

BERGS

Interim report

1 January – 30 June 2020



Interim report

1 January – 30 June 2020

SECOND QUARTER (1 APRIL-30 JUNE) *

- Net sales declined by 12% to SEK 545 million (619). The lower sales were mainly related to lower sales volumes and lower sales prices for sawn products.
- Adjusted for non-recurring items, EBITDA amounted to SEK 52 million (40), an increase primarily related to higher margin for sawn products but also to higher sales volumes to the Swedish DIY-sector. Adjusted EBITDA margin was 9.5% (6.5).
- Adjusted EBITDA, including discontinued operations, amounted to SEK 74 million (49), corresponding to an adjusted EBITDA-margin of 8.4% (5.4).
- Adjusted operating profit amounted to SEK 35 million (25).
- Operating cash flow, including discontinued operations, amounted to SEK 143 million (28). The cash flow was positively affected by lower stock levels.
- Earnings per share, including discontinued operations, was SEK 0.07 (0.08).
- An agreement was signed with Vida to sell the Swedish sawmill business.

INTERIM PERIOD (1 JANUARY-30 JUNE) *

- Net sales declined by 10% to SEK 1,073 million (1,189), mainly related to lower sales volumes and lower sales prices for sawn products.
- Adjusted EBITDA amounted to SEK 81 million (84). Lower sales volumes and sales prices were offset by lower costs for raw material. Higher sales volumes to the Swedish DIY-sector contributed positively. Adjusted EBITDA-margin was 7.5% (7.1).
- Adjusted EBITDA, including discontinued operations, amounted to SEK 125 million (130), corresponding to and adjusted EBITDA-margin of 7.2% (7.2).
- Adjusted operating profit amounted to SEK 48 million (57).
- Operating cash flow, including discontinued operations, amounted to SEK 137 (-6) million.
- Earnings per share, including discontinued operations, was SEK 0.09 (0.23).

*) The Swedish sawmill business is classified as discontinued operations as of 30 June 2020. Comparative periods in the consolidated income statement are restated to reflect that classification. The consolidated income statement, balance sheet (current period) and key performance indicators reflects the continuing operations, unless otherwise indicated. For more information on discontinued operations, see pages 6 and 15.

The group's key performance indicators

SEK million	2020 Apr-Jun 3 months	2019 Apr-Jun 3 months	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
Net sales	545	619	1,073	1,189	2,056
Adjusted EBITDA	52	40	81	84	115
Adjusted EBITDA margin, %	9.5	6.5	7.5	7.1	5.6
Adjusted operating profit	35	25	48	57	55
Adjusted operating margin %	6.4	4.0	4.5	4.8	2.7
Operating profit	35	36	48	68	73
Operating margin, %	6.4	5.8	4.5	5.7	3.6
Adjusted EBITDA, continuing and discontinued operations	74	49	125	130	154
Adjusted EBITDA-margin, %, continuing and discontinued operations	8.4	5.4	7.2	7.2	4.8
Earnings per share, before and after dilution, SEK	0.07	0.08	0.09	0.23	0.13
Equity per share, SEK	3.27	3.34	3.27	3.34	3.18

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

Bergs reports improved result for the second quarter



IMPROVEMENT IN RESULT AND STRONG CASH FLOW

Despite the ongoing Covid-19 pandemic, demand for Bergs's products has been good. The market for wood products has strengthened during the second quarter and prices for wood products have been gradually raised. The market for do-it-yourself, renovation and garden products has developed strongly, while a decline in industrial construction in Europe and the USA has been noted. Bergs focus on the garden range and the do-it-yourself segment has been favorable and sales volumes, mainly in May and June, have been strong.

Adjusted EBITDA for the second quarter, including the units reported as discontinued operations, amounts to SEK 74 million, which is an improvement of SEK 25 million compared with the previous year. Due to high demand, we have been able to reduce our stock levels significantly. This, together with a good level of earnings, has meant that we report a strong cash flow from operations for the second quarter.

MARKET AND EFFECTS OF COVID-19

The effects of the shutdown of large parts of the economies in Europe and the USA were initially difficult to assess and resulted in many producers limiting their production. At the same time, during the beginning of spring we could see increased demand from Scandinavian builders' merchants. As the restrictions have been gradually lifted, we now have a similar increase in demand in virtually all of our markets. This applies not least to products aimed at the garden segment and renovations.

The market for industrial construction declined sharply during April and May, when many construction sites and factories were closed in several countries. Since the restrictions during the second part of May and June have been gradually lifted, we have a situation where buyers replenish their stocks.

We continue to take measures and follow recommendations to protect our employees against the spread of the virus and enable us to run the business largely as normal.

BERGS'S DEVELOPMENT AND DIVESTMENT OF THE SWEDISH SAWMILLS

As a result of the uncertain market situation, we implemented certain production curtailments at the sawmills in April. Production has been normal during May and June. Our processing business Byko-Lat has developed well. The Bitus wood protection unit also had very good demand from the Swedish builders' merchants during the second quarter. Our Latvian sawmill Vika Wood still has good margins. It is gratifying that our Estonian sawmill Laesti, after implemented changes, is now showing positive results again. Our English distribution business has been negatively affected by the shutdown in the construction sector.

During the quarter, the board made the decision to divest the Swedish sawmills. The sale is part of Bergs's stated strategy of developing the Group's operations towards a segment with more processed products. The divestment gives Bergs entirely new financial conditions to develop in a segment with more processed products in addition to the significant operations of this type we already have in Latvia and Sweden. We are now initiating an exciting and challenging process for transforming Bergs into a company with different, more demanding financial targets than what we currently have. According to the agreement with the buyer, the transaction will be completed on 1 September.

OUTLOOK

The economic effects of the Covid-19 pandemic remain difficult to assess. It is quite clear that activity in the economy has declined and that unemployment is rising. Order intake for new construction projects has been delayed during the spring and summer. However, the need for construction remains large in many places and it is likely that construction will be stimulated by the countries concerned when the economies gradually return to more normal levels. We see continued good demand for our products for the summer and autumn.

Vimmerby, 31 July 2020

Peter Nilsson
CEO

Net sales and operating profit

APRIL-JUNE 2020 COMPARED TO APRIL-JUNE 2019

Net sales for the second quarter 2020 amounted to SEK 545 million (619). The decrease of SEK 74 million is mainly explained by lower sales volumes and sales prices for sawn products.

Adjusted EBITDA increased to SEK 52 million (40), which corresponds to an adjusted EBITDA-margin of 9.5% (6.5). The increase was mainly due to higher margins for the sawmills due to lower costs for raw material. Higher sales volumes to the Swedish DIY-sector contributed positively.

Adjusted operating profit amounted to SEK 35 million (25).

JANUARY-JUNE 2020 COMPARED TO JANUARY-JUNE 2019

Net sales were SEK 1,073 million compared to SEK 1,189 million for the same period last year, a decrease of SEK 116 million. The decrease was attributable to lower sales volumes and sales prices for sawn products.

Adjusted EBITDA amounted to SEK 81 million (84), corresponding to an adjusted EBITDA-margin of 7.5% (7.1). Lower sales volumes and sales prices were offset by lower costs for raw material. Higher sales volumes to the Swedish DIY-sector contributed positively.

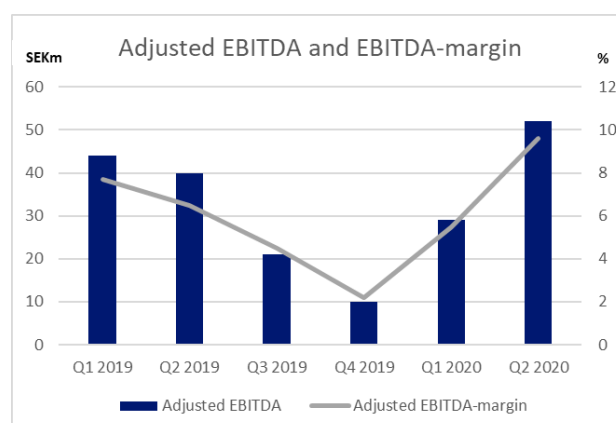
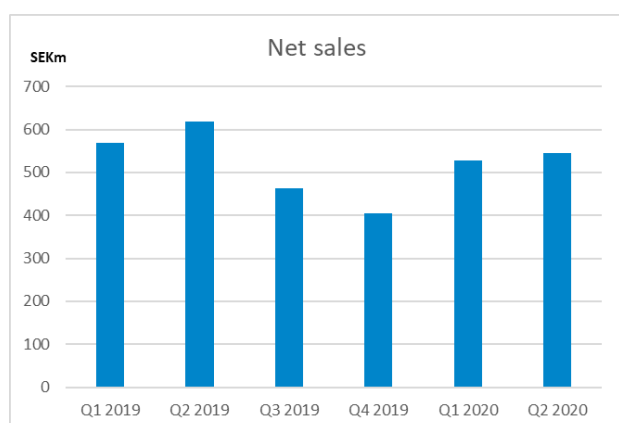
Adjusted operating profit amounted to SEK 48 million (57).

APRIL-JUNE 2020 COMPARED TO JANUARY-MARCH 2020

Net sales for the second quarter 2020 was SEK 545 million compared to SEK 528 million for the first quarter 2020, an increase of SEK 17 million. The increase was attributable to higher sales volumes for further processed products.

Adjusted EBITDA amounted to SEK 52 million (29), corresponding to an adjusted EBITDA-margin of 9.5% (5.5). The increase was mainly attributable higher sales volumes for further processed products and higher margins for the sawmills due to higher sales prices.

Adjusted operating profit amounted to SEK 35 million (13).



Cash flow and financing

Cash flow from current operations, including discontinued operations, amounted to SEK 137 million (-6) for the period January-June 2020. The cash flow effect of changes in working capital was SEK 44 million (-118). The improvement was mainly explained by lower stocks. Capital expenditures amounted to SEK -42 million (-56). Cash flow from operations in the second quarter amounted to SEK 143 (28) million, positively affected by reduced stock levels.

The Group's financial net debt as per 30 June 2020 amounted to SEK 565 million compared to SEK 675 million 31 December 2019. The net debt/equity ratio was 0.50. The decrease in net debt is explained by satisfying result and lower working capital.

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

Loan	Limit	Repayments, years			Total used
		0-1	1-2	2-	
Term loans		49	398		447
Revolving credit facility	250				120
Vendor loan		70			70
Overdraft facilities	125				2
Group total		119	398	-	639

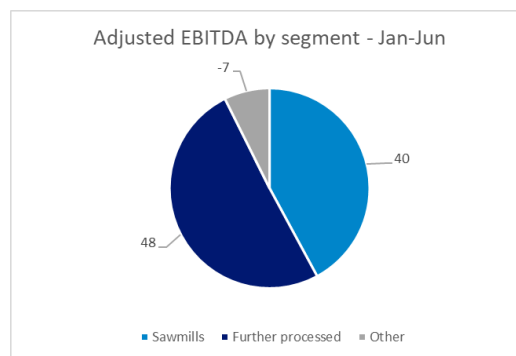
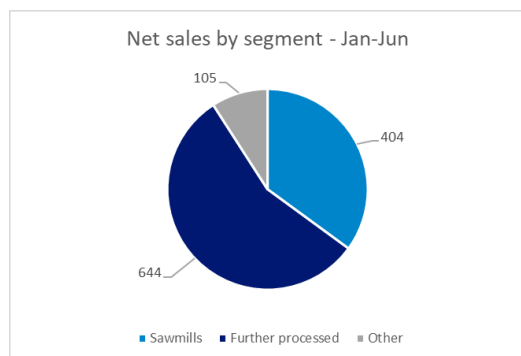
Available cash and cash equivalents, including granted but unused credit facilities, totaled SEK 358 million. In addition to this, there are granted but unused bank guarantee limits of SEK 25 million.

Net financial items for the period January-June 2020 amounted to SEK -17 (-12) million.

Segment reporting

Bergs has identified two segments that are monitored on an ongoing basis, Sawmills and Further processed.

The distribution and port business in the UK and group common activities are reported in Other. The Swedish sawmill business, previously reported in segment sawmills, is classified as discontinued operations as of 30 June 2020. Comparative periods have been restated to reflect this, see page 6 and 15 for more information on discontinued operations.



SAWMILLS

Sawmills consist of Vika Wood in Latvia and Laesti in Estonia. The sawmills in Sweden are reported as discontinued operations, see page 6 and 15.

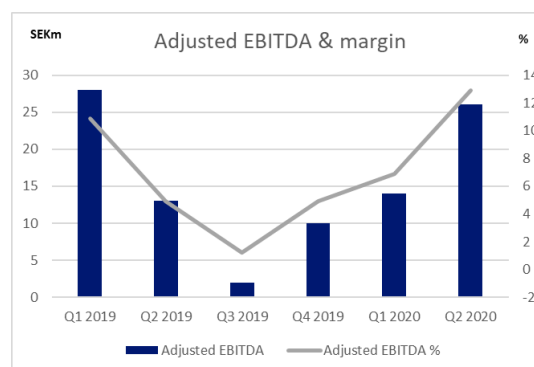
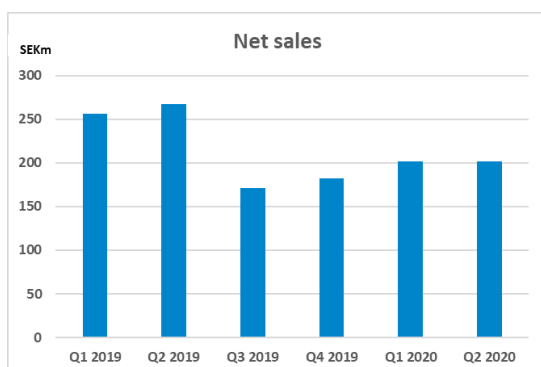
SEK million	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun
Net sales	202	267	404	523
EBITDA	26	13	40	41
Adjusted EBITDA	26	13	40	41
Operating profit	16	5	23	26
Adjusted operating profit	16	5	23	26
Adjusted EBITDA-margin, %	12.9	4.9	9.9	7.8
Adjusted operating margin, %	7.9	1.9	5.7	5.0
Sales volumes, thousand m ³	89	114	177	219
Production volumes, thousand m ³	88	108	179	224

Net sales for the period January-June decreased to SEK 404 million (523). The decrease was related to lower sales volumes and sales prices. The lower sales volumes were attributed to the closed sawmills in Broakulla and Savi.

Adjusted EBITDA for the period January-June amounted to SEK 40 million (41). Lower sales prices and sales volumes were compensated by lower costs for raw material.

Net sales for the second quarter amounted to SEK 202 million (267). The decrease was related to lower sales volumes and sales prices. The lower sales volumes were attributed to the closed sawmills in Broakulla and Savi.

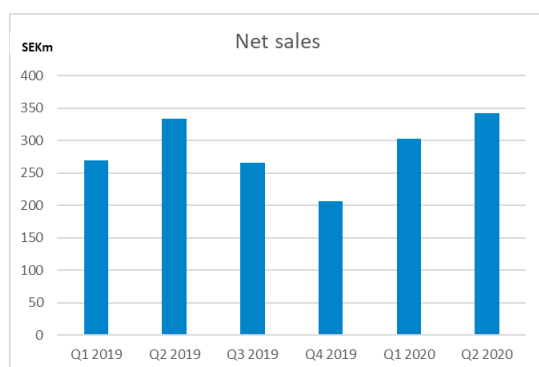
Adjusted EBITDA for the second quarter was SEK 26 million (13). The increase was mainly explained by lower costs for raw material.



FURTHER PROCESSED

Further Processed comprises Byko-Lat in Latvia, Bitus, Fågelfors and Woodworks by Bergs 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. Fågelfors is a major producer of pellets and fire logs for the energy market. Bitus is one of Europe's largest plants for treatment of wood products. Woodworks by Bergs is a newly established sales company for further processed products in the Swedish market.

SEK million	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun
Net sales	342	333	644	602
EBITDA	32	27	48	44
Adjusted EBITDA	32	27	48	44
Operating profit	23	23	31	36
Adjusted operating profit	23	23	31	36
Adjusted EBITDA-margin, %	9.4	8.1	7.5	7.3
Adjusted operating margin, %	6.7	6.9	4.8	6.0

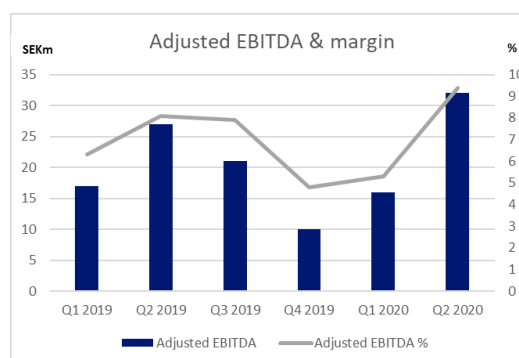


Net sales for the period January-June increased to SEK 644 million (602). Adjusted for the pellet business that was acquired in the second quarter 2019, net sales amounted to SEK 595 million, a decrease by SEK 7 million. The decrease was mainly explained by lower sales prices.

EBITDA for the period January-June amounted to SEK 48 million (44). The higher result was mainly explained by higher sales volumes to Swedish builders' merchants.

Net sales for the second quarter amounted to SEK 342 million (333). Adjusted for the pellet business, net sales amounted to SEK 321 million, a decrease by SEK 12 million. The decrease was mainly explained by lower sales prices.

EBITDA for the second quarter amounted to SEK 32 million (27). The higher result was mainly explained by higher sales volumes to Swedish builders' merchants.

**OTHER**

Other consists of the distribution and port business in the UK and group common activities. Net sales for the period January-June

Discontinued operations

The Swedish sawmill business is classified as discontinued operations as of 30 June 2020. For more information on discontinued operations, see page 15.

SEK million	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun
Net sales	336	294	664	609
EBITDA	22	9	30	46
Adjusted EBITDA	22	9	44	46
Operating profit	14	2	-3	30
Adjusted operating profit	14	2	27	30
Adjusted EBITDA-margin, %	6.5	3.1	6.6	7.6
Adjusted operating margin, %	4.2	0.7	4.1	4.9

2020 amounted to SEK 105 million (110). Adjusted EBITDA for the same period amounted to SEK -7 million (-1).

Net sales for the period January-June increased to SEK 664 million (609). The increase was related to higher sales volumes.

Adjusted EBITDA for the period January-June amounted to SEK 44 million (46). Lower sales prices were compensated by higher sales volumes and lower costs for raw material.

Net sales for the second quarter amounted to SEK 336 million (294). The increase was related to higher sales volumes.

Adjusted EBITDA for the second quarter was SEK 22 million (9). The increase was mainly explained by higher sales volumes and lower costs for raw material.

Other information

TAX

Recognised tax for the period January-June 2020 was SEK 2 million (2). The effective tax rate was -6 percent, lower than Sweden's corporate tax rate. The lower effective tax rate was explained by that no tax has been recorded for the Baltic companies.

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 60 million as per 30 June 2020.

SEASONAL FLUCTUATIONS

Bergs'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 April-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.

DISPOSAL OF THE SWEDISH SAWMILL BUSINESS

On 17 June 2020, Bergs signed an agreement with Vida Aktiebolag on the sale of Bergs's Swedish sawmill business. The transaction encompasses the sawmills in Orrefors, Vimmerby and Mörlunda, and is scheduled to be concluded on 1 September 2020. All personnel employed at each of these sawmills and in the purchasing organisation for raw materials will be offered employment at Vida, which is also acquiring the assets at the already discontinued operation at Gransjö.

The total purchase consideration for the operations, including the working capital involved, is estimated at approximately SEK 400 million, of which SEK 303 million pertains to fixed assets. In conjunction with the transaction, an additional SEK 150 million in working capital is expected to be freed up. As a result of the sale, Bergs will recognise a capital gain before tax of approximately SEK 100 million.

The undersigned declare that the interim 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.

Vimmerby, 31 July 2020

Peter Nilsson

Chief Executive Officer

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

The information in this interim report is such that Bergs Timber AB (publ) is obliged to disclose pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication 31 July 2020 at 13:00. 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, 598 37 Vimmerby, Tel: +46 10 199 85 00

The Swedish sawmill business, including the recently discontinued operations in Gransjö, represent annual sales of approximately SEK 1,100 million and over the last five-year period generated an EBITDA-margin between 3-11 percent. The remaining operations will have net sales of approximately SEK 2,000 million, with a margin that over time has been higher and more stable than that reported by the Swedish sawmill business. After the sale, Bergs will consist of wood processing operations in wood preservatives, planing, buildings, windows, doors, garden products and pellets. In addition, Bergs conducts sawmill business in Latvia and Estonia with annual production of approximately 350,000 cubic metres, as well as harbour and distribution operations in the UK.

The transaction, taken together with the liquidation of other working capital, means that Bergs's financial net debt - which at the end of the second quarter of 2020 totalled SEK 565 million - will be limited to approximately SEK 150 million, corresponding to a net debt/equity ratio of approximately 15 per cent.

The sale is conditional upon Vida obtaining approval from the relevant competition authorities, which approval now have been retained.

SUBSEQUENT EVENTS

No subsequent events are to report.

PARENT COMPANY

The parent company's activities are directed at the management of shares in subsidiaries as well as group-wide administrative tasks and financing of the group. The operating profit for the parent company for the period January-June 2020 amounted to SEK -9 million (-7).

REPORTING PERIODS

Interim financial report for Q3 2020	3 November, 2020
Year-end report for 2020	3 February, 2021

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

The Group's income statement in brief

Amount in SEK million	2020 Apr-Jun 3 months	2019 Apr-Jun 3 months	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
Net sales	545	619	1,073	1,189	2,056
Changes in products in progress and finished goods	-37	-13	-29	17	18
Other operating income	3	14	8	17	42
Total	511	620	1,052	1,223	2,116
Operating expenses					
Raw materials and consumables	-341	-417	-704	-840	-1,431
Other external costs	-63	-84	-150	-155	-298
Personnel costs	-55	-68	-117	-133	-254
Depreciations and impairments	-17	-15	-33	-27	-60
Other operating costs	0	0	0	0	0
Total operating costs	-476	-584	-1,004	-1,155	-2,043
Operating profit	35	36	48	68	73
Financial income	0	1	0	2	1
Financial expenses	-31	-9	-17	-14	-34
Profit after financial items	4	28	31	56	40
Taxes on the period's profit/loss	9	-1	2	2	3
Profit for the period, continuing operations	13	27	33	58	43
Profit for the period, discontinued operations	11	1	-3	22	2
Total net profit	24	28	30	80	45
Attributable to					
the parent company's shareholders	24	28	30	80	45
Holdings without controlling influence	-	-	-	-	-
Earnings per share, SEK *	0.07	0.08	0.09	0.23	0.13
Earnings per share after dilution, SEK	0.07	0.08	0.09	0.23	0.13
Average number of shares held in thousands	346,728	340,788	346,728	340,788	343,758

*) When calculating earnings per share, the average number of shares held is used and includes net profit for the discontinued operations.

Statement of comprehensive income (net after tax)

Amount in SEK million	2020 Apr-Jun 3 months	2019 Apr-Jun 3 months	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
Profit or loss for the period	24	28	30	80	45
Change in hedging reserve (net after tax)	9	4	4	0	-1
Currency translation difference in Equity	-26	7	-3	22	22
Comprehensive income for the period	7	39	31	102	66
Attributable to:					
the parent company's shareholders	7	39	31	102	66
Holdings without controlling influence	-	-	-	-	-

The Group's balance sheet in brief

Amount in SEK million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets			
Intangible assets	192	194	193
Tangible fixed assets, incl right-of-use assets	711	933	948
Financial fixed assets	1	12	3
Deferred tax assets	23	8	6
Total fixed assets	927	1,147	1,150
Inventories	297	694	667
Current receivables	498	542	328
Cash and bank balances	110	73	86
Assets classified as held for sale	368	-	-
Total current assets	1,273	1,309	1,081
TOTAL ASSETS	2,200	2,456	2,231
Equity	1,133	1,138	1,102
Liabilities			
Interest bearing liabilities	535	674	604
Other long-term liabilities and provisions	13	17	2
Deferred tax liabilities	32	20	17
Total long-term liabilities	580	711	623
Interest bearing liabilities	132	175	157
Other current liabilities	331	432	349
Liabilities associated with assets classified as held for sale	24	-	-
Total current liabilities	487	607	506
TOTAL EQUITY AND LIABILITIES	2,200	2,456	2,231

CHANGES IN EQUITY *)

Amount in SEK million	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
Equity, opening balance	1,102	1,052	1,052
New share issue after issue expenses	0	18	18
Dividend paid	0	-34	-34
Comprehensive income for the period	31	102	66
Total equity at the end of the period	1,133	1,138	1,102

*) There is no minority.

The Group's cash flow statement in brief (including discontinued operations*)

Amount in SEK million	2020 Apr-Jun 3 months	2019 Apr-Jun 3 months	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
The current operations					
Profit after financial items, including discontinued operations	18	31	27	87	45
Adjustment for items not included in the cash flow**	50	4	66	25	64
Income tax paid	0	0	0	0	0
Cash flow from operating activities before changes in working capital	68	35	93	112	109
Change in inventory	164	17	206	-15	11
Change in operating receivables	-25	-42	-167	-144	71
Change in operating liabilities	-64	18	5	41	-44
Cash flow from operating activities	143	28	137	-6	147
Business combinations					
Acquisition of tangible fixed assets	-22	-21	-42	-56	-131
Sales of tangible fixed assets	0	0	6	0	11
Change in financial assets	0	1	0	0	8
Cash flow from investment operations	-22	-35	-36	-71	-137
Change in financial receivables and liabilities	-92	70	-77	108	35
Dividend	0	-34	0	-34	-34
Cash flow from financing operations	-92	36	-77	74	1
Cash flow for the period	29	29	24	-3	11
Cash and cash equivalents at the start of the period	84	42	86	74	74
Currency differences in cash and cash equivalents	-3	2	0	2	1
Cash and cash equivalents at the end of the period	110	73	110	73	86

*) All balance sheet items are not fully allocated to the discontinued operations as the Swedish sawmill business is conducted in a legal entity with other continuing units. Therefore, the cash flow statement includes the discontinued operations.

**) Mainly depreciations

The group's key performance indicators and goals

Amounts in SEK million	Fin. Goal	2020 Apr-Jun 3 months	2019 Apr-Jun 3 months	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
Net sales		545	619	1,073	1,189	2,056
Adjusted EBITDA		52	40	81	84	115
Adjusted EBITDA margin, %	> 7	9.5	6.5	7.5	7.1	5.6
Operating profit		35	36	48	68	73
Operating margin, %		6.4	5.8	4.5	5.7	3.6
Adjusted operating profit		35	25	48	57	55
Adjusted operating margin %		6.4	4.0	4.5	4.8	2.7
Return on capital employed, %, 12 months	> 10	-	-	-	-	4.4
Earnings per share (after tax)		0.07	0.08	0,09	0.23	0.13
Interest-bearing net debt		565	776	565	776	675
Net debt/equity ratio	< 1.0	0.50	0.68	0.50	0.68	0.61
Equity ratio, %		51.5	46.3	51.5	46.3	49.4
Average number of shares held in thousands		346,728	340,788	346,728	340,788	343,758
Equity per share, SEK		3.27	3.34	3.27	3.34	3.18

The parent company's income statement in brief

Amount in SEK million	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months
Other operational income	6	5
Total	6	5
Operating expenses		
Other external costs	-8	-5
Personnel costs	-7	-7
Depreciations	0	0
Other operating costs	0	0
Total operating costs	-15	-12
Operating profit (loss)	-9	-7
Financial income	12	1
Financial expenses	-17	-5
Profit (loss) after financial items	-14	-12
Taxes on the period's profit/loss	2	1
Profit (loss) for the period	-12	-11

The parent company's balance sheet in brief

Amount in SEK million	2020 30 June	2019 30 Jun
Assets		
Financial fixed assets	1,302	1,347
Total fixed assets	1,302	1,347
Receivables, Group companies	187	311
Other current receivables	5	4
Cash and bank balances	23	13
Total current assets	215	328
TOTAL ASSETS	1,517	1,675
Liabilities and equity		
Equity	852	855
Non-current liabilities	528	658
Current liabilities	137	162
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,517	1,675

Notes

1. ACCOUNTING PRINCIPLES

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 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 regarding 2019, pages 56-62. There are certain new and changed standards and interpretations that will enter into force in 2020 or later, but these are not considered to have any significant impact on the company's accounts. Disclosures according to IAS 34, Interim Financial Reporting, are provided both in notes and other parts of the interim report.

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	2020 Jan-Jun	2019 Jan-Jun
Goods		
Wood products	968	1,048
By-products	76	104
Pulp- and round wood	1	3
Services		
Wood treatment, distribution, forest services	28	34
	1,073	1,189

SEK million	2020 Jan-Jun	2019 Jan-Jun
Sweden	122	105
UK	226	290
Baltic States	237	259
Rest of Europe	376	408
Rest of world	112	127
	1,073	1,189

3. DISCONTINUED OPERATIONS

Classification

As of 30 June 2020, the Swedish sawmill business is classified as held for sale and discontinued operations. On 17 June 2020, Bergs Timber signed an agreement with Vida Aktiebolag on the sale of Bergs's Swedish sawmill business. The transaction encompasses the sawmills in Orrefors, Vimmerby and Mörlunda, and is scheduled to be concluded on 1 September 2020. Vida is also acquiring the assets at the already discontinued operation at Gransjö. As a consequence of this agreement, Bergs has made the judgment that a divestment is deemed highly probable and that the business should be classified as held for sale and reported as discontinued operations as of 30 June 2020.

Presentation

The Swedish sawmill business is classified as held for sale and discontinued operations and is therefore presented as a single amount in the consolidated income statement. Assets and liabilities related to the business are presented separately in two lines in the consolidated balance sheet. The consolidated cash flow statement is presented including the Swedish sawmill business. Comparative periods in the consolidated income statement are restated to reflect the classification of the Swedish sawmill business as discontinued operations.

Measurement

In accordance with IFRS 5, the discontinued operations are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on the terms in the sale agreement. The remeasurement of the net assets in the Swedish sawmill business resulted in no need of impairment.

Net income from discontinued operations

Amount in SEK million	2020 Apr-Jun 3 months	2019 Apr-Jun 3 months	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
Net sales	336	294	664	609	1,150
Operating costs*	-314	-285	-634	-563	-1,111
EBITDA	22	9	30	46	39
Depreciation and impairments	-8	-7	-34	-16	-34
Operating profit	14	2	-4	30	5
Taxes on the period's profit/loss	-3	-1	1	-8	-3
Net income from discontinued operations	11	1	-3	22	2

* Including Changes in products in progress and finished goods and Other operating income.

Assets and liabilities classified as held for sale

Amount in SEK million	2020 30 June	2019 30 Jun
Tangible fixed assets, incl right-of-use assets	206	-
Inventories	162	-
Assets classified as held for sale	368	-
Interest bearing liabilities, long term	2	-
Interest bearing liabilities, current	6	-
Other current liabilities	16	-
Liabilities classified as held for sale	24	-

4. RESULT AND KEY RATIOS – CONTINUING AND DISCONTINUED OPERATIONS

Amount in SEK million	2020 Apr-Jun 3 months	2019 Apr-Jun 3 months	2020 Jan-Jun 6 months	2019 Jan-Jun 6 months	2019 Jan-Dec 12 months
Net sales	881	913	1,737	1,798	3,206
Continuing operations	545	619	1,073	1,189	2,056
Discontinued operations	336	294	664	609	1,150
Adjusted EBITDA	74	49	125	130	154
Continuing operations	52	40	81	84	115
Discontinued operations	22	9	44	46	39
Adjusted EBITDA-margin, %	8.4	5.4	7.2	7.2	4.8
Continuing operations	9.5	6.5	7.5	7.1	5.6
Discontinued operations	6.5	3.1	6.6	7.6	3.4
Adjusted operating profit	49	27	75	87	60
Continuing operations	35	25	48	57	55
Discontinued operations	14	2	27	30	5
Adjusted operating margin, %	5.6	3.0	4.3	4.8	1.9
Continuing operations	6.4	4.0	4.5	4.8	2.7
Discontinued operations	4.2	0.7	4.1	4.9	0.4

5. FINANCIAL INSTRUMENTS

SEK million	Level	Carrying amount 30 Jun 2020	Fair value 30 Jun 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2019
Financial assets measured at fair value in the income statement					
Financial fixed assets	-	1	1	1	1
Financial assets measured at amortised cost					
Trade receivables	-	433	433	265	265
Other current receivables	-	25	25	28	28
Cash and cash equivalents	-	110	110	86	86
Derivatives used for hedge accounting					
Derivatives	2	5	5	2	2
		574	574	382	382
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	-	605	605	680	680
Trade creditors	-	182	182	210	210
Loan from Norvik	3	70	70	70	70
Contingent consideration	3	10	10	9	10
Other liabilities	-	43	43	31	31
Derivatives used for hedge accounting					
Derivatives	2	0	0	2	2
		910	910	1,002	1,003

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.

6. 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.

Covid 19

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

Financial risks

Bergs 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 conventional financial undertakings. 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

Owing to the existence of goodwill, the value of recognised fixed assets were tested using an impairment test. The test 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 2019 page 74.

For a complete presentation of the identified risk as well as the company's work to manage this, please refer to the annual report, 2019 pages 28 - 30.

7. 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 services. The scope of transactions with related parties has not changed compared to the information provided in the annual report 2019.

8. 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 2019, note 32.

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 sales
Adjusted EBITDA	Operating profit before depreciation, amortisation and impairment losses for tangible and intangible assets, adjusted for items affecting comparability
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales
Operating profit	Result before financial items and tax.
Operating margin	Operating profit as percentage of net sales
Adjusted operating profit	Operating profit adjusted for items affecting comparability
Adjusted operating profit margin	Adjusted operating profit as percentage of net sales
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)

RECONCILIATION TABLE FOR NEW KEY FIGURES

Adjusted EBITDA, SEKm	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2019 Full year
Operating profit	35	13	-7	12	36	32	73
Depreciations and impairment of fixed assets	17	16	14	19	15	12	60
EBITDA	52	29	7	31	51	44	133
Items affecting comparability	0	0	3	-10	-11	0	-18
Adjusted EBITDA	52	29	10	21	40	44	115
Adjusted operating profit, SEKm							
Operating profit	35	13	-7	12	36	32	73
Items affecting comparability	0	0	3	-10	-11	0	-18
Adjusted operating profit	35	13	-4	2	25	32	55

9. QUARTERLY DATA PER SEGMENT

Income statement

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

This is Bergs – an international wood products Group

With wood as a raw material, Bergs produces processed wood products from sustainably managed forests in the Baltic Sea region. With years of experience in wood and a great deal of competence in processing, we promote building a sustainable society with renewable materials.



RAW FORESTRY MATERIALS 1,8 m m³fub

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

SAWMILLS 0,9 m m³

Planks and boards in various dimensions, lengths and qualities.

Cellulose chips, sawdust and bark to external customers.

PROCESSING

Planned products for construction and renovation
Windows, doors, wooden buildings and house modules
Garden products
Outdoor furniture, fences, windbreaks, privacy screens
Wood preservation
Impregnated and fire-retardant wood
Pellets and fire logs

OTHER DISTRIBUTION

Harbour and logistics centre in the UK
 Logistics services

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

The Group has sales of approximately SEK 3.2 billion and around 1,000 employees. Bergs is listed on Nasdaq Stockholm, and its head office is in Vimmerby, Sweden.

SEK 3,2 mrd

sales

1 000

Employees, circa

Business concept

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

This means that:

- We own and develop companies in the timber industry
- Our subsidiaries develop and produce processed wood products, with the customer's needs in focus
- We have a decentralized 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

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

www.bergstimmer.com