



BERGKVIST-SILJAN AB (PUBL)

FINANCIAL STATEMENT

Q1 2020



MANAGEMENT COMMENTARY

THE BERGKVIST SILJAN GROUP

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

Strategically, from the date of the acquisition, work has been conducted to integrate the two companies and to realize the synergy potential. Total financial impact related to synergies is estimated to exceed SEK 100m per annum, with around 60% of financial impact implemented by the end of Q1 2020 and 100% run-rate impact expected to be reached by Q4 2020.

BUSINESS HIGHLIGHTS Q1 2020

The first quarter 2020 was characterized by high activity in synergy realization and multiple actions to mitigate the impact from a continued low market price level and the potential impact from COVID-19. More specifically, the key highlights of the quarter include:

- Planned specialization of the three saw mills, with reallocation of timber classes, log volumes and log species, fully implemented
- Sales volumes shifted from certain European markets to Japan and China to mitigate effect from country lockdowns due to COVID-19
- Proactive securing of logistics capacity in order to mitigate a reduced number of vessels and containers in the market
- Updated control system for the grading mill in Insjön in place
- New systems and tools for logistic optimization implemented
- Realization of economies of scale through re-negotiated and improved purchasing contracts (with combined volumes) in several spend categories
- Market price levels remained low compared to Q1 2019, although overall showing slight increases compared to Q4 2019. The total raw material cost for the Group has however not yet decreased to the same extent as the price decline for sawn wood products during the second half of 2019
- Scenario planning initiated in order to allow for short-notice adaptation of production volumes and cost base during the remainder of 2020 in alternative market conditions, with minor adjustments on

planned production levels implemented to date

POLICIES RELATED TO COVID-19

Bergkvist Siljan's top priority is to maintain a safe work environment for its employees by following the guidelines from the authorities as well as implementing related safety measures.

The Group has since the outburst of COVID-19 implemented a series of actions to protect the employees and business partners. Until the date of the publishing of this report, luckily, the Group has not recorded any confirmed cases of the virus among the employees and the impact on the business has been marginal.

Q1 2020 FINANCIALS

The financial highlights during Q1 2020 include (note: comparability with Q1 2019 limited due to non-pro-forma accounts):

- Net sales of SEK 747m (370m)
- EBITDA of SEK 50m (47m), with an EBITDA margin of 6.7% (12.6%)
- Pro-forma EBITDA, fully adjusted for extraordinary items of SEK 51m (84m)
- Operating profit of SEK 34m (39m), with an EBIT margin of 4.6% (10.6%)
- Cash and cash equivalents as of March 31, 2020 of SEK 204m (22m)

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group views the following events after the reporting period as the most important in terms of potential business impact:

- As part of the terms and conditions of the bond loan, the Group has initiated the procedure to list the bonds at Nasdaq Stockholm
- As one step in the process of increasing the production of sawn wood products in the mid to long term, the Group has in April 2020 filed the application for an increased environmental permit in Insjön, increasing the Group's current production limit of 975,000¹ m³ p.a. to 1,225,000¹ m³ p.a.

Anders Nilsson
CEO

¹ Permit in Mora illustratively converted from m3to to m3 using an illustrative saw yield of 65%

CONSOLIDATED INCOME STATEMENT

SEKm	Note	Q1 2020	Q1 2019
Net sales	G1	747	370
Changes in products in progress and finished goods		18	5
Other operating income		4	6
Total		769	381
Raw materials and consumables		-599	-259
Gross profit		170	122
Personnel costs		-61	-38
Other external costs		-59	-38
Depreciation and write-downs		-16	-7
Other operating costs		-	-
Profit from investments in associates and JVs		-	-
Operating profit		34	39
Financial income		-	-
Financial costs		-52	-4
Profit before tax		-18	35
Tax		1	-1
Profit / loss from discontinued operations		-	-4
Profit / loss for the period		-17	31
Other comprehensive income			
<i>Items that cannot be transferred to profit / loss for the period</i>			
Revaluation of pension liabilities		-2	0
Deferred tax		0	0
Total comprehensive income		-19	31
attributable to:			
- Shareholders of parent company		-19	31
- Non-controlling interest		-	-

CONSOLIDATED BALANCE SHEET

SEKm	Note	2020.03.31	2019.03.31
ASSETS			
Goodwill		189	-
Customer relations		80	14
Other intangible assets		3	-
Total intangible assets		272	14
Buildings and property		228	130
Machinery		408	210
Assets under construction		8	2
Total tangible assets		643	342
Right-of-use assets		85	172
Non-current financial assets	G2	18	-
Deferred tax assets		8	13
Total non-current assets		1,025	541
Inventory		243	133
Trade receivables	G2	338	195
Derivatives assets	G2	-	-
Tax receivables		2	4
Other current assets	G2	92	43
Prepaid costs and accrued income		21	23
Cash and cash equivalents	G2	204	22
Total current assets		899	420
Total assets		1,923	961
EQUITY AND LIABILITIES			
Share capital		1	35
Other equity		51	-174
Retained earnings		-17	232
Equity attributable to shareholders of parent company		36	93
Equity attributable to non-controlling interest		3	-
Total equity		39	93
Bond loan	G2	619	-
Non-current liabilities to credit institutions	G2	-	101
Shareholder loans	G2	385	143
Other non-current liabilities	G2	0	20
Contingent consideration	G2	-	8
Non-current right-of-use liabilities	G2	55	116
Deferred tax liability		77	40
Provisions for pensions and other provisions		42	34
Non-current liabilities		1,178	461
Bond loan	G2	86	-
Current liabilities to credit institutions		-	71
Contingent consideration	G2	-	20
Other current interest bearing liabilities	G2	20	-
Derivatives liabilities	G2	3	0
Current right-of-use liabilities	G2	20	42
Trade payables	G2	386	173
Tax liabilities		19	-
Other current liabilities	G2	15	15
Deferred costs and prepaid income		157	87
Current liabilities		706	407
Total equity and liabilities		1,923	961

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other equity	Retained earnings included total income for the year	Equity related to shareholder s of the parent	Non- controlling interests	Total equity
2018.12-2019.03						
Opening balance	0	22	41	63	-	63
Profit / loss	-	-	31	31	-	31
Other comprehensive income	-	-	0	0	-	0
Total income	-	-	31	31	-	31
Shareholder contribution	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	-
Transactions with non-controlling interest	-	-	-	-	-	-
Transactions within equity	-	-	-	-	-	-
Closing balance	0	22	72	94	-	93
2019.12-2020.03						
Opening balance	1	54	-1	54	3	56
Profit / loss	-	-	-17	-17	-	-17
Other comprehensive income	-	-	-2	-2	-	-2
Total income	-	-	-19	-19	-	-19
Shareholder contribution	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	-
Effects due to acquisitions	-	-	-	-	-	-
Transactions with non-controlling interest	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-
Transactions within equity	-	-	-	-	-	-
Closing balance	1	54	-20	35	3	39

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	Q1 2020	Q1 2019
Profit before tax		-18	31
Adjustments for non-cash items		55	9
Paid tax		-1	-7
Cash flow from operating activities before changes in working capital, continuing operations		36	33
Cash flow from operating activities before changes in working capital, discontinued operations		-	-4
Cash flow from operating activities before changes in working capital		36	29
Changes in working capital, continuing operations		10	-33
Net change in working capital, discontinued operations		-	16
Cash flow from operating activities		46	12
Acquisitions and divestments of subsidiaries		-	-
Investments in non-current assets, continuing operations		-3	-8
Investments in non-current assets, discontinued operations		-	-
Cash flow from investing activities		-3	-8
Bond amortization		-38	-
Amortized leasing (including terminations)		-6	-7
New bank debt		-	-22
Changes in overdraft facility		-	32
Cash flow from financing activities		-44	4
Cash flow for the period		-1	8
Cash and cash equivalents beginning of period		205	14
Cash and cash equivalents end of period		204	22

NOTES TO THE FINANCIAL STATEMENT

GENERAL INFORMATION

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

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

G1 NET SALES

Net sales by geographic market

SEKm	Q1 2020	Q1 2019
Sweden	346	224
Other Scandinavia	39	35
Other Europe	86	51
Asia, excl. Middle East	218	12
Other	58	48
Total	747	370

Net sales by product category

SEKm	Q1 2020	Q1 2019
Sawn wood products	486	258
By-products	72	45
Lumber and pulpwood	185	64
Other	4	3
Total	747	370

G2 FINANCIAL INSTRUMENTS BY CATEGORY

SEKm	20.03.31	19.03.31
<i>Financial assets valued at fair value</i>		
Derivatives assets	-	-
Total	-	-
<i>Financial assets valued at amortised cost</i>		
Non-current financial assets	18	-
Trade receivables	338	195
Other current assets	92	43
Cash and cash equivalents	204	22
Total	651	260
<i>Financial liabilities valued at fair value</i>		
Derivatives liabilities	3	0
Contingent consideration	-	28
Total	3	28
<i>Financial liabilities valued at amortised cost</i>		
Bond loan	705	-
Shareholder loans	385	143
Right-of-use liabilities	75	158
Trade payables	386	173
Other liabilities	36	136
Total	1,586	610

The bond loan has a fair value of SEK 604m. For the remaining items, the fair values coincide with carrying amounts.

G3 KEY RISKS AND UNCERTAINTIES

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

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

G4 DEFINITION OF KEY INDICATORS

EBITDA

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

Pro-forma, fully adjusted EBITDA

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

COMPANY INFORMATION

Name	Bergkvist-Siljan AB (publ)
Address	Box 435, 792 27 Mora, Sweden
Registration number	559136-6686
Financial year	January 1 – December 31
Website	www.bergkvist-insjon.se www.siljan.com
Board of Directors	Ulf Bergkvist (Chairman) Jonas Björnståhl Håkan Dorm
Executive Management	Anders Nilsson
Auditor	PwC

