

Sveaskog is Sweden's leading forestry company and sells timber, pulpwood, biofuel, seedlings and forestry services. Sveaskog complements the supply from its own forest with purchases from other forest owners, trading and imports. In addition, Sveaskog deals in land and develops the forest as a place for fishing, hunting and other outdoor experiences. The forest and its assets are Sveaskog's core business and sustainable development permeates everything that is done. Sveaskog is affiliated to the FSC[®] and PEFC[™].



Year-end Report 2019

1 October – 31 December 2019

- Net sales decreased by four per cent to MSEK 1,813 (1,895). Prices of wood raw materials were down by three per cent on average while total delivery volumes declined two per cent. Revenue from land concessions has increased.
- The operating profit from continuing operations decreased by 10 per cent to MSEK 350 (391), mainly due to lower prices and reduced delivery volumes.
- The reported net change in value of standing timber was MSEK -27 (1,491). The high figure for the previous year is largely attributable to a changed discount rate in last year's calculation*. The change in value had no impact on cash flow.
- Profit for the quarter was MSEK 272 (1,578), equivalent to SEK 2.30 (13.30) per share.

1 January – 31 December 2019

- Net sales increased by three per cent to MSEK 7,209 (6,971). Prices of wood raw materials increased by four per cent on average, while total delivery volumes were down by three per cent. Revenue from sales of seedlings and land concessions has increased.
- Operating profit from continuing operations increased by four per cent to MSEK 1,483 (1,422). Higher timber prices have to some extent been counteracted by lower delivery volumes. Increased revenue from sales of seedlings and concessions had a positive impact while costs for forest management and harvesting have increased.
- The dividend yield was 4.9 per cent (5.4).
- The reported net change in value of standing timber was MSEK 399 (1,697)*. The high figure for the previous year is largely attributable to a changed discount rate in last year's calculation. The change in value had no impact on cash flow.
- Profit for the year decreased by 51 per cent to MSEK 1,558 (3,171), or SEK 13.16 (26.78) per share. The decrease is largely due to a smaller increase in the value of standing timber as well as changed tax rules in the year 2018, which had a positive impact on earnings of MSEK 505. The effects was of a non-recurring nature and had no impact on cash flow.

*) See Note 2 on page 13.

MSEK	3 months Oct-Dec			Full year		
	2019	2018	%	2019	2018	%
Net sales	1,813	1,895	-4%	7,209	6,971	3%
Operating profit from continuing operations	350	391	-10%	1,483	1,422	4%
Change in value of forest assets	-27	1,491	-102%	399	1,697	-76%
Operating profit	380	2,041	-81%	2,093	3,509	-40%
Profit before tax	342	1,968	-83%	1,963	3,366	-42%
Profit for the period	272	1,578	-83%	1,558	3,171	-51%
Cash flow from operating activities	233	81	177%	1,108	921	20%
Earnings per share, SEK	2.30	13.32	-83%	13.16	26.78	-51%

Performance measures¹, Group

	Full year 2019	Full year 2018
Dividend yield, % (target at least 4.5%)	4.9	5.4
Net debt/equity ratio, multiple (target 0.3–0.6)	0.30	0.30
Return on operating capital, %	6.8	12.0
Return on equity, %	6.7	14.4
Interest coverage ratio, multiple ²	11.6	11.0
Equity ratio, %	57	57
Net interest-bearing debt, MSEK	7,149	7,014
Average number of employees	807	840
Total delivery volume, thousand m ³ sub	10,648	10,995

1) Sveaskog has chosen to present the company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA) in a separate annex. The annex is published on www.sveaskog.se. From 2019, leasing agreements are reported in accordance with IFRS 16. Comparative figures have not been calculated.

2) Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses.

CEO's comments

Record earnings for the second year running

Sveaskog reports an operating profit from continuing operations for the full year 2019 of MSEK 1,483 (1,422), which is an increase of four per cent on 2018. The operating profit from continuing operations for the year is Sveaskog's best to date.

The improvement on the year before is to a large extent due to higher prices for our products. Prices were up by four per cent on the previous year, which improved our margins. Unlike 2018, which saw a steady increase in prices, prices decreased gradually in 2019. Average prices in the fourth quarter were three per cent lower than in the same period the year before. Total delivery volumes for the full year were down, but mainly for externally procured wood raw materials. Costs for forest management and nature conservation have increased due to planned activities. Our harvesting costs are also up slightly, which is an effect of increased competition for harvesting resources coupled with harvesting of storm- and bark beetle-damaged forest.

The dividend yield was 4.9 per cent (5.4). We thus exceeded our 4.5 target for the third year in a row.

Net sales for the full year 2019 were MSEK 7,209 (6,971). In total, Sveaskog's sales of wood raw materials during the year were 10.6 million m³sub (11.0) of which 6.1 million m³sub (6.2) was from its own forest.

A clear slowdown in the market

The market for our customers in the forest industry experienced a clear and accelerating slowdown in 2019. The slowdown has been particularly pronounced in the pulp sector, where the price of market pulp (NBSK) has dropped by over 30 per cent from its high last year. Prices of sawn timber are also down significantly, by nearly 15 per cent, since the peak in the third quarter last year. Swedish sawmills have chosen to continue to produce, despite the slowdown in the market and increased competition from central European sawmills. Which has pushed inventories to record levels. Towards the end of the year, several sawmills therefore implemented production curbs.

Significant damage to young forest in northern Sweden

In 2019, we conducted a survey of our forest resources in Norrbotten and Västernorrland. The survey showed that around 25 per cent of all young forest in the areas covered has suffered serious damage from elk browsing and fungal attack. The damage caused is a problem for all forest owners in northern Sweden. The positive role of forests in helping to offset climate change will be reduced if we fail to address the damage caused by elk browsing and fungal attack. These are therefore high priority issues in our forest and game management activities, even Sveaskog's deliveries to the forest industry are suffering.

A stable dividend

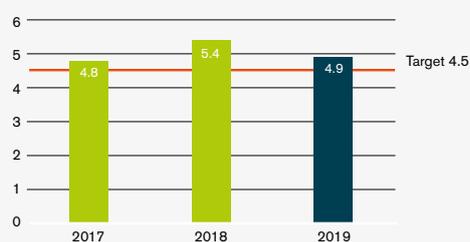
Good and stable operating profits coupled with a strong capital structure enable Sveaskog to distribute stable dividends to its owner. The Board of Directors proposes a dividend of MSEK 1,100 (1,100), or SEK 9,29 per share (9.29).

The outlook for 2020

2019 was a very successful year for Sveaskog, although it was not without its challenges. In response to a slowing market, Sveaskog and its customers have developed flexible delivery solutions. The threat posed by spruce bark beetles to our own and others' forests has prompted a major reassessment of operational priorities. I would therefore like to highlight, in particular, the efforts of our employees and their contributions to achieving our mission and our goals. Having posted a strong financial result while maintaining high standards in terms of harnessing the environmental benefits of forestry, we are in a good position as we move into 2020. We have continued our efforts to implement continuous improvements and maintain a high quality in our forest management activities.

I am proud that Sveaskog is an important part of the overall value chain that is generating climate-smart products and growth in the bio-economy and thus contributing to the effort to respond to climate change.

Dividend yield, %



Net debt/equity ratio at 31 December, multiple



Dividend

As part of its financial targets, Sveaskog aims to pay a regular dividend representing 65–90 per cent of consolidated earnings after tax excluding non-cash changes in the value of standing timber before tax. Dividends are paid provided that the Group's capital structure target (net debt/equity ratio) after the dividend falls within the target range, and taking account of the Group's strategy and investment needs.

	2018	2019	2020
Dividend, MSEK	900	1,100	1,100 ¹⁾
Percentage of basis for dividends, %	75	82	88

1) Proposal to the AGM.



Hannele Arvonen
President and CEO

Group performance

1 October – 31 December 2019

Net sales

Net sales for the period decreased to MSEK 1,813 (1,895). Prices increased by three per cent on average and total delivery volumes were down by two per cent. The sales of wood raw materials totalled 2.8 (2.9) million cubic metres (m³sub).

Earnings

The operating profit from continuing operations decreased by 10 per cent to MSEK 350 (391), mainly due to lower prices and reduced delivery volumes.

Capital gains from property sales were MSEK 87 (118). Share of profits of associates was MSEK -30 (41). The net change in the reported value of standing timber was MSEK -27 (1,491). The high figure for the comparative period is largely attributable to a change in the discount rate applied in the valuation in last year's calculation. After change in value of forest assets, operating profit was MSEK 380 (2,041).

Financial items in the quarter were MSEK -38 (-73). Profit before tax increased to MSEK 342 (1,968). Tax was MSEK -70 (-390). Profit for the quarter decreased by 83 per cent to MSEK 272 (1,578).

1 January – 31 December 2019

Net sales

Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, increased by three per cent to MSEK 7,209 (6,971). Prices increased by four per cent on average, while total delivery volumes were down by three per cent compared with the same period last year. Revenue from sales of seedlings and concessions has increased. The sales of wood raw materials totalled 10.6 (11.0) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations increased by four per cent to MSEK 1,483 (1,422). Higher prices have to some extent been counteracted by lower delivery volumes. Increased revenue from sales of seedlings and concessions had a positive impact while costs for forest management and harvesting have increased.

The introduction of IFRS 16 Leases as of 1 January 2019 has had a positive impact on earnings of MSEK 0 and an impact of MSEK -1 on the net financial expense. 2018 annual figures have not been recalculated.

Capital gains from property sales were MSEK 185 (234). The Group's share of profits of associates was MSEK 26 (156), of which MSEK 0 (106) refers to Setra Group, MSEK 20 (45) to SunPine and MSEK 6 (5) to ShoreLink. The net change in the reported value of standing timber was MSEK 399 (1,697). The high figure for the previous year is largely attributable to a changed discount rate in last year's calculation. After change in value of forest assets, operating profit was MSEK 2,093 (3,509).

Net financial items were MSEK -130 (-143). Profit before tax decreased to MSEK 1,963 (3,366). Tax for the year was MSEK -405 (195). The relatively low tax expense in 2018 is due to a reduction in the corporate tax rate following a decision by the Swedish Parliament in June 2018, which had a positive impact of MSEK 505 on the tax expense for 2018. Profit for the year decreased by 51 per cent to MSEK 1,558 (3,171). The decrease is largely due to a smaller increase in the value of standing timber and changed tax rules. The effect was of a non-recurring nature and had no impact on cash flow.

Cash flow, investments and financial position

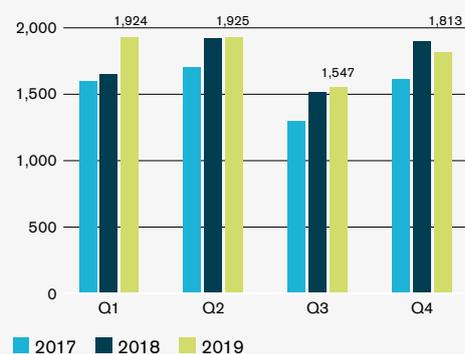
Cash flow from operating activities for the year was MSEK 1,108 (921). Investments in non-current assets, mainly forest properties and forest machines, totalled MSEK 445 (237) while investments in shares were MSEK 5 (1). Sales of non-current assets, mainly forest properties, were MSEK 407 (516). The Group received dividends of MSEK 60 (56), of which MSEK 57 (29) from Setra Group, MSEK 0 (25) from SunPine AB and MSEK 3 (2) from ShoreLink AB.

Sveaskog's net interest-bearing debt at 31 December was MSEK 7,149 (7,014). Net interest-bearing debt at 31 December 2019 includes MSEK 124 (0) in lease liabilities in accordance with IFRS 16. At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's MTN programme and a Swedish commercial paper programme. The loan volume under the Swedish commercial

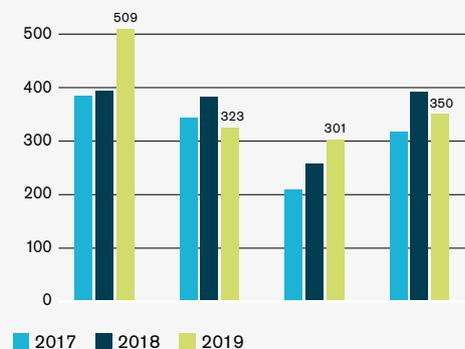
Change in net sales

MSEK	Oct-Dec	Jan-Dec
2018	1,895	6,971
Price, wood raw materials	-58	283
Delivery volume, wood raw materials	-49	-103
Concessions, etc.	25	58
2019	1,813	7,209

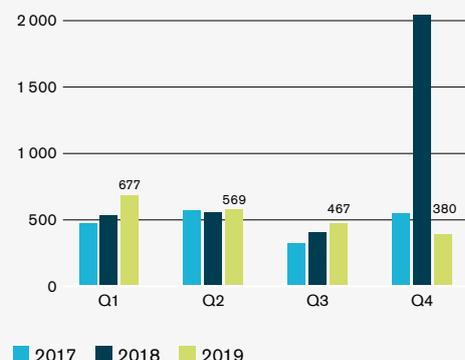
Net sales, MSEK



Operating profit from continuing operations, MSEK



Operating profit, MSEK



paper programme was MSEK 1,925 (2,210), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 31 December was MSEK 4,990 (4,390), of which MSEK 3,100 (2,000) refers to green bonds. The lowest average fixed interest period during the year was 35 months (34).

The net debt/equity ratio was 0.30 (0.30).

The interest coverage ratio was 11.6 (11.0) and the gross borrowing cost was 1.39 per cent (1.34).

Parent company

Sveaskog AB (Publ.), 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing. Sveaskog AB (publ)'s operating income for the year was MSEK 43 (83), of which MSEK 28 (68) refers to capital gains. The loss after financial items was MSEK -259 (-182). The parent company's costs consist mainly of interest expenses. The company has no employees.

Setra Group AB

Sveaskog owns 50 per cent of the shares in the wood products company Setra Group AB, which is classified as an associated company. The share of the associate company's profit and loss is recognised in profit or loss in the associate. Net sales for the year were MSEK 4,264 (4,480). The operating profit was MSEK 8 (310). The decreased profit is primarily an effect of lower selling prices. Sveaskog's share of the company's profit or loss adjusted for intercompany profits decreased by MSEK 0 (106). Sveaskog's share of Setra Group's other comprehensive income was MSEK -6 (18).

SunPine AB

Sveaskog owns 25.1 per cent of the shares of the biorefinery SunPine AB. The Group's share of profits and losses of associates is recognised in the consolidated income statement. Net sales for the year were MSEK 1,436 (1,458). The operating profit was MSEK 104 (225). The reduced profit is due to lower production coupled with a temporary slackening in demand. Sveaskog's share of the company's profit decreased by 56 per cent to MSEK 20 (45).

ShoreLink AB

Sveaskog owns 24.1 per cent of the shares of the logistics and transport firm ShoreLink AB, which has been classified as an associate since the fourth quarter of 2019. The share of the associate company's profit and loss is recognised in profit or loss in the associate. Net sales for January – August were MSEK 215 (MSEK 307 for the full year 2018). The operating profit was MSEK 30 (MSEK 28 for the full year 2018). Sveaskog's share of the company's profit was MSEK 6 (5).

Market situation and wood deliveries

Sveaskog conducts forestry operations and wood raw material trading in Sweden. More than half of the wood raw material sold comes from its own forest, the remaining quantity is purchased from private and institutional forest owners. The main products are sawlogs, pulpwood, biofuel and wood chips. The majority of Sveaskog's customers come from the forest industry and the Swedish energy sector.

The Swedish forest industry is export-oriented and exports to markets across the world, although the European market is the most important. As paper and pulp and wood products are traded in the global market, changes in supply, demand and flows in world markets therefore have a significant impact on the Swedish forest industry. Following last year's strong market, which saw record prices for many forest products, the market weakened in 2019, resulting in significant cuts to the prices of pulp, paper and sawn timber. The price decline has been particularly significant for market pulp (NBSK), which has dropped by over 30 per cent since hitting a high last year.

Prices of sawn timber have also moderated. Prices have dropped by around 15 per cent from their peak in the third quarter of 2018 but in certain markets and for certain qualities the decline has been even more pronounced. This applies particularly to spruce sawn timber, where increased supply from central European producers following outbreaks of spruce bark beetle has led to increased competition and downward pressure on prices. Production at Swedish sawmills was high in 2019 but tailed off in response to decreasing demand, which resulted in increased inventories at the mills.

With significant exports and trade in currencies such as USD, EUR and GBP, exchange rates have a significant impact on the profitability of the Swedish forest industry. The Swedish krona has weakened against the USD and EUR this year,

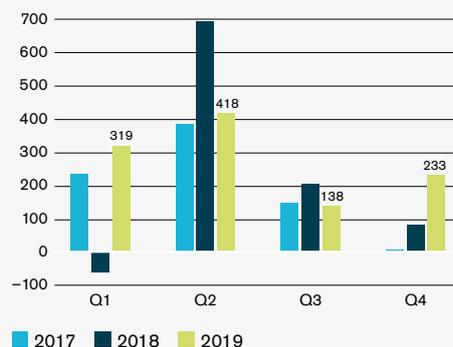
Change in operating profit from continuing operations

MSEK	Oct-Dec	Full year
2018	391	1,422
Price, own wood raw materials	-36	127
Volume and change in inventories, own wood raw materials	-1	-24
Unit cost harvesting	-9	-24
Forest management and nature conservation	-7	-39
Svenska Skogsplantor	4	33
Earnings from externally procured wood raw materials	-36	5
Other property transactions ¹	20	-26
Other	24	9
2019	350	1,483

1) Other property transactions relate to a combination of:

All future concessions	15	13
Sale of non-forest land	5	-39
Other property transactions	20	-26

Cash flow from operating activities per quarter, MSEK



Net interest-bearing debt, MSEK



boosting the competitiveness of the Swedish forest industry. The Swedish krona strengthened slightly in the fourth quarter.

The supply of wood raw materials was good during the period and stocks of timber and pulpwood in the consuming industry were high until the end of the year, when they declined somewhat. As a result of spruce bark beetle infestations, mainly in the southern half of the country, the supply of spruce sawlogs, pulpwood and biofuel has increased, while flows of pine products are expected to be adversely affected.

Sawmills

The market for sawn wood products is heavily dependent on construction activity, in Sweden and internationally. Over 70 per cent of Sweden's timber production is exported but the country is the single largest market for sawmills and demand for sawn timber has been good, but is decreasing due to declining construction activity. In Europe, too, construction activity slackened over the year, albeit from high levels. Exports from Swedish sawmills to the major non-European markets such as North Africa and the Middle East have decreased while export volumes to China and the US have increased. Stocks of finished goods at Swedish sawmills have grown amid high production, although output has declined recently as timber prices have fallen.

The price of sawlogs has declined during the year, mainly in southern and central Sweden. This is due to storm damage and bark beetle attacks, which have increased the supply of spruce timber. Prices of pine timber have been more stable.

Sveaskog's deliveries

In the fourth quarter Sveaskog delivered 1,267 (1,290) thousand m³sub of sawlogs, which is a decrease of two per cent on the same period last year. For the full year deliveries totalled 4,743 (4,776) thousand ³sub.

The pulp and paper industry

Global demand and deliveries of paper pulp are increasing. Of the volumes not used directly in Sweden for paper production, most is exported to Europe. The next largest market is Asia, whose share has increased sharply and where China is becoming an increasingly important market. The price of market pulp (NBSK) fell by over 30 per cent during the year and is now trading at around USD 820 per tonne (PIX). Paper and cardboard prices also continued to weaken during the year. For packaging paper, such as kraftliner, prices dropped by around 20 per cent in 2019 while graphic paper saw a more modest decline of less than ten per cent.

Swedish paper and cardboard production has been expanding as a result of new investment and/or capacity increases. This has led to increased production and therefore also to an increase in demand for timber.

Sveaskog's deliveries

In the fourth quarter Sveaskog delivered 1,364 (1,414) thousand m³sub of pulpwood and woodchips, which is a decrease of four per cent on the same period last year. For the full year deliveries totalled 5,333 (5,691) thousand ³sub.

The biofuel market

The forest biofuel market is regional and local, as transport costs are high. The customers are power and heating plants as well as energy-producing forest industry. The biofuel market was affected by a number of changes during the year. As a result of new sorting rules for pulpwood, the raw material previously classified as energy wood is now being used in the pulp and paper industry. Imports of waste wood and waste fuels have also been limited by increased domestic consumption in the countries that export to Sweden. This has led to an increased need for domestic supplies of biofuels. The upshot of this is an increase in demand for and prices of biofuels. However, ample supplies of bark beetle-damaged wood have had a price-dampening effect, especially in southern Sweden, where the supply of damaged wood is greatest.

Prices of wood fuels were stable and rising during the year. Damage to forests from spruce bark beetles, in Sweden as well as central Europe, could lead to an increase in the supply of biofuels.

Sveaskog's deliveries

In the fourth quarter Sveaskog delivered 177 (150) thousand m³sub of biofuel, which is an increase of 18 per cent on the same period last year. For the full year deliveries totalled 571 (527) thousand ³sub.

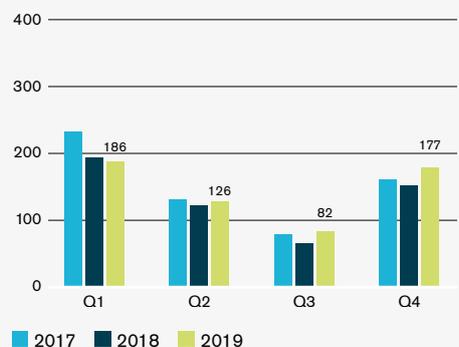
Delivery volume sawlogs, thousand m³sub



Delivery volume pulpwood and woodchips, thousand m³sub



Delivery volume biofuel, thousand m³sub



Sveaskog's sustainable business activities during the quarter

Sveaskog's vision is to lead the way to a sustainable society. This vision is embodied in five overarching objectives and should be achieved by balancing and unifying economically, socially and environmentally sustainable development. We have therefore fully integrated sustainable business into our business strategy and business planning. The key to building a sustainable business is an active commercial business with long-term profitability that operates according to high ethical standards and where Sveaskog is its customers' most important and knowledgeable partner. Innovation, efficiency, sustainable forestry and being an attractive employer and client are areas where Sveaskog aims to be an industry leader.

While the five targets have remained the same for the past five years, the strategic priorities have been developed over time. The targets are measured regularly using indicators and in the following we present activities aimed at achieving the targets that were conducted in the fourth quarter of the year. Sveaskog's overall sustainability work is presented in the annual report.

A leader in innovation and efficiency

Research projects aimed reducing the use of chemical control methods

A warmer climate increases the risk of fungal attack in nurseries. In a partnership between Sveaskog's Svenska Skogsplantor business area and the Swedish University of Agricultural Sciences (SLU) research projects have been initiated to find alternatives to chemical control methods in order to prevent an increase in damage from fungal attack in the future. Sveaskog is testing various biological control methods in the form of microbial plant protection products.

Trial run of a planting machine for increased efficiency

Through its Svenska Skogsplantor business area, Sveaskog is developing a new planting machine that is scheduled to go into operation in spring 2020. This is a first step towards improved efficiency and profitability in the rejuvenation business. In the fourth quarter of 2019, a trial run of the new Plantma X planting machine was initiated.

Intelligent machines improve safety and enable a more sensitive approach

Inspired by the transport sector and mining industry, Sveaskog is now collaborating with the Swedish forestry research institute Skogforsk and other industry operators on projects aimed at further improving the working environment and developing more productive forest machinery as well as gentler forestry practices. Forest machines are becoming increasingly reliable, but there is still room for improvement. The forest industry is now taking big steps to achieve increased productivity as well as an improved driver environment and more sensitive forestry practices. One project, Auto2, focuses on enabling the creation of autonomous forwarders for remote and long-term.

The first choice for employees and contractors

Sveaskog offers contractors training in gender equality, diversity and inclusion

Since November 2019, Sveaskog has been offering its contractors equal treatment training in order to strengthen the attractiveness of the contractors and ultimately of the forest industry as a whole.

The training is aimed at ensuring that the knowledge acquired can be used in our efforts to build a more inclusive workplace. Gender equality, diversity and inclusion training is offered to the contractors through Skötskelskolan, a joint training initiative organised by the Swedish forest industry.

Sveaskog's employees help people with foreign backgrounds to gain a foothold in the labour market

In 2019, Sveaskog continued his active efforts to promote gender equality, diversity and inclusion, both within the company and in society at large. One of the measures taken is a collaborative initiative with the social enterprise Mitt Liv (My Life), which works for an inclusive society and a labour market that values diversity. In the Mitt Livs Chans (My Life's Chance) mentoring program, Sveaskog's employees act as mentors for people with foreign backgrounds and help them to establish themselves in the labour market. The goal is for the adept to find a job that corresponds to his or her education. Through mentoring, Sveaskog's employees have an opportunity to help make this a reality. Twelve employees acted as mentors during the year to the same number of mentees.

Sustainable forestry

One of Sveaskog's sustainable business goals is to be a leader in sustainable forestry.

Since 2013, we have been measuring how environmental considerations are taken into account in forestry without a major impact. After harvesting, employees make a field inventory that results in a value – a consideration index – for Sveaskog as a whole. The target is to maintain a score of 99 per cent. The overall goal encompasses a number of different categories. For 2019 Sveaskog achieved a score of 98 per cent, the same as the year before.

	2017	2018	2019
Consideration index average value	95	98	98
Consideration areas	92	97	97
Trees of significant natural value	95	98	98
Vehicle damage	99	99	98

A leader in sustainable forestry

Sveaskog and Volvo Trucks are conducting tests aimed at enabling timber transports of up to 90 tonnes on individual vehicles, from forest to cargo terminal. Increasing the load per vehicle improves efficiency, cuts costs and reduces carbon dioxide emissions by up to 20 per cent.

HCT (high capacity transport) combinations could be one of the solutions for more sustainable timber transports and a complement to increased freight transport by rail. Sveaskog and Volvo Trucks have been authorised by the Swedish Transport Agency to conduct configuration tests with HCT combinations carrying loads of up to 90 tonnes from Överkalix and from the port of Haraholmen to Smurfit-Kappa's industrial estate in Piteå per tonKm, compared to today's 64 tons vehicle.

Overall objectives and strategies



Sveaskog's vision is to "Lead the way to a sustainable society." This vision is embodied in five overarching objectives and should be achieved by balancing and unifying economically, socially and environmentally sustainable development. We have therefore fully integrated sustainable business into our business strategy and business planning. While the five targets have remained the same for the past five years, the strategic priorities have been developed over time. Targets are measured with indicators that are monitored regularly.

To find out more:

The State's governance policy

www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/

Sveaskog's Articles of Association

www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/

Sveaskog's Code of Conduct

www.sveaskog.se/om-sveaskog/uppforandekod/

The Swedish Companies Act

www.regeringen.se

The Swedish Corporate Governance Code

www.bolagsstyrning.se/

Nasdaq Stockholm's Issuer Rules

www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html

The Sveaskog Group

Condensed income statement

	3 months Oct-Dec		Full year	
	2019	2018	2019	2018
Net sales (Note 1)	1,813	1,895	7,209	6,971
Other operating income (Note 1)	35	21	109	160
Raw materials and consumables	-551	-675	-2,314	-2,291
Change in inventories	69	127	31	17
Other external costs	-824	-808	-2,838	-2,795
Personnel costs	-152	-144	-569	-555
Depreciation	-40	-25	-145	-85
Operating profit from continuing operations	350	391	1,483	1,422
Capital gains on property sales	87	118	185	234
Share of profit/loss of associates	-30	41	26	156
Operating profit before change in value of forest assets	407	550	1,694	1,812
Change in value of forest assets (Note 2.3)	-27	1,491	399	1,697
Operating profit	380	2,041	2,093	3,509
Financial items	-38	-73	-130	-143
Profit before tax	342	1,968	1,963	3,366
Tax	-70	-390	-405	-195
Profit/loss for the period/year	272	1,578	1,558	3,171
Earnings per share in SEK before and after dilution	2.30	13.32	13.16	26.78
- calculated based on average number of shares, million	118.4	118.4	118.4	118.4

Statement of comprehensive income

	3 months Oct-Dec		Full year	
	2019	2018	2019	2018
Profit/loss for the period/year	272	1,578	1,558	3,371
Other comprehensive income				
<i>Components that will not be reversed in profit or loss</i>				
Actuarial gains/losses relating to pensions	-25	-4	-25	-4
Tax on actuarial gains/losses	5	1	5	1
<i>Components that will not be reversed in profit or loss</i>				
Currency differences	0	0	1	1
Other comprehensive income from associates	14	12	-8	22
Tax on other comprehensive income from associates	-3	-2	2	-4
Cash flow hedges	28	-6	-5	13
Tax attributable to cash flow hedges	-6	1	1	-3
Total other comprehensive income for the period/year, net after tax	13	2	-29	26
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	285	1,580	1,529	3,197

The Sveaskog Group

Condensed balance sheet

MSEK	31 Dec 2019	31 Dec 2018
ASSETS (Note 4)		
Non-current assets		
Intangible assets	136	124
Right of use assets	129	–
Property, plant and equipment		
-Forest land (Notes 2,3)	2 723	2 515
-Other property, plant and equipment	537	479
Biological assets – standing timber (Note 3)	33 900	33 607
Non-current financial assets, non-interest-bearing	740	776
Long-term interest-bearing receivables	4	–
Total non-current assets	38 169	37 501
Current assets		
Stock	576	570
Contract assets	14	22
Current receivables, etc., non-interest bearing	1 676	1,846
Cash and cash equivalents	1 114	847
Total current assets	3,380	3,285
TOTAL ASSETS	41,549	40,786
EQUITY AND LIABILITIES		
Equity	23,574	23,145
Non-current liabilities (Note 4)		
Non-current interest-bearing liabilities and provisions	5,642	5,088
Other non-current liabilities and provisions	8,513	8,382
Total non-current liabilities	14,155	13,470
Current liabilities (Note 4)		
Current interest-bearing liabilities and provisions	2,625	2,773
Contract liabilities	2	1
Other current liabilities and provisions	1,193	1,397
Total current liabilities	3,820	4,171
Total liabilities	17,975	17,641
TOTAL EQUITY AND LIABILITIES	41,549	40,786

Condensed statement of changes in equity

MSEK	Full year 2019	Full year 2018
Opening equity, 1 January	23,145	20,848
Total comprehensive income for the year	1,529	3,197
Dividend paid according to Annual General Meeting resolution	–1,100	–900
CLOSING EQUITY AT THE END OF THE YEAR	23,574	23,145

The Sveaskog Group

Condensed cash flow statement

MSEK	Full year 2019	Full year 2018
Operating activities		
Operating profit	2,093	3,509
Items that have no impact on cash flow etc.	-574	-2,091
Interest paid	-138	-144
Tax paid	-396	-181
Cash flow from operating activities before changes in working capital	985	1,093
Change in working capital	123	-172
Cash flow from operating activities	1,108	921
Investing activities		
Investment in non-current assets	-445	-237
Investments in shares	-5	-1
Dividends from associates	60	56
Sale of non-current assets	407	516
Sale of shares	-1	0
Cash flow from investing activities	16	334
Financing activities		
Dividend paid	-1,100	-900
Borrowings	8,450	7,990
Repayment of loans	-8,207	-9,179
Cash flow from financing activities	-857	-2,089
CASH FLOW FOR THE YEAR	267	-834
Cash and cash equivalents at the beginning of the year	847	1,681
Cash and cash equivalents at the end of the year	1,114	847

Parent company

Condensed income statement

MSEK	3 months Oct-Dec		Full year	
	2019	2018	2019	2018
Operating income	29	41	43	83
Operating expenses	0	-1	-2	-3
Operating profit	29	40	41	80
Financial items	-77	-68	-300	-262
Profit before tax	-48	-28	-259	-182
Appropriations	306	182	306	182
Tax	-90	-34	-45	0
PROFIT/LOSS FOR THE PERIOD/YEAR	168	120	2	0

Condensed balance sheet

MSEK	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Property, plant and equipment	46	43
Total property, plant and equipment	46	43
Non-current financial assets		
Shares in Group companies	24,934	24,934
Receivables from Group companies, interest-bearing	1,200	1,700
Total non-current financial assets	26,134	26,634
Total non-current assets	26,180	26,677
Current assets		
Current receivables, etc., non-interest bearing	462	275
Receivables from Group companies, interest-bearing	500	0
Cash and cash equivalents	0	0
Total current assets	962	275
TOTAL ASSETS	27,142	26,952
EQUITY AND LIABILITIES		
Equity	6,467	7,565
Untaxed reserves	70	-
Non-current liabilities		
Interest-bearing non-current liabilities	5,183	4,687
Total non-current liabilities	5,183	4,687
Current liabilities		
Current interest-bearing liabilities and provisions	15,336	14,669
Other current liabilities and provisions	86	31
Total current liabilities	15,422	14,700
TOTAL EQUITY AND LIABILITIES	27,142	26,952

Parent company

Condensed statement of changes in equity

MSEK	Full year 2019	Full year 2018
Opening equity, 1 January	7,565	8,465
Dividend paid according to Annual General Meeting resolution	-1,100	-900
Profit for the year	2	0
CLOSING EQUITY AT THE END OF THE YEAR	6,467	7,565

Condensed cash flow statement

MSEK	Full year 2019	Full year 2018
Cash flow from operating activities	-270	-242
Cash flow from investing activities	25	774
Cash flow from financing activities	245	-532
CASH FLOW FOR THE YEAR	0	0
Cash and cash equivalents at the beginning of the year	0	0
Cash and cash equivalents at the end of the year	0	0

Accounting principles

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim report. For the Parent Company the interim report is prepared in accordance with the Annual Accounts Act, which is in accordance with the regulations in RFR 2 Accounting for Legal Entities. With effect from 1 January 2019 the company applies IFRS 16 "Leases". Sveaskog has opted for the simplified transitional method whereby, on the first day of application, the right of use is set at an amount equivalent to the leasing liability. The right of use on the first day of application amounts to MSEK 132. See also page 82 of the annual report

for 2018 for a description of the transition from IAS 17 to IFRS 16. Moreover, the parent company's and the Group's accounting principles and calculation principles for the report are unchanged from the most recent annual report. New or revised IFRSs and interpretations from IFRIC have not had any effect on the earnings or financial position of the Group or the parent company. For information concerning the recognition of the Group's equity share in ShoreLink AB, see The associate company ShoreLink AB under Other information on page 15.

Amounts are stated in MSEK unless otherwise indicated. Figures in parentheses refer to the corresponding period in the previous year.

Note

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Full year 2019	Full year 2018
Sawlogs	3,297	3,283
Pulpwood and woodchips	2,969	2,924
Biofuel	153	153
Seedlings	305	233
Other	305	234
Total revenue from contracts with customers	7,029	6,827
Of which IFRS 15 in net sales	7,025	6,824
Lease income	184	147
Total net sales	7,209	6,971
Of which IFRS 15 in other operating income	4	3
Capital gains, etc.	105	157
Total other operating income	109	160
Date of revenue recognition		
Goods and services transferred to customers on a specific date	6,944	6,771
Goods and services transferred to customers over time	85	56

Under contracts with terms of more than one year, Sveaskog has binding but as yet unsatisfied performance obligations of MSEK 4,483 (4,638). The commitments consist of contracted deliveries forward in time, where Sveaskog has undertaken to deliver a certain volume per year. The value of these obligations has some uncertainty since the contracts consist of several delivery contracts where the price is renegotiated each year.

NOTE 2 CHANGE IN VALUE OF FOREST ASSETS

The book value of Sveaskog's forest assets as at 31 September 2019 has been calculated at MSEK 36,623 (36,122), of which MSEK 33,900 (33,607) refers to the fair value of the standing timber and MSEK 2,723 (2,515) refers to the cost of the land. The change in the balance sheet since the previous year is MSEK 501 (1,604) and is shown in Note 3. The parameters included in the model for calculating the fair value of standing timber are updated annually.

Summary of model assumptions

MSEK	2019	2018
Discount rate	5.75%	5.75%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.70% per year
Costs	Normal cost ¹	Normal cost ¹
Nominal cost increase	2.00% per year	2.00% per year

1) Normal cost = outcome for the current year and the previous year as well as budget for the coming year.

In connection with year-end 2019 the annual price increase was raised by 0.05 percentage points to 1.75%, which has had a positive impact on the fair value of the standing timber.

NOTE 3 BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

Standing timber

MSEK	
Fair values	
Opening value, 1 January 2018	32,054
Acquisition of standing timber	16
Sale of standing timber	-160
Changes due to harvesting	-1,229
Changes in fair value	2,926
Closing value, 31 December 2018	33,607
Opening value, 1 January 2019	33,607
Acquisition of standing timber	39
Sale of standing timber	-145
Changes due to harvesting	-1,211
Changes in fair value	1,610
Closing value, 31 December 2019	33,900

Forest land

MSEK	
Fair values	
Opening value, 1 January 2018	2,460
Acquisition of forest land	62
Sale of forest land	-7
Closing value, 31 December 2018	2,515
Opening value, 1 January 2019	2,515
Acquisition of forest land	213
Sale of forest land	-5
Closing value, 31 December 2019	2,723

Notes

NOTE 4 FAIR VALUE VALUATION

MSEK	Level 1		Level 2		Level 3	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
ASSETS						
Standing timber					33,900	33,607
Total assets	0	0	0	0	33,900	33,607
LIABILITIES						
Non-current liabilities	0	0	5,336	4,842	0	0
Current liabilities	0	0	2,528	2,712	0	0
Derivative instruments	0	0	72	79	0	0
Total liabilities	0	0	7,936	7,633	0	0

Valuation techniques used to calculate fair values in Level 2

Current liabilities (classification at acquisition date) are measured at book value including accrued interest which is assessed to provide a good approximation of the fair value. The fair value of non-current liabilities (classification at acquisition date) is established using valuation models such as discounting future cash flows at listed market interest rates for the respective term. Derivatives in level 2 consist of interest rate swaps and are recognised at market value or as hedge accounting. The measurement of the fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for the measurement. Compared with 2018, no transfers have been made between the different

levels in the hierarchy and no significant changes have been made to the measurement method, data used or assumptions.

Valuation techniques used to calculate fair values in Level 3

The valuation technique is shown in Note 15 on page 96 of the 2018 annual report.

Issues

In 2019 Sveaskog has issued MSEK 7,350 (7,990) under the commercial paper programme and MSEK 1,100 (0) under the MTN programme.

Other information

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Sveaskog's 2018 annual report, pages 58–61. No other significant changes, in addition to those mentioned in this year-end report, have occurred since the publication of the annual report.

The associate company ShoreLink AB

In this report ShoreLink AB is accounted for as an associate using the equity method. Historical income and expense items as well as balance sheet items have therefore been adjusted from 1 January 2018. In previous reports ShoreLink AB was accounted for as other shareholdings. The effects in the 2018 income statement and balance sheet are:

2018, MSEK	Previously reported	Adjusted figure	Difference
Income statement			
Share of profit/loss of associate	36	41	5
Financial items	-71	-73	-2
Balance sheet			
Non-current financial assets	741	776	35
Equity	23,110	23,145	35

Significant events after the closing date

No significant events have occurred after the closing date.

Related-party transactions

A dividend of MSEK 1,100 was paid in the second quarter. No other significant changes have occurred in relationships or transactions with related parties since what was described in the 2018 annual report.

Dividend

As part of its financial targets, Sveaskog aims to pay a regular dividend representing 65–90 per cent of earnings after tax excluding non-cash changes in the value of standing timber after tax. Dividends are distributed provided that the capital structure target after dividends falls within the target range and taking into account the Group's strategy and investment needs. The Board proposes that the Annual General Meeting approve the payment of a dividend for 2019 of MSEK 1,000.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 24 April 2020. The AGM is open to the public. It is expected that the annual report will be published on www.sveaskog.se on 16 March 2020. Printed copies of the Swedish version of the annual report will be distributed in early April. The printed annual report can be ordered from Sveaskog by e-mail at info@sveaskog.se or directly on Sveaskog's website, www.sveaskog.se.

The Board of Directors and CEO hereby confirm that this year-end report provides a true and fair overview of the operations of the parent company and the Group, their financial position and performance, as well as a description of the material risks and uncertainties facing the parent company and the Group.

Stockholm, 27 January 2020
Sveaskog AB (publ.) (556558-0031)

Eva Färnstrand
Chairman of the Board

Marie Berglund
Director

Johan Kuylenstierna
Director

Kerstin Lindberg Göransson
Director

Leif Ljungqvist
Director

Annika Nordin
Director

Sven Wird
Director

Kenneth Andersson
Employee representative

Sara Östh
Employee representative

Hannele Arvonen
President and CEO

The report has not been audited.

Definitions¹

Return on equity

Reported profit after tax expressed as a percentage of average equity.

Return on operating capital

Operating profit divided by average operating capital, excluding deferred tax.

Gross margin

Operating profit before depreciation and share of profits of associates expressed as a percentage of net sales.

Dividend yield

Operating profit before change in value of forest assets, excl. capital gains on property sales, divided by average operating capital, excl. deferred tax.

Capital turnover rate

Net sales divided by average operating capital.

Net earnings per share

Profit for the year after tax divided by average number of shares during the year.

Net debt/equity ratio

Net interest-bearing debt divided by equity.

Operating capital

Total assets excluding interest-bearing assets, tax assets and assets held for sale minus non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the year.

Operating profit from continuing operations

Operating profit before change in value of forest assets, profit/loss of associates and capital gains from property sales.

Net interest-bearing debt

Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the year.

Interest coverage ratio

Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses.

Operating margin

Operating profit expressed as a percentage of net sales.

Equity ratio

Equity divided by total assets, all calculated at the end of the year.

¹) Sveaskog has chosen to present the company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA) in a separate annex. The annex is published on www.sveaskog.se

For questions please contact

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Financial calendar

Publication of annual report	16 March 2020
Annual General Meeting:	24 April 2020
Interim report January – March 2020:	24 April 2020
Interim report January – June 2020:	14 July 2020
Interim report January – September 2020:	26 October 2020