BERGKVIST-SILJAN AB (PUBL)

FINANCIAL STATEMENT

Q4 2019

MANAGEMENT COMMENTARY

The Bergkvist Siljan group

On July 17, 2019 the acquisition of Bergkvist-Insjön group was finalized and the Group with its current business scope was created. The Bergkvist Siljan Group is based on a strong strategic and operational merger logic between Bergkvist-Insjön and Siljan Group, both with a competitive raw material sourcing and operational platform in the Dalarna region in Sweden, combined with a global sales footprint.

Strategically, from the date of the acquisition, work has been conducted to integrate the two companies and to realize the synergy potential. Total financial impact related to synergies is estimated to above SEK 100m per annum, with around 5% of financial impact starting in Q4 2019 and 100% run rate impact expected to be reached by Q4 2020.

As part of the transaction in July 2019, the Group was financed by a bond maturing in 2023. The cash injection from the bond, combined with shareholder contribution, has allowed the group to transform its financial structure by buying out a significant amount of previous leasing contracts and repaying previous bank debt.

Pro-forma, and fully adjusted for extraordinary items, Bergkvist Siljan group generated an EBITDA of SEK 212m for the full year 2019.

Business highlights Q4 2019

The fourth quarter 2019 was characterized by a good operational business momentum with integration and synergy realization performing according to plan, but with a challenging global price situation and a temporary raw material quality challenge in Insjön, together creating significant margin pressure. More specifically, the key highlights of the quarter include:

- Integration and synergy activities in six functional areas with more than 50 initiatives proceeding according to plan
- New merged organization implemented, with all management positions nominated (majority effective from January 1, 2020)
- Union negotiations regarding employee reductions completed and reductions implemented
- The loss-making business unit Siljan Wood Products was divested
- New group name and visual identity decided and launched
- Production volumes, yield and production cost in all three sawmills performing without any significant deviations
- Significant price reductions on sawn timber products in all key markets compared to earlier quarters in 2019
- Several initiatives initiated and/or accelerated to mitigate part of market price impact, for example accelerated cross-sales to core markets/customers of Bergkvist-Insjön and Siljan respectively, as well as joint negotiation with major raw material suppliers
- Low quality raw materials as a result of extraordinary supply chain challenges outside the company's control in early 2019. The lower quality led to unfavourable quality mix in Insjön with a negative result impact during the second half of the year

Q4 financials

The financial highlights during Q4 include (note: compatibility with Q4 2018 limited due to non pro-forma accounts):

- Net sales of SEK 717m
- EBITDA of SEK 33m, with EBITDA margin of 4.6%
- Operating profit of SEK 17m, with EBIT margin of 2.4%
- Cash and cash equivalent as of December 31, 2019 of SEK 205m

Events after the reporting period

A few events after the reporting period that are important in terms of potential business impact:

- Market situation has stabilized with overall demand holding up well, prices stabilizing and, in some cases, even showing moderate increases again. The total raw material costs for the group have not however decreased to the same extent as the market for sawn products during the second half of the year
- The COVID-19 outbreak in China is likely to have an impact on the logistics routes that the group uses for its deliveries to Asia. The lowered production in China creates a shortage of shipping capacity between Europe and Asia, which magnitude of impact is still uncertain at the time of this report. A third of the groups production is shipped to Asia
- Synergy realization is continuing according to plan

Anders Nilsson
CEO

CONSOLIDATED INCOME STATEMENT

SEKm	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	717	352	2,028	837
Changes in products in progress and finished goods	9	19	-8	6
Other operating income	10	77	35	83
Total	**736**	**448**	**2,055**	**925**
Raw materials and consumables	-568	-252	-1,529	-558
Gross profit	**168**	**196**	**525**	**368**
Personnel costs	-75	-39	-205	-89
Other external costs	-59	-92	-203	-158
Depreciation and write-downs	-16	-10	-48	-22
Other operating costs	0	-	0	-
Profit from investments in associates and JVs	-	-	-	-
Operating profit	**17**	**56**	**69**	**98**
Financial income	14	0	13	5
Financial costs	-22	-7	-64	-28
Profit before tax	**9**	**48**	**19**	**76**
Tax	-26	-8	-33	-10
Income from discontinued operations	-4	-15	-24	-25
Profit / loss for the period	**-21**	**25**	**-38**	**40**
Other comprehensive income				
Revaluation of pension liabilities	-5	0	-5	0
Deferred tax	1	-0	1	-0
Total comprehensive income	**-25**	**26**	**-42**	**41**
attributable to:				
- Shareholders of parent company	-25	26	-42	41
- Non-controlling interests	0	0	0	0

Note: Siljan group consolidated from May 2018, and Bergkvist-Insjön group from July 2019, i.e.:

- *Q4 2019: Siljan group and Bergkvist-Insjön group fully consolidated*
- *Q4 2018: Siljan group fully consolidated*
- *YTD 2019: Siljan group fully consolidated, with 6 months share of results consolidated from Bergkvist-Insjön group*
- *YTD 2018: 8 months share of results consolidated from Siljan group*
- *Income from discontinued operations is fully attributable to Siljan Wood Products AB, divested as per 2019-12-20*

CONSOLIDATED BALANCE SHEET

SEKm	2019.12.31	2018.12.31
Goodwill	189	-
Other intangible assets	83	14
Total intangible assets	**272**	**14**
Buildings and property	230	131
Machinery	409	205
Assets under construction	16	1
Total tangible assets	**655**	**338**
Right-of-use assets	87	176
Non-current financial assets	18	0
Deferred tax assets	7	12
Total non-current assets	**1,039**	**540**
Inventory	238	136
Trade receivables	240	156
Derivatives assets	5	2
Other current assets	43	45
Prepaid costs and deferred income	46	43
Cash and cash equivalents	205	14
Total current assets	**775**	**396**
Total assets	**1,815**	**936**

SEKm	2019.12.31	2018.12.31
Share capital	1	0
Other equity	54	22
Retained earnings	-2	41
Equity attributable to shareholders of parent company	**53**	**63**
Equity attributable to non-controlling interest	3	-
Total equity	**56**	**63**
Debt		
Long-term Liabilities	-	-
Bond loan	742	-
Non-current liabilities to credit institutions	-	103
Shareholder loans	354	143
Other non-current liabilities	21	48
Non-current right-of-use liabilities	60	122
Deferred tax liabilitiy	47	8
Provisions for pensions and other provisions	53	49
Non-current liabilities	**1,277**	**473**
Short term liabilities	-	-
Current liabilities to credit institutions	-	59
Derivatives liabilities	0	0
Current right-of-use liabilities	21	42
Trade payables	299	192
Other current liabilities	41	62
Deferred costs and prepaid income	120	46
Current liabilities	**481**	**400**
Total equity and liabilities	**1,815**	**936**

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Full year 2019	Full year 2018
Profit before tax	**19**	**76**
Adjustments for non-cash items	19	29
Paid tax	-9	-2
Cash flow from operating activities before changes in working capital, continuing operations	**29**	**103**
Cash flow from operating activites before changes in working capital, discontinued operations	**-26**	**-25**
Cash flow from operating activities before changes in working capital	**2**	**78**
Net change in working capital, continuing operations	99	-56
Net change in working capital, discontinued operations	32	21
Cash flow from operating activities	**133**	**43**
Acquisitions and divestments of subsidiaries	-589	-136
Net investments in non-current assets, continuing operations	-41	-75
Net investments in non-current assets, discontinued operations	-	-
Cash flow from investing activities	**-630**	**-211**
Bond emission	730	-
Shareholder contributions	33	21
Other debt transactions, net	-76	160
Cash flow from financing activities	**688**	**182**
Cash flow for the period	**191**	**14**
Cash and cash equivalents beginning of period	14	-
Cash and cash equivalents end of period	204	14

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other equity	Retained earnings included total income for the year	Equity related to shareholdes of the parent	Non-controlling interests	Total equity
Opening balance 2018.01.01	**0**			**0**		**0**
Profit and loss			40	40		40
Other comprehensive income			0	0		0
Total income	**-**	**-**	**41**	**41**	**-**	**41**
Transactions with shareholders						
Shareholder contribution		22		22		22
Transactions within equity						
Closing balance 2018.12.31	**0**	**22**	**41**	**62**	**-**	**62**
Opening balance 2019.01.01	**0**	**22**	**41**	**62**	**-**	**62**
Profit and loss			-38	-38		-38
Other comprehensive income			-4	-4		-4
Total income	**-**	**-**	**-42**	**-42**		**-42**
Transactions with shareholder				-		
Shareholder contribution		33		33		33
Transactions with non-controlling interests						
Effects due to acquisitions					3	3
Transactions within equity						
Bonus issue	1	-1		-		-
Closing balance 2019.12.31	**1**	**54**	**-2**	**53**	**3**	**56**

NOTES TO THE INTERIM REPORT

General information

Bergkvist-Siljan AB (publ), Corp. Reg. No. 559136-6686, is a limited company registered in Sweden with its registered office in Mora. The address of the head office is Box 435, SE-792 27 Mora, Sweden. The operations of Bergkvist-Siljan AB (publ) (the “Parent Company”) and its subsidiaries (the “Group”) comprise the sawmill and wood products industry.

Unless otherwise stated, all amounts are in millions of SEK (SEKm).

Summary of significant accounting policies

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

(i) Basis of preparation of the financial statements

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

The consolidated accounts have been prepared on the cost method, except for the following:

- certain financial assets and liabilities (including derivative instruments) measured at fair value
- defined-benefit pension plans measured at fair value

These consolidated accounts are Bergkvist-Siljan AB (publ)’s first financial statements and consolidated accounts prepared in accordance with IFRS. The Parent Company was formed on 1 December 2017, which was**a** also the starting point for the Group.

The preparation of financial statements in compliance with the IFRS requires the use of certain key accounting estimates. In addition, the management must make certain assessments in the application of the Group’s accounting policies. The critical areas of assessments relate to inventories and costs for deliveries of raw materials that are accrued. These assessments are made based on information on current market condition and historical experience.

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

A number of new standards and interpretations are effective for financial years beginning on or after 1 January 2020, and have not been applied in preparing these financial statements. No published standards that have not yet become effective have impacted the Group.

Consolidated accounts

(a) Subsidiaries

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

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

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

(b) Joint arrangements

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

Joint ventures

Joint ventures are accounted for using the equity method.

(c) Equity method

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

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

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

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

Segment reporting

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

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Revenue recognition

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

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

Interest income

Interest income is recognised using the effective interest method.

Current and deferred income tax

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

Lease payments attributable to short-term leases and leases for which the underlying asset has a low value are recognised on a straight-line basis as a cost over the lease term. Short-term leases are leases with a lease term of

12 months or less. Leases for which the underlying asset has a low value essentially pertain to IT equipment for end users.

Options for extending and terminating leases

The group has options to extend the leases beyond the initial leasing period. The assessment of using that option is based on the specific assets remaining useful life, the price for the lease extension, any residual values in the lease contracts and the discount rate.

Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

Inventories

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

Intangible assets

Goodwill

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

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

Emission rights

Emission rights are allocated free-of-charge by the Swedish Environmental Protection Agency. Emission rights are recognised at cost and classified as intangible assets. Emission rights are not amortised, but tested for impairment.

To the extent that emissions made exceed emission rights, a liability is recognised that corresponds to the market value of the emission rights.

Trademarks

Trademarks are recognized on acquisition of subsidiaries. Trademarks are amortised over their useful life.

Customer related intangible assets

Intangible assets related to customer relations and contracts are recognized on acquisition on subsidiaries. They are amortised over their useful life. The groups current intangible assets related to intangible assets have a useful life of 10 years.

Tangible assets

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

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

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

- Land and buildings 10-50 years
- Plant and machinery 10-50 years
- Equipment, tools, fixtures and fittings 5-10 years

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

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

Impairment of non-financial assets

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

Financial instruments

The Group's financial assets and liabilities comprises the following items: other securities held as non-current assets, accounts receivable, other receivables, accrued income, cash and cash equivalents, derivative instruments, bond loans, liabilities to credit institutions, accounts payable, other current liabilities and accrued expenses.

(a) Initial recognition

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

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

(b) Financial assets - Classification and measurement

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

Investments in debt instruments

Investments in debt instruments are measured at amortised cost.

Financial assets measured at amortised cost

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

Investments in equity instruments

Investments in equity instruments are measured at fair value.

Financial assets measured at fair value through profit or loss

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

Derivatives

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

(c) Financial liabilities - Classification and measurement

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

Financial liabilities measured at fair value through profit or loss

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

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

Financial liabilities measured at amortised cost

After initial recognition, the Group's financial liabilities are measured at amortised cost by applying the effective interest method. Financial liabilities consist of bond loans, liabilities to credit institutions, accounts payable, other current liabilities and accrued expenses.

(d) Derecognition of financial assets and financial liabilities

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

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

(e) Offsetting of financial instruments

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

(f) Impairment of financial assets

Assets carried at amortised cost

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

Accounts receivable

Accounts receivables are amounts due from customers for goods sold in the ordinary course of business. Accounts receivable are classified as current assets. Accounts receivable are initially recognised at the transaction price. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

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

Share capital

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

Accounts payable

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

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

Borrowing

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

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

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

Employee benefits

(a) Short-term employee benefits

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

(b) Pension obligations

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

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

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

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

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

Dividends

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

Cash flow statement

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

Business combinations

In July 2019 the Bergkvist-Insjön group was acquired. The operations in Bergkvist-Insjön are sawmill and other related operations. The following information discloses the consideration paid and the fair value of assets and debt on the day of the acquisition. The acquisition rendered Goodwill of SEK 189m.

Definition of key indicators

EBITDA

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

Pro-forma, fully adjusted EBITDA

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

Management statement

The interim report for Q4 2019 has been prepared according to IFRS but has not been audited. However, in our opinion, the report gives a true and fair view of the financial position of the Group as per 2019.12.31 and the results and cash flow for the Group for the period ending in 2019.12.31.

In our opinion the managements commentary gives a fair overview of the Group's operations, developments, financial position and risks.

Anders Nilsson
CEO

COMPANY INFORMATION

Name	Bergkvist-Siljan AB (publ)
Address	Box 435, 792 27 Mora, Sweden
Registration number	559136-6686
Financial year	1 January – 31 December
Website	www.bergkvist-insjon.se | www.siljan.com
Board of Directors	Ulf Bergkvist (Chairman) Jonas Björnståhl Håkan Dorm
Executive Management	Anders Nilsson
Auditor	PwC