

BERGS

**Interim Report
1 January – 30 June**

**2023
Q2**



Interim Report

1 January – 30 June 2023

SECOND QUARTER (1 APRIL–30 JUNE)

- Net sales amounted to SEK 793 million (1,009). The decrease was related to lower sales prices and sales volumes in Wood Solutions and Sawn Wood. Higher sales volumes in Doors & Windows contributed positively.
- Adjusted EBITDA (adjusted for items affecting comparability) amounted to SEK 23 million (173), a decrease mainly attributable to lower sales prices in Sawn Wood and lower sales prices and sales volumes in Wood Solutions. The result for Doors & Windows was on a satisfying level. The adjusted EBITDA margin was 2.9% (17.1).
- Adjusted operating profit amounted to SEK –2 million (151), corresponding to an adjusted operating margin of –0.3% (15.0).
- Profit for the period amounted to SEK –40 million (153).
- Earnings per share, before and after dilution, were SEK –1.15 (4.41).
- Cash flow from operating activities amounted to SEK 77 million (–18), positively affected by a lower level of working capital.
- Financial net debt totalled SEK 331 million (278) as of 30 June, corresponding to a net debt/equity ratio of 0.19 (0.16).
- Hedlunda, a wooden furniture producer, was acquired on 29 June.
- It was decided to close the sawmill in Estonia. The closure have affected the result for the second quarter with SEK –40 million related to impairment of fixed assets and costs for the closure.
- Items affecting comparability amounted to SEK –45 million and related to the closure of the sawmill in Estonia and transaction costs for the acquisition of Hedlunda.

INTERIM PERIOD (1 JANUARY–30 JUNE)

- Net sales amounted to SEK 1,508 million (1,919). The decrease was related to lower sales prices and sales volumes in Wood Solutions and Sawn Wood. Higher sales volumes in Doors & Windows contributed positively.
- Adjusted EBITDA amounted to SEK 29 million (255). The decrease was mainly attributable lower sales prices in Sawn Wood and lower sales prices and sales volumes in Wood Solutions. The result for Doors & Windows was on a satisfying level. The adjusted EBITDA margin was 1.9% (13.3).
- Adjusted operating profit amounted to SEK –20 million (212), corresponding to an operating margin of –1.3% (11.0).
- Profit for the period amounted to SEK –58 million (216).
- Earnings per share, before and after dilution, were SEK –1.67 (6.23).
- Cash flow from operating activities amounted to SEK 65 million (106).
- Items affecting comparability were the same as recognised in the second quarter.

The Group's key performance indicators

AMOUNTS IN SEK million	2023 Apr–Jun 3 months	2022 Apr–Jun 3 months	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months	2022 Jan–Dec 12 months
Net sales	793	1,009	1,508	1,919	3,267
EBITDA	12	173	18	255	331
Adjusted EBITDA (adjusted for items affecting comparability)	23	173	29	255	331
Adjusted EBITDA margin, %	2.9	17.1	1.9	13.3	10.1
Operating profit/loss	–47	151	–65	212	241
Adjusted operating profit/loss	–2	151	–20	212	241
Adjusted operating margin, %	–0.3	15.0	–1.3	11.0	7.4
Profit/loss for the period	–40	153	–58	216	231
Earnings per share, before and after dilution, SEK	–1.15	4.41	–1.67	6.23	6.66
Equity per share, SEK	51.19	51.08	51.19	51.08	53.12

Note: For a reconciliation of alternative performance measures incl. adjusted EBITDA and adjusted operating profit and corresponding margins, see pages 20–21.

First page: An example of houses produced in the group and markeded by Woodworks by Bergs.

Bergs grows in wood processing and implements structural measures

SECOND QUARTER

The second quarter of the year was negatively affected by the generally deteriorating construction market. This is particularly noticeable in the Swedish market, where activity in new construction and renovation has decreased significantly. During the latter part of the quarter, we saw slightly improved activity from the building materials trade and increased sales volumes for Wood Solutions. Order intake and results for Doors & Windows continued to be good.

Considering that the second quarter of the year is normally a favorable quarter, the result is disappointing where EBITDA, excluding items affecting comparability, amounted to SEK 23 million compared to SEK 173 million the previous year. Net sales amounted to SEK 793 million compared to SEK 1,009 million the previous year. It is gratifying that the cash flow was strong and amounted to SEK 77 million compared to SEK -18 million the previous year.

MARKET

The market for our window and door business has remained favourable, although the time between quotation and order has increased slightly. We also see a good order rate for furniture for Hedlunda, the company that was acquired at the end of June.

Sales of wood-protected products have been significantly lower than in previous years. Higher interest rates and high inflation have had a negative impact on demand and sales, especially in the DIY sector.

The deliveries of sawn timber products have generally been quite good during the quarter and the stock statistics point to normal stocks. As the profitability of the sawmills deteriorated and the availability of raw materials decreased, we are now seeing a lower production rate for European sawmills. Despite the improved inventory balance, price increases during the quarter have been marginal and there is continued uncertainty ahead of the autumn.

ACQUISITION OF HEDLUNDA

At the end of the quarter, the acquisition of Hedlunda was completed. The company, which has production in Sweden and Poland, has in the last twelve months had net sales of SEK 590 million and an EBITDA of SEK 72 million. Together with our existing sales of furniture components on the English market, Hedlunda will form a new product area, Furniture & Components. The new product area will be reported from the third quarter. The acquisition of Hedlunda fits well with Berg's strategy to expand and broaden the Group's operations within wood processing.

STRUCTURAL MEASURES

Our sawmill in Estonia, Laesti, has a vulnerable position with high production costs and investment needs. Various options for the future of the unit have been evaluated. In light of financial development and the challenges facing the business, a decision has been made to discontinue the

operations. This means that the sawing operations will cease in August and that the entire operation will be phased out in the autumn of 2023. The closure affects about 30 employees. Laesti had during the last twelve-month period net sales of approximately SEK 100 million.

The closure will affect the result for the second quarter with SEK 40 million for impairment of fixed assets and closure costs. Cash flow is estimated to be positively affected by approximately SEK 70 million when the discontinuation of operations is completed. A letter of intent has been signed with the Estonian company Warmeston OÜ for the sale of land, buildings and machinery and the transaction is expected to be completed in the third quarter 2023.

In July, Berg's English subsidiary Baltic Wharf Properties, which owns the port at Creeksea, entered into an agreement to divest a small part of the property to an existing tenant. The buyer intends to expand its operations in the port. The purchase price amounts to approximately SEK 22 million and the result to approximately SEK 10 million. The effect will be reported in the third quarter.

PERFORMANCE BY PRODUCT AREA

DOORS & WINDOWS

Despite the declining construction activity, we have continued growth and a satisfactory margin for our window and door business. During May and June, we have noticed that customers are somewhat more cautious and that the time to order has become longer. Our concept with our own dealers and high level of service means that in this slightly more challenging market situation we can increase our market share. The order backlog for the autumn is satisfactory and ensures full production in our factories for the rest of the year. During the winter, we will open our first showrooms in Poland, starting in Warsaw and Sopot.

WOOD SOLUTIONS

Demand for wood-protected products remains weak, not least in the Swedish market, which is important to us. During the quarter, inventory reductions have been made and we have a lower raw material purchase price for the autumn, which contributes to an improved margin. Our business for garden products has improved and shows a positive margin despite lower sales volume than normal.

SAWN WOOD

Despite the weakened construction market, deliveries have been at a decent level and we see no stock build-up. At the beginning of the second quarter, some price increases were made. During the summer, the market has become more cautious and prices for parts of the range have been adjusted downwards for the third quarter to prices prevailing in the first quarter. Despite the reduced rate of production, there is still uncertainty about the price trend for the autumn and the best assessment at present is a minor price decrease.

Our sawmill Vika Wood in Latvia has a satisfactory raw material situation and continued low stocks of finished goods. We plan for normal production rates for the rest of the year.

ENERGY & LOGISTICS

Deliveries of pellets during the second quarter have been good for the season. Sales prices have stabilized and we expect rising prices for the coming autumn and winter. The supply of raw material is currently limited and we expect a reduced production rate of about 20 percent during the second half of the year.

FUTURE PROSPECTS

Doors & Windows is expected to continue to develop well with full capacity utilization in the autumn. We continue to see weak sales volumes for Wood Solutions, while margins are improving due to lower raw material costs. The margins for Sawn Wood are expected to remain low in the autumn. In light of the generally weakened economic situation, we are restrictive with stockpiling and we expect a continued positive cash flow in the second half of the year.

The acquisition of Hedlunda means an investment in a new product area where we see an exciting potential in furniture and component manufacturing. The company will be reported in Bergs from the third quarter and is expected to contribute positively to the Group's earnings.

Stockholm, 25 July 2023

Peter Nilsson

President and CEO



Net sales and operating profit

APRIL–JUNE 2023 COMPARED WITH APRIL–JUNE 2022

Net sales for the second quarter of 2023 amounted to SEK 793 million (1,009). The decrease of SEK 216 million, corresponding to 21 per cent, was attributable to lower sales prices and sales volumes in Wood Solutions and Sawn Wood. Higher sales volumes in Doors & Windows contributed positively.

Adjusted EBITDA (adjusted for items affecting comparability) decreased to SEK 23 million (173), which corresponds to an adjusted EBITDA margin of 2.9% (17.1). The decrease was mainly attributable to lower sales prices in Sawn Wood and lower sales prices and sales volumes in Wood Solutions. The result for Doors & Windows was on a satisfying level.

Adjusted operating profit amounted to SEK –2 million (151), which corresponds to an adjusted operating margin of –0.3% (15.0).

Items affecting comparability amounted to SEK –45 million, of which SEK –11 million affected EBITDA. The items were related to the closure of the sawmill in Estonia, SEK –40 million, and transaction costs for the acquisition of Hedlunda, SEK –5 million.

JANUARY–JUNE 2023 COMPARED WITH JANUARY–JUNE 2022

Net sales for the first half year of 2023 amounted to SEK 1,508 million (1,919). The decrease of SEK 411 million, corresponding to 21 per cent, was attributable to lower sales prices and sales volumes in

Wood Solutions and Sawn Wood. Higher sales volumes in Doors & Windows contributed positively.

Adjusted EBITDA amounted to SEK 29 million (255), which corresponds to an adjusted EBITDA margin of 1.9% (13.3). The decrease was mainly attributable to lower sales prices in Sawn Wood and lower sales prices and sales volumes in Wood Solutions. The result for Doors & Windows was on a satisfying level.

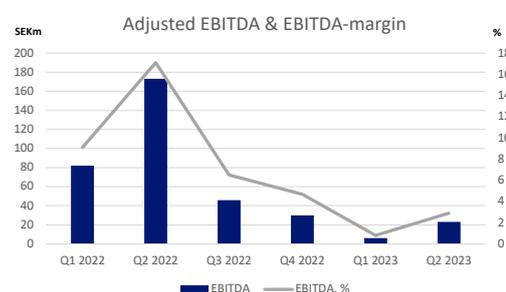
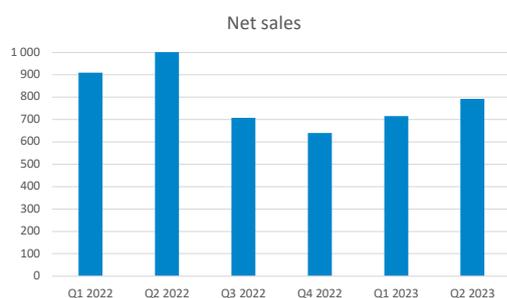
Adjusted operating profit amounted to SEK –20 million (212), which corresponds to an adjusted operating margin of –1.3% (11.0).

APRIL–JUNE 2023 COMPARED WITH JANUARY–MARCH 2023

Net sales amounted to SEK 793 million, compared with SEK 715 million for the first quarter of 2023, up SEK 83 million. The increase was mainly attributable to higher sales prices and sales volumes in Sawn Wood and Wood Solutions.

Adjusted EBITDA amounted to SEK 23 million (6), corresponding to an adjusted EBITDA margin of 2.9% (0.8). The increase was primarily related to higher sales prices and sales volumes in Sawn Wood and lower raw material costs in Wood Solutions.

Adjusted operating profit amounted to SEK –2 million (–18), corresponding to an adjusted operating margin of –0.3% (–2.5).



Cash flow and financing

Cash flow from operating activities for the period January–June amounted to SEK 65 million (106). The cash-flow effects from changes in working capital amounted to SEK 46 million (–120). Investments in property, plant and equipment amounted to SEK –94 million (–51).

The Group's net financial debt at 30 June 2023 totalled SEK 331 million, compared to a net cash position of SEK 29 million at 31 December 2022. The net debt/equity ratio was 0.19. The increase in net debt was mainly explained by the acquisition of Hedlunda, SEK 240 million, investments, SEK 94 million and paid dividend of SEK 69 million.

The acquisition of Hedlunda was financed by a new loan facility of SEK 200 million under the existing loan agreement with Danske Bank and SEB. Hedlunda has separate financing that will be refinanced during the third quarter by existing financing facilities in the parent company. Outstanding loans and leasing debts in Hedlunda amounted to SEK 108 million on 30 June 2023.

Loans and credit facilities on 30 June 2023, SEK million, excl Hedlunda:

LOAN	Limit	Repayments, years			Total utilised
		0–1	1–2	2–	
Term loans		45	45	330	420
Revolving credit facility	400				0
Overdraft facilities	50				0
Total		45	45	330	420

Available cash and cash equivalents, including unutilised credit facilities, totalled SEK 610 million.

Net financial items for the Group for January–June amounted to SEK 11 million (3). The financial items have been positively affected by translation differences related to dividend receivable on subsidiaries.

Product areas

Bergs's operational activities consist of independent subsidiaries with clear responsibilities for results, conducting operations in four different product areas. These are Doors & Windows, Wood Solutions, Sawn Wood and Energy & Logistics. From the third quarter 2023, Furniture & Components will be reported as a new product area and reporting segment.

The product areas constitute reporting segments as of 1 January 2023. The numbers for 2022 have been restated in accordance with the new segment structure.

PRODUCT AREA	Products
Doors & Windows	Sales and production of doors and windows
Wood Solutions	Sales and production of value-added wood products for various applications. The product offering is categorised into the following product areas: <ul style="list-style-type: none"> • Garden & Landscaping • Facades • Construction • Building Systems
Sawn Wood	Sales and production of sawn products
Energy & Logistics	Sales and production of pellets and fire logs, as well as the port and distribution operations in the UK

Net sales

AMOUNTS IN SEK m	Apr–Jun 2023	Apr–Jun 2022	Jan–Jun 2023	Jan–Jun 2022
Doors & Windows	199	156	387	306
Wood Solutions	254	420	468	785
Sawn Wood	287	403	535	749
Energy & Logistics	55	60	122	121
Internal net sales	-2	-30	-4	-42
External net sales	793	1,009	1,508	1,919

Adjusted EBITDA

AMOUNTS IN SEK m	Apr–Jun 2023	Apr–Jun 2022	Jan–Jun 2023	Jan–Jun 2022
Doors & Windows	22	17	43	36
Wood Solutions	-15	31	-37	21
Sawn Wood	16	116	13	189
Energy & Logistics	8	16	23	24
Joint and eliminations	-8	-7	-13	-15
Adjusted EBITDA	23	173	29	255

Adjustment has been made for items affecting comparability in the second quarter 2023. SEK 6 million was adjusted in Sawn Wood and SEK 5 million in Joint and eliminations.

DOORS & WINDOWS

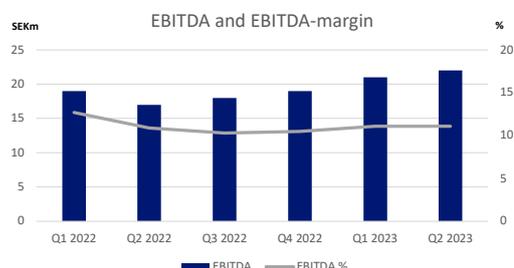
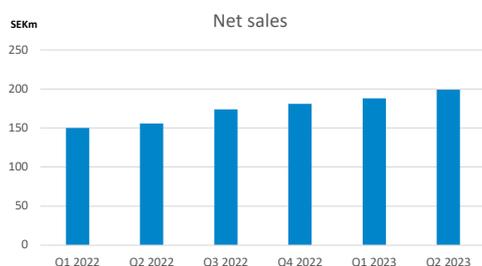
A presentation of the product area can be found on page 23.

AMOUNTS IN SEK m	Apr–Jun 2023	Apr–Jun 2022	Jan–Jun 2023	Jan–Jun 2022
Net sales	199	156	387	306
EBITDA	22	17	43	36
Operating profit	17	14	34	30
EBITDA margin, %	11.1	10.9	11.1	11.8
Operating margin, %	8.5	9.0	8.8	9.8

Net sales for the second quarter amounted to SEK 199 million (156). The increase was primarily attributable to higher sales volumes.

EBITDA amounted to SEK 22 million (17). The increase is primarily attributable to higher sales volumes.

The higher result compared to the first quarter 2023 is mainly due to higher sales volumes.



WOOD SOLUTIONS

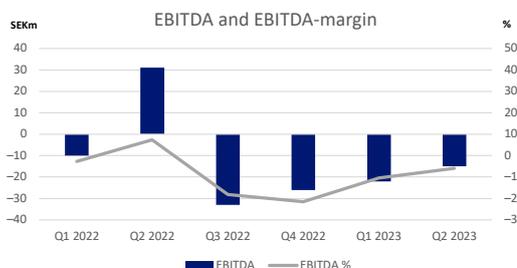
A presentation of the product area can be found on page 23.

AMOUNTS IN SEK m	Apr–Jun 2023	Apr–Jun 2022	Jan–Jun 2023	Jan–Jun 2022
Net sales	254	420	468	785
EBITDA	-15	31	-37	21
Operating profit/loss	-21	25	-49	9
EBITDA margin, %	-5.9	7.4	-7.9	2.7
Operating margin, %	-8.3	6.0	-10.5	1.1

Net sales for the second quarter amounted to SEK 254 million (420). The decrease was attributable to lower sales prices and sales volumes.

EBITDA amounted to SEK -15 million (31). The decrease was attributable to lower sales prices and sales volumes. Sales prices for most products were about 30% lower and the sales volumes about 40% lower.

The improved result compared to the first quarter 2023 was mainly attributable to lower raw material costs.



SAWN WOOD

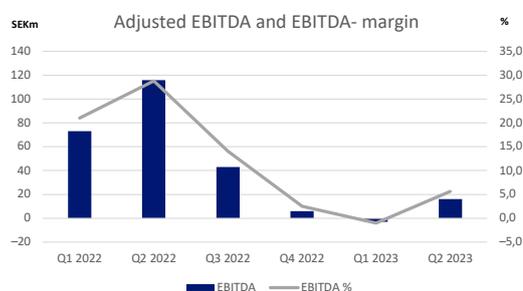
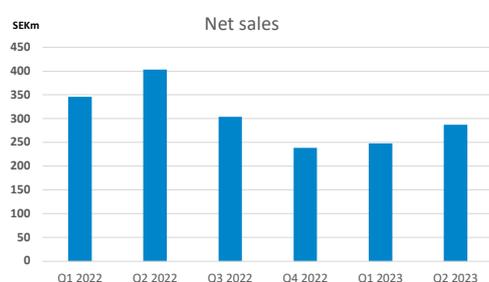
A presentation of the product area can be found on page 23.

AMOUNTS IN SEK m	Apr–Jun 2023	Apr–Jun 2022	Jan–Jun 2023	Jan–Jun 2022
Net sales	287	403	535	749
Adjusted EBITDA	16	116	13	189
Adjusted operating profit/loss	7	108	–5	173
Adjusted EBITDA margin, %	5.6	28.8	2.4	25.2
Adjusted operating margin, %	2.4	26.8	–0.9	23.1
Sales volumes, '000 m ³	80	91	152	185
Production volume, '000 m ³	82	92	157	185

Net sales for the second quarter amounted to SEK 287 million (403). The decrease was attributable to lower sales prices and sales volumes.

Adjusted EBITDA amounted to SEK 16 million (116). The lower earnings were attributable primarily to lower sales prices and lower sales- and production volumes. Sales prices were about 35% lower and the sales volumes 12% lower.

The higher result compared to the first quarter 2023 was mainly explained by higher sales prices.



ENERGY & LOGISTICS

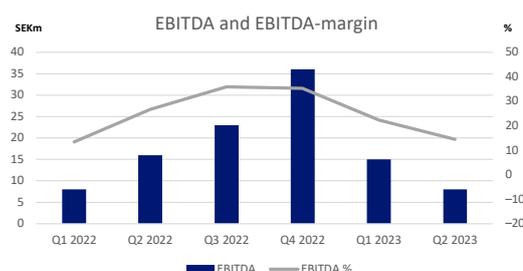
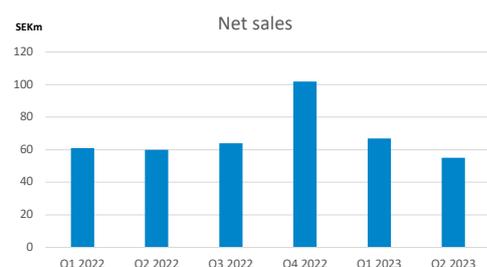
A presentation of the product area can be found on page 23.

AMOUNTS IN SEK m	Apr–Jun 2023	Apr–Jun 2022	Jan–Jun 2023	Jan–Jun 2022
Net sales	55	60	122	121
EBITDA	8	16	23	24
Operating profit/loss	2	11	12	14
EBITDA margin, %	14.5	26.7	18.9	19.8
Operating margin, %	3.6	18.3	9.8	11.6

Net sales for the second quarter amounted to SEK 55 million (60). The decrease in net sales were attributable primarily to lower sales volumes of pellets. Net sales of pellets amounted to SEK million 33 (43).

EBITDA amounted to SEK 8 million (16). The lower profit was explained by lower sales volumes of pellets. EBITDA for the pellet business was SEK 6 million (13).

The lower result compared to the first quarter 2023 was explained by lower sales prices and sales volumes for pellets.



Other information

TAX

Recognised tax for the period January–June amounted to SEK –3 million (1). The effective tax rate was –6 per cent, lower than Sweden’s corporate tax rate. The lower effective tax rate was attributable to no tax having been recognised for the Baltic companies.

In Latvia and Estonia, the corporate income tax is 0 per cent on reinvested profits. Corporate tax is applicable and payable when dividends are distributed. No corporate income taxes have been recognised for the Group companies in the Baltics. Unrecognised deferred taxes regarding undistributed profits in the Baltic companies totalled approximately SEK 185 million at 30 June 2023.

SEASONAL FLUCTUATIONS

Bergs’s business is subject to seasonal fluctuations. The demand for processed wood products in the construction sector is generally higher in April–October. The demand for sawn products is normally higher in March–June and September–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.

GEOPOLITICAL SITUATION

Bergs is affected by the war in Ukraine through its effects on economic development and price development for, among other things, timber, saw logs, energy and other inputs. We see higher interest rates and inflation that is cooling down the economy and, in the short term, affect the demand for our products. There is also a risk that credit risks will increase in the business.

The Group complies with applicable sanctions and regulations and has suspended all purchases from Russia and Belarus. Bergs has previously had raw material supply to our unit in Latvia within Wood Solutions from Russia and Belarus. These volumes have been compensated by increased purchases from other established suppliers in the Baltics and Scandinavia. Bergs has not had any sales to Russia or Belarus.

ACQUISITIONS

Bergs Timber AB (publ) acquired all shares in Hedlunda Holding AB (“Hedlunda”) on 29 June 2023. Hedlunda is a state-of-the-art manufacturer of wooden furniture and components with production facilities in Sweden (Lycksele) and Poland (Skoczów). The acquisition strengthens Bergs’s offer in wood processing and broadens the business towards the furniture sector. Together with Bergs’s existing business within component sales to industrial customers, Hedlunda will form a new product area, Furniture & Components.

The acquired business will be included in Bergs from 29 June 2023. Hedlunda’s net sales for the last twelve months ended 30 June 2023 amounted to SEK 590 million and EBITDA to SEK 72 million. The purchase price on a cash and debt-free basis amounted to SEK 240 million and the purchase price for the shares amounted to SEK 140 million. An additional purchase price based on earnings development over the next two financial years may be paid to the sellers. A liability of SEK 8 million for the contingent consideration was recognised as of 30 June.

The purchase price is financed by a new loan facility of SEK 200 million under the existing loan agreement with Danske Bank and SEB.

For more information on the acquisition, see note 4.

EVENTS AFTER THE END OF THE QUARTER

On 18 July, Berg’s English subsidiary Baltic Wharf Properties, which owns the port at Creeksea, entered into an agreement to divest a small part of the property to an existing tenant. The buyer intends to expand its operations in the port. The purchase price amounts to approximately SEK 22 million and the result to approximately SEK 10 million. The effect will be reported in the third quarter.

PARENT COMPANY

The activities of the Parent Company pertain to the management of shares in subsidiaries, Group-wide administrative tasks and Group financing. Loss after financial items for the Parent Company for January–June amounted to SEK –5 million (–5).

CALENDAR

Interim report, January–September 2023	26 October 2023
Year-end report for 2023	31 January 2024

This half-year report has not been subject to review by the company’s auditors.

The Board of Directors and the CEO certify that the half-year report gives a true and fair view of the Company's and Group's operations, financial position and result of operations, and describes material risks and uncertainties facing the Company and the companies included in the Group.

Stockholm, 25 July, 2023
Bergs Timber AB (publ)

Michael Bertorp
Chairman of the Board

Åke Bergh
Board member

Ingrida Bluma
Board member

Jón Helgi Gudmundsson
Board member

Gudmundur H Jónsson
Board member

Anna Rasmuson
Board member

Peter Nilsson
President and CEO

Further information regarding the half-year report can be provided by the CEO, Peter Nilsson, on telephone number +46 70 315 09 27 or CFO, Anders Marklund, on +46 70 284 47 96.

The information in this half-year report is such that Bergs Timber AB (publ) is required to disclose pursuant to the EU's Market Abuse Regulation and the Securities Market Act. The information was released for publication on 25 July 2023 at 13:00 CEST. The half-year report is available on the company's website, www.bergstimber.com

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Tel: +46 (0)10-199 84 00

Condensed consolidated income statement

AMOUNTS IN SEK m	2023 Apr–Jun 3 months	2022 Apr–Jun 3 months	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months	2022 Jan–Dec 12 months
Net sales	793	1,009	1,508	1,919	3,267
Changes to products in process and finished goods	-36	20	-44	15	-7
Other operating income	3	3	6	5	20
Total	760	1,032	1,470	1,939	3,280
Operating expenses					
Raw materials and consumables	-487	-596	-944	-1,181	-1,975
Other external costs	-144	-156	-279	-295	-551
Personnel costs	-116	-107	-227	-208	-422
Profit from shares in associated companies	-1	0	-2	0	-1
Depreciation/amortisation and impairment	-59	-22	-83	-43	-90
Total operating expenses	-807	-881	-1,535	-1,727	-3,039
Operating profit	-47	151	-65	212	241
Finance income	17	7	22	10	20
Financial expenses	-7	-2	-12	-7	-17
Profit after financial items	-37	156	-55	215	244
Tax on profit for the period	-3	-3	-3	1	-13
Profit for the period	-40	153	-58	216	231
Attributable to					
Parent Company shareholders	-40	153	-58	216	231
Non-controlling interests	-	-	-	-	-
Earnings per share, before and after dilution, SEK	-1.15	4.41	-1.67	6.23	6.66
Average number of shares, thousands	34,673	34,673	34,673	34,673	34,673

Statement of comprehensive income (net after tax)

AMOUNTS IN SEK m	2023 Apr–Jun 3 months	2022 Apr–Jun 3 months	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months	2022 Jan–Dec 12 months
Profit for the period	–40	153	–58	216	231
Change in hedge reserve (net after tax)	1	–	–12	–	11
Translation differences	56	37	72	44	88
Comprehensive income for the period	17	190	2	260	330
Attributable to:					
Parent Company shareholders	17	190	2	260	330
Non-controlling interests	–	–	–	–	–

Condensed consolidated balance sheet

AMOUNTS IN SEK m	30 Jun 2023	30 Jun 2022	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	367	340	355
Property, plant and equipment, incl. right-of-use assets	1,073	844	888
Financial assets	23	7	10
Deferred tax assets	23	24	22
Total non-current assets	1,486	1,214	1,275
Current assets			
Inventory	626	818	705
Current receivables	459	467	219
Non-current assets held for sale	47	–	–
Cash and bank balances	212	172	268
Total current assets	1,344	1,457	1,192
TOTAL ASSETS	2,830	2,671	2,467
Equity and liabilities			
Equity	1,775	1,771	1,842
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	467	223	211
Other non-current liabilities and provisions	11	6	5
Deferred tax liabilities	37	30	35
Total non-current liabilities	515	259	251
Current liabilities			
Interest-bearing liabilities	76	227	29
Non-interest bearing liabilities	464	414	345
Total current liabilities	540	641	374
TOTAL EQUITY AND LIABILITIES	2,830	2,671	2,467

Changes in equity (no minority exists)

AMOUNTS IN SEK m	2023 Apr–Jun 3 months	2022 Apr–Jun 3 months	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months	2022 Jan–Dec 12 months
Equity, opening balance	1,828	1,686	1,842	1,616	1,616
Comprehensive income for the period	17	190	2	260	330
Dividend paid	–69	–104	–69	–104	–104
Total equity at the end of the period	1,775	1,771	1,775	1,771	1,842

Condensed cash flow statement

AMOUNTS IN SEK m	2023 Apr–Jun 3 months	2022 Apr–Jun 3 months	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months	2022 Jan–Dec 12 months
Operating activities					
Profit after financial items	-37	156	-55	215	244
Adjustments for non-cash items*	59	16	80	35	66
Income taxes paid	-1	-12	-7	-24	-18
Cash flow from operating activities before changes in working capital	22	160	19	226	292
Change in inventories	119	-124	202	-56	94
Change in operating receivables	-42	-35	-171	-124	157
Change in operating liabilities	-22	-19	15	60	-52
Cash flow from operating activities	77	-18	65	106	491
Investing activities					
Business combination	-132	-	-132	-9	-45
Acquisition of property, plant and equipment	-62	-29	-94	-51	-107
Sale of property, plant and equipment	0	0	0	0	18
Change in financial assets	-10	0	-14	0	-3
Cash flow from investment activities	-204	-29	-240	-60	-137
Financing activities					
Change in financial receivables and liabilities	193	194	188	133	-80
Paid dividend	-69	-104	-69	-104	-104
Cash flow from financing activities	124	90	119	29	-184
Cash flow for the period	-3	43	-56	75	170
Cash and cash equivalents at start of period	216	126	268	94	94
Translation differences in cash and cash equivalents	0	3	0	3	4
Cash and cash equivalents at end of period	212	172	212	172	268

*) Pertains primarily to depreciation, impairment and unrealised exchange rate effects.

The Group's key performance indicators and targets

AMOUNTS IN SEK m	Financial targets	2023 Apr–Jun 3 months	2022 Apr–Jun 3 months	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months	2022 Jan–Dec 12 months
Net sales		793	1,009	1,508	1,919	3,267
EBITDA		12	173	18	255	331
Adjusted EBITDA (adjusted for items affecting comparability)		23	173	29	255	331
Adjusted EBITDA margin, %	>9	2.9	17.1	1.9	13.3	10.1
Operating profit/loss		-47	151	-65	212	241
Adjusted operating profit/loss		-2	151	-20	212	241
Adjusted operating margin, %		-0.3	15.0	-1.3	11.0	7.4
Return on capital employed, %, 12 months		-	-	-	-	13.0
Earnings per share, before and after dilution, SEK		-1.15	4.41	-1.67	6.23	6.66
Interest-bearing net debt		331	278	331	278	-29
Net debt/equity ratio	<1.0	0.19	0.16	0.19	0.16	-0.02
Equity/assets ratio, %		62.7	66.3	62.7	66.3	74.7
Average number of shares, thousands		34,673	34,673	34,673	34,673	34,673
Equity per share, SEK		51.19	51.08	51.19	51.08	53.12

Note: For a reconciliation of alternative performance measures incl. adjusted EBITDA and adjusted operating profit and corresponding margins, see page 20-21.

Condensed Parent Company statement of income

AMOUNTS IN SEK m	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months
Other operating income	2	3
Total	2	3
Operating expenses		
Other external costs	-8	-8
Personnel costs	-9	-8
Depreciation	0	0
Total operating expenses	-17	-16
Operating loss	-15	-13
Finance income	25	15
Financial expenses	-15	-7
Loss after financial items	-5	-5
Tax on profit for the period	0	2
Profit/loss for the period	-5	-3

Condensed Parent Company balance sheet

AMOUNTS IN SEK m	30 Jun 2023	30 Jun 2022
Assets		
Property, plant and equipment	0	0
Financial assets	1,402	1,178
Total non-current assets	1,402	1,178
Receivables from Group companies	119	166
Other current receivables	8	12
Cash and bank balances	191	98
Total current assets	318	276
TOTAL ASSETS	1,720	1,454
Liabilities and equity		
Equity	694	745
Untaxed reserves	28	21
Non-current liabilities	394	219
Current liabilities	604	469
TOTAL EQUITY AND LIABILITIES	1,720	1,454

Notes

1. ACCOUNTING POLICIES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act. Other accounting policies and calculation methods that are applied for the Group and the Parent Company conform to the principles that were used when preparing the most recent annual report for 2022; refer to pages 75–80.

Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere of the interim report. Amounts in brackets refer to the amount for the same period in the previous financial year, unless otherwise stated. There may be differences due to rounding.

2. EXTERNAL NET SALES BY MARKET

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

January–June 2023 AMOUNTS IN SEK m	Doors & Windows	Wood Solutions	Sawn Wood	Energy & Logistics	Group total
Sweden	10	82	0	11	103
UK	297	124	21	39	481
Baltics	0	12	332	9	353
Rest of Europe	80	237	78	63	458
Rest of world	2	10	101	0	113
Total external net sales	389	465	532	122	1,508

January–June 2022 AMOUNTS IN SEK m	Doors & Windows	Wood Solutions	Sawn Wood	Energy & Logistics	Group total
Sweden	1	138	0	15	154
UK	260	210	25	41	536
Baltics	0	21	388	8	417
Rest of Europe	46	395	117	56	614
Rest of world	0	21	176	1	198
Total external net sales	307	785	706	121	1,919

3. FINANCIAL INSTRUMENTS BY CATEGORY

AMOUNTS IN SEK m	Level	Carrying amount 30 Jun 2023	Fair value 30 Jun 2023	Carrying amount 31 Mar 2023	Fair value 31 Mar 2023
Financial assets at amortised cost					
Financial Investment	–	10	10	0	0
Non-current receivables	–	6	6	5	5
Trade receivables	–	378	378	271	271
Other receivables	–	26	26	21	21
Cash and cash equivalents	–	212	212	216	216
Derivatives for hedge accounting					
Derivatives	2	0	0	0	0
		632	632	513	513
Financial liabilities measured at amortised cost					
Non-current interest-bearing liabilities	–	459	459	205	205
Accounts payable	–	172	172	159	159
Current interest-bearing liabilities	–	76	76	29	29
Other liabilities	–	59	59	41	41
Financial liabilities valued at fair value via the income statement					
Contingent Considerations (Earnout)	3	8	8	–	–
Derivatives for hedge accounting					
Derivatives	2	1	1	2	2
		775	775	436	436

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 carrying amount. The financial liabilities valued at fair value via profit/loss consist of contingent considerations for business combinations and the valuation belongs to level 3. The fair value of the Group's contingent considerations has been calculated as the current value of the amount expected to be paid according to the purchase contract.

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, electricity futures or rate swaps.
- 3: Data for the asset or liability that is not completely based on observable market data.

4. ACQUISITIONS

On June 29 2023, Bergs acquired the Swedish company Hedlunda Holding AB, which is the parent company for a business with production facilities in Sweden and Poland. Hedlunda is a state-of-the-art manufacturer of wooden furniture and components. The acquired business is recognised in Bergs from 29 June 2023 and will be reported in a new production area, Furniture & Components, starting from the third quarter.

Purchase price allocation

The purchase method has been used for the reporting of the acquisition. A preliminary purchase price allocation has been prepared as shown in the table below.

Amounts in SEK million

Purchase consideration, cash			140
Contingent Considerations (Earnout)			8
Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Property, plant and equipment	137	8	145
Right-of-use assets and financial assets	37		37
Inventories	85		85
Other current assets	69		69
Cash and cash equivalents	8		8
Non-current interest-bearing liabilities	-65		-65
Other non-current liabilities and provisions	-4		-4
Current liabilities interest bearing liabilities	-48		-48
Current liabilities non-interest bearing liabilities	-79		-79
	140	8	148

Cash flow effect

Amounts in SEK m

Purchase consideration, cash	-140
Cash and cash equivalents in acquired group	8
Transaction costs	-5
	-137

Transaction costs amounted to SEK 5 million and are included in other external costs in the income statement. The fair value of the contingent considerations has been calculated as the current value of the amount expected to be paid according to the contract.

The table below shows historical figures for the business.

AMOUNTS IN SEK m	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2022 Full year
Net sales	143	147	163	137	168	166	635
EBITDA	18	17	23	13	15	13	63
EBITDA margin, %	12.7	11.3	14.1	9.2	8.8	7.5	9.9
Operating profit/loss	13	12	19	9	11	9	48
Operating margin, %	9.1	8.2	11.6	6.3	6.7	5.3	7.5

5. NON-CURRENT ASSETS HELD FOR SALE

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, the assets are measured and the lower of fair value and the carrying amount. The assets are no longer depreciated/amortized after reclassification.

On 30 June, non-current assets held for sale amounted to SEK 47m and were attributable to the divestment of tangible assets of operations in Laesti sawmill in Estonia. The assets were measured to fair value in accordance with letter of intent with the buyer and impairment of SEK 34m has affected the result for the sawmill segment in the quarter.

6. INFORMATION ON RISKS AND UNCERTAINTIES

Business cycle

Bergs operates in a competitive and cyclical market. Prices and volumes for wood products are largely dependent on the balance between supply and demand on a global level with large variations over time. The cost of raw materials constitutes a large part of the product's value and makes Bergs sensitive to price development and access to raw material. The raw material is preferably sourced in the immediate area and the supply and demand of the raw material affects pricing to a large extent in the short term.

Financial risks

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. A large part of the financing is dependent on fulfilling conventional financial undertakings. Regarding exposure to exchange rate risk, the Group's policy states that certain part of the expected currency flow for the next six months can be hedged.

Geopolitical risks

Bergs is affected by the war in Ukraine through its effects on economic development and price development for, among other things, timber, saw logs, energy and other inputs. We see higher interest rates and inflation that will cool down the economy and, in the short term, affect the demand for our products. There is also a risk that credit risks will increase in the business.

The Group complies with applicable sanctions and regulations and has suspended all purchases from Russia and Belarus. Bergs has previously had raw material supply to our unit in Latvia within Wood Solutions from Russia and Belarus. These volumes have been compensated by increased purchases from other established suppliers in the Baltics and Scandinavia. Bergs has not had any sales to Russia or Belarus.

Cost of fixed assets

Owing to the existence of goodwill, the recognised cost of fixed assets is tested for impairment. The test is based on our best assessment of the future performance. The testing performed in conjunction with the previous year-end report showed that there was no need for impairment. We have not identified any need for impairment during the current year despite a negative earnings trend in the Wood Solutions segment. The business has shown good profitability over time but was negatively affected by lower demand during the previous year. A future negative deviation may affect the recognised cost of fixed assets. For a further description of impairment testing please, refer to page 92 of the 2022 Annual Report.

For a complete presentation of the identified risk as well as the company's risk management efforts, refer to pages 51–55 of the 2022 Annual Report.

7. RELATED-PARTY TRANSACTIONS

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.

The Parent Company has conducted transactions with the Group's subsidiaries in the form of sales of management and administration services. The scope of transactions with related parties has not changed compared to the information provided in the 2022 Annual Report.

Berg's has increased the ownership share in the partially owned company Wood Tube Sweden AB, to about 30 percent. Furthermore the company has loans from the Parent Company totalling SEK 6 million.

8. ALTERNATIVE PERFORMANCE MEASURES

Bergs presents key performance indicators (KPI) in the interim report that supplement the financial measures defined according to IFRS, known as alternative performance measures (APM). The company believes that these performance measures provide valuable information to investors and the company's management since they enable, among other things, measurement of the company's performance, trends and financing. Because not all companies calculate financial key performance indicators in the same way, these are not always comparable. The alternative performance measures should be regarded as a supplement to the key performance indicators defined under IFRS. For further definitions and reasons for use, please refer to pages 99–100 of the 2022 Annual Report.

Definitions of key performance indicators

EBITDA	Operating profit before depreciation/amortisation and impairment of tangible and intangible assets
EBITDA margin	EBITDA as a percentage of net sales
Adjusted EBITDA	Operating profit before depreciation/amortisation and impairment of tangible and intangible assets, adjusted for items affecting comparability
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales
Operating profit	Earnings before financial items and tax
Operating margin	Operating profit as a percentage of net sales
Adjusted operating profit	Earnings before financial items and tax, adjusted for items affecting comparability
Adjusted operating margin	Operating profit as a percentage of net sales, adjusted for items affecting comparability
Return on capital employed	Profit/loss after financial items plus financial expenses in relation to the average capital employed
Capital employed	Equity plus interest-bearing liabilities and provisions
Interest-bearing net debt	Interest-bearing liabilities and provisions less cash and cash equivalents and current investments
Net debt/equity ratio	Net interest-bearing liabilities in relation to equity
Equity/assets ratio	Equity as a percentage of the balance-sheet total
Equity per share	Equity in relation to the total number of shares outstanding
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, acquisition and profit or loss from sales of operations.
Production volume	Nominal sawn volume in cubic metres less estimated offcuts and wastage in further internal production processes
Sales volumes	Nominal delivered volume in cubic metres (volume calculated before planing, if any)

8. ALTERNATIVE PERFORMANCE MEASURES, CONT.

RECONCILIATION TABLE

AMOUNTS IN SEK m	2023 Apr–Jun 3 months	2022 Apr–Jun 3 months	2023 Jan–Jun 6 months	2022 Jan–Jun 6 months	2022 Jan–Dec 12 months
Equity	–	–	–	–	1,842
Interest-bearing liabilities	–	–	–	–	240
Provisions	–	–	–	–	6
Capital employed	–	–	–	–	2,088
Profit after financial items	–	–	–	–	244
Financial expenses	–	–	–	–	17
Total	–	–	–	–	261
Average capital employed	–	–	–	–	2,013
Return on capital employed, %	–	–	–	–	13.0
Interest-bearing liabilities, non-current	467	223	467	223	211
Interest-bearing liabilities, current	76	227	76	227	29
Total interest-bearing liabilities	543	450	543	450	240
Cash and cash equivalents	–212	–172	–212	–172	–268
Interest-bearing net debt	331	278	331	278	–29
Interest-bearing net debt	331	278	331	278	–29
Equity	1,775	1,771	1,775	1,771	1,842
Net debt/equity ratio	0.19	0.16	0.19	0.16	–0.02
Equity	1,775	1,771	1,775	1,771	1,842
Total assets	2,830	2,671	2,830	2,671	2,467
Equity/assets ratio, %	62.7	66.3	62.7	66.3	74.7
Operating profit/loss	–47	151	–65	212	241
Depreciation, amortisation and impairment	59	22	83	43	90
EBITDA	12	173	18	255	331
Items affecting comparability	11	–	11	–	–
Adjusted EBITDA	23	173	29	255	331
Net sales	793	1,009	1,508	1,919	3,267
Adjusted EBITDA margin, %	2.9	17.1	1.9	13.3	10.1
Operating profit/loss	–47	151	–65	212	241
Net sales	793	1,009	1,508	1,919	3,267
Operating margin, %	–5.9	15.0	–4.3	11.0	7.4
Operating profit/loss	–47	151	–65	212	241
Items affecting comparability	45	–	45	–	–
Adjusted operating profit/loss	–2	151	–20	212	241
Net sales	793	1,009	1,508	1,919	3,267
Adjusted operating margin, %	–0.3	15.0	–1.3	11.0	7.4

SPECIFICATION OF ITEMS AFFECTING COMPARABILITY

AMOUNTS IN SEK m	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2022 Full year
Transaction costs for acquisition of Hedlunda	–5	–	–	–	–	–	–
Closure of Laesti sawmill	–6	–	–	–	–	–	–
Impact on EBITDA	–11	–	–	–	–	–	–
Impairment of non-current assets held for sale	–34	–	–	–	–	–	–
Impact on operating profit	–45	–	–	–	–	–	–

Items affecting comparability recognised in Q2 2023 pertain to the Sawmills segment amounted to SEK 40m and the rest to joint and elimination.

9. QUARTERLY OUTCOME BY SEGMENT

Segments are monitored and reported including operating profit.

STATEMENT OF INCOME

AMOUNTS IN SEK m	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2022 Full year
Net sales	793	715	640	708	1,009	910	3,267
Doors & Windows	199	188	181	174	156	150	661
Wood Solutions	254	214	121	181	420	365	1,087
Sawn Wood	287	248	239	304	403	346	1,292
Energy & Logistics	55	67	102	64	60	61	287
Joint and elim	-2	-2	-3	-15	-30	-12	-60
Adjusted EBITDA	23	6	30	46	173	82	331
Doors & Windows	22	21	19	18	17	19	73
Wood Solutions	-15	-22	-26	-33	31	-10	-38
Sawn Wood	16	-3	6	43	116	73	238
Energy & Logistics	8	15	36	23	16	8	83
Joint and elim	-8	-5	-5	-5	-7	-8	-25
Adjusted EBITDA margin, %	2.9	0.8	4.7	6.5	17.1	9.0	10.1
Doors & Windows	11.1	11.2	10.5	10.3	10.9	12.7	11.0
Wood Solutions	-5.9	-10.3	-21.5	-18.2	7.4	-2.7	-3.5
Sawn Wood	5.6	-1.2	2.5	14.1	28.8	21.1	18.4
Energy & Logistics	14.5	22.4	35.3	35.9	26.7	13.1	28.9
Adjusted Operating profit/loss	-2	-18	6	23	151	61	241
Doors & Windows	17	17	14	15	14	16	59
Wood Solutions	-21	-28	-32	-39	25	-16	-62
Sawn Wood	7	-12	-4	34	108	65	203
Energy & Logistics	2	10	30	18	11	3	62
Joint and elim	-7	-5	-2	-5	-7	-7	-21
Adjusted Operating margin, %	-0.3	-2.5	0.9	3.2	15.0	6.7	7.4
Doors & Windows	8.5	9.0	7.7	8.6	9.0	10.7	8.9
Wood Solutions	-8.3	-13.1	-26.4	-21.5	6.0	-4.4	-5.7
Sawn Wood	2.4	-4.8	-1.7	11.2	26.8	18.8	15.7
Energy & Logistics	3.6	14.9	29.4	28.1	18.3	4.9	21.6

This is Bergs – an international wood products Group

Product areas



26%

Doors & Windows

The product area includes the marketing, design, manufacture and installation of high-quality and custom-made windows and doors. The market consists both of owners of private residences with high demands on quality and appearance, as well as a contract market for larger remodeling projects in culturally historically valuable environments. Manufacturing takes place at our own production facilities in Great Britain, Poland and Latvia.



Furniture & Components*

The product area includes the manufacture of furniture and furniture components based on renewable wood raw material. With high demands on quality, capacity and durability, wood raw material is processed into furniture and components that are packed and distributed to users in a large number of countries. Manufacturing is carried out at two units. One in Sweden (Lycksele) and one in Poland (Skoczow).

* Furniture & Components will be included in the accounts beginning from the third quarter 2023.



31%

Wood Solutions

The product area includes a wide range of processed wood products used in design, construction, renovations, home improvements, public and private outdoor environments and furniture production.

Most products and applications within Wood Solutions are based on an effective wood protection such as impregnation, heat treatment or other effective wood protection treatment that ensures protection against rot, fire and significantly extends the life of the products with minimal maintenance. The product area also includes the construction and manufacture of detached houses. The business is conducted at its own facilities in Sweden, Latvia and Great Britain.



35%

Sawn Wood

The product area includes the processing of timber that is sawn into boards and planks in varying dimensions and lengths and which is sold to international industrial customers for further processing. The business is conducted at a sawmill in Latvia and a sawmill in Estonia. Certified raw material is procured from sustainably managed forests in the Baltic Sea region.



8%

Energy & Logistics

Within Energy & Logistics Berg's conducts operations in pellet production and logistics. Production takes place at a modern facility for manufacturing of pellets and heat logs in Fågelfors, Sweden and at a facility in Latvia. Port and logistics operations are conducted at a harbor facility in south-east England.

Note: The numbers are based on Group sales for the period January – June 2023.

Our operations – conducted through wholly owned subsidiaries in Sweden, Estonia, Latvia, Poland and the UK – encompass sawmills and processing as well as distribution and logistics. Bergs is listed on Nasdaq Stockholm.

Sales in 2022

SEK 3.3 billion

Employees

**1.500 (including Hedlunda,
acquired in June 2023)**

BUSINESS CONCEPT

Bergs owns and develops companies that produce and sell processed timber products to discerning customers in selected markets.

This means that:

- We own and develop companies in the wood processing industry
- Our subsidiaries develop and produce processed wood products, with the customer's needs in focus
- We have a decentralised business model
- We work sustainably throughout the value chain—with raw materials from responsibly cultivated forests—all the way to completed product and delivery

FINANCIAL TARGETS

- 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 aims for financial net debt less than equity
- Bergs's target is an annual dividend of normally 25–40 per cent of profit for the year after tax

www.bergstimber.com