



## Press release from Bergs Timber AB (publ)

Mörlunda, 17 April 2018.

### **Bergs Timber has signed an agreement to acquire Norvik's timber operations in the Baltics and the United Kingdom and presents revised financial targets**

Bergs Timber AB (publ) ("Bergs Timber" or the "Company") has today signed an agreement with Bergs Timber's principal owner, Icelandic Norvik hf ("Norvik"), with respect to the acquisition of a number of companies within the Norvik group with operations in Latvia, Estonia and the United Kingdom (the "Target Companies" and the "Acquisition").<sup>1</sup>

On 22 January 2018, Bergs Timber and Norvik entered into a letter of intent in respect of the Acquisition, which was made public the same day. Since the press release Bergs Timber has carried out a due diligence of the Target Companies and together with Norvik, carefully evaluated the industrial logic behind the Acquisition.

#### **Summary of the Acquisition**

- Through the Acquisition, Bergs Timber will become a significant participant within the sawmill market, as its sawmill capacity increases from approximately 530,000 m<sup>3</sup> per year to approximately 920,000 m<sup>3</sup> per year.
- The Acquisition will increase Bergs Timber's product processing and thus has the capacity of limiting Bergs Timber's sensitivity to fluctuations in the economic cycle.
- Through the Target Companies' concentration to the Baltics, the group's raw materials base is broadened while risks are spread as part of the production is based on costs in euro.
- Potential for synergies exist within areas such as raw material procurement, distribution and sales.

#### **Purchase price**

The purchase price will be made up of 170 million newly issued shares in Bergs Timber as well as a cash payment of SEK 270 million. The newly issued shares in Bergs Timber, which are intended to be issued in their entirety following a resolution at the extraordinary general meeting to be held 14 May (the "Issue in Kind"), will amount to a calculated value of approximately SEK 449 million, based on the volume weighted average share price of approximately SEK 2.64 for Bergs Timber's share of class B during the ten (10) trading days immediately preceding 17 April 2018. The cash payment will be made with SEK 100 million in connection with the completion of the Acquisition, SEK 100 million on 30 June 2019 as well as SEK 70 million on 30 June 2020. Bergs Timber will pay an interest of 6-month STIBOR plus two percent, however, not at any time less than two percent in total, on the payments made after the completion of the Acquisition. In addition, Norvik is entitled to a performance-based

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<sup>1</sup> The companies intended to be acquired are the Latvian companies SIA Vika Wood (Reg. no 40003241801) and BYKO-LAT SIA (Reg. no 40003139), the Estonian companies Aktsiaselts Laesti (Reg. no 11562764) and Aktsiaselts EWP (Reg. no 10250689) and the British company Continental Wood Limited (Reg. no 05518779).

earn-out, which in total may amount up to SEK 40 million and will be paid out for the periods 2018, 2019 and 2020.

### **Conditions for the Acquisition**

The Acquisition is mainly conditional upon:

- that the extraordinary general meeting in Bergs Timber, to be held on 14 May 2018, resolves in accordance with the board of director's proposal on the Issue in Kind; and
- that final approval is obtained from relevant banks in respect of the Acquisition and its financing.

The resolution to approve the Issue in Kind on the general meeting will be made in accordance with the so called "LEO"-rules in accordance with the Swedish Companies Act, meaning that a valid decision will require that the proposal in respect of the Issue in Kind is supported by shareholders representing at least nine tenths (9/10) of both the votes and shares represented at the meeting. The proposal on the Issue in Kind is available in the notice to the extraordinary general meeting, which has been made public in connection with this press release and made available on Bergs Timber's web page [www.bergstimber.se](http://www.bergstimber.se).

### **The Target Companies are acquired from Berg Timber's principal owner Norvik**

The Target Companies are owned by Bergs Timber's largest shareholder Norvik, which currently holds 29.52 percent of the outstanding shares and votes in Bergs Timber. If the Acquisition is completed, Norvik is expected to reach a holding in Bergs Timber of 64.68 percent. Norvik has announced its intention to divest parts of its holding arising out of the Issue in Kind, with the long term intention to reduce its total holdings of shares in Bergs Timber to levels below 50 percent.

Norvik has entered into a lock-up undertaking regarding its shares in Bergs Timber, which will be in force for two years from and including the date when the Acquisition is completed. The lock-up undertaking entails that Norvik is prohibited to divest its shares in Bergs Timber through a stock exchange. However, Norvik shall not be prohibited to divest its shares in Bergs Timber by way of any bilateral transaction, provided that Norvik's shareholding after such a transaction amounts to at least 40 percent of the total number of shares in Bergs Timber, calculated on the basis of outstanding shares in Bergs Timber at the time immediately following the completion of the Issue in Kind.

In addition, Norvik has entered into an undertaking, provided that the Acquisition is completed, not to vote for its entire holding at general meetings in Bergs Timber. The undertaking entails that Norvik is prohibited from voting for shares representing more than 90 percent of the amount of votes held by other shareholders. Furthermore, the undertaking entails that Norvik is prohibited to in any way pursue that the members of the board of directors in Bergs Timber that are active within or directly and materially related to Norvik at any time constitutes a majority of the members of the board of directors of Bergs Timber. The undertakings shall apply as long as Norvik's shareholding in Bergs Timber exceeds 45 percent of the total number of shares and votes in the Bergs Timber.

The Swedish Securities Council has on customary terms granted Norvik an exemption from the mandatory bid obligation that would otherwise arise when Norvik receives shares from the Issue in Kind.

## Documents

Prior to the general meeting that will resolve on the Acquisition, the shareholders of Bergs Timber will be able to receive a fairness opinion related to the Acquisition and obtained from independent expertise, as well as the prospectus that Bergs Timber is required to issue due to that the shares issued in the Issue in Kind are admitted to trading on Nasdaq Stockholm.

The fairness opinion and the board of director's complete proposals have been made available on Bergs Timber's web page [www.bergstimber.se](http://www.bergstimber.se). The prospectus that Bergs Timber is required to issue due to that the shares issued in the Issue in Kind are admitted to trading on Nasdaq Stockholm is expected to be made public around the turn of the month April/May 2018.

## Indicative timetable

- Notice to the extraordinary general meeting – 17 April 2018
- Fairness opinion and board of director's complete proposals are made available on Bergs Timber's web page – 17 April 2018
- Estimated date for the publication of the prospectus – around the turn of the month April/May 2018
- Extraordinary general meeting – 14 May 2018
- Estimated date for the registration of the shares issued in the Issue in Kind and the shares being admitted to trading on Nasdaq Stockholm – end of May 2018

## Revised financial targets

Subject to completion of the Acquisition, the board of directors of Bergs Timber has adopted revised financial targets for the group.

- EBITDA margin shall, over a business cycle, exceed 7 percent,
- return on capital employed shall, over the same business cycle, exceed 10 percent,
- debt/equity ratio shall be less than 1.0,
- the goal of annual growth, over a business cycle, shall be 2 percent organically and 5 - 10 percent including acquisitions, and
- dividends shall under normal conditions amount to 25 – 40 percent of the Company's profit after tax.

*"We have now, for a couple of months, had the opportunity to get to know and evaluate Norvik's timber operations. These companies are well managed and profitable with an engaged staff and quality products. I am convinced that the companies strengthen each other and that the acquisition is good both for our staff and our owners",* says Peter Nilsson, CEO of Bergs Timber.

Further information about this press release can be provided by Bergs Timber's CEO and group president Peter Nilsson (+46 703 15 09 27 or +46 10 19 98 504).

This is information that Bergs Timber is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 17 April 2018 at 16:30 (CEST).

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