



Annual Report and Sustainability Report

BERGS

An international
wood products Group

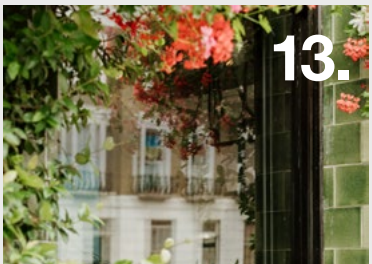
INTRODUCTION	GOALS AND STRATEGY	BERGS AS AN INVESTMENT	OPERATIONS	SUSTAINABILITY	CORPORATE GOVERNANCE	DIRECTOR'S REPORT	FINANCIAL INFORMATION
This is Bergs 3	International wood processing that creates value 9 Strategy 10 Business model 11 Acquisitions 11 Targets and target fulfilment 12	Investing in Bergs 14	Product areas 20	Sustainability at Bergs 34	Corporate Governance Report 56 Board of Directors 60 Management 61	Director's report 63	Consolidated financial statements 66
The year in brief 4		Trends 14	Wood Protection 21	Events in 2022 35			
Key events during the year 5		Of benefit to builders and property owners 15	Joinery 24	Organisation of sustainability efforts 36		Notes on the consolidated financial statements 75	
CEO comments 6		The share 17	Sawn Wood 26	Sustainability strategy 37	Signatures 94		
			Energy & Logistics 28	Goals and outcomes 39	Auditor's report 95		
		Subsidiaries 30	Value creation at Bergs 43	Multi-year overview 98			
			Stakeholder analysis 45				
			Materiality analysis 46				
			EU Taxonomy 47				
			Risk 51				

Contents



4.

THE YEAR IN BRIEF



13.

BERGS AS AN INVESTMENT



33.

SUSTAINABILITY



8.

GOALS AND STRATEGY



19.

OPERATIONS



51.

RISK FACTORS

ABOUT THE ANNUAL REPORT

The Annual Report for the financial year 2022 for the Parent Company and the Group consists of the Director's Report (pages 63–65) and the financial statements, as well as the notes and comments (pages 66–101). The statutory sustainability report according to the Swedish Annual Accounts Act is included in the Annual Report (pages 34–35).

Cover image: Façade panel and roof made of treated wood from Bergs.
Production: Bergs, in partnership with Setcom AB.

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and English version, the Swedish version shall prevail.

This is Bergs

Bergs owns and develops companies that process wood.

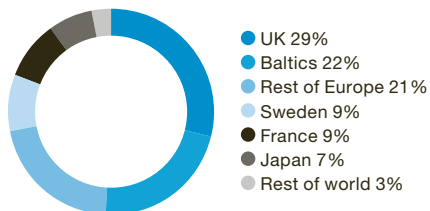
The Bergs Group consists of independent subsidiaries, with clear responsibilities for results, that develop, produce and market processed wood for various applications.

With years of experience in wood and a great deal of competence in further processing, Bergs promotes building a sustainable society based on renewable raw materials from sustainably cultivated forests in the Baltic Sea region.

Operations are conducted in Sweden, Estonia, Latvia, Poland, and the UK, and the Group's products are sold in some 20 countries. The largest markets consist of Scandinavia, the Baltic countries, the UK, and France. The head office and Group management are located in Sweden.

The company's share has been listed on Nasdaq Stockholm since 1984.

Sales by market



Product areas



29%

Wood Protection

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



25%

Joinery

This product area comprises high-quality made-to-order windows and doors, houses (including the so-called Attefall houses), and a wide range of different garden products such as outdoor furniture, windbreaks, and panelling for swimming pools.



38%

Sawn Wood

In this product area, sawmill operations are conducted at two facilities in Latvia and Estonia respectively. A minor part of the production is further processed by other subsidiaries in the group into high-quality products. The remaining production is mainly sold to other industrial customers in Europe for further processing.

The numbers are based on group net sales in 2022. In addition to these three product areas, Bergs conducts operations in pellet production and logistics. These operations represent 8 per cent of the Group's sales and are described in more detail on page 28.

The year in brief

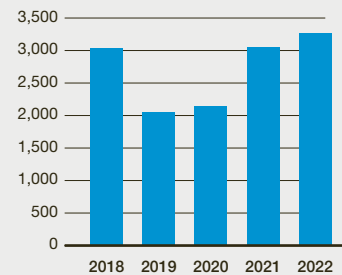
- A general slowdown in the market, but from very high levels
- The downturn, primarily in the DIY market, has adversely impacted Bergs in Wood Protection
- Continued stable performance for windows and doors, with order intake remaining healthy
- Acquisition in Poland increases capacity in custom windows and doors
- Robust improvement in volume and earnings for pellets

Key performance indicators

Amounts in SEK m	2022	2021
Net sales	3,267	3,055
EBITDA	331	503
EBITDA margin, %	10.1	16.5
Operating profit	241	426
Operating margin, %	7.4	13.9
Profit for the year	231	417
Earnings per share, before and after dilution, SEK*	6.66	12.03
Equity per share, SEK*	53.12	46.61

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

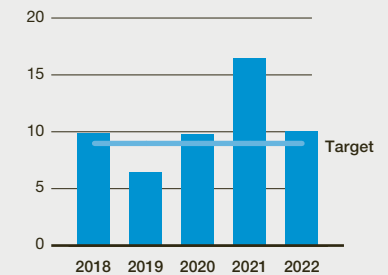
Net sales, SEK m*



SEK **3,267** m

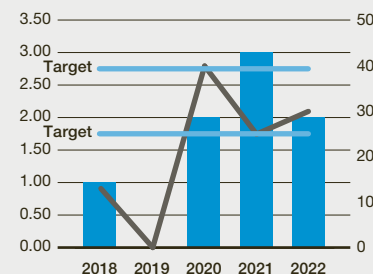
* 2018 comprises 16 months

EBITDA margin, %



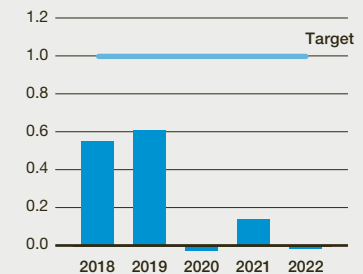
10.1 %

Dividend and share of profit for the year, SEK



SEK **2.00** per share
(Suggested dividend)

Net debt/equity ratio



-0.02

Key events

Bergs signs new loan agreement

Bergs has signed agreements with Danske Bank and Skandinaviska Enskilda Banken as creditors. The new credit facilities in the total amount of SEK 650 million have a three-year term and include one term loan of SEK 250 million and a revolving loan facility of SEK 400 million. The agreement entails a refinancing of the majority of the Group's existing loans, but on better terms.

Timber Windows opens two new showrooms in Sweden

Timber Windows, one of the Group's brands with a focus on custom windows and doors for the private residence market, has now initiated establishments outside of the UK with the opening of showrooms in Saltsjöbaden outside Stockholm and the Hovås district of Gothenburg. Timber Windows is part of PTP Group, a Bergs subsidiary.

Bergs conducts a reverse split

At the Annual General Meeting of Bergs Timber on 5 May 2022, a resolution was passed on a reverse split of all of the company's shares whereby ten (10) shares were consolidated into one (1) share. The first day of trading with the consolidated shares was 30 May 2022.

Expansion of Byko-Lat completed

A new warehouse and logistics building has been completed at the facility in Valmiera, Latvia. The addition has resulted in increased manufacturing capacity for windows and doors.

Bergs grows within windows and doors

Bergs acquired the Polish company Pinus, which manufactures custom windows and doors in the premium segment. Founded in 1991, the company is a reputable manufacturer of high-quality windows and doors. The company is located in Brzeg, outside Wroclaw in southwestern Poland. In addition, P&P – a company in London that sells and installs windows and doors – was acquired.

Both of these acquisitions improve the conditions for continued expansion in the Joinery product area.

Bitus concentrates production to fewer units

After a strategic review of the operations in the subsidiary Bitus, the Board has concluded that future efforts and investments for increased competitiveness and not least in energy efficiency should be concentrated to the existing facilities in Nybro and Fågelfors. This means that production at Broakulla will be wound down.

Performance Timber Products Group (PTPG) is one of the UK's leading operators in the premium segment for wooden windows and doors.



CEO Comments

»We will continue the journey of change that we set out on a few years ago«

After several years of high levels of activity in new construction, renovations, and the DIY sector, we noted a weakening market for wood products during the second half of the year. However, our operations in windows, doors, and pellets continued their strong performance. Our efforts at developing and broadening our operation have continued; in particular, we experienced strong growth in the business for windows and doors.

The year in summary

Declining demand in construction and the DIY sector in the second half of the year adversely impacted the Group's sales of wood protection products and sawn products. On the other hand, windows, doors, and pellets are holding their own, which means we are reporting earnings for the full year that are in line with our financial targets. Sales increased, the cash flow was strong, and EBITDA margin for the year totalled just over 10 per cent. As a result of the Group's strong financial position, a dividend of SEK 2 per share has been proposed and a share repurchase program will be presented ahead of the Annual General Meeting in May.

A look back

In the Annual Report for 2019, I described a clear vision for the future and an objective that Bergs would become a strong wood industry company with good profitability and a broader product offering in which the share of processed products would increase.

At that point in time, the sawmill operation accounted for just over two thirds of sales, and more processed products for one third. Since then, a new strategy has been implemented and we can now state that our product portfolio is larger and significantly more diversified. Today, the sawmill operation accounts for just over one third of sales.

We have moved in the direction we intended, and we are seeing a number of positive effects from these efforts. Our resilience has increased by reducing dependency by a highly volatile raw materials market. Effects of which are difficult to foresee and plan for. We are also seeing that the margins for processed products are becoming more stable over time, and that it is becoming easier to adapt our operation to changed market conditions.

Strategy

Bergs will continue to grow, both organically and through acquisitions. Above all, we are seeing growth in windows and doors, as well as wood protection where there are conditions for expansion.

Extensive efforts are under way in our wood protection operation to increase the share of products such as timber treated with linseed oil, heat-treated timber, and fire-retardant timber. We are engaged in coordinating and enhancing the efficiency of sales, marketing, and production among the subsidiaries of the Group. We are evaluating suitable acquisition candidates in order to strengthen our business in wood protection.

In windows and doors, efforts to develop the Timber Windows concept are continuing not only in existing markets but in new geographies as well. We will consolidate Bergs's position as a leading operator in high-quality windows and doors. Production capacity will increase together with a more coordinated market and sales. Acquisitions in both the market and production are being evaluated.

Investments in our sawmills will primarily be made in our sawmill in Latvia in order to safeguard our long-term competitiveness.

Business environment

The ongoing war in Ukraine impacts us all, with all that it implies in the form of human suffering. The war has also meant that all exports of wood products from Russia to Europe – which before the war corresponded to around 10 per cent of European consumption of wood – have stopped. We have not yet seen fully how the market balance and its effects will be impacted.

CEO comments

For Bergs, it is primarily the wood protection operation in Latvia – where more than half of our raw materials were imported from Russia and Belarus – that has been impacted. The transition has entailed significant costs during the year, and unfortunately many employees have had to leave us, both as a stage in adapting costs to the new situation and as a result of a cyclically downturn in demand for our products.

Market

The economic situation remains uncertain, and we are seeing reduced construction activity in Europe. At the same time, there are indications that the key American construction market has bottomed out. We expect that the market for energy-saving measures such as window and door replacements, will remain favourable.

As a result of the situation in the energy market, the price of and demand for pellets increased over the last year. Development going forward depends largely on the trend in the energy market.

Organisation

We have a clear decentralised organisation where the responsibility for the market, performance, and earnings is delegated to our subsidiaries. At the same time, we see strong opportunities for joint development projects within the Group. It is a question of leveraging potential synergies and creating networks for valuable exchange of knowledge and to counteract sub-optimisation. Collaboration can take place in sustainability and purchasing, as well as in market and sales. Even a general increase in the need for digitalisation could result in savings in time spent on coordinating activities in this area.

Our orientation on a greater share of processed products and an increased focus on markets and customers means we need to develop our business models. This will increase the need for new skills. To manage this, existing employees are undergoing training and new employees are being recruited.

As a result of the acquisition of Pinus in Poland during the year, I can welcome some 120 new employees to Bergs. Pinus boosts our business in windows and doors, and provides exciting conditions linked to their location in Poland close to a large market.

Sustainability

Sustainability initiatives are a routine feature of daily operations at our subsidiaries. From the Group side, we govern and guide our subsidiaries in these efforts to continually develop and improve, and to report regularly in accordance with established KPIs. In 2022, a Group-wide Code of Conduct was introduced that encompasses all employees at Bergs and governs how our employees are to act in different contexts – environmental and social – and as regards business ethics.

Since Bergs, through diversification, now encompasses more and newer areas that no longer have a clear link to forestry, our sustainability strategy has also been developed to reflect this. The proportion of raw materials such as glass and the like is increasing, which is why we also want to make a comprehensive effort regarding responsible sourcing of raw materials.

We have made good progress in several areas, and the efforts being made are aimed at positioning Bergs as a corporate group with a strong sustainability profile.

Future prospects

We will continue the journey of change that we set out on a few years ago. Bergs is well positioned in markets and product areas with potential for growth. Our products have good sustainability characteristics, and we are noticing significant interest in wood as a material. Owing to our strong financial position, we have all the conditions for developing long-term and sustainable value creation.

Thank you!

I would like to take this opportunity to thank all our capable and committed employees. And my sincere thanks to all the shareholders who believe in Bergs and in our efforts to develop our operations.

Stockholm, March 2023

Peter Nilsson,
President and CEO





Goals and strategy

Creating value through processing | Business concept |
Strategy and Acquisitions | Targets

International wood processing that creates value

A clear focus on selected and well-defined niches creates conditions for profitability and growth.

Proven business model

Bergs is a group that owns and develops companies. The foundation of Bergs's business model is constructed around a decentralised structure where the respective subsidiaries act in the market with a clear and delegated responsibility for results.

Currently, the group has nine wholly-owned subsidiaries, all of which process wood into competitive products in select niches. These market niches have been selected on the basis of, for example, the long-established know-how in various subsidiaries and favourable conditions for robust profitability and growth.

We describe and report on the operations of the various companies in three different product areas. These are Wood Protection, Joinery, and Sawn Wood.

Going forward, Bergs will prioritise the development of operations in the Wood Protection and Joinery product areas, which are deemed to have favourable market conditions over the long term, while several subsidiaries already have a strong position in these areas that can be developed and scaled up.

Investments in Sawn Wood will be made to increase productivity and efficiency in order to maintain long-term competitiveness.

Using this governance model, we create flexible operations where decisions that concern the business are primarily made by those with the best knowledge. A central guiding principle in the Group's work is entrepreneurship, and the commitment that the respective subsidiaries represent. At the same time, it should involve the possibility of responding quickly to changes in business environment factors and customer needs. There is also a strong desire to avoid bureaucracy and lengthy decision-making paths.

Broad, diversified product portfolio

Compared with the company's previous history, Bergs today has a broad portfolio of products for various applications and markets. By deliberately investing in select niches, there is now a broad diversity in the products from the Group's subsidiaries. At the same time, this means a lower degree of exposure to drastic fluctuations in demand and raw materials, which previously entailed an increased risk when the primary operation and production volumes were concentrated in sawn product.

Market and future prospects

At heart, there is stable and growing demand for high-quality sustainable wood products for construction purposes, as well as for a large renovation market in an ageing property stock and for investments in energy efficiency.

Broad product portfolio



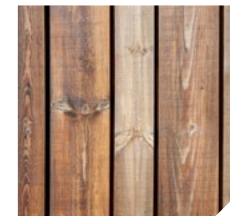
SAWN PRODUCTS



DOORS



WINDOWS



CLADDING



WOOD DECKS



PELLETS



GARDEN



FIRE LOGS



CUSTOM WINDOWS AND DOORS



HOUSES

Increasing interest among designers and architects in the properties of wood, which impact both economy and aesthetic values, promotes this development.

Even the fact that wood is now being used to a great extent for industrial construction of multi-storey buildings also promotes increased demand.

Several products in Bergs's range fit in well among those in demand from both professional builders and the private market.

Future growth

Our financial targets indicate that growth should be 10 per cent annually through a combination of organic growth and acquisitions.

Investment plans have been developed among our various subsidiaries for increasing capacity in existing operations and implementing efficiency enhancements.

Over the past year, investments were made to expand capacity for more qualified wood protection, and to expand capacity for production of windows and doors at existing plants as well as through the acquisition of the window and door plant in Poland in 2022.

The strategy and its various components can be broken down and described for the different product areas:

Wood Protection

- Quality products with clear sustainability profiles in high demand
- Increase the share of highly processed products such as timber treated with linseed oil, heat-treated timber, and fire-retardant timber.
- Continue to increase, coordinate, and enhance marketing and production within the Group
- Complete suitable supplementary acquisitions

Joinery

- Clearer orientation, above all on made-to-order windows and doors
- Develop the Timber Windows concept in new markets as well
- Continue to increase, coordinate, and enhance production within the Group
- Consider acquisitions that can contribute to growth in capacity or add unique know-how
- Increased investments in coordinated marketing and sales

Sawn Wood

- Retain and develop existing divisions
- Investments in improved capacity, increased productivity and environmental performance
- The operation generates cash flow and could constitute a hedge for the Group as a whole
- There is potential for increased processing through further processing in-house or via acquisitions

Energy & Logistics

- Increase profitability, capacity and productivity for pellets and fire logs
- Increase investments in marketing and sales to industrial customers, and to private customers via e-commerce
- Develop the Fågelfors brand
- Continue to develop harbours and logistics centres in the UK, where expanded volumes yield increased profitability

Innovation and associated companies

- Invest in innovations linked to wood and wood processing
- Continue development of Wood Tube (patented paper studs for wall production and furniture manufacturing, where Bergs has a 25 per cent ownership share)

Trends

- Significant pent-up need in the renovation market
- Demand for sustainable products
- Good willingness to pay for quality
- Global competition requires highly efficient production



Bergs operations

Bergs is well positioned in line with the market's demands and general trends



Customer needs

- Products with long life span
- Certified value chains
- Custom made products
- Craftsman-level quality
- Recyclable products in a loop

Value chain and business model

Resources	Strategy	Value created
<p>Customer relationships (around 600 customers)</p> <p>A decentralised and efficient organisation</p> <p>Just over 1,100 employees</p> <p>Significant leading-edge competence in wood processing, windows, and doors</p> <p>Efficient and well-invested production facilities</p>	<p>Sustainable value growth through</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid #ccc; padding: 5px; width: 45%;"> <p>Organic growth</p> <p>Active investments with assessed potential</p> <p>Decentralised responsibility and authorisations</p> </div> <div style="border: 1px solid #ccc; padding: 5px; width: 45%;"> <p>Acquisitions</p> <p>Supplementary operations or markets</p> </div> </div>	<p>For customers New business opportunities. More efficient, more sustainable operations</p> <p>For employees Attractive workplaces with opportunities for development</p> <p>For society Functional local communities. Job opportunities. Tax revenue.</p> <p>For owners Value growth and dividends</p>

Acquisition strategy

Attractive companies that could promote Bergs's future growth must fulfil a number of criteria.

Bergs will prioritise companies with a sound financial position and where there are good growth opportunities and must be able to collaborate with other subsidiaries..

They must share Bergs's fundamental values regarding sound business ethics, and must be marked by a strong entrepreneurial spirit.

They must also be located in the Bergs Group's main geographical market, which is Europe.

Acquisitions in 2022

During the year, Bergs acquired the Polish company PPUH PINUS SP. Z O.O, which manufactures custom windows and doors in the premium segment and had sales of around SEK 90 M in 2022. This transaction creates the conditions for continued expansion in Bergs's Joinery product area.

About Pinus

Founded in 1991, Pinus is a reputable manufacturer of high-quality windows and doors. The company is located in Brzeg, outside Wrocław in southwestern Poland, and has been run by the original founders since its start. The company has modern, efficient machinery

and employs some 120 people. For more than 20 years, Pinus has been a supplier to PTPG, Bergs's subsidiary in the UK. The majority of sales is currently to PTPG in the UK, but Pinus also sells to customers in countries including Poland and Germany.

The acquisition of Pinus means that additional production capacity has been added to the Group. In combination with the newly completed expansion of the Group's facility in Latvia, this secures deliveries for the planned expansion in the UK and the rest of Europe. Additionally, opportunities for future production synergies among the various units of the Group are being created.

P&P Holdings Ltd

Performance Timber Products Group acquired all shares on 13 January 2022 in the English company P&P Holdings Limited with an annual turnover of approximately GBP 7 million (SEK 85 million).

P&P sell, distribute and install windows and doors in Surrey and South West London.

The companies have had a close collaboration for several years, where P&P conducts sales of windows and doors under the name Timber Windows which is PTPG's network of showrooms for retail sales.

After the acquisitions, Berg's annual sales of windows and doors amount to approximately SEK 600 million.



Craftsmanship at Pinus.

Target

Financial targets

Financial targets	Outcomes	Historical outcomes																								
Bergs's target is to achieve annual growth of 10 per cent over a business cycle	Growth rate in 2022 was 7%, of which the majority was through acquisitions.	<p>Net sales, SEK m</p> <table border="1"> <tr><th>Year</th><th>Net sales, SEK m</th></tr> <tr><td>2018</td><td>3,000</td></tr> <tr><td>2019</td><td>2,000</td></tr> <tr><td>2020</td><td>2,100</td></tr> <tr><td>2021</td><td>3,000</td></tr> <tr><td>2022</td><td>3,200</td></tr> </table>	Year	Net sales, SEK m	2018	3,000	2019	2,000	2020	2,100	2021	3,000	2022	3,200												
Year	Net sales, SEK m																									
2018	3,000																									
2019	2,000																									
2020	2,100																									
2021	3,000																									
2022	3,200																									
Bergs's target is to achieve an EBITDA margin of 9 per cent over a business cycle	The average EBITDA margin over the last five years was 10.9%. The margin in 2022 was 10.1% and was impacted by a weaker market situation for wood products in the second half of the year.	<p>EBITDA margin, %</p> <table border="1"> <tr><th>Year</th><th>EBITDA margin, %</th></tr> <tr><td>2018</td><td>10</td></tr> <tr><td>2019</td><td>6</td></tr> <tr><td>2020</td><td>10</td></tr> <tr><td>2021</td><td>16</td></tr> <tr><td>2022</td><td>10</td></tr> </table>	Year	EBITDA margin, %	2018	10	2019	6	2020	10	2021	16	2022	10												
Year	EBITDA margin, %																									
2018	10																									
2019	6																									
2020	10																									
2021	16																									
2022	10																									
Bergs strives to attain financial net debt that is less than equity	Bergs's financial position is good with low indebtedness. The annual debt/equity ratio on December 31, 2022 was -0.02, meaning net cash holdings.	<p>Net debt/equity ratio</p> <table border="1"> <tr><th>Year</th><th>Net debt/equity ratio</th></tr> <tr><td>2018</td><td>0.55</td></tr> <tr><td>2019</td><td>0.6</td></tr> <tr><td>2020</td><td>0.05</td></tr> <tr><td>2021</td><td>0.15</td></tr> <tr><td>2022</td><td>-0.02</td></tr> </table>	Year	Net debt/equity ratio	2018	0.55	2019	0.6	2020	0.05	2021	0.15	2022	-0.02												
Year	Net debt/equity ratio																									
2018	0.55																									
2019	0.6																									
2020	0.05																									
2021	0.15																									
2022	-0.02																									
Bergs's target is an annual dividend of normally 25–40 per cent of profit for the year after tax	The Board has proposed a dividend of SEK 2.00 per share for 2022, corresponding to 30% of the profit for the year.	<p>Dividend, profit for the year, SEK and %</p> <table border="1"> <tr><th>Year</th><th>Dividend (SEK)</th><th>Profit for the year (SEK)</th><th>Dividend % of profit</th></tr> <tr><td>2018</td><td>1.00</td><td>1.00</td><td>100%</td></tr> <tr><td>2019</td><td>0.50</td><td>0.50</td><td>100%</td></tr> <tr><td>2020</td><td>2.00</td><td>2.00</td><td>100%</td></tr> <tr><td>2021</td><td>3.00</td><td>3.00</td><td>100%</td></tr> <tr><td>2022</td><td>2.00</td><td>2.00</td><td>100%</td></tr> </table>	Year	Dividend (SEK)	Profit for the year (SEK)	Dividend % of profit	2018	1.00	1.00	100%	2019	0.50	0.50	100%	2020	2.00	2.00	100%	2021	3.00	3.00	100%	2022	2.00	2.00	100%
Year	Dividend (SEK)	Profit for the year (SEK)	Dividend % of profit																							
2018	1.00	1.00	100%																							
2019	0.50	0.50	100%																							
2020	2.00	2.00	100%																							
2021	3.00	3.00	100%																							
2022	2.00	2.00	100%																							

* 2018 encompasses 16 months

Sustainability targets

Sustainability component	Group target	Outcome 2022	Comparison 2021
Long-term profitability	Refer to the Group's financial targets in the table to the left.	Refer to the table to the left	Refer to the table to the left
Responsible raw materials sourcing	At least 82% of timber procured must be certified. Each subsidiary must ensure traceability of raw materials and input goods such as glass, aluminium, steel, and ceramics. Environmental performance requirements pertaining to glass, where the ambition is to use as large a share of recycled glass as possible.	70% (94% including Controlled Wood)	67% (94% including Controlled Wood)
Fossil fuel-free world	Zero fossil fuel emissions from Scope 1+2. Halve the 2021 level of fossil fuel emissions from Scope 3.	7,000 tonnes CO2e 20,700 tonnes CO2e	9,000 tonnes CO2e 29,000 tonnes CO2e
Resource-efficient, clean value chains	Reduce waste by 10% from 2021 baseline. Zero pollution of groundwater.	854 tonnes of discarded waste No new known pollutants in 2022	1,222 tonnes of discarded waste No known pollutants in 2021
Safe, equitable, and fair workplaces	Improve gender distribution among employees and ensure safe and fair workplaces. Reduce accidents with 24 hours or more of sick leave (Lost Time Accidents, LTA) to 8 accidents per 1 million hours worked by 2025 (0 is the vision).	77% men 6 accidents with sick leave of 24 hours or more per 1 million hours worked reported in 2022	80% men 6 accidents with sick leave of 24 hours or more per 1 million hours worked reported in 2021
Lively local communities	Strive for local value chains and short transport journeys.	No quantifiable target set	No quantifiable target set
Core values and ethics	Trained in the company's core values and sustainability initiatives. Strategic suppliers for Bergs's subsidiaries must sign a commitment to comply with the Group's Code of Conduct.	Routine training held in 2022 and further into 2023	Code of Conduct presented in 2022

For complete sustainability targets and action plans, refer to page 39.



Bergs as an investment

Investing in Bergs | Trends | Value for various customer groups | The share

Investing in Bergs

– long-term value creation

Bergs will own and develop companies that operate in the wood industry. By focusing on niches with promising market conditions, the various subsidiaries of the Group will develop their know-how and market offerings, increase their capacity, and strengthen their market positions. Investments and supplementary acquisitions will be carried out to consolidate this position.

As Bergs's strategy states, the outlook in two priority product areas is felt to be particularly good.

- Bergs has the conditions to become one of Europe's leading operators in wood protection. This is a fragmented market with a large number of operators. Developing production methods and more processed products produces good conditions for expansion in a growing segment. Acquisitions of operators that can strengthen the overall offering are continually being evaluated.

- The market for custom windows and doors is significant. Ageing property stock – often buildings with cultural and historical value – will need suppliers who can safeguard the high value of these properties for the future as well. Bergs has a strong market position and efficient production. Bergs does not compete with the market for standard windows and doors; all manufacturing is governed by customer orders.

The Group's sawmills serve as a stable and profitable base that both supplies in-house production with materials and promotes a high level of profitability. Investments will be made in efficiency and productivity here for long-term competitiveness.



Trends that impact Bergs



Bergs's subsidiaries are impacted by various factors in the business environment and long-term trends.

The renovation market remains strong

In large parts of Europe, an ageing housing stock will require continual renovation initiatives.

Increased demands for sustainability

Consumers are increasingly demanding guarantees and facts regarding how products are manufactured. Is there a sound underlying production structure? Bergs has a good overview of the entire value chain, and has agreements with suppliers regarding raw materials, working conditions, ethics, and regulatory compliance.

Increased interest in wood from designers and architects

The choice of construction material is impacted by both aesthetic properties and characteristics of materials.

Customised products

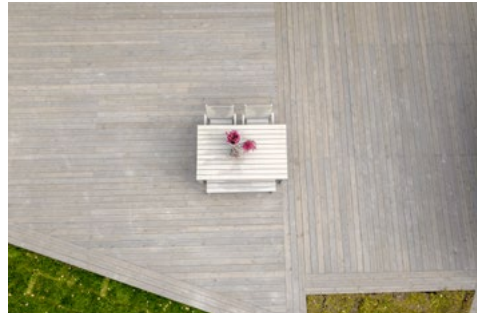
Bergs's various subsidiaries are among the very best in customer order-driven production. Manufacturing bespoke doors and windows, or houses with unique measurements, for customers makes the product valuable and desirable. Good ability to live up to this reduces material waste, challenges employees to perform and develop in the profession. High quality promotes longevity and contributes to improved circularity.

Innovations and new regulations that facilitate construction in wood, even in multi-storey buildings

Just 20 years ago in Sweden, only two-storey houses were permitted to be constructed of wood. The construction of multi-storey buildings with timber carcassing is currently on the rise. This means that the need for wood that is suitable for building construction is increasing. For Bergs, this is in the form of wood that is protected against moisture or fire.

Of benefit to builders and property owners

Bergs's successes depend on its capacity for creating value that fulfils the desires and needs of the market. The goal is for products and services that are produced to be sustainable over the long term, and perceived to be so by the market and other stakeholders.



Long sustainability and minimal maintenance

Effective wood protection is a smart investment. Using wood that has been professionally treated to create effective protection against moisture, parasites, and fire boosts the value of the property while enabling less of a need for maintenance. Various processes also create aesthetically pleasing materials that are suitable for cladding and roofs as well as flooring for terraces and decking.

Impregnated decking timber is a good choice for panelling around a swimming pool as well.

Sustainable wooden buildings for generations

There are wooden buildings that have stood for a thousand years. Without a doubt, it is an established truth that wood is a splendid construction material that is well suited for constructions both large and small. Wood is mouldable, easily worked, strong, and durable. Bergs manufacture modular buildings and Attefall buildings, fully ready for use with all installations such as electricity, water, and appliances. Bergs also enables industrial construction with deliveries from our sawmills. It could be deliveries to single-family home manufacturers, frame timber buildings, or the construction of large properties where the recent trend has been to build larger and higher than what was previously common, or even legal.





Energy from waste products

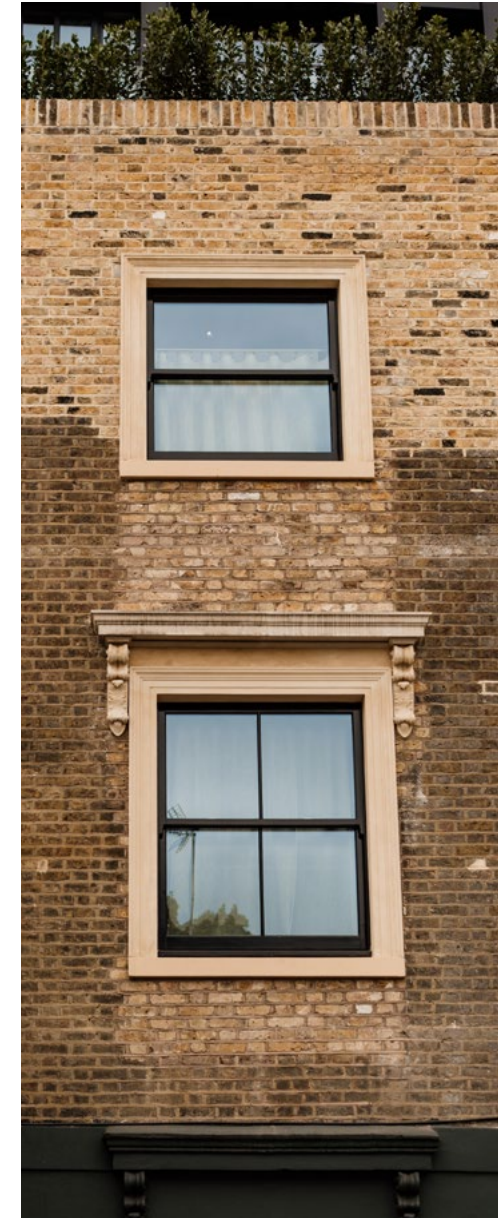
Using waste products from the wood industry is responsible. Manufacturing pellets and fire logs for energy production and heating is one such example where the Group's subsidiary, Fågelfors, is a leader in Sweden. Demand for this product range has increased over the past few years in pace with an increased shortage of predictable energy sources as well as runaway prices on the world market.

Cultural and historical contributions

Owners of buildings with cultural and historical value often have the ambition of renovating and improving with a light touch, ensuring that the property is preserved for the future. The value of a property is safeguarded with the possibility of custom windows and doors from Bergs's subsidiaries, where good function and energy efficiency can be achieved owing to high levels of professional expertise. Bergs's network of some 50 showrooms for custom windows and doors creates a secure relationship between customers and suppliers that increases the conditions for successful business.

Reliable industrial partner for the renovator

Large projects require suppliers who can provide a high level of consistent quality in combination with capacity that is in demand. For decades, Bergs's various subsidiaries have been successful partners in many prestigious renovation projects. These include residences, hotels, and office properties where the requirements are extremely stringent and the capability of delivering large volumes is also accorded great significance.



The share

Trading in the share

The share has been listed on the Stockholm stock exchange since October 1984. Today, the company is listed on Nasdaq OMX Nordic Small Cap, materials. ABG Sundial Collier has been market maker for the share since June 2018. This means that the market maker, during ordinary trading, sets both selling rate and buying rate for the number of shares equivalent to turnover of SEK 30,000. The difference between the buying and selling rates — the spread — may be a maximum of 3 per cent.

Shareholder information

Shareholder information is available on the company's website, bergstimber.com, under the heading "Investors". Here, it is also possible to subscribe to press releases and obtain the details for various contact persons.

Proposed dividend

The Board of Directors proposes that a dividend of SEK 2.00 per share be paid for the 2022 financial year.

Dividend policy

Bergs's target is an annual dividend of 25–40 per cent of the profit for the year after tax. Factors that the Board will first take into account in connection with future dividend proposals are investment needs, financial position, earnings trends and outlook for the next few years.

Bergs Timber B share price, 2020–2022



The share

Share capital, issues etc. from 1993

Share data		2022 ⁴⁾	2021	2020	18–19	17–18
Number of shares at end of financial year		34,672 828	346,728 283	346,728 283	346 728 283	340,787 689
Earnings per share after tax ²⁾	SEK	6.66	12.03	4.87	1.30	5.42
Earnings per share after tax and full dilution ²⁾	SEK	6.66	12.03	4.87	1.30	5.42
Equity per share ²⁾	SEK	53.12	46.61	36.08	31.78	30.34
Return on capital employed	%	13.0	25.6	8.3	4.4	15.4
Proposed dividend per share ²⁾	SEK	2.00	3.00	2.00	0.00	1.00
Dividend's share of profit	%	30.02	25.00	40.82	–	18.10
Dividend's share of equity	%	3.77	6.44	5.54	–	3.24
Share price, 31 December (August for the years before 2017/18)	SEK	30.45	54.20	30.70	25.50	29.70
Share price/equity per share ²⁾	%	57	116	85	80	96
Yield	%	6.57	5.54	6.51	1.57	3.37
P/E ratio	multiple	5	5	6	20	4
Number of shares sold per year ³⁾	thousands	14,590	38,194	37,307	27,977	58 515
Market capitalisation at year-end	SEK m	1,056	1,879	1,064	884	1 012
Number of shareholders at year-end		12,396	13,157	4,769	5,041	4 951

1) For definitions of financial terms, see page 98.

2) Retroactive adjustment of reverse split 1:10 in May 2022.

3) Number of shares sold refers to shares traded on the Stockholm stock exchange over the last 12 months.

4) In 2022, a reverse split of 1:10 was carried out, which affected certain key figures.

Shareholders as of 31 Dec 2022 (10 largest shareholders)	No. of shares	Share of voting rights, %
Norvik hf	20,342,084	58.7
Åke Bergh and spouse	1,186,077	3.4
Cervantes Capital	799,361	2.3
Futur Pension	750,579	2.2
Lupus alpha	671,400	1.9
Avanza Pension	530,948	1.5
Per Anders Bendt	500,000	1.4
Therese Sundbye	280,000	0.8
Mandarine Gestion	225,002	0.7
Erik Selin	210,000	0.6
Total 10	25,495,451	73.5
Other	9,177,377	26.5
Total number of shareholders	12,396	
Total number of shares	34,672,828	

Year	No. of shares	Share capital	Class A	Class B	Total number of shares
1993		10,350,000	240,000	1,830,000	2,070,000
1993 Bonus issue 1:1	2,070,000	10,350,000	480,000	3,660,000	4,140,000
1999 New issue, acquisition of Järnforsen	659,490	3,297,450	480,000	4,319,490	4,799,490
2005 New issue, acquisition of Orrefors	2,000,000	10,000,000	480,000	6,319,490	6,799,490
2007 New issue, acquisition of Bitus	100,000	500,000	480,000	6,419,490	6,899,490
2012 Restamping of series A shares to series B shares			0	6,899,490	6,899,490
2012 Reduction of share capital		-27,597,960	0	6,899,490	6,899,490
2012 New share issue	89,693,370	89,693,370	0	96,592,860	96,592,860
2014 New issue, acquisition of Gransjö	16,856,399	16,856,399	0	113,449,259	113,449,259
2016 New issue, acquisition of Broakulla	46,338,430	46,338,430	0	159,787,689	159,787,689
2017 New issue, acquisition of Vimmerby	11,000,000	11,000,000	0	170,787,689	170,787,689
2018 New issue, acquisition of operations in the Baltics and the UK		170,000,000	0	340,787,689	340,787,689
2019 New share issue, acquisition of Fågelfors Hyvleri AB	5,940,594	5,940,594	0	346,728,283	346,728,283
2022 Reverse split 1:10	-312,055,455	0	0	34,672,828	34,672,828
		346,728,283			

The number of shareholders according to the share book as of 31 December 2022 was 12,396 (13,157).

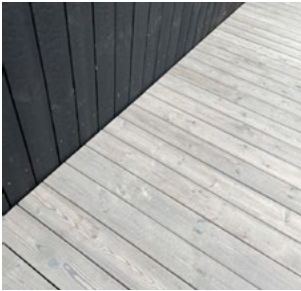



A close-up, low-angle shot of numerous stacks of wood, likely in a mill or warehouse. The wood is stacked in neat rows, receding into the distance. The lighting is dramatic, with strong highlights and deep shadows, emphasizing the texture and grain of the wood. The overall tone is industrial and natural.

Operations

Governance | Local entrepreneurship | Organisation
Wood Protection | Joinery | Sawn Wood | Energy & Logistics | Subsidiaries

Product areas

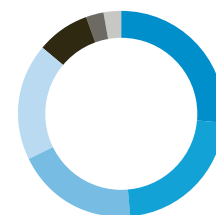
Bergs's operational activities consist of independent subsidiaries with clear responsibilities for results that conduct operations in three different product areas. These are Wood Protection, Joinery, and Sawn Wood. Moreover, Bergs is engaged in the production of pellets as well as port and distribution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

				
	Wood Protection	Joinery	Sawn Wood	Energy & Logistics
Share of sales	29% (SEK 981 m)	25% (SEK 836 m)	38% (SEK 1,292 m)	8% (SEK 287 m)
Products	Treated wood (impregnated, fire-retardant, etc.) in accordance with international standards and environmental requirements. This also includes a special range of untreated and treated planed products for the DIY sector.	High-quality wood products such as made-to-order windows and doors, single-family homes and garden products.	Sawn products for further processing by industrial customers.	Pellets and fire logs for heating. Port and distribution operations.
Areas of use	Common applications include façade panelling, carcasses, wood decks and similar constructions where the requirements for sustainability and aesthetics are stringent.	Conversions and extensions, renovations, new construction.	Conversions and extensions, renovations, new construction. Input products for other industries.	Heating of housing units, and stall pellets for horse and riding facilities.
Subsidiaries	Bitus Byko-Lat Bergs Timber UK	Byko-Lat Woodworks by Bergs PTPG Pinus	Vika Wood Laesti	Bitus (Fågelfors) Byko-Lat Baltic Distribution Ltd

Wood Protection

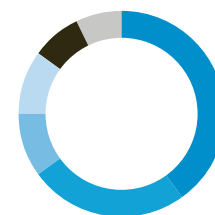
In the Wood Protection product area, wood raw materials are processed through planing, impregnation, heat treating or other finishing with the aim of improving the characteristics of the wood as regards service life, which involves effective protection against moisture, microorganisms, and fire. Aesthetic aspects that result from these refining processes are also of great importance when choosing materials for constructions by designers and architects.

Sales by market



- UK 29%
- France 24%
- Rest of Europe 21%
- Sweden 20%
- Iceland 9%
- Baltics 3%
- Other 3%

Sales by product area



- Construction 40%
- Decks 25%
- DIY 10%
- Battens 10%
- Cladding 8%
- Other 7%

Places of operations



Sales, SEK m

981

EBITDA margin

-4.3%

Wood Protection

The year in brief

A clear decrease in demand – primarily in the DIY sector – was noted during the year, which meant that sales volumes fell. The unexpectedly low sales volumes created an imbalance in raw materials stockpiles, with increased costs and drastically impaired profitability as a result. The respective subsidiaries implemented savings measures and adapted production to lower demand, and are prepared to take further action to keep costs and stockpiles in balance.

In 2021 and half of 2022, demand was strong while price levels were record high. To avoid ending up in a situation with difficulties in delivering the volumes demanded, most manufacturers began stockpiling. The purpose was to be able to continue benefiting from the favourable market situation. In retrospect, this stockpiling was too large for Bergs, with higher costs as a result. Adjustments have been made and stockpiles reduced, which is expected to result in a better balance over the coming year. Staff reductions took place during the year as well, to adjust costs to the decrease in demand.

Wood Protection is undergoing a transition towards more processed products and customised logistics solutions. One example of this is markedly increased demand for wood treated with linseed oil, which is a premium product with good profitability. A new product range that is being offered to customers is heat-treated wood, which receives good protection against moisture and parasites after a process of heating but without the addition of chemicals. This product range can also be combined with fireproofing.

The war in Ukraine has also meant that all exports of wood products from Russia have stopped, with serious consequences for the European timber market. For Bergs, the wood protection operation in Latvia – where roughly half of the raw materials was imported from Russia – has been impacted. Replacing this has been costly, and also involved staff reductions. Adjustments to the operation are continuing, where the trend is towards an investment in more processed products.

Offering

The primary products in Wood Protection are façade panelling, wooden decks, roofs, timber for construction, and a specialised assortment for the DIY segment.

Wood treated with linseed oil consists of the highest-quality pine that is impregnated with a copper-based agent under NTR class AB, and subsequently boiled in hot linseed oil in a vacuum. The result is an environmentally friendly product that is highly suitable for extreme climate conditions and has excellent testing results as regards repelling moisture.

Traditionally pressure-impregnated wood is a product group of timber treated with wood preservative. For the Nordic market, we produce pine under the NTR standard, which produces a 20-year guarantee against rot.

Heat-treated wood is an entirely chemical-free process that produces a fine patina that ages beautifully. This means an excellent environmental profile and material that is easy to recycle. The natural treatment with heat and vacuum means that the product has stability of form, which means the timber does not change shape or bend after it has been installed. Heat-treated wood also has the same protection throughout the product. This means the protection is not affected by drilling or cutting the timber.

Fireproofing of wood is essentially a maintenance-free impregnation that protects the wood against the spread of fire. The wood is fireproofed using vacuum impregnation.

From a user perspective, the longer service life of the wood and lower maintenance costs make wood protection attractive. Other characteristics that users appreciate are appealing aesthetic values, where structure and colours contribute to the experience of the finished product or structure.

Active efforts to develop new products and solutions are under way. Collaborations with architects and designers are key to highlighting the possibilities of products treated with wood preservatives and establishing new offers. Similarly, developing an aftermarket with new services and offerings is an important matter. Care instructions, oils for



Wood Protection

supplementary impregnation, and new digital tools to facilitate the correctness of orders and minimise material waste are all provided to safeguard the customer journey throughout the life cycle.

Different markets have different requirements, which Bergs meets by using certified timber as an input material. The regulations of the Nordic Wood Preservation Council (NTR in Swedish), which largely work with pine as a raw material, are the governing regulations in the Swedish market. The volumes produced at Bergs are produced in accordance with the NTR standards.

Customers

Wood has the advantage of being easy to use, and the primary customer groups for the product area are building suppliers – Beijer and Bauhaus, for example, with nationwide chains and a large number of stores – as well as major construction companies and manufacturers of single-family homes. The key markets are the UK, Sweden, France, and Iceland.

Market position and competitors

Operations are conducted in Sweden, Latvia and the UK. The majority of production takes place at the Byko-Lat and Bitus subsidiaries.

The market is extremely fragmented, with a large number of operators that are mainly active locally. Total production volume in Bergs – which is one of the larger producers of wood protection in Europe – is 300,000 cubic metres.

Market growth for more processed products such as linseed oil-based products, fire protection and other specialised treatments is estimated to be 20 to 25% yearly.

The requirements for design and aesthetic values are continually increasing. This is valid for most applications in construction, parks, and infrastructure. Great significance is also attributed to sustainability perspectives, where products treated with wood preservative have a substantially longer lifespan.

Bergs also has an ambition of being an active part of a future consolidation of the industry, where acquisitions and mergers are continually evaluated.

Certifications

Bitus's process of fire-retardant impregnation has been assessed using environmental data from SundaHus as regards Bergs's Burnblock Spruce, Pine and Thermo Pine. These assessments show that the products are not hazardous to the environment or health during the construction phase, that they are a minimal burden on natural resources and that they do not promote unsustainable forestry. SundaHus administers and maintains an environmental database in accordance with the guidelines of environmental legislation, in which goods for the construction and property sector in conjunction with new construction and conversions. Customers include private property management companies, municipal and state property management companies, county councils, consultants and contractors.

The non-profit assessment board Bygghälsögruppen has also listed the Linax and Burnblock brands from Bitus.

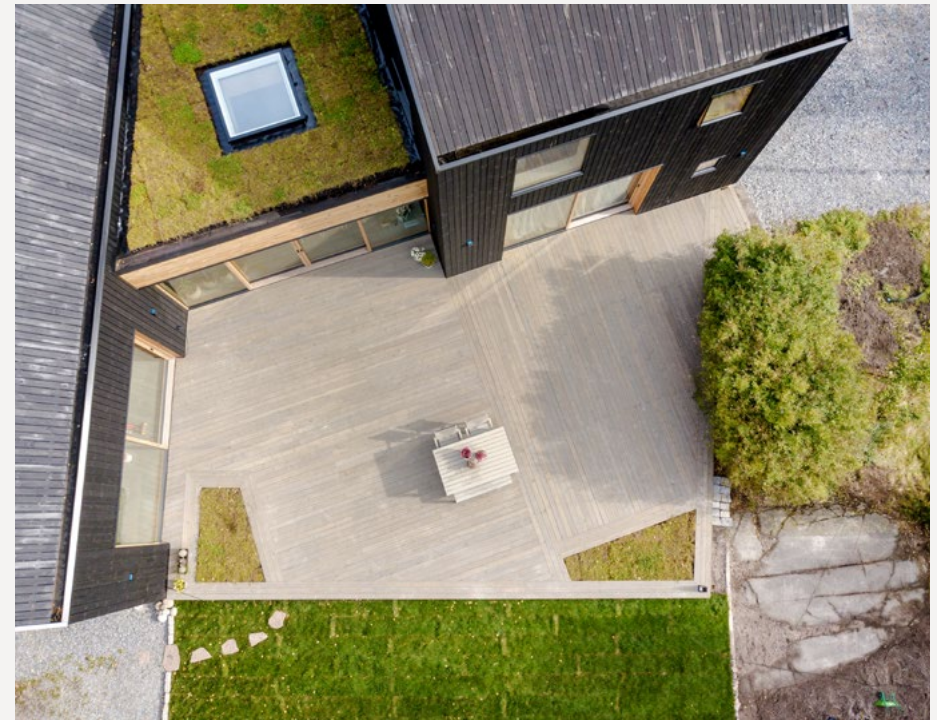
Decking from Bitus in Grand Designs

Bergs's subsidiaries are proud suppliers to the architect firm of Edd Rushton. Villa Lundberg, seen in the Grand Designs Sverige 2022 television programme, is something out of the ordinary.

Rushton is an architect who works in both Sweden

and the UK, but he has now chosen to reside in Sweden with his family. This project is therefore very special, since for the first time he is designing a house for himself and his family. So, in addition to a fantastic location outside Stockholm, it is a project with

a lot of heart. The choice fell on a linseed oil-impregnated deck in grey, as it was intended to blend in with the mountains and nature on the lot.

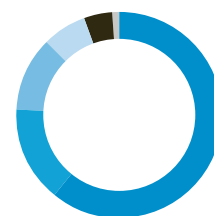




Joinery

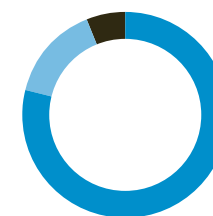
This product area comprises high-quality made-to-order windows and doors, houses (including the so-called Attefall houses), and a wide range of different garden products such as fences, stairs, windbreaks, and panelling for swimming pools.

Sales by market



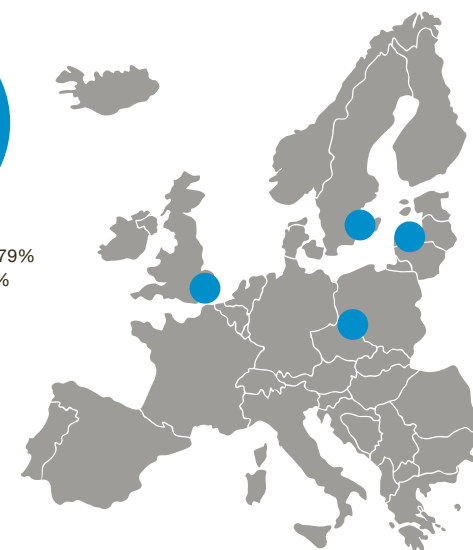
- UK 69%
- Rest of Europe 17%
- Iceland 13%
- France 8%
- Sweden 5%
- Baltics 1%

Sales by product area



- Windows and doors 79%
- Garden products 15%
- Houses 6%

Places of operations



Sales, SEK m

836

EBITDA margin

9.2%

Joinery

The year in brief

Demand for made-to-order windows and doors was good throughout the year, and the various subsidiaries in the Group did not note any slow-down in this market. Similarly, profitability in general has been good even if higher raw materials prices had an effect. Integration of the Polish window and door company Pinus during the year is proceeding according to plan and the conditions for increasing the total production rate in the Group are good. Work is under way to better optimise existing capacity and to coordinate purchasing and production to a greater extent.

On the other hand, we are seeing a clear decrease in demand and profitability for our garden products, where we sell primarily to the DIY sector. However, this product range comprises a smaller part of Joinery.

Even single-family homes and Attefall houses have been impacted by increased costs for raw materials and a cautious market, where factors such as increased interest rates had an impact on purchasing decisions.

Offering

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

Key supplementary acquisitions were completed in the last few years in both the UK and Poland in order to strengthen the previously existing manufacture of high-quality windows and doors, which is governed by customer orders. All together, this has led to Bergs now being a significant European supplier of made-to-order windows and doors in the premium segment, and who delivers on commission for architects, designers, builders, and private property owners with stringent demands for both quality and aesthetics.

Bergs now has control over a complete value chain from customer contact, procurement of raw wood materials from its sawmills in the Baltics, and manufacturing to painting and final installation. Manufacturing currently takes place at three units: one in the UK, one in Poland, and one in Latvia.

Customers

Private property owners, construction and renovation companies, building trade, architects, and property developers.

Market position and competitors for windows and doors

Marketing and sales target professional clients, where personal contacts and prior reference assignments are of great significance.

The extensive private market is reached via a comprehensive network of showrooms where customers can discuss their needs with knowledgeable advisers while they can browse among various product ranges of windows, doors, and fittings so as to gain a fair understanding of how the completed delivery will look. Type of product, choice of performance, installation and commercial terms are all settled at the same time.

The products where Bergs is strongest have traditionally been produced by very small carpentry companies with strong local influence. The market has always been there and is highly robust, but also extremely fragmented. What we are doing now is conceptualising our offering, which means we are meeting the market with strong brands, clear offerings, and stable data support in order to provide customers with a comfortable experience and a delivery that matches high expectations.

The network of showrooms – currently around 50 in number – is a combination of direct operation by Bergs's subsidiaries and franchise operations. This means a large geographic footprint, and the rate of growth can thus be much higher. Regardless of where orders are placed, customers are guided in a uniform CMS tool that guarantees the same product quality and commercial terms. A large portion of the final settlement is paid when the order is placed, which also means a more favourable cash flow than if payment were only made upon delivery.

Each unique order is subsequently manufactured at one of the Group's three production units, which are administered together and coordinated by the respective selling unit which, if this is the case, is one of the various showrooms or a commercial sales representative.

Reconstruction of the historical St. Mary's Hospital in Bristol

Mumford & Wood, a company in the PTP Group, was contacted by M R Allen Limited to help transform the old healthcare establishment into student housing. The building had stood empty for a number of years before the project to transform the property into 153 student apartments was given the green light.

All 109 window frames were manufactured at the Mumford & Wood plant in

Tiptree, Essex, with acoustic vents and laminated double glazing, which ensures that noise between apartments is kept to a minimum.

Mark Allen, from M R Allen Limited, explains:

»We chose Mumford & Wood for their good reputation in manufacturing classical, traditional English wooden windows – just what this project required. We also

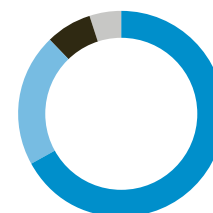
had a few strict requirements for acoustic performance, and a close collaboration with Mumford & Wood made it possible for us to create a product that exceeded our expectations.«



Sawn Wood

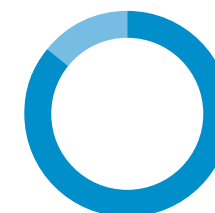
This product area encompasses production of sawn products such as planks and boards in various dimensions, lengths and qualities at two different units. Total production is approximately 320,000 cubic metres of sawn product per year.

Sales by market



- Baltics 55%
- Rest of Europe 17%
- Other 6%
- UK 4%

Sales by company



- Vika Wood 86%
- Laesti 14%

Places of operations



Sales, SEK m

1,292

EBITDA margin

18.4%

Sawn Wood

The year in brief

The past year entailed falling demand and lower prices for sawn product. The price of raw materials in the form of timber remained high, but was offset to some extent by increased prices for by-products such as sawdust and cellulose chips. After a historically strong market in 2021 and early 2022, with record-setting prices in both Europe and the US, demand gradually slowed down during the year.

The market for sawn product will likely remain volatile, with both variable offerings and major fluctuations in prices. With other producers announcing decreases in production and the fact that exports of wood products from Russia have stopped, the offering of sawn product is now decreasing. In our opinion, the market for sawn product will remain in balance over the coming year.

Production was reduced at our Estonian sawmill while we are planning to maintain a normal production rate at our Latvian sawmill.

Offering

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

Total production is approximately 320,000 cubic metres of sawn product.

Customers

The product range is primarily targeted towards industrial customers that further process products. A smaller portion is sold via the building trade, and a certain amount of high-quality wood is sold to countries such as Japan.

A small share is sold to the various subsidiaries of Bergs for further processing. Approximately one half of production is sold on within the Baltics.

Market position and competitors

The market for sawn products is fragmented, with a large number of operators. The long-term trend is positive, given that the use of wood in several applications has become more commonplace. Wood has numerous major advantages as a material in conjunction with constructions of façade panels, roofs, flooring, decks, and entire buildings. Alongside being a material with excellent product qualities, wood has established itself in earnest as a sustainable materials choice that also entails positive environmental and climate effects since it binds carbon during the entire life cycle of the construction.

In 2022, demand fell as the result of worsening market conditions for the DIY market and the construction and renovation markets.

Quality-conscious market for wood in Japan

Japan has been a key market for Vika Wood since 2000. It is the company's largest export market after the domestic market, in which we also

include the neighbouring countries Estonia and Lithuania.

In 2022, Vika Wood made deliveries to 31 countries;

Japan accounted for roughly 16% of production, or around 45,000 m³.

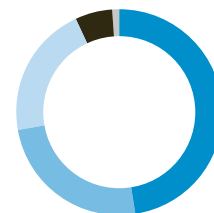
The Japanese market is demanding and quality-conscious, with a sharp focus on sustainability. Imported wood from Europe is often used in furniture production or for constructions with stringent aesthetic requirements.



Energy & Logistics

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

Sales by market

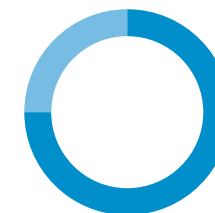


- Rest of Europe 48%
- UK 25%
- Sweden 21%
- Baltics 6%
- Other 1%

Sales, SEK m

287

Sales by product area



- Energy 75%
- Logistics 25%

EBITDA margin

28.9%

Places of operations



Energy & Logistics

The year in brief

Strong market for pellets and fire logs linked to high electricity prices. Record-high production and full capacity utilisation.

Offering

Manufacture of pellets and fire logs for heating based on by-products from sawing and planing operations. Total annual capacity is approximately 90,000 metric tonnes of pellets and an additional approximately 20,000 metric tonnes of fire logs.

Customers

Private individuals and municipal heating facilities.

Market position and competitors

Fågelfors, a subsidiary of Bitus, has control over one of the largest and most modern pellet factories in northern Europe, completed in 2019. Other sawmill companies pursue similar operations. Direct sales via the Internet and partnerships with resellers have created a stable and loyal clientèle. The market foresees a stable future, given a weakened energy system in Europe caused by several macro-economic factors.

Port and logistics operations

Baltic Distribution Ltd owns and operates the port in Creeksea on the river Crouch, close to the Greater London area. The facility encompasses both the port and the quay, as well as warehouses and logistics spaces.

The company administers and stores over 120,000 m³ of wood products per year in the form of sawn wood, garden products and wood accessories for the furniture industry, both for its own operation and for external customers.

Significant volumes of steel are also managed for external customers.

By offering everything from unloading to storage, further processing of wood and logistics services, Baltic Distribution has a comprehensive offering of service to ensure a secure supply chain and to prepare a bridgehead into the UK for international customers.



Pellets and fire logs for heating.



Port and logistics facility in Creeksea, close to London.

Subsidiaries

The Bergs Group consists of independent subsidiaries, with clear responsibilities for results, that develop, produce and market processed wood for various applications and different markets.

Group functions

The management of the Bergs Group is responsible for profitability and Group-level reporting. They function as support and advisers to the directors of the subsidiaries, recruit and employ managers,

bear responsibility for implementing the overall strategy adopted by the Board of Directors, carry out acquisitions, plan and secure capital structure and financing, conduct dialogue with the share market and owners, and are responsible for overall sustainability topics.

Employees

Increased specialisation imposes greater demands on competence. Running each subsidiary efficiently depends to a great degree on the employees, and under the decentralised business model every manager is directly responsible for employees being motivated and having the relevant know-how.

At the Group level, there are clear goals for safety to reduce the risk of injuries. Targets for improving equality have also been established.

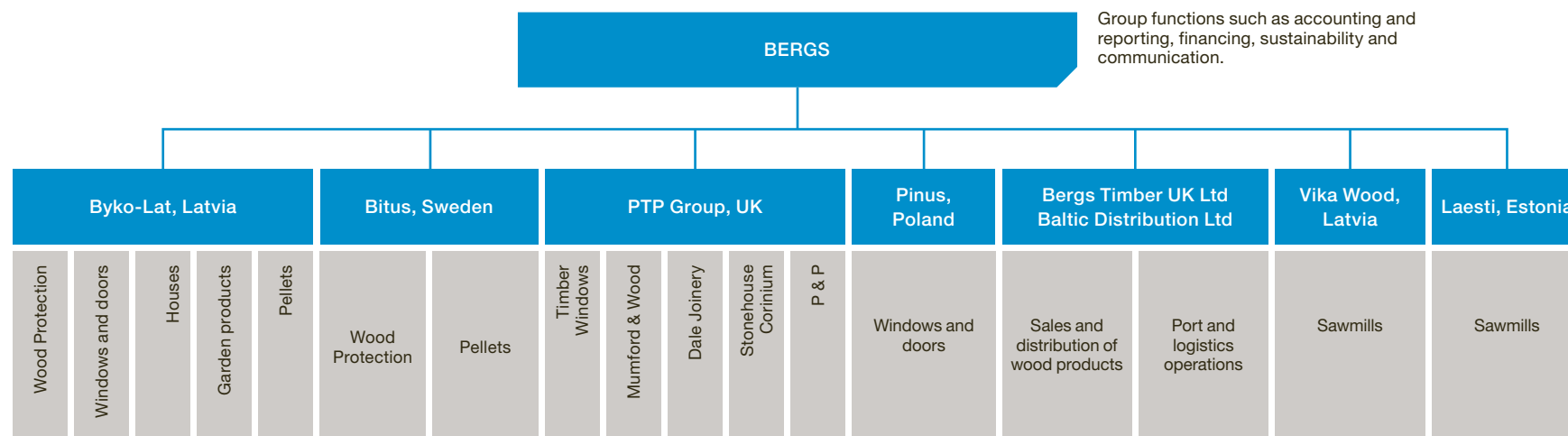
Local entrepreneurship drives Bergs

Each subsidiary in the Bergs Group develops, manufactures, and markets products and services for customers in the construction trade – both professional users and the DIY segment – as well as for builders and contractors for industrial customers.

The companies may be located at different points along the value chain, but what they have in common is that they process wood from sustainably cultivated forests in the Baltic Sea region.

Management and governance are delegated from the Group level to the respective subsidiaries, which are responsible for results and tied-up capital. The directors of the respective subsidiaries are also responsible for strategy, product development, sales, customer care, and branding issues, and must also have sufficient awareness of the business environment to find suitable candidates for acquisition that can contribute to the further development of the Group.

Organisational chart



Subsidiaries



WOOD TUBE (25% ownership share)

Paper-based studs

The innovation company Wood Tube has developed a patented paper studs for the manufacture of interior walls and furniture frames. The studs are made from recycled paper materials and are an alternative to joists made from steel or solid wood. The product facilitates climate-smarter construction, reduces building costs, and improves the work environment.

The participation in Wood Tube is in line with Bergs's ambitions for developing and processing effective and sustainable products.

Sweden

BITUS

Bitus manufactures a number of quality-controlled impregnated wood products for both the Swedish market and various export markets.

Bitus has an annual production of approximately 200,000 m³ of timber per year, of which approximately 60,000 m³ comprises own products. The majority is produced on commission for several external customers.

In addition to traditional pressure-impregnated products, Bitus also offers a broad range of special products including NTR-treated wood that is double-impregnated with linseed oil, and heat-treated wood under the Thermowood brand.

Under the Burnblock brand, fire-retardant timber for housing construction is produced. Operations are conducted in partnership with Burnblock ApS in Denmark, which has developed a fire-retardant treatment that is fixed into the wood raw materials via impregnation.

Bitus also manufactures pellets and heating logs under the Fågelfors brand with a capacity of 70,000 m³ pellets and 20,000 m³ heating logs.



Latvia

BYKO-LAT

Byko-Lat conducts its operations at two locations in Latvia, and the company is one of the leading producers of wood products in the Baltics.

Byko-Lat also conducts extensive operations in wood protection and produces approximately 200,000 m³ of impregnated wood annually, which makes Byko-Lat the largest producer of wood protection in the Baltics.

In addition, windows and doors are produced, as well as houses and garden products. The primary markets are the UK, the Netherlands, France, Belgium, Denmark, Norway and Iceland.

VIKA WOOD

Vika Wood was founded in 1995, and is a modern sawmill with efficient production. The company has continuously invested, and is today one of the largest and most efficient sawmills in the Baltics. The company has approximately 140 employees.

Vika Wood has a well developed production layout that is governed to a great degree by customer orders, which results in flexible production that ensures quick orders and deliveries to customers. It also means that inventory levels are kept low.

Production volume: 270,000 m³

Focus: Spruce and pine

Core markets are the Baltics, Europe, and Japan.

Subsidiaries



Estonia

LAESTI

Laesti produces and delivers sawn products from both spruce and pine in varying degrees of dryness, as well as several by-products such as cellulose chips to paper mills, sawdust to pellet production and bark for heating.

Laesti's geographic location is favourable from both a market and a customer perspective as well as in conjunction with raw materials procurement, since most of the other sawmills in Estonia are located in the central and eastern parts of the country.

The core markets are the Baltics, Germany and the Czech Republic. A smaller share is sold to China. Approximately 50 per cent of production is sold to the Group company Byko-Lat in Latvia for further processing.

Production volume: 70,000 m³

Focus: Spruce and pine



UK

PTP GROUP

The Performance Timber Products (PTP) Group is one of the leading operators in custom windows and doors in the premium segment. The company manufactures and sells top-class products to the private market as well as to contractors, designers, and architects.

Operations are carried out under the following brands:

Timber Windows

The Timber Windows concept means that customers and interested parties can visit any of the company's roughly 45 showrooms, which provide opportunities for qualified consultations, examining product samples, and being given a clear offer regarding wooden windows and doors. The majority of these showrooms are operated on a franchise basis, but some are operated under own management. Timber Windows takes responsibility from the first consultations, through production, up to and including installation.

Dale Joinery

The company sells wooden windows and doors through a number of building retailers and quality-driven construction developers as well as the DIY sector.

Mumford & Wood

Founded in 1954 and one of the UK's strongest brands in the premium segment for wooden windows and doors. The company works primarily with architect-based new construction and renovation projects. Production takes place at a modern, advanced plant located in Essex.

BERGS TIMBER (UK) LTD

Bergs Timber (UK) Ltd is a trading company and reseller of wood products. The company offers a wide range of wood products with a focus on garden products and wood components for manufacturing furniture.

BALTIC DISTRIBUTION LTD

Baltic Distribution Ltd owns and operates the port in Creeksea on the river Crouch, close to the Greater London area. The facility encompasses both the port and the quay, as well as warehouses and logistics spaces.

By offering everything from unloading to storage and logistics services, Baltic Distribution has a comprehensive offering of service to ensure a secure supply chain and to prepare a bridgehead into the UK for international customers.



Poland

PINUS

Pinus manufactures high-quality windows and doors. Located in Brzeg, outside Wroclaw in south-western Poland, the company has modern, efficient machinery and employs some 120 people. The majority of sales is currently to Bergs's subsidiary, the PTPG Group, but Pinus also sells to customers in countries including Poland and Germany.

The company's products are manufactured to order by architectural firms and construction developers as well as private property owners. Windows and doors from Pinus increase the value of both modern buildings and buildings of cultural and historical interest, with a high degree of quality and excellent energy-saving properties.



Sustainability

[Sustainability at Bergs](#) | [Events of 2022](#) | [Bergs's sustainability initiatives](#) | [Sustainability strategy](#)
[Goals and outcomes](#) | [Stakeholder analysis](#) | [Materiality analysis](#) | [The EU Taxonomy](#) | [Risk](#)

Sustainability at Bergs

Bergs will be a sustainable company over the long term.

Bergs's sustainability strategy, and the active measures the company takes to comply with its strategy, can actively influence development towards reduced CO2 emissions and promote more resource-efficient and clean value chains as well as healthy local communities.

What is sustainability, for Bergs?

Bergs's successes depend on its capacity for creating value that fulfils its stakeholders' wishes and needs for sustainable products while taking into account the economic, environmental, and social consequences in creating these values. Sustainability initiatives at Bergs must therefore be characterised by a long-term perspective. Our ambition is that the effort we make will primarily be of benefit in the processes we can directly influence, but also in our role as an acquirer of raw materials and services linked to our total offering. That is why it is important that our efforts create confidence among our investors, customers and other stakeholders.

Positive basic conditions

Wood is the only renewable building and construction material that moreover binds and stores carbon dioxide throughout its life cycle, which enables a reduced climate impact compared with other construction materials. The combination of creating primarily made-to-order wood products with

extremely long service lives with an efficient, industrialised production process with responsible value chains is Bergs's contribution to sustainable social development.

Products that are manufactured and sold by Bergs's subsidiaries promote long-term sustainable development. Windows and doors that are made to last for generations, and construction components that can replace other materials such as steel, aluminium, plastic and concrete are a few examples of areas where Bergs is creating alternatives that promote sound circular value chains in which resources are used in an optimal manner and where great significance is attached to the work environment, safety and sound business principles.

Integrated sustainability initiatives and community involvement go hand in hand with long-term value creation. These permeate every stage from investment calculations, plant establishment, and raw materials procurement to production, marketing, and sales. For Bergs, pursuing its operations sustainably and being a positive force as regards the issues within its sphere of influence are central.

Laws and regulations

We carefully monitor all the various regulations – nationally, in the EU, and at the global level – so that we are prepared for future adaptations and can gradually adapt our reporting to them. We will develop our efforts, primarily as regards the EU Corporate Sustainability Reporting Directive (CSRD), which will become the overall regulation that will also standardise future reporting in order to increase comparability among different companies and sectors. Key factors to relate to are the perspective of double materiality and dialogues with key stakeholders.



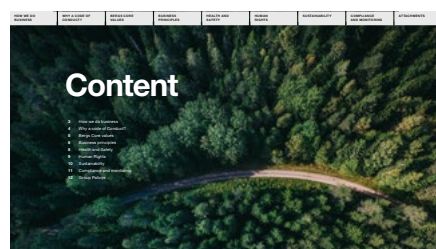
Events of 2022

Developed strategy

During the year, the company's sustainability strategy was reviewed to ensure that the contents and objectives were consistent with the operations being pursued. The previous strategy was adopted when the primary operation at Bergs was the sawmill business, which changed in conjunction with the sale of the Swedish sawmill business in 2020. The previously clear link to forests and forestry has therefore become more tenuous, even if the majority of the raw materials that Bergs processes still comprises wood from sustainably managed forests in the Baltic Sea region. The strategy is reported in its entirety on page 37.

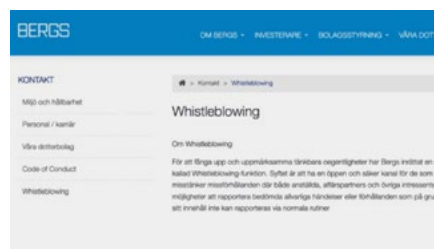
Code of Conduct adopted

A Group-wide Code of Conduct that encompasses all employees in the Group has been developed and adopted. A similar document will be launched in 2023 that will regulate collaboration with the Group's strategic suppliers, thus ensuring compliance with stringent requirements throughout the value chain.



Whistleblowing function established

To capture and highlight potential improprieties, Bergs has inaugurated a whistleblowing function. The aim is to have a safe, open channel for people who suspect an unsatisfactory state of affairs where employees, business partners and other stakeholders have the opportunity to report what they feel are serious incidents or conditions that, owing to their content, cannot be reported via normal procedures. Information and instructions for this function are available in six languages via the Bergs Group website.



Borrowing with sustainability requirements

During the year, Bergs signed a loan financing agreement with Danske Bank and SEB in which certain conditions are bound up with the outcome of selected KPIs in Bergs's sustainability strategy, which thus reinforces the link between goals and performance.

More energy produced in-house

Additional solar panels have been approved and installed for 2023, which together provide 800,000 kWh distributed among three production units. Planning for increased capacity is routinely in progress.



Directors' meeting in Stockholm

In May, some 50 directors and senior executives from the Group's various subsidiaries gathered in Stockholm for a review of the Group's strategy and the way forward. In addition to the Group Management's presentations and exchange of experiences, time was added for discussion of brand strategy and the new Code of Conduct that applies to all subsidiaries.



Bergs's work on sustainability

Bergs's sustainability initiatives take the UN's 2030 Agenda for Sustainable Development, with its 17 overall Sustainable Development Goals (SDGs), as their starting point. These SDGs integrate social, environmental and economic dimensions, which form the basis for sustainable development. A sustainability strategy adapted to the company's operations has been adopted on this basis.

Organisation

The overall business strategy of the Bergs Group is built on robust decentralisation in which the respective subsidiaries have far-reaching delegated responsibility that encompasses long-term performance and profitability. On the other hand, issues concerning sustainability – including the sustainability strategy – are centralised, binding and non-negotiable. In this regard, Bergs is measured and perceived as a group, and its efforts around these issues have a high priority on the Board of Directors, Group Management and a central function drawn up for the operation. The sustainability strategy is an integral part of the company's overall strategy.

The Group's sustainability initiatives are led and coordinated by the Group's Head of Sustainability, who reports directly to Group Management. It must be a living policy document and it must support the management of the subsidiaries in working on continual improvements.

Governance and management

Bergs's operation is organised into three different areas of production, where the contractor-driven subsidiaries act independently. Bergs's management model involves a high degree of responsibility with the authorisation to act in accordance with market conditions, with routine monitoring and reporting. Group Management is responsible for monitoring the outcome of the sustainability targets including climate-related targets, risks, and opportunities. Reports on the sustainability initiatives are presented monthly, and outcomes of the sustainability initiatives are reported once a year.

The respective subsidiaries pursue their sustainability initiatives in connection with this strategy. They are also responsible for pursuing sustainability initiatives related to customer satisfaction, marketing initiatives, energy use, and energy optimisation, for example via stakeholder dialogues and routine customer surveys.

Allocation of responsibilities

Board of Directors

- responsibility for sustainability strategy

CEO and Group Management

- CEO and Group Management report to the Board of Directors on issues concerning the sustainability strategy

- CEO and Group Management are measured on the outcomes of sustainability targets
- CEO and Group Management are responsible for implementation of and compliance with the Code of Conduct

Heads of subsidiaries

- Fixed points regarding sustainability issues for subsidiary management teams that are debriefed, monitored and reported to the CEO
- Subsidiary directors are measured on the outcomes of sustainability targets

Head of Sustainability

Responsible for collecting data and ensuring compliance with regulations and decisions concerning environmental topics, safety, responsible value chains and sound business policies.

- Ensures regular reporting from subsidiaries
- Monthly reporting on performance, derogations or other matters of significance to Group Management
- Accident and incident reporting
- GDPR issues
- Ensures compliance with certifications
- Responsible for whistleblowing function

Policy documents and priority areas

Overall strategy

- Code of Conduct
- Code of Conduct for suppliers
- Policies

Goals and key performance indicators

Overall financial targets

- Goals and key performance indicators per area of strategic focus
- Local goals by subsidiary

Management systems, programs and certifications

KPIs for monitoring

- IFRS for financial reporting
- Group policies
- ISO
- FSC. C106624 and PEFC for certified wood raw materials

External legislation, standards, and initiatives

- The EU Taxonomy. A tool for classifying economic activities based on how closely they align with the Paris Agreement.
- Relevant ILO conventions
- EWC (European Works Council)

Sustainability strategy

Bergs's operations, which encompass processing of wood in selected niches, are aimed at long-term value creation where environmental considerations, economic profitability, and social considerations work together. The goal is for products and services that are produced to be sustainable over the long term, and perceived to be so by the market and other stakeholders. The operations of the respective subsidiaries in the Group may not generate a negative impact or do harm under the EU's environmental targets.

The areas of strategic focus within the strategy are measured and evaluated; these are (for more information, refer to page 39):

- Long-term profitability
- Responsible raw materials supply
- Resource-efficient, clean value chains
- A fossil fuel-free world
- Safe, equitable, and fair workplaces
- Lively local communities
- Core values and ethics

Central and decentralised

Bergs has its greatest impact on sustainability by being an active and responsible owner, where the various subsidiaries pursue their own sustainability initiatives while observing the Group's overall strategy, targets, and KPIs.

There are fewer than ten persons at the Group level, and there are some 1,100 employees in the various subsidiaries, where all industrial operations are also pursued. The direct impact of the head office in the area of sustainability is therefore limited in comparison to that of the subsidiaries, but through active Board activities Bergs is a driver in and imposes stringent requirements on the development and compliance of its subsidiaries in this regard.

Long-term value is created by developing sustainable operations that consist primarily of wood raw materials from responsibly managed forests in the Baltic Sea region, where quality products with long service lives are manufactured for demanding customers at good levels of remuneration. Bergs is convinced that shared respect for the environment and our fellow human beings is a condition for positive development for the Group and our various stakeholders.

The various subsidiaries face different challenges and offer internationally leading products in areas that promote sustainable construction; ethical, cultural, and historical values; efficiency enhancement; safety; and a good work environment.

Sustainability strategy

Sustainability strategy and goals for Bergs

SUSTAINABLE DEVELOPMENT GOALS

Long-term profitability

(refer to the Group's financial targets, page 12)

Responsible raw materials supply

82% certified timber
Traceability of glass, aluminium, steel, and ceramics.



Fossil fuel-free world

No own fossil fuel emissions
Halve emissions from transportation



Resource-efficient, clean value chains

No wood waste
No pollution of groundwater



Safe, equitable, and fair workplaces

Halve the number of accidents
Improved gender distribution



Lively local communities

Strive for local value chains and short transport journeys



Core values and ethics

All employees trained in core values and sustainability

Strategic suppliers for Bergs's subsidiaries must sign a commitment to comply with the Group's Code of Conduct



Compliance and monitoring

Code of Conduct

The Code of Conduct is the Group's policy for sustainable entrepreneurship, and comprises a key element of the Group's sustainability initiatives. The guidelines and principles comprise the minimum requirements that all subsidiaries and their suppliers must fulfil. For the companies that are part of Bergs, this is ensured through the active involvement of the Board to see to it that the companies fulfil Bergs's requirements in the area.

Bergs is an active owner in its wholly owned subsidiaries, setting requirements and guiding the management of the respective companies. Sustainability issues are of great significance in the companies and activities that advance the companies' positions are routinely conducted, at which point new and more challenging goals can be adopted.

There are clear instructions that sustainability must be a recurring point at all Board meetings, and that Bergs embeds central KPIs and adds its own relevant key performance indicators with associated targets. The shared central KPIs are reported to Bergs for compilation and analysis on an annual basis, and are presented to Group Management.

All other Group-wide policies and policy documents are communicated out to the management of the respective subsidiaries. Bergs's participation on the boards of directors ensure compliance with adopted policies and guidelines.

Wood Protection is undergoing a development towards more processed products with a higher degree of added value that are suitable for use in façade panelling and roofs. These include impregnated wood as well as wood treated with linseed oil, which is a premium product with outstanding properties. A new product range is heat-treated wood, which also provides good protection against moisture and parasites after a process of heating but without the addition of chemicals. These product ranges can also be combined with fireproofing.



Sustainability targets

Sustainability component	Group target	Timeframe	Action plan	Outcome 2022	Comparison 2021
● Long-term profitability	Refer to the Group's financial targets on page 12	Targets established in 2021	Routine monthly follow-up with the respective subsidiaries	Refer to page 12	Refer to page 12
● Responsible raw materials supply	At least 82% of timber procured must be certified Each subsidiary must ensure traceability of raw materials and input goods such as glass, aluminium, steel, and ceramics. Environmental performance requirements pertaining to glass, where the ambition is to use as large a share of recycled glass as possible.	2025 Interim targets: 2022: 68% 2023: 70% 2024: 80% 2025: 82%	Procure the maximum amount of certified wood. Safeguard the supplier chain. As large a share of recycled glass as possible, and dialogues with suppliers on quality, performance, etc. Sales of windows with a U-value of 1.0 or lower and sales of doors with a U-value of 1.2 or lower shall be pursued.	70% (94% including Controlled Wood)	67% (94% including Controlled Wood)
● Fossil fuel-free world	Zero fossil fuel emissions from Scope 1+2	2030 Interim targets (tonnes CO2e): 2022: 1+2 = 9,000 2023: 1+2 = 8,000 2024: 1+2 = 7,000 2025: 1+2 = 5,000	Increase the proportion of energy self-sufficiency, for example, with solar cells on the manufacturing units. Enhance energy efficiency, seal leaks, shut down machinery. Etc. Update company vehicle policies at units that promote electrical alternatives. When procuring machinery, focus on electrical alternatives. With new construction, climate-efficient solutions must be prioritised.	7,000 tonnes CO2e	9,000 tonnes CO2e
	Halve the 2021 level of fossil fuel emissions from Scope 3.	2030 Interim targets (tonnes CO2e): 2022: 3 = 29,000 2023: 3 = 28,000 2024: 3 = 27,000 2025: 3 = 26,000	Demand more sustainable alternatives for transports. Requirements for transport suppliers to supply primarily fossil-free alternatives.	20,700 tonnes CO2e	29,000 tonnes CO2e

Sustainability targets, *cont.*

● Resource-efficient, clean value chains	Reduce waste by 10% from 2021 baseline	2022	Reduce the amount of own waste, and from purchased input goods. Sort more consciously, and follow up.	854 tonnes of discarded waste	1,222 tonnes of discarded waste
	Zero pollution of groundwater	Routine	Continue measuring and checking.	No new known pollutants in 2022	No known pollutants in 2021
● Safe, equitable, and fair workplaces	Improve gender distribution among employees and ensure safe and fair workplaces.	2025	Initiatives in accordance with the annual agenda, with routine sustainability/safety committee meetings, risk analyses and safety walks. Conduct employee surveys at all units. All units must connect to the Group-wide digital reporting systems.	77% men	80% men
	Reduce accidents with 24 hours or more of sick leave (Lost Time Accidents, LTA) to 8 accidents per 1 million hours worked by 2025 (0 is the vision)	2025 Interim targets: 2022: 13 2023: 12 2024: 10 2025: 8	Initiatives in accordance with the annual agenda, with routine sustainability/safety committee meetings, risk analyses and safety walks.	6 accidents with sick leave of 24 hours or more per 1 million hours worked reported in 2022	6 accidents with sick leave of 24 hours or more per 1 million hours worked reported in 2021
● Lively local communities	Strive for local value chains and short transport journeys	Routine	No quantifiable target set		
● Core values and ethics	All employees trained in the company's core values and sustainability initiatives Strategic suppliers for Bergs's subsidiaries must sign a commitment to comply with the Group's Code of Conduct	2023	Review of the Code of Conduct for all employees via lectures and e-learning Establish/create procedures/structures for supplier checks.	Routine training held in 2022 and further into 2023	Code of Conduct presented in 2022

Sustainability components

Long-term profitability



Bergs has a strong financial position

Economic growth creates financial conditions for achieving the other sustainability goals. This is expressed in SDG 8 (Decent work and economic growth) and SDG 9 (Industry, innovation and infrastructure). This sustainability component is dealt with in greater detail in the section on the company's business strategy.

Efforts during the year

The economic outcomes for the year were impacted by a weaker market, primarily in the DIY sector, where Bergs's subsidiaries deliver timber with wood protection and construction timber for building and renovation. Demand remained strong for custom windows and doors as well as the pellet operation, which produced on a three-shift rotation for most of the year, with good earnings as a result.

Responsible raw materials supply



Clear targets for raw materials

Bergs is a major operator on the European wood products market, and takes responsibility for ensuring the timber comes from sustainably managed forests. The company's goal is to certify at least 82 per cent of raw timber material by 2025 under one of two established programmes: the FSC® C106624 (Forest Stewardship Council®) or the PEFC (Programme for the Endorsement of Forest Certification). These systems verify the forest owner's responsibility for social and environmental values. Responsible forestry is linked to several of the 17 SDGs, which is shown in the UN Strategic Plan for Forests from 2017. Proper forestry management and properly conducted harvesting are particularly relevant to SDG 15 (Life on land) and, more indirectly, to SDG 14 (Life below water).

Efforts during the year

The strategy at Bergs is to gradually increase the proportion of processing. It also means that the subsidiaries are dependent on raw materials other than wood. Glass, aluminium, and ceramics comprise an increasingly large portion of the value chain, which is why these products and suppliers are surveyed in accordance with the requirements in the Group's sustainability strategy. For example, priority is given to the purchase of window glass that has been produced from recycled glass, where degree of recycling from the Group's supplier is currently between 25 and 40 per cent.

This year, Bergs also reports Controlled Wood, as it provides a truer and fairer outcome related to the production being carried out at eight subsidiaries.

Fossil fuel-free world



Towards outcomes

One of the greatest challenges for our society is drastically reducing humanity's impact on the global climate. The forestry sector is one of several that have an important role to play in climate initiatives by facilitating a circular bioeconomy, which can reduce our dependence on fossil fuels. Properly managed forests capture and store a great deal of carbon from the atmosphere. In addition, renewable forest products replace fossil fuel-based materials and energy. Construction in wood is particularly effective for a transition to a more fossil fuel-free society, and Bergs thereby leverages a significant climate benefit. Climate-smart products from wood – and bioenergy – are directly related to SDG 13 (Climate action) and SDG 7 (Affordable and clean energy). At the same time, the forestry sector must reduce its own fossil fuel emissions – not only as climate action as such, but also to be a consistent and reliable supplier of climate-positive products. Bergs has adopted two goals: completely eliminating its own fossil fuel emissions in its operations by 2030, and halving the 2020 emissions levels from procured transportation by 2030.

Efforts during the year

Follow-up indicates clear improvements, and that many operations have a closed system where dependence on fossil fuels is gradually decreasing. Investments in solar panels are also making a contribution.

Sustainability components

Resource-efficient, clean value chains



Safe, equitable, and fair workplaces



Lively local communities



Core values and ethics



Challenges with new materials

A high level of replacement of valuable raw materials and a minimised impact on the surrounding environment are important factors in our sustainability efforts. A high level of replacement is desirable from a societal perspective, since we need to review how our consumption patterns impact the climate and the natural environment, and also for the company's financial returns. The relevant SDGs are SDG 12 (Responsible consumption and production) and SDG 6 (Clean water and sanitation). The company has set a sustainability target of zero wood waste by 2022. Leakage of potentially hazardous chemicals into the groundwater is to be eliminated by 2025.

Efforts during the year

Target fulfilment has been achieved regarding Zero wood waste and Zero pollution of groundwater. The overwhelming input goods for Bergs are certified wood raw materials from sustainably managed forests. In pace with the increase of further processing in the Group, the proportion of glass, steel, coatings and paint will gradually increase – as will insulation.

Advances in safety initiatives

Safe, equitable workplaces are an important component of the company's sustainability. Legislation forms the foundation for ensuring proper working conditions for all employees. Satisfaction, productivity and innovation can also be fostered when the work situation is inspiring and engaging. SDG 3 (Good health and well-being) and SDG 5 (Gender equality) are central here. Workplace accidents are always a failure for the company and its management. Even with high levels of ambition and rigorous safety regulations, accidents will still unfortunately happen. Monitoring workplace accidents is important, and justifies its own sustainability target: halving the number of lost time accidents (LTA) from 2020 by 2025.

Efforts during the year

At least two safety committee/sustainability committee meetings at each unit.

- 176 incidents reported in 2022
- Annual review of organisational and social work environment (OSA in Swedish) and occupational health and safety work (SAM in Swedish) for all Swedish units, 1x/year
- Additional environmental rounds with risk analysis for all Swedish units, 1x/year

All employees at Bitus took the Säkra sågverk (Safe sawmills) training course in 2022.

The target for equitable workplaces has been updated to be called Safe, equitable, and fair workplaces. Given a historical heritage, it is not realistic to solely cling to a target that cannot reasonably be achieved.

Local value chains

Bergs's production units in Sweden, Poland, Estonia and Latvia are located in rural areas. These regions are negatively affected in various ways through depopulation, low levels of investment in social services and decreasing job opportunities in the private sector. Locally active companies such as Bergs fill an important function in the local community, not only as an employer but also through local procurement of products and services. In addition, purchasing from sub-suppliers in the immediate vicinity provides an inflow of capital into the local economy. On the other hand, a vigorous local community is a precondition for recruiting and maintaining competence in the company. There is thus a mutual benefit between the company and the local community, which relates to SDG 11 (Sustainable cities and communities). In addition, SDG 10 (Reduced inequalities) is taken up with regard to reducing the gap between city and country. No quantified sustainability target has been defined for this component.

Efforts during the year

The acquisition of Pinus, the window and door company in Poland, has added a new workplace. Input goods must be procured to the greatest possible extent in the geographical vicinity in order to reduce transport. Quality and price must be interrelated.

Requirements increase with a growing group

Bergs's sustainability strategy covers various perspectives that both we and our shareholders can and do influence. This strategy for the company corresponds fully with the ambition of working for sustainable development as defined by Agenda 2030 with its 17 Sustainable Development Goals. This also includes aspects related to poverty, human rights, food security, education, a peaceful and inclusive society, and partnership in the company's sustainability strategy. A sustainability target has been set that all employees will undergo training with regard to core values and ethics, as well as the company's sustainability initiatives, by 2023.

Efforts during the year

A Group-wide Code of Conduct has been formulated and adopted. The Code has been translated into six languages, and informational initiatives will take place at all workplaces. A whistleblowing service has been established in order to detect improper or illegal behaviour. More information on the Code and the whistleblowing service is available on the Group's web site.

Efforts to implement the Group's Code of Conduct in relation to strategic suppliers have commenced.

Value creation at Bergs

What does Bergs do?

Bergs's business concept is ownership and development of companies that produce and sell processed timber products to discerning customers in selected markets.

The Group consists of nine subsidiaries in five countries, ten manufacturing units, around 50 showrooms and 25 per cent ownership in Wood Tube, a development company.

There are roughly 1,100 employees in total.

Customer offering

The various Bergs subsidiaries provide high-quality wood products to customers with exacting demands, primarily in Europe. Customers comprise the construction trade, industrial companies, and private individuals who build, develop or renovate properties or other wood constructions. A large portion of production consists of made-to-order windows and doors.

Long service life

Most of the Group's products are constructed and manufactured to last for a very long time.

Advantageous substitution

Products from the Group's companies often have properties that allow them to replace alternatives made of steel or concrete. This means that CO₂ stored in wood stays there as long as the construction remains standing.

Events in 2022

Around 70 per cent of the Group's deliveries originate from responsibly managed forests in the Baltic Sea region.

In 2022, deliveries from Russia and Belarus stopped owing to sanctions. This has meant that these volumes are now procured primarily from Latvia, Estonia, and Sweden.

Sustainability in the supplier chain

Bergs's various suppliers have an important role in the value chain. As a significant client for input material for in-house production and various services, Bergs has both a responsibility and an opportunity to set requirements related to sustainability. For example, suppliers are encouraged to comply with the company's Code of Conduct. The Group and its various subsidiaries aim to collaborate closely with business partners over the long term so as to promote sustainability together throughout the value chain.

In 2023, Bergs will develop its efforts with the various supplier chains for the purpose of obtaining written commitments from strategic suppliers pertaining to the Group's Code of Conduct.

Sub-suppliers for Bergs are a combination of private and state-owned forest owners as well as raw materials agents who supply the Group's sawmills, wood protection facilities, and pellet factories as well as supplying other raw materials for the manufacture of windows, doors, buildings and garden products.

From these various suppliers, Bergs's subsidiaries purchase goods and services at an aggregate value of SEK 2,500 million. The distribution by volume is as follows:

Turnover volumes in 2022 (Previous year in bracket)

- Wood: 614,373 m³fub (776,310 m³fub) (round timber)
- Wood: 327,897 m³sv (429,820 m³sv) (sawn/planed)
- Sawdust: 124,218 MWh (81,605 MWh)
- Wood shavings: 35,917 (37,657) dry tonnes
- Other: 1,776 (1,990 tonnes) (insulation, plastic, steel/aluminium/paints and chemicals/)
- Diesel: 1,166,142 litres, of which 130,172 sourced as fossil fuel-free (1,409,029 litres, of which 254,892 sourced as fossil fuel-free)
- Electricity consumption: 46,349,348 kWh, of which 29,795,767 kWh sources as fossil fuel-free (49,234,512 kWh, of which 29,650,507 kWh sources as fossil fuel-free)

Resources	Strategy	Value created
<p>Customer relationships (around 600 customers)</p> <p>A decentralised and efficient organisation</p> <p>Just over 1,100 employees</p> <p>Significant leading-edge competence in wood processing, windows, and doors</p> <p>Efficient and well-invested production facilities</p>	<p>Sustainable value growth through</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Organic growth</p> <p>Active investments with assessed potential</p> <p>Decentralised responsibility and authorisations</p> </div> <div style="text-align: center;"> <p>Acquisitions</p> <p>Supplementary operations or markets</p> </div> </div>	<p>For customers New business opportunities. More efficient, more sustainable operations</p> <p>For employees Attractive workplaces with opportunities for development</p> <p>For society Functional local communities. Job opportunities. Tax revenue.</p> <p>For owners Value growth and dividends</p>

Examples of value chains for some of the group's most important products

Sawn products

The sawmill operation assumes access to forests and long-term sustainable forestry. Forests that deliver wood for further processing has often been felled, thinned, and fertilised over the life cycle of the tree, which is between 70 and 90 years depending on geographic location and local site quality. Bergs purchases primarily round timber from forests whose management is certified under FSC or PEFC. Refer also to Bergs's goals pertaining to responsible raw materials supply. Essentially, Bergs purchases pine and spruce from forests in the Baltic Sea region. After harvesting, the trees are transported to the sawmill where they can be further processed.

At the sawmill, the trees are sawn into planks and boards of various sizes and dimensions, and there are also additional elements such as planing

and dimensioning. After being sawn, the wood products are normally dried so as to reduce the risk of shrinkage and deformation.

After processing, the completed product is transported to end customers or retailers such as the construction trade.

Sawn products are subsequently used for various applications such as houses, furniture, flooring, fencing, or garden decorations. By-products such as chips and shavings are sold on to the pulp and paper industry and to energy production.

The environmental impact occurs primarily in conjunction with transportation. The raw materials are renewable, and the products are part of a circular loop.

Wood protection

The input for wood protection operations is sawn timber. To increase service life and improve the properties of the wood, there are different methods for protection against problems such as rot and insects. Wood can be treated with heat in order to achieve the desired properties. Another method comprises impregnation in a vacuum under heating, where the impregnation fluid is added to and distributed through the timber, improving its properties. Linseed oil treatment involves boiling the wood in linseed oil after impregnation in order to achieve even better protection as well as an attractive colour. After impregnation, the wood is dried to remove excess moisture and make it ready for the joiner. Impregnated wood may need to be further processed after drying – for example, planing, sanding, milling, or painting.

After processing, the impregnated wood is stored and transported to customers or other sales location such as a construction retailer, or to major projects and construction companies.

Impregnated wood is then used by end customers to build various types of construction such as houses, fences, outdoor furniture, garden decorations or patios.

Products with wood preservatives can withstand tough environments and have an extremely long service life, and are based on a renewable raw material.

Bergs's subsidiaries comply with all requirements and legislation linked to the production of industrial wood protection.



Windows

A made-to-order window consists of a combination of wood, glass, and aluminium or steel. (schematically 30/40/30) For wood raw materials, there are established purchasing procedures and an overall Group target that 80 per cent is to consist of certified wood. There are no similar targets for glass and steel, but the proportion of recycled glass is to be

the largest possible considering the properties of the product, and that the distance to the manufacturer must be short so as to minimise dependence on transport. Starting in 2022, supplier data pertaining to glass is also collected.

The proportion of recycled glass is between 25–40%



Stakeholder analysis

Bergs's operations impact its business environment. This could mean other companies, employees, society at large, and environmental stakeholders. Our primary stakeholders are customers, consumers, employees, shareholders, suppliers, and local communities. Our long-term profitability depends directly on these groups. In addition, there are a number of other stakeholders.

Success depends on the capacity for creating value that fulfils the needs of the various stakeholders while taking into account the economic, environmental, and social consequences.

An overall stakeholder analysis was conducted during the year, but the goal is to create a structure for continual dialogue with the various stakeholders in order to be able to report external wishes and development over time for the purpose of annual reporting going forward. The ambition includes coordinating data from customer surveys, employee surveys, questionnaires, supplier evaluations, and customer meetings so as to create a more structured procedure that can be monitored over time.

Stakeholder	Requirements and expectations	Value created	Communication channel
Customers and end consumers	<ul style="list-style-type: none"> High-quality products Low climate impact throughout the value chain Consideration of human rights in the supply chain Responsible transport and logistics Part of a loop Aesthetic values High level of service 	Customer engagement in sustainable development is increasing. Bergs focuses on delivering high-quality products and services that promote our customers' productivity and long-term sustainability. Procedures and products are primarily certified. Customers have access to a loop.	Showrooms, Construction trade, Code of Conduct, Whistleblowing function, site visits and dialogue in conjunction with procurements. Annual Report/Sustainability Report, subsidiaries' websites
Employees and Board of Directors	<ul style="list-style-type: none"> Sound and safe work environment, employee wellness Equality and diversity at the workplace High level of business ethics Total climate impact throughout the value chain Long-term sustainable development of value Attract, retain, and develop employees 	Salaries and benefits. Annual reviews, competence development, health and wellness, and preventive work environment measures. In 2022, the Group paid out SEK 422 M in salaries and other personnel costs.	Employee surveys, performance reviews, Code of Conduct.
Investors	<ul style="list-style-type: none"> Long-term sustainable development of value Transparency and risk management Ethics and anti-corruption Low climate impact throughout the value chain Consideration of human rights in the supply chain 	<ul style="list-style-type: none"> Dividend Value growth Participation 	Web site, Annual General Meeting, quarterly reports, Annual Report/Sustainability Report, Capital Market Day, presentations
Government authorities	<ul style="list-style-type: none"> Statutory and regulatory compliance 	In 2022 there were no material violations of applicable laws, or environmental or work environment legislation.	Reports, internal and external audits.
Society and the public	<ul style="list-style-type: none"> Transparency Local community involvement Low climate impact throughout the value chain Consideration of human rights in the supply chain 	Bergs makes an effort to be a strong community citizen that complies with laws and ordinances, and promotes sustainable development.	web site, study visits, Annual Report and Sustainability Report
Suppliers	<ul style="list-style-type: none"> Low climate impact throughout the value chain Consideration of human rights in the supply chain Impact on biodiversity from key raw materials Ethics and anti-corruption Circular and renewable packaging Transport and logistics 	Lengthy mutual profitable and trusting relationships	Code of Conduct, Annual Report and Sustainability Report

Materiality analysis

At heart, Bergs's sustainability strategy is based on a materiality analysis that identified Bergs's key stakeholders and analysed their expectations.

The analysis is grounded not only in the question of which stakeholders we are creating value for, but also which stakeholders we depend on in order to pursue our operations.

It is also based on a survey of existing operations that includes the value chains of the subsidiaries as well as an impact statement based on the perspective of double materiality.

The result is an explanation of why the sustainability strategy is constructed the way it is. It is thus an image of the stakeholder analysis balanced against the materiality analysis that has resulted in Bergs's sustainability strategy and the different areas of focus that govern future sustainability initiatives. Refer to the areas of strategic focus described on pages 41 and 42.

THE IMPACT OF THE OPERATIONS ON THE ENVIRONMENT

High		<ul style="list-style-type: none"> Responsible raw materials supply 	<ul style="list-style-type: none"> Fossil fuel-free world
Moderate	<ul style="list-style-type: none"> Resource-efficient, clean value chains 	<ul style="list-style-type: none"> Lively local communities 	<ul style="list-style-type: none"> Core values and ethics
Low			<ul style="list-style-type: none"> Safe, equitable, and fair workplaces Long-term profitability
	Low	Moderate	High

IMPACT OF SUSTAINABILITY TOPICS ON THE COMPANY

Environment
Social
Governance

Reporting according to the EU taxonomy

The EU Taxonomy is a classification system that helps to define environmentally sustainable economic activities to support the transition to an economy that is compatible with the EU's environmental goals.

Taxonomy compatible activity

A group within Bergs with participants representing sustainability, finance and the company's audit firm has investigated the EU's taxonomy requirements and its relevance to Bergs based on the EU's taxonomy - regulation 2020/852 and associated delegated acts and annexes. The conclusion of the analysis is that Bergs is primarily covered by point 3.5 regarding the goal to limit climate change: Production of energy-efficient equipment for buildings - external turnover, capital and operating expenses in connection with the production of door, window and roof components (LVL, CLT, structural beams, industrial components and planed wood products).

The activity is defined as enabling activity with regard to the goal of limitation of climate change and is of strategic importance to Berg's goal of zero fossil emissions in the production. The report for 2022 is based on current interpretations of the rules and may change in the future based on new regulatory guidance as market practice develops and general knowledge of the taxonomy's requirements increases.

About windows and doors

Energy-efficient windows and doors are covered by the EU taxonomy's criteria for significantly contributing to limiting climate change if the so-called U-value is 1.0 or lower for windows and 1.2 or lower for doors. The majority of Berg's production of windows and doors sold in the UK is just above these limits. What is sold in Sweden ends up on the right side of the limit value, but in the accounting it is low due to smaller volumes. Bergs strives for a greater proportion of production to be covered in the future.

By assessing the technical review criteria for substantial contribution and criteria for not 'causing significant harm' as set out in the EU taxonomy for 3.5 Production of energy efficient equipment for buildings, it was determined that the activity was taxonomy compliant.

Accounting principles

The proportion of the business that is environmentally sustainable according to the taxonomy must be reported, among other things, through three financial key figures broken down by each of the EU's six environmental goals. Berg's approach to calculating the three key figures is described below.

Revenue

Net turnover from goods and services within businesses that are compatible with the taxonomy requirements. The denominator is Berg's total external net sales in 2022 in accordance with IFRS 15, which is covered by the taxonomy. The numerator includes turnover that complies with the taxonomy requirements. This consists of turnover from the manufacture of doors and window.

Capital expenditure

Capital expenditure consists of investments in assets that are compatible with the taxonomy. The denominator consists of Berg's investments in tangible, intangible fixed assets and rights of use, excluding goodwill. The denominator also includes assets acquired through business combinations. The numerator consists of the distribution of taxonomy-compatible investments and has been determined based on the cost structure of the parts of the business covered by the taxonomy.

Operating expenses

Operating expenses refer to running costs for assets that are taxonomy compatible and for activities that generate revenue that is compatible with the taxonomy. The running costs included are direct costs required for daily operations. Costs for personnel and goods are not included. The denominator thus consists of costs for research and development, maintenance and repairs, renovation and other direct compatible costs required for efficient management of tangible fixed assets. The numerator consists of the distribution of taxonomy-compatible costs and has been determined based on the cost structure of the parts of the business covered by the taxonomy.

Minimum protective measures

The criteria for minimum safeguards means that there must be routines in place regarding anti-corruption, fair competition, taxation and human rights. The criteria for minimum safeguards have been assessed at group level and when this was done, it was concluded that all of the group's wholly-owned operations, and thus all economic activities identified as potentially taxonomy compatible, are covered by our group-wide policies and procedures and thus comply with the minimum safeguards.

Proportion of turnover that complies with the taxonomy requirements

Economic activities (1)	Code (s) (2)	Absolute turnover (3) SEK million	Share of turnover (4) %	Criteria for a substantial contribution						Do Not Cause Significant Damage Criteria (DNSH)					Minimum protection measures (17) True/False	Taxonomy-compatible share of turnover, year 2022 (18) Percentage	Category (enabling activity or) (20) Enablement	Category "(conversion activities)" (21) Revenue	
				Climate Change Mitigation (5) %	Adaptation to climate change (6) %	Water and Marine Resources (7) %	Circular Economy (8) %	Pollution (9) %	Biodiversity and Ecosystems (10) %	Climate Change Mitigation (11) True/False	Adaptation to climate change (12) True/False	Water & Marine Resources (13) True/False	Circular Economy (14) True/False	Pollution (15) True/False					Biodiversity and Ecosystems (16) True/False
A. ACTIVITIES COVERED BY THE TAXONOMY																			
A.1 Environmentally sustainable (taxonomy-compatible) activities																			
Manufacture of energy-efficient building equipment (a+b)	3.5	12	0.3%	100%							N/A	True	True	True	True	True	True	100%	E
Turnover of environmentally sustainable (taxonomy-compatible) activities (A.1)		12	0.3%															100%	
A.2 Activities covered by the taxonomy that are not environmentally sustainable (non-taxonomic)																			
Manufacture of energy-efficient building equipment (a+b)	3.5	645	19.7%																
Turnover of activities subject to the taxonomy which are not environmentally sustainable (not taxonomic) (A.2)		645	19.7%																
Total (A.1 + A.2)		657	20.0%																
B. ACTIVITIES NOT INCLUDED IN THE TAXONOMY																			
Turnover of activities not subject to the taxonomy (B)		2,610	80.0%																
TOTAL (A + B)		3,267	100%															100%	

Proportion of capital expenditure compliant with taxonomy requirements (CapEx)

Economic activities (1)	Code (s) (2)	Absolute capital expenditure (3) SEK million	Share of capital expenditure (4) %	Criteria for a substantial contribution					Do Not Cause Significant Damage Criteria (DNSH)					Minimum protection measures (17) True/ False	Taxonomy-compatible share of capital expenditure, year 2022 (18) Percentage	Category (enabling activity or) (20) Enablement	Category "(conversion activities)" (21) Revenue	
				Climate Change Mitigation (5) %	Adaptation to climate change (6) %	Water and Marine Resources (7) %	Circular Economy (8) %	Biodiversity and Ecosystems (10) Pollution (9) %	Biodiversity and Ecosystems (10) %	Climate Change Mitigation (11) True/ False	Adaptation to climate change (12) True/ False	Water & Marine Resources (13) True/ False	Circular Economy (14) True/ False					Pollution (15) True/ False
A. ACTIVITIES COVERED BY THE TAXONOMY																		
A.1 Environmentally sustainable (taxonomically compatible) activities																		
Manufacture of energy-efficient building equipment (a+b)	3.5	1	0.4%	100%						N/A	True	True	True	True	True	True	100%	E
Capital expenditure on environmentally sustainable (taxonomy-compatible) activities (A.1)		1	0.4%														100%	
A.2 Activities covered by the taxonomy that are not environmentally sustainable (non-taxonomic)																		
Manufacture of energy-efficient building equipment (a+b)	3.5	50	37.9%															
Capital expenditure for activities subject to the taxonomy which are not environmentally sustainable (not taxonomic) (A.2)		50	37.9%															
Total (A.1 + A.2)		51	38.4%															
B. ACTIVITIES NOT INCLUDED IN THE TAXONOMY																		
Capital expenditure of activities not subject to the taxonomy (B)		82	61.6%															
TOTAL (A + B)		133	100%														100%	

Proportion of operational expenditure compliant with taxonomy requirements (OpEx)

Economic activities (1)	Code (s) (2)	Absolute operating expenditure (3) SEK million	Share of operating expenses (4) %	Criteria for a substantial contribution					Do Not Cause Significant Damage Criteria (DNSH)					Minimum protection measures (17) True/False	Taxonomy-compatible share of operating expenses, year 2022 (18) Percentage	Category (enabling activity or) (20) Enablement	Category "(conversion activities)" (21) Revenue	
				Climate Change Mitigation (5) %	Adaptation to climate change (6) %	Water and Marine Resources (7) %	Circular Economy (8) %	Pollution (9) %	Biodiversity and Ecosystems (10) %	Climate Change Mitigation (11) True/False	Adaptation to climate change (12) True/False	Water & Marine Resources (13) True/False	Circular Economy (14) True/False					Pollution (15) True/False
A. ACTIVITIES COVERED BY THE TAXONOMY																		
A.1 Environmentally sustainable (taxonomically compatible) activities																		
Manufacture of energy-efficient building equipment (a+b)	3.5	0	1.0%	100%						N/A	True	True	True	True	True	True	100%	E
Operational expenditure of environmentally sustainable (taxonomy-compatible) activities (A.1)	0	1.0%																
A.2 Activities covered by the taxonomy that are not environmentally sustainable (non-taxonomic)																		
Manufacture of energy-efficient building equipment (a+b)	3.5	10	38.4%															
Operational expenditure for Turnover of activities subject to the taxonomy which are not environmentally sustainable (not taxonomic) (A.2)	10	38.4%																
Total (A.1 + A.2)	10	39.4%																
B. ACTIVITIES NOT INCLUDED IN THE TAXONOMY																		
Operating expenditure of activities not subject to the taxonomy (B)	16	61.6%																
TOTAL (A + B)	26	100%																

Risk factors

Exposure to risks is a natural part of business operations. Risk management aims at identifying risks and preventing them from arising, as well as limiting any damage from them.

Bergs categorises its risks as financial risks; business cycle, market and business environment risks; operating risks and sustainability risks. The risks that Bergs has identified, and how they can be counteracted, are detailed below. This section also provides a quantification of the risk for certain central parameters.



Production at Mumford & Wood, which has a plant in Essex, is distinguished by a high level of craftsmanship.

Risk area	Description	Countervailing factors
Financial risks		
Currency risk	The Group operates internationally and is exposed to foreign exchange risk, primarily in EUR and GBP.	Operational management by attempting to get revenue and costs in currencies other than SEK to match each other. Revenue and costs in foreign currencies can be hedged in accordance with the Group's financial policy.
Finance risk	The risk that the Group does not have the correct capital structure or cannot obtain financing for its operations.	The Board of Directors and executive management continually monitor the capital structure and the need for refinancing operations.
Liquidity risk	The risk that the Group cannot make its payment as a result of insufficient liquidity or difficulties in obtaining credits from external creditors.	The Board of Directors and executive management continually monitor the Group's liquidity reserves, which consist of cash and cash equivalents as well as unutilised credit facilities. The Group has a policy that at least 5 per cent of net sales must be immediately available.
Interest rate risk	The Group's interest rate risk arises through short- and long-term borrowing in which a drastic increase in interest rates could impact the Group's earnings and financial position.	In accordance with the Group's finance policy, the average interest rate refixing period must be short.
Credit risk	Credit risk arises through cash and cash equivalents and balances with banks and credit institutions, as well as credit exposures including outstanding receivables and contractual transactions.	The Group's trade receivables are spread across a large number of customers, and credit losses have historically been low. Trade receivables can be hedged through credit insurance or by using various types of document management (e.g. letters of credit). Cash and cash equivalents are invested only in credit institutions with high credit ratings.

Risk area	Description	Countervailing factors
Business cycle, market and business environment risks		
Global market and macroeconomic risks	Bergs operates in a cyclical global market governed by macroeconomic factors.	Bergs operates in numerous markets and has different product offerings such as sawn products, houses, windows, doors, garden products and pellets.
Trends and drivers in the wood industry	<p>Bergs operates in a cyclical industry that is subject to competition.</p> <p>Prices and volumes for sawn products are largely dependent on the balance between supply and demand at a global level, with large variations over time.</p> <p>The cost of raw materials constitutes a large portion of the product's value, especially for sawn products, and makes Bergs sensitive to price trends and access to raw materials.</p>	<p>Bergs works continually on being a competitive producer of wood products, focusing on efficiency in production, quality and logistics, and continually reviews production structures and allocations of investments.</p> <p>By expanding the production offering towards more processed wood products that have more stable profitability over time.</p> <p>By developing lengthy customer relationships in which our customers choose Bergs in challenging market conditions.</p> <p>Bergs currently obtains raw materials from various suppliers and regions, and strives for lengthy relationships.</p>
Legal and political risks	<p>Bergs operates in different jurisdictions and is subject to local laws and regulations. Changes to regulations and laws could impact the Group's operations.</p> <p>Potential trade conflicts could negatively impact the Group.</p>	<p>Bergs meets these risks by working on risk assessments and bringing in outside expertise as needed.</p> <p>Political risks can be reduced through partnerships with locally-based companies.</p>
Legal risks and compliance	The risk that Bergs violates legislation on controlling corruption or money laundering, compliance with trading rules, or compliance with competition law and data integrity could lead to fines, liability for damages and other financial losses as well as damage to Bergs's reputation.	<p>Group support and advisory services on legislation and ordinances to subsidiaries.</p> <p>Publication of governing documents such as policies and guidelines.</p> <p>Mandatory training in Bergs's Code of Conduct for all employees, and continuing education for certain employee categories. Relevant training at the local level.</p> <p>Implementation of tools to monitor regulatory compliance at the Group level.</p> <p>Provide the whistleblower system – both internally and externally.</p> <p>Follow-up, self-evaluation surveys, and audits in partnership with external auditor</p> <p>Ensure that strategic suppliers acknowledge the content of Bergs's Code of Conduct</p>

Risk area	Description	Countervailing factors
Operating risks		
Interruptions in operations and property damage	Damage to production equipment can have a negative impact, both as regards direct property damage and interruptions in operations.	Bergs routinely performs maintenance on its production equipment and has strong internal routines at each production unit. The Group also has insurance protection against interruptions in operations and property damage.
Environmental risks	The Group conducts operations that are subject to permit and reporting obligations in several jurisdictions. The Group's operations give rise to air- and water-borne emissions as well as noise. Historically conducted operations, particularly impregnation, could give rise to costs for measures.	Bergs meets these risks by ensuring the company has all the permits and agreements required and fulfils the given needs for safety, reporting and control. In conjunction with new acquisitions, a review is conducted of environmental risks. The costs for these are managed through agreements and will not be charged to Bergs.
Customer dependence	There is a risk that too few customers represent too large a portion of sales.	No customer represents too large a portion of the Group's sales. The risk is managed by having several customers in several markets.
IT risks	Bergs depends on IT systems and hardware to conduct its operations. Disruptions to these systems or hardware entail a risk for interruptions in production and the possibility of completing deliveries to customers on time. Risk of hacking into the systems.	Bergs continually reviews its IT environment and strives for one that can rapidly manage disruptions. The Group has routines established regarding information security and procedures for monitoring and control.

Risk area	Description	Countervailing factors
Sustainability risks		
Fossil emissions	Bergs's operations entail the use of fossil fuels, primarily for transportation.	Bergs is working to optimise its logistics flows. When procuring transportation services, emission requirements and a focus on sustainability are included.
Energy use	Production and the associated processes lead to the use of energy. The risk is that Bergs will not have access to energy produced from renewable sources corresponding to its needs.	Bergs routinely measures its energy consumption for the purpose of reducing the use of non-renewable energy. Energy efficiency is a parameter in conjunction with investments.
Organisation and competence supply	Bergs depends on being able to attract, recruit and retain the right employees. The risk of not being perceived as an attractive employer can have a negative impact. Deficiency in employees' commitment can have a direct negative impact on the company's brand, financial position and earnings.	Communication of the Group's operations and core values can facilitate recruitment. Being a major Group generates the conditions for development in various parts of the operations.
Insufficient occupational health and safety	The work environment and occupational health and safety are of strategic importance for Bergs. Insufficient work in this area can result in increased risk of ill health.	Bergs is systematically engaged in safeguarding and improving its work environment. Bergs measures and monitors key performance indicators regarding occupational health and safety. Improvement initiatives are identified and carried out. Bergs promotes healthy activities for its employees.
Corruption and competition legislation	Corruption occurs in every country and sector, though to varying degrees. Bergs risks being involved in unethical business. Collaboration on prices to customers can also occur in the wood industry.	Bergs has adopted a policy against corruption and guidelines for compliance with competition legislation. The relevant employees are to be trained and made aware of the risks.
Insufficient equality and diversity, and discrimination	Bergs operates in a traditionally male-dominated industry.	Bergs's express ambition is to improve the balance among its employees.
Climate change and the environment	Actual changes to the climate, changes in regulations, limitations to production, carbon taxes, and other transition measures could impact access to raw materials and increase costs.	Group Management and the subsidiaries are continually monitoring environmental and climate risks that could impact the operations and access to input materials and energy. Developing improved environmental performance – such as better insulation capacity for doors and windows, for example – can be an important contribution. Promoting arguments for wood as a sustainable input material over plastic and other more fossil-based construction materials. The Board of Directors conducts an annual review of climate-related risks and opportunities.

Risk and sensitivity analysis

	Value/volume per year	Change	Approximate effect
Price trend			
Sale price, sawn products	320,000 m ³ st	+/-5%	+/- SEK 50 million
Purchase price, saw timber	630,000 m ³ sub	+/-5%	-/+ SEK 40 million
Exchange rates			
Net inflow, EUR	SEK 134 million	+/-5%	+/- SEK 7 million
Net inflow, GBP	SEK 165 million	+/-5%	+/- SEK 8 million
Net inflow, USD	SEK 30 million	+/-5%	-/+ SEK 2 million
Processing costs			
Salaries and fees	SEK 422 million	+/-5%	-/+ SEK 21 million
Interest on loans (change in interest rate)	SEK 240 million	+/-1%	-/+ SEK 2 million

The auditor's comments regarding the statutory sustainability report

To the Annual General Meeting of Bergs Timber AB (publ.), Org. no 556052-2798

Assignments and distribution of duties

The board is responsible for the sustainability report for the year 2022-01-01–2022-12-31 on pages 33–55 and that it has been prepared in accordance with the Annual Accounts Act.

Orientation and scope of the review

Our review has taken place in accordance with FAR's recommendation RevR 12 *Auditor's opinion on it statutory sustainability report*. This means that our review of the sustainability report has a different focus and a significantly smaller scope compared with the focus and scope as an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with a sufficient basis for our statement.

Statement

A sustainability report has been prepared.

Kalmar, March 15 2023

Deloitte AB

Magnus Andersson
Authorized Public Accountant

Corporate governance

Bergs Timber AB (publ)

The structure and principles of Bergs's corporate governance must ensure that the Group is managed as efficiently as possible, in a way that creates value for its shareholders. Corporate governance is a tool for maintaining order and a systematic approach for the Board of Directors and executive management. A distinct structure, and clear rules and processes, facilitates decision-making and other governance of operations while providing the conditions for ensuring and supervising Bergs's compliance with internal and external regulations.

Bergs Timber AB (publ) is a Swedish public listed company, corporate registration number 556052-2798, whose series B shares are listed on the Nasdaq OMX Stockholm Small Cap.

The company is domiciled in Stockholm Municipality, Stockholm County, Sweden.

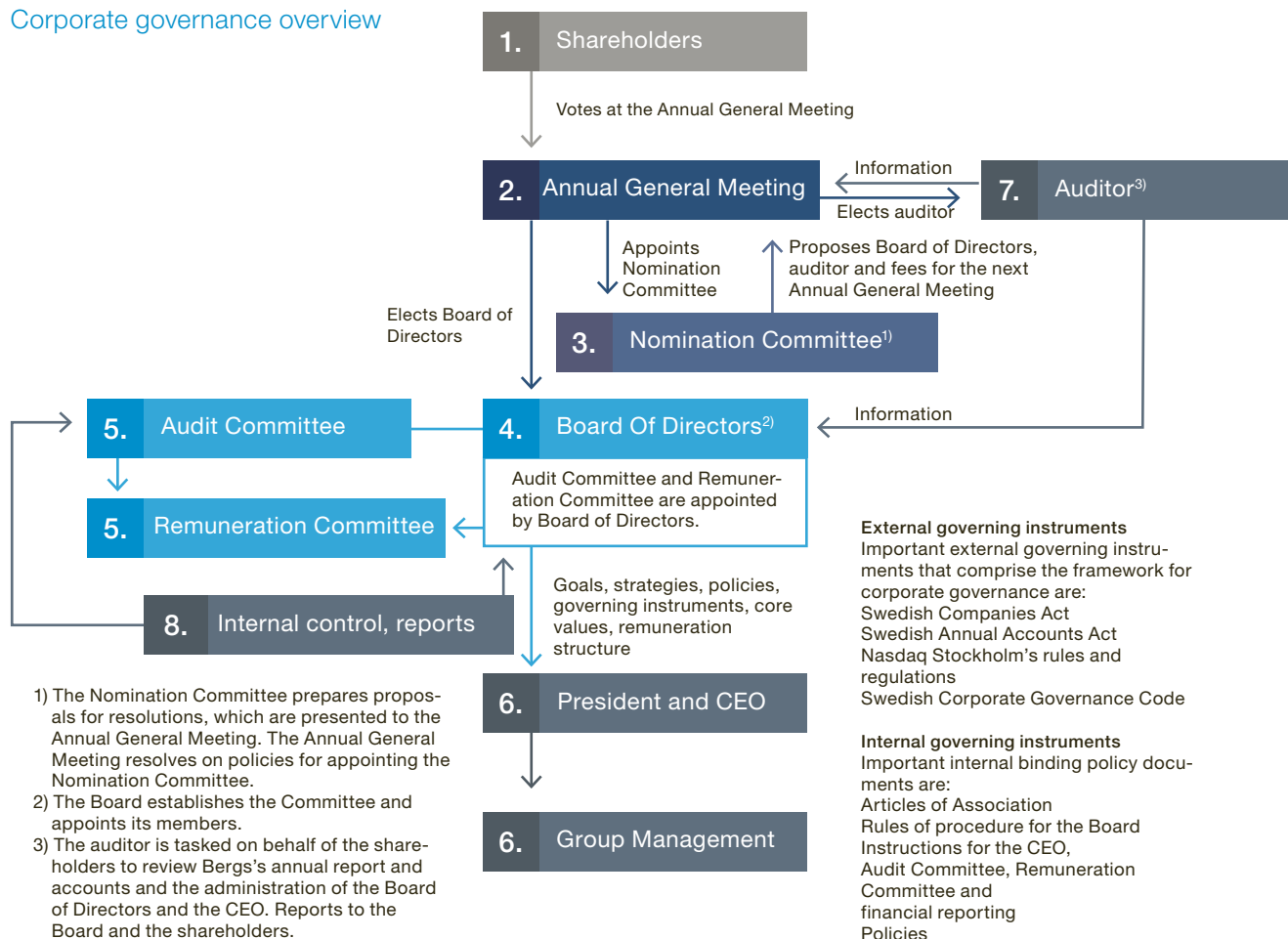
Policy documents

The company's corporate governance is based on external policy instruments including the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's Rulebook for Issuers and the Swedish Corporate Governance Code. Internal policy instruments include the Articles of Association, the rules of procedure for the Board and the CEO, instructions, policies and guidelines.

Articles of Association

The Articles of Association include directives on the company's operations: processing and sales of wood products and solid fuels, forest management, real estate management and securities management. Complete information on the Articles of Association can be found at <https://www.bergstimmer.com/en/governance/articles-of-association>

Corporate governance overview



1. Shareholders

Bergs was listed on the stock exchange in 1984. Under the Articles of Association, the company can issue series A shares and series B shares. Series A shares grant the right to ten votes per share, and series B shares to one vote per share. The company has no series A shares outstanding. Each shareholder has the right to vote for all the shares the holder owns in the company. Norvik has submitted a commitment not to vote for its full holding of shares. This commitment means that Norvik may not vote for own shares in Bergs that represent more than 90 per cent of the number of shares held by other shareholders. Series B shares are admitted to trading on Nasdaq OMX Stockholm. The number of shares at 31 December 2022 totalled 34,672,828.

The number of shareholders was 12,396. At 31 December 2022, Norvik hf was Bergs's largest owner, with 58.7 per cent of the shares. Additional information about the share can be found in the section "The share," pages 17–18.

2. Annual General Meeting

The shareholders have the opportunity to exercise their influence through the Annual General Meeting (AGM), which is Bergs's highest decision-making body. The rules that govern the Annual General Meeting can be found in such documents as the Swedish Companies Act and the Articles of Association. The regularly scheduled general meeting — the Annual General Meeting — elects the members of the Board of Directors, the Chairman of the Board and the company's auditor, and determines their fees. In addition, the Annual General Meeting resolves on adopting the income statement and balance sheet, the appropriation of the company's earnings, discharging the Board of Directors and CEO from liability and the composition of the Nomination Committee as well as the policies for terms of remuneration and employment for Group Management.

The financial year for Bergs runs from 1 January to 31 December. The Annual General Meeting is to be held within six months of the end of the financial

year, and takes place in Hultsfred, Stockholm, Vimmerby, or Växjö Municipality in accordance with the Articles of Association. Extraordinary General Meetings can be called in addition to the General Meeting. The time and place of the Annual General Meeting are to be publicised at the latest in conjunction with the third quarterly report. Notice to attend the Annual General Meeting is issued at the earliest six weeks, and at the latest four weeks, prior to the meeting through advertisement in Post och Inrikes Tidningar and through advertisement via www.bergstimmer.com. Shareholders have the right to have a matter considered at the Annual General Meeting, and must submit a written request in that regard to the Board of Directors. The request must be received by the Board not later than seven weeks before the General Meeting.

2022 Annual General Meeting

The AGM was held on 5 May 2022 in Vimmerby. The Annual General Meeting passed resolutions on:

- Adopting the balance sheet and income statement
- Appropriating the company's profits through both a dividend of SEK 0.20 per share and through carrying the remaining profits forward
- Discharging the Board members and CEO from liability
- Re-election of regular Board members Åke Bergh, Michael Bertorp, Ingrida Bluma, Jon Helgi Gudmundsson, and Gudmundur H Jónsson and election of Anna Rasmuson as a new Board member
- Election of Michael Bertorp as Chairman of the Board
- Re-election of Deloitte AB as the auditor. The firm announced that Magnus Andersson would be the auditor in charge
- Implementing a reverse split where 10 shares are combined into one (1) share
- Authorisation of the Board of Directors, under certain circumstances, to take decisions on the new issue of 34,000,000 series B shares
- Changing the location of the Board of Directors and the site of the General Meeting to Stockholm Municipality
- Approval of the remuneration report from the Board of Directors

At the following statutory Board meeting, Michael Bertorp was elected chair of the Board's Audit Committee; Åke Bergh and Gudmundur H Jónsson were elected as the other members of the Committee. At that same meeting, Michael Bertorp was elected chair of the Board's Remuneration Committee; Åke Bergh and Jon Helgi Gudmundsson were elected as the other members of the Committee.

2023 Annual General Meeting

The Annual General Meeting for 2023 will be held on 4 May 2023. The notice to attend will be published four weeks prior to the Annual General Meeting at the latest. For further information, please visit www.bergstimmer.com.

3. Nomination Committee

Activities of the Nomination Committee

The Nomination Committee is responsible for preparing and presenting proposals for Chairman of the Board, for Board members, for Board fees (divided among the Chairman, the members and the committees), for the Chairman of the meeting and for the election and remuneration of the auditors, as well as for the rules for the Nomination Committee.

The Chairman of the Board submits an annual evaluation of Board activities over the year to the Nomination Committee, which along with the requirements in the Swedish Corporate Governance Code and the company-specific requirements in Bergs forms the basis for the Committee's activities. The proposals of the Nomination Committee are submitted in conjunction with the notice to the coming Annual General Meeting and through www.bergstimmer.com.

Nomination Committee

In accordance with the Annual General Meeting of 5 May 2022, Bergs's Nomination Committee for the 2023 AGM will consist of Bertil Lönnäs (chairman), Michael Bertorp, and Gísli Jón Magnússon. A resolution was also passed that if any member of the Nomination Committee resigns early, the Committee will appoint a replacement. Fees for the chairman of the Nomination Committee were set at

0.5 times the base price amount, and the fees for the other members at SEK 2,500 per meeting.

Independence of the Nomination Committee

The majority of the Nomination Committee's members must be independent in relation to the company and company management, and at least one of them must also be independent in relation to the largest shareholder in the company in terms of votes. All three of the elected members are independent in relation to the company and company management, and two are independent in relation to the largest shareholder in terms of votes.

Shareholders' proposals

All shareholders have the right to address the Nomination Committee with proposals for Board members. The proposals must be submitted by e-mail to the chairman of the Nomination Committee at info@bergstimmer.com.

4. Board of Directors

Board activities

The main task of the Board is to look after the interests of the company and its shareholders. It appoints the CEO, assumes responsibility for the company's administration and organisation — which means being responsible for setting goals and strategies, establishes procedures and systems for evaluating the goals set, routinely evaluates the company's earnings and financial position as well as its operational management. The Board is also responsible for there being suitable systems for monitoring and control of the Company's operations and existing risks. Moreover, the Board is responsible for the company complying with applicable laws, the Articles of Association and the Swedish Corporate Governance Code. At least once a year, the Board of Directors is to meet the company's auditor without Group Management being present.

The Board of Directors meets in accordance with an annually established schedule. Further meetings, which can also be held by telephone or per capsulam, may be called in addition to these

meetings. The meetings are prepared by the Chairman of the Board and the CEO, who jointly propose an agenda for each meeting. The CEO provides the members with written reports and documentation prior to the respective meetings. The company's Group Management participates in the Board meetings. Other officers will take part as needed, as rapporteurs for particular matters.

Composition of the Board of Directors

The Board of Directors is elected by the Annual General Meeting for the period until the next Annual General Meeting. The Board is to consist of at least five and at most eight members elected by the Annual General Meeting, with at most four alternates. At the AGM on 5 May 2022, Michael Bertorp (chairman), Åke Bergh, Ingrida Bluma, Jon Helgi Gudmundsson, Gudmundur H Jónsson and Anna Rasmuson were elected members of the Board for the period until the next AGM on 4 May 2023. Two of the six members elected by the Annual General Meeting are women. There is a presentation of all the members on page 60 and at www.bergstimmer.com.

Independence of the Board of Directors

In accordance with the Swedish Corporate Governance Code, the majority of the Board members elected by the Annual General Meeting must be independent in relation to the company and company management, and at least two of them must also be independent in relation to the company's major shareholders. All of the six Board members are independent in relation to the company and company management, and four are independent in relation to the major shareholders.

Board of Directors rules of procedure and instructions

Board activities are regulated by documents including the Swedish Companies Act, the Articles of Association and the Swedish Corporate Governance Code.

At the statutory meeting, the Board decides on the rules of procedure that will apply through the next Annual General Meeting. The rules of procedure regulate aspects including the overall duties of the Board, the rules for Board meetings, the

allocation of work between the Board and the CEO, and the forms for routine financial reporting. The statutory meeting also establishes instructions for the CEO, including financial reporting. At the meeting, the Board also appoints the members of the committees and takes decisions on authorised signatories.

Evaluation of Board activities

The Board's activities are evaluated annually for the purpose of developing the Board's procedures and efficiency, as well as to provide the Nomination Committee with documentation prior to its nomination activities. The Chairman of the Board is responsible for the evaluation, which covers procedures, skills and the year's activities.

The evaluation took place during the financial year through a survey followed by analysis and discussion by the Board. The results of the evaluation have been reported to the Nomination Committee.

Scheduled Board meetings

The agenda contains standing points concerning areas such as finance, markets, the raw materials situation, personnel, production, safety and ongoing investments. Together with these points and other matters, for example concerning investments, the agenda for the respective meetings is designed as follows.

January – February

Approval of the year-end report and the dividend to be proposed to the Annual General Meeting. A report with the results of the auditor's review will also be presented by the Audit Committee at this meeting.

March – April

Approval of the Annual Report, the notice to attend the Annual General Meeting and matters requiring approval by the Annual General Meeting, including the allocation of profits proposed by the Board of Directors. The auditors present their Auditor's Report at this meeting. In addition, meetings will be held with the auditors which Group management will not attend.

April – May, in conjunction with the Annual General Meeting

Approval of the first quarter report, adoption of and amendments to the Group's policies and the annual evaluation of whether an internal audit function is required. In addition, updated financial forecasts for the full year.

June

Skills development as well as work on long-term planning and strategic issues.

July

Approval of the half-year report and forecasts for the second half of the year.

October – November

Approval of the third quarter report, Group Management's risk analysis, evaluation of Board activities as well as the quality of the CEO's financial reporting to the Board of Directors. The year's final forecast for full-year earnings is also presented at this meeting.

December

Approval of the investment budget framework for the coming year, and review of other budget material. Annual evaluation of the CEO, and decision on the annual adjustment of Group Management's remuneration based on proposals from the Remuneration Committee.

5. Board committees, etc.

Audit Committee

The Board of Directors' Audit Committee for the financial year consisted of Michael Bertorp (chairman), Åke Bergh, Lars Gustafsson (until 5 May 2022), and Gudmundur H Jónsson (as of 5 May 2022). In accordance with the Swedish Corporate Governance Code, the majority of the Committee's members must be independent in relation to the company and company management, and at least one of them must also be independent in relation to the company's major shareholders. All three of the Audit Committee's members are independent in

relation to the company and company management, and two are independent in relation to the company's major shareholders.

Audit Committee activities are regulated by special instructions adopted by the Board as part of its rules of procedure.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general:

- Monitor the company's financial reporting
- Monitor the efficiency of the company's internal control and risk management
- Participate in taking a position on the scope of the audit, materiality levels and so on
- Keep itself informed regarding the audit of the annual report and the consolidated financial statements
- Review and monitor the impartiality and independence of the auditor, and in that connection pay particular attention to whether the auditor provides the company with services other than audit services, as well as assist in drawing up proposals for the Annual General Meeting's election of auditor.

The company's auditors will normally participate in the meetings of the Audit Committee. At least once per year, the auditors will additionally meet with the members of the Committee with no one from company management present. The Audit Committee must inform the Board of what is being discussed in the Committee.

Remuneration Committee

The Board of Directors' Remuneration Committee for the financial year consisted of Michael Bertorp (chairman), Åke Bergh and Jon Helgi Gudmundsson. In accordance with the Swedish Corporate Governance Code, the majority of the Committee's members must be independent in relation to the company and company management. All three members of the Committee are independent in relation to the company and company management.

Remuneration Committee activities are regulated by special instructions adopted by the Board as part of its rules of procedure.

The tasks of the Remuneration Committee include:

- Preparing Board decisions on issues of remuneration policies, remunerations and other terms of employment for Group Management
- Monitoring and assessing programmes, both ongoing and concluded during the year, for variable remuneration to Group Management, as well as evaluating application of the remuneration policy and the guidelines for remuneration to senior executives that the Annual General Meeting must under law pass resolutions on.

Chairman of the Board

The Chairman of the Board is elected by the General Meeting; Michael Bertorp was elected Chairman at the AGM on 5 May 2022. The Chairman of the Board is to manage Board activities and monitor the Board's completion of its tasks; the Chairman also has a particular responsibility for keeping these activities properly organised and running them efficiently as well as monitoring the development of operations. The Chairman of the Board checks that the decisions of the Board are implemented efficiently, and is responsible for annually evaluating Board activities and informing the Nomination Committee of the results of the evaluation.

6. President and CEO

The CEO is subordinate to the Board of Directors and is responsible for routine management of the company. The division of work between the Board and the CEO is indicated in the rules of procedure for the Board and the instructions for the CEO. The CEO is responsible for preparing reports and compiling information from management prior to the Board meetings, and is the rapporteur for the material at the Board meetings.

In accordance with the instructions for financial reporting, the CEO is responsible for financial reporting in the company, and consequently is to

ensure that the Board, primarily through the CFO, receives sufficient information for the Board to routinely evaluate the company's financial position.

The CEO must keep the Board continually informed of developments in the company's operations, sales trends, the company's earnings and financial position, the liquidity and credit situation, important business events and any other circumstance that could be assumed to be of material significance for the company. Peter Nilsson has been President and CEO since he joined the company in 2013.

Group Management at Bergs consists of two persons: CEO Peter Nilsson and CFO Anders Marklund. Authorisations and responsibilities for the CEO, Group Management and the managers are defined in policies, guidelines, job specifications and authorisation instructions.

Group Management meetings focus on the Group's strategic and operational development, as well as monitoring earnings.

7. Auditor

The auditor is elected by the Annual General Meeting to review the company's annual report and accounts, as well as management by the Board of Directors and the CEO. After every financial year, the auditor is to submit an auditor's report and a consolidated auditor's report to the Annual General Meeting.

In accordance with its Articles of Association, Bergs must elect one auditor with at most one alternate. A registered firm of accountants may also be appointed auditor of the company.

At the Annual General Meeting on 5 May 2022, the authorised firm of accountants Deloitte AB was elected auditor for the period until the end of the 2023 AGM. The firm announced that Magnus Andersson would be the auditor in charge.

8. Internal control, reports

Under the Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for internal control, the general purpose of which is to protect the company's assets and thereby the shareholders' investment. The Annual Accounts Act requires that the company, each year, describes the company and Group systems for internal control and risk management with respect to financial reporting.

A relevant and efficient control environment is the foundation of internal control. Bergs's control environment consists of its organisational structure, job specifications, decision-making paths, authorisations and responsibilities that are defined and communicated through policy documents such as internal policies and guidelines:

- The rules of procedure for the Board of Directors and its committees, and instructions for the CEO
- Policies for financing, currency hedging and the environment
- Authorisation instructions and decision-making procedures for investments

Group Management routinely monitors economic and financial statements, as well as important business events. Financial statements and compilations are prepared by the Group's accounting department. Operational monitoring takes place under an established structure where order intake, invoicing, liquidity, earnings, capital tied up and other important key performance indicators for the company are compiled and make up the basis for analysis and action from management. Another important Group-wide part of internal control is the quarterly forecast process. Monitoring by the Board takes place through meetings in connection with every quarterly statement in which the company's financial position and earnings are discussed in accordance with the Board's rules of procedure. The Board's Audit Committee is tasked with evaluating how the company's system for internal control of

financial reporting is functioning, and keeping itself well informed regarding significant evaluations and assessments that form the basis for the financial statements. The Group's accounting department is responsible for routine monitoring of internal control.

The Board is of the opinion that, owing to the Group's size and modest financial complexity, with few operating companies, there is no need for a separate internal audit function for financial reporting. This need is assessed on a yearly basis.

Board of Directors



Michael Bertorp

Chairman of the Board since 2018. Chairman of the Audit Committee and the Remuneration Committee.

Elected: 2017.

Born: 1949. Nationality: Swedish. **Education:** LL.M from Lund University.

Other assignments: Chairman of Eken Financing Value Added Forestry AB. Board member of Stadshypotek AB.

Shareholdings: 14,000 shares.



Åke Bergh

Board member. Member of the Audit Committee and the Remuneration Committee.

Elected: 1975.

Born: 1949. Nationality: Swedish. **Education:** MSc Business and Economics from Växjö University.

Other assignments: Board member of Hultsfreds Kommunala Industri AB and Invensys Property Company and Rock city Hultsfred AB.

Shareholdings: 1,186,077 including related parties.



Ingrida Bluma

Board member.

Elected: 2018.

Born: 1961. Nationality: Latvian. **Education:** Bachelor's degree in Finance and Credit from University of Latvia, master's degree in Social Sciences from Stockholm University, and Advanced Management Training Programme at INSEAD.

Other assignments: Board member of JSC Rigas piena kombinats and LTDi-bloom.

Shareholdings: —



Anna Rasmuson

Board member.

Elected: 2022.

Born: 1969. Nationality: Swedish. **Education:** M.Sc. in Manufacturing Engineering, Luleå University of Technology

Other assignments: Vice President Production & Supply Chain, Spendrups Bryggeri.

Shareholdings: —



Jon Helgi Gudmundsson¹⁾

Board member.

Member of the Remuneration Committee.

Elected: 2016.

Born: 1947. Nationality: Icelandic. **Education:** University studies in economics at the University of Iceland; studies at the University of Mannheim (Germany) and Penn State University (USA).

Other assignments: Chairman of the Board at Norvik hf; respectively Chairman of the Board and Board member in Norvik's subsidiaries. Chairman of the Board of the Latvian companies Norfolk Sia and Solvina Sia.

Shareholdings: Partner in Norvik hf; holds 20,342,084 shares.



Gudmundur H Jónsson¹⁾

Board member.

Elected: 2018.

Born: 1977. Nationality: Icelandic. **Education:** Bachelor's degree in business administration from the University of Iceland.

Other assignments: Chairman of the Board at Byko ehf. and Smaragardur ehf. Board member of Norvik hf., Sterna ehf., Deilir Taeknithjonusta Axiom ehf.

Shareholdings: Partner in Norvik hf; holds 20,342,084 shares.

Group Management



Peter Nilsson

President and CEO.

Employed since: 2013.

Born: 1963. Nationality: Swedish.

Other assignments: Board member of Aslan Forestry AB and the Chamber of Commerce and Industry of Southern Sweden.

Shareholdings: 100,000 shares including holdings by related parties.



Anders Marklund

Chief Financial Officer.

Employed since: 2018

Born: 1965. Nationality: Swedish.

Other assignments: —
Shareholdings: 11,000 shares.

Board member attendance during financial year 2022

Board member	Functionality	Attendance	Board fees, kSEK	Audit Committee	Remuneration Committee
Michael Bertorp	Chairman	12/12	593	4/4	1/1
Åke Bergh	Board member	12/12	240	4/4	1/1
Ingrida Bluma	Board member	12/12	225		
Jon Helgi Gudmundsson ¹⁾	Board member	12/12	225		1/1
Lars Gustafsson, until 5 May	Board member	4/4	125	2/2	
Gudmundur H Jónsson ¹⁾	Board member	12/12	228	2/2	
Anna Rasmuson, as of 5 May	Board member	7/8	113		

¹⁾ Under the Swedish Corporate Governance Code, the Board member is to be regarded as dependent in relation to major shareholders.

Signatures

Stockholm
15 March 2023

Michael Bertorp
Chairman of the Board

Åke Bergh
Board member

Ingrida Bluma
Board member

Jon Helgi Gudmundsson
Board member

Gudmundur H Jónsson
Board member

Anna Rasmuson
Board member

Peter Nilsson
CEO

Auditor's statement on the corporate governance report

To the Annual General Meeting of
Bergs Timber AB (publ), org. no. 556052-2798

Assignments and allocations of responsibilities

The board is responsible for the corporate governance report for the financial year 2022-01-01–2022-12-31 on pages 56–62 and that it is prepared in accordance with the Swedish Annual Accounts Act.

The focus and scope of the review

Our review has taken place according to FAR's statement RevU 16 The auditor's review of the corporate governance report. This means that our review of the corporate governance report has another focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden has. We believe that this review gives us sufficient basis for our opinion.

Opinions

A corporate governance report has been prepared. Information in accordance with ch. 6 Section 6, second paragraph points 2–6 of the Annual Accounts Act and ch. 7 § 31 second paragraph of the same law are compatible with the annual accounts and the consolidated accounts as well is in accordance with the Annual Accounts Act.

Kalmar, March 15 2023

Deloitte AB

Magnus Andersson
Authorized Public Accountant

Directors' Report

The Board of Directors and CEO of Bergs Timber AB (publ), registered in Stockholm Municipality with corporate registration number 556052-2798, Västra Trädgårdsgatan 15, SE 111-53 Stockholm, hereby submits its Annual Report and consolidated financial statements for the financial year from 1 January to 31 December 2022.

The Parent Company, Bergs Timber AB (publ), has been listed on the Stockholm Stock Exchange since 1984. The company is listed on Nasdaq OMX Nordic Small Cap, Materials.

Operations

Bergs Group is an international wood industry Group that consists of independent subsidiaries, with clear responsibilities for results, that develop, produce and market processed wood for various applications.

Bergs conducts wood processing operations in wood preservatives, planing, houses, windows, doors, garden products and pellets. In addition, Bergs conducts sawmill business in Latvia and Estonia with annual production of approximately 320,000 cubic metres, as well as harbour and distribution operations in the UK.

The Group has approximately 1,100 employees in Sweden, the Baltics, Poland, and the UK, and has sales of approximately SEK 3 billion. The Group's products are sold in some 20 countries, and the largest markets are Scandinavia, the Baltic countries, the UK and France. The head office and Group management are located in Sweden.

Significant events

Bergs signed a new financing agreement with Danske Bank and Skandinaviska Enskilda Banken as creditors. The new credit facilities total SEK 650 million, have a three-year maturity, and encompass a term loan totalling SEK 250 million as well as a revolving credit facility of SEK 400 million. The agreement involved a refinancing of the majority of the Group's existing loans on better terms.

At the Annual General Meeting (AGM) on 5 May 2022, a resolution was passed on a reverse split of all of the company's shares whereby ten (10) shares were consolidated into one (1) share. The first day of trading with the consolidated shares was 30 May 2022. A resolution to move the registered office of the company to Stockholm Municipality was also passed at the AGM.

The Polish window and door company Pinus was acquired in July. Founded in 1991, the company is a reputable manufacturer of high-quality windows and doors. Additionally, the Performance Timber Products Group subsidiary acquired the UK company P&P Holding Ltd. The company sells and installs windows and doors in Surrey and southwest London.

After a strategic overview of the operation in the Bitus subsidiary, the decision was made to discontinue the operation at the planing mill in Broakulla and to concentrate the operation to the plants in Nybro and Fågelfors.

The world situation

Bergs has been impacted by the war in Ukraine through its effects on economic developments and price trends for materials including wood products, timber, energy and other input materials. We saw higher interest rates and inflation that cooled the economy down and impacted demand for our wood products, particularly in the DIY sector.

The Group complied with applicable sanctions and provisions, and discontinued all purchases from Russia and Belarus. Bergs previously obtained its raw materials supply for our unit in Latvia in Wood Protection from Russia and Belarus. These volumes were offset through increased purchases from other suppliers in the Baltics and Scandinavia. Bergs did not have any sales to Russia or Belarus.

Net sales and earnings

Net sales were SEK 3,267 million compared to SEK 3,055 million for the year-earlier period, up SEK 212 million. The increase was attributable primarily to higher sales volumes of windows and doors in Joinery, higher sales prices for Sawm Wood, and higher sales prices and sales volumes of pellets.

Operating profit totalled SEK 241 million (426) and the operating margin totalled 7.4 per cent (13.9). The lower earnings were attributable primarily to lower sales volumes and higher raw materials costs for Wood Protection. Higher sales volumes for windows and doors in Joinery and higher sales prices and sales volumes of pellets had a positive impact.

Profit after net financial items totalled SEK 244 million (423). Net financial items totalled SEK –3 million (–3).

Earnings after tax totalled SEK 231 million (417). Earnings per share before and after dilution totalled SEK 6.66 (12.03). Recognised tax totalled SEK –13 million (–6). The effective tax rate was 5 per cent (1), lower than Sweden's corporate tax rate. In Latvia and Estonia, the corporate income tax is 0 per cent on reinvested profits. Tax is recognised and paid when the dividend is paid to the shareholders. No tax on profits in the Baltic companies was recognised for the period. Unrecognised deferred taxes regarding undistributed profits in the Baltic companies totalled approximately SEK 200 million at 31 December 2022.

Seasonal fluctuations

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

Acquisitions

P&P Holding Ltd

On 13 January 2022, Performance Timber Products Group acquired all shares in the UK company P&P Holdings Limited, with annual sales of approximately GBP 7 million (SEK 85 million). P&P sells, distributes and installs windows and doors in Surrey and southwest London. The companies have collaborated closely for many years; P&P operations include the sale of windows and doors under the name Timber Windows, which is PTPG's network of showrooms for retail sales.

The unencumbered purchase price totalled SEK 12 million. Goodwill and other surplus values totalled SEK 8 million. For further information on the acquisition, refer to Note 29.

Pinus

On 5 July, Bergs Timber AB acquired all shares in the Polish company Pinus. The company, which produces customised windows and doors in the premium segment, has roughly 120 employees.

The total purchase price of the shares was SEK 37 million. Goodwill and other surplus values totalled SEK 11 million. For further information on the acquisition, refer to Note 29.

Cash flow and financing

Cash flow from operating activities amounted to SEK 491 million (65) and was positively impacted by lower tied-up capital in trade receivables and inventory. Cash flow from the previous year was adversely impacted by increased working capital as a result of higher sales and purchasing prices.

The Group's net financial debt at 31 December 2022 totalled SEK –29 million (net cash holdings), compared to SEK 223 million at 31 December 2021. The decrease in net financial debt is attributable to good cash flow, positively impacted by lower amounts of working capital.

In January 2022, the Parent Company signed an agreement with Danske Bank and SEB as creditors on the refinancing of the bulk of the Group's existing loans. The new credit facilities totalling SEK 650 million have a three-year maturity and encompass one term loan totalling SEK 250 million and a revolving credit facility of SEK 400 million. At the end of 2022, the option to extend the facilities by one year to January 2026 was exercised. In addition to these credit facilities, the Group has an overdraft facility of SEK 50 million with Danske Bank.

The loan agreement contains the customary obligations, such as the one limiting the scope for action for Bergs Timber AB (publ) regarding pledging of assets, raising loans or issuing securities, selling or transferring assets, acquisitions and merging or consolidating operations with another company. In addition, the loan agreement prescribes that annual dividend payments should not exceed 40 per cent of the preceding year's profit. In contrast to the Group's existing loans, the new loan agreement is non-guaranteed and in general involves better terms for the Group. The agreement is also linked to a number of the Group's sustainability targets, where the outcome has some impact on pricing.

Financial targets

The Board has established the following financial targets for Group's operations:

- Bergs's target is to achieve annual growth of 10 per cent (over a business cycle)
- Bergs's target is to achieve an EBITDA margin of 9 per cent over a business cycle
- Bergs's target is to have financial net debt that is less than equity.
- Normally, Bergs's target is an annual dividend of 25–40 per cent of profit after tax.

Investments

Investments in property, plant and equipment totalled SEK 107 million (143). Major investments include new logistics and warehouse buildings for window and door operations at the Byko-Lat subsidiary, a plant for manufacturing heat-treated wood at the Bitus subsidiary, investments in efficiency enhancements at the Vika Wood sawmill and in infrastructure at the plant in Valmiera, Latvia.

At the end of 2022, the Board of Directors decided on an investment in a new hot-water boiler at Vika Wood that will substantially reduce the sawmill's climate footprint as well as potentially increase capacity and lower costs. The total investment of around SEK 125 million will be completed in 2025.

Employees

The Group is working to obtain a decentralised organisation with clear responsibility and short decision-making paths. The Group's position is that employees' well-being and positive attitude towards their work increases with proximity to decision-making. At the same time, changes in the Group's organisation place stringent requirements on employee flexibility.

Summary of loans and credit facilities at 31 December 2022, SEK m:

Loan	Limit	Repayments, years			Total utilised
		0–1	1–2	2–	
Term loans		25	25	181	231
Revolving credit facility	400				0
Overdraft facilities	50				0
Total		25	25	181	231

The average number of employees for the financial year was 1,124 (931), of whom 260 were women (193). The increase is attributable primarily to the acquisitions completed during the year.

Significant events after the close of the financial year

There are no events after the close of the financial year to report.

Environmental information

The primary environmental impact from the Group's production facilities is from energy consumption, noise, the generation of waste and emissions into the air and water.

Bergs's environmental initiatives are part of its operations, and daily work takes place locally at each production facility.

The implementation of the Group's sustainability strategy is continuing. Activities for achieving the objectives that have been established in a number of areas are in progress. The Group's sustainability strategy is an integral part of its business strategy. The sustainability strategy was updated in 2022 to be adapted to the Group's performance and to take developments in the area of sustainability into account.

All Swedish production facilities conduct operations for which environmental permits are required under the Swedish Environmental Code. Similar environmental requirements and legislation exist in the Baltics and the UK.

Several of the Group's production facilities have conducted operations that may have caused pollution (e.g. through wood preservative treatments). The Swedish authorities have raised issues concerning investigations and restoration at some of the plants. The costs of these measures is deemed not to be substantial.

Information on risks and uncertainties

The price trend for sawn and processed wood products is largely governed by how global consumption corresponds with global production. The cost of raw materials is a large component of the finished product's sales value, for which reason the product is very sensitive to changes in prices for timber and sawn products, which comprise a large part of the Group's raw materials.

Bergs is exposed to financial risks, which are primarily related to liquidity and cash flow risks in conjunction with liquidity and liability management and currency risks in export transactions. Financing is dependent upon fulfilling conventional financial undertakings, which are reported above under the "Cash flow and financing" section.

For a complete account of identified risks and the company's work on managing them, refer to "Risk factors" on pages 51–53.

Cost of fixed assets

Owing to the existence of goodwill, the recognised costs of fixed assets were tested for impairment. The test is based on the best assessment of future development. A negative deviation in the assumptions made could affect the recognised costs of fixed assets. The test resulted in no impairment during the financial year. We have not identified any need for impairment in the current year despite negative earnings performance in the Wood Protection segment. Over time, this operation has demonstrated good profitability but has been negatively impacted by lower demand during the current year. For further information on the test conducted, refer to Note 28.

Research and development

Bergs is a member of the Swedish Forest Industries Federation, which in the wood mechanical sector pursues the industry's shared research and development issues.

Corporate governance

The work of the Board of Directors of Bergs Timber AB is governed by the rules of procedure established annually by the Board. Issues concerning audits and internal control are prepared by the Board's Audit Committee, and remuneration issues are prepared by the Remuneration Committee. Prior to the Annual General Meeting, the

Consolidated key performance indicators and financial targets

Amounts in SEK m	Targets	2022	2021
Net sales		3,267	3,055
EBITDA		331	503
EBITDA margin, %	>9	10.1	16.5
Operating profit		241	426
Operating margin, %		7.4	13.9
Return on capital employed, %		13.0	25.6
Earnings per share (after tax)*		6.66	12.03
Interest-bearing net debt		-29	223
Net debt/equity ratio	<1.0	-0.02	0.14
Equity/assets ratio, %		74.7	69.8
Average number of shares, thousands		34,673	346,728
Equity per share, SEK*		53.12	4.66

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

Nomination Committee is tasked with proposing Board members and auditors, as well as the fees for the Board, the committees and the audit. More information on Board activities and corporate governance, as well as the control over the Parent Company and consolidated financial reporting in Bergs can be found in the Corporate Governance Report on pages 56–59 and on the company's website, www.bergstimmer.com.

General information in accordance with Chapter 6, Section 2a of the Annual Accounts Act.

- The number of shares is 34,672,828 series B shares, with one vote each. Currently there are no series A shares. Shares were consolidated during the year, where ten (10) shares were merged into one (1) share.
- Norvik hf is the single largest owner, holding 58.7 per cent of the shares in the company. Åke Bergh and spouse hold 3.4 per cent, Cervantes Capital holds 2.3 per cent, Futur Pension holds 2.1 per cent and Lupus Alpha holds 1.9 per cent.
- Authorisation of the Board: To facilitate the completion of any corporate acquisitions and to permit external raising of capital for financing, the Board was granted authorisation at the May 2022 Annual

General Meeting to resolve on one or more occasions on new share issues for the period until the next Annual General Meeting. Payment can be made with provisions for issue in kind or offset, and deviating from the pre-emptive rights of the shareholders. The share issue must take place under market conditions, though at a maximum of 10 per cent of the aggregate number of shares on the date that the authorisation is exercised. No part of this authorisation was utilised during the year.

Remuneration policies for senior executives

At the 2022 Annual General Meeting, the Board of Directors decided on the following guidelines for salaries and other remuneration for senior executives to apply as of the Annual General Meeting. No changes are proposed for 2023.

Remuneration of senior executives will comprise fixed salary, variable remuneration, additional benefits and provisions for pension. "Senior executives" means the Chief Executive Officer and the other members of Group Management. The total remuneration is to correspond to market practice, be competitive and stand in relation to responsibilities and authority. Variable remuneration must be limited to constituting a certain share of the fixed salary, and based on the fulfilment of established goals.

Upon termination of an employment contract, either by the company or the employee, the period of notice is not to exceed six months. Upon termination by the company, severance pay of at most twelve months can be provided.

Income from other employment or operations must be deducted from the severance pay.

Pension benefits must be defined benefit and entitle senior executives to a pension starting at the age of 65. Variable remuneration does not accrue pension rights.

The Board of Directors has the right to depart from these guidelines if there is particular reason to do so in an individual case.

These guidelines do not replace compulsory conditions under labour legislation or collective agreements.

Specific information about the Parent Company

The Parent Company's operations consist primarily of managing the Group's operations, as well as certain shared functions for the Group.

Parent Company income totalled SEK 5 million (6).

Loss after financial items was SEK -15 million (-29). Investments in property, plant and equipment totalled SEK 0 million (0).

During the year, the Parent company received a Group contribution from Bitus AB and provided a Group contribution to the subsidiary Woodworks by Bergs AB.

Sustainability Report

The Sustainability Report is presented on pages 33–55. In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Bergs has chosen to submit a combined Annual Report and Sustainability Report. This report covers Bergs Timber AB (publ) and its subsidiaries.

Proposal for appropriation of profits (refer also to Note 30)

The Board of Directors and the CEO propose that the available funds according to the balance sheet, SEK 382,475,972, of which share premium reserve SEK 420,388,590, be appropriated as follows:

Paid to shareholders	SEK 69,345,656
Carried forward	SEK 313,130,316
	SEK 382,475,972

The record date to be entitled to receive a dividend is proposed as 8 May 2023.

In view of the Board's proposal that the Annual General Meeting of 4 May 2023 pass a resolution on a dividend of SEK 2.00 per share, the Board hereby makes the following statement in accordance with Chapter 18, Section 4 of the Companies Act.

The Board finds that there is full coverage for the company's restricted equity after the proposed dividend. The Board also finds that the proposed dividend is justifiable as regards the parameters stated in Chapter 17, Section 3, second and third paragraphs of the Companies Act. In that connection, the Board wishes to call attention to the following: The Board has stipulated that the Group is to have a strong financial position with a net debt/equity ratio, calculated as the net financial debt in relation to equity, that is not to exceed 1.0. At 31 December 2022, the net debt/equity ratio amounted to -0.02. The proposed dividend would increase the net debt/equity ratio by approximately four percentage points.

In the opinion of the Board, the proposed dividend will not impact the company's and the Group's ability to fulfil its payment obligations; the company and the Group are well prepared to manage both changes as regards liquidity and unexpected events.

The Board believes that the company and the Group have the conditions to take future business risks and also to tolerate any losses. The proposed dividend is not expected to negatively impact the company's and the Group's ability to make further investments that are justified from a business perspective in accordance with the Board's plans.

In addition to the above, the Board has considered other known conditions that could be of importance for the company's and the Group's financial position. No circumstances have emerged in this connection that would make the proposed dividend appear unjustified.

If the Annual General Meeting passes a resolution in accordance with the proposal of the Board, SEK 313,130,316 of non-restricted equity (calculated as of 31 December 2022) will remain.

In the opinion of the Board, the company's and the Group's equity after the proposed dividend will be large enough in relation to the nature, scope and risks of the operations.

Financial information

Financial statements					
Group					
Income statement	67	10. Interest income, etc.	86	Signatures	94
Consolidated statement of comprehensive income	67	11. Interest expenses, etc.	86	Auditor's report	95
Parent Company balance sheet	68	12. Tax	87	Multi-year overview	98
Changes in equity	69	13. Financial investments and non-current receivables	87	Definitions of key performance indicators	99
Parent Company cash flow statement	70	14. Inventory	87	Reconciliation table for key performance indicators	101
Parent Company		15. Prepaid expenses and accrued income	87		
Income statement	71	16. Provisions	88		
Parent Company balance sheet	72	17. Non-current interest-bearing liabilities	88		
Changes in equity	73	18. Current interest-bearing liabilities	88		
Parent Company cash flow statement	74	19. Accrued expenses and prepaid income	88		
Notes		20. Financial assets and liabilities	89		
1. Accounting policies	75	21. Securities pledged	89		
2. External net sales by market	80	22. Contingent liabilities	89		
3. Segment reporting	81	23. Additional disclosures for cash flow statement	90		
4. Financial risks	81	24. Appropriations	90		
5. Other operating income	82	25. Participations in Group companies	90		
6. Employees and personnel costs	83	26. Participations in associated companies	91		
7. Audit fees	84	27. Related parties	91		
8. Intangible assets	85	28. Key estimates and assessments	92		
9. Property, plant and equipment	85	29. Acquisition of subsidiaries	93		
		30. Proposal for appropriation of profits	93		
		31. Significant events after the close of the financial year	93		

Consolidated income statement

Amounts in SEK m	Note	Jan–Dec 2022	Jan–Dec 2021
Net sales	2, 3	3,267	3,055
Changes to work in process and finished goods		–7	65
Other operating income	5	20	19
Total		3,280	3,139
Operating expenses			
Raw materials and consumables		–1,975	–1,868
Other external costs	7	–551	–397
Personnel costs	6	–422	–371
Income from participations in associated companies	26	–1	0
Depreciation, amortisation and impairment	8, 9	–90	–77
Total operating expenses		–3,039	–2,713
Operating profit		241	426
Profit/loss from financial items			
Interest income, etc.	10	20	9
Interest expenses, etc.	11	–17	–12
Profit after financial items		244	423
Tax on profit for the year	12	–13	–6
Profit for the year		231	417
Attributable to:			
Parent Company shareholders		231	417
Non-controlling interests		–	–
Earnings per share, SEK*		6.66	12.03
Average number of shares, thousands*		34,673	34,673

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

Consolidated statement of comprehensive income

Amounts in SEK m	Jan–Dec 2022	Jan–Dec 2021
Profit for the year	231	417
Other comprehensive income for the year		
Change in hedge reserve	14	–
Change in translation reserve	88	17
Tax attributable to items that could later be reversed in profit or loss	–3	–
Items that could later be reversed in profit or loss	99	17
Total other comprehensive income	99	17
Comprehensive income for the year	330	434

Consolidated balance sheet

Amounts in SEK m	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Fixed assets			
<i>Intangible assets</i>	8		
Goodwill		315	288
Other intangible assets		40	41
		355	329
<i>Property, plant and equipment</i>	9		
Land and buildings		468	393
Plant and machinery		373	371
Equipment, tools, fixtures and fittings		20	15
Construction in progress and advance payments regarding property, plant and equipment		27	21
		888	800
<i>Financial assets</i>			
Participations in associated companies	26	5	6
Financial investments		0	0
Non-current receivables	13	5	1
		10	7
Deferred tax assets	12	22	22
Total fixed assets		1,275	1,158
Current assets			
<i>Inventory</i>	14	705	733
<i>Current receivables</i>			
Trade receivables		150	270
Tax receivables		2	6
Other receivables		36	34
Prepaid expenses and accrued income	15	31	21
		219	331
<i>Cash and bank balances</i>		268	94
Total current assets		1,192	1,158
TOTAL ASSETS	20	2,467	2,316

Consolidated balance sheet, cont.

Amounts in SEK m	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Share capital		347	347
Other paid-in capital		482	482
Reserves		113	14
Profit brought forward		669	356
Profit for the year		231	417
Total equity		1,842	1,616
Non-current liabilities			
Non-current interest-bearing liabilities	17	211	12
Other provisions	16	5	5
Deferred tax liabilities	12	35	30
Total non-current liabilities		251	47
Current liabilities			
Current interest-bearing liabilities	18	29	305
Accounts payable		103	123
Tax liabilities		17	29
Other liabilities		38	32
Accrued expenses and prepaid income	19	186	163
Provisions	16	1	1
Total current liabilities		374	653
TOTAL EQUITY AND LIABILITIES	20	2,467	2,316

Consolidated changes in equity

Amounts in SEK m	Share capital	Other paid-in capital	Reserves	Profit brought forward	Profit/loss for the year	Total equity
Equity, 1 Jan 2021	347	482	-3	256	169	1,251
Comprehensive income						
Profit for the year					417	417
Other comprehensive income						
Change in hedge reserve			-			-
Change in translation reserve			17			17
Tax attributable to other comprehensive income			-			-
Total other comprehensive income			17			17
Total comprehensive income	0	0	17	0	417	434
Transactions with shareholders						
Transfer of previous year's profit/loss				169	-169	-
Dividend				-69		-69
Total transactions with shareholders	0	0	0	100	-169	-69
Closing equity, 31 Dec 2021	347	482	14	356	417	1,616
Equity, 1 Jan 2022	347	482	14	356	417	1,616
Comprehensive income						
Profit for the year					231	231
Other comprehensive income						
Change in hedge reserve			14			14
Change in translation reserve			88			88
Tax attributable to other comprehensive income			-3			-3
Total other comprehensive income			99			99
Total comprehensive income	0	0	99	0	231	330
Transactions with shareholders						
Transfer of previous year's profit/loss				417	-417	-
Dividend				-104		-104
Total transactions with shareholders	0	0	0	313	-417	-104
Closing equity, 31 Dec 2022	347	482	113	669	231	1,842

Consolidated cash flow statement

Amounts in SEK m	Note	Jan–Dec 2022	Jan–Dec 2021
Operating activities	23		
Profit after financial items		244	423
Adjustment for non-cash items, etc.		66	59
Income taxes paid		–18	–3
Cash flow from operating activities before changes in working capital		292	479
Change in inventories		94	–362
Change in operating receivables		157	–58
Change in operating liabilities		–52	6
Cash flow from operating activities		491	65
Investment activities			
Acquisition of subsidiaries		–45	–73
Acquisition of property, plant and equipment		–107	–143
Sale of property, plant and equipment		18	0
Change in financial assets		–3	–6
Cash flow from investment activities		–137	–222
Financing activities			
Loans raised		480	130
Amortisation of debt		–541	–40
Change in overdraft facility		–9	0
Change in financial liabilities		–10	–13
Dividend paid		–104	–69
Cash flow from financing activities		–184	8
Cash flow for the year		170	–149
Cash and cash equivalents at start of year		94	242
Exchange rate differences in cash and cash equivalents		4	1
Cash and cash equivalents at year end		268	94

Parent Company income statement

Amounts in SEK m	Note	Jan–Dec 2022	Jan–Dec 2021
Net sales		0	0
Other operating income	2, 5	5	6
Total		5	6
Operating expenses			
Other external costs	7	–16	–14
Personnel costs	6	–16	–22
Depreciation, amortisation and impairment		0	0
Other operating expenses		0	0
Total operating expenses		–32	–36
Operating loss		–27	–30
Profit/loss from financial items			
Interest income, etc.	10	28	11
Interest expenses, etc.	11	–16	–10
Loss after financial items		–15	–29
Appropriations	24	39	30
Profit before tax		24	1
Tax on profit for the year	12	–4	–1
Profit for the year		20	0

Parent Company balance sheet

Amounts in SEK m	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Fixed assets			
<i>Property, plant and equipment</i>	9		
Equipment, tools, fixtures and fittings		0	0
		0	0
<i>Financial assets</i>			
Participations in Group companies	25	873	834
Participations in associated companies	26	6	6
Receivables from Group companies	13	334	367
Non-current receivables	13	4	0
Deferred tax assets	12	12	13
		1,230	1,221
Total fixed assets		1,230	1,221
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		111	122
Other receivables		3	8
Prepaid expenses and accrued income	15	4	3
		118	133
<i>Cash and bank balances</i>		217	5
Total current assets		335	138
TOTAL ASSETS	20	1,565	1,359

Parent Company balance sheet, cont.

Amounts in SEK m	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		347	347
Statutory reserve		39	39
Total restricted equity		386	386
Non-restricted equity			
Share premium reserve		420	420
Profit brought forward		-58	46
Profit for the year		20	0
		382	466
Total equity		768	852
Untaxed reserves			
		28	21
Non-current liabilities			
Non-current interest-bearing liabilities	17	206	-
		206	-
Current liabilities			
Current interest-bearing liabilities	18	25	292
Liabilities to Group companies		526	170
Tax liabilities		6	14
Accounts payable		1	1
Other liabilities		0	0
Accrued expenses and prepaid income	19	5	9
Total current liabilities		563	486
TOTAL EQUITY AND LIABILITIES	20	1,565	1,359

Parent Company changes in equity

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Profit/loss for the year	Total equity
Equity, 1 Jan 2021	347	39	420	59	56	921
Comprehensive income						
Profit for the year					0	0
Transactions with shareholders						
Transfer of previous year's profit/loss				56	-56	-
Dividend				-69		-69
Total transactions with shareholders	0	0	0	-13	-56	-69
Closing equity, 31 Dec 2021	347	39	420	46	0	853
Equity, 1 Jan 2022	347	39	420	46	0	853
Comprehensive income						
Profit for the year					20	20
Transactions with shareholders						
Transfer of previous year's profit/loss				0	0	-
Dividend				-104		-104
Total transactions with shareholders	0	0	0	-104	0	-104
Closing equity, 31 Dec 2022	347	39	420	-58	20	768

Parent Company cash flow statement

Amounts in SEK m	Note	Jan-Dec 2022	Jan-Dec 2021
Operating activities	23		
Loss after financial items		-15	-29
Adjustment for non-cash items, etc.		0	0
Income taxes paid		-11	0
Cash flow from operating activities before changes in working capital		-26	-29
Change in operating receivables		4	-7
Change in operating liabilities		-4	1
Cash flow from operating activities		-26	-35
Investment activities			
Acquisition of subsidiaries		-39	-118
Acquisition of property, plant and equipment		0	0
Sale of property, plant and equipment		0	0
Change in financial assets		-4	-6
Cash flow from investment activities		-43	-124
Financing activities			
Loans raised		480	130
Amortisation of debt		-541	-25
Dividend paid		-104	-69
Group contribution		33	145
Change in financial liabilities		-	-10
Change in financial receivables and liabilities in subsidiaries		413	-175
Cash flow from financing activities		281	-4
Cash flow for the year		212	-163
Cash and cash equivalents at start of year		5	168
Cash and cash equivalents at year end		217	5

Notes

1. Accounting policies

GROUP

Agreement with norms and laws

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU Commission for application in the EU. In addition, RFR 1 Supplementary accounting rules for groups from the Swedish Financial Reporting Board has been applied.

Unless otherwise stated under the section "Parent Company accounting policies," the Parent Company applies the same policies as the Group. Any deviations are caused by limitations in the opportunities for applying IFRS in the Parent Company as a result of the Annual Accounts Act and the Act on Safeguarding of Pension Obligations, and in certain cases for tax reasons.

Conditions in preparing the Parent Company and consolidated financial statements

The Parent Company's functional currency is the Swedish krona, which is also the presentation currency for both the Parent Company and the Group. The financial statements are thus presented in Swedish kronor. All amounts, unless otherwise indicated, are rounded to the nearest million kronor.

Preparing the financial statements in accordance with IFRS requires company management to prepare assessments and estimates as well as assumptions that impact the application of the accounting policies and the recognised amounts. The estimates and assumptions are based on historical experiences and a number of other factors that under the prevailing conditions appear to be reasonable. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that are otherwise not clearly indicated in other sources. The actual outcome can deviate from these estimates and assessments.

The estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognised in the period when the change is made, if the change only impacted that period, or in the period the change is made and future periods if the change impacts both the period in question and future periods.

Assessments made by company management when applying IFRS that have a significant effect on the financial statements, and estimates made that could result in substantial adjustments to the financial reports of the following year, are described in more detail in Note 28.

New and amended accounting policies for the year

There are certain new and amended standards and interpretations that will enter into force in 2022 or later, but these are not considered to have any significant impact on the Group's accounts.

Future changes to accounting policies

No new or amended standards and interpretations to be applied in future are expected to substantially impact the Group's reporting.

Segment reporting

Bergs's operational activities consist of independent subsidiaries with clear responsibilities for results that conduct operations in three product areas. These are Wood Protection, Joinery, and Sawn Wood. Moreover, Bergs is engaged in the production of pellets as well as port and distribution operations in the UK. Wood Protection conducts operations in wood preservatives. Operations are conducted in Sweden, Latvia and the UK. The majority of production takes place at the Byko-Lat and Bitus subsidiaries. The Joinery product area manufactures processed products from wood such as houses, windows and doors as well as a broad range of garden products such as fencing, windbreaks, benches, tables and swimming pool sets. Production takes place in Latvia, Poland, and the UK. The Sawn Wood product area produces sawn products from two subsidiaries: Vika Wood in Latvia and Laesti in Estonia.

Classifications, etc.

In all material respects, fixed assets and non-current liabilities consist solely of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date.

Current assets and current liabilities essentially consist solely of amounts that are expected to be recovered or paid within twelve months from the balance sheet date.

Information for each balance sheet item that includes amounts expected to be recovered or paid within or after twelve months of the balance sheet date is provided in the note for the respective balance sheet items.

Principles of consolidation

Subsidiaries

Subsidiaries are companies in which the Parent Company has a controlling interest. Controlling interest means directly or indirectly having the right to formulate a company's financial and operational strategies for the purpose of obtaining financial benefits. In assessing whether a controlling interest exists, shares that potentially entitle the holder to vote and can be utilised or converted without delay are also taken into account.

Subsidiaries are recognised using the acquisition method, in which the acquisition of a subsidiary is regarded as a transaction where the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The consolidated cost is established through an acquisition analysis in conjunction with the acquisition. This analysis establishes both the cost for the participations or the business, and the fair value on the acquisition date of the acquired identifiable assets as well as the assumed liabilities and contingent liabilities. The cost of the shares in the subsidiary and of the business respectively comprise the fair value on the transfer date of the assets, the liabilities that arise or are assumed, and issued equity instruments that are presented as compensation in exchange for the net assets acquired.

In the event of a business combination in which the cost exceeds the net value of the assets acquired and the liabilities and contingent liabilities assumed, the difference is recognised as goodwill. When the difference is negative, this is recognised directly in profit or loss.

Transaction costs in conjunction with acquisitions are recognised directly in profit/loss for the year as Other operating costs. In those cases where a remeasurement is made at fair value of the contingent consideration, this is recognised in operating profit. The financial statements of the subsidiaries are included in the consolidated financial statements as of the acquisition date until the date when the controlling interest expires.

Associated companies

Holdings in associated companies – in which the Group has at least 20 per cent and at most 50 per cent of the votes or otherwise has a controlling interest – are reported in the Group using the equity method, which means the carrying amount in the Group of the shares in the associated companies corresponds to the Group's share in the

equity of the associated companies and the Group-wide surplus value and undervaluation. The Group's share of the associated companies' net earnings after tax attributable to the Parent Company owners, adjusted for any depreciation or redemption of acquired surplus values or undervaluations, is reported as "Participations in associated company earnings" in the consolidated income statement. Dividends received from associated companies reduces the carrying amount of the investment. Unrealised profits arising from transactions with associated companies are eliminated in relation to the share of equity owned.

When the Group's share of recognised losses in associated companies exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. The equity method is applied up until the point when the controlling interest comes to an end.

Elimination upon consolidation

Intra-Group assets and liabilities, revenue and costs and unrealised profits or losses that arise from intra-Group transactions among Group companies are eliminated entirely when preparing the consolidated financial statements.

Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are restated in the functional currency at the exchange rate on the transaction date. The functional currency is the currency in the countries in which the companies are registered and conduct their primary operations. Monetary assets and liabilities in foreign currencies are restated in the functional currency at the exchange rate on the balance sheet date. Currency exchange differences arising in conjunction with the restatements are recognised in the balance sheet. Non-monetary assets and liabilities recognised at historical costs are restated at the exchange rate on the transaction date. Non-monetary assets and liabilities measured at fair value are restated in the functional currency at the exchange rate prevalent at the point in time of measurement at fair value.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group-related surplus and deficits, are restated from the functional currency of the foreign operations in the presentation currency of the Group — the Swedish krona — at the exchange rate prevalent on the balance sheet date. Revenue and costs in a foreign operation are restated in Swedish kronor at an average exchange rate that constitutes an approximation of the exchange rates that existed on the respective transaction dates. Translation differences arising in the currency restatements of foreign operations are recognised directly against comprehensive income as a translation reserve. In conjunction with divestment of foreign operations, the accumulated translation differences attributable to the operations are realised in the consolidated income statement.

Revenue

Revenue from contracts with customers

Revenue is recognised in accordance with the control-based five-step model framework:

- Identify the contract
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price
- Satisfy the performance obligation

The company identifies the contract through steps including establishing the rights of each party, the terms of payment, and the probability that the company will collect the consideration it is entitled to in exchange for goods and/or services passed to the customer. The performance obligation comprises primarily delivery of goods and services to a very limited extent. Accrued income at year end was a marginal amount. The transaction price is the remuneration that the company expects to have the right to in exchange for passing the promised goods or services to the customer. The transaction price for goods includes both fixed and variable amounts such as discounts, returns and other similar items. For sales of services, which are extremely limited, the transaction price is fixed. Allocation of the transaction price is currently not necessary, since the company does not deliver goods and services that are composed of several performance obligations. The fulfilment of the performance obligation differs between goods and services.

Satisfying performance obligations for goods

Income is recognised when (or as) the company satisfies a performance obligation when control of a good is passed to a customer. In the Group's case, "good" means primarily sawn products with various degrees of processing, other further processed goods with wood as a base, by-products from sawmill operations and sales of timber and pulp wood. Control is passed at the point in time when the customer has the ability to control the use of, and generally obtain all remaining benefits from the asset. Above all, the company takes the following indicators into account upon transferring control: transfer of the physical possession of the asset, the right to payment for the asset and the customer assuming the significant risks and rewards related to the ownership of the asset.

Part of the Group's sales comprise doors and windows that are produced based on a specific customer order. The time frame for production of each order is very short. For practical reasons, income is reported when the goods are delivered to the customer. Any difference in relation to reporting over time should not yield any material difference in the Group's reporting of income.

Satisfying performance obligations for services

The services within the Group comprise primarily planing and wood impregnation for hire. In pace with customers receiving and consuming all the rewards provided, revenue is recognised over time in conjunction with the performance obligation being satisfied.

Balance sheet items related to customer contracts

Contractual debt is attributable to amounts that are paid by a customer, or are to be paid to a customer, for which performance commitments have not been met or are partially met. Contractual debts comprise advances from customers and accrued provisions/discounts for customers.

State subsidies

Government grants are recognised in the balance sheet as accrued revenue when there is reasonable assurance the grant will be received and that the Group will comply with the conditions attached to it.

Grants are to be systematically periodised in profit or loss in the same manner and over the same periods as the costs the grant is intended to compensate for. Government grants related to assets are recognised as a reduction of the carrying amount of the asset.

Operating expenses, and financial income and expenses

Leased assets

IFRS 16 has a leasing model for lessees, which means by and large that all leases are recognised in the balance sheet. The right of use (lease asset) and liability are measured at the current value of future lease payments. The right of use also includes direct costs attributable to signing the lease. Amortisations of the right of use and interest expenses are recognised in the balance sheet. In subsequent periods, the right of use is recognised at cost less amortisations and impairments, if any, and adjusted for any remeasurements of the lease liability. The lease liability is recognised separately from other liabilities. In subsequent periods, the liability is recognised at amortised cost and reduced by lease payments made. The lease liability is remeasured in the event of changes to factors including the lease term and residual value guarantees and, if any, changes to lease payments.

The lease payments are discounted by the implicit interest rate for the lease, if it can be determined. Otherwise, the lessee's incremental borrowing rate is used.

In the event leases for properties contain an option to extend, assessments are made on a contract-by-contract basis as to whether it is reasonably certain that the option will be exercised. This assessment weighs all the relevant facts and circumstances that create financial incentives, for example, in the terms and conditions of the lease for extension periods compared to market rates, significant improvements made (or expected to be made) to a leased property during the contract period, costs (such as negotiation expenses and relocation costs) arising when the lease is cancelled, and the importance of the underlying asset in operations.

Financial income and expenses

Financial income and expenses consist of interest income on bank funds and receivables, interest expenses on loans, fees under borrowing agreements, dividend income and earnings from changes in value of financial assets and liabilities measured at fair value through profit or loss. Exchange gains and losses are recognised net.

Interest income on receivables and interest expenses on liabilities are calculated using the effective rate method. The effective rate is the interest rate that sets the current value of all future deposits and payments during the fixed-rate period as equal to the carrying amount of the receivable or liability. The interest rate component in finance lease payments is recognised in profit or loss through applying the effective rate method. Interest income includes periodised amounts of transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount received on maturity. Dividend income is recognised when the right to receive payment has been established.

Financial instruments

Financial instruments recognised in the balance sheet include cash and cash equivalents, trade receivables, financial investments and derivatives. Among liabilities there are accounts payable, loan liabilities and derivatives.

Reporting and removal from the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party under the contractual conditions of the instrument. Trade receivables are recognised in the balance sheet when the invoice has been sent. Liabilities are recognised when the counterparty has performed and a contractual obligation to pay exists, even if the invoice has not yet been received. Accounts payable are recognised when the invoice has been received.

A financial asset is removed from the balance sheet when the rights in the contract are realised, fall due, or the company loses control over the asset. The same applies to parts of a financial asset. A financial liability is removed from the balance sheet when the obligation in the contract is fulfilled or otherwise expires. The same applies to parts of a financial liability.

A financial asset and a financial liability are cleared and recognised against a net amount in the balance sheet only when there exists a legal right to clear the amount, and there is an intention to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Acquisitions and sales of financial assets are recognised on the transaction date, which is the day the company commits to acquiring or selling the asset.

Classification and measurement

Financial instruments that are not derivatives are initially recognised at a cost corresponding to the fair value of the instrument including direct transaction costs for all financial instruments, except as regards those belonging to the category of financial asset, which are measured at fair value through profit or loss and measured at fair value excluding transaction costs.

The classification of financial instruments determines how they are measured after initial recognition. A financial asset that constitutes a liability for the counterparty (e.g. trade receivables) are classified at

initial recognition based on the business model for the holding and whether the cash flow collected comprises solely payments of principal and interest on the principal amount outstanding. Since trade receivables for the Group constitute the substantial financial assets that are liabilities for the counterparty, and since the Group's business model for these is the receipt of capital amounts, the assessments of the types mentioned are not normally critical. Holdings in instruments that constitute equity for the counterparty (e.g. shareholdings) are classified as measured at fair value through profit or loss if they are being held for trade. Otherwise, a choice is initially made to recognise the instrument at fair value through profit or loss or through other comprehensive income. See the description below for the Group's classifications. The Group's financial liabilities are recognised at amortised cost or fair value through profit or loss, in accordance with the descriptions below.

Derivatives are initially measured at fair value, meaning that transaction costs are charged to earnings for the period. After initial recognition, derivatives are recognised as described below. If derivatives are used for hedge accounting, and to the extent this is effective, changes in value are recognised as reclassified from the hedge reserve on the same line in profit or loss as the hedged item. Even if hedge accounting is not applied, increases and decreases in value are recognised on derivative as revenue and costs in operating profit or in net financial items based on the purpose for which the derivative is used and whether its use is related to an operating item or a financial item. Financial items are not normally hedged in the Group. Under hedge accounting, ineffective portions are recognised in the same manner as changes in value to derivatives that are not used for hedge accounting.

Cash and cash equivalents consist of cash funds and balances immediately available in banks and similar institutions, as well as liquid investments with a maturity of less than three months from the date of acquisition that are exposed to only an insignificant risk of fluctuations in value.

Financial assets recognised at amortised cost

Financial assets recognised at amortised cost are financial assets that are not derivatives, and the business model is collecting payments that have been or can be established regarding principal and interest on the principal amount outstanding. Loans, trade receivables and bank balances are primarily recognised in this category. Trade receivables are expected to form the majority of the recognised amount. Amortised cost is determined based on the effective rate calculated at the date of acquisition. Receivables with a maturity of less than three months are recognised at cost. Accounts receivable are recognised at the amount that is expected to flow in, less deductions for doubtful receivables.

Financial assets measured at fair value through profit or loss

The Group does not have any substantial holdings in this category. The type that could occur is derivatives with a positive value to which hedge accounting is not applied.

Financial assets recognised at amortised cost

Loans and other financial liabilities (e.g. accounts payable) are included in this category. The liabilities are measured at amortised cost. Liabilities with a maturity of less than three months are recognised at cost.

Financial liabilities measured at fair value through profit or loss

The Group does not expect to have any substantial holdings in this category. The type that could occur is derivatives with a negative value to which hedge accounting is not applied. The category to which the Group's financial assets and liabilities are attributed is indicated in Note 20 Financial assets and liabilities.

Derivatives and hedge accounting

Derivatives consist of electricity forward contracts used to cover risks of changes to electricity prices. All derivatives that are held by the Group have been identified as hedging instruments. Gains and losses regarding hedging instruments are recognised in profit or loss at the same point in time as gains and losses are recognised for the items being hedged.

Fulfilling the hedge accounting requirements under IFRS 9 requires an unambiguous link to the item hedged. Further, the hedge is required to effectively protect the hedged item, hedging documentation must be drawn up and the efficiency must be measurable.

Hedging electricity – cash flow hedging

Electricity forwards used for hedging electricity consumption forecasts are measured at fair value in the balance sheet. The changes in value are recognised in other comprehensive income and accumulated in the hedge reserve in equity until the hedged flow impacts the income statement, at which point the accumulated changes in value of the hedging instrument are transferred to profit or loss to meet and match the earnings effects from the hedged transaction.

When a hedging instrument falls due, is sold, liquidated or redeemed, or the company breaks off identification of the hedging relationship before the hedged transaction has taken place and the transaction forecast is still expected to take place, the reported accumulated profit or loss in the hedge reserve in equity remains and is reported in a manner similar to the above when the transaction takes place.

If the hedged transaction is no longer expected to take place, the accumulated profit or loss of the hedging instrument is settled immediately against profit or loss in accordance with the principles for derivatives described above.

Property, plant and equipment

Owned assets

Property, plant and equipment are recognised as assets on the balance sheet if it is likely that future financial benefits will accrue to the company, and that the cost of the asset can be reliably calculated.

Property, plant and equipment are recognised in the Group at costless accumulated depreciation and any impairment. The cost

comprises the purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Examples of directly attributable expenses included in the cost are expenses for shipping and handling, installation, registration, consulting services and legal services.

The cost of fixed assets produced by the company includes expenses for materials, expenses for employee remuneration, other manufacturing overhead expenses considered as directly attributable to the fixed asset (if applicable), and borrowing costs as well as estimated expenses for disassembly and removal of the assets and restoration of the site or area where these are located.

Property, plant and equipment consisting of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount for property, plant and equipment is removed from the balance sheet upon disposal or sale, or when no future financial benefit is expected from use or disposal/sale of the asset. Profit or loss that arises upon the sale or disposal of an asset consists of the difference between the sale price and the carrying amount of the asset less direct sales costs. Profit and loss are recognised as other operating revenue/expenses. The policies for depreciation are discussed below.

Additional expenses

Additional expenses are added to the cost only if it is likely that the future financial benefits associated with the asset will accrue to the company, and the cost can be reliably calculated. All other additional expenses are recognised as costs in the period when they arise.

A crucial element in assessing when an additional expense is added to the cost is whether the expense relates to the replacement of identified components, or parts thereof, at which point the expenses are capitalised. Even in cases where a new component is created, the expense is added to the cost. Any undepreciated carrying amounts on replaced components or parts of components are disposed of and expensed in conjunction with the replacement. Repairs are expensed on a continual basis.

Borrowing costs

Borrowing costs are charged to earnings in the period they are attributable to, if the borrowing cost is not attributable to construction of assets that require a significant amount of time to complete; in that case the borrowing cost is capitalised.

Depreciation policies

Depreciation occurs on a straight-line basis over the calculated useful life of the asset. The Group applies component depreciation, which means that the assessed useful life of the component forms the foundation for the depreciation. Machinery and equipment consist of a number of components with various useful lives; see below. Properties also consist of a number of components with various useful lives. The

primary division is between land and buildings. No impairment occurs for the land component, the useful life of which is deemed to be unlimited. The buildings are divided into office and industrial buildings, and consist of several components whose useful lives differ. The residual value and useful life of the asset are assessed on a yearly basis.

Plant and machinery	5–10 years
Equipment, tools, fixtures and fittings	3–5 years
Industrial buildings and land improvements	20–25 years
Residential properties	50 years
Software (intangible assets)	4–5 years
Customer agreements (intangible assets)	15 years

Intangible assets

Expenses for research aimed at obtaining new scientific or technological knowledge are recognised as expenses when they arise.

Expenses for development, when the results of research or other knowledge is applied to obtain new or improved products or processes, are recognised as assets in the balance sheet if the product or process is technologically or commercially usable and the company has sufficient resources to complete development and subsequently use or sell the intangible asset. The carrying amount includes expenses for material, direct expenses for salaries and indirect expenses that can be reasonably and consistently attributed to the asset. Other expenses for development are recognised in profit or loss as costs when they arise. Intangible assets also include patents, licenses and software.

Goodwill

Goodwill represents the difference between the cost of the business combination and the fair value of assets acquired, liabilities assumed and contingent liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is allocated to cash-generating units and impairment tested annually, or as soon as indications arise that the asset in question has decreased in value.

Brands

Brands that are acquired in a business combination are identified and recognised separately from goodwill if they meet the criteria for an intangible asset and the fair value can be reliably calculated. The cost of these types of intangible asset is the fair value on the acquisition date. After initial recognition, the brands acquired in a business combination are measured on the same basis as brands that were acquired separately. The brands are measured based on discounted estimated royalties that were avoided through ownership of the brand.

Additional expenses

Additional expenses for capitalised intangible assets are recognised as an asset in profit or loss only when they increase the future financial benefits for the specific asset to which they are attributed. All other expenses are expensed when they arise.

Inventory

Inventory is measured at the lower of cost, under the first-in-first-out principle, and net realisable value. Obsolescence risks are thus taken into account. The costs for products made by the company have been calculated in accordance with production estimates, in which a reasonable proportion of indirect costs have been included. The degree of processing of the inventory lot has been taken into account.

Standing forests — meaning owned timber that has not been harvested — are also recognised in Inventory. Standing forests are measured at cost, which are largely payments under contract. Costs for felling operations and transportation arise in conjunction with harvesting. The Group has no volumes of standing forests that are expected to remain unharvested for so long that the growth of timber on roots may need to be taken into account.

Depreciation and impairment of tangible and intangible assets, and participations in subsidiaries

If a need for impairment is indicated, the recoverable amount of the asset is calculated (see below). For goodwill and other immaterial assets with an indeterminate useful life, and immaterial assets that are not yet ready for use, the recoverable amount is calculated annually or as soon as indications arise. If materially independent cash flows for an individual asset cannot be determined and its fair value less sales costs cannot be used, the assets will be grouped at the lowest level where materially independent cash flows (cash-generating units) can be identified when testing the need for impairment.

An impairment is recognised when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. An impairment is recognised as a cost in profit or loss. When a need for impairment is identified for a cash-generating unit (or group of units) the need for impairment is first allocated to goodwill. The remaining assets included in the unit (or group of units) then undergo proportional impairment.

The recoverable amount is the higher of an asset's fair value less sales costs and value in use. When calculating value in use, future cash flows are discounted by a discount factor that takes into account risk-free interest rates and the risk associated with the particular asset.

Impairment of financial assets

The Group's recognised loss allowances for expected credit losses essentially pertain to reserves for bad debt losses. Cash and cash equivalents are covered by the general model, and based on the counterparty's rating. As a result of a strong rating and short duration, the reserve for cash and cash equivalents is insignificant. The Group holds

no debt instruments measured at fair value through other comprehensive income, and the potential expected credit losses for assets other than trade receivables measured at amortised cost are deemed to be negligible.

The loss allowance for trade receivables is always measured at an amount corresponding to expected credit losses throughout the life of the receivable.

The reserve pertaining to trade receivables is based on expected credit losses and on individual assessments. Default is deemed to have occurred after the liability is 90 days overdue, or earlier if it is apparent that the customer will not be able to pay, for the portion that is not insured by credit or otherwise guaranteed. The Group is of the opinion that a general reserve would be an insignificant amount.

An impairment is recognised as a cost in profit or loss.

Reversal of impairments

An impairment of assets included in the area of application for IAS 36 is reversed if there is both an indication that the need for impairment no longer exists, and that a change has occurred in the assumptions that formed the basis for calculating the recoverable amount. However, impairment of goodwill is never reversed. A reversal occurs only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where appropriate, if no impairment had occurred.

Dividends

Dividends are recognised as a liability after the AGM has approved them.

Remuneration to employees

Defined-benefit pensions

For salaried employees in Sweden, the ITP2 plan defined-benefit pension commitments for retirement and family pensions are secured through insurance with Alecta.

In accordance with recommendation UFR 10 from the Swedish Financial Reporting Board, this is a defined-benefit plan that covers several employees. For the 2022 financial year, the company had no access to information in order to report its proportional share of the plan's obligations, plan assets and costs, which resulted in it not being possible to report the plan as a defined-benefit plan. The ITP2 pension plan, secured through insurance with Alecta, is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated, and is dependent on such factors as salary, previously vested pension and anticipated remaining period of service. The fees for pension insurance policies signed with Alecta total SEK 3 million (3). Alecta's surplus can be

distributed among the policyholders and/or the insured. At the end of 2022, Alecta's surplus in the form of the level of collective consolidation was 172 per cent (172). The level of collective consolidation consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated using Alecta's technical estimate assumptions, which do not correspond with IAS 19.

Defined-contribution pensions

In defined-contribution pensions, the company pays fixed fees to a separate legal entity and has no obligation to pay additional fees. The Group's earnings are charged for costs in pace with the benefit being vested.

Termination benefits

A liability is recognised in conjunction with termination of employment for personnel only if the company is demonstrably obligated to terminate employment before the normal point in time, or when remuneration is presented as an offer to encourage a voluntary resignation. In the event the company terminates personnel, a detailed plan is drawn up that contains, at a minimum, workplace, positions and approximate number of people affected, as well as remuneration for each personnel category or position and a time frame for implementation of the plan.

Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that occurred, an outflow of financial resources will likely be required to settle the obligation, and the amount can be reliably calculated. Where the effect of the point in time when a payment occurs is substantial, the provision is calculated through discounting the anticipated future cash flow at an interest rate before tax that reflects the actual market assessment of the time value of the money and, where applicable, the risks associated with the liability.

Taxes

Income tax consists of current tax and deferred tax.

Income tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income or directly against equity. Current tax is tax to be paid or received regarding the current year, using the tax rates that have been determined (or determined in practice) on the balance sheet date; this also includes adjustments of current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method, starting from temporary differences between the recognised and the fiscal values of assets and liabilities. Valuation of deferred tax is based on how the carrying amount of assets or liabilities is expected to be realised or settled. Deferred tax is calculated using the tax rates and tax regulations determined (or determined in practice) on the balance

sheet date.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are recognised only to the extent that it is likely they can be utilised. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilised.

Any additional income tax that arises in connection with a dividend is recognised at the same point in time as the dividend is recognised as a liability.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating in events that have occurred, and the existence of which is confirmed only by one or more uncertain future events, or when there is a commitment not recognised as a liability or provision owing to the fact that an outflow of resources is not likely to be required, or the amount cannot be reliably estimated.

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2, Accounting for legal entities. RFR 2 means that the Parent Company, in the annual report for the legal entity, must apply all IFRS and recommendations adopted by the EU to the greatest extent possible within the framework of the Annual Accounts Act, taking the connection between reporting and taxation into account. The recommendation indicates which exceptions and additions are to be made from the IFRS. The differences between the Group's and the Parent Company's accounting policies are indicated below.

The accounting policies shown below for the Parent Company have been consistently applied in all periods presented in the Parent Company's financial statements.

New and amended accounting policies for the year

There are certain new and amended standards and interpretations that entered into force in 2022, but these have not had any significant impact on the company's accounts.

Future changes to accounting policies

No new or amended standards and interpretations to be applied in future are expected to substantially impact the Parent Company's reporting.

Leased assets

The Parent Company has chosen not to apply IFRS 16 in a legal entity, in accordance with the possibility of exemption in accordance with RFR 2.

Fixed assets

Property, plant and equipment in the Parent Company is recognised in the same way as in the Group — at cost less accumulated depreciation and any impairment, but with additions for any revaluations. Lease fees

are recognised as a cost on a straight-line basis over the term of the lease, provided another systematic approach does not better reflect the user's economic benefit over time. Transaction costs in connection with acquisition of subsidiaries are recognised in the Parent Company balance sheet as shares in subsidiaries.

Remuneration and pensions for employees

The Parent Company complies with the Act on Safeguarding of Pension Obligations and with Swedish Financial Supervisory Authority regulations, since these are a condition for the right to fiscal deductions. The substantial differences compared with the rules in IAS 19 lie in how the discount rate is established, that defined-benefit obligations are calculated based on current salary levels without assumptions regarding future increases, and that all actuarial gains and losses are recognised in profit or loss as they arise. Currently, this has little impact since all defined-benefit obligations are in the Alecta system (see above under the Group's section on defined-benefit pensions).

Taxes

Untaxed reserves, including deferred tax liabilities, are recognised in the Parent Company. In the consolidated financial statements, on the other hand, untaxed reserves are divided into provisions for deferred tax and equity.

Group contributions and shareholders' contributions to legal entities

The Parent Company recognises Group contributions and shareholders' contributions in accordance with Swedish Financial Reporting Board recommendation RFR 2. Group contributions are recognised as appropriations, and shareholders' contributions are recorded directly against equity with the recipient. In the Parent Company, shareholders' contributions are capitalised as shares and participations to the extent impairment is not required, while Group contributions are recognised as appropriations.

2. External net sales by market

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

Sales are primarily to customers in Europe; outside of Europe, Japan is the largest market.

The Group's largest customer represents 6.5 per cent (4.6) of net

sales, which is SEK 212 million (140) and pertains to wood products.

The second-largest customer this year represents 5.7 per cent (5.2), corresponding to SEK 186 million (160) of net sales and pertains to wood products.

The second-largest customer in 2022 is classified as a related party; refer to Note 27. Of the Group's net sales, SEK 3,156 million (2,960) pertains to sales of goods and SEK 111 million (95) pertains to service assignments

GROUP

January – December 2022

Amounts in SEK m	Wood Protection	Joinery	Sawn Wood	Energy & Logistics	Group total
Sweden	178	40	0	59	277
UK	266	569	45	72	952
Baltics	29	6	673	16	724
France	221	69	0	0	290
Iceland	84	121	0	0	205
Rest of Europe	104	24	208	138	474
Japan	0	0	236	0	236
Rest of world	32	2	73	2	109
Total	914	831	1,235	287	3,267

January – December 2021

Amounts in SEK m	Wood Protection	Joinery	Sawn Wood	Energy & Logistics	Group total
Sweden	239	34	0	36	309
UK	508	256	52	59	875
Baltics	48	7	567	30	652
France	218	93	0	0	311
Iceland	87	75	0	0	162
Rest of Europe	215	32	195	66	508
Japan	0	0	171	0	171
Rest of world	24	1	40	2	67
Total	1,339	498	1,025	193	3,055

PARENT COMPANY

Geographic allocation	Other operating income		Fixed assets	
	2022	2021	31 Dec 2022	31 Dec 2021
Latvia	1	1	547	582
Sweden	3	4	313	313
Estonia	0	0	75	76
UK	1	1	230	230
Poland	–	–	42	–
Total	5	6	1,207	1,201

3. Segment reporting

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

Wood Protection

Wood Protection conducts operations in wood preservatives. Operations are conducted in Sweden, Latvia and the UK. The majority of production takes place via the Byko-Lat and Bitus subsidiaries. The product offering comprises treated wood (impregnated, fire-retardant, etc.) in accordance with international standards and environmental requirements. This also includes special ranges of untreated and treated planed products for the DIY sector.

Joinery

Joinery manufactures processed products from wood such as houses, windows and doors as well as a broad range of garden products such as fencing, windbreaks, benches, tables and swimming pool sets. Production takes place in Latvia, Poland, and the UK.

Sawn Wood

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

Other (Energy & Logistics)

In addition to these three segments, Bergs manufactures pellets and fire logs for heating. Moreover, there is also a port and logistics facility in the UK.

EARNINGS BY SEGMENT

Income statement

Amounts in SEK m	2022	2021
	Jan-Dec	Jan-Dec
Wood Protection	981	1,392
Joinery	836	495
Sawn Wood	1,292	1,117
Other	287	190
Internal net sales	-129	-139
External net sales	3,267	3,055
Wood Protection	-42	249
Joinery	77	42
Sawn Wood	238	259
Other	83	-6
Joint and eliminations	-25	-41
EBITDA	331	503

4. Financial risks

Through its operations, the Group is exposed to various types of financial risks. Financial risks refer to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, electricity prices and interest rate levels as well as risks in refinancing and credit. The Group's financial risks are managed by the Parent Company based on a finance policy, adopted by the Board of Directors, with a focus on risk mandates and limits for financing activities. Responsibility for Group-wide financial risks and transactions is managed centrally via the Parent Company. The overall objective is to minimise the Group's capital expense and to control the Group's financial risks through effective management.

Currency risks

A large part of the Group's sales takes place in foreign currencies such as EUR and GBP. The Group's purchases are primarily in SEK, EUR and GBP. Net inflow of the respective currencies are expressed as countervalues in SEK in the table below. At present, there are no currency hedges.

SEK m

Currency	2022	2021	2022	2021
	EUR	EUR	GBP	GBP
Net flow	134	1	165	84
Average translation rate to SEK	10.69	10.15	12.47	11.72

In total, the recorded currency exchange differences in the Group impacted operating profit by SEK 3 million (12). The Group's earnings have not been impacted by any realised or unrealised earnings on currency contracts during the year.

The company has substantial sales to Europe. This results in significant exposure to the trends in the pound sterling and euro. A 5 per cent change in the exchange rate would thus result in an impact on earnings of SEK +/-8 million for GBP and SEK +/-7 million for EUR.

The risk associated with currency conversion exposure arises from the conversion of foreign subsidiary assets, liabilities, and results into Swedish krona. The net assets of foreign subsidiaries amount to SEK 965 million and are normally not hedged.

Interest rate risk

Borrowing is in SEK and is managed by the Parent Company. The interest rate policy has been, despite a greater level of risk, to keep the majority of the credits at variable interest rates. For the Group's loans, the interest rate is adjusted by the change in STIBOR for each agreed fixed interest period. No interest rate instruments, such as interest rate swaps, have been signed. Sensitivity analyses relating to loan liabilities on the balance sheet date show that a change in loan interest rates of +/-1 percentage point would have an effect on earnings for the year of SEK 2 million (3) before tax, but no effect in the balance sheet.

Credit risks

The Group's policy as regards customer credits differs among the various parts of the Group. For the Swedish operations, credit hedging is applied as the main rule. If credit hedging cannot be obtained, a decision may be made to derogate from the main rule after a specific decision on the limit. Similar methods are used for the wood products operation in the UK. The credit risk in PTPG is deemed to be small since the majority of sales are either credit hedged or are made in advance and payment before delivery to the customer. Other subsidiaries provide credit insurance to a lesser extent, or not at all. Trade receivables at the end of the financial year — SEK 150 million (270) — are divided into insured wood products deliveries, SEK 58 million (97); uninsured wood product deliveries, SEK 60 million (133); insured byproduct, pulp wood and pellet deliveries, SEK 22 million (23); and uninsured byproduct and pulp wood deliveries, SEK 10 million (23).

The largest single receivable totalled SEK 21 million (20), corresponding to 14 per cent (7) of the total credit risk. Allocation of credit risk is shown in the table below.

Concentration of credit risk as of 31 December 2022	Receivable	No. of customers	Percentage of no. of customers
Exposure, SEK <1.5 million	64 (94)	484 (468)	96 (93)
Exposure SEK 1.5–5.0 million	40 (71)	17 (27)	3 (5)
Exposure SEK >5 million	46 (109)	5 (10)	1 (2)
	150 (270)	506 (505)	100 (100)

Bad debt losses for the financial year totalled SEK 1 million (0). Of total trade receivables, 20 per cent (17) are overdue receivables; 12 per cent (15) are overdue by 30 days or less while 8 per cent (2) are overdue by more than 30 days. Trade receivable reserves totalled SEK 10 million (12).

Electricity price risks

The Group consumes roughly 50 GWh annually. To reduce the exposure to changes in electricity prices, financial hedges are used for the Swedish operation. For operations outside Sweden, physical fixed-price contracts are primarily used. Hedges are implemented on a routine basis so that the degree of hedging for the consumption forecast for the next twelve months totals 85 per cent, for 13–24 months 50 per cent, and for 24–36 months 20 per cent. The net fair value on electricity forward contracts at 31 December 2022 was SEK 14 million. Change in market value is reported in other comprehensive income when hedge accounting is applied. The profit from the electricity futures contracts is reported in the income statement as they mature and for 2022 amounted to SEK 9 million. A 10-percent change in electricity prices as of 31 December 2022 would entail a change of around SEK 3 million in profit before tax.

Liquidity or cash flow risks

In January 2022, Bergs signed a new loan agreement with Danske Bank and SEB on matters including the refinancing of the bulk of the Group's existing loans. The new credit facilities totalling SEK 650 million have a three-year maturity and encompass term loans totalling SEK 250 million and a revolving credit facility of SEK 400 million. At year-end, the credit facilities were extended by one year. Additionally, the Group has an overdraft facility of SEK 50 million with Danske Bank.

The loan agreement contains the customary obligations, such as the one limiting the scope for action for Bergs Timber AB (publ) regarding pledging of assets, raising loans or issuing securities, selling or transferring assets and merging or consolidating operations with another company. In addition, the loan agreement prescribes that annual dividend payments should not exceed 40 per cent of the preceding year's profit. In contrast to the previous loans, the new loan agreement is non-guaranteed and in general involves better terms for the Group. Finally, the financing is contingent on certain key performance indicators being met. As of 31 December 2022 all the conditions had been met.

Available cash and cash equivalents, including unutilised credit facilities, amount to SEK 718 million.

Liquidity risk, SEK m	<1 year	1–3 years	4–5 years	>5 years
31 Dec 2022				
Bank loans incl. interest rates	35	66	164	–
Liabilities pertaining to rights of use	3	3	1	–
Other liabilities incl. interest rates	0	0	0	0
Accounts payable	103	–	–	–
Total	141	69	165	0
31 Dec 2021				
Bank loans incl. interest rates	296	–	–	–
Overdraft facilities incl. interest rates	9	–	–	–
Liabilities pertaining to rights of use	4	8	4	0
Other liabilities incl. interest rates	–	–	0	–
Accounts payable	123	–	–	–
Total	431	8	4	0

The table above shows the Group's liquidity risk regarding financial liabilities (including interest payments).

Asset management

The foremost goal of the Group's asset management is maintaining a high level of creditworthiness and a well-balanced capital structure. The Group's capital consists of equity attributable to Bergs's shareholders. At year-end 2022, the Group's capital amounted to SEK 1,842 million (1,616). To maintain or amend the capital structure, the Group can adjust the dividend to the shareholders, reverse capital to the shareholders or carry out a new share issue. Since the Group's operations depend on the economic cycle, the goal is to maintain a high equity/assets ratio. A summary of the financial targets for the Group is presented in the Financial targets section in the Director's Report.

5. Other operating income

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Profit on sale of property, plant and equipment	6	3	–	–
Rental income	1	4	–	–
Repayment from Fora	1	7	0	–
Other	4	2	–	1
Administrative remuneration, Group	–	–	5	5
Exchange rate differences	8	3	–	–
	20	19	5	6

6. Employees and personnel costs

AVERAGE NUMBER OF EMPLOYEES

	2022			2021		
	Men	Women	Total	Men	Women	Total
Parent Company						
Sweden	4	1	5	4	1	5
Group companies						
Estonia	23	8	31	32	11	43
Latvia	514	142	656	559	145	704
Poland	84	40	124	–	–	–
UK	189	57	246	82	22	114
Sweden	50	12	62	51	14	65
Total, Group	864	260	1 124	738	193	931

SICK LEAVE

Total sick leave in the Group for the year was 9.6 per cent (7.6). Sick leave lasting more than 60 days was 15.1 per cent (24.8). Sick leave is divided into different age groups: up to 29, 8.0 per cent (7.9); 30–49, 9.4 per cent (7.9); and over 50 10.6 per cent (6.7). Sick leave is not reported for the Parent Company.

CONSOLIDATED SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	Board of Directors and senior executives		Other employees		Total	
	2022	2021	2022	2021	2022	2021
Salaries and other remuneration	10	12	330	283	340	295
Social security costs	5	5	73	70	78	75
of which pension costs	2	1	10	10	12	11

PARENT COMPANY SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	Board of Directors and senior executives		Other employees		Total	
	2022	2021	2022	2021	2022	2021
Salaries and other remuneration	10	12	2	4	12	16
Social security costs	5	5	1	2	6	7
of which pension costs	2	1	0	1	2	2

6. Employees and personnel costs, cont.

REMUNERATION AND OTHER BENEFITS DURING THE YEAR FOR BOARD OF DIRECTORS AND GROUP SENIOR EXECUTIVES (AMOUNTS IN SEK)

	Salaries/Board fees	Other benefits	Pension costs	Total 2022	Total 2021
Chairman of the Board Michael Bertorp	593	–	–	593	533
CEO Peter Nilsson	4,501	152	1,314	5,967	7,719
Other elected Board members					
Remuneration from Parent Company:					
Åke Bergh	240	–	–	240	210
Lars Gustafsson	125	–	–	125	205
Ingrid Bluma	225	–	–	225	195
Gudmundur H Jónsson	225	–	–	225	195
Jon Helgi Gudmundsson	228	–	–	228	200
Anna Rasmusson	113	–	–	113	–
Employee members	–	–	–	–	12
Nomination Committee	29	–	–	29	34
Other senior executives	3,504	159	783	4,446	4,170
	9,783	311	2,097	12,078	13,473

Employer's contributions and social security expenses are not included in the table above. Other benefits relate primarily to the benefit of a free company car and healthcare benefits for the CEO. The management group for both the Group and the Parent Company consists of the CEO and CFO.

Principles

Fees are paid to the Chairman and members of the Board of Directors in accordance with the decisions of the Annual General Meeting. No special remuneration is normally paid for work above and beyond regular Board activities, but this can occur in conjunction with major acquisitions or other projects in which the person selected devotes substantially more time or other work tasks than could be expected with a normal assignment. Remuneration to the CEO and other senior executives for financial year 2022 consisted of salary, variable remuneration, other benefits and pensions. The Salary column in the table above includes remuneration of TSEK 719 (2,700) to the CEO and TSEK 355 (1,308) to the other senior executives.

Gender distribution on the Board and in company management

At year-end, the Board of Directors of Bergs Timber AB (publ), the Parent Company, consisted of 67 per cent (83) men. Executive management comprises 100 per cent (100) men.

Pensions

Pension costs for the CEO and other senior executives are 30 per cent of the fixed monthly salary and run with a retirement age of 65 years.

Severance pay

For the CEO, a notice period of six months applies from both the employee's and the company's side. For the CEO and other senior executives in the Group, severance pay of 12 months' salary is paid, excluding termination salary in conjunction with termination of employment on the company's initiative. Income from other employment or operations must be deducted from the severance pay.

Decision-making process

Remuneration to the CEO for 2022 was established during the financial year by the Board of Directors in accordance with proposals by the Remuneration Committee. Remuneration for 2022 to other senior executives was established by the Board of Directors in accordance with proposals by the Remuneration Committee and in consultation with the CEO. Remuneration and benefits for 2023 to the CEO and other senior executives have been established under the same policies. The Remuneration Committee has also been tasked with preparing questions regarding policies for remuneration to Group Management.

7. Audit fees

REMUNERATION TO AUDITORS, TOTAL FOR THE FINANCIAL YEAR

	Group		Parent Company	
	2022	2021	2022	2021
<i>Deloitte</i>				
Audit assignment	1,500	1,374	1,500	1,374
Tax consultancy services	0	0	0	0
	1,500	1,374	1,500	1,374
<i>EY</i>				
Audit assignment	138	41	0	0
Tax consultancy services	213	196	213	196
	351	237	213	196
<i>KPMG</i>				
Audit assignment	191	162	–	–
Tax consultancy services	64	61	–	–
	255	223	0	0
<i>Other</i>				
Audit assignment	1,725	643	–	–
Tax consultancy services	–	59	–	–
	1,725	702	0	0

Auditing assignments refer to reviews of the annual report and accounting records as well as the management of the Board and the CEO, any other duties delegated to the Group's auditor, consultation or other advisory services in connection with findings observed in such reviews or the performance of other such duties.

8. Intangible assets

	Group	
	2022	2021
Goodwill acquired		
Opening costs	288	175
Acquisition of P&P Holding Ltd	8	–
Acquisition of Pinus	11	–
Acquisition of PTP Group	–	109
Exchange rate fluctuations	8	4
Closing accumulated cost	315	288
Carrying amount	315	288
Cost of goodwill allocated per division acquired		
SIA Vika Wood (Latvia)	142	136
SIA Byko-Lat (Latvia)	39	39
Continental Wood Limited (UK)	2	2
Pinus (Poland)	11	–
Performance Timber Products Group (UK)	119	109
Bitus AB	2	2
	315	288

Goodwill acquired is to undergo impairment testing as soon as there is some indication of a need for impairment. However, the value must be tested at least once a year. The results of the impairment testing show that the value in use exceeds the carrying amount, which is why no need for impairment exists. A description of the test conducted is provided in Note 28.

	Group	
	2022	2021
Other intangible assets		
Opening costs	46	17
Acquisitions for the year	–	29
Closing accumulated cost	46	46
Opening accumulated amortisation	–5	–5
Amortisation for the year	–1	–2
Currency effects	0	2
Closing accumulated amortisation	–6	–5
Carrying amount	40	41

Brands are amortised if they have a limited service life. The Byko brand is amortised over 10 years, while the brands acquired in 2021 have an unlimited service life and are therefore not amortised. Customer agreements in the UK are amortised over a period of 15 years. Software is amortised over 3 years.

9. Property, plant and equipment

	Group	
	2022	2021
Land and buildings		
Opening costs	549	465
Acquisition of subsidiaries	25	39
Investments/reclassifications for the year	61	34
Sales/disposals	–22	–2
Translation differences	27	13
Closing accumulated cost	640	549
Opening accumulated amortisation	–171	–150
Sales/disposals	21	2
Amortisation for the year	–25	–20
Translation differences	–12	–3
Closing accumulated amortisation	–187	–171
Opening accumulated impairment	15	0
Impairment for the year	0	–
Sales/disposals	–	15
Closing accumulated impairment	15	15
Carrying amount	468	393

	Group	
	2022	2021
Plant and machinery		
Opening costs	755	674
Acquisition of subsidiaries	12	12
Investments/reclassifications for the year	36	73
Sales/disposals	–34	–17
Translation differences	58	13
Closing accumulated cost	827	755
Opening accumulated amortisation	–380	–337
Sales/disposals/reclassifications	26	16
Translation differences	–37	–7
Amortisation for the year	–58	–52
Closing accumulated amortisation	–449	–380
Opening accumulated impairment	–5	–5
Sales/disposals for the year	0	0
Impairment for the year	0	0
Closing accumulated impairment	–5	–5
Carrying amount	373	371

9. Property, plant and equipment, cont.

	Group		Parent Company	
	2022	2021	2022	2021
Equipment, tools, fixtures and fittings				
Opening costs	31	24	1	1
Acquisition of subsidiaries	1	2	–	–
Investments/reclassifications for the year	9	5	0	0
Sales/disposals	–13	–1	0	0
Translation differences	3	1	0	0
Closing accumulated cost	31	31	1	1
Opening accumulated amortisation	–16	–12	0	0
Sales/disposals/reclassifications	12	1	0	0
Amortisation for the year	–6	–5	0	0
Translation differences	–1	0	0	0
Closing accumulated amortisation	–11	–16	0	0
Carrying amount	20	15	0	0

	Group	
	2022	2021
Construction in progress and advance payments regarding property, plant and equipment		
Opening cost	21	6
Sales/disposals/reclassifications	0	0
Costs incurred for the year	60	62
Reclassifications	–55	–47
Translation differences	1	–
Carrying amount	27	21

	Group	
	2022	2021
Right-of-use assets		
Machinery, forklifts and vehicles		
Accumulated costs		
At the beginning of the year	85	68
Investments	3	5
Acquisition of subsidiaries	0	12
Divestments	–12	0
Translation differences	2	0
Closing accumulated cost	78	85
Accumulated depreciation		
At the beginning of the year	–70	–65
Divestments	2	0
Amortisation for the year	–2	–5
Translation differences	0	0
Closing accumulated amortisation	–70	–70
Carrying amount	8	15

(Part of property, plant and equipment)

Additional right-of-use assets for the year are attributable primarily to vehicles and forklifts. The Group's leases pertaining to passenger vehicles, forklifts and machinery run from 1 to 5 years. The leases consist primarily of fixed fees. The Group also has leases for office equipment and furniture that are not recognised as right-of-use assets since they are classified as short-term and low-value leases. The incremental borrowing rate was 3.3 per cent. Regarding the maturity structure for rights of use, refer to Note 4 Financial risks.

10. Interest income, etc.

	Group		Parent Company	
	2022	2021	2022	2021
Interest income, etc.	1	–	1	–
Net exchange rate gains	19	9	23	7
Interest income from Group companies	–	–	4	4
	20	9	28	11

11. Interest expenses, etc.

	Group		Parent Company	
	2022	2021	2022	2021
Interest expenses pert. to bank loans	–11	–9	–10	–7
Discounted interest on shareholder loans	–	0	–	0
Interest expenses to Group companies	–	–	–2	–
Other financial expenses	–6	–3	–4	–3
	–17	–12	–16	–10

12. Tax

Tax on profit for the year	Group		Parent Company	
	2022	2021	2022	2021
Current tax	-13	-11	-4	-1
Deferred tax	0	5	0	0
	-13	-6	-4	-1

Reconciliation of effective tax	Group		Parent Company	
	2022	2021	2022	2021
Profit before tax	244	423	24	1
Tax under Swedish tax rate, 20.6%	-50	-87	-5	0
Difference between tax rate in Sweden and abroad	41	80	0	0
Tax effect of non-deductible expenses	-3	-5	-1	-1
Tax effect of non-taxable income	0	0	0	0
Deductible costs, not recorded	1	2	1	0
Loss carryforwards utilised	0	0	0	0
Other	-2	4	1	0
	-13	-6	-4	-1

Deferred tax	Group		Parent Company	
	2022	2021	2022	2021
Property, plant and equipment	4	0	0	0
Untaxed reserves	27	27	-	-
Inventory	0	-1	0	0
Provisions	-2	-1	0	-1
Loss carryforwards	-12	-12	-12	-12
Other	-4	-5	0	0
Deferred tax liability/tax asset (-)	13	8	-12	-13

Loss carryforwards in which the tax value is capitalised totalled SEK 58 million (58) for the Group and SEK 58 million (58) for the Parent Company. An assessment shows that it is likely the loss carryforward will be utilised. Refer also to Note 28, Key estimates and assessments.

For Bergs Timber Broakulla AB, there is a loss carryforward of SEK 187 million (187), known as the group relief limit, that is frozen under

Swedish tax regulations. This means that the loss carryforward is frozen for a certain period of time from use to even out the Group's tax, and can only be used to even out the legal entity's tax. The freeze will expire as of the 2025 tax year. For that reason, no capitalisation has been made of the loss carryforward in the Group. The Parent Company's loss carryforwards in relation to certain companies in the Group have also been frozen until 2025. The total loss carryforwards in the Group amount to SEK 245 million and pertain to Sweden.

The subsidiaries in Estonia and Latvia are taxed only when a dividend is paid out, and then on the amount distributed. The tax rate in both countries is currently 20 per cent. Since no dividend has been proposed, decided or planned in the foreseeable future, this has not affected deferred tax in the group. If the earnings of these subsidiaries in the period had been distributed in their entirety, a tax liability of SEK 49 million (77) would have arisen.

13. Financial investments and non-current receivables

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Non-current receivables in Group companies	-	-	334	367
Non-current receivables in associated companies	4	-	4	-
Other non-current receivables	1	1	0	0
Carrying amount	5	1	338	367

All assets are unlisted and measured at cost.

	Parent Company	
	31 Dec 2022	31 Dec 2021
Pinus	4	-
SIA Byko-Lat	257	242
Bergs Timber UK Ltd	7	7
Baltic Wharf Properties Ltd	25	26
Performance Timber Group Ltd	18	18
SIA Vika Wood	23	73
AS Laesti	0	1
	334	367

14. Inventory

	Group	
	31 Dec 2022	31 Dec 2021
Wood products	463	466
Harvesting rights and timber	102	126
Processed goods	76	114
Advance payments to suppliers	5	0
Other stock	59	27
	705	733

Due to the downturn in prices for sawn and processed products at the end of the financial year, the net sale value of the stock was impaired by approximately SEK 36 million (18) for the Group. The change in impairments of SEK -18 million was charged to profit for the year. Other obsolescence reserves totalled SEK 4 million (4).

15. Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Prepaid insurance	7	7	0	2
Prepaid financing costs	4	4	3	1
Other accrued income	4	0	-	-
Other prepaid expenses	17	9	1	0
Energy tax	0	1	-	-
	31	21	4	3

16. Provisions

	Group	
	31 Dec 2022	31 Dec 2021
Provisions, complaints (non-current)	3	2
Provisions, pension obligations (current)	1	1
Provisions, other (non-current)	1	1
Provisions, environmental obligations (long-term)	1	1
	6	5

Based on the applicable guideline values for the operations at Bitus in Nybro that are subject to notification obligations, there is a likely future environmental obligation to restore a sedimentation pool whose function is to collect pollutants in the property where the operations are conducted. The costs for restoration, totalling SEK 0.6 million, are reserved under the heading Other provisions.

17. Non-current interest-bearing liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Long-term component with maturity one to five years				
– bank loans ¹⁾	206	–	206	–
– liabilities pertaining to rights of use	4	12	–	–
Later than five years				
– Other	0	0	–	–
	211	12	206	–

1) The Group's principal financing runs out in January 2026.

18. Current interest-bearing liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
The current portion is amortised within 1 year				
– bank loans ¹⁾	25	292	25	292
– Other	1	0	–	–
– liabilities pertaining to rights of use	3	4	–	–
– utilised portion of overdraft facility ²⁾	–	9	–	–
	29	305	25	292

1) The majority of the Group's bank loans were refinanced during the year.

2) The Group has an unutilised overdraft facility of SEK 50 million.

19. Accrued expenses and prepaid income

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued salaries and holiday pay liability	29	40	2	4
Social security contributions	11	15	2	3
Deferred investment contributions	18	16	0	0
Prepaid income ¹⁾	84	50	–	–
Other	17	20	1	1
Accrued provisions & discounts	28	23	–	–
	186	163	5	9

1) Of the above contract liabilities pertaining to advances from customers, SEK 84 million is expected to be recognised as income within 12 months.

20. Financial assets and liabilities

GROUP

SEK m	Level	Carrying amount		Fair value	
		31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021
Financial assets at amortised cost					
Non-current receivables	–	5	5	0	0
Trade receivables	–	150	150	270	270
Other receivables	–	21	21	34	34
Cash and cash equivalents	–	268	268	94	94
Derivatives for hedge accounting					
Electricity forwards	2	15	15	–	–
Total		459	459	398	398
Financial liabilities measured at amortised cost					
Non-current interest-bearing liabilities	–	211	211	12	12
Accounts payable	–	103	103	123	123
Current interest-bearing liabilities	–	29	29	305	305
Other liabilities	–	38	38	32	32
Derivatives for hedge accounting					
Electricity forwards	2	0	0	–	–
Total		381	381	472	472

CHANGE IN CARRYING AMOUNT FOR LIABILITIES ASSESSED AS LEVEL 3

	2022	2021
Opening balance	–	10
Earnout, paid	–	–10
Discount effect	–	0
Closing balance	–	–

Fair value of electricity derivatives are equal to the market value of the contracts at the balance sheet date, which is recognised under Level 2. Fair value in level 2 is determined by using forward rates on the balance sheet date. Fair value is calculated through discounted cash flows and current forward rates are taken from market quotations. Liabilities to credit institutions run with variable interest and a market-based credit margin, which is why fair value corresponds to the carrying amount.

Valuation levels:

1: Quoted prices in an active market for identical assets or liabilities, such as shares or obligations listed on the stock market.

2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either direct (as quoted market prices) or indirect (obtained from quoted market prices), such as foreign exchange forwards or rate swaps.

3: Data for the asset or liability that is not completely based on observable market data.

21. Pledged assets

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Real estate mortgages	77	241	0	0
Floating charges	17	1,576	0	25
Machinery and equipment charged with ownership reservations	2	3	0	0
Cash and cash equivalents	0	5	0	6
Shares in subsidiaries	0	1,470	0	716
	96	3,295	0	747

A new non-guaranteed loan agreement was signed during the year, and all guaranteed securities linked to the previous financing have been released.

22. Contingent liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Warranties	18	28	0	0
Warranties for Group companies	0	0	17	0
Guarantee commitments for Group companies	0	0	0	1
	18	28	17	1

Of the guarantee commitments for the Group companies, SEK 0 million (1) was pledged for the benefit of credit institutions. Refer also to Note 16, Other provisions.

23. Supplementary disclosures for cash flow statement

Amounts in SEK m	Group		Parent Company	
	2022	2021	2022	2021
Cash and cash equivalents				
Cash and bank balances	268	94	217	5
Interest paid and interest received				
Interest received	1	0	5	3
Interest paid	-11	-9	-12	-7
Acquisition of subsidiaries				
Increase/decrease of the item on the balance sheet	-49	-113	-37	-113
Cash acquired	4	40	-	-
Transaction costs	-	-	-2	-5
	-45	-73	-39	-118
Acquisition of property, plant and equipment				
Increase/decrease of the item on the balance sheet	-88	-135	0	0
Increase on acquisition of industry segment/subsidiary	36	54	-	-
Translation differences	47	15	-	-
Carrying amount of assets sold	-12	0	-	-
IFRS 16	1	-	-	-
Amortisation/depreciation for the year	-91	-77	0	0
	-107	-143	0	0
Adjustments for items not included in cash flow, etc.				
Depreciation/amortisation and impairment of assets	91	77	0	0
Financial items, unrealised	-26	-7	-	-
Profit on sale of machinery and equipment	-6	0	-	-
Other	7	-11	-	-
	66	59	0	0

CHANGE IN FINANCIAL LIABILITIES – FINANCING ACTIVITIES

	Cash flow		Non-cash items			31 Dec 2022
	1 Jan 2022	Cash flow from financing activities	Purchase	Business combination	Currency and market revaluation	
Bank loans	293	-61	-	0	1	233
Overdraft facilities	9	-9	-	-	-	0
Loans from related parties	0	-	-	-	-	0
Liabilities pertaining to rights of use	16	-10	2	-	-1	7
Total liabilities in financing activities	317	-80	2	0	0	240

CHANGE IN FINANCIAL LIABILITIES – FINANCING ACTIVITIES

	Cash flow		Non-cash items			31 Dec 2021
	1 Jan 2021	Cash flow from financing activities	Purchase	Business combination	Currency and market revaluation	
Bank loans	187	90	-	18	-2	293
Overdraft facilities	9	0	-	-	-	9
Loans from related parties	10	-10	-	-	-	0
Liabilities pertaining to rights of use	6	-3	3	10	-	16
Total liabilities in financing activities	212	77	3	28	-2	317

24. Appropriations

	Parent Company	
	2022	2021
Group contributions made	-11	-10
Group contributions received	57	41
Provision for tax allocation reserve	-7	-1
	39	30

25. Participations in Group companies

	2022	2021
	Accumulated costs	
At the beginning of the year	1 227	1 109
Acquisition of Pinus	39	-
Acquisition of Performance Timber Products Group	-	118
	1 266	1 227
Accumulated impairment		
At the beginning of the year	-393	-393
	-393	-393
Accumulated carrying amount	873	834

25. Participations in Group companies, cont.

Subsidiary/Corp. ID No./Country	No. of shares	Par value per share	Carrying amount
Bitus AB 56153-6789 (Sweden)	10,000	SEK 100	214
Timber Windows Sweden AB 556186-4702 (Sweden)	1,000	SEK 100	10
Bitus Broakulla AB 556675-7125 (Sweden)	100,000	SEK 100	89
AS Laesti 11562764 (Estonia)	400	EUR 64	75
SIA Vika Wood 40003241801 (Latvia)	8,617,397	EUR 1	116
SIA Byko-Lat 4000313985 (Latvia)	48,151	EUR 48,151	151
Continental Wood Limited 05518779 (UK)	98,960	GBP 0.10	61
Performance Timber Products Limited 06807457 (UK)	5,352,947	GBP 1.0	118
PPUH Pinus Jerzy Smolarczyk Mariusz Smolarczyk Sp.z.o.o. 0000971304 (Poland)	100	PLN 1,000	39
Per the balance sheet on 31 Dec 2022			873

All holdings are held at 100 per cent regarding both the equity share and voting share. The depreciation amounts for Vika Wood and Byko-Lat total the same amount as the dividends in 2019. The subsidiary Timber Windows Sweden AB was formerly named Woodworks by Bergs AB.

26. Participations in associated companies

	Group		Parent Company	
	2022	2021	2022	2021
Accumulated costs				
At the beginning of the year	6	–	6	–
Acquisition of participations	–	6	–	6
Share of earnings	–1	0	–	–
At the end of the period	5	6	6	6

SPECIFICATION OF PARTICIPATIONS IN ASSOCIATED COMPANIES

Associated company/ Corp. ID no.	No. of shares	Participation, %	Carrying value in Parent Company	Value of the participation in the Group
Wood Tube Sweden AB, 559060-7528	323	24.9	6	5

DISCLOSURE OF GROUP VALUES PERTAINING TO SHARE OF REVENUE, EARNINGS, ASSETS AND LIABILITIES OWNED

2022	Revenue	Earnings	Assets	Liabilities	Equity
Wood Tube Sweden AB	0	–5	18	14	4
2021	Revenue	Earnings	Assets	Liabilities	Equity
Wood Tube Sweden AB	0	–2	6	3	3

27. Related parties

The Parent Company has affiliations that include controlling interests in its subsidiaries; refer to Note 25. For liabilities and receivables in the subsidiaries, see the Parent Company balance sheet.

The Parent Company has sold services and invoiced certain expenses of SEK 5 million (6) to Group companies. The partially owned company Wood Tube Sweden AB has loans from the Parent Company totalling SEK 4 million (0).

The Group companies have made purchases of SEK 24 million (66) from the primary owners, Norvik, or companies owned by Norvik. The Group companies have sold goods for SEK 210 million (164) to Norvik or to companies owned by Norvik. At the end of 2022 there were receivables of SEK 21 million (66) and liabilities of SEK 4 million (0) from the Norvik Group related to the above transactions.

Board members control 62.1 per cent (62.5) of the votes in Bergs Timber AB. Other senior executives control 0.3 per cent (0.3) of the votes in Bergs Timber AB.

In conjunction with the acquisition mentioned above, the primary owner, Norvik, has committed not to vote for its full holding of shares at the Annual General Meeting of Bergs Timber. This commitment means that Norvik may not vote for own shares in Bergs Timber that represent more than 90 per cent of the number of shares held by other shareholders. Furthermore, the commitment means that Norvik will not act so that the Board members active in the Norvik Group, or who are otherwise materially associated with Norvik, at any time constitute a majority on the Board of Directors of Bergs Timber. These commitments remain valid as long as Norvik's holdings in Bergs Timber exceed 45 per cent of the total number of shares and votes in Bergs Timber. In conjunction with the 2018 acquisition of the operations of the primary shareholder Norvik in the Baltics and the UK, an agreement was signed that an earnout may be paid. The remaining earnout totalling SEK 10 million was paid out in June 2021.

As regards salaries and other remuneration, as well as costs and obligations relating to pensions and similar benefits for the Board, the CEO and other senior executives, refer to Note 6.

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

28. Key estimates and assessments

Preparing the financial statements requires company management to make assessments and estimates that impact the reported amount. The assessments and estimates that are material for the reported amount in the annual report, where there is a significant risk that future events and new information can change these assessments and estimates, primarily include:

Deferred tax assets/loss carryforwards

Deferred tax assets total SEK 22 million, of which SEK 12 million is attributable to tax loss carryforwards. Total taxable loss carryforwards in which the tax value has been capitalised totalled SEK 58 million (58) in the Group. Recognising deferred tax assets requires a compelling reason that a taxable surplus will be generated. In previous years, the Group has reported negative earnings but has now reported positive earnings and strong cash flows for six financial years in a row, though the business cycle has at times been weak. The sawmill business was sold in 2020, and an increased focus on processed wood products is expected to yield higher margins. Collaboration among the Swedish units and the foreign portion of the Group is being deepened, step by step, over the long term. In light of this, and the forecasts and assessments of future investment needs and earnings trends, it is the Board's opinion that there are compelling reasons that a taxable surplus will be generated. Refer also to Note 12 for further commentary regarding tax and loss carryforwards.

Deferred tax liabilities

As mentioned in Note 12, the Group's subsidiaries in Estonia and Latvia are taxed on distributed capital, or payments on a par with dividends. Since no dividends from these subsidiaries have either been proposed or determined, no tax liability or deferred tax has been recognised. If the earnings for the entire period for these subsidiaries were distributed, a tax liability of SEK 49 million would arise, which would be paid in conjunction with the dividend. This figure has been reduced by a hypothetical positive tax effect in any companies that may have had negative earnings during the year. The same figure, but for the entire untaxed distributable equity in the subsidiaries, is SEK 200 million (170). No consideration of any dividend limitations in financing agreements or the like has impacted this calculation.

Impairment testing

Owing to the existence of goodwill, the recognised costs of fixed assets were tested for impairment. The test is based on our best assessment of future performance. See further note 8 for the breakdown of goodwill. A negative deviation in the assumptions made could affect the recognised costs of fixed assets.

Tests were carried out for each cash-generating unit. The Swedish operations are conducted in two operating subsidiaries with shared functions for purchasing, market and finance. In light of this, impairment tests are conducted for the Swedish operations in relation to the value in use from its total cash-generating operations. As regards the subsidiaries abroad, the two Latvian companies and the Estonian company are regarded as separate divisions in conjunction with impairment testing. The operations in the UK are conducted in two different cash-generating units: Continental Wood Group (retail in wood products, logistics and distribution) and Performance Timber Products Group (acquired in 2021 and one of the UK's leading players in the premium segment for wooden windows and doors). Finally, the acquired Polish company Pinus is regarded as a separate cash-generating unit.

In working out the value in use, key estimates and assessments on future economic trends were made for the cash-generating divisions. The most important parameters for the operations concern development of production volumes, delivery volumes, purchase prices and sales prices. The assumptions for volumes and prices results in a level for EBITDA. The calculations are based on a forecast period of five years. For the period after the forecast period, the persistent EBITDA level for Group operations totals in the interval between 6.0–12.0 per cent (7.0–14.0) depending on the assessed level of every tested division. After the fifth year, a lifelong growth of 2.0 per cent (1.5) is assumed based on the fifth year of the forecast. Bergs is of the opinion that a rate of growth corresponding to the central banks' long-term inflation target of 2 per cent is reasonable. The forecast cash flows have then undergone computations for current value with a discount rate of 11.1 per cent (11.3) after tax. Higher interest rates have been offset by lower equity beta. The discount rate corresponds to an assessed average capital expense (i.e. the weighted total of yield requirements on equity and the cost of externally borrowed capital, adjusted for industry- and business-specific factors, known as WACC). The same discount rate has been used for all divisions. Any differences in the discount rate are deemed not to have a material effect.

The outcome of the test shows the following:

	EBITDA margin	Terminal growth rate	WACC	Capital employed
Recoverable amount	6.0–12.0%	2.0%	11.1%	SEK 2,308 m
Carrying amount				SEK 1,492 m
Surplus value				SEK 816 m

Since the recoverable amount – both in total and for each operation tested – exceeds the carrying amount, there is no need for impairment.

Sensitivity analysis	Terminal growth rate	WACC
Assumed value in the model	2.0%	11.1%
Changed value of +1% yields	SEK 195 m	SEK –216 m
Changed value of –1% yields	SEK –143 m	SEK +282 m

The sensitivity analysis shows that the margin is sufficiently large to handle a negative change as above. We have also simulated a reduction of the sustained EBITDA level of 1 per cent for the terminal year. In conjunction with a reduction of the sustained EBITDA level of 1 per cent for all units, the recoverable amount decreases by SEK 251 million. The calculations show that this change also fits within the scope of the margin. The margin is somewhat higher than in the corresponding calculations from the preceding year. The Board of Directors will continue to monitor the trends in the key factors that form the basis of the calculations.

29. Acquisition of subsidiaries

FÖRVÄRV AV PINUS

On 5 July 2022, Bergs acquired the Polish company Pinus. The company manufactures customised windows and doors in the premium segment. The acquired company is part of the Bergs Group as of 5 June 2022 and is included under Joinery.

Founded in 1991, the company is located in Brzeg, outside Wrocław in southwestern Poland, and has been run by the original founders since its start. The company has modern, efficient machinery and employs some 100 people. For more than 20 years, Pinus has been a supplier to PTPG, Bergs's subsidiary in the UK. The majority of sales is currently to PTPG, but Pinus also sells to customers in countries including Poland and Germany.

The purchase price for the shares amounted to roughly SEK 37 million and was paid in cash via Bergs's existing bank balances and credit frameworks.

The acquisition method was applied in the recognition of the acquisition. An acquisition analysis was conducted, as shown in the table below. The surplus value totals SEK 11 million and is attributable in its entirety to goodwill. Goodwill pertains to the value of the existing organisation and the possibility of future expansion in Joinery.

Amounts in SEK m

Cash purchase price			37
Assets and liabilities acquired	Carrying amount	Adjustment to fair value	Fair value
Goodwill and other intangible assets	0	11	11
Property, plant and equipment	24		24
Inventory	14		14
Other current assets	13		13
Cash and cash equivalents	2		2
Non-current liabilities	-2		-2
Current liabilities	-25		-25
	26	11	37

EFFECT ON CASH FLOW

Amounts in SEK m

Cash purchase price	-37
Cash and cash equivalents acquired	2
Transaction costs	-2
	-37

The transaction costs totalled SEK 2 million and are part of Other external costs in the income statement.

The company acquired is part of the consolidated financial accounts as of 5 July 2022, and has contributed SEK 42 million in net sales and SEK 0 million in operating profit starting from the acquisition date. If the company had been consolidated on 1 January 2022, it would have contributed SEK 90 million in net sales and SEK 3 million in operating profit.

ACQUISITION OF P&P HOLDING

On 13 January 2022, PTPG acquired all shares in the UK company P&P Holding Ltd. The company sells, distributes and installs windows and doors in Surrey and southwest London and is included under Joinery. The companies have collaborated closely for many years; P&P operations include the sale of windows and doors under the name Timber Windows, which is PTPG's network of showrooms for retail sales.

The purchase price for the shares amounted to roughly SEK 12 million and was paid in cash in conjunction with the completion of the transaction.

The acquisition method was applied in the recognition of the acquisition. An acquisition analysis was conducted, as shown in the table below. The surplus value totals SEK 8 million and is attributable in its entirety to goodwill. Goodwill pertains to the value of the existing organisation and the possibility of future expansion in Joiner

Amounts in SEK m

Cash purchase price			12
Assets and liabilities acquired	Carrying amount	Adjustment to fair value	Fair value
Goodwill and other intangible assets	-	8	8
Property, plant and equipment	13		13
Inventory	6		6
Other current assets	5		5
Cash and cash equivalents	3		3
Non-current liabilities	-1		-1
Current liabilities	-22		-22
	4	8	12

EFFECT ON CASH FLOW

Amounts in SEK m

Cash purchase price	-12
Cash and cash equivalents acquired	3
Transaction costs	-1
	-10

30. Proposed appropriation of profits

The Board of Directors and the CEO propose that the available funds according to the balance sheet, SEK 382,475,972, of which share premium reserve SEK 420,388,590, be appropriated as follows:

Paid to shareholders	SEK	69,345,656
Carried forward	SEK	313,130,316
	SEK	382,475,972

The record date to be entitled to receive a dividend is proposed as 8 May 2023.

31. Significant events after the close of the financial year

There are no events after the close of the financial year to report.

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors on 15 March 2023. The Annual Report and consolidated financial statements have been proposed for adoption at the 2023 AGM. The undersigned assure that the Annual Report and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and generally accepted accounting policies, and provide a true overview of the financial position and earnings of the Group and the company; and that the consolidated Director's Report and Parent Company Director's Report provide a fair review of the development of Group and company operations, financial position and earnings as well as a description of material risks and uncertainties faced by the companies in the Group.

Stockholm
15 March 2023

Michael Bertorp
Chairman of the Board

Åke Bergh
Board member

Ingrida Bluma
Board member

Gudmundur H Jónsson
Board member

Jon Helgi Gudmundsson
Board member

Anna Rasmusson
Board member

Peter Nilsson
CEO

Our audit report was submitted on 15 March 2023

Deloitte AB

Magnus Andersson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Bergs Timber AB (publ) corporate identity number 556052-2798

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bergs Timber AB (publ) (publ) for the financial year 2022-01-01 – 2022-12-31. The annual accounts and consolidated accounts of the company are included on pages 63–94 in this document.

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 2022 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 2022 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 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 to the parent company's audit committee 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, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 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.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, 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

Valuation of tangible and intangible assets

Tangible and intangible assets are recognised at SEK 1 243 million in the consolidated balance sheet, which is a substantial part of the Group's total assets.

Impairment testing for these assets is based on factors such as trends in production and delivery volumes, and is built on such assumptions as raw materials prices and sales prices. The changes in these assessments have a major impact on the Group's future cash flows, and thereby on the estimated recoverable amount of property, plant and equipment and any needs for impairment.

For further information, refer to the section on Group accounting policies pages 75–80, for further disclosures page 85–86, and the judgements and estimates on page 92.

Our audit procedures

Our audit procedures included, but were not limited to:

- evaluating the Group's processes and policies for preparing impairment tests and evaluation and cash-generating units;
- review of the model used for discounting future cash flows for arithmetical correctness;

- evaluating and challenging significant assumptions made by management in conjunction with the impairment testing of cash-generating units and the sensitivity to changes in these assumptions;
- evaluating the precision in the material assumptions and assessments from previous years in relation to actual outcome for a sample of the cash-generating units;
- review of whether suitable accounting policies were applied and that the required disclosures in notes were submitted; and

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–55 och 98–102. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 scepticism 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 we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 Bergs Timber AB (publ) (publ) for the financial year 2022-01-01 – 2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring 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 scepticism 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. We 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 the Board of Directors' reasoned

statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report**Opinion**

In addition to our audit of the annual accounts and consolidated accounts we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Bergs Timber AB (publ) (publ) for the financial year 2022-01-01 – 2022-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Bergs Timber AB (publ) (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Deloitte AB, was appointed auditor of Bergs Timber AB (publ) by the general meeting of the shareholders on the 2022-05-05 and has been the company's auditor since 2017-01-26.

Kalmar, March 15 2023
Deloitte AB

Magnus Andersson
Authorized Public Accountant

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.

Multi-year overview

Amounts in SEK m	2022 12 months	2021 12 months	2020 12 months	2019 12 months	17-18 16 months
Invoicing and earnings					
Net sales	3,267	3,055	2,149	2,056	3,031
Operating profit before depreciation and amortisation	331	503	212	133	300
Depreciation, amortisation and impairment	-90	-77	-75	-60	-71
Operating profit	241	426	137	73	229
Net financial items	3	-3	-44	-33	-15
Profit after financial items	244	423	93	40	214
Balance sheet items and capital					
Intangible assets	355	329	187	193	191
Property, plant and equipment	888	800	665	948	771
Financial assets	10	7	1	3	8
Inventory	705	733	349	667	653
Current receivables	219	330	241	328	377
Cash and bank balances	268	94	242	86	74
Equity	1,842	1,616	1,251	1,102	1,052
Non-current liabilities	251	46	192	623	245
Current liabilities	374	650	256	506	777
Balance-sheet total	2,467	2,316	1,691	2,231	2,074
Capital employed	2,088	1,938	1,464	1,868	1,709
Equity per share ¹⁾ (SEK)	53.12	46.61	36.08	31.78	30.34
Average no. of employees	1,124	931	819	821	1,006
No. of shares at year-end	34,672,828	346,728,283	346,728,283	346,728,283	340,787,689
Investments in					
Property, plant and equipment	107	143	69	131	173

Amounts in SEK m	2022 12 months	2021 12 months	2020 12 months	2019 12 months	17-18 16 months
KPIs					
Yield structure					
Return on capital employed (%)	13.0	25.6	8.3	4.1	15.4
Earnings structure					
Operating margin (%)	7.4	13.9	6.4	3.6	7.6
Earnings per share, including discontinued operations, after tax, before and after dilution ²⁾ (SEK)	6.66	12.03	4.87	1.30	5.42
Dividend per share (SEK, 2022 proposed)	2.00	3.00	2.00	0	1.00
Cash flow, liquidity and equity/assets ratio					
Cash flow from operating activities	491	65	355	147	236
Net debt/equity ratio (multiple)	-0.02	0.14	-0.03	0.61	0.55
Equity/assets ratio (%)	74.7	69.8	74.0	49.4	50.7
Growth					
Change in net sales (%)	6.9	42.2	4.5	-32.2	143.7
Change in balance-sheet total (%)	6.5	37.0	-24.2	7.6	199.4
Change in capital employed (%)	7.7	32.4	-21.6	9.3	250.5
Change in equity (%)	14.0	29.2	13.5	4.8	164.1

1) Based on number of shares at year-end. Reverse split 1:10 in May 2022.

2) Based on average number of shares at year-end. Reverse split 1:10 in May 2022.

Definitions of key performance indicators, refer to Page 99.

Definitions of key performance

USE OF NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PERFORMANCE MEASURES

Non-IFRS performance measure	Description	Reason for use of the measure
Return on capital employed	Profit/loss after financial items with the addition of financial expenses in relation to the average capital employed	This is the central ratio for measuring return on all capital tied up in operations
Balance-sheet total/Total assets	The value of all assets	The balance-sheet total is used in the key performance indicator Return on total assets
Yield	Proposed dividend as a percentage of the share price at the end of the financial year	Shows the return on the share at the share price on the balance sheet date, from a shareholder perspective
EBITDA	Operating income before depreciation/amortisation and impairment of tangible and intangible assets	This key performance indicator is used in analysis of value creation
EBITDA margin	EBITDA in relation to net sales	This key performance indicator is used in analysis of value creation
Items affecting comparability	Items affecting comparability comprise the financial effects from events or transactions with significant consequences that are relevant to understanding earnings when comparing between periods. Items affecting comparability encompasses items of a non-recurring nature and may be attributable to restructuring, depreciation, acquisitions and profit or loss from sales of operations.	Comparison of operating activities between periods
Net profit margin	Profit for the year as a percentage of net sales for the year	Shows the remaining share of net sales after all of the company's costs, excluding tax, have been deducted
Net debt/equity ratio	Interest-bearing liabilities and provisions less cash and cash equivalents and current investments, in relation to equity	Shows financial risk; a financial target defined by the Board of Directors
P/E ratio	Share price at the end of the financial year, divided by earnings per share after tax	A traditional measure for showing the relation between share price and earnings per share
Earnings per share after tax and full dilution	Profit/loss for the year after tax, divided by the average number of shares plus the number of shares that would be issued as an effect of employee stock option programmes in progress	The measure is defined in IFRS, but a somewhat divergent definition means that this key performance indicator is reported as a non-IFRS key performance indicator
Interest-bearing net debt	Interest-bearing liabilities and provisions less cash and cash equivalents and current investments	Shows total interest-bearing liability, which is important to follow over time

Definitions of key performance indicators, *cont.*

Non-IFRS performance measure	Description	Reason for use of the measure
Operating margin	Operating income expressed as a percentage of net sales	The operating margin is a key performance indicator for monitoring value creation
Equity/assets ratio	Equity expressed as a percentage of the balance-sheet total	A traditional measure for showing financial risk, expressed as the amount of restricted equity financed by the shareholders
Capital employed	Equity plus interest-bearing liabilities and provisions	Capital employed is used in the key performance indicator Return on capital employed
Dividend's share of equity	Total amount distributed, divided by equity	A measurement showing how much equity was distributed
Dividend's share of profit	Total amount distributed, divided by profit/loss for the year after tax	A measurement showing how much profit/loss for the year was distributed

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PERFORMANCE MEASURES USED

Non-IFRS performance measure	Description	Reason for use of the measure
Cash flow from operating activities	Cash flow from operating activities	IFRS, IAS 7
Earnings per share after tax	Profit/loss for the year after tax, divided by the average number of shares	IFRS, IAS 33

Reconciliation table for key performance indicators

RECONCILIATION TABLE FOR KEY PERFORMANCE INDICATORS

	2022	2021
Operating profit	241	426
Net sales	3,267	3,055
Operating margin, %	7.4	13.9
Profit for the year	231	417
Net sales	3,267	3,055
Net profit margin, %	7.1	13.6
Operating profit	241	426
Depreciation, amortisation and impairment	90	77
EBITDA	331	503
Net sales	3,267	3,055
EBITDA margin, %	10.1	16.5
Equity	1,842	1,616
Interest-bearing liabilities	240	317
Provisions	6	5
Capital employed	2,088	1,938
Profit after financial items	244	423
Financial expenses	17	12
Total	261	435
Average capital employed	2,013	1,701
Return on capital employed, %	13.0	25.6
Other long-term interest-bearing liabilities	211	12
Short-term overdraft facility	0	9
Other current interest-bearing liabilities	29	296
Total interest-bearing liabilities	240	317
Cash and cash equivalents	-268	-94
Interest-bearing net debt, SEK m	-29	223
Interest-bearing net debt	-29	223
Equity	1,842	1,616
Net debt/equity ratio	-0.02	0.14
Equity	1,842	1,616
Total assets	2,467	2,316
Equity/assets ratio, %	74.7	69.8

RECONCILIATION TABLE FOR KEY PERFORMANCE INDICATORS, CONT.

	2022	2021
Equity	1,842	1,616
Number of shares after end of period, 000	34,673	346,728
Equity per share, SEK*	53.12	46.61
Dividend (proposed)	69	104
Number of shares after end of period, 000	34,673	346,728
Dividend per share, SEK*	2.00	3.00

* Retroactively adjusted for the reverse split 1:10 in May 2022.

Addresses

Sweden

Bergs Timber AB (publ)

Västra Trädgårdsgatan 15
SE-111 53 Stockholm, Sweden
Tel: +46 (0)10-199 84 00
info@bergstimber.com
www.bergstimber.com

Bitus AB

Stora Torget 3
SE-598 37 Vimmerby, Sweden
Tel: +46 (0)10-199 85 00
www.bitus.se

Bitus AB / Nybro

Visiting address, facility:
Orreforsvägen 49
SE-382 94 Nybro, Sweden
Tel: +46 (0)10-199 85 00
www.bitus.se

Bitus AB / Fågelfors

Visiting address, facility:
Bruksgatan 73
SE-579 72 Fågelfors, Sweden
Tel: +46 (0)10-199 85 00
www.bitus.se

Timber Windows Sweden AB

Stora Torget 3
SE-598 37 Vimmerby, Sweden
Tel: +46 (0)10-199 84 70
www.timberwindows.se

Latvia

Sia Byko-Lat

Offices
Lacplesa street 75-5/6
Riga
LV-1011
Tel: +371 67 288 086
www.byko.lv/en/

Facility in Valmiera

Sia Byko-Lat

Jorvika
Koceni rural territory, Koceni
municipality
LV-4220
Tel: +371 64 207 885

Facility in Cesis

Sia Byko-Lat

Katrinalns
Drabesu rural territory
Amata municipality
LV-4220
Tel: +371 64 107 102

Sia Vika Wood

Punti
Laucienes pagasts
Talsu novads
LV-3285
Tel: +371 63 291 800
www.vikawood.lv/eng

Estonia

Sauga Sawmill

Kilksama
Sauga parish 85003
58.438658 / 24.530764
Tel: +372 5662 0579
www.laesti.ee

Poland

Pinus

ul. Topolowa 15
49-318 Skarbimierz-Osiedle, (near Brzeg)
Tel: +48 77 411 39 25
www.pinus-okna.pl/en/

UK

Bergs Timber (UK) Ltd

Unit 9
Cirencester Office Park
Tetbury Road
Cirencester
Gloucestershire
GL7 6JJ
www.bergstimber.co.uk

Baltic Distribution Ltd.

Baltic Wharf
Rochford SS4 2HA
Tel: +44 (0) 1702 258551

PTP Group

(Mumford & Wood, Timber Windows, Dale Joiney och Stonehouse Corinium)

First Floor, 85–87 Shrivenham Hundred Business
Park, Majors Road Watchfield, Swindon, SN6 8TY
www.ptp-group.co.uk

Photo: Dan Setterwall, iStock, Roxx, Bitus,
Byko-Lat, Woodworks by Bergs.

BERGS

info@bergstimber.com
www.bergstimber.com