

BERGS

Interim Report
1 January – 30 September

2022 Q3

An aerial photograph of a modern, two-story house with dark grey horizontal siding and large windows. The house features a large, light-colored wooden deck that wraps around a portion of the building. On the deck, there is a small wooden table with two chairs and some potted plants. The house is surrounded by a green lawn and a gravel path. The overall aesthetic is clean and contemporary.

Interim Report

1 January – 30 September 2022

THIRD QUARTER (1 JULY–30 SEPTEMBER)

- Net sales decreased by 16% to SEK 708 million (846). The decrease was related to lower sales volumes and sales prices for Wood Protection.
- EBITDA amounted to SEK 46 million (186). The lower result was explained by lower sales volumes and sales prices for Wood Protection and lower sales prices and higher raw material costs for Sawn Wood. Higher sales prices and sales volumes for the pellet business contributed positively. The EBITDA margin was 6.5% (22.0).
- Operating profit amounted to SEK 23 million (166), corresponding to an operating margin of 3.2% (19.6).
- Profit for the period amounted to SEK 22 million (158).
- Earnings per share, before and after dilution, were SEK 0.63 (4.56).
- Cash flow from operating activities amounted to SEK 305 million (63), positively affected by a lower level of working capital.
- Financial net debt totalled SEK 34 million (256) as of 30 September, corresponding to a net debt/equity ratio of 0.02 (0.17).
- All shares in the Polish window and door company Pinus were acquired in July.

INTERIM PERIOD (1 JANUARY–30 SEPTEMBER)

- Net sales increased by 16% to SEK 2,627 million (2,265). The increase was related to higher sales prices for all products and higher sales volumes in Joinery.
- EBITDA amounted to SEK 301 million (397). The decrease was explained by lower sales volumes and higher raw material costs for Wood Protection. Higher sales prices for Sawn Wood, increased sales volumes within Joinery and improved earnings for the pellet business contributed positively. The EBITDA margin was 11.5% (17.5).
- Operating profit amounted to SEK 235 million (341), corresponding to an operating margin of 8.9% (15.1).
- Profit for the period amounted to SEK 238 million (329).
- Earnings per share, before and after dilution, were SEK 6.86 (9.49).
- Cash flow from operating activities amounted to SEK 411 million (–18).
- A new loan agreement was made with Danske Bank and SEB. The total credit facilities amount to SEK 650 million and have a three-year term.
- Performance Timber Products Group acquired all shares in the English company P&P Holdings Limited that sells, distributes and installs windows and doors in Surrey and South West London.
- A consolidation of shares (reverse split) was made in May, whereby ten (10) shares were consolidated into one (1) share.

The Group's key performance indicators

AMOUNTS IN SEK million	2022 Jul–Sep 3 months	2021 Jul–Sep 3 months	2022 Jan–Sep 9 months	2021 Jan–Sep 9 months	2021 Jan–Dec 12 months
Net sales	708	846	2,627	2,265	3,055
EBITDA	46	186	301	397	503
EBITDA margin, %	6.5	22.0	11.5	17.5	16.5
Operating profit	23	166	235	341	426
Operating margin, %	3.2	19.6	8.9	15.1	13.9
Profit for the period	22	158	238	329	417
Earnings per share, SEK*	0.63	4.56	6.86	9.49	12.03
Equity per share, SEK*	53.21	43.92	53.21	43.92	46.61

* Earnings per share and Equity per share have been adjusted retroactively for the reverse split 1:10 in May 2022.

First page: Double Impregnated decking from the subsidiary Bitus installed at new construction in Åkersberga outside Stockholm.

Weakened wood market but continued good development for windows, doors and pellets

THIRD QUARTER

During the third quarter, the Group was affected by the deteriorating economic situation. Net sales amounted to SEK 708 million compared to SEK 846 million in the same period last year. The lower net sales were mainly explained by lower prices and lower sales volumes for Wood Protection. Operating profit before depreciation and amortisations, EBITDA, amounted to SEK 46 million compared to SEK 186 million the previous year.

The drop in result was explained by lower sales prices and sales volumes for Wood Protection and by lower sales prices and higher raw material costs for Sawn Wood. The development for Joinery continues to be favourable where both sales volumes and prices have increased during the quarter. The same applies to pellets within Energy & Logistics. The Group's cash flow was strong in the quarter and amounted to SEK 305 million, which reduced the financial net debt to SEK 34 million as of 30 September 2022.

MARKET

The effects of the uncertain situation with an ongoing war, high inflation and rising interest rates reduce demand for several of the Group's products. The decline in demand for wood products in the do-it-yourself sector has continued during the quarter. At the same time, the pace of new construction, renovation and infrastructure projects remains good in several of our important markets. Demand for windows and doors remains good.

The market for sawn timber has deteriorated during the quarter with falling prices as a result. As a result of increased stocks and lower profitability, a number of planing and sawmill companies have announced production curtailments for the rest of the current year.

Rising energy costs have increased the demand for energy wood and pellets with sharply rising prices as a result. The increased demand for energy- and pulpwood is now slowing the harvesting of saw logs in several places, which will further reduce sawmill production.

PERFORMANCE BY PRODUCT AREA

WOOD PROTECTION

Continued reduced demand in the do-it-yourself sector means that sales volumes during the quarter have decreased significantly. The unexpectedly low sales volume has created an imbalance in our raw material stocks with increased costs and significantly reduced profitability as a result. We have implemented cost-saving measures and adapted production to a lower demand and are prepared to take further measures to keep costs and stocks in balance. The assessment is that the stock reductions that are now taking place with us and our customers will result in a better situation during the coming spring season. Within Wood Protection, there is a shift towards more processed products and logistics solutions. It is pleasing that we note a clearly increased demand for linseed oil-treated wood, which is a premium product with good profitability.

JOINERY

Demand for windows and doors remains good and we currently see no slowdown in the market. We see some improvement in the supply of input material, which contributes to a margin improvement. Integration of the recently acquired Polish window and door company Pinus follows plan and the possibilities for increasing the production rate are good.

At the same time, we see a clear decrease in demand and profitability for our garden products, where we primarily sell to do-it-yourself stores. However, this range makes up a smaller proportion of Joinery.

SAWN WOOD

Reduced demand and lower prices characterized the business during the quarter. The price of saw logs remains high but has been partially offset by increased prices for by-products such as sawdust and wood chips. Despite the deteriorating market, our finished goods stocks are still low. During the fourth quarter, we will reduce production at our Estonian sawmill, while we plan to maintain normal production volumes at our Latvian sawmill.

The market for sawn timber continues to be volatile and after this spring's sharp price increase, we are now seeing a corresponding decrease in price. With announced production reductions and the fact that Russian timber export to Europe have ceased, the supply of sawn timber products is now decreasing. Our assessment is that the market for solid-wood products will be in balance in the coming spring.

OTHER (ENERGY & LOGISTICS)

The demand for pellets for heating is still very good and there is currently a shortage throughout Europe. The prices have increased by about three times since the previous summer. Despite increased raw material costs, margins during the winter will continue to be good.

Our English port, Creeksea, shows an improved margin. We have attracted new customers and volumes have increased.

OUTLOOK

With high inflation, rising interest rates and the ongoing war in Ukraine, the outlook remains uncertain. The decline in demand in the do-it-yourself sector is obvious and reduction in new construction is likely. At the same time, renovations, efforts for energy improvements and infrastructure projects continue to show better stability.

Profitability for the Wood Protection product area will be under pressure in the coming quarter, which normally is a seasonally weak quarter. As a result of production curtailments, cost adjustments and reduced stocks, the situation should gradually improve during the spring. We also see signs that the price decline has stopped for Sawn Wood and Wood Protection.

Our business within windows and doors in Joinery continues to be good and the order intake for next spring is normal. Likewise, the situation for pellet operations remains favourable.

Wood products have many good properties, not least in terms of energy and sustainability. This means that we have a long-term positive view of the demand for our products.

Stockholm, 27 October 2022

Peter Nilsson
President and CEO



Net sales and operating profit

JULY-SEPTEMBER 2022 COMPARED WITH JULY-SEPTEMBER 2021

Net sales for the third quarter of 2022 amounted to SEK 708 million (846). The decrease of SEK 138 million, corresponding to 16 per cent, is attributable to lower sales volumes and sales prices for products in Wood Protection.

EBITDA decreased to SEK 46 million (186), which corresponds to an EBITDA margin of 6.5% (22.0). The lower result was explained by lower sales volumes and sales prices for Wood Protection and lower sales prices and higher raw material costs for Sawn Wood. Higher sales prices and sales volumes for the pellet business contributed positively.

Operating profit amounted to SEK 23 million (166), which corresponds to an operating margin of 3.2% (19.6).

JANUARY-SEPTEMBER 2022 COMPARED WITH JANUARY-SEPTEMBER 2021

Net sales for the first nine months of 2022 amounted to SEK 2,627 million (2,265). The increase of SEK 362 million, corresponding to 16 per cent, is attributable to higher sales prices for all products and higher sales volumes in Joinery.

EBITDA decreased to SEK 301 million (397), which corresponds to an EBITDA margin of 11.5% (17.5). The decrease was explained by lower sales volumes and higher raw material costs for Wood Protection. Higher sales prices for Sawn Wood, increased sales volumes within Joinery and improved earnings for the pellet business contributed positively.

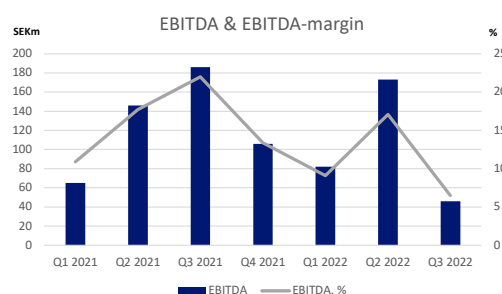
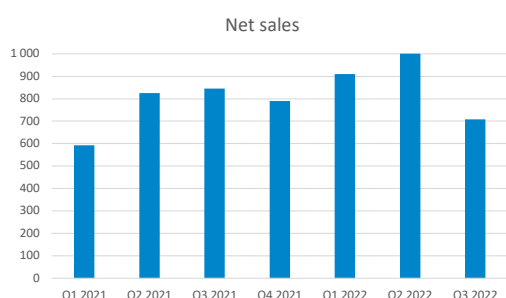
Operating profit amounted to SEK 235 million (341), which corresponds to an operating margin of 8.9% (15.1).

JULY-SEPTEMBER 2022 COMPARED WITH APRIL-JUNE 2022

Net sales amounted to SEK 708 million, compared with SEK 1,009 million for the second quarter of 2022, down SEK 301 million. The decrease is attributable to lower sales volumes and sales prices for Wood Protection and lower sales prices for Sawn Wood.

EBITDA amounted to SEK 46 million (173), corresponding to an EBITDA margin of 6.5% (17.1). The decrease is attributable to lower sales volumes and sales prices for Wood Protection and lower sales prices for Sawn Wood.

Operating profit amounted to SEK 23 million (151), corresponding to an operating margin of 3.2% (15.0).



Cash flow and financing

Cash flow from operating activities for the period January–September amounted to SEK 411 million (–18). The cash flow effects from changes in working capital amounted to SEK 140 million (–395). Investments in property, plant and equipment amounted to SEK –74 million (–99).

The Group's net financial debt at 30 September 2022 totalled SEK 34 million, compared to SEK 223 million at 31 December 2021. The net debt/equity ratio was 0.02.

In January, Bergs entered a new loan agreement with Danske Bank and SEB regarding among other things, refinancing of the major part of the Group's existing loans. The new credit facilities in the total of SEK 650 million have a three-year term and include one term loan of SEK 250 million and a revolving loan facility of SEK 400 million. In addition, the Group has an overdraft facility with Danske Bank of SEK 50 million.

Loans and credit facilities on 30 September 2022, SEK million:

LOAN	Limit	Repayments, years			Total utilised
		0–1	1–2	2–	
Term loans		25	25	188	238
Revolving credit facility	400	100			100
Overdraft facilities	50				0
Total		125	25	188	338

Available cash and cash equivalents, including unutilised credit facilities, totalled SEK 660 million.

Net financial items for the Group for January–September amounted to SEK 3 million (–2).

Product areas

Bergs's operational activities consist of independent subsidiaries with clear responsibilities for results, conducting operations in three different product areas. These are Wood Protection, Joinery and Sawn Wood. Moreover, Bergs is engaged in the production of pellets as well as port and distribution operations in the UK.

The product areas constitute reporting segments as of 2021.

PRODUCT AREA	Wood Protection	Joinery	Sawn Wood	Other (Energy & Logistics)
Products	Treated wood (impregnated, fire-retardant, etc.) in accordance with international standards and environmental requirements. This also includes a special range of untreated and treated planed products for the DIY sector.	High-quality wood products such as doors, windows, houses, outdoor furniture and garden products.	Sawn products for processing by industrial customers.	Pellets and fire logs for heating. Port and distribution operations in the UK.

Net sales

AMOUNTS IN SEK m	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Wood Protection	164	418	880	1,105
Joinery	207	157	631	339
Sawn Wood	304	271	1,053	811
Other	64	48	185	118
Internal net sales	-31	-48	-122	-108
External net sales	708	846	2,627	2,265

EBITDA

AMOUNTS IN SEK m	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Wood Protection	-34	101	-19	212
Joinery	19	18	61	33
Sawn Wood	43	82	232	195
Other	23	-2	47	-7
Joint and eliminations	-5	-13	-20	-36
EBITDA	46	186	301	397

WOOD PROTECTION

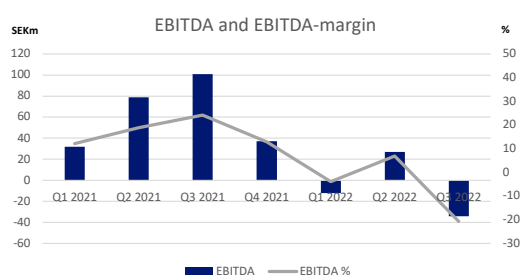
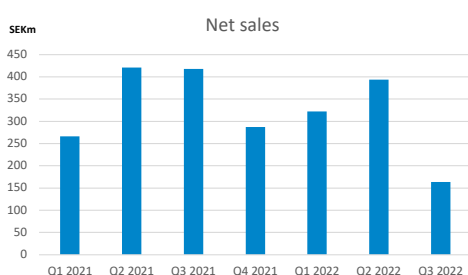
Wood Protection conducts operations in wood preservatives. Operations are located in Sweden, Latvia and the UK. The majority of production takes place at the Byko-Lat and Bitus subsidiaries.

AMOUNTS IN SEK m	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Net sales	164	418	880	1,105
EBITDA	-34	101	-19	212
Operating profit/loss	-38	98	-33	200
EBITDA margin, %	-20.7	24.2	-2.2	19.2
Operating margin, %	-23.2	23.4	-3.8	18.1

Net sales for the third quarter amounted to SEK 164 million (418). The decrease was attributable to lower sales volumes and sales prices.

EBITDA amounted to SEK -34 million (101). The decrease was attributable to lower sales volumes due to lower demand in the do-it-yourself market and lower sales prices. Write-down of stock value has been made by SEK 11 million.

The lower result compared with the second quarter 2022 was attributable to lower sales volumes and lower sales prices.



JOINERY

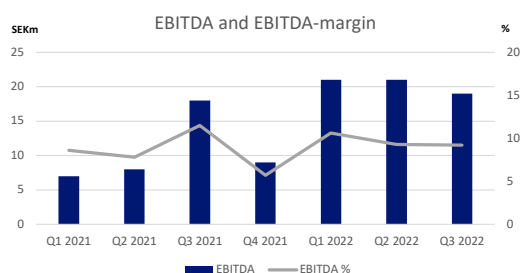
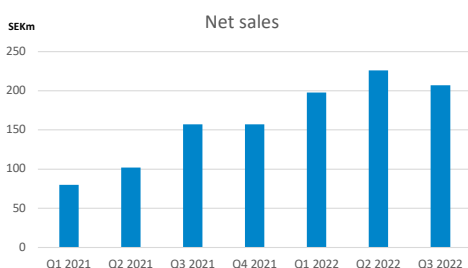
The Joinery product area manufactures processed products from wood such as houses, windows and doors as well as a broad range of garden products such as fencing, windbreaks, benches, tables and swimming pool sets. The production facilities are located in Latvia, Poland and the UK.

AMOUNTS IN SEK m	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Net sales	207	157	631	339
EBITDA	19	18	61	33
Operating profit	14	14	48	25
EBITDA margin, %	9.2	11.5	9.7	9.7
Operating margin, %	6.8	8.9	7.6	7.4

Net sales for the third quarter amounted to SEK 207 million (157). The increase was primarily attributable to higher sales volumes for windows and doors.

EBITDA amounted to SEK 19 million (18). The increase is attributable to higher sales volumes for windows and doors. Garden products were negatively affected by lower demand in the do-it-yourself sector.

The lower result compared with the second quarter 2022 was attributable to lower sales volumes for garden products.



SAWN WOOD

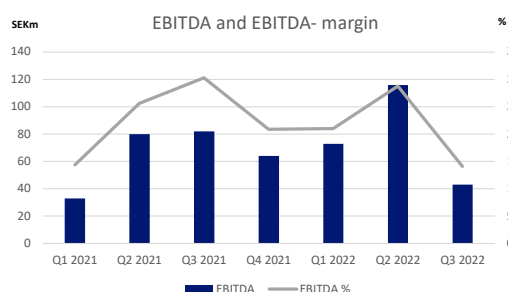
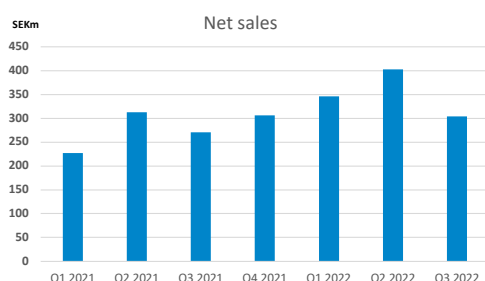
The Sawn Wood product area produces sawn products from two subsidiaries: Vika Wood in Latvia and Laesti in Estonia. These companies process raw forestry materials into planks and boards in various dimensions, lengths and qualities.

AMOUNTS IN SEK m	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Net sales	304	271	1,053	811
EBITDA	43	82	232	195
Operating profit	34	74	207	173
EBITDA margin, %	14.1	30.3	22.0	24.0
Operating margin, %	11.2	27.3	19.7	21.3
Sales volumes, '000 m ³	73	61	258	254
Production volume, '000 m ³	81	60	266	259

Net sales for the third quarter amounted to SEK 304 million (271). The increase was attributable to higher sales volumes.

EBITDA amounted to SEK 43 million (82). The lower earnings are attributable to lower sales prices and higher raw material costs.

The lower result compared to the second quarter 2022 was explained by lower sales prices, higher costs for raw material and lower sales volumes.



OTHER (ENERGY & LOGISTICS)

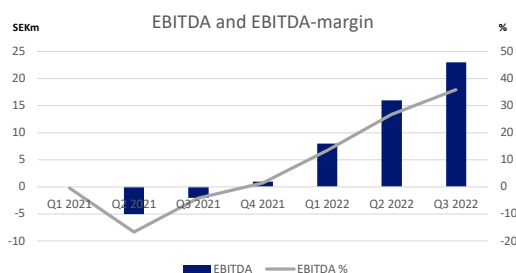
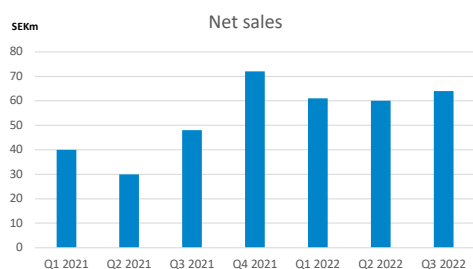
In addition to the three product areas, Bergs owns additional assets in the form of pellet manufacturing as well as a port and logistics facility in the UK.

AMOUNTS IN SEK m	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Net sales	64	48	185	118
EBITDA	23	-2	47	-7
Operating profit/loss	18	-7	32	-22
EBITDA margin, %	35.9	-4.2	25.4	-5.9
Operating margin, %	28.1	-14.6	17.3	-18.6

Net sales for the third quarter amounted to SEK 64 million (48). The increase in net sales was attributable to higher sales volumes and sales prices for pellets.

EBITDA amounted to SEK 23 million (-2). The improved profit was explained by higher sales volumes and sales prices for pellets.

The higher result compared to the second quarter 2022 was explained by higher sales prices and sales volumes for pellets.



Other information

TAX

Recognised tax for the period January–September amounted to SEK 0 million (–10). The effective tax rate was 0 per cent, lower than Sweden's corporate tax rate. The lower effective tax rate was attributable to no tax having been recognised for the Baltic companies.

In Latvia and Estonia, the corporate income tax is 0 per cent on reinvested profits. Corporate tax is applicable and payable when dividends are distributed. No corporate income taxes have been recognised for the Group companies in the Baltics. Unrecognised deferred taxes regarding undistributed profits in the Baltic companies totalled approximately SEK 215 million at 30 September 2022.

SEASONAL FLUCTUATIONS

Bergs's business is subject to seasonal fluctuations. The demand for processed wood products in the construction sector is generally higher in April–October. The demand for sawn products is normally higher in March–June and September–November. Sales volumes during the winter and summer months are normally lower. The market for pellets correlates to the winter season. The production volume in the sawmills is lower in the third quarter as a result of the summer holidays and maintenance work.

GEOPOLITICAL SITUATION

Bergs is affected by the war in Ukraine through its effects on economic development and price development for, among other things, timber, saw logs, energy and other inputs. We see higher interest rates and inflation that will cool down the economy and, in the short term, affect the demand for our products. There is also a risk that credit risks will increase in the business.

The Group complies with applicable sanctions and regulations and has suspended all purchases from Russia and Belarus. Bergs has previously had raw material supply to our unit in Latvia within Wood Protection from Russia and Belarus. These volumes have been compensated by increased purchases from other established suppliers in the Baltics and Scandinavia. Bergs has not had any sales to Russia or Belarus.

ACQUISITIONS

P&P Holdings Ltd

On 13 January 2022, Performance Timber Products Group acquired all shares in the English company P&P Holdings Limited with annual sales of approximately GBP 7 million (SEK 85 million). P&P sells, distributes and installs windows and doors in Surrey and South West London. The companies have been working closely together for several years, where P&P sells windows and doors under the name Timber Windows, which is PTPG's network of showrooms for retail sales.

The purchase price was SEK 12 million on a cash and debt free basis. Goodwill and other surplus values are preliminary estimated to SEK 8 million. See note 4 for further information.

Pinus

On July 5, Bergs Timber AB acquired the Polish company Pinus. The company, which manufactures bespoke windows and doors for the premium segment, has a turnover of approximately SEK 80 million and has about 100 employees.

The purchase price for the shares was SEK 37 million. Goodwill and other surplus values are preliminary estimated to SEK 11 million. See note 4 for further information.

EVENTS AFTER THE END OF THE QUARTER

There are no events after the end of the quarter to report.

CONSOLIDATION OF SHARES

In May, a consolidation of shares in Bergs Timber AB (reverse split) was made, whereby ten (10) shares were consolidated into one (1) share.

PARENT COMPANY

The activities of the Parent Company pertain to the management of shares in subsidiaries, Group-wide administrative tasks and Group financing. Loss after financial items for the Parent Company for January–September amounted to SEK –8 million (–20).

ANNUAL GENERAL MEETING

The annual general meeting will be held on 4 May 2023. Place and time will be published later.

CALENDAR

Year-end report for 2022	2 February 2023
Interim report, January–March 2023	4 May 2023
Annual general meeting	4 May 2023
Interim report, January–June 2023	25 July 2023
Interim report, January–September 2023	26 October 2023
Year-end report for 2023	31 January 2024

The undersigned certify that the interim report gives a true and fair view of the Company's and Group's operations, financial position and result of operations, and describes material risks and uncertainties facing the Company and the companies included in the Group.

Stockholm, 27 October 2022
Bergs Timber AB (publ)

Peter Nilsson
President and CEO

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 required to disclose pursuant to the EU's Market Abuse Regulation. The information was released for publication on 27 October 2022 at 1:00 p.m. CET. The interim report is available on the company's website, www.bergstimber.com

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Review Report

Bergs Timber AB (publ), corp. reg. no. 556052-2798

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) for Bergs Timber (publ), as of September 30, 2022 and the nine-month period then ended. 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, 27 October 2022

Deloitte AB

Magnus Andersson
Authorised Public Accountant

Condensed consolidated income statement

AMOUNTS IN SEK m	2022 Jul-Sep 3 months	2021 Jul-Sep 3 months	2022 Jan-Sep 9 months	2021 Jan-Sep 9 months	2021 Jan-Dec 12 months
Net sales	708	846	2,627	2,265	3,055
Changes to products in process and finished goods	-1	16	14	77	65
Other operating income	7	1	12	7	19
Total	714	863	2,653	2,349	3,139
Operating expenses					
Raw materials and consumables	-430	-464	-1,611	-1,386	-1,868
Other external costs	-133	-102	-428	-290	-397
Personnel costs	-104	-111	-312	-276	-371
Profit from shares in associated companies	-1	-	-1	-	0
Depreciation/amortisation and impairment	-23	-20	-66	-56	-77
Total operating expenses	-691	-697	-2,418	-2,008	-2,713
Operating profit	23	166	235	341	426
Finance income	4	2	14	7	9
Financial expenses	-4	-4	-11	-9	-12
Profit after financial items	23	164	238	339	423
Tax on profit for the period	-1	-6	0	-10	-6
Profit for the period	22	158	238	329	417
Attributable to					
Parent Company shareholders	22	158	238	329	417
Non-controlling interests	-	-	-	-	-
Earnings per share, before and after dilution, SEK*	0.63	4.56	6.86	9.49	12.03
Average number of shares, thousands	34,673	346,728	34,673	346,728	346,728

*) Earnings per share has been adjusted retroactively for the reverse split 1:10 in May 2022. When calculating earnings per share, the average number of shares held is used.

Statement of comprehensive income (net after tax)

AMOUNTS IN SEK m	2022 Jul-Sep 3 months	2021 Jul-Sep 3 months	2022 Jan-Sep 9 months	2021 Jan-Sep 9 months	2021 Jan-Dec 12 months
Profit for the period	22	158	238	329	417
Change in hedge reserve (net after tax)	29	–	29	–	–
Translation differences	22	6	66	12	17
Comprehensive income for the period	73	164	333	341	434
Attributable to:					
Parent Company shareholders	73	164	333	341	434
Non-controlling interests	–	–	–	–	–

Condensed consolidated balance sheet

AMOUNTS IN SEK m	30 Sep 2022	30 Sep 2021	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	351	327	329
Property, plant and equipment, incl. right-of-use assets	880	773	800
Financial assets	8	1	7
Deferred tax assets	23	23	22
Total non-current assets	1,262	1,124	1,158
Current assets			
Inventory	709	708	733
Current receivables	341	399	331
Cash and bank balances	310	114	94
Total current assets	1,360	1,221	1,158
TOTAL ASSETS	2,622	2,345	2,316
Equity and liabilities			
Equity	1,845	1,523	1,616
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	218	15	12
Other non-current liabilities and provisions	5	14	5
Deferred tax liabilities	38	29	30
Total non-current liabilities	261	58	47
Current liabilities			
Interest-bearing liabilities	127	355	305
Non-interest bearing liabilities	389	409	348
Total current liabilities	516	764	653
TOTAL EQUITY AND LIABILITIES	2,622	2,345	2,316

Changes in equity (no minority exists)

AMOUNTS IN SEK m	2022 Jul-Sep 3 months	2021 Jul-Sep 3 months	2022 Jan-Sep 9 months	2021 Jan-Sep 9 months	2021 Jan-Dec 12 months
Equity, opening balance	1,771	1,359	1,616	1,251	1,251
Comprehensive income for the period	73	164	333	341	434
Dividend paid	–	–	–104	–69	–69
Total equity at the end of the period	1,845	1,523	1,845	1,523	1,616

Condensed cash flow statement

AMOUNTS IN SEK m	2022 Jul-Sep 3 months	2021 Jul-Sep 3 months	2022 Jan-Sep 9 months	2021 Jan-Sep 9 months	2021 Jan-Dec 12 months
Operating activities					
Profit after financial items	23	164	238	339	423
Adjustments for non-cash items*	13	12	48	44	59
Income taxes paid	9	1	-15	-6	-3
Cash flow from operating activities before changes in working capital	45	178	271	377	479
Change in inventories	134	-197	78	-339	-362
Change in operating receivables	178	88	54	-130	-58
Change in operating liabilities	-52	-6	8	74	6
Cash flow from operating activities	305	63	411	-18	65
Investing activities					
Business combination	-37	-	-45	-73	-73
Acquisition of property, plant and equipment	-23	-55	-74	-99	-143
Sale of property, plant and equipment	0	0	0	0	0
Change in financial assets	-1	0	-1	0	-6
Cash flow from investment activities	-60	-55	-120	-172	-222
Financing activities					
Change in financial receivables and liabilities	-107	5	26	130	77
Paid dividend	-	-	-104	-69	-69
Cash flow from financing activities	-107	5	-78	61	8
Cash flow for the period	138	13	213	-129	-149
Cash and cash equivalents at start of period	172	101	94	242	242
Translation differences in cash and cash equivalents	0	0	3	1	1
Cash and cash equivalents at end of period	310	114	310	114	94

*) Pertains primarily to depreciation and unrealised exchange rate effects.

The Group's key performance indicators and targets

AMOUNTS IN SEK m	Financial targets	2022 Jul-Sep 3 months	2021 Jul-Sep 3 months	2022 Jan-Sep 9 months	2021 Jan-Sep 9 months	2021 Jan-Dec 12 months
Net sales		708	846	2,627	2,265	3,055
EBITDA		46	186	301	397	503
EBITDA margin, %	>9	6.5	22.0	11.5	17.5	16.5
Operating profit		23	166	235	341	426
Operating margin, %		3.2	19.6	8.9	15.1	13.9
Return on capital employed, %, 12 months		–	–	–	–	25.6
Earnings per share, SEK*		0.63	4.56	6.86	9.49	12.03
Interest-bearing net debt		34	256	34	256	223
Net debt/equity ratio	<1.0	0.02	0.17	0.02	0.17	0.14
Equity/assets ratio, %		70.4	64.9	70.4	64.9	69.8
Average number of shares, thousands		34,673	346,728	34,673	346,728	346,728
Equity per share, SEK*		53.21	43.92	53.21	43.92	46.61

* Earnings per share and Equity per share have been adjusted retroactively for the reverse split 1:10 in May 2022.

Condensed Parent Company statement of income

AMOUNTS IN SEK m	2022 Jan-Sep 9 months	2021 Jan-Sep 9 months
Other operating income	4	4
Total	4	4
Operating expenses		
Other external costs	-12	-11
Personnel costs	-11	-14
Depreciation	0	0
Total operating expenses	-23	-25
Operating loss	-19	-21
Finance income	21	8
Financial expenses	-10	-7
Loss after financial items	-8	-20
Tax on profit for the period	1	3
Profit/loss for the period	-7	-17

Condensed Parent Company balance sheet

AMOUNTS IN SEK m	30 Sep 2022	30 Sep 2021
Assets		
Property, plant and equipment	0	1
Financial assets	1,226	1,236
Total non-current assets	1,226	1,237
Receivables from Group companies	57	2
Other current receivables	7	10
Cash and bank balances	259	72
Total current assets	323	84
TOTAL ASSETS	1,549	1,321
Liabilities and equity		
Equity	741	836
Untaxed reserves	21	20
Non-current liabilities	213	0
Current liabilities	574	465
TOTAL EQUITY AND LIABILITIES	1,549	1,321

Notes

1. ACCOUNTING POLICIES

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 policies 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 for 2021; refer to pages 64–69.

Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere of the interim report. Amounts in brackets refer to the amount for the same period in the previous financial year, unless otherwise stated. There may be differences due to rounding.

2. EXTERNAL NET SALES BY MARKET

Income is recognised at a point in time, normally upon delivery, and income essentially pertains only to sawn and processed wood products.

January–September 2022 AMOUNTS IN SEK m	Wood Protection	Joinery	Sawn Wood	Other	Group total
Sweden	156	23	0	33	212
UK	238	425	39	56	758
Baltics	27	4	529	13	573
Rest of Europe	366	176	189	82	813
Rest of world	30	1	239	1	271
Total external net sales	817	629	996	185	2,627

January–September 2021 AMOUNTS IN SEK m	Wood Protection	Joinery	Sawn Wood	Other	Group total
Sweden	214	26	0	23	263
UK	419	159	46	42	666
Baltics	37	6	421	9	473
Rest of Europe	394	143	126	43	706
Rest of world	16	1	139	1	157
Total external net sales	1,080	335	732	118	2,265

3. FINANCIAL INSTRUMENTS BY CATEGORY

AMOUNTS IN SEK m	Level	Carrying amount 30 Sep 2022	Fair value 30 Sep 2022	Carrying amount 30 Jun 2022	Fair value 30 Jun 2022
Financial assets at amortised cost					
Non-current receivables	–	3	3	0	0
Trade receivables	–	249	249	412	412
Other receivables	–	24	24	26	26
Cash and cash equivalents	–	310	310	172	172
Derivatives for hedge accounting					
Derivatives	2	36	36	–	–
		622	622	610	610
Financial liabilities measured at amortised cost					
Non-current interest-bearing liabilities	–	218	218	223	223
Accounts payable	–	136	136	181	181
Current interest-bearing liabilities	–	127	127	227	227
Other liabilities	–	40	40	39	39
Derivatives for hedge accounting					
Derivatives	2	0	0	–	–
		521	521	670	670

Fair value of electricity derivatives are equal to the market value at the balance sheet date, which is recognised under level 2. Liabilities to credit institutions run with variable interest and a market-based credit margin, which is why fair value corresponds to carrying amount.

Valuation levels:

- 1: Quoted prices in an active market for identical assets or liabilities, such as shares or obligations listed on the stock market.
- 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either direct (as quoted market prices) or indirect (obtained from quoted market prices), such as foreign exchange forwards, electricity futures or rate swaps.
- 3: Data for the asset or liability that is not completely based on observable market data.

4. ACQUISITIONS

On July 5 2022, Bergs acquired the Polish company Pinus. The company manufactures bespoke windows and doors for the premium segment. The acquired company is recognised in Bergs from 5 July 2022 and is included in the Joinery segment.

Purchase price allocation

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

Amounts in SEK million

Purchase consideration, cash			37
Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Goodwill and other intangible assets	0	11	11
Property, plant and equipment	24		24
Inventories	14		14
Other current assets	13		13
Cash and cash equivalents	2		2
Non-current liabilities	-2		-2
Current liabilities	-25		-25
	26	11	37

Cash flow effect

Amounts in SEK m

Purchase consideration, cash	-37
Cash and cash equivalents in acquired company	2
Transaction costs	-2
	-37

Transaction costs amounted to SEK 2 million and are included in other external costs in the income statement. The acquired company was consolidated as of 5 July 2022 and contributed SEK 22 million in net sales and SEK 0 million in operating profit for the period 5 July–30 September 2022. If the company had been consolidated as of 1 January 2022, it would have contributed SEK 70 million in net sales and SEK 2 million in operating profit.

On 13 January 2022, PTPG acquired all shares in the English company P&P Holdings Limited. The company sells, distributes and installs windows and doors in Surrey and South West London. The company is reported in the Joinery segment.

Purchase price allocation

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

Amounts in SEK million

Purchase consideration, cash			12
Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Goodwill and other intangible assets	-	8	8
Property, plant and equipment	13		13
Inventories	6		6
Other current assets	5		5
Cash and cash equivalents	3		3
Non-current liabilities	-1		-1
Current liabilities	-22		-22
	4	8	12

Cash flow effect

Amounts in SEK m

Purchase consideration, cash	-12
Cash and cash equivalents in acquired company	3
Transaction costs	-1
	-10

Transaction costs amounted to SEK 1 million and are included in other external costs in the income statement.

The acquired company was consolidated as of 13 January 2022 and contributed SEK 73 million in net sales and SEK 3 million in operating profit for the period 13 January–30 September 2022.

5. INFORMATION ON RISKS AND UNCERTAINTIES

Business cycle

Bergs operates in a competitive and cyclical market. Prices and volumes for wood products are largely dependent on the balance between supply and demand on a global level with large variations over time. The cost of raw material constitutes a large part of the product's value and makes Bergs sensitive to price development and access to raw material. The raw material is preferably sourced in the immediate area and the supply and demand of the raw material affects pricing to a large extent in the short term.

Financial risks

Bergs is exposed to financial risks, which are primarily related to liquidity and cash flow risks in conjunction with liquidity and liability management and currency risks in export transactions. 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 certain part of the expected currency flow for the next six months can be hedged.

Geopolitical risks

Bergs is affected by the war in Ukraine through its effects on economic development and price development for, among other things, timber, saw logs, energy and other inputs. We see higher interest rates and inflation that will cool down the economy and, in the short term, affect the demand for our products. There is also a risk that credit risks will increase in the business.

The Group complies with applicable sanctions and regulations and has suspended all purchases from Russia and Belarus. Bergs has previously had raw material supply to our unit in Latvia within Wood Protection from Russia and Belarus. These volumes have been compensated by increased purchases from other established suppliers in the Baltics and Scandinavia. Bergs has not had any sales to Russia or Belarus.

Cost of fixed assets

Owing to the existence of goodwill, the recognised cost of fixed assets is tested for impairment. The test is based on our best assessment of the future performance. The testing performed in conjunction with the previous year-end report showed that there was no need for impairment. We have not identified any need for impairment during the current year despite a negative earnings trend in the Wood Protection segment. This business has shown good profitability over time but was negatively affected by lower demand during the current year. A future negative deviation may affect the recognised cost of fixed assets. For a further description of impairment testing please, refer to page 81 of the 2021 Annual Report.

For a complete presentation of the identified risk as well as the company's risk management efforts, refer to pages 41–43 of the 2021 Annual Report.

6. RELATED-PARTY TRANSACTIONS

Transactions with Board members, senior executives and companies related to them have not been of such scope that they had any material impact on the Group's financial position and earnings.

The Parent Company has conducted transactions with the Group's 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 2021 Annual Report.

7. ALTERNATIVE PERFORMANCE MEASURES

Bergs presents key performance indicators (KPI) in the interim report that supplement the financial measures defined according to IFRS, known as alternative performance measures (APM). The company believes 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. The alternative performance measures should be regarded as a supplement to the key performance indicators defined under IFRS. For further definitions and reasons for use, please refer to Note 30 in the 2021 Annual Report.

The estimates and reconciliation of alternative performance measures can be found on the company's website, www.bergstimber.com under "Financial reports".

Definitions of key performance indicators

EBITDA	Operating profit before depreciation/amortisation and impairment of tangible and intangible assets
EBITDA margin	EBITDA as a percentage of net sales
Operating profit	Earnings before financial items and tax
Operating margin	Operating profit as a percentage of net sales
Return on capital employed	Profit/loss after financial items plus financial expenses in relation to the average capital employed
Capital employed	Equity plus interest-bearing liabilities and provisions
Interest-bearing net debt	Interest-bearing liabilities and provisions less cash and cash equivalents and current investments
Net debt/equity ratio	Net interest-bearing liabilities in relation to equity
Equity/assets ratio	Equity as a percentage of the balance-sheet total
Equity per share	Equity in relation to the total number of shares outstanding
Production volume	Nominal sawn volume in cubic metres less estimated offcuts and wastage in further internal production processes
Sales volumes	Nominal delivered volume in cubic metres (volume calculated before planing, if any)

8. QUARTERLY OUTCOME BY SEGMENT

Segments are monitored and reported including operating profit.

STATEMENT OF INCOME

AMOUNTS IN SEK m	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2021 Full year
Net sales	708	1,009	910	790	846	826	593	3,055
Wood Protection	164	394	322	287	418	421	266	1,392
Joinery	207	226	198	156	157	102	80	495
Sawn Wood	304	403	346	306	271	313	227	1,117
Other	64	60	61	72	48	30	40	190
Joint and elim	-31	-74	-17	-31	-48	-40	-20	-139
EBITDA	46	173	82	106	186	146	65	503
Wood Protection	-34	27	-12	37	101	79	32	249
Joinery	19	21	21	9	18	8	7	42
Sawn Wood	43	116	73	64	82	80	33	259
Other	23	16	8	1	-2	-5	0	-6
Joint and elim	-5	-7	-8	-5	-13	-16	-7	-41
EBITDA margin, %	6.5	17.1	9.0	13.4	22.0	17.7	11.0	16.5
Wood Protection	-20.7	6.9	-3.7	12.9	24.2	18.8	12.2	17.9
Joinery	9.2	9.3	10.6	5.8	11.5	7.8	8.6	8.5
Sawn Wood	14.1	28.8	21.1	20.9	30.3	25.6	14.4	23.2
Other	35.9	26.7	13.1	1.4	-4.2	-16.7	-0.5	-3.2
Operating profit	23	151	61	85	166	128	47	426
Wood Protection	-38	22	-17	32	98	74	28	232
Joinery	14	17	17	7	14	6	5	32
Sawn Wood	34	108	65	56	74	74	25	229
Other	18	11	3	-4	-7	-11	-4	-26
Joint and elim	-5	-7	-7	-6	-13	-15	-7	-41
Operating margin, %	3.2	15.0	6.7	10.8	19.6	15.5	7.9	13.9
Wood Protection	-23.2	5.6	-5.3	11.1	23.4	17.6	10.6	16.7
Joinery	6.8	7.5	8.6	4.5	8.9	5.9	6.4	6.5
Sawn Wood	11.2	26.8	18.8	18.3	27.3	23.6	11.2	20.5
Other	28.1	18.3	4.9	-5.6	-14.6	-36.7	-10.7	-13.7

This is Bergs – an international wood products Group

Product areas



32%

Wood Protection

In the Wood Protection product area, wood raw material is processed through impregnation, finishing and painting with the aim of improving the characteristics of the wood in terms of service life span and to create effective protection against moisture, fire and microorganisms. Aesthetic aspects as a result of these refining processes is also of great importance when choosing materials for constructions by designers and architects.



23%

Joinery

The product area comprises high-quality bespoke windows and doors, houses, including the so-called Attefall-houses, as well as a wide range of garden products such as outdoor furniture, wind-breaks, playground equipment and wooden decking and paneling for swimming pools and similar details for gardens and public outdoor environment.



38%

Sawn Wood

In the product area, sawmill operations are conducted at two facilities in Latvia respectively Estonia. Some of the production is further refined by other subsidiaries in the group to high-quality products such as windows and doors. Remaining production is mainly sold to other industrial customers in Europe for further processing.

Note: The numbers are based on Group sales for the period January–September 2022.

In addition to these three product areas, Bergs conducts operations in pellet production and logistics. This operation represents 7 per cent of the Group's sales.

Our operations – conducted through wholly owned subsidiaries in Sweden, Estonia, Latvia, Poland and the UK – encompass sawmills and processing as well as distribution and logistics. Bergs is listed on Nasdaq Stockholm.

Sales in 2021

SEK 3.1 billion

Employees

1,100

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 wood processing industry
- Our subsidiaries develop and produce processed wood products, with the customer's needs in focus
- We have a decentralised 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

- Bergs's target is to achieve annual growth of 10 per cent over a business cycle
- Bergs's target is to achieve an EBITDA margin of 9 per cent over a business cycle
- Bergs aims for financial net debt less than equity
- Bergs's target is an annual dividend of normally 25–40 per cent of profit for the year after tax

www.bergstimber.com