.

The new credit facilities in the total amount of SEK 750 million have a three-year term and include three term loans of totally SEK 500 million and a revolving loan facility of SEK 250 million. The term loans shall be quarterly amortised with SEK 12 million, beginning as of 30 September 2019. The loan agreement contains customary covenants that, among other things, limit the decision-making for Bergs Timber AB (publ) regarding pledging of assets, borrowing or granting security, disposal of assets and merging or consolidating business with other companies. In addition, the agreement stipulates that yearly dividends shall not exceed 40 per cent of previous year's net profit.

The parent company has one vendor loan from Norvik hf of SEK 70 million to be paid on 30 June 2020. Save for the payment of an earn-out capped at SEK 10 million, this vendor loan is the remaining part of the cash consideration for Norvik's operations in the Baltics and UK. The loan is subordinated to the new credit facilities and repayment is subject to the banks' consent. In addition, the subsidiaries in the Baltics have local overdraft facilities with a total limit of approximately SEK 120 million.

### Summary of loans and credit facilities at 31 December 2019, SEK million

Loan	Limit	Repayments, years			Total used
		0-1	1-2	2-	
Term loans		49	49	375	472
Revolving credit facility	250				150
Vendor loan		70			70
Overdraft facilities	120				25
<b>Group total</b>		<b>119</b>	<b>49</b>	<b>375</b>	<b>717</b>

Available cash and cash equivalents, including granted but unused credit facilities, totalled SEK 280 million. In addition to this, there are granted but unused bank guarantee limits of SEK 25 million.

Net financial items for the period January-December 2019 amounted to SEK -33 (-13) million. The increase is mainly due to the acquisitions of the Norvik companies and Fågelfors. Net financial items for 2019 included currency effects of SEK -7 million related to inter-company receivables in the parent company on dividends from subsidiaries.

## Tax

Recognised tax for the period January-December 2019 was SEK 0 million. The effective tax rate was 0 percent and is lower than Sweden's corporation tax rate. In Latvia and Estonia, the corporate income tax is 0 percent on reinvested profits. Corporate tax is applicable and payable when dividends are distributed. No corporate income taxes have been recorded for the Group companies in the Baltics. Non-recorded deferred taxes on non-distributed profits amounts to approximately SEK 50 million as per 31 December 2019. The lower effective tax rate was also affected by non-taxable income from negative goodwill and contingent consideration.

## Segment reporting

Following the acquisition of the Norvik businesses, a review of the Group's monitoring structure and thus segment reporting was done. From 1 January 2019, two segments are monitored on an ongoing basis and reported. As the segments are reported from 1 January 2019 and the acquired companies are consolidated from 15 May 2018, no comparison with January-December 2018 is made. For a reconciliation of the data for the segments and the Group, see quarterly data on page 16.

### Sawmills

Sawmills (including integrated planing) consist of the four sawmills in Sweden, Vika Wood in Latvia and Laesti in Estonia.

<b>SEK million</b>	<b>Oct-Dec 2019 3 months</b>	<b>Oct-Dec 2018 3 months</b>	<b>Jan-Dec 2019 12 months</b>
Net sales	507	555	2,177
EBITDA	2	57	88
Operating profit	-17	44	22
EBITDA-margin, %	0.4	10.3	4.0
Operating margin, %	neg	7.9	1.0
Sales volumes, thousand m <sup>3</sup>	189	199	817
Production volumes, thousand m <sup>3</sup>	196	222	844

During the fourth quarter, sales prices for sawn timber have continued to decrease due to high supply. Raw material costs were reduced and partly compensated for the lower prices. Sales- and production volumes were lower than last year. Production curtailments for the Swedish sawmills were made in the fourth quarter. Higher prices for by-products had a positive impact.

Sales volume for the fourth quarter was 189,000 cubic meters, 10,000 cubic meters lower compared to the same quarter 2018. For the period January-December, the sales volume was 817,000 cubic meters, 75,000 cubic meters lower than the same period 2018, where sales to the UK has been negatively affected by Brexit.

Production volume was 196,000 cubic meters, 26,000 cubic meters lower compared to the fourth quarter 2018. For the period January-December, the production volume was 844,000 cubic meters, 36,000 cubic meters lower than the same period the previous year, mainly due to production curtailments.

### Further Processed

Further Processed comprises Byko-Lat in Latvia and Bitus and Fågelfors in Sweden. Byko-Lat operates two production plants in Latvia. The product range comprises planed wood products for the DIY-sector, doors and windows, prefabricated element- and modular houses, garden products and pellets for heating. Bitus is one of Europe's largest plants for treatment of wood products. As from the third quarter, the acquired pellet business in Fågelfors is reported in the segment.

<b>SEK million</b>	<b>Oct-Dec 2019 3 months</b>	<b>Oct-Dec 2018 3 month</b>	<b>Jan-Dec 2019 12 months</b>
Net sales	207	206	1,074
EBITDA	10	20	76
Operating profit	4	16	51
EBITDA-margin, %	4.8	9.7	7.1
Operating margin, %	1.9	7.8	4.7

The profitability for further processed products has been affected by lower sales volumes and margins during the fourth quarter, mainly for products to the DIY-sector. Profitability for other products were more stable.

## Pro forma financial information

The acquired companies in the Baltics and the UK are fully incorporated in the accounts from 15 May 2018. In order to enable a comparison with corresponding reporting periods in 2019, pro forma information for calendar quarters 2018 and the full year January-December 2018 has been compiled in the table below. The pro forma information is compiled both from audited financial statements and management accounts and is for illustration purposes only. For the pro forma periods, it is assumed that the acquisition has been effective in the beginning of the period. The pro forma financial information has not been audited.

The information is shown for the two reporting segments Sawmills (five sawmills, including integrated planing, in Sweden, Vika Wood in Latvia and Laesti in Estonia) and Further Processed (Byko-Lat and Bitus). Other consists of the distribution business in the UK, Group common functions and eliminations.

The newly acquired company Fågelfors Hyvleri AB is not included in the pro forma information.

Income statement	2018				Full year
	Q1	Q2	Q3	Q4	
<b>SEK million</b>					
Net sales	792	899	805	772	<b>3,268</b>
Sawmills	531	572	541	555	<b>2,199</b>
Further Processed	226	301	232	206	<b>965</b>
Other	35	26	32	12	<b>105</b>
EBITDA	80	106	83	75	<b>345</b>
Sawmills	59	77	64	57	<b>257</b>
Further Processed	19	25	18	20	<b>82</b>
Other	3	4	1	-3	<b>5</b>
EBITDA margin, %	10.1	11.8	10.3	9.7	<b>10.6</b>
Sawmills	11.1	13.5	11.8	10.3	<b>11.7</b>
Further Processed	8.4	8.3	7.8	9.7	<b>8.5</b>
Operating profit	63	88	65	56	<b>272</b>
Sawmills	47	65	51	44	<b>207</b>
Further Processed	15	21	14	16	<b>66</b>
Other	2	3	0	-4	<b>0</b>
Operating margin, %	8.0	9.8	8.1	7.2	<b>8.3</b>
Sawmills	8.9	11.4	9.4	7.9	<b>9.4</b>
Further Processed	6.6	7.0	6.0	7.8	<b>6.8</b>

## Seasonal fluctuations

Bergs Timber's business is subject to seasonal fluctuations. The demand for sawn timber is generally higher in March-June and September-November. Sales volumes during the winter and summer months are normally lower. The demand for further processed products to the building sector is generally higher in May-October. The market for pellets is correlated with the winter season. Production volumes in the sawmills are lower in July and August due to holiday season and maintenance work.



## Acquisition of Fågelfors Hyvleri AB

On 27 June 2019, Bergs Timber AB signed an agreement with AB Fogelfors Bruk to acquire all shares in Fågelfors Hyvleri AB. The acquisition was completed and the shares in Fågelfors Hyvleri were taken over in conjunction with the signing of the agreement. Of the total purchase price, SEK 48 million, SEK 18 million was paid in the form of newly issued shares in Bergs Timber.

The acquired business mainly consists of a completely new plant for the production of fuel pellets with a capacity of 100,000 tons per year. In addition, there is capacity for a production of 20,000 tons of heating logs. A great part of the raw material will be retrieved from the by-products generated at Bergs Timber's Swedish plants. The other part of the acquired company consists of planing, currently with a production of approximately 30,000 m<sup>3</sup> planed goods per year. The facility is located in Fågelfors in eastern Småland with favorable transport distances from Bergs Timber's other facilities.

The purchase price for the shares in the acquired company was SEK 48 million, of which SEK 30 million was paid in cash and SEK 18 million was paid in the form of newly issued B shares in Bergs Timber.

In connection with the transaction, the Board, on the basis of the issue authorization approved by the Annual General Meeting on May 8, 2019, decided on a directed rights issue of 5 940 594 B shares, corresponding to SEK 18 million, to Fogelfors Bruk with the right and obligation to pay for the new shares through shares in Fågelfors Hyvleri. The number of B shares has been based on a share price of SEK 3.03, which corresponds to the volume weighted average price for the B shares during five trading days prior to the day of the transaction.

The net debt of the acquired company amounted to SEK 63 million at the day of the transaction, which means that the purchase price on a debt-free basis was approximately SEK 110 million. The loan agreement with Danske Bank and Svensk Exportkredit, which was concluded on June 14, 2019, provided space for the required refinancing of the credits in the acquired company.

The purchase method has been used for reporting of the acquisition. A purchase price allocation has been prepared as in the table below.

### Purchase price allocation

*The acquired identifiable net assets on the date of acquisition (SEK million):*

Tangible fixed assets	122
Financial fixed assets	1
Inventories	17
Current receivables	16
Cash and bank balances	5
Non-current interest-bearing liabilities	-68
Deferred tax liability	-10
Other long-term liabilities	-1
Other short-term liabilities	-22
<b>Total identifiable net assets</b>	<b>60</b>
Negative excess value	-12
<b>Purchase consideration</b>	<b>48</b>
Purchase consideration, cash	-30
Acquisition costs	-1
Cash and bank, acquired	5
<b>Net cash effect</b>	<b>-26</b>

The negative excess value of SEK 12 million has been recognised in the income statement at acquisition date and is included in the line other operating income.

The total cost of completing the acquisition was SEK 1.4 million, of which SEK 1.1 million relates to transaction costs and has been charged to the income statement, whereas SEK 0.3 million relates to issuing costs reported directly against Group shareholders' equity. Transaction costs are included in the line other external costs.

The acquired company was consolidated from 27 June 2019 and contributed with SEK 58 million in net sales, SEK 10 million in EBITDA and with SEK 4 million in operating profit for the period 27 June-31 December 2019. If the company would have been consolidated from 1 January 2019, the company would have contributed with SEK 92 million in net sales and with SEK 5 million in operating profit. As the company has started the production during the year, net sales and operating profit is not representative for coming periods.

### **Subsequent events**

In February, the vessel that has been providing linear service between Riga and the Group's own port at Creeksea in the UK was sold. An agreement for a time charter arrangement was signed to provide the similar services. The purchase price for the vessel was SEK 6 million with a capital gain of SEK 3 million.

### **Parent company**

The parent company's activities are directed at the management of shares in subsidiaries as well as group-wide administrative tasks. The result for the parent company after financial items for the period January-December amounted to SEK -19 (-16).

### **Proposed dividend**

The board of directors proposes that the annual general meeting to approve a dividend of SEK 0.04 per share. The dividend for the last financial year was SEK 0.10 per share. The proposed dividend amounts to SEK 14 million.

### **Annual general meeting**

The annual general meeting for the financial year 2019 will be held on 5 May 2020 at 10.00 in Hultsfred. Further details will be provided in the notice of the meeting that will be published on Bergs Timber's webpage in advance of the meeting.

### **Reporting periods**

- Interim financial report Q1 2020	5 May, 2020
- Annual general meeting	5 May, 2020
- Interim financial report Q2 2020	31 July, 2020
- Interim financial report Q3 2020	3 November, 2020
- Year-end report 2020	3 February, 2021

This year-end report has not been subject to review by the company's auditors.

The undersigned declare that the year-end report provides a true summary of the parent company's and group's activities, position and income and describes the significant risks and uncertainty factors facing the parent company and the group companies.

Mörlunda, 5 February 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 year-end report is such that Bergs Timber AB (publ) is obliged to disclose pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication 5 February 2020 at 13:15. The year-end report is available on the company's website, [www.bergstimber.se](http://www.bergstimber.se)

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The Group's income statement in brief	2019	2018	2019	2018	2017/18
Amount in SEK million	Oct-Dec 3 months	Oct-Dec 3 months	Jan-Dec 12 months	Jan-Dec 12 months	Sep-Dec 16 months
Net sales	687	772	3,206	2,655	3,031
Changes in products in progress and finished goods	25	32	50	-8	17
Other operating income	2	3	31	4	16
<b>Total</b>	<b>714</b>	<b>807</b>	<b>3,287</b>	<b>2,651</b>	<b>3,064</b>
<b>Operating expenses</b>					
Raw materials and consumables	-470	-443	-2,163	-1,679	-1,950
Other external costs	-147	-183	-573	-419	-473
Personnel costs	-94	-106	-379	-285	-332
Depreciations	-25	-19	-94	-59	-71
Other operating costs	-	-7	-	-7	-9
<b>Total operating costs</b>	<b>-736</b>	<b>-758</b>	<b>-3,209</b>	<b>-2,449</b>	<b>-2,835</b>
<b>Operating profit</b>	<b>-22</b>	<b>49</b>	<b>78</b>	<b>202</b>	<b>229</b>
Financial income	0	0	1	0	0
Financial expenses	-14	-5	-34	-13	-15
<b>Profit after financial items</b>	<b>-36</b>	<b>44</b>	<b>45</b>	<b>189</b>	<b>214</b>
Taxes on the period's profit/loss	4	4	0	-15	-26
<b>Profit for the period</b>	<b>-32</b>	<b>48</b>	<b>45</b>	<b>174</b>	<b>188</b>
Attributable to					
the parent company's shareholders	-32	48	45	174	188
Holdings without controlling influence	-	-	-	-	-
Earnings per share, SEK **	-0.09	0.14	0.13	0.66	0.75
Earnings per share after dilution, SEK	-0.09	0.14	0.13	0.66	0.75
Average number of shares held in thousands	346,728	340,788	343,758	262,871	250,475

Note: Acquired Norvik companies are included for the period January-December 2018 and September 2017-December 2018 with 7.5 months and fully included for the other periods. Fågelfors is included for the period January-December 2019 with 6 months and fully included for the period October-December 2019.

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

Statement of comprehensive income (net after tax)	2019	2018	2019	2018	2017/18
Amount in SEK million	Oct-Dec 3 months	Oct-Dec 3 months	Jan-Dec 12 months	Jan-Dec 12 months	Sep-Dec 16 months
<b>Profit or loss for the period</b>	<b>-32</b>	<b>48</b>	<b>45</b>	<b>174</b>	<b>188</b>
Change in hedging reserve (net after tax)	3	-7	-1	-2	-1
Currency translation difference in Equity	-13	3	22	-3	-3
<b>Comprehensive income for the period</b>	<b>-42</b>	<b>44</b>	<b>66</b>	<b>169</b>	<b>184</b>
Attributable to:					
the parent company's shareholders	-42	44	66	169	184
Holdings without controlling influence	-	-	-	-	-

The Group's balance sheet in brief Amount in SEK million	31 December 2019	31 December 2018
<b>Assets</b>		
Intangible assets	193	191
Tangible fixed assets, incl right-of-use assets	948	771
Financial fixed assets	1	8
Deferred tax assets	6	0
<b>Total fixed assets</b>	<b>1,148</b>	<b>970</b>
Inventories	667	653
Current receivables	329	377
Cash and bank balances	86	74
<b>Total current assets</b>	<b>1,082</b>	<b>1,104</b>
<b>TOTAL ASSETS</b>	<b>2,230</b>	<b>2,074</b>
<b>Equity</b>	<b>1,102</b>	<b>1,052</b>
Non-current liabilities	623	245
Current liabilities	505	777
<b>Total liabilities</b>	<b>1,128</b>	<b>1,022</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,230</b>	<b>2,074</b>
<b>Of which, interest bearing liabilities</b>		
Overdrafts	25	146
Other current liabilities	132	270
Other non-current liabilities	593	238
	<b>750</b>	<b>654</b>

Changes in equity *)	2019 Jan-Dec 12 months	2017/18 Sep-Dec 16 months
<b>Equity, opening balance</b>	<b>1,052</b>	<b>398</b>
New share issue after issue expenses	18	479
Dividend paid	-34	-9
Comprehensive income for the period	66	184
<b>Total equity at the end of the period</b>	<b>1,102</b>	<b>1,052</b>

\*) There is no minority.

The Group's cash flow analysis in brief Amount in SEK million	2019 Oct-Dec 3 months	2018 Oct-Dec 3 months	2019 Jan-Dec 12 months	2018 Jan-Dec 12 months	2017/18 Sep-Dec 16 months
<b>The current operations</b>					
Profit after financial items	-36	44	45	189	214
Adjustment for items not included in the cash flow*	22	0	64	55	56
Income tax paid	0	0	0	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-14</b>	<b>44</b>	<b>109</b>	<b>244</b>	<b>270</b>
Change in inventory	-20	-141	11	-92	-134
Change in operating receivables	56	33	71	81	67
Change in operating liabilities	-20	108	-44	-1	33
<b>Cash flow from operating activities</b>	<b>2</b>	<b>44</b>	<b>147</b>	<b>232</b>	<b>236</b>
Business combinations	-	-	-25	-86	-86
Acquisition of tangible fixed assets	-35	-27	-131	-157	-173
Sales of tangible fixed assets	11	0	11	0	1
Change in financial assets	8	1	8	-7	-6
<b>Cash flow from investment operations</b>	<b>-16</b>	<b>-26</b>	<b>-137</b>	<b>-250</b>	<b>-264</b>
Issue expenses	0	0	0	-7	-7
Change in financial receivables and liabilities	-5	-11	35	107	117
Dividend paid	-	-	-34	-9	-9
<b>Cash flow from financing operations</b>	<b>-5</b>	<b>-11</b>	<b>1</b>	<b>91</b>	<b>101</b>
<b>Cash flow for the period</b>	<b>-19</b>	<b>7</b>	<b>11</b>	<b>73</b>	<b>73</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>107</b>	<b>67</b>	<b>74</b>	<b>1</b>	<b>1</b>
<b>Translation differences in cash and cash equivalents</b>	<b>-2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>86</b>	<b>74</b>	<b>86</b>	<b>74</b>	<b>74</b>

\*) Mainly depreciations

The group's key performance indicators and goals Amounts in SEK million	Fin. Goal	2019 Oct-Dec 3 months	2018 Oct-Dec 3 months	2019 Jan-Dec 12 months	2018 Jan-Dec 12 months	2018/19 Sep-Dec 16 months
Net sales		687	772	3,206	2,655	3,031
EBITDA		3	68	172	261	301
EBITDA margin, %	> 7	0.4	8.8	5.4	9.8	9.9
Operating profit		-22	49	78	202	229
Operating margin, %		neg	6.3	2.4	7.6	7.6
Return on capital employed, %, 12 months	> 10			4.4	11.8	15.4
Earnings per share (after tax)		-0.09	0.14	0.13	0.66	0.75
Interest-bearing net debt		664	580	664	580	580
Net debt/equity ratio	< 1.0	0.60	0.55	0.60	0.55	0.55
Equity ratio, %		49.4	50.7	49.4	50.7	50.7
Average number of shares held in thousands		346,728	340,788	343,758	262,871	250,475
Equity per share, SEK		3.18	3.09	3.18	3.09	3.09

The parent company's income statement in brief Amount in SEK million	2019 Jan-Dec 12 months	2017/18 Sep-Dec 16 months
Other operational income	29	7
<b>Total</b>	<b>29</b>	<b>7</b>
<b>Operating expenses</b>		
Other external costs	-12	-8
Personnel costs	-16	-11
Depreciations	0	0
Other operating costs	0	0
<b>Total operating costs</b>	<b>-28</b>	<b>-19</b>
<b>Operating profit (loss)</b>	<b>1</b>	<b>-12</b>
Financial income*	400	2
Financial expenses*	-420	-6
<b>Profit (loss) after financial items</b>	<b>-19</b>	<b>-16</b>
Appropriations**	19	42
<b>Profit before tax</b>	<b>0</b>	<b>26</b>
Taxes on the period's profit/loss	-1	-5
<b>Profit (loss) for the period</b>	<b>-1</b>	<b>21</b>

\*) Includes dividend from subsidiaries with SEK 393 million. Shares in subsidiaries have been written down with the same amount

\*\* ) Group contributions for tax purposes

The parent company's balance sheet in brief Amount in SEK million	31 December 2019	31 December 2018
<b>Assets</b>		
Financial fixed assets	1,332	1,071
<b>Total fixed assets</b>	<b>1,332</b>	<b>1,071</b>
Receivables, Group companies	222	124
Other current receivables	15	1
Cash and bank balances	22	0
<b>Total current assets</b>	<b>259</b>	<b>125</b>
<b>TOTAL ASSETS</b>	<b>1,591</b>	<b>1,196</b>
<b>Liabilities and equity</b>		
<b>Equity</b>	<b>865</b>	<b>882</b>
<b>Non-current liabilities</b>	<b>582</b>	<b>106</b>
<b>Current liabilities</b>	<b>144</b>	<b>208</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,591</b>	<b>1,196</b>

## Notes

### 1. Accounting principles

This year-end 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 principles 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 except for IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases which applies from 1 January, 2019. Disclosures according to IAS 34, Interim Financial Reporting, are provided both in notes and other parts of the interim report.

IFRS 9 Financial Instruments replaces IAS 39 Financial instruments: Recognition and Measurement. The standard includes revised requirements for recognition and measurement of financial assets and liabilities, impairment and general hedge accounting. IFRS 9 has not given rise to any effects on the Income Statement or Balance sheet, with present and in the future expected transaction types. Any figures in the comparison periods will therefore not be affected.

IFRS 15 Revenue from Contracts with Customers replaced IAS 18 Revenue and IAS 11 Construction Contracts standards. The new standard specifies how and when revenue is recognised. The standard is based on the principle that revenue is recognised when control of goods or services transfer to a customer. IFRS 15 has not affected the accounting of the Group the way business is conducted today and with the types of customer contracts and the delivery terms used.

IFRS 16 Leases replaces IAS 17 and is a significant change in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use (ROU) asset for, in effect, all lease contracts. The group have opted to use the modified retrospective approach and therefore the comparative information will not be restated and continues to be reported under IAS 17.

Effect of initial application of IFRS 16 is recognized in balance sheet at 1 January 2019. At transition, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates. ROU assets are measured an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group has also applied the exemption not to capitalise contracts which are ending in 2019. Leases of low value assets are mainly including IT and office equipment and other low value items. The Group recognises the lease payments associated with these leases as operating expenses.

On 1 January 2019, the Group recognised a lease liability of SEK 13 million and a ROU asset of SEK 13 million. ROU assets are presented on the line item tangible fixed assets including right-of-use assets in the Group's balance sheet and the lease liability is presented on the line items for non-current liabilities and current liabilities. EBITDA will be positively affected by SEK 5 million for January-December 2019. The effect on operating profit and financial net will be SEK 0 million.

Amounts in brackets refer to the value for the same period in the previous financial year, unless otherwise stated. There may be differences due to rounding.

### 2. Revenue from contracts with customers

SEK million	Jan-Dec 2019	Jan-Dec 2018
<b>Goods</b>		
Wood products	2,623	2,047
By-products	371	432
Pulp- and round wood	138	129
	<b>3,132</b>	<b>2,608</b>
<b>Services</b>		
Wood treatment, distribution, forest services	74	47
	<b>3,206</b>	<b>2,655</b>

SEK million	Jan-Dec 2019	Jan-Dec 2018
Sweden	555	562
UK	798	781
Baltic States	479	324
Rest of Europe	945	639
Rest of world	429	349
	<b>3,206</b>	<b>2,655</b>

### 3. Financial instruments

SEK million	Level	Carrying amount 31 Dec 2019	Fair value 31 Dec 2019	Carrying amount 31 Dec 2018	Fair value 31 Dec 2018
<b>Financial assets measured at amortised cost</b>					
Financial fixed assets	-	1	1	8	8
<b>Financial assets measured at fair value in the income statement</b>					
Trade receivables	-	265	265	324	324
Other current receivables	-	28	28	37	37
Cash and cash equivalents	-	86	86	74	74
<b>Derivatives used for hedge accounting</b>					
Derivatives	2	2	2	2	2
		<b>382</b>	<b>382</b>	<b>445</b>	<b>445</b>
<b>Financial liabilities measured at amortised cost</b>					
Liabilities to credit institutions	-	680	680	448	448
Trade creditors	-	210	210	237	237
Loan from Norvik	3	70	70	168	170
Contingent consideration	3	9	10	38	40
Other liabilities	-	31	31	32	32
<b>Derivatives used for hedge accounting</b>					
Derivatives	2	2	2	-	-
		<b>1,002</b>	<b>1,003</b>	<b>923</b>	<b>927</b>

Measurement levels:

- 1: Quoted prices on an active market for identical assets or liabilities, such as shares or bonds quoted on the stock exchange.
- 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (price quotations) or indirectly (obtained from price quotations), such as currency forward contracts or interest rate swaps.
- 3: Inputs for the asset or liability not fully based on observable market data.

### 4. Information about risks and uncertainty factors

#### *Price trends*

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

#### *Brexit and related trade disturbances*

Bergs Timber is exposed to the UK market, both in terms of sawn timber and more value-added products, and might be negatively affected should UK leave the European Union without a proper agreement securing a smooth handling of goods and no duties. The Group has been working with actions in order to reduce potential negative effects in different scenarios.



#### *Financial risks*

Bergs Timber is exposed to financial risk, which is mainly related to liquidity and cash flow risk connected with liquidity and debt management and exchange rate risk connected with export deals. A large part of the financing is dependent on fulfilling financial undertakings, which are reported above under the heading Financing. Regarding exposure to exchange rate risk, the Group's policy states that normally 50-75 percent of the expected currency flow for the next six months shall be hedged.

#### *Value of plant*

In previous years, the Group has reported negative results, which has led to testing of the recognised value of plant by impairment testing. Testing is based on our best assessment of the future development. The testing performed shows that there is no need for impairment. A future negative deviation may affect the recognised value of plant. For a further description of impairment testing please refer to the annual report 2017/2018.

For a complete presentation of the identified risk as well as the company's work to manage this, please refer to the annual report, 2017/2018.

### **5. Transactions with related parties and associates**

Transaction with members of the board, senior executives and companies associated with them include purchases of forestry raw materials, forestry services, advisory services, timber products and construction services as well as sales of mechanical equipment, by-products and impregnation services. All transactions were at market value. The transactions had not any material impact on the Group's financial position or results.

The parent company has had transactions with associated Group subsidiaries in the form of sales of management and administration costs. The scope of transactions with related parties has not changed compared to the information provided in the annual report 2017/2018.

In accordance with the agreement for the acquisition of Norvik hf's businesses in the Baltics and UK, that was concluded in May 2018, the parent company has repaid the first vendor loan of SEK 100 million to Norvik hf. The second vendor loan of SEK 70 million is due on 30 June 2020. A contingent consideration of SEK 15 million, based on the result for the acquired businesses for 2018, has also been paid to Norvik. As part of the refinancing of the Group, term loans from Norvik and related parties to Norvik to subsidiaries to Bergs Timber have been repaid with SEK 40 million.

### **6. Alternative performance measures**

Bergs Timber presents key performance indicators (KPI's) in the interim report that supplement the financial measures defined according to IFRS, so called alternative performance measures, APM. The company considers 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. For this reason, they should not be considered as replacing the key performance indicators that are defined according to IFRS. For further definitions and reasons for use, please refer to the annual report for 2017/2018, note 28.

#### **Definitions of KPI's**

EBITDA	Operating profit before depreciation, amortisation, and impairment losses for tangible and intangible assets.
EBITDA margin	EBITDA as a percentage of net turnover
Operating profit	Result before financial items and tax.
Operating margin	Operating profit as percentage of net turnover
Return on capital employed	Profit/loss after financial items plus financial costs in proportion to the average capital employed
Capital employed	Equity plus interest-bearing liabilities and provisions

Interest-bearing net debt	Interest-bearing liabilities and provisions minus cash and cash equivalents and short-term investments
Net debt/equity ratio	Net interest-bearing liabilities in relation to equity
Equity-assets ratio	Equity in percent of total assets
Equity per share	Shareholders' equity in relation to the total number of outstanding shares
Production volume	Nominal sawn volume in cubic metres less a deduction for estimated offcuts and wastage in further internal production processes
Sales volume	Nominal delivered volume in cubic metres (volume calculated before planing)

## 7. Quarterly data per segment

Income statement	2019	2019	2019	2019	2019
Amount in SEK million	Q1	Q2	Q3	Q4	Jan-Dec
<b>Net sales</b>	<b>885</b>	<b>913</b>	<b>720</b>	<b>687</b>	<b>3,206</b>
Sawmills	596	602	472	507	2,177
Further Processed	269	333	265	207	1,074
Other	54	56	52	46	208
Intra-group deliveries	-34	-78	-69	-73	-254
<b>EBITDA</b>	<b>82</b>	<b>60</b>	<b>27</b>	<b>3</b>	<b>172</b>
Sawmills	66	22	-2	2	88
Further Processed	17	27	21	10	76
Other	-1	11	8	-10	8
<b>EBITDA margin, %</b>	<b>9.3</b>	<b>6.6</b>	<b>3.8</b>	<b>0.4</b>	<b>5.4</b>
Sawmills	11.1	3.7	neg	0.4	4.0
Further Processed	6.3	8.1	7.9	4.8	7.1
<b>Operating profit</b>	<b>60</b>	<b>38</b>	<b>2</b>	<b>-22</b>	<b>78</b>
Sawmills	50	7	-18	-17	22
Further Processed	13	23	12	4	51
Other	-2	8	8	-9	5
<b>Operating margin, %</b>	<b>6.8</b>	<b>4.2</b>	<b>0.3</b>	<b>Neg</b>	<b>2.4</b>
Sawmills	8.4	1.2	neg	Neg	1.0
Further Processed	4.8	6.9	4.5	1.9	4.7