



BERGKVIST-SILJAN AB (PUBL)

INTERIM REPORT

Q3 2020



MANAGEMENT COMMENTARY

THE BERGKVIST SILJAN GROUP

On July 17, 2019, the acquisition of Bergkvist-Insjön group was finalized and the Group with its current business scope was created. The Bergkvist Siljan Group is based on a strong strategic and operational merger logic between Bergkvist-Insjön and Siljan Group, both with a competitive raw material sourcing and operational platform in the Dalarna region in Sweden, combined with a global sales footprint.

Strategically, from the date of the acquisition, work has been conducted to integrate the two companies and to realize the synergy potential. Total financial impact related to synergies is estimated to exceed SEK 100m per annum, with around 90% of financial impact implemented by the end of Q3 2020 and over 100% run-rate impact expected to be reached by Q4 2020.

BUSINESS HIGHLIGHTS Q3 2020

Similar to the previous quarter, focus was on maintaining a safe work environment for the employees, monitoring any potential effects of the COVID-19 pandemic and continuing the strategical work on the realization of synergies.

The third quarter 2020 offered a more solid business environment compared to Q2. However, a combination of slightly lower than expected volumes in some of Bergkvist Siljan's key markets and temporary raw material quality challenges impacted profits slightly negatively in the quarter. Other highlights during the quarter include:

- New CEO appointed for the forest organization and new raw material organization implemented from September 1, 2020. Main priority for Q4 is to get the organization in place and realize the associated synergies
- Despite the pandemic, no disruptions were seen in production and logistics
- Prices for raw materials remained on similar levels as in Q2 2020
- Market price levels for sawn timber continued to increase in a moderate rate compared to Q2 2020. A key driver was the strong US market, which indirectly also impacted other geographies

FINANCIALS

The financial highlights during Q3 2020 (Q3 2019) include:

- Net sales of SEK 514m (579)
- EBITDA of SEK 33m (28), with an EBITDA margin of 6.5% (4.8%)

- Pro-forma EBITDA, fully adjusted for extraordinary items of SEK 36m (26m)
- Operating profit of SEK 14m (10), with an EBIT margin of 2.7% (1.8%)
- Cash and cash equivalents as of September 30, 2020 of SEK 191m (179)

EBITDA improved compared to Q3 2019, driven by the realization of synergies. Market conditions have steadily improved since the end of 2019.

Despite the COVID-19 pandemic, Bergkvist Siljan's financial position has remained strong and the Group has fulfilled its financial commitments with a solid headroom and has amortized SEK 105m on its external debt since 30 September 2019.

For the nine month period ending on September 30 the financial highlights include (note: comparability with nine month 2019 limited due to non pro-forma accounts):

- Net sales of SEK 2,010m (1,311)
- EBITDA of SEK 137m (84) with an EBITDA margin of 6.8% (6.4%)
- Pro-forma EBITDA, fully adjusted for extraordinary items of SEK 141m (150)
- Operating profit of SEK 86m (52) with an EBIT-margin of 4.3% (4.0%)

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have transpired between the reporting period and the time of publication of this report.

Anders Nilsson
CEO

CONSOLIDATED INCOME STATEMENT

SEKm	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Net sales	G1	514	579	2,010	1,311
Changes in products in progress and finished goods		20	-1	-27	-17
Other operating income	G4	10	15	21	25
Total		544	593	2,004	1,319
Raw materials and consumables		-408	-449	-1,529	-961
Gross profit		135	144	475	358
Personnel costs		-49	-54	-168	-130
Other external costs		-53	-62	-170	-144
Depreciation and write-downs		-20	-18	-51	-32
Other operating costs		-	-	-	-
Profit from investments in associates and JVs		-	-	-	-
Operating profit		14	10	86	52
Financial income	G4	7	-1	20	-1
Financial costs	G4	-25	-30	-94	-42
Profit before tax		-5	-21	12	9
Tax		1	-6	2	-7
Profit / loss from discontinued operations		-	-6	-	-20
Profit / loss for the period		-4	-33	14	-18
Other comprehensive income					
<i>Items that cannot be transferred to profit / loss for the period</i>					
Revaluation of pension liabilities		1	-	3	-
Deferred tax		-0	-	-1	-
Total comprehensive income		-3	-33	17	-18
attributable to:					
- Shareholders of parent company		-3	-33	17	-18
- Non-controlling interest		-	-	-	-

CONSOLIDATED BALANCE SHEET

SEKm	Note	2020.09.30	2019.09.30
ASSETS			
Goodwill		189	189
Customer relations		75	83
Other intangible assets		3	1
Total intangible assets		266	274
Buildings and property		226	203
Machinery		396	432
Assets under construction		8	15
Total tangible assets		629	649
Right-of-use assets		79	90
Non-current financial assets	G2	17	17
Deferred tax assets		7	14
Total non-current assets		999	1,044
Inventory		171	216
Trade receivables	G2	304	303
Derivatives assets	G2	-	-
Tax receivables		11	24
Other current assets	G2	97	86
Prepaid costs and accrued income		20	37
Cash and cash equivalents	G2	191	179
Total current assets		794	845
Total assets		1,793	1,889
EQUITY AND LIABILITIES			
Share capital		1	1
Other equity		54	51
Retained earnings		15	22
Equity attributable to shareholders of parent company		70	75
Equity attributable to non-controlling interest		3	3
Total equity		73	78
Bond loan	G2	585	643
Non-current liabilities to credit institutions	G2	-	-
Shareholder loans	G2	380	359
Other non-current liabilities	G2	-	23
Contingent consideration	G2	-	-
Non-current right-of-use liabilities	G2	49	63
Deferred tax liability		77	70
Provisions for pensions and other provisions		38	40
Non-current liabilities		1,129	1,198
Bond loan	G2	85	87
Current liabilities to credit institutions		-	-
Contingent consideration	G2	-	8
Other current interest bearing liabilities	G2	-	-
Derivatives liabilities	G2	3	0
Current right-of-use liabilities	G2	19	22
Trade payables	G2	302	337
Tax liabilities		21	1
Other current liabilities	G2	34	20
Deferred costs and prepaid income		127	138
Current liabilities		591	613
Total equity and liabilities		1,793	1,889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other equity	Retained earnings included total income for the year	Equity related to shareholders of the parent	Non-controlling interests	Total equity
2019.01-2019.09						
Opening balance	0	22	41	63	-	63
Profit / loss	-	-	-18	-18	-	-18
Other comprehensive income	-	-	-	-	-	-
Total income	-	-	-18	-18	-	-18
Transactions with shareholders	-	30	-	30	-	30
Transactions with non-controlling interest	-	-	-	-	3	3
Transactions within equity	1	-1	-	-	-	-
Closing balance	1	51	23	75	3	78
2020.01-2020.09						
Opening balance	1	54	-1	54	3	56
Profit / loss	-	-	14	14	-	14
Other comprehensive income	-	-	2	2	-	2
Total income	-	-	17	17	-	17
Transactions with shareholders	-	-	-	-	-	-
Transactions with non-controlling interest	-	-	-	-	-	-
Transactions within equity	-	-	-	-	-	-
Closing balance	1	54	16	70	3	73

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	Q1-Q3 2020	Q1-Q3 2019
Profit before tax		12	9
Adjustments for non-cash items		86	56
Paid tax		-3	-7
Cash flow from operating activities before changes in working capital, continuing operations		95	58
Cash flow from operating activities before changes in working capital, discontinued operations		-	-20
Cash flow from operating activities before changes in working capital		95	38
Changes in working capital, continuing operations		11	67
Net change in working capital, discontinued operations		-	19
Cash flow from operating activities		106	123
Acquisitions and divestments of subsidiaries		-	-589
Investments in non-current assets, continuing operations		-12	-34
Investments in non-current assets, discontinued operations		-	-
Cash flow from investing activities		-12	-623
Bond issue			730
Bond amortization		-75	-
Shareholders contribution		-	30
Amortized leasing (including terminations)		-12	-90
Changes in shareholder loans		-	192
Amortized debt to credit institutions		-	-114
New bank debt		-	-
Changes in overdraft facility		-	-59
Other debt transactions, net		-21	-25
Cash flow from financing activities		-108	664
Cash flow for the period		-14	165
Cash and cash equivalents beginning of period		205	14
Cash and cash equivalents end of period		191	179

PARENT COMPANY INCOME STATEMENT

SEKm	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Net sales		-	-	-	-
Changes in products in progress and finished goods		-	-	-	-
Other operating income		1	1	5	1
Total		1	1	5	1
Raw materials and consumables		-	-	-	-
Gross profit		1	1	5	1
Personnel costs		-	-	-	-
Other external costs		-1	-1	-5	-3
Depreciation and write-downs		-	-	-	-
Other operating costs		-	-	-	-
Profit from investments in associates and JVs		-	-	-	-
Operating profit		1	-0	1	-1
Financial income		7	-	109	-
Financial costs		-18	-17	-63	-21
Profit after financial items		-10	-17	47	-22
Appropriations		-	-	-	-
Profit before tax		-10	-17	47	-22
Tax		-	-0	-	-
Profit / loss for the period		-10	-17	47	-22

PARENT COMPANY BALANCE SHEET

SEKm	Note	2020.09.30	2019.09.30
ASSETS			
Non-current financial assets		773	777
Total non-current assets		773	777
Trade receivables		2	-
Tax receivables		3	1
Other current assets		333	319
Prepaid costs and accrued income		0	21
Cash and cash equivalents		7	23
Total current assets		345	364
Total assets		1,118	1,140
EQUITY AND LIABILITIES			
Share capital		1	0
Other equity		54	51
Retained earnings		11	-27
Total equity		66	23
Bond loan		585	643
Shareholder loans		380	359
Contingent consideration		-	-0
Other non-current liabilities		-	20
Non-current liabilities		965	1,022
Bond loan		85	87
Contingent consideration		-	8
Other current liabilities		0	-0
Trade payables		0	0
Other current liabilities		1	0
Deferred costs and prepaid income		1	0
Current liabilities		87	95
Total equity and liabilities		1,118	1,140

NOTES TO THE FINANCIAL STATEMENT

GENERAL INFORMATION

Bergkvist-Siljan AB (publ), Corp. Reg. No. 559136-6686, is a limited company registered in Sweden with its registered office in Mora. The address of the head office is Box 435, SE-792 27 Mora, Sweden. The operations of Bergkvist-Siljan AB (publ) (the "Parent Company") and its subsidiaries (the "Group") comprise manufacturing and sale of sawn wood products and related activities.

Unless stated otherwise, all amounts are presented in millions of SEK (SEKm).

G1 NET SALES

Net sales by geographic market

SEKm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Sweden	206	281	833	718
Other Scandinavia	33	38	123	109
Other Europe	62	56	212	148
Asia, excl. Middle East	145	142	652	169
Other	68	62	190	167
Total	514	579	2,010	1,311

Net sales by product category

SEKm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Sawn wood products	365	428	1,380	949
By-products	34	19	169	106
Lumber and pulpwood	103	125	441	241
Other	12	7	20	15
Total	514	579	2,010	1,311

G2 FINANCIAL INSTRUMENTS BY CATEGORY

SEKm	20.09.30	19.09.30
<i>Financial assets valued at fair value</i>		
Derivatives assets	-	-
Total	-	-
<i>Financial assets valued at amortised cost</i>		
Non-current financial assets	17	17
Trade receivables	304	303
Other current assets	97	86
Cash and cash equivalents	191	179
Total	609	584
<i>Financial liabilities valued at fair value</i>		
Derivatives liabilities	3	0
Contingent consideration	-	8
Total	3	8
<i>Financial liabilities valued at amortised cost</i>		
Bond loan	670	730
Shareholder loans	380	359
Right-of-use liabilities	68	85
Trade payables	302	337
Other liabilities	34	43
Total	1,454	1,554

The bond loan has a fair value of SEK 682m. For the remaining items, the fair values coincide with carrying amounts.

G3 KEY RISKS AND UNCERTAINTIES

The Group's key risks and uncertainties relate to fluctuations in demand and prices of sawn wood products and raw material prices. For a more detailed description of key risks and uncertainties, please refer to Bergkvist Siljan's latest Annual Report.

The impact from COVID-19 on the Group has been marginal until the date of the publishing of this report. Given the uncertainty related to the spread of the virus and its associated effects, it is difficult for the Group to estimate future impact from the outbreak.

G4 RELATED PARTY TRANSACTIONS

The Group has had the following transactions with related party during the interim period:

SEKm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Financial costs	-7	-6	-22	-10
Total	-7	-6	-22	-10

The parent company has had the following transactions with companies within the Group during the interim period:

SEKm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Other operating income	1	1	5	1
Financial income	6	4	19	4
Total	8	4	24	6

G5 DEFINITION OF KEY INDICATORS

EBITDA

EBITDA is calculated as the profit of the Group before interest, tax, depreciation and amortisation for the relevant period.

Pro-forma, fully adjusted EBITDA

Pro-forma fully adjusted EBITDA is calculated as the profit of the Group before interest, tax, depreciation and amortisation for the relevant period on a proforma basis (as if the Group in its state of the end of the relevant period had been in existence for the full relevant period), and adjusted, if necessary, for one-off and non-recurring items.

COMPANY INFORMATION

Name	Bergkvist-Siljan AB (publ)
Address	Box 435, 792 27 Mora, Sweden
Registration number	559136-6686
Financial year	January 1 – December 31
Website	www.bergkvistsiljan.com
Board of Directors	Ulf Bergkvist (Chairman) Jonas Björnståhl Håkan Dorm
Executive Management	Anders Nilsson
Auditor	PwC (this report has not been subject to audit)

