

INTERIM REPORT

for Bergs Timber AB (publ)
1 January 2019 – 30 September 2019





Third quarter (1 July – 30 September)

- **Net sales** for the third quarter 2019 amounted to SEK 721 (805) million. The decrease is due to lower sales volumes and prices for the sawmills.
- **Operating profit** amounted to SEK 2 (66) million, representing an operating margin of 0.3 (8.2) percent. Adjusted for income from fair valuation of earn-out payment related to the acquisition of the Norvik operations and restructuring costs in the UK, the operating profit was SEK -8 million.
- **Profit after tax** was SEK -3 (58) million. Earnings per share, before and after dilution, was SEK -0.01 (0.17).
- **Cash flow from operations** amounted to SEK 151 (87) million and capital expenditures amounted to SEK 40 (24) million.

Interim period (1 January – 30 September)

- **Net sales** for the interim period amounted to SEK 2,519 (1,883) million. The increase relates to the acquisition of the Norvik operations in the Baltics and the UK that was completed in May 2018.
- **Operating profit** amounted to SEK 100 (153) million, representing an operating margin of 4.0 (8.1) percent. Adjusted for income from negative excess value and transaction costs related to the acquisition of Fågelfors Hyvleri and one-off items in the third quarter, the operating profit was SEK 79 million.
- **Profit after tax** was SEK 77 (126) million. Earnings per share, before and after dilution, was SEK 0.22 (0.53).
- **Cash flow from operations** amounted to SEK 145 (188) million and capital expenditures amounted to SEK 96 (130) million.

The Group's key performance indicators	2019	2018	2019	2018	2018/19
	Jul-Sep 3 months	Jul-Sep 3 months	Jan-Sep 9 months	Jan-Sep 9 months	Okt-Sep 12 months
Amount in SEK million					
Net sales	721	805	2,519	1,883	3,291
EBITDA	28	84	169	193	237
EBITDA margin, %	3.9	10.4	6.7	10.2	7.2
Operating profit	2	66	100	153	149
Operating margin, %	0.3	8.2	4.0	8.1	4.5
Earnings per share, before and after dilution, SEK	-0.01	0.17	0.22	0.53	0.35
Equity per share, SEK	3.30	3.03	3.30	3.03	3.30

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

Challenging market conditions

Despite the high demand for timber, we have had further price reductions for sawn and planed timber during the third quarter. Spruce beetle damaged forests are still influencing the market. High harvesting volumes results in full utilization of sawmilling capacity with oversupply of timber as a consequence. Prices for beetle damaged raw material in Central Europe is today at levels close to harvesting cost and the focus is to clear the forests from damaged trees. Part of Sweden is also affected by the spruce beetles, especially in the south east, where harvesting is mainly focused on damaged forests. We are optimistic that all activities in Sweden will help to reduce damages and avoid the same disaster as in Central Europe.

Prices have dropped for all products and especially for lower grades. Trading in the UK has been really challenging with all uncertainties in connection with Brexit. The US market has during the last months recovered and prices are today higher than 12 months ago. Part of the sawmilling industry is now loss making and there are signs that production volumes will reduce. This could help to improve market conditions.

Bergs Timber's development

The margins for our Swedish sawmills have reduced significantly during the third quarter. Stocks are on the high side and we have, as earlier announced, decided to reduce production during the winter. Prices for raw material are coming down and will during the fourth quarter partly compensate for lower sales prices.

Our Estonian sawmill Savi has been closed during October. The remaining Estonian sawmill Sauga will from January 2020 be integrated with our Latvian operation Byko-Lat. This will give cost reductions and positive market synergies.

Our Latvian sawmill Vika Wood is facing better raw material conditions than our Swedish mills and margins are at reasonable levels.

Byko-Lat, our Latvian further processing company, has despite challenges in the UK been able to keep normal margins. The new house building factory is now ready for production.

Trading conditions for our UK company have been challenging during the last sixth months. We have restructured the company in order to prepare for expanded volumes through our own port. This

includes new management. We have also decided to sell our own vessel and go for time chartered vessels. Changes are now coming into place and we have a strong position to meet the market and develop our concept.

Fågelfors Hyvleri, which was acquired during this summer, is now fully integrated. Production volumes in the new pellet factory are according to plan and we expect to reach full capacity of about 100,000 tons per year during 2020. The market for wood pellets remains good.

Focus areas

Bergs Timber is, after recent year's expansion, in a consolidation period and we are working with several projects to improve margins and performance:

- Start sales on the Swedish market for doors, windows, houses and garden products from our Latvian company Byko-Lat
- Exploit market synergies between our existing companies
- Integrate our Estonian operation with Byko-Lat
- Work out a strategy for our Swedish sawmills in order to have a long term competitive cost level
- Increased focus on sustainability
- Company profiling and market communication

The market for sawn timber will probably remain uncertain and challenging for some time. Bergs Timber has today six sawmills, planing mills, pellet production, doors and windows production, house production, garden products and logistics. This gives us increased flexibility to handle various market situations.



Photo: Stig-Göran Nilsson

Peter Nilsson
Chief Executive Officer

Net sales and operating profit for the period 1 July-30 September 2019

Net sales for the third quarter 2019 amounted to SEK 721 (805) million. The decrease of SEK 84 million is explained by lower sales volumes and prices for the sawmills. Net sales for further processed products has increased, mainly due to the acquisition of Fågelfors Hyvleri that is included in the Group as from 27 June 2019.

The operating profit decreased to SEK 2 (66) million, corresponding to an operating margin of 0.3 (8.2) percent. Lower prices for sawn timber products and lower sales volumes are the main explanation for the lower operating profit.

In relation to the acquisition of the Norvik operations in May 2018, a contingent consideration (earn-out) was agreed and was capped at SEK 40 million. The first payment of SEK 15 million, based on the profit for the financial year 2018, was paid in June 2019. The contingent consideration is valued at fair value. As it is unlikely that a payment for the financial year 2019 will be made, an adjustment of SEK 15 million has been recorded as income in the third quarter. In the UK there have been restructuring costs of SEK 5 million. Adjusted for these items, the operating profit for the quarter was SEK -8 million.

The table shows a bridge for the third quarter for the Swedish units from 2018 and the impact from the acquired companies:

SEK million	Jul-Sep 2018 Swedish units	Change 2019 Swedish units	Jul-Sep 2019 Acquired companies	Jul-Sep 2019 Others	Jul-Sep 2019 Group
Net sales	344	-51	428	-	721
EBITDA	43	-48	18	15	28
Operating profit	34	-48	1	15	2

Net sales and operating profit for the period 1 January-30 September 2019

Net sales for the interim period 2019 amounted to SEK 2,519 (1,883) million. The increase of SEK 636 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 108 million due to lower sales volume and lower prices for sawn timber compared to last year. The prices for by-products are higher than last year.

The operating profit was SEK 100 (153) million, corresponding to an operating margin of 4.0 (8.1) percent. The operating profit for the Swedish entities, SEK 37 million, was SEK 77 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 and the one-off items in the third quarter, the adjusted operating profit was SEK 79 million.

The table shows a bridge for the second quarter for the Swedish units from 2018 and the impact from the acquired companies:

SEK million	Jan-Sep 2018 Swedish units	Change 2019 Swedish units	Jan-Sep 2019 Acquired companies	Jan-Sep 2019 Others	Jan-Sep 2019 Group
Net sales	1,189	-108	1,438	-	2,519
EBITDA	141	-74	87	15	169
Operating profit	114	-77	48	15	100

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

Net sales for the third quarter 2019 was SEK 721 million compared to SEK 913 million for the second quarter 2019, a decrease of SEK 192 million. The decrease was mainly attributable to lower sales volumes due to seasonality and lower sales prices for the sawmills.

Operating profit for the third quarter, excluding one-off items, was SEK -8 million compared to SEK 27 million for the second quarter, a decrease of SEK 35 million. The lower operating profit was mainly attributable to the sawmills and mainly an effect of lower sales prices, but also affected by lower sales and production volumes due to the holiday season.

Cash flow and financing

Cash flow from current operations totalled SEK 145 (188) million for the period January-September and SEK 151 (87) million for the third quarter 2019. Capital expenditures for the period January-September 2019 amounted to SEK 96 (130) million. Cash flow from current operations in the third quarter have been positively affected by reduced working capital.

The Group's financial net debt as per 30 September 2019 amounted to SEK 665 million compared to SEK 580 million 31 December 2018. The net debt/equity ratio was 0.58. 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 12 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 25 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 130 million.

Summary of loans and credit facilities at 30 September 2019, SEK million

Loan	Limit	Repayments, years			Total used
		0-1	1-2	2-	
Term loans		49	49	389	487
Revolving credit facility	250				150
Vendor loan		70			70
Overdraft facilities	130				30
Group total		119	49	389	737

Available cash and cash equivalents, including granted but unused credit facilities, totalled SEK 307 million. In addition to this, there are granted but unused bank guarantee limits of SEK 25 million.

Net financial items for the period January-September amounted to SEK -19 (-8) million.

Tax

Recognised tax for the period January-September 2019 was SEK -4 million. The effective tax rate was 5 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 30 September 2019. The lower effective tax rate was also affected by non-taxable income from negative goodwill and contingent consideration.

Segment reporting

Bergs Timber previously identified five segments that were monitored on an ongoing basis, meeting the requirements for aggregation and thus only one operating segment has been reported. Following the acquisition, 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-September 2018 is made. For a reconciliation of the data for the segments and the Group, see quarterly data on page 18.

Sawmills

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

SEK million	Jul-Sep 2019 3 months	Jul-Sep 2018 3 months	Jan-Sep 2019 9 months
Net sales	472	541	1,670
EBITDA	-2	64	86
Operating profit	-18	51	39
EBITDA-margin, %	neg	11.8	5.1
Operating margin, %	neg	9.4	2.3
Sales volumes, thousand m ³	179	206	628
Production volumes, thousand m ³	172	178	648

During the third quarter, sales prices for sawn timber have decreased due to high supply. Raw material costs have remained on a high level, which had negative impact on the profit margin. Sales- and production volumes were lower than last year. Higher prices for by-products had a positive impact. The EBITDA-margin for the third quarter was negative compared to 11.8 percent for the third quarter 2018.

Sales volume was 179,000 cubic meters, 27,000 cubic meters lower compared to the third quarter 2018. For the period January-September, the sales volume was 628,000 cubic meters, 64,000 cubic meters lower than the same period last year.

Production volume was 172,000 cubic meters, 6,000 cubic meters lower compared to the third quarter 2018. For the period January-September, the production volume was 648,000 cubic meters, 10,000 cubic meters lower than the same period last year.

Further Processed

Further Processed comprises Byko-Lat in Latvia and Bitus 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.

SEK million	Jul-Sep 2019 3 months	Jul-Sep 2018 3 month	Jan-Sep 2019 9 months
Net sales	265	232	867
EBITDA	21	18	65
Operating profit	12	14	48
EBITDA-margin, %	7.9	7.8	7.5
Operating margin, %	4.5	6.0	5.5

The market for further processed has been relatively good during the third quarter with high delivery volumes. The EBITDA-margin for the third quarter was 7.9 percent compared to 7.8 percent the third quarter 2018. The newly acquired Fågelfors Hyvleri is consolidated from 27 June 2019 and contributed with SEK 27 million in net sales, SEK 6 million in EBITDA and SEK 2 million in operation profit for the third quarter 2019.

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

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. 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 m³ planed goods per year. The facility is located in Fågelfors in eastern Småland with favorable transport distances from Bergs Timber's other facilities.

Based on Bergs Timber's forecast of price development for pellets and raw material, the acquisition is expected to contribute to the Group's net sales by SEK 150-160 million per year and to show an EBITDA margin in excess of other operations within Bergs Timber. In addition to a favorable cash flow, the acquisition is expected to provide a certain contribution to earnings per share already this year.

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, provides space for the required refinancing of the credits in the acquired company.

The purchase method has been used for reporting of the acquisition. A preliminary purchase price allocation has been prepared as in the table below. The analysis is preliminary as individual items are subject to further analysis for fair value and may be adjusted.

Preliminary 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
Total identifiable net assets	60
Negative excess value	-12
Purchase consideration	48

Purchase consideration, cash	-30
Acquisition costs	-1
Cash and bank, acquired	5
Net cash effect	-26

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 1.0 million, of which SEK 0.7 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 27 million in net sales and with SEK 2 million in operating profit for the period 27 June-30 September 2019. If the company would have been consolidated from 1 January 2019, the company would have contributed with SEK 61 million in net sales and with SEK 2 million in operating profit. As the company has started the production during the interim period, net sales and operating profit is not representative for coming periods.

Subsequent events

On 4 October 2019, it was announced that Bergs Timber during the autumn and winter will reduce the production at the Swedish sawmills by about 35,000 cubic meters, which corresponds to about 6 percent of our Swedish annual production and 4 percent of the annual production for the Group. Parallel to this, the Orrefors sawmill, which in recent years has produced only pine, will during the winter concentrate a large part of the production on spruce beetle damaged raw material.

It was also announced that the head office for Bergs Timber will be relocated from Mörlunda to Vimmerby, where the Group management and the finance department for the Group and the Swedish business will be located.

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-September amounted to SEK -18 (-7).

Annual general meeting

The annual general meeting for the financial year 2019 will be held on 5 May 2020. Further details on place and time will be provided in advance of the meeting.

Reporting periods

- Year-end report for 2019	5 February, 2020
- Interim financial report Q1 2020	5 May, 2020
- Annual general meeting	5 May, 2020

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.

Mörlunda, 30 October 2019

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.

Review Report

Introduction

We have reviewed the interim report for Bergs Timber (publ), corporate identity number 556052-2798, for the period January 1 - September 30, 2019. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Kalmar, October 30, 2019

Deloitte AB

Magnus Andersson
Authorized Public Accountant

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 30 October 2019 at 13:00. The interim report is available on the company's website, www.bergstimber.se

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The Group's income statement in brief	2019	2018	2019	2018	2018/19
Amount in SEK million	Jul-Sep 3 months	Jul-Sep 3 months	Jan-Sep 9 months	Jan-Sep 9 months*	Oct-Sep 12 months
Net sales	721	805	2,519	1,883	3,291
Changes in products in progress and finished goods	-17	-33	24	-40	57
Other operating income	19	0	29	1	32
Total	723	772	2,572	1,844	3,380
Operating expenses					
Raw materials and consumables	-469	-510	-1,693	-1,236	-2,136
Other external costs	-137	-96	-425	-236	-616
Personnel costs	-89	-82	-285	-179	-391
Depreciations	-26	-18	-69	-40	-88
Other operating costs	-	-	-	-	-
Total operating costs	-721	-706	-2,472	-1,691	-3,231
Operating profit	2	66	100	153	149
Financial income	0	0	1	0	1
Financial expenses	-8	-4	-20	-8	-24
Profit after financial items	-6	62	81	145	126
Taxes on the period's profit/loss	3	-4	-4	-19	-7
Profit for the period	-3	58	77	126	119
Attributable to					
the parent company's shareholders	-3	58	77	126	119
Holdings without controlling influence	-	-	-	-	-
Earnings per share, SEK **	-0.01	0.17	0.22	0.53	0.35
Earnings per share after dilution, SEK	-0.01	0.17	0.22	0.53	0.35
Average number of shares held in thousands	346,728	340,788	342,768	236,899	342,273

*) Acquired Norvik companies are included for the period January-September 2018 with 4.5 months and fully included for the other periods. Fågelfors is included for the period July-September 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	2018/19
Amount in SEK million	Jul-Sep 3 months	Jul-Sep 3 months	Jan-Sep 9 months	Jan-Sep 9 months	Oct-Sep 12 months
Profit or loss for the period	-3	58	77	126	119
Change in hedging reserve (net after tax)	-4	4	-4	5	0
Currency translation difference in Equity	13	-2	35	0	7
Comprehensive income for the period	6	60	108	131	126
Attributable to:					
the parent company's shareholders	6	60	108	131	126
Holdings without controlling influence	-	-	-	-	-

The Group's balance sheet in brief Amount in SEK million	30 September 2019	31 December 2018	30 September 2018
Assets			
Intangible assets	194	191	192
Tangible fixed assets, incl right-of-use assets	955	771	763
Financial fixed assets	9	8	8
Deferred tax assets	0	0	0
Total fixed assets	1,158	970	963
Inventories	655	653	512
Current receivables	387	377	410
Cash and bank balances	107	74	67
Total current assets	1,149	1,104	989
TOTAL ASSETS	2,307	2,074	1,952
Equity	1,144	1,052	1,034
Non-current liabilities	637	245	115
Current liabilities	526	777	803
Total liabilities	1,163	1,022	918
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,307	2,074	1,952
Of which, interest bearing liabilities			
Overdrafts	30	146	38
Other current liabilities	130	270	514
Other non-current liabilities	611	238	113
	771	654	665

Changes in equity *)	2019 Jan-Sep 9 months	2017/18 Sep-Dec 16 months	2018 Jan-Sep 9 months
Equity, opening balance	1,052	398	433
New share issue after issue expenses	18	479	479
Dividend paid	-34	-9	-9
Comprehensive income for the period	108	184	131
Total equity at the end of the period	1,144	1,052	1,034

*) There is no minority.

The Group's cash flow analysis in brief Amount in SEK million	2019 Jul-Sep 3 months	2018 Jul-Sep 3 months	2019 Jan-Sep 9 months	2018 Jan-Sep 9 months
The current operations				
Profit after financial items	-6	62	81	145
Adjustment for items not included in the cash flow*	17	34	42	55
Income tax paid	0	0	0	0
Cash flow from operating activities before changes in working capital	11	96	123	200
Change in inventory	46	60	31	49
Change in operating receivables	159	92	15	48
Change in operating liabilities	-65	-161	-24	-109
Cash flow from operating activities	151	87	145	188
Business combinations	-10	0	-25	-86
Acquisition of tangible fixed assets	-40	-24	-96	-130
Sales of tangible fixed assets	0	0	0	0
Change in financial assets	0	-1	0	-8
Cash flow from investment operations	-50	-25	-121	-224
Issue expenses	0	0	0	-7
Change in financial receivables and liabilities	-68	-15	40	118
Dividend paid	-	-	-34	-9
Cash flow from financing operations	-68	-15	6	102
Cash flow for the period	33	47	30	66
Cash and cash equivalents at the start of the period	73	20	74	1
Translation differences in cash and cash equivalents	1	0	3	0
Cash and cash equivalents at the end of the period	107	67	107	67

*) Mainly depreciations

The group's key performance indicators and goals Amounts in SEK million	Fin. Goal	2019 Jul-Sep 3 months	2018 Jul-Sep 3 months	2019 Jan-Sep 9 months	2018 Jan-Sep 9 months	2018/19 Okt-Sep 12 months
Net sales		721	805	2,519	1,883	3,291
EBITDA		28	84	169	193	237
EBITDA margin, %	> 7	3.9	10.4	6.7	10.2	7.2
Operating profit		2	66	100	153	149
Operating margin, %		0.3	8.2	4.0	8.1	4.5
Return on capital employed, %, 12 months	> 10					8.3
Earnings per share (after tax)		-0.01	0.17	0.22	0.53	0.35
Interest-bearing net debt		664	598	664	598	664
Net debt/equity ratio	< 1.0	0.58	0.58	0.58	0.58	0.58
Equity ratio, %		49.6	53.0	49.6	53.0	49.6
Average number of shares held in thousands		346,728	340,788	342,768	236,899	342,273
Equity per share, SEK		3.30	3.03	3.30	3.03	3.30

The parent company's income statement in brief	2019	2018
Amount in SEK million	Jan-Sep 9 months	Jan-Sep 9 months
Other operational income	7	4
Total	7	4
Operating expenses		
Other external costs	-7	-4
Personnel costs	-10	-5
Depreciations	0	0
Other operating costs	0	0
Total operating costs	-17	-9
Operating profit (loss)	-10	-5
Financial income	1	1
Financial expenses	-9	-3
Profit (loss) after financial items	-18	-7
Taxes on the period's profit/loss	2	2
Profit (loss) for the period	-16	-5

The parent company's balance sheet in brief	30 September	30 September
Amount in SEK million	2019	2018
Assets		
Financial fixed assets	1,366	1,077
Total fixed assets	1,366	1,077
Receivables, Group companies	247	86
Other current receivables	5	0
Cash and bank balances	1	1
Total current assets	253	87
TOTAL ASSETS	1,619	1,164
Liabilities and equity		
Equity	849	853
Non-current liabilities	597	105
Current liabilities	173	206
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,619	1,164

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 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-Sep 2019	Jan-Sep 2018
Goods		
Wood products	2,072	1 482
By-products	284	235
Pulp- and round wood	101	137
	2,457	1,854
Services		
Wood treatment, distribution, forest services	62	29
	2,519	1,883

SEK million	Jan-Sep 2019	Jan-Sep 2018
Sweden	434	450
UK	645	534
Baltic States	379	221
Rest of Europe	766	333
Rest of world	295	345
	2,519	1,883

3. Financial instruments

SEK million	Level	Carrying amount 30 Sep 2019	Fair value 30 Sep 2019	Carrying amount 31 Dec 2018	Fair value 31 Dec 2018
Financial assets measured at amortised cost					
Financial fixed assets	-	9	9	8	8
Financial assets measured at fair value in the income statement					
Trade receivables	-	333	333	324	324
Other current receivables	-	34	34	37	37
Cash and cash equivalents	-	107	107	74	74
Derivatives used for hedge accounting					
Derivatives	2	-	-	2	2
		483	483	445	445
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	-	680	680	448	448
Trade creditors	-	212	212	237	237
Loan from Norvik	3	69	70	168	170
Contingent consideration	3	9	10	38	40
Other liabilities	-	55	55	32	32
Derivatives used for hedge accounting					
Derivatives	2	4	4	-	-
		1,029	1,031	923	927

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
Amount in SEK million	Q1	Q2	Q3	Jan-Sep
Net sales	885	913	720	2,518
Sawmills	596	602	472	1,670
Further Processed	269	333	265	867
Other	54	56	52	162
Intra-group deliveries	-34	-78	-69	-181
EBITDA	82	60	27	169
Sawmills	66	22	-2	86
Further Processed	17	27	21	65
Other	-1	11	8	18
EBITDA margin, %	9.3	6.6	3.8	6.7
Sawmills	11.1	3.7	neg	5.1
Further Processed	6.3	8.1	7.9	7.5
Operating profit	60	38	2	100
Sawmills	50	7	-18	39
Further Processed	13	23	12	48
Other	-2	8	8	14
Operating margin, %	6.8	4.2	0.3	4.0
Sawmills	8.4	1.2	neg	2.3
Further Processed	4.8	6.9	4.5	5.5