



BERGKVIST-SILJAN AB (PUBL)

HALF-YEAR REPORT

Q2 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 80% of financial impact implemented by the end of Q2 2020 and 100% run-rate impact expected to be reached by Q4 2020.

BUSINESS HIGHLIGHTS Q2 2020

The main priority in the second quarter of 2020 was to limit any impact from COVID-19, both from a personnel and business perspective. With the quarter in hindsight we are glad to see that our employees have remained healthy and with limited absence.

Operationally, the second quarter 2020 was characterized by a volatile market and supply chain due to COVID-19, but with overall decent demand and somewhat improved prices from Q1 2020. More specifically, the key highlights of the quarter include:

- Successful reallocation of volumes from European markets to Japan and China in order to mitigate effect from country lockdowns due to COVID-19
- Further synergy realisation and cost reductions
- New staffing and shift structure in place at all three sawmills
- Deliveries according to plan despite disruptions in logistics patterns during the beginning of the quarter
- Market price levels showing slight increases compared to Q1 2020

FINANCIALS

The financial highlights during Q2 2020 include (note: comparability with Q2 2019 limited due to non pro-forma accounts):

- Net sales of SEK 749m (362)
- EBITDA of SEK 54m (9), with an EBITDA margin of 7.2% (2.6%)
- Pro-forma EBITDA, fully adjusted for extraordinary items of SEK 54m (40)
- Operating profit of SEK 38m (2), with an EBIT margin of 5.1% (0.7%)
- Cash and cash equivalents as of June 30, 2020 of SEK 199m (31)

For the six month period ending on June 30 the financial highlights include:

- Net sales of SEK 1,496m (732)
- EBITDA of SEK 104m (56) with an EBITDA margin of 6.9% (7.7%)
- Pro-forma EBITDA, fully adjusted for extraordinary items of SEK 105m (124)
- Operating profit of SEK 72m (42) with an EBIT-margin of 4.8% (5.7%)

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 or operational impact:

- The process of listing the bonds on Nasdaq Stockholm was finalized during Q2 2020 and the bonds were successfully listed on July 1, 2020
- The agreement with Moelven related to the joint raw material procurement company Weda Skog AB (owned 70% by Bergkvist Siljan and 30% by Moelven) was terminated on August 13, 2020. Work has commenced to divide the operations between the two groups and the new structure will be in place from September 1, 2020

Anders Nilsson
CEO

CONSOLIDATED INCOME STATEMENT

SEKm	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Net sales	G1	749	362	1,496	732
Changes in products in progress and finished goods		-65	-21	-47	-16
Other operating income	G4	7	4	11	10
Total		691	345	1,460	726
Raw materials and consumables		-521	-253	-1,120	-512
Gross profit		170	92	340	214
Personnel costs		-58	-38	-120	-76
Other external costs		-57	-44	-116	-82
Depreciation and write-downs		-16	-7	-32	-14
Other operating costs		-	-	-	-
Profit from investments in associates and JVs		-	-	-	-
Operating profit		38	2	72	42
Financial income	G4	6	-0	13	-0
Financial costs	G4	-10	-8	-68	-12
Profit before tax		35	-5	17	30
Tax		0	-1	2	-1
Profit / loss from discontinued operations		-	-10	-	-14
Profit / loss for the period		35	-16	18	15
Other comprehensive income					
<i>Items that cannot be transferred to profit / loss for the period</i>					
Revaluation of pension liabilities		4	-0	2	-
Deferred tax		-0	-0	-0	-
Total comprehensive income		39	-16	20	15
attributable to:					
- Shareholders of parent company		39	-16	20	15
- Non-controlling interest		-	-	-	-

CONSOLIDATED BALANCE SHEET

SEKm	Note	2020.06.30	2019.06.30
ASSETS			
Goodwill		189	-
Customer relations		79	14
Other intangible assets		3	-
Total intangible assets		271	14
Buildings and property		225	123
Machinery		403	218
Assets under construction		8	4
Total tangible assets		635	344
Right-of-use assets		80	168
Non-current financial assets	G2	17	0
Deferred tax assets		7	13
Total non-current assets		1,011	540
Inventory		157	93
Trade receivables	G2	353	181
Derivatives assets	G2	-	-
Tax receivables		9	5
Other current assets	G2	67	33
Prepaid costs and accrued income		26	22
Cash and cash equivalents	G2	199	31
Total current assets		811	366
Total assets		1,822	905
EQUITY AND LIABILITIES			
Share capital		1	0
Other equity		51	22
Retained earnings		21	56
Equity attributable to shareholders of parent company		74	78
Equity attributable to non-controlling interest		3	-
Total equity		77	78
Bond loan	G2	621	-
Non-current liabilities to credit institutions	G2	-	93
Shareholder loans	G2	374	147
Other non-current liabilities	G2	-	23
Contingent consideration	G2	-	8
Non-current right-of-use liabilities	G2	53	111
Deferred tax liability		78	37
Provisions for pensions and other provisions		37	34
Non-current liabilities		1,163	452
Bond loan	G2	86	-
Current liabilities to credit institutions		-	27
Contingent consideration	G2	-	20
Other current interest bearing liabilities	G2	-	-
Derivatives liabilities	G2	3	0
Current right-of-use liabilities	G2	19	42
Trade payables	G2	315	177
Tax liabilities		21	0
Other current liabilities	G2	4	7
Deferred costs and prepaid income		133	102
Current liabilities		582	375
Total equity and liabilities		1,822	905

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other equity	Retained earnings included total income for the year	Equity related to shareholders of the parent	Non-controlling interests	Total equity
2019.01-2019.06						
Opening balance	0	22	41	63	-	63
Profit / loss	-	-	15	15	-	15
Other comprehensive income	-	-	-	-	-	-
Total income	-	-	15	15	-	15
Transactions with shareholders	-	-	-	-	-	-
Transactions with non-controlling interest	-	-	-	-	-	-
Transactions within equity	-	-	-	-	-	-
Closing balance	0	22	56	78	-	78
2020.01-2020.06						
Opening balance	1	54	-1	54	3	56
Profit / loss	-	-	18	18	-	18
Other comprehensive income	-	-	2	2	-	2
Total income	-	-	20	20	-	20
Transactions with shareholders	-	-	-	-	-	-
Transactions with non-controlling interest	-	-	-	-	-	-
Transactions within equity	-	-	-	-	-	-
Closing balance	1	54	19	74	3	77

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	Q1-Q2 2020	Q1-Q2 2019
Profit before tax		17	30
Adjustments for non-cash items		61	22
Paid tax		-1	-7
Cash flow from operating activities before changes in working capital, continuing operations		77	44
Cash flow from operating activities before changes in working capital, discontinued operations		-	-14
Cash flow from operating activities before changes in working capital		77	30
Changes in working capital, continuing operations		-9	40
Net change in working capital, discontinued operations		-	14
Cash flow from operating activities		67	84
Acquisitions and divestments of subsidiaries		-	-
Investments in non-current assets, continuing operations		-5	-14
Investments in non-current assets, discontinued operations		-	-
Cash flow from investing activities		-5	-14
Bond amortization		-38	-
Amortized leasing (including terminations)		-9	-11
New bank debt		-	-10
Changes in overdraft facility		-	-32
Other debt transactions, net		-21	-
Cash flow from financing activities		-68	-54
Cash flow for the period		-5	17
Cash and cash equivalents beginning of period		205	14
Cash and cash equivalents end of period		199	31

PARENT COMPANY INCOME STATEMENT

SEKm	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Net sales		-	-	-	-
Changes in products in progress and finished goods		-	-	-	-
Other operating income		4	0	4	1
Total		4	0	4	1
Raw materials and consumables		-	-	-	-
Gross profit		4	0	4	1
Personnel costs		-	-	-	-
Other external costs		-2	-1	-4	-2
Depreciation and write-downs		-	-	-	-
Other operating costs		-	-	-	-
Profit from investments in associates and JVs		-	-	-	-
Operating profit		1	-1	-0	-1
Financial income		96	-	102	-
Financial costs		-2	-4	-45	-4
Profit after financial items		95	-4	57	-4
Appropriations		-	-	-	-
Profit before tax		95	-4	57	-4
Tax		-	-0	-	-
Profit / loss for the period		95	-4	57	-4

PARENT COMPANY BALANCE SHEET

SEKm	Note	2020.06.30	2019.06.30
ASSETS			
Non-current financial assets		773	169
Total non-current assets		773	169
Trade receivables		4	-
Tax receivables		1	0
Other current assets		374	32
Prepaid costs and accrued income		-	0
Cash and cash equivalents		3	6
Total current assets		383	38
Total assets		1,156	207
EQUITY AND LIABILITIES			
Share capital		1	0
Other equity		54	21
Retained earnings		21	-9
Total equity		76	12
Bond loan		621	-
Shareholder loans		374	147
Contingent consideration		-	8
Other non-current liabilities		-1	20
Non-current liabilities		994	174
Bond loan		86	-
Contingent consideration		-	20
Other current liabilities		-1	0
Trade payables		-1	1
Other current liabilities		1	-0
Deferred costs and prepaid income		1	0
Current liabilities		86	21
Total equity and liabilities		1,156	207

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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Sweden	281	214	627	438
Other Scandinavia	51	37	89	71
Other Europe	64	40	150	92
Asia, excl. Middle East	289	15	507	27
Other	64	56	123	104
Total	749	362	1,496	732

Net sales by product category

SEKm	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Sawn wood products	530	263	1,016	521
By-products	64	42	136	88
Lumber and pulpwood	153	52	338	116
Other	2	5	6	7
Total	749	362	1,496	732

G2 FINANCIAL INSTRUMENTS BY CATEGORY

SEKm	20.06.30	19.06.30
<i>Financial assets valued at fair value</i>		
Derivatives assets	-	-
Total	-	-
<i>Financial assets valued at amortised cost</i>		
Non-current financial assets	17	-
Trade receivables	353	181
Other current assets	67	33
Cash and cash equivalents	199	31
Total	637	245
<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	707	-
Shareholder loans	374	147
Right-of-use liabilities	72	153
Trade payables	315	177
Other liabilities	4	122
Total	1,472	599

The bond loan has a fair value of SEK 692m. For the remaining items, the fair values coincide with carrying amounts.

G3 KEY RISKS AND UNCERTAINTIES

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

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

G4 RELATED PARTY TRANSACTIONS

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

SEKm	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Financial costs	-8	-4	-15	-4
Total	-8	-4	-15	-4

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

SEKm	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Other operating income	4	0	-	1
Financial income	6	-	12	-
Total	10	0	12	1

G5 DEFINITION OF KEY INDICATORS

EBITDA

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

Pro-forma, fully adjusted EBITDA

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

COMPANY INFORMATION

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

