



BERGKVIST-SILJAN AB (PUBL)

# YEAR-END REPORT

## 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 was estimated at SEK 100m per annum, which has been successfully implemented at the end of Q4 2020.

## BUSINESS HIGHLIGHTS Q4 2020

Q4 2020 was characterized by a continued improvement of market prices for sawn wood products, as well as further realization of the synergies. Key highlights of the quarter include:

- Revised market strategy for the combined Group developed and decided
- Increasing market prices on sawn wood products compared to the previous quarter
- Lower market prices for by-products due to low electricity prices
- Slightly increasing raw material prices due to the general market cycle as well as supply and demand imbalances in the pulpwood market
- Ramp-up of newly established forest organisation, with first negotiations with lumber suppliers completed by the new organisation in Q4
- Closure of operations in Bergkvist Våxjö and Weda Skog, with associated non-recurring costs incurred of SEK 4m
- Voluntary repurchase of outstanding bonds of SEK 37m (nominal amount) in December 2020

## 2020 IN REVIEW

2020 turned out as a strong year for the Group on the back of solid synergy realisation as well as successful mitigation of effects from COVID-19. The Group has had a strong cash flow generation during the year, resulting in a cash position at year end of SEK 222m (2019: 205), post the voluntary bond repurchase of SEK 37m.

### Market dynamics

The underlying market trends have been favourable during the year, with prices for sawn wood products recovering from the low levels at the beginning of

2020 and continuously increasing throughout the year.

In parallel, the total cost for raw material has remained fairly stable over the period, with slightly decreasing prices throughout the first three quarters, partly offset by increasing prices during Q4.

### Synergy realisation

The synergy implementation commenced in early 2020 and has continuously been executed throughout the year. The synergy target was successfully reached, with SEK 100m run-rate synergies implemented by the end of the year. Key achievements include:

- New organization implemented early 2020
- Reallocation of log species and sizes between the three sawmills
- Renegotiation of contracts across various cost-areas
- Common raw material organization in place since Q3

### COVID-19

Similar to many businesses around the world, COVID-19 has presented challenges in several areas of the Group's operations, such as logistics, market, personnel-related and sourcing of raw material. Swiftly after the outbreak in Q1, the Group initiated a number of countermeasures to secure a safe work environment as well as maintaining a solid financial position. Key undertaken mitigating actions include:

- Restrictions implemented in line with recommendations from authorities to maintain safe work environment
- Reallocation of volumes between different markets to maintain profitability and deliveries
- Proactive approach to secure logistics capacity
- The Group has only applied for and received minor subsidies from the authorities related to COVID-19 during 2020

### Other highlights

- As one step in the process of increasing the production of sawn wood products in the mid to long term, the Group has in Q1 2020 filed the application for an increased environmental permit in Insjön, currently pending approval from authorities
- In July 2020 the Group listed its bonds on the NASDAQ OMX Stock Exchange

## FINANCIALS

The financial highlights during Q4 2020 (Q4 2019) include:

- Net sales of SEK 661m (717)
- EBITDA of SEK 61m (34), with an EBITDA margin of 9.3% (4.7%)
- Pro-forma EBITDA, fully adjusted for extraordinary items of SEK 66m (62)
- Operating profit of SEK 36m (17), with an EBIT margin of 5.4% (2.4%)
- Cash and cash equivalents as of December 31, 2020 of SEK 222m (205)

For the twelve month period ending on December 31 the financial highlights include (note: comparability with 2019 limited due to non pro-forma accounts):

- Net sales of SEK 2,671m (2,028)
- EBITDA of SEK 198m (118) with an EBITDA margin of 7.4% (5.8%)
- Pro-forma EBITDA, fully adjusted for extraordinary items of SEK 207m (212)
- Operating profit of SEK 122m (69) with an EBIT-margin of 4.6% (3.4%)

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have transpired between the reporting period and the time of publication of this report.

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*Anders Nilsson*  
CEO

## CONSOLIDATED INCOME STATEMENT

SEKm	Note	Q4 2020	Q4 2019	Q1-Q4 2020	Q1-Q4 2019
Net sales	G1	661	717	2 671	2 028
Changes in products in progress and finished goods		1	9	-26	-8
Other operating income	G4	4	10	25	35
<b>Total</b>		<b>666</b>	<b>736</b>	<b>2 670</b>	<b>2 055</b>
Raw materials and consumables		-475	-568	-2 004	-1 529
<b>Gross profit</b>		<b>191</b>	<b>168</b>	<b>666</b>	<b>526</b>
Personnel costs		-53	-75	-221	-205
Other external costs		-76	-59	-246	-203
Depreciation and write-downs		-26	-16	-77	-48
Other operating costs		-	-	-	-
Profit from investments in associates and JVs		-	-	-	-
<b>Operating profit</b>		<b>36</b>	<b>17</b>	<b>122</b>	<b>69</b>
Financial income	G4	29	14	49	13
Financial costs	G4	-19	-22	-113	-64
<b>Profit before tax</b>		<b>46</b>	<b>9</b>	<b>58</b>	<b>19</b>
Tax		-22	-26	-20	-33
Profit / loss from discontinued operations		-	-4	-	-24
<b>Profit / loss for the period</b>		<b>24</b>	<b>-21</b>	<b>38</b>	<b>-38</b>
<b>Other comprehensive income</b>					
<i>Items that cannot be transferred to profit / loss for the period</i>					
Revaluation of pension liabilities		0	-5	3	-5
Deferred tax		0	1	-1	1
<b>Total comprehensive income</b>		<b>25</b>	<b>-25</b>	<b>41</b>	<b>-42</b>
attributable to:					
- Shareholders of parent company		25	-25	41	-42
- Non-controlling interest		-	-	-	-

# CONSOLIDATED BALANCE SHEET

SEKm	Note	2020.12.31	2019.12.31
<b>ASSETS</b>			
Goodwill		189	189
Customer relations		72	79
Other intangible assets		2	4
<b>Total intangible assets</b>		<b>264</b>	<b>272</b>
Buildings and property		224	230
Machinery		383	409
Assets under construction		-	16
<b>Total tangible assets</b>		<b>607</b>	<b>655</b>
Right-of-use assets		77	87
Non-current financial assets	G2	17	18
Deferred tax assets		5	7
<b>Total non-current assets</b>		<b>970</b>	<b>1,039</b>
Inventory		165	215
Trade receivables	G2	232	240
Derivatives assets	G2	7	5
Tax receivables		13	6
Other current assets	G2	64	100
Prepaid costs and accrued income		31	30
Cash and cash equivalents	G2	222	205
<b>Total current assets</b>		<b>736</b>	<b>800</b>
<b>Total assets</b>		<b>1,706</b>	<b>1,839</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1	1
Other equity		54	54
Retained earnings		39	-2
<b>Equity attributable to shareholders of parent company</b>		<b>94</b>	<b>53</b>
Equity attributable to non-controlling interest		3	3
<b>Total equity</b>		<b>97</b>	<b>56</b>
Bond loan	G2	551	655
Shareholder loans	G2	367	354
Non-current right-of-use liabilities	G2	48	60
Deferred tax liability		80	79
Provisions for pensions and other provisions		38	38
<b>Non-current liabilities</b>		<b>1,084</b>	<b>1,186</b>
Bond loan	G2	84	87
Other current interest bearing liabilities	G2	-	21
Current right-of-use liabilities	G2	18	21
Trade payables	G2	252	299
Tax liabilities		17	9
Other current liabilities	G2	43	13
Deferred costs and prepaid income		112	147
<b>Current liabilities</b>		<b>526</b>	<b>597</b>
<b>Total equity and liabilities</b>		<b>1,706</b>	<b>1,839</b>

## 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
<b>2019.01-2019.12</b>						
<b>Opening balance</b>	<b>0</b>	<b>22</b>	<b>41</b>	<b>63</b>	<b>-</b>	<b>63</b>
Profit / loss	-	-	-38	-38	-	-38
Other comprehensive income	-	-	-4	-4	-	-4
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-42</b>	<b>-42</b>	<b>-</b>	<b>-42</b>
Shareholder contribution	-	33	-	33	-	33
<b>Transactions with shareholders</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>33</b>
Effects due to acquisition	-	-	-	-	3	3
<b>Transactions with non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>
Bonus issue	1	-1	-	-	-	-
<b>Transactions within equity</b>	<b>1</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>1</b>	<b>54</b>	<b>-2</b>	<b>53</b>	<b>3</b>	<b>56</b>
<b>2020.01-2020.12</b>						
<b>Opening balance</b>	<b>1</b>	<b>54</b>	<b>-2</b>	<b>53</b>	<b>3</b>	<b>56</b>
Profit / loss	-	-	38	38	-	38
Other comprehensive income	-	-	3	3	-	3
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>41</b>	<b>-</b>	<b>41</b>
<b>Transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions within equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>1</b>	<b>54</b>	<b>39</b>	<b>94</b>	<b>3</b>	<b>97</b>

## CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	Q1-Q4 2020	Q1-Q4 2019
<b>Profit before tax</b>		<b>58</b>	<b>19</b>
Adjustments for non-cash items		89	73
Paid tax		-12	-9
<b>Cash flow from operating activities before changes in working capital, continuing operations</b>		<b>135</b>	<b>83</b>
<b>Cash flow from operating activities before changes in working capital, discontinued operations</b>		<b>-</b>	<b>-26</b>
<b>Cash flow from operating activities before changes in working capital</b>		<b>135</b>	<b>57</b>
Changes in working capital, continuing operations		41	76
Net change in working capital, discontinued operations		-	29
<b>Cash flow from operating activities</b>		<b>176</b>	<b>162</b>
Acquisitions and divestments of subsidiaries		-	-589
Investments in non-current assets, continuing operations		-10	-41
<b>Cash flow from investing activities</b>		<b>-10</b>	<b>-630</b>
Bond issue			730
Bond amortization		-75	-
Purchase bonds		-38	-
Shareholders contribution		-	33
Amortized leasing (including terminations)		-15	-98
Changes in shareholder loans		-	192
Amortized debt to credit institutions		-	-114
New bank debt		-	-
Changes in overdraft facility		-	-59
Other debt transactions, net		-21	-25
<b>Cash flow from financing activities</b>		<b>-149</b>	<b>659</b>
<b>Cash flow for the period</b>		<b>17</b>	<b>191</b>
Cash and cash equivalents beginning of period		205	14
Cash and cash equivalents end of period		222	205

## PARENT COMPANY INCOME STATEMENT

SEKm	Note	Q4 2020	Q4 2019	Q1-Q4 2020	Q1-Q4 2019
Net sales		-	-	-	-
Changes in products in progress and finished goods		-	-	-	-
Other operating income		2	1	7	2
<b>Total</b>		<b>2</b>	<b>1</b>	<b>7</b>	<b>2</b>
Raw materials and consumables		-	-	-	-
<b>Gross profit</b>		<b>2</b>	<b>1</b>	<b>7</b>	<b>2</b>
Personnel costs		-0	-	-0	-
Other external costs		-0	-1	-5	-6
Depreciation and write-downs		-	-	-	-
Other operating costs		-	-	-	-
Profit from investments in associates and JVs		-	-	-	-
<b>Operating profit</b>		<b>2</b>	<b>-0</b>	<b>2</b>	<b>-4</b>
Financial income		18	13	127	13
Financial costs		-14	-27	-77	-44
<b>Profit after financial items</b>		<b>6</b>	<b>-14</b>	<b>52</b>	<b>-35</b>
Appropriations		69	3	69	3
<b>Profit before tax</b>		<b>75</b>	<b>-11</b>	<b>121</b>	<b>-32</b>
Tax		-13	1	-13	1
<b>Profit / loss for the period</b>		<b>62</b>	<b>-10</b>	<b>108</b>	<b>-31</b>



## PARENT COMPANY BALANCE SHEET

SEKm	Note	2020.12.31	2019.12.31
<b>ASSETS</b>			
Non-current financial assets		1,134	1,105
<b>Total non-current assets</b>		<b>1,134</b>	<b>1,107</b>
Trade receivables		-	-
Tax receivables		0	-
Other current assets		-	1
Prepaid costs and accrued income		0	1
Cash and cash equivalents		5	30
<b>Total current assets</b>		<b>5</b>	<b>31</b>
<b>Total assets</b>		<b>1,140</b>	<b>1,138</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1	1
Other equity		54	54
Retained earnings		72	-36
<b>Total equity</b>		<b>126</b>	<b>19</b>
Bond loan		551	655
Shareholder loans		367	354
Contingent consideration		-	-
Other non-current liabilities		-	-
<b>Non-current liabilities</b>		<b>918</b>	<b>1,009</b>
Bond loan		84	87
Contingent consideration		-	-
Other current interest bearing liabilities		-	20
Other current liabilities		12	-
Trade payables		-	1
Other current liabilities		-	0
Deferred costs and prepaid income		-	2
<b>Current liabilities</b>		<b>96</b>	<b>110</b>
<b>Total equity and liabilities</b>		<b>1,140</b>	<b>1,138</b>

# 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	Q4	Q4	Q1-Q4	Q1-Q4
	2020	2019	2020	2019
Sweden	308	361	1,141	1,079
Other Scandinavia	32	38	154	147
Other Europe	70	51	282	199
Asia, excl. Middle East	162	183	813	352
Other	89	84	281	251
<b>Total</b>	<b>661</b>	<b>717</b>	<b>2,671</b>	<b>2,028</b>

### Net sales by product category

SEKm	Q4	Q4	Q1-Q4	Q1-Q4
	2020	2019	2020	2019
Sawn wood products	512	522	1,891	1,469
By-products	65	62	234	168
Lumber and pulpwood	82	130	523	375
Other	2	3	22	16
<b>Total</b>	<b>661</b>	<b>717</b>	<b>2,671</b>	<b>2,028</b>

## G2 FINANCIAL INSTRUMENTS BY CATEGORY

SEKm	20.12.31	19.12.31
<i>Financial assets valued at fair value</i>		
Derivatives assets	7	5
<b>Total</b>	<b>7</b>	<b>5</b>
<i>Financial assets valued at amortised cost</i>		
Non-current financial assets	17	18
Trade receivables	232	240
Other current assets	64	100
Cash and cash equivalents	222	205
<b>Total</b>	<b>536</b>	<b>563</b>
<i>Financial liabilities valued at fair value</i>		
Derivatives liabilities	-	-
Contingent consideration	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<i>Financial liabilities valued at amortised cost</i>		
Bond loan	635	742
Shareholder loans	367	354
Right-of-use liabilities	66	81
Trade payables	252	299
Other liabilities	43	34
<b>Total</b>	<b>1,363</b>	<b>1,510</b>

The bond loan has a fair value of SEK 694m, of which the Group holds SEK 37m nominal amount. 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	Q4	Q4	Q1-Q4	Q1-Q4
	2020	2019	2020	2019
Financial costs	-5	-9	-28	-19
<b>Total</b>	<b>-5</b>	<b>-9</b>	<b>-28</b>	<b>-19</b>

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

SEKm	Q4	Q4	Q1-Q4	Q1-Q4
	2020	2019	2020	2019
Other operating income	2	1	7	2
Financial income	4	4	23	13
<b>Total</b>	<b>6</b>	<b>5</b>	<b>30</b>	<b>15</b>

## 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

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

