Annual Report 2020

THIS IS BERGKVIST SILJAN

RAW MATERIAL TO SAWMILLS

The raw material comes from local forest owners and larger suppliers within the proximity of the respective sawmill

Bergkvist Siljan

- BLYBERG
- MORA
- INSJÖN

Purchase of 1,600,000 m³sub timber

PROCESSING

SAWN WOOD PRODUCTS

BARK 210,000 m³

SAWDUST 260,000 m³

WOOD CHIPS 460,000 m³

TRANSPORTATION

Sawn wood products loaded on to freight trains and then onward by cargo ships 455,000 m³

Sawn wood products loaded on to lorries 365,000 m³

This is equivalent to 5,300 trucks

CUSTOMER VALUE

Construction Industry

Furniture and Interiors Industry

BUILDER´S MERCHANT

Manufacture of products for industry

MARKETS FOR SAWN WOOD PRODUCTS

42 % Asia

28 % Scandinavia

16 % Africa

12 % Europe

2 % North America

PRODUCTION

271 GWh heat energy produced per year together with Biodal Kraftvärme

820,000 m³ timber produced during 2020

Spruce **63 %** Pine **37 %**

This is how the log´s parts are used. Just over half of the raw material becomes sawn timber.

- 4 % drying
- 5 % dry chips
- 15 % sawdust
- 25 % wood chips
- 51 % sawn wood products

DIRECTORS REPORT

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. The total financial impact related to synergies was estimated at SEK 100m per annum, which has been successfully implemented at the end of Q4 2020.

Bergkvist Siljan AB (publ) is fully owned by Dilasso Holding 2 S.à r.l. incorporated in Luxembourg. The Parent Company does not conduct any operations besides acting as a parent to the Group companies and administering related activities.

The Group does not conduct any material research and development in-house, but takes part in and funds certain research projects through various industry collaborations.

BUSINESS REVIEW

Despite a weak market environment 2020 turned out as a good year for the Group, with synergy realisation as well as successful mitigation of effects from COVID-19 strongly contributing to the result of the year.

<u>Market dynamics</u>

The underlying market for sawn products was weak during the first half of the year, followed by a recovery from summer until year-end, partly driven by the strong American market having an indirect effect on other markets as well.

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.

<u>Synergy realisation</u>

The synergy implementation commenced in early 2020 and has continuously been executed throughout the year, spanning over 50 different synergy initiatives in total. 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

The activities above have contributed to an increase in productivity at the sawmills of 45% (measured per employee) and an improved saw yield of 1 percentage point compared to before the merger.

<u>Covid-19</u>

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 a 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

<u>Other highlights</u>

- 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
- The Group made a voluntary repurchase of outstanding bonds of SEK 37m (nominal amount) in December 2020
- The joint-venture Weda Skog AB was terminated and since the fall of 2020 the Group has purchased raw material through the fully-owned subsidiary Bergkvist Siljan Skog AB
- The operations in Bergkvist Timber Växjö KB have been closed during the year
- In July 2020 the Group listed its bonds on the NASDAQ OMX Stock Exchange

FINANCIAL REVIEW

Due to the acquisition of Bergkvist-Insjön in July 2019 the comparative period includes consolidated numbers from the date of the acquisition unless stated otherwise.

Net sales

Net sales amounted to SEK 2,671m (2,028). The pro-forma adjusted net sales for 2019 amounted to SEK 2,962m. The decrease of net sales (on a pro-forma basis) is partly due to lower prices on sawn wood products over the course of the year as well as lower prices on pulpwood and energy-products.

Profitability

The Group recorded an EBTIDA for 2019 of SEK 198m (118), with an EBITDA-margin of 7.4% (5.8%). Proforma, and fully adjusted for extraordinary items, Bergkvist Siljan generated an EBITDA of SEK 207m (212), with an adjusted EBTIDA margin of 7.7% (7.2%).

Operating expenses

The previously identified synergy potential related to operating expenses has been fully implemented during the year, with a full financial effect expected from 2021.

Important initiatives include, among others, to maintain the production volume with a decreased workforce and at the same time improve the saw yield, which leads to a significantly improved cost position.

Investments

Over the last decade, the companies that constitute the Bergkvist Siljan Group have made substantial investments to maintain and expand its operations, which has resulted in a well-invested asset base. In accordance with the plans of the Group no major investments have been made during 2020.

Cash flow

The Group has generated a cash flow from operating activities of SEK 176m (162). The cash flow is driven by the Group's improved profitability and working capital management. Bergkvist Siljan has had a solid liquidity during 2020 and has not utilized its overdraft facilities.

Cash and cash equivalents amounted to SEK 222m (205) at the end of the period.

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:

- On March 2, 2021 the Group announced a partial voluntary redemption of the Group's outstanding bonds in accordance with the bond terms and conditions. In total 5% of the initial nominal amount will be repurchased, corresponding to SEK 37.5m excluding premium. The repurchase was completed on April 8, 2021

SUSTAINABILITY

Sustainability is reflected in all aspects of Bergkvist Siljan's activities. In addition to the global climate challenges, the Group also addresses social, economical and ethical risks. The sustainability work spans over the entire organization and ensures an efficient decision-making and steering process.

Bergkvist Siljan is certain that the shift from fossil energy sources to renewable alternatives, for example wood, represents a key part of the solution for current and future generations. Over the last few years, the demand for certified timber has increased in several markets; a trend that the Group is confident will continue going forward. Bergkvist Siljan's key objective in order to decrease global emissions, is thus to increase its production of sawn wood products, and has therefore applied for an increased environmental permit in Insjön during 2020, increasing the Group's current production limit of 975,000[1] m3 per annum to 1,225,000[1] m3 per annum.

In order to ensure that the Group's products are produced in a sustainable manner, Bergkvist Siljan works exclusively with environmentally certified sub-suppliers. The certifications rely on an active cultivation with favourable returns, social responsibility as well as maintaining biological diversity, cultural relics and other environmental considerations. Bergkvist Siljan sources its raw material from well-managed local forests, where spruce and pine trees have been able to grow slowly, allowing for narrow annual rings. This constitutes the foundation of high quality wooden buildings that are to last for generations.

The Group follows the UN's 17 Sustainable Development Goals for 2030, and prioritizes the areas relating to environment, social conditions, personnel, human rights and anti-corruption. For further details regarding the Group's sustainability policy, please refer to Bergkvist Siljan's 2020 sustainability report available online.

CORPORATE GOVERNANCE REPORT

Corporate governance

Bergkvist Siljan AB (publ) is a Swedish company with residence in Mora and is a fully owned subsidiary of Dilasso Holding 2 S.à r.l.. The foundation for the company's corporate governance is the Swedish Companies Act (Aktiebolagslagen), the Swedish Annual Accounts Act (Årsredovisningslagen), Nasdaqs rules for issuers as well as internal policies.

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

Bergkvist Siljan's corporate governance is a system with the purpose of securing that the company is operated in a responsible manner while ensuring that value is generated for the shareholders. The corporate governance further secures that the company complies with all applicable laws and regulations where the Group is active.

Internal policies

The Group operates on the basis of a set of internal policies adopted to comply with applicable laws and regulations, secure value creation for the shareholders and ensure that the business is run in a sustainable manner. The policies adopted by the Board are listed as follows:

Internal policies
Charter of the board of directors
Managing director instructions
Information policy
Insider policy
Authorization instruction
Finance policy

In addition, the Managing Director establishes further instructions and polices related to, among others, sustainability and work environment.

Code for corporate governance

The company does not apply any code for corporate governance. The company considers compliance with applicable laws and regulations where the Group is active to be sufficient to ensure responsible operations and value creation for the shareholders.

Governance structure

The annual general meeting of the shareholders

The annual general meeting (AGM) of the shareholders is the company's highest deciding body of the company in which the shareholders exercise influence on the company. Rules governing the AGM's work are stated in the articles of association and the Swedish Companies Act. The AGM shall be held within 6 months from the end of each financial year. Fixed agenda topics at the AGM include election of the Board of Directors and auditor, adoption of the income statement and balance sheet of the company, approval of proposed distribution of profit and loss, adoption of fees to the Board and the auditor as well as decision on discharge for the Board of Directors and the Managing Director.

Annual General Meeting 2020

The AGM of 2020 was held on May 3, 2020. In the AGM the presented Annual report and proposed distribution of profit and loss was approved. The Board of Directors and the Managing Director were granted discharge for the preceding financial year. PwC was appointed as audit firm.

Board of Directors

The Board of Directors has 4 ordinary meetings per year. Fixed agenda topics include presentation by the Managing Director of the company's results and forecast, financial position, work related to environment and security as well as investments. The Chairman summons all Board meetings and summon extraordinary Board meetings in case requested by the Chairman, any other board member or the Managing Director.

Participating in all Board meetings are the Board of Directors and the Managing Director. Members from the company's managing functions participate when necessary.

The work of the Board of Directors is regulated through the adopted Charter of the Board of Directors. The Charters is revised annually.

The Board of Directors shall determine remuneration to the Managing Director.

Annual Board meetings

Fixed meetings	Fixed agenda topics
Winter	Adoption of year-end report Audit report
Spring	Adoption of annual report Adoption of quarterly report Adoption of the charter of the board Review of insurance Review of eventual tax issues
Summer	Adoption of half-year report Establishment of audit procedures
Fall	Adoption of quarterly report Approval of budget Approval of investment plan Audit and establishment of internal policies

Chairman of the Board

The AGM appoints the Chairman of the Board. Since 2019 Ulf Bergkvist is Chairman. The Chairman shall lead the work of the Board and supervise that other Board members fulfil their obligations. In addition, the Chairman shall maintain a regular contact with the Managing Director to maintain a good knowledge of the company's daily operations and future development. The Chairman shall approve the expenses of the Managing Director.

Managing Director

The Managing Director is responsible for the day-to-day management of the company. This responsibility includes leading the company towards established targets, compliance with laws and regulations, ensuring that the Group's internal risk controls are sufficient, preparation of annual reports, interim reports and budget as well as executing decisions by the Board. The Managing Director shall keep the Board of Directors continuously updated on the operations of the company.

The Managing Director shall seek approval from the Chairman for actions related to managers directly subordinated to the Managing Director as well as for any transactions made between the company and persons or institutions directly or indirectly associated with the Managing Director.

The Managing Director shall seek approval from the Board of Directors regarding significant changes to the organization, major contracts related to investments, leasing or divestments, management of legal proceedings as well as any activities outside of the day-to-day operations.

Auditor

The AGM appoints the auditor. The company's auditor since 2017 is PwC, with Anders Hvittfeldt, authorized public auditor, as responsible auditor. The auditor was re-elected at the Annual General Meeting of 2020.

Audit committee

The Board acts as audit committee. One of the Board members retains the overall responsibility of leading the associated work in this regard. The responsibilities include securing the quality of the company's financial reporting, establishing the audit plan together with the auditor, selecting areas of special importance for the audit, evaluating the audit as well as establishing a framework for the company's procurement of services outside the scope of the audit from the auditor.

Financial risks and risks associated to the operations

For information regarding the associated risks refer to note G2 in the annual report.

PROPOSED DISTRIBUTION OF PROFIT AND LOSS

The Board of Directors and Managing Director propose the available funds according to the balance sheet to be appropriated as follows:

Carried forward:	73,087,604 SEK
Total	**73,087,604 SEK**

CONSOLIDATED INCOME STATEMENT

SEKm	Note	2020.01-2020.12	2019.01-2019.12
Net sales	G4	2,671	2,028
Changes in products in progress and finished goods		-26	-8
Other operating income	G5	25	35
Total		**2,670**	**2,055**
Raw materials and consumables		-2,004	-1,529
Gross profit		**666**	**525**
Personnel costs	G7	-221	-205
Other external costs	G6	-246	-203
Depreciation and write-downs		-77	-48
Other operating costs		-	0
Profit from investments in associates and JVs		-	-
Operating profit		**122**	**69**
Financial income	G8, G10	49	13
Financial costs	G8, G10	-113	-64
Profit before tax		**58**	**19**
Tax	G9	-20	-33
Profit / loss for remaining operations		**38**	**-14**
Profit / loss from discontinued operations	G11	-	-24
Profit / loss for the period		**38**	**-38**
Other comprehensive income			
Items that cannot be transferred to profit / loss for the period			
Revaluation of pension liabilities		3	-5
Deferred tax		-1	1
Total comprehensive income		**41**	**-42**
of which continuing operations		41	-18
of which discontinued operations		-	-24
Total comprehensive income		**41**	**-42**
attributable to:			
- Shareholders of parent company		41	-42
- Non-controlling interest		0	0

CONSOLIDATED BALANCE SHEET

SEKm	Note	2020.12.31	2019.12.31
ASSETS			
Goodwill		189	189
Customer relations		72	79
Other intangible assets		2	4
Total intangible assets	G14	**264**	**272**
Buildings and property		224	230
Machinery		383	409
Assets under construction		-	16
Total tangible assets	G13	**607**	**655**
Right-of-use assets	G17	77	87
Non-current financial assets	G12, G15, G16	17	18
Deferred tax assets	G25	5	7
Total non-current assets		**970**	**1,039**
Inventory	G18	165	215
Trade receivables	G19	232	240
Derivatives assets		7	5
Tax receivables		13	6
Other current assets	G20	64	100
Prepaid costs and accrued income	G21	31	30
Cash and cash equivalents	G22	222	205
Total current assets		**736**	**799**
Total assets		**1,706**	**1,839**
EQUITY AND LIABILITIES			
Share capital		1	1
Other equity		54	54
Retained earnings		39	-2
Equity attributable to shareholders of parent company		**94**	**53**
Equity attributable to non-controlling interest		3	3
Total equity		**97**	**56**
Bond loan	G23, G24	551	655
Shareholder loans	G23, G24	367	354
Non-current right-of-use liabilities	G23, G24	48	60
Deferred tax liabilitiy	G25	80	79
Provisions for pensions and other provisions	G26	38	38
Non-current liabilities		**1,084**	**1,186**
Bond loan	G23, G24	84	87
Other current interest bearing liabilities	G23, G24	-	21
Derivatives liabilities		-	0
Current right-of-use liabilities	G23, G24	18	21
Trade payables		252	299
Tax liabilities		17	9
Other current liabilities		43	13
Deferred costs and prepaid income	G27	112	147
Current liabilities		**526**	**597**
Total equity and liabilities		**1,706**	**1,839**

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

CONSOLIDATED CASH FLOW STATMENT

SEKm	Note	2020.01-2020.12	2019.01-2019.12
Profit before tax		**58**	**19**
Adjustments for non-cash items	G30	89	74
Paid tax		-12	-10
Cash flow from operating activities before changes in working capital, continuing operations		**135**	**83**
Cash flow from operating activites before changes in working capital, discontinued operations		**-**	**-26**
Cash flow from operating activities before changes in working capital		**135**	**57**
Changes in inventory, continuing operations		49	35
Changes in working capital receivables, continuing operations		42	136
Changes in working capital liabilities, continuing operations		-50	-95
Net change in working capital, discontinued operations		-	29
Cash flow from operating activities		**176**	**162**
Acquisitions and divestments of subsidiaries		-	-589
Investments in non-current assets, continuing operations		-10	-41
Cash flow from investing activities		**-10**	**-630**
Bond issue		-	730
Bond amortization		-75	-
Bond repurchase		-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
Cash flow from financing activities		**-149**	**659**
Cash flow for the period		**17**	**191**
Cash and cash equivalents beginning of period		205	14
Cash and cash equivalents end of period		222	205

NOTES TO THE CONSOLIDATED ANNUAL REPORT

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 ACCOUNTING PRINCIPLES

This note contains a list of the most significant accounting policies that were applied at the time of preparation of the consolidated accounts. These policies have been consistently applied to all periods presented. The consolidated accounts comprise Bergkvist Siljan AB (publ) and its subsidiaries.

(i) Basis of preparation of the financial statements

The consolidated accounts of Bergkvist Siljan AB (publ) have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups and the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations (IFRS IC), as approved by the EU.

The consolidated accounts have been prepared on the cost method, except for certain financial assets and liabilities (including derivative instruments), which are measured at fair value.

The preparation of financial statements in compliance with the IFRS requires the use of certain key accounting estimates. In addition, Management is required to perform certain assessments in the application of the Group's accounting policies. The critical areas of assessments relate to inventories and accrued costs for deliveries of raw materials. These assessments are made based on information on current market conditions and historical experience.

(ii) New and amended standards not yet applied by the Group

A number of new standards and interpretations are effective for financial years beginning on or after January 1, 2021 and have not been applied in preparing these financial statements. No published standards that have not yet become effective have impacted the Group.

Consolidated accounts

(a) Subsidiaries

Subsidiaries constitute all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its holdings in the entity and has the ability to affect those returns through its influence over the entity. Subsidiaries are included in the consolidated accounts from the date on which control is transferred to the Group. They are excluded from the consolidated accounts from the date on which control is relinquished.

The Group applies the acquisition method to account for business combinations.

Intra-Group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Bergkvist Siljan has joint ventures, which are accounted for using the equity method.

(c) Equity method

Under the equity method, investments in joint ventures are initially recognised at cost in the consolidated balance sheet. The carrying amount is subsequently increased or decreased to account for the Group's share of earnings and other comprehensive income from its joint ventures after the acquisition date. The Group's share of earnings is included in consolidated profit or loss and the Group's share of other comprehensive income is included in consolidated other comprehensive income. Dividends from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in a joint venture are as large as, or exceed, the holding in the joint venture (including all non-current receivables that, in reality, comprise part of the Group's net investment in this joint venture), the Group does not recognise any further losses unless the Group has incurred any obligations or made any payments on behalf of the joint venture.

Unrealised gains arising from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies for joint ventures have been adjusted where necessary to ensure that they correspond with the Group's accounting policies.

The carrying amount of equity-accounted investments is tested for impairment.

Segment reporting

The chief operating decision maker for Bergkvist Siljan is the Managing Director ("MD"), as (s)he is primarily responsible for distributing resources and evaluating results. The assessment of the Group's operating segments is to be based on the financial information reported to the MD. The financial information reported to the MD, as a basis for the distribution of resources and assessment of the Group's results, pertains to the Group in its entirety. Since the chief operating decision maker makes decisions on the allocation of resources and assesses the result based on the Group in its entirety, the Group in its entirety is deemed to constitute one segment.

Foreign currency translation

(i) Functional and presentation currency

The functional currency of the various entities in the Group is the local currency, as this has been defined as the currency that is used in the primary economic environment in which each entity mainly conducts business. The Swedish krona (SEK) is used in the consolidated accounts. This is the functional currency of the Parent Company and the reporting currency of the Group.

(ii) Transactions and balances

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing-day rate are recognised in operating profit/loss in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are recorded in the statement of comprehensive income as financial income or expenses.

Revenue recognition

The Group manufactures and sells wood products and related by-products. Sales are recognised as revenue when control of the goods is transferred, which occurs when the risk is transferred in accordance with the applicable delivery terms. The Group's performance obligation in the agreements comprises provision of the goods specified in the agreements. The transaction price mainly comprises a fixed price per quantity sold and variable components, such as cash discounts, only occur to a limited extent and reduce the transaction price when applied.

No substantial element of financing is deemed present at the time of sale, as the payment terms comply with industry practices and do not comprise long terms of credit.

Interest income

Interest income is recognised using the effective interest method.

Current and deferred income tax

Tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except when the tax pertains to items that are recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted on the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or announced on the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent it is probable that tax surpluses will be available in the future against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Leases

The Group's leases essentially pertain to machinery, vehicles and IT equipment. Leases are typically entered into for fixed periods of 1 to 10 years but may include extension options as described below.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between amortisation of the liability and interest. The interest is charged to profit or loss over the lease term to produce a constant periodic interest rate on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain of exercising a purchase option, the right-of-use is amortised over the useful life of the underlying asset. The leases apply for a fixed period of 1-10 years. Certain leases carry an option to extend the lease term beyond the initial contract life.

Assets and liabilities arising from leases are initially recognised at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable index-based lease payments
- the exercise price of a purchase option if it is reasonably certain that the Group will exercise such an option.

Lease payments to be made for reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the implied interest rate of the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee's incremental borrowing rate is to be used, which is the rate an individual lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of the lease liability and
- payments made on or before the point in time when the leased asset is made available to the lessee.

The Group is exposed to any future increases in the variable lease payments that depend on an index or interest rate that is not included in the lease liability until it comes into effect. When adjustments of index-based or interest rate-based lease payments come into effect, the lease liability is remeasured and adjusted to the right-of-use asset.

Lease payments attributable to short-term leases and leases for which the underlying asset has a limited value are recognised on a straight-line basis as a cost over the lease term. Short-term leases are leases with a lease term of 12 months or less. Leases for which the underlying asset has a limited value essentially pertain to IT equipment for end users.

Options for extending and terminating leases

The Group has options to extend the leases beyond the initial leasing period. The assessment of exercising options is based on the specific asset's remaining useful life, the price for the lease extension, any residual value in the lease contract and the discount rate.

Business combinations

The acquisition method is used to account for all of the Group's business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of:

- the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Goodwill pertains to the amount at which consideration transferred exceeds the fair value of identifiable acquired net assets. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are remeasured to fair value for each period. Any remeasurement gains or losses are recognised in profit or loss.

Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost is calculated according to the first in, first out method (FIFO). For raw materials, all expenditure is included that is directly attributable to the purchase of goods at cost. Cost for proprietary semi-finished and finished goods comprises direct materials, direct labour and associated indirect manufacturing costs (based on normal operating capacity). Borrowing costs are not included. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that an impairment may be necessary. Goodwill is measured at cost less accumulated impairment. The carrying amount of goodwill is included in the gain/loss that arises on the sale of an entity.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units to which goodwill is distributed, corresponds to the lowest level in the Group at which the goodwill in question is monitored for internal management purposes, being the operating segment level for the Group.

Emission rights

Emission rights are allocated free-of-charge by the Swedish Environmental Protection Agency. Emission rights are recognised at cost and classified as intangible assets. Emission rights are not amortised, but tested for impairment. To the extent that emissions made exceed emission rights held, a liability is recognised that corresponds to the market value of the emission rights.

Trademarks

Trademarks are recognised upon acquisition of subsidiaries and amortised over their useful life. The Group's current trademarks have a useful life of 10 years.

Customer-related intangible assets

Intangible assets related to customer relations and contracts are recognised upon acquisition on subsidiaries and are amortised over their useful life. The Group's current customer-related assets have a useful life of 10 years.

Tangible assets

Tangible assets are recognised at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced component accounted is derecognised from the balance sheet. All other repairs and maintenance are recognised as costs in the statement of comprehensive income in the period in which they occur.

Depreciation of assets is applied on a straight-line basis as follows, in order to allocate cost down to the residual value over the estimated useful life:

- Buildings and property: 10-50 years
- Machinery: 10-50 years
- Other equipment: 5-10 years

The residual values and useful lives of the assets are reviewed at the end of every reporting period and adjusted if appropriate.

If an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately written down to its recoverable amount. Any gain or loss on the divestment is determined as the difference between the sales proceeds and the carrying amount and is recorded in other operating income or other operating expenses in the statement of comprehensive income.

Impairment of non-financial assets

Goodwill has an indefinite useful life and is not depreciated, but tested for impairment annually or when there is an indication of value decrease. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Estimates for the impairment test are mainly sales growth, operating margin and discount rate. For assets other than goodwill, that have previously been impaired, a test is performed on each balance sheet date to determine whether a reversal is to take place.

Financial instruments

The Group's financial assets and liabilities comprise non-current financial assets, trade receivables, other current receivables, prepaid costs and accrued income, cash and cash equivalents, derivatives assets, bond loan, liabilities to credit institutions, trade payables, other current liabilities and deferred costs and prepaid income.

(a) Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the financial instrument's contractual conditions. Purchases and sales of financial assets and liabilities are recognised on the trade date, i.e. the date on which the Group undertakes to purchase or sell the asset.

Financial instruments are initially measured at fair value plus, for an asset or financial liability that is not measured at fair value through profit or loss, transaction costs that are directly attributable to acquisitions, or issues of a financial asset or financial liability (e.g. fees and commissions). Transaction costs for financial assets and liabilities measured at fair value through profit or loss are expensed in the statement of comprehensive income.

(b) Financial assets – Classification and measurement

The Group classifies and measures its financial assets in the category of amortised cost, as well as fair value through profit or loss. The classification of investments in debt instruments depends on the Group's business model for managing financial assets and the contractual terms of the assets' cash flows.

Investments in debt instruments

Investments in debt instruments are measured at amortised cost.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses that have been recognised (see Impairment of financial assets below). The Group's financial assets measured at amortised cost comprise trade receivables, other current receivables, prepaid costs and accrued income and cash and cash equivalents.

Investments in equity instruments

Investments in equity instruments are measured at fair value.

Financial assets measured at fair value through profit or loss

The Group subsequently measures all equity instruments at fair value. These are also recognised in subsequent periods at fair value and the value change is recognised in the statement of comprehensive income. Financial assets measured at fair value can be found under the item non-current financial assets.

Derivatives

Derivatives are recognised in the balance sheet from the trade date and are measured at fair value, both initially and in subsequent remeasurement. All changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised directly in the statement of comprehensive income.

(c) Financial liabilities – Classification and measurement

The Group classifies and measures its financial liabilities in the category of amortised cost, as well as fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading or conditional earnouts in business combinations. Derivatives are classified as held-for-trading unless they are identified as hedging instruments. The Group classifies derivatives in the form of currency futures with negative fair value in this category, since the Group does not apply hedge accounting. The Group also has financial liabilities in the form of conditional earnouts in completed business combinations, which are classified in this category. Financial liabilities measured at fair value through profit or loss are also recognised in subsequent periods at fair value and the value change is recognised in the statement of comprehensive income.

Financial liabilities measured at fair value through profit or loss are classified as current liabilities if they fall due within 12 months from the balance sheet date; if they fall due more than 12 months after the balance sheet date, they are classified as non-current liabilities.

Financial liabilities measured at amortised cost

After initial recognition, the Group's financial liabilities are measured at amortised cost by applying the effective interest method. Financial liabilities consist of bond loan, liabilities to credit institutions, trade payables, other current liabilities and deferred costs and prepaid income.

(d) Derecognition of financial assets and financial liabilities

Financial assets are derecognised from the statement of financial position when the right to collect cash flows from the instrument has expired or been transferred and the Group has relinquished, in all material respects, all risks and benefits associated with ownership.

Financial liabilities are derecognised from the statement of financial position when the contractual obligation has been fulfilled or otherwise been extinguished. Since the terms of a financial liability are renegotiated and not derecognised from the balance sheet, a profit or loss is recognised in the statement of comprehensive income and the profit or loss is calculated as the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount recognised in the balance sheet only when there is a legally enforceable right to offset the carrying amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or receivership of the company or the counterparty.

(f) Impairment of financial assets

Assets carried at amortised cost

The Group assesses the future expected credit losses attributable to assets measured at amortised cost. The Group recognised a loss allowance for such expected credit losses on each reporting date. For trade receivables, the Group applies the simplified approach for loss allowances, meaning that the allowance will correspond to the full lifetime expected credit losses. In order to measure the expected credit losses, trade receivables are grouped based on credit risk properties and days overdue. The Group employs forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated statement of comprehensive income under other operating expenses.

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are classified as current assets and are initially recognised at the transaction price. The Group holds the trade receivables with the objective to collect the contractual cash flows and they are thus subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include, in both the balance sheet and the statement of cash flows, bank balances. Bank overdrafts are presented within current liabilities to credit institutions under current liabilities in the balance sheet.

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are financial instruments and pertain to obligations to pay for goods and services purchased from suppliers as part of the operating activities. Trade payables are classified as current liabilities if they fall due within one year and, if not, recognised as non-current liabilities.

Trade payable are initially measured at fair value, and subsequently at amortised cost using the effective interest method.

Borrowing

Borrowing is initially measured at fair value, net of transaction costs incurred. Borrowing is subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowing using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is recognised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing is removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or portion of a financial liability) that is extinguished or transferred to another party and the remuneration paid, including transferred assets that are not cash or assumed liabilities, is recognised in profit or loss.

Borrowing is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Employee benefits

(a) Short-term employee benefits

Liabilities for salaries and remuneration, including non-monetary benefits and paid sickness absence, that are expected to be settled within 12 months after the end of the financial year are recognised as current liabilities at the undiscounted amount that is expected to be paid when the liabilities are settled. The expense is recognised in the statement of comprehensive income as the employees perform the services. The liabilities are recognised as employee benefits in the consolidated balance sheet.

(b) Pension obligations

The Group offers both defined contribution and defined benefit pension plans. Defined contribution plans are plans under which the company pays fixed contributions into a separate legal entity. The Group does not have any legal or informal obligations to pay additional contributions if this legal entity has insufficient assets with which to make all pension payments to employees that are associated with the current or past service of employees. The contributions are recognised as personnel costs in the statement of comprehensive income when they are due.

The Group has a pension obligation that is secured through an endowment insurance. It is the employee who bears the actuarial risk and the investment risk, while the Group carries no risk. Pension obligations that are secured through endowment insurance are therefore classified as defined contribution pension plans and for this reason, the asset (endowment insurance) and liability (pension commitment) are not recognised in the statement of financial position.

The Group has defined benefit pension obligations in the PRI system. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated on an annual basis by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds/housing bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Costs for services during past periods are recognised directly in the statement of comprehensive income.

Dividends

Dividends to the Parent Company shareholders are recognised as a liability in the consolidated financial statements in the period when the dividend is approved by the Parent Company's shareholders.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The recognised cash flow includes only transactions involving inflows and outflows of cash.

G2 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to several different financial risks through its business activities: various types of market risks, credit risk, liquidity risk and refinancing risk. The Group aims to minimize potential unfavourable effects on the Group's financial earnings. The objectives of the Group's financial operations are:

- to ensure that the Group can meet its payment commitments
- manage financial risks
- secure access to necessary financing
- optimize the Group's net financial items.

The Group's risk management is conducted centrally by each specific part of the Group that is exposed to the risk and is coordinated by the central finance department. This structure allows all parts of the organization to understand the specific risks to which their activities relate.

(a) Currency risk

The Group is exposed to foreign exchange risk that arises from various currency exposures. In the Group, currency risks arise primarily from cross-border trade where pricing and invoicing are made primarily in Euro (EUR) and US Dollar (USD). The Group hedges flows of foreign currency to limit exposure. To financially hedge future flows of foreign currency, the Group signs currency futures.

Exposure in trade receivables

SEKm	20.12.31	19.12.31
EUR	37	43
USD	42	32
Other	5	13
Total	**84**	**88**

Exposure in cash and cash equivalents

SEKm	20.12.31	19.12.31
EUR	48	13
USD	21	23
Other	4	8
Total	**73**	**44**

Sensitivity analysis at the balance sheet date indicates that a change in foreign currency rates of 2% would have an effect on profit and loss of SEK +/- 3m (+/- 2m).

(b) Credit risk

Credit risk arises through balances with banks and credit institutions and credit exposure with customers, including outstanding receivables. Credit risk is managed by Group Management.

Credit risk is managed on a Group basis, except for credit risk for outstanding trade receivables. Each Group company is responsible for monitoring, investigating and analysing the credit risk associated with each new customer. In the event of no independent credit assessment, a risk assessment is conducted based on the customer's credit rating, in which its financial position is taken into consideration, as well as previous experience and other related factors. Individual risk limits are defined based on internal or external ratings in accordance with limits defined by the Board of Directors. The use of credit limits is followed up on a regular basis.

No credit limits were exceeded during the reporting period and Management does not anticipate any losses due to non-payment by counterparties. The Group's calculation of expected credit losses on trade receivables amounts to an insignificant amount and accordingly, no adjustment was made in the financial statements.

(c) Liquidity risk

Through prudent liquidity management, the Group ensures that there is sufficient cash to meet the needs of operating activities. At the same time, it is ensured that the Group has sufficient scope in its committed credit facilities so that the payments of liabilities can be made when these fall due. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group Management. These limits vary by location to take into account the liquidity of the market in which the entity operates. The Group also monitors balance sheet liquidity ratios against internal and external requirements and ensures access to external financing.

(d) Interest risk

The Group is exposed to interest fluctuations, with the bond loan and parts of the leasing liabilities containing floating interest components. The bond has a STIBOR 3 months + 5.75% interest rate and the leasing liabilities have similar setups. Other liabilities as per December 31, 2019 do not contain any floating interest components. The Group manages interest risk by monitoring the interest rates and forecasting cash flows. Sensitivity analysis of changes in interest rates shows an impact on profit and loss and cash flow of SEK -7m (-7m) based on an interest rate increase of 1%.

(e) Refinancing risk

The bond loan matures in 2023 and until the maturity date the refinancing risk of the Group is considered low.

In the table below, the Group's financial liabilities are organised according to the period remaining on the balance sheet until the contractual due date. The amounts specified are contractual, undiscounted cash flows. Any cash flows from liabilities in foreign currencies are translated using the balance sheet exchange rate.

On December 31, 2019

SEKm	<1 y	1-2 y	3-5 y	>5 y
Bond	117	112	655	-
Shareholder loans	-	-	526	-
Right-of-use liabilities	18	18	33	25
Bank debt				
Other	20	-	-	-
Total	**154**	**130**	**1,214**	**25**

On December 31, 2020

SEKm	<1 y	1-2 y	3-5 y	>5 y
Bond	108	103	511	-
Shareholder loans	-	1	471	-
Right-of-use liabilities	16	13	39	4
Other	-	-	-	-
Total	**124**	**117**	**1,021**	**4**

Calculation and disclosure of fair value

The tables below show financial instruments measure at fair value based on the classification in the fair value hierarchy. The different levels have been defined as follows:

(a) Level 1 Financial instruments

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 Financial instruments

Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.

(c) Level 3 Financial instruments

If one or more significant inputs are not based on observable market information, the instrument in question is classified as level 3.

Financial assets valued at fair value through profit and loss

SEKm	Level	20.12.31	19.12.31
Derivatives	2	7	5
Unlisted securites	2	-	0
Total		**7**	**5**

Financial liabilities valued at fair value through profit and loss

SEKm	Level	20.12.31	19.12.31
Derivatives	2	-	0
Contingent consideration	2	-	-
Total		**-**	**0**

Financial assets valued at amortised costs

SEKm	20.12.31	19.12.31
Non-current financial assets	17	18
Trade receivables	232	240
Cash and cash equivalents	222	205
Other	96	147
Total	**567**	**609**

Financial liabilities valued at amortised costs

SEKm	20.12.31	19.12.31
Bond loan	635	742
Shareholder loans	367	354
Right-of-use liabilities	66	81
Trade payables	252	299
Other	155	160
Total	**1,475**	**1,636**

Management of capital

The target for the Group's capital structure is to secure the Group's ability to continue its operations in order to generate shareholder returns and value for other stakeholders, as well as maintaining an optimal capital structure in order to sustain a low cost of capital.

To maintain or adjust the capital structure, the Group can adapt its dividend policy, repay capital to shareholders, issue new shares or liquidate assets.

The Group assesses its capital based on the net debt-to-capital ratio, calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and cash equivalents and interest bearing receivables. Total capital is calculated as the sum of total equity in the consolidated balance sheet and net debt. The Group targets a balanced capital structure, where the debt-to-capital ratio is monitored continuously based on the Group's need for the capital debt-to-capital ratio. The Group's debt-to-capital ratio was as follows:

Group capital structure

SEKm	20.12.31	19.12.31
Borrowing1)	1,068	1,198
Cash and cash equivalents	-222	-205
Interest bearing receivables	-13	-13
Net debt	**833**	**981**
Equity	97	56
Total capital	**930**	**1,037**
Debt-to-capital ratio	8.6	17.5

1) Of which shareholder loans SEK 367m (354)

Debt-to-capital ratio

The Group's debt-to-capital ratio has decreased during the year driven by cash flow generated from operations. The Group's target is to further decrease the debt-to-capital ratio.

G3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning future developments. The resulting accounting estimates will, by definition, seldom correspond to the actual results. Estimates and assumptions that entail a significant risk of material adjustments to the carrying amounts of assets and liabilities in the next financial year are outlined below.

Inventory

The inventory is valued at the lower of cost and net realizable value. Both valuations are based on estimates. The cost of inventory is based on the purchase price and production costs which are estimated. Net realizable value is estimated based on forecasts of the net price for the finished products.

Impairment of goodwill

The Group tests each year whether any impairment requirement exists for goodwill, in accordance with the accounting policy described in Note G1. The recoverable amount for the cash-generating unit was established by calculating the value in use. These calculations require certain estimates, where the Group makes cash flow projections based on financial forecasts approved by Management covering a five-year period. Cash flows beyond the five-year period are estimated by means of extrapolation using a growth rate of 2.0% (2.0%), consistent with industry forecasts.

Since the Group is considered a single unit for impairment of goodwill, the test is performed on the entire group. The estimates and results for the 2020 impairment test are listed below:

WACC: 12.0%

Terminal growth rate: 2.0%

SEKm	20.12.31
Recoverable amount	1,605
Carrying amount	1,056
Margin	549
Sensitivity analysis	
Recoverable amount less carrying amount, if	
WACC +1%	399
WACC -1%	736
Terminal growth rate +1%	676
Terminal growth rate -1%	447

Leasing

In determining the lease term, Management considers all facts and circumstances that create an economic incentive for either exercising an extension option or not exercising a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accrued raw material costs

The cost for delivered raw material from the Group's own sourcing activities is estimated based on contractual agreements and historical experience. The final actual cost is recognised when the individual contract is finalized with the counterpart.

Interest rates

For all borrowings, the Group estimates the impact on upcoming cash flows from changes in interest rates.

G4 NET SALES

Income from external parties reported to the Managing Director is measured in a manner consistent with the consolidated statement of comprehensive income.

The main revenue streams for the Group constitute sales of sawn wood products, by-products and lumber and pulpwood delivered to external customers. Sales are recognised as revenue when control of the goods is transferred, which occurs when the risk is transferred in accordance with the applicable delivery terms.

All contracts have an original expected period of 12 months or less.

Net sales by geographic market

SEKm	20.01-20.12	19.01-19.12
Sweden	1,141	1,079
Other Scandinavia	154	147
Other Europe	282	199
Asia, excl. Middle East	813	352
Other	281	252
Total	**2,671**	**2,028**

Net sales by product category

SEKm	20.01-20.12	19.01-19.12
Sawn wood products	1,891	1,469
By-products	234	168
Lumber and pulpwood	523	375
Other	22	16
Total	**2,671**	**2,028**

G5 OTHER OPERATING INCOME

SEKm	20.01-20.12	19.01-19.12
Insurance claim	0	1
Rent	-	0
Forest service	-	5
Other	25	29
Total	**25**	**35**

G6 AUDITORS FEE

SEKk	20.01-20.12	19.01-19.12
PWC		
Audit engagement	-1,872	-1,153
Tax services	-355	-111
Other	-1,034	-1,349
Total	**-3,261**	**-2,613**

G7 PERSONNEL COSTS

Salary and renumeration

SEKm	20.01-20.12	19.01-19.12
Board members		
Board fee / salary	-2	-1
Bonus	-	-
Social security	-1	-
Of which pension costs	-	-
Total	**-2**	**-1**
Managing directors		
Salary	-1	-2
Bonus	-	-
Social security	-3	-1
Of which pension costs	-2	-1
Total	**-4**	**-3**
Other employees		
Salary	-155	-139
Bonus	-	-
Social security	-59	-62
Of which pension costs	*-10*	*-15*
Total	**-215**	**-201**
Total		
Salaries and other benefits	-158	-142
Social security	-63	-63
Of which pension costs	*-12*	*-16*
Total	**-221**	**-205**

Renumeration to Board of Directors

SEKk	20.01-20.12
Ulf Bergkvist (Chairman)	**1 624**
Of which	
Salary/fee	1 123
Other benefits	-
Social security	501
Håkan Dorm	**200**
Of which	
Salary/fee	200
Other benefits	
Social security	
Jonas Björnståhl	**200**
Of which	
Salary/fee	200
Other benefits	
Social security	

Number of employees

Number of employees	20.01-20.12	19.01-19.12
Average over the period		
Men	285	260
Women	37	45
Total	**322**	**305**
End of period		
Men	251	299
Women	33	41
Total	**284**	**340**

All employees of the Group are employed in Sweden. Out of the Board members, 100% (100%) are men.

Guidelines

Fees are payable to the Chairman and Board members in accordance with decisions taken at the Annual General Meeting. Board fees were not paid to any Board members who receive salary in any of the Group companies.

The Annual General Meeting defines guidelines concerning Management compensation. Remuneration to the Managing Director comprises, among others, basic salary, variable remuneration, other benefits and pension cost.

Pension benefits and other benefits for the Managing Director and other senior executives are paid as part of total remuneration.

Pension

The retirement age for the Managing Director is 65.

No pension obligations have been entered into for Board members not permanently employed by one of the Group companies.

Severance pay

A mutual notice period of six months applies between the company and the Managing Director.

G8 FINANCIAL INCOME AND EXPENSES

SEKm	20.01-20.12	19.01-19.12
Financial income		
Interest income	0	-1
Revaluation of additional purchase price	-	8
Exchange rate gain	49	0
Other financial income	-	6
Total	**49**	**13**
Financial costs		
Interest expenses	-78	-56
Exchange rate loss	-32	-1
Revaluation of additional purchase price	-	-5
Other financial costs	-3	-2
Total	**-113**	**-64**

G9 INCOME TAX

SEKm	20.01-20.12	19.01-19.12
Current tax	-15	-10
Changes in current tax previous periods	-	-1
Deferred tax	-4	-21
Total	**-20**	**-33**

SEKm	20.01-20.12	19.01-19.12
Tax according to Swedish tax rate	-12	-4
Tax rate	20.6%	21.4%
Tax effect from:		
Non-taxable income	2	3
Non-deductible expenses	-7	-12
Changes in current tax previous periods	-	-1
Changes in tax rate	-	0
Other	-3	-19
Total	**-20**	**-33**

G10 EXCHANGE RATE DIFFERENCES

Exchange rate differences are recognised in the statement of comprehensive income as follows:

SEKm	20.01-20.12	19.01-19.12
Other operating income	-	1
Other operating costs	-12	-
Financial items	17	-1
Total	**5**	**0**

G11 DISCONTINUED OPERATIONS

In December 2019, the subsidiary Siljan Wood Products AB was divested, and its contribution to the consolidated income statement is subsequently disclosed as profit / loss from discontinued operations. Siljan Wood Products AB's income statement for the comparison period is summarised as follows:

SEKm	20.01-20.12	19.01-19.12
Net sales	-	28
Operating profit	-	-22
Capital loss on sale	-	-4
Financial items	-	0
Tax	-	2
Profit / loss for the period	-	-24

G12 INVESTMENTS IN SUBSIDIARIES

20.12.31	Ownership
Sawmill companies	
Bergkvist Siljan Insjön AB , Sweden	100%
Bergkvist Siljan Mora AB, Sweden	100%
Bergkvist Siljan Blyberg AB, Sweden	100%
Forest companies	
Bergkvist Siljan Skog AB, Sweden	100%
Other companies	
Siljan Group AB, Sweden	100%
Bergkvist Timber Växjö KB, Sweden	100%
WEDA Skog AB, Sweden	70%
Insjöhamn AB, Sweden 1)	100%
Ålbyns Skog AB, Sweden 1)	100%

1) Dormant companies

G13 TANGIBLE ASSETS

Buildings and property

SEKm	20.01-20.12	19.01-19.12
Acquisition cost		
Value beginning of the period	455	214
Investments	6	241
Sales and disposals	-	-
Reclassifications	-	-
Value end of the period	461	455
Depreciation		
Value beginning of the period	-225	-83
Investments	-	-128
Depreciation	-12	-14
Sales and disposals	-	-
Value end of the period	-237	-225
Carrying amount	**224**	**230**

Machinery

SEKm	20.01-20.12	19.01-19.12
Acquisition cost		
Value beginning of the period	1,507	746
Investments	3	761
Sales and disposals	-	-
Reclassifications	16	-
Value end of the period	1,526	1,507
Depreciation		
Value beginning of the period	-1,098	-541
Investments	-	-543
Depreciation	-45	-14
Sales and disposals	-	-
Value end of the period	-1,143	-1,098
Carrying amount	**383**	**409**

Assets under construction

SEKm	20.01-20.12	19.01-19.12
Acquisition cost		
Value beginning of the period	16	1
Investments	-	15
Sales and disposals	-	-
Reclassifications	-16	-
Value end of the period	-	16
Depreciation		
Value beginning of the period	-	-
Investments	-	-
Depreciation	-	-
Sales and disposals	-	-
Value end of the period	-	-
Carrying amount	**-**	**16**

G14 INTANGIBLE ASSETS

Goodwill

SEKm	20.01-20.12	19.01-19.12
Acquisition cost		
Value beginning of the period	189	-
Investments	-	189
Sales and disposals	-	-
Reclassifications	-	-
Value end of the period	189	189
Depreciation		
Value beginning of the period	-	-
Investments	-	-
Amortisation and impairment	-	-
Sales and disposals	-	-
Value end of the period	-	-
Carrying amount	**189**	**189**

Customer relations

SEKm	20.01-20.12	19.01-19.12
Acquisition cost		
Value beginning of the period	84	15
Investments	-	69
Sales and disposals	-	-
Reclassifications	2	-
Value end of the period	86	84
Depreciation		
Value beginning of the period	-5	-
Investments	-	-
Amortisation and impairment	-9	-5
Sales and disposals	-	-
Value end of the period	-14	-5
Carrying amount	**72**	**79**

Other intangible assets

SEKm	20.01-20.12	19.01-19.12
Acquisition cost		
Value beginning of the period	5	-
Investments	1	5
Sales and disposals	-	-
Reclassifications	-2	-
Value end of the period	4	5
Depreciation		
Value beginning of the period	-0	-
Investments	-	-
Amortisation and impairment	-2	-0
Sales and disposals	-	-
Value end of the period	-2	-0
Carrying amount	**2**	**5**

G15 NON-CURRENT FINANCIAL ASSETS

SEKm	20.12.31	19.12.31
Non-current interest bearing receivables	17	17
Other non-current financial assets	1	1
Shares in associated companies	0	0
Shares in unlisted companies	0	0
Total	**17**	**18**

G16 SHARES IN ASSOCIATED COMPANIES

The subsidiary Bergkvist Siljan Insjön AB owns 50% of Biodal Kraftvärme AB. Biodal Kraftvärme AB is classified as a joint venture and is recognised using the equity method, with a carrying amount of SEK 50k on December 31, 2020.

G17 RIGHT-OF-USE ASSETS

SEKm	20.01-20.12	19.01-19.12
Machinery		
Value beginning of the period	75	148
New contracts	-	-
Terminated contracts	-	-68
Depreciation	-3	-5
Value end of the period	72	75
Industrial vehicles		
Value beginning of the period	6	24
New contracts	-	7
Terminated contracts	-	-19
Depreciation	-3	-6
Value end of the period	3	6
Other		
Value beginning of the period	6	4
New contracts	0	5
Terminated contracts	-1	-
Depreciation	-3	-3
Value end of the period	2	6
Total		
Value beginning of the period	**87**	**176**
New contracts	0	12
Terminated contracts	-1	-87
Depreciation	-10	-14
Value end of the period	**77**	**87**

No significant variable lease payments were identified that are not included in the right-of-use liability. Total cash flow related to lease contracts, including settlement of existing contracts, amounted to SEK -10 (-108m) for the period. Profit / loss for the period includes SEK -10m (-6m) of leasing contracts with short life and/or of limited value.

G18 INVENTORY

SEKm	20.12.31	19.12.31
Sawn wood products	95	156
Lumber	48	33
Other	22	25
Total	**165**	**215**

G19 TRADE RECEIVABLES

SEKm	20.12.31	19.12.31
Trade receivables, gross	236	242
Provision for doubtful receivables	-3	-2
Total	**232**	**240**

G20 OTHER CURRENT ASSETS

SEKm	20.12.31	19.12.31
Advances to forest owners	44	71
VAT receivables	20	26
Tax receivables	-	3
Other	-	0
Total	**64**	**100**

G21 PREPAID COSTS AND ACCRUED INCOME

SEKm	20.12.31	19.12.31
Prepaid insurance	0	1
Prepaid rent	0	0
Accrued income	12	19
Other	19	9
Total	**31**	**30**

G22 CASH AND CASH EQUIVALENTS

SEKm	20.12.31	19.12.31
Bank balances	222	205
Total	**222**	**205**

G23 BORROWING

Liabilities to credit institutions and related parties that have been classified as current pertain to the portion of the loan that has no unconditional right to postpone payment of the liability for at least 12 months after the end of the reporting period.

Shareholder loans

Shareholder loans amount to SEK 367m and are denominated in Euros at an amount of EUR 32.3m. The applicable interest rate is 8.25%, with maturities in 2024-2025.

Bond loans

In July 2019, the Group issued Senior Secured Callable Floating Rate Bonds on the Frankfurt stock exchange, maturing in 2023. The bond loan is denominated in SEK, issued at a nominal value of SEK 1,150,000k and carries an interest rate of STIBOR 3 months + 5.75% per annum. Under the bond terms and agreements certain financial undertakings exist, such as the relationship between net debt and EBITDA which must not exceed certain agreed levels during the term of the loan.

The Group met all financial undertakings during the reporting period.

In July 2020 the bonds were listed on the NASDAQ OMX Stock Exchange.

The Group repurchased bonds of SEK 36.9m (nominal amount) in December 2020.

For the majority of the Group's borrowing, the fair values do not differ materially from their carrying amounts, since their respective interest payable is either close to current market rates or the borrowing is of a short-term nature. The bond loan had a fair value of SEK 694m as of December 31, 2020, of which SEK 36.9m (nominal amount) related to repurchases.

Bank overdraft facility

The Group has an approved bank overdraft facility of SEK 60m. Out of the approved amount SEK 0m (0) was utilized as of December 31, 2020.

SEKm	20.12.31	19.12.31
Non-current liabilities to credit institutions, etc.		
Bond loan	551	655
Right-of-use liabilities	48	60
Bank loan	-	-
Total	**599**	**715**
Other non-current financial liabilities		
Vendor note	-	-
Earn-out	-	-
Shareholder loans	367	354
Total	**367**	**354**
Current liabilities to credit institutions, etc.		
Bond loan	84	87
Right-of-use liabilities	18	21
Bank loan	-	-
Overdraft facility	-	-
Total	**102**	**108**
Other current financial liabilities		
Vendor note	-	21
Earn-out	-	0
Total	**-**	**21**
Total borrowing	**1,068**	**1,198**

G24 CHANGES IN FINANCIAL LIABILITIES

Bond loan

SEKm	20.12.31	19.12.31
Value beginning of the period	742	-
Cash inflow	-	730
Cash outflow	-155	-11
Non-cash items 1)	48	23
Value end of the period	**635**	**742**

Right-of-use liabilities

SEKm	20.12.31	19.12.31
Value beginning of the period	81	164
Cash inflow	-	-
Cash outflow	-15	-98
Non-cash items 1)	-	15
Value end of the period	**66**	**81**

Liabilities to credit institutions

SEKm	20.12.31	19.12.31
Value beginning of the period	-	162
Cash inflow	-	-
Cash outflow	-	-162
Non-cash items 1)	-	-
Value end of the period	**-**	**-**

Shareholder loans

SEKm	20.12.31	19.12.31
Value beginning of the period	354	143
Cash inflow	-	192
Cash outflow	-	-
Non-cash items 1)	13	19
Value end of the period	**367**	**354**

Other

SEKm	20.12.31	19.12.31
Value beginning of the period	21	48
Cash inflow	-	-
Cash outflow	-21	-25
Non-cash items	-	-2
Value end of the period	**-**	**21**

1) Includes accrued interest, acquired debt and exchange rate differences

G25 DEFERRED TAX LIABILITY

SEKm	20.12.31	19.12.31
Untaxed reserves	24	27
Tangible assets	0	0
Intangible assets	18	17
Right-of-use assets	3	2
Other	30	26
Total	**75**	**72**

G26 PROVISIONS FOR PENSIONS

The Group offers defined benefit plans in Sweden. All defined benefit plans are final salary plans, which guarantee pension payments during the remaining lifetime of the employees covered by the plan. The level of benefits provided depends on the plan participants' length of service as well as their salary during the final years leading up to retirement.

The amounts recognised in the statement of comprehensive income are as follows:

SEKm	19.01-19.12
Value beginning of the period	22
Current service costs	1
Service costs previous years	-
Net interest expense	1
Recognized in comprehensive income	**1**
Gain / loss of financial assumptions	5
Gain / loss of demographic assumptions	-
Recognized in other comprehensive income	**5**
Contribution:	
Employer	-
Plan participants	-
Benefit payments	-1
Assumed through business combination	-
Value end of the period	**28**

SEKm	20.01-20.12
Value beginning of the period	28
Current service costs	1
Service costs previous years	-
Net interest expense	-0
Recognized in comprehensive income	**1**
Gain / loss of financial assumptions	-0
Gain / loss of demographic assumptions	-
Recognized in other comprehensive income	**-0**
Contribution:	
Employer	-
Plan participants	-
Benefit payments	-1
Assumed through business combination	-
Value end of the period	**28**

Key assumptions

SEKm	20.01-20.12	19.01-19.12
Discount rate (%)	1.0%	1.4%
Inflation (%)	1.5%	1.8%
Salary increase (%)	1.6%	1.9%
Sensitivity analysis		
Changes in pension liability:		
Discount rate +0.50%	-3	-3
Discount rate -0.50%	3	3
Inflation +0.50%	-2	-2
Inflation -0.50%	2	2
Salary increase +0.50%	1	2
Salary increase -0.50%	-1	-2

G27 DEFERRED COSTS AND PREPAID INCOME

SEKm	20.12.31	19.12.31
Accrued raw material	65	70
Accrued salaries	30	25
Accrued social security	12	10
Other	5	42
Total	**112**	**147**

G28 PLEDGED ASSETS

SEKm	20.12.31	19.12.31
Property mortgages	325	384
Company mortgages	494	428
Shares in subsidiaries	205	205
Other	6	47
Total	**1,030**	**1,064**

G29 RELATED PARTY TRANSACTIONS

Dilasso Holding 2 S.à r.l. owns 100% of the Parent Company's shares and has a controlling influence over the Group. Related parties constitute all subsidiaries within the Parent Group as well as senior executives in the Group and their respective family members. Transactions are carried out at arm's length.

SEKm	20.01-20.12	19.01-19.12
Interest expenses	-27	-19
Total	**-27**	**-19**
Non-current liabilities	367	354
Total	**367**	**354**

Liabilities from related parties relate to cash injection made in connection with the acquisitions of Siljan Group AB and Bergkvist-Insjön AB. The loans mature in 2024-2025, are denominated in Euros and carry a payment-in-kind interest rate of 8.25%.

All related party transactions have been recorded in the Parent Company.

G30 ADDITIONAL DISCLOSURES TO THE CASH FLOW STATEMENT

Adjustment for non-cash items

SEKm	20.01-20.12	19.01-19.12
Depreciation and write-downs	77	48
Derivatives	-2	0
Exchange rate effects	-15	1
Revaluation of financial items	2	-8
Accrued interest expense	27	31
Total	**89**	**74**

Received and paid interest

SEKm	20.01-20.12	19.01-19.12
Revaluation of financial items	-	-
Accrued interest expense	-45	-25
Total	**-45**	**-25**

G31 DEFINITION OF KEY INDICATORS

EBITDA: Operating Profit less depreciations, amortisations and write-downs.

Adjusted EBITDA: Operating Profit less depreciations, amortisations, write-downs, transactions costs and other non-recurring items.

Net debt: All interest-bearing liabilities excluding provisions for pensions, less cash and cash equivalents and interest-bearing receivables.

G32 EVENTS AFTER REPORTING PERIOD

On March 2, 2021 the Group announced a partial voluntary redemption of the Group's outstanding bonds in accordance with the bond terms and conditions. In total 5% of the initial nominal amount will be repurchased, corresponding to SEK 37.5m excluding premium. The repurchase was completed on April 8, 2021.

No other important events have transpired after the reporting period.

PARENT COMPANY INCOME STATEMENT

SEKm	Note	2020.01-2020.12	2019.01-2019.12
Net sales		-	-
Changes in products in progress and finished goods		-	-
Other operating income	P2, P10	7	2
Total		**7**	**2**
Raw materials and consumables		-	-
Gross profit		**7**	**2**
Personnel costs		-0	-
Other external costs	P3	-5	-6
Depreciation and write-downs		-	-
Other operating costs		-	-
Profit from investments in associates and JVs		-	-
Operating profit		**2**	**-4**
Financial income		127	13
Financial costs		-77	-44
Profit after financial items	P4, P10	**52**	**-35**
Appropriations	P11	69	3
Profit before tax		**121**	**-32**
Tax	P5	-13	1
Profit / loss for the period		**108**	**-31**

PARENT COMPANY BALANCE SHEET

SEKm	Note	2020.12.31	2019.12.31
ASSETS			
Non-current financial assets	P6, P10	1,104	1,105
Deferred tax assets		1	1
Total non-current assets		**1,105**	**1,107**
Other current assets		30	1
Prepaid costs and accrued income		0	1
Cash and cash equivalents	P7	5	30
Total current assets		**35**	**31**
Total assets		**1,140**	**1,138**
EQUITY AND LIABILITIES			
Share capital	P8	1	1
Other equity		54	54
Retained earnings		72	-36
Total equity		**126**	**19**
Bond loan	P9	551	655
Shareholder loans	P9,P10	367	354
Non-current liabilities		**918**	**1,009**
Bond loan	P9	84	87
Other current interest bearing liabilities		-	20
Trade payables		-	1
Tax liabilities		12	-
Other current liabilities		-	-0
Deferred costs and prepaid income		-	2
Current liabilities		**96**	**110**
Total equity and liabilities		**1,140**	**1,138**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other equity	Retained earnings	Profit and loss	Total equity
2019.01-2019.12					
Opening balance	**-**	**21**	**-**	**-5**	**16**
Profit / loss	-	-	-	-31	-31
Transfer profit and loss previous year	-	-	-5	5	-
Total income	**-**	**-**	**-5**	**-26**	**-31**
Shareholder contribution	-	33	-	-	33
Transactions with shareholders	**-**	**33**	**-**	**-**	**33**
Bonus issue	1	-1	-	-	-
Transactions within equity	**1**	**-1**	**-**	**-**	**-**
Closing balance	**1**	**54**	**-5**	**-31**	**19**
2020.01-2020.12					
Opening balance	**1**	**54**	**-5**	**-31**	**19**
Profit / loss	-	-	-	108	108
Transfer profit and loss previous year	-	-	-31	31	-
Total income	**-**	**-**	**-31**	**138**	**108**
Shareholder contribution	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**
Bonus issue	-	-	-	-	-
Transactions within equity	**-**	**-**	**-**	**-**	**-**
Closing balance	**1**	**54**	**-36**	**108**	**126**

PARENT COMPANY CASH FLOW STATEMENT

SEKm	Note	2020.01-2020.12	2019.01-2019.12
Profit before tax		**121**	**-32**
Adjustments for non-cash items	P12	21	15
Paid tax		-1	-
Cash flow from operating activities before changes in working capital		**141**	**-18**
Net change in working capital		-31	-1
Cash flow from operating activities		**110**	**-19**
Acquisitions and divestments of subsidiaries		-	-602
Loans to subsidiaries		-	-287
Cash flow from investing activities		**-**	**-889**
Bond issue		-	730
Bond amortization		-75	-
Bond repurchase		-38	-
Shareholders contribution		-	33
Other debt transactions, net		-21	167
Cash flow from financing activities		**-134**	**931**
Cash flow for the period		**-24**	**23**
Cash and cash equivalents beginning of period		30	6
Cash and cash equivalents end of period		5	30

NOTES TO THE PARENT COMPANY ANNUAL REPORT

P1 PARENT COMPANY ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of this annual report are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

The Annual Report for the Parent Company was prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. If the Parent Company applies other accounting policies than the Group's account policies, as described in Note G1 in the consolidated accounts, these are presented below.

The Annual Report is prepared in accordance with the cost method.

The preparation of financial statements in compliance with RFR 2 requires the use of certain key accounting estimates. In addition, Management must make certain assessments in the application of the Parent Company's accounting policies. Those areas that include a high level of judgement, that are complex or such areas where assumptions and estimations are of material importance for the annual accounts, are stated in Note G3 of the consolidated accounts.

The Parent Company is exposed to a number of different financial risks through its business activities: market risk (currency and interest-rate risk), credit risk and liquidity risk. The Parent Company's overall risk-management policy focuses on the unpredictability of the financial markets and endeavours to minimise potential unfavourable effects on the Group's financial earnings. For more information on financial risks, refer to G2 of the consolidated accounts.

The Parent Company applies other accounting policies than the Group in the cases stated below:

Presentation formats

The presentation format prescribed in the Swedish Annual Accounts Act is used for the income statements and balance sheets. The presentation format for the statement of changes in equity is also consistent with the Group's format, but must also include the information stated in the Annual Accounts Act. Moreover, there is a difference in terms, compared with the consolidated accounts, mainly with regard to financial income and expenses and equity.

Shareholders' contributions and Group contributions

Group contributions paid by the Parent Company to subsidiaries and Group contributions received by the Parent Company from subsidiaries were recognised as appropriations. Shareholder contributions paid are recognised in the Parent Company as an increase in the holding's carrying amount and in the receiving company as an increase in equity.

Financial instruments

IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies the policies set out in RFR 2 (IFRS 9 Financial instruments, p. 3-10).

Financial instruments are measured based on cost. Financial assets acquired with the intention of a short holding period will be recognised in subsequent periods in accordance with the lower value principle, at the lower of cost and market value. Derivative instruments with negative fair value are measured at fair value.

When calculating the net realisable value of receivables recognised as current assets, the policies for impairment testing and loss risk provision in IFRS 9 are applied. For a receivable recognised at amortised cost at consolidated level, this entails that the loss risk provision recognised in the Group in accordance with IFRS 9 is also to be recognised in the Parent Company.

Leased assets

The Parent Company has chosen not to apply IFRS 16 Leases, but to apply RFR 2 IFRS 16 Leases p.p. 2-12. This choice entails that no right-of-use assets and lease liabilities are recognised in the balance sheet, but lease payments are recognised as a cost on a straight-line basis over the lease term. The Parent Company holds no leasing contracts.

P2 OTHER OPERATING INCOME

SEKm	20.01-20.12	19.01-19.12
Consulting fees from group companies	7	2
Total	**7**	**2**

P3 AUDITORS FEE

SEKk	20.01-20.12	19.01-19.12
PWC		
Audit engagement	-564	-79
Tax services	-252	-
Other	-957	-501
Total	**-1,773**	**-580**

P4 FINANCIAL INCOME AND EXPENSES

SEKm	20.01-20.12	19.01-19.12
Financial income		
Interest income	23	13
Dividend from group companies	90	-
Exchange rate gain	14	-
Total	**127**	**13**
Financial costs		
Interest expenses	-74	-43
Exchange rate loss	-3	-1
Other financial costs	-	-
Total	**-77**	**-44**

P5 INCOME TAX

SEKm	20.01-20.12	19.01-19.12
Current tax	-13	-
Changes in current tax previous periods	-	-
Deferred tax	-	1
Total	**-13**	**1**

SEKm	20.01-20.12	19.01-19.12
Tax according to Swedish tax rate	-25	8
Tax effect from:		
Non-taxable income	19	-
Non-deductible expenses	-6	-3
Changes in current tax previous periods	-	-
Other	-1	-3
Total	**-13**	**1**

P6 INVESTMENTS IN SUBSIDIARIES

SEKm		Carrying amount	
	Shares	20.12.31	19.12.31
Bergkvist Siljan Insjön AB,	53,334		
Sweden 556108-6207	(100%)	604	604
Siljan Group AB	755,000		
Sweden 556021-1830	(100%)	166	166

P7 CASH AND CASH EQUIVALENTS

SEKm	20.12.31	19.12.31
Bank balances	5	30
Total	**5**	**30**

P8 SHARES AND SHARE CAPITAL

The Company has 500 shares issued, with a total share capital of SEK 500,000.

P9 BORROWING

SEKm	20.12.31	19.12.31
Non-current liabilities to credit institutions, etc.		
Bond loan	551	655
Total	**551**	**655**
Other non-current financial liabilities		
Vendor note	-	-
Earn-out	-	-
Shareholder loans	367	354
Total	**367**	**354**
Current liabilities to credit institutions, etc.		
Bond loan	84	87
Total	**84**	**87**
Other current financial liabilities		
Vendor note	-	21
Earn-out	-	0
Total	**-**	**21**
Total borrowing	**1,002**	**1,117**

P10 RELATED PARTY TRANSACTIONS

Dilasso Holding 2 S.à r.l. owns 100% of the Parent Company's shares and has a controlling influence over the Group. Related parties constitute all subsidiaries within the Parent Group as well as senior executives in the Group and their respective family members. Transactions are carried out at arm's length.

SEKm	20.01-20.12	19.01-19.12
Other operating income	6	2
Total	**6**	**2**
Interest income	23	13
Interest expense	-27	-19
Total	**-4**	**-6**
Non-current financial assets	330	331
Other current assets	30	-
Total	**360**	**331**
Non-current liabilities	367	354
Total	**367**	**354**

All operating income pertain to consultancy services to the subsidiaries.

Non-current financial assets consist of loans to the subsidiaries.

For information regarding the liabilities to related parties, please refer to Note G29 in the Group Financial Statements.

P11 APPROPRIATIONS

SEKm	20.01-20.12	19.01-19.12
Group contributions received	69	3
Total	**69**	**3**

P12 ADDITIONAL DISCLOSURES TO THE CASH FLOW STATEMENT

Adjustment for non-cash items

SEKm	20.01-20.12	19.01-19.12
Transaction costs	-	-2
Exchange rate effects	-15	1
Accrued interest	34	19
Other	2	-3
Total	**21**	**15**

Received and paid interest

SEKm	20.01-20.12	19.01-19.12
Received interest income	23	-
Paid interest expense	-43	-11
Total	**-20**	**-11**

P13 PLEDGED ASSETS

SEKm	20.12.31	19.12.31
Shares in subsidiaries	774	774
Loans to subsidiaries	330	330
Total	**1,104**	**1,104**

P14 PROPOSED APPROPRIATIONS OF PROFITS

The Board of Directors and Managing Director propose the available funds according to the balance sheet to be appropriated as follows:

Carried forward:	73,087,604 SEK
Total	**73,087,604 SEK**

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on May 31, 2021 for adoption.

The Board of Directors and Managing Director affirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's profit and financial position. The Annual Report has been prepared in accordance with the generally accepted accounting policies and provides a true and fair view of the Parent Company's profit and financial position.

The directors report for the Group and the Parent Company provides a fair review of the development of the Group's and Parent Company's operations, profit and financial position and describes material risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

Mora, on the day that appears in connection to the digital signatures

Ulf Bergkvist Chairman of the Board	Håkan Dorm Board member
Jonas Björnståhl Board member	Anders Nilsson Managing Director

Our auditor's report was submitted on the day listed in connection to the digital signature

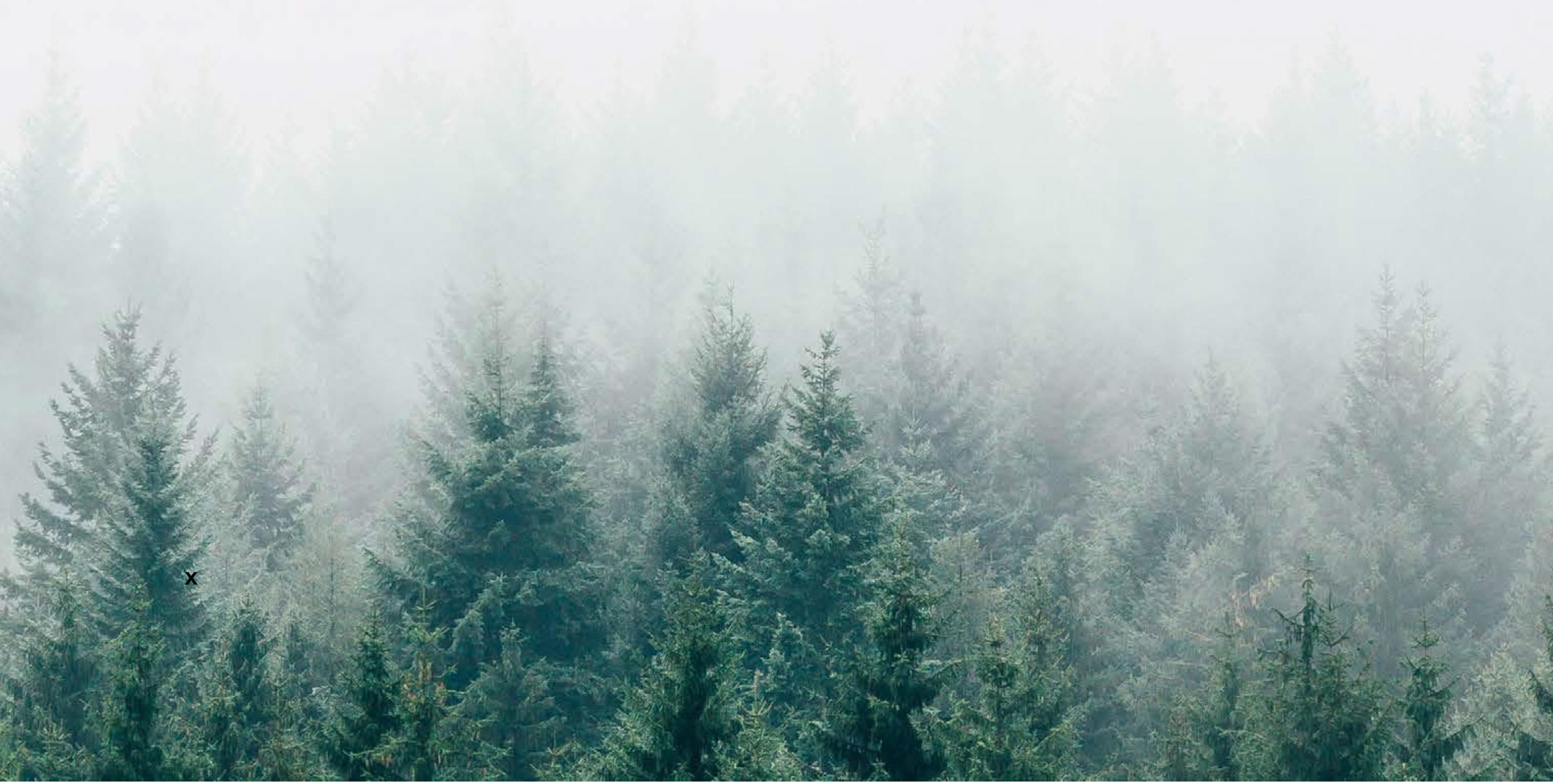
Öhrlings PricewaterhouseCoopers AB

Anders Hvittfeldt

Authorised Public Accountant

COMPANY INFORMATION

Name	Bergkvist Siljan AB (publ)
Address	Box 435, 792 27 Mora, Sweden
Reg. no.	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



Auditor’s report

To the general meeting of the shareholders of Bergkvist Siljan AB (publ), corporate identity number 559136-6686

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bergkvist Siljan AB (publ) for the year 2020, with the exception for the corporate governance statement on pages 3-5.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the consolidated income statement and balance sheet for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted on the Board of the Parent Company and the Group in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, to the best of our knowledge and belief, no prohibited services referred to in Article 5 (1) of the Auditors' Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risk of material misstatement in the financial statements. In particular, we considered where the Managing Director and Board of Director made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Board of Directors' and Managing Director's override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of goodwill	
The Group recognised goodwill of SEK 189m as per 31 December 2020, attributable to one cash-generating unit. Since this asset is not amortised on a continuous basis, an impairment test is to take place at least once a year. Bergkvist Siljan AB (publ) performed a test in November 2020 and did not identify any impairment requirements as per 31 December 2020. Such a test includes assumptions about, for example, future growth, profitability and the discount rate. Accordingly, management and the Board must make complex assessments and estimates. This is a key audit matter since the amount of the asset is material and the assumptions required include judgements and estimates that individually could be crucial to the valuation. The significant assumptions applied to impairment testing are described in Note G3.	We have evaluated and assessed that the company's valuation model is consistent with accepted valuation techniques and methods. The most important assumptions made by management and the Board in the impairment test are profitability, growth and the discount rate. We have assessed these assumptions by comparing with budget and strategic plans as well as past outcomes. We also performed an independent assessment based on market-economic conditions for the cash-generating unit. We compared discount rates with observable market data. We also examined the consistency of the significant assumptions compared with prior years. We challenged management's assumptions by performing our own sensitivity analysis, tested the safety margins and assessed the risk of a write-down requirement. These tests also formed the basis of our examination of the disclosures provided in Note G3 of the annual report. All in all, we did not make any observations in our examination of the valuation of goodwill that were material to the audit as a whole.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that I identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bergkvist Siljan AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the day-to-day administration in accordance with the Board's guidelines and instructions and, among other things, take the measures necessary for the company's accounting to be carried out in accordance with law and for the asset management to be conducted in a secure manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company’s profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company’s profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company’s situation. Our examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors’ proposed appropriations of the company’s profit or loss we examined whether the proposal is in accordance with the Companies Act.

Revisorns granskning av bolagsstyrningsrapporten

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 3-5 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement has been conducted in accordance with FAR’s auditing standard RevU 16 The Auditor’s Examination of the Corporate Governance Statement. This means that our examination of the corporate governance statement is different and substantially less in scope that an audit conducted in accordance with International Standards of Auditing and generally accepted auditing standards in Sweden. We believe that this examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Bergkvist Siljan AB (publ) by the general meeting on the 3 May 2020 and has been the company’s auditor since 18 februari 2019.

Mora 30 april 2021
Öhrlings PricewaterhouseCoopers AB

Anders Hvittfeldt
Authorized Public Accountant