

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™.



Interim report January – September 2020

1 July – 30 September 2020

- Net sales decreased by 16 per cent to MSEK 1,307 (1,547). Prices of wood raw materials were down by nine per cent on average while total delivery volumes declined seven per cent. High stock levels with customers in the pulp and paper industry combined with shutdowns of maintenance have delayed deliveries during the quarter. An increased share of felling for thinning has resulted in decreased timber deliveries.
- Operating profit decreased by 55 per cent to MSEK 136 (301). The decrease in profit can be attributed primarily to lower prices, lower volumes and increased costs of forest management, nature conservation and IT development.
- The reported net change in value of standing timber was MSEK 157 (154). The change in value had no impact on cash flow.
- Profit for the quarter was MSEK 208 (340), equivalent to SEK 1.76 (2.87) per share.

1 January – 30 September 2020

- Net sales decreased by nine per cent to MSEK 4,916 (5,396). Prices of wood raw materials decreased by nine per cent on average, while total delivery volumes remained for the most part unchanged.
- Operating profit decreased by 28 per cent to MSEK 812 (1,133). The decrease in profit can be attributed primarily to lower prices and increased costs of forest management, nature conservation and roads, but has been partly offset by a higher share of delivery volumes from our own forests. Deliveries from externally sourced wood raw materials have decreased.
- The dividend yield, measured over a 12-month period, was 3.7 per cent (5.4).
- The reported net change in value of standing timber was MSEK 464 (426). The change in value had no impact on cash flow.
- Profit for the period January–September totalled MSEK 1,035 (1,286), equivalent to SEK 8.74 (10.86) per share.

MSEK	3 months, Jul-Sep			9 months, Jul-Sep			12 months		
	2020	2019	%	2020	2019	%	Oct 2019 – Sep 2020	Full year 2019	%
Net sales	1,307	1,547	-16%	4,916	5,396	-9%	6,729	7,209	-7%
Operating profit from continuing operations	136	301	-55%	812	1,133	-28%	1,162	1,483	-22%
Change in value of forest assets	157	154	2%	464	426	9%	437	399	10%
Operating profit	303	467	-35%	1,420	1,713	-17%	1,800	2,093	-14%
Profit before tax	263	434	-39%	1,309	1,621	-19%	1,651	1,963	-16%
Profit for the period	208	340	-39%	1,035	1,286	-20%	1,307	1,558	-16%
Cash flow from operating activities	322	138	133%	375	875	-57%	608	1,108	-45%
Earnings per share, SEK	1.76	2.87	-39%	8.74	10.86	-20%	11.04	13.16	-16%

Performance measures¹, Group

	Jan-Sep 2020	Jan-Sep 2019	Oct 2019 – Sep 2020	Full year 2019
Dividend yield, % (target at least 4.5%)	3.7	5.4	3.7	4.9
Net debt/equity ratio, multiple (target 0.3–0.6)	0.33	0.31	0.33	0.30
Return on operating capital, %	5.8	12.6	5.8	6.8
Return on equity, %	5.6	12.8	5.6	6.7
Interest coverage ratio, multiple ²⁾	7.9	11.3	7.9	11.6
Equity ratio, %	56	56	56	57
Net interest-bearing debt, MSEK	7,801	7,296	7,801	7,149
Average number of employees	801	780	801	807
Total delivery volume, thousand m ³ sub	7,834	7,839	10,643	10,648

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.

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

Lower profits due to lower prices

Sveaskog reports an operating profit of MSEK 812 (1,133) for the period January–September 2020, which is 28 per cent lower than in the same period in the previous year. A dip in earnings was expected, as prices of our products declined gradually in 2019, and the trend has continued into 2020. On average, prices were nine per cent lower during the period compared with the same period in the previous year. Total delivery volumes for January–September were 7.8 (7.8) million m³sub, of which 4.6 (4.4) million m³sub came from our own forest. Net sales were MSEK 4,916 (5,396). The dividend yield was 3.7 (5.4) per cent and the net debt/equity ratio 0.33 (0.31).

The market

Production in the Swedish forest industry to date has been good, particularly in the sawmill industry, where reduced stock levels of finished goods have stabilised timber prices. In the pulp and paper industry, the market's performance has been more volatile: declining demand, growing stock levels and increased competition have led to falling prices for finished goods, impairing the profitability of printing and writing paper in particular. High stock levels of raw materials and the postponement to the spring maintenance shutdown in the paper and pulp industry have led to a surplus in the pulpwood market. The surplus has been still more evident in the biofuel market, where the already high stock levels at the start of the period were increased even further with timber that had been damaged by spruce bark beetles.

Sveaskog during the coronavirus pandemic

Our operations have so far been conducted without any operational disruptions. Sveaskog adheres to the guidelines issued by the authorities and has changed the way it operates by avoiding travel, enabling employees to work from home and increasing the use of virtual meetings. Sveaskog contributes to the recovery of society by supporting local contractors through unchanged employment and by refraining from collecting rent from companies that are dependent on tourism.

Sveaskog has a strong balance sheet and good access to liquidity and financing. Sveaskog has analysed the effects of various scenarios and has an action plan for each scenario.

Structural changes in the forest industry

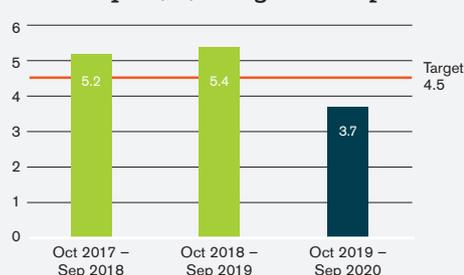
There have been two major business transactions in the sawmill industry during the summer, further increasing the consolidation of the industry into a smaller number of larger companies. Holmen has acquired Martinsons, a privately owned sawmill and wood processing company in Västerbotten. Vida has acquired Berg's sawmill in Sweden, making Vida the largest producer of wood products in Götaland.

A major change to the structure of the paper and pulp industry is underway, with capacity closures announced in the printing paper segment. SCA has decided to close its paper production in Ortvisen, and Stora Enso has announced the shutdown of a newsprint machine in Hylte, entailing a total production loss of almost 1 million tonnes. In Ortvisen, the production of printing paper will be offset by increased production of CTMP pulp, which will continue to mean significant wood consumption in Ortvisen. In the case of the shutdown of the paper machine in Hylte, the impact on wood consumption will also be limited in that recycled paper will no longer be used; production on the remaining paper machine is based on fresh wood.

Harmful effects of the spruce bark beetle

A preliminary assessment by the Swedish Forest Agency shows that damage caused by the spruce bark beetle has killed almost seven million cubic metres of forest in 2020, as much as in the

Dividend yield, %, rolling 12-month period



Net debt/equity ratio at 30 September, multiple



entire record-breaking year 2019. Around 4.5 million cubic metres of forest have been damaged in Svealand, and around two million cubic metres in Götaland. In Svealand, the damage is greatest in Södermanland, Närke and Västmanland. The pattern of damage in Sveaskog's forests is similar to the declining pattern in southern Götaland; the increase is attributable to northern Götaland and Svealand. Within Sveaskog, we are making a number of urgent efforts to reduce the effects of the damage, but we are also playing a part in the development of preventive measures. The high supply of forests damaged by spruce bark beetles is affecting the market, particularly the biofuel market where the significant surplus is restricting the provision for wood raw material.

Contractor web portal launches

September saw the launch of Entrén, a new web portal aimed at all our contractors. This is a unique initiative that is intended to provide our key contractors with a series of benefits and to strengthen our shared business. We want to create the conditions necessary for a viable and sustainable contractor market in which Sveaskog is the first choice of client for contractors.

Management changes

Helene Bergström has been appointed the new Business Area Manager of Svenska Skogsplantor. Prior to taking up that position, she held the post of Head of Profit Area Södra Bergslagen at



Sveaskog. Anders Nilsson, who has been serving as Acting Head of Profit Area, is returning full time to his position as Chief Controller.

Hannele Arvonen
President and CEO

Group performance

1 July – 30 September 2020

Net sales

Net sales decreased by 16 per cent to MSEK 1,307 (1,547). Prices of wood raw materials were down by nine per cent on average while total delivery volumes declined seven per cent. High stock levels with customers in the pulp and paper industry combined with shutdowns of maintenance have restricted deliveries during the quarter. An increased volume of felling for thinning has resulted in decreased timber deliveries. The sales of wood raw materials amounted to 2.2 (2.4) million cubic metres (m3sub).

Results

Operating profit decreased by 55 per cent to MSEK 136 (301). The decrease in profit can be attributed primarily to lower prices, lower volumes and increased costs of forest management, nature conservation and IT development. Deliveries have been lower, both from our own forests and from externally acquired raw materials.

Capital gains from property sales were MSEK 6 (18). Share of profits of associates was MSEK 4 (–6). The net change in the reported value of standing timber was MSEK 157 (154). After change in value of forest assets, operating profit was MSEK 303 (467).

Financial items in the quarter were MSEK –40 (–33). Profit before tax was MSEK 263 (434). Tax was MSEK –55 (–94). Profit for the quarter decreased by 39 per cent to MSEK 208 (340).

1 January – 30 September 2020

Net sales

Net sales decreased by nine per cent to MSEK 4,916 (5,396). Prices of wood raw materials decreased by nine per cent on average, while total delivery volumes remained for the most part unchanged. The sales of wood raw materials amounted to 7.8 (7.8) million cubic metres (m3sub). High stock levels with customers in the pulp and paper industry combined with shutdowns of maintenance have restricted deliveries during the quarter.

Results

Operating profit decreased by 28 per cent to MSEK 812 (1,133). The decrease in profit can be attributed primarily to lower prices and increased costs of forest management, nature conservation and roads, but has been partly offset by higher delivery volumes from our own forests. However, deliveries from externally sourced wood raw materials were lower. Capital gains from property sales were MSEK 115 (98). Share of profits of associates was MSEK 29 (56). The net change in the reported value of standing timber was MSEK 464 (426). After change in value of forest assets, operating profit was MSEK 1,420 (1,713).

Financial items during the period were MSEK –111 (–92). Profit before tax was MSEK 1,309 (1,621). Tax was MSEK –274 (–335). Profit for the quarter decreased by 20 per cent to MSEK 1,035 (1,286).

Cash flow, investments and financial position

Cash flow from operating activities for the period was MSEK 375 (875). The decrease is primarily due to lower operating profit and an increase in working capital in the form of increased trade receivables. Investments in non-current assets, mainly forest properties and forest machines, totalled MSEK 176 (226) while investments in shares were MSEK 7 (5). Sales of non-current assets, mainly forest properties, were MSEK 248 (239). Dividends from associates totalled MSEK 13 (57). A dividend of MSEK 1,100 (1,100) was paid to the owner.

Sveaskog's interest-bearing net debt amounted to MSEK 7,801 (7,296) as of 30 September. 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 paper programme was MSEK 1,375 (2,050), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 30 September was

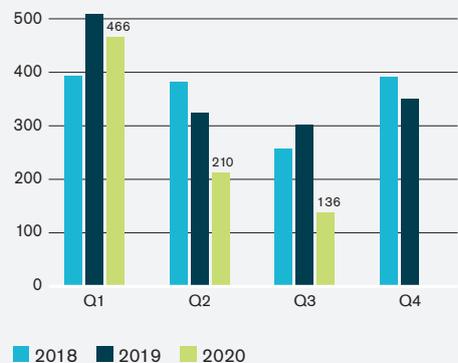
Change in net sales, MSEK

	Q3	Jan–Sep
2019	1,547	5,396
Price, wood raw materials	–110	–406
Delivery volume, wood raw materials	–131	–108
Concessions, seedlings and other sales	1	34
2020	1,307	4,916

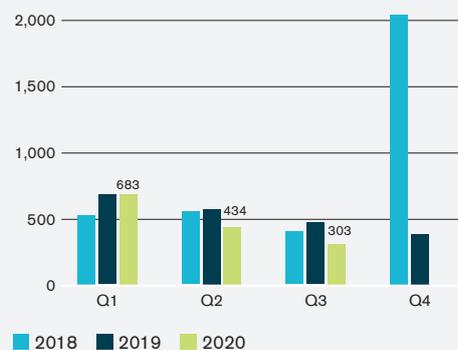
Net sales, MSEK



Operating profit from continuing operations, MSEK



Operating profit, MSEK



MSEK 6,090 (4,990), of which MSEK 4,800 (2,100) refers to green bonds. The lowest average fixed interest period during the year was 31 (31) months.

The net debt/equity ratio was 0.33 (0.31).

The interest coverage ratio was 7.9 (11.3) and the gross borrowing cost was 1.60 (1.42) per cent.

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. For Sveaskog AB (publ.), operating income for the period January–September totalled MSEK 96 (14), of which MSEK 85 (3) was accounted for by capital gains from sales of forest land. The loss after financial items was MSEK –153 (–211). 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 January–September period were MSEK 3,043 (3,262). The operating profit was MSEK 56 (95). The decreased profit was mainly due to lower sales prices, which had a negative impact on the gross margin. Sveaskog's share of earnings in the company adjusted for intra-group profits decreased by 51 per cent to MSEK 19 (39). Sveaskog's share of Setra Group's other comprehensive income was MSEK –3 (–17).

SunPine AB

Sveaskog owns 25.1 per cent of the shares of the biorefinery SunPine AB. The share of the associate company's profit and loss is recognised in profit or loss in the associate. Net sales for the January–September period were MSEK 993 (1,094). The operating profit was MSEK 28 (88). The reduced profit is due mainly to lower production coupled with a temporary decrease in demand. Sveaskog's share of the company's profit decreased by 71 per cent to MSEK 5 (17).

ShoreLink AB

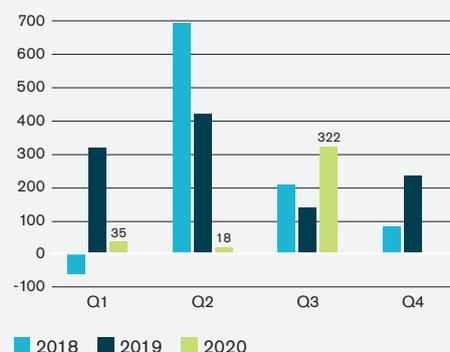
Sveaskog owns 24.1 per cent of the shares of the logistics and transport firm ShoreLink AB. The share of the associate company's profit and loss for the period September 2019 to August 2020 is recognised in the consolidated income statement. Net sales for this period totalled MSEK 310 and the operating loss for the same period was MSEK 28. Sveaskog's share of the company's profit or loss was MSEK 5 (0).

Operating profit from continuing operations

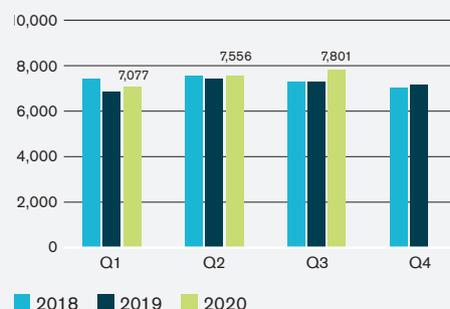
MSEK	Q3	Jan-Sep
2019	301	1,133
Price, own wood raw materials	–49	–210
Volume and change in inventories, own wood raw materials	–44	44
Earnings from externally procured wood raw materials	–20	–50
Unit cost harvesting	2	–9
Forest management and nature conservation	–15	–34
Roads	–4	–25
Svenska Skogsplantor	10	–9
Other property transactions ¹⁾	–1	8
Other	–44	–36
2020	136	812
¹⁾ Other property transactions relate to a combination of:		
All future concessions	–1	–1
Sale of non-forest land	0	9
Other property transactions	–1	8

*"Other" includes amortization of IT systems developed in-house and restructuring costs associated with organizational adaptations.

Cash flow from operating activities per quarter, MSEK



Net interest-bearing debt, MSEK



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. The coronavirus pandemic, which has drastically impacted the global economy and trade, has had significant consequences for the forest industry. The consequences have been most noticeable for printing and writing paper, where demand in the European market has weakened by over 30 per cent since the start of the year and prices have fallen to levels that, in some cases, mean negative operating margins for producers. Demand in the packaging segment has been higher, but despite this and because of increased competition from packaging paper based on recycled fibres, price performance was negative and is only now levelling out at a level 15–20 per cent lower than at the start of the year. The price increases announced for market pulp (NBSK) in the spring have not been fulfilled; instead, prices have weakened and have only now started to stabilise. For sawmills in Sweden, a previously expected weakening of the market as a result of the coronavirus pandemic has been reversed, with good levels of demand combined with production restrictions in other countries have driven strong production and exports from Swedish producers. This has reduced timber stock levels and contributed to price increases in several primary markets for Swedish sawmills.

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 weakened against USD and EUR in the first few months of the year, but since mid-March it has become around nine per cent stronger compared to the main trading currencies (KIX index).

Sawmills

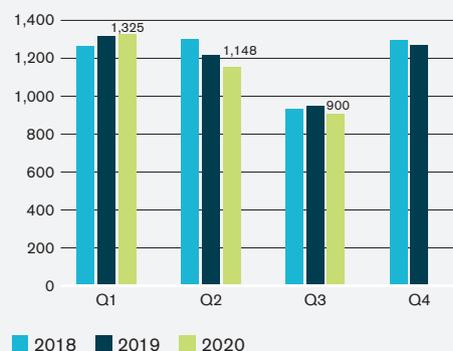
The market for sawn wood products is heavily dependent on construction activity, in Sweden and internationally. While over 70 per cent of Sweden's wood products are exported, the domestic market is the single largest market for the country's sawmills. Construction activity in both Sweden and Europe has continued to weaken over the course of the year as a result of the coronavirus pandemic, but the renovation, reconstruction and extension market has performed well, contributing to good demand for wood products. In key markets outside Europe, such as North Africa, the Middle East, China and Japan, demand has weakened, though Swedish sawmills have succeeded in maintaining or even increasing their export volumes. The US timber market has been stronger than expected and provided sawmills in Europe with good opportunities for export, as timber exports from Canada have been limited. Swedish sawmills have greatly increased their exports to the United States, over 80 per cent compared to the previous year, and have received historically high timber prices. Brisk sales in both the domestic and export markets have led to a decrease in finished goods inventories at Sweden's sawmills and allowed timber prices to stabilise.

Good sales and production in Swedish sawmills have created a strong demand for timber, which is now beginning to result in price increases, particularly for pine timber. Spruce timber prices in southern and central Sweden have performed negatively owing to the increased supply of spruce timber resulting from the felling of wood damaged by spruce bark beetles.

Sveaskog's deliveries

During the third quarter Sveaskog delivered 900 (946) thousand m³sub of sawlogs, which is a decrease of five per cent compared to the same period last year. For the period October 2019 to September 2020, deliveries totalled 4,640 (4,766) thousand m³sub.

Delivery volume sawlogs, thousand m³sub



Delivery volume pulpwood and woodchips, thousand m³sub



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 and influential market. Expectations of an increase in the price of market pulp (NBSK) at the start of the year were only partly fulfilled, followed by a strong growth in producer stock levels, which reached record levels in late July. The delays to maintenance shutdowns from the spring to the autumn in combination with depleting stock levels have led to announcements of price increases from current levels of around USD 840 per tonne (PIX) to approximately USD 880 per tonne from October. The market for printing and writing paper has weakened significantly over the course of the year, with demand in Europe decreasing by over 30 per cent, resulting in a fall in prices equivalent to 10 per cent for newsprint and 20 per cent for magazine paper. Weak profitability, with negative operating margins in some cases, and expectations of continued weakening of the markets have led both SCA and Stora Enso to announce capacity closures in Sweden totalling approximately 1 million tonnes of annual production. Demand for packaging paper such as Kraftliner and White Top Kraftliner has been good, but strong price competition from the recycled paper-based product Testliner as a result of an oversupply of recycled fibre has caused prices for Kraftliner and White Top Kraftliner to weaken over the course of the year, and those prices remain under pressure.

The Swedish paper and pulp industry currently has high stock levels of pulpwood which, along with good access to cellulose chips and the planned shutdown of maintenance in the autumn, is putting pressure on the pulpwood market.

Sveaskog's deliveries

In the third quarter Sveaskog delivered 1,217 (1,338) thousand m³sub of pulpwood and woodchips, which is a decrease of nine per cent on the same period last year. For the period October 2019 to September 2020, deliveries totalled 5,417 (5,383) thousand m³sub.

The biofuel market

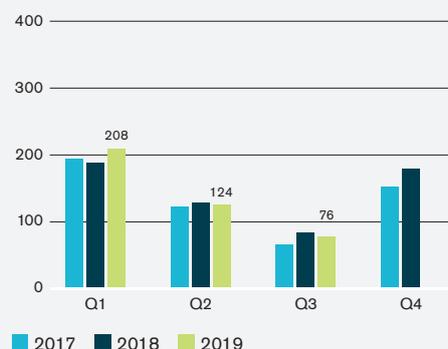
The forest biofuel market is regional and local, as transport costs are high. The forest biofuel market is significant in southern and central Sweden, but is more limited in northern Sweden. The customers are power and heating plants as well as energy-producing forest industry.

Due to a relatively mild winter, Sweden's combined heat and power plants did not use the planned volume of biofuel, which has instead been stored in the industry and terminals. A continued ample supply of bark beetle-damaged wood, especially in southern and central Sweden, has meant that stocks of biofuel have built up still further and are now very high. The combination of a high supply of bark beetle-damaged wood and high stock levels has had a dampening effect on deliveries and prices, especially in those areas where the supply of damaged wood is greatest.

Sveaskog's deliveries

During the third quarter Sveaskog delivered 76 (82) thousand m³sub of biofuel, which is a decrease of seven per cent on the same period last year. For the period October 2019 to September 2020, deliveries totalled 586 (544) thousand m³sub.

Delivery volume biofuel, thousand m³sub



Sveaskog's sustainable business activities during the quarter

A leader in sustainable forestry

Testing remote-controlled forwarders

As part of the ongoing automation of Swedish forestry, Sveaskog is involved in the exciting development of driverless and remote-controlled forwarders, with tests carried out during the third quarter. The working environment will be improved for many machine operators, as remote-controlled operation will eliminate full-body vibrations.

The project is part of a technology development project that is initially scheduled to run for two years. The aim is to develop forestry machines to meet the future need for products and solutions that are free from fossil fuels. The project is funded by Vinnova and the forest industry, and is a collaboration between several universities and companies, including Sveaskog.

Swedish Greenwash Award

During the third quarter, the association Friends of the Earth has highlighted Sveaskog as the forestry industry's representative for the Swedish Greenwash Award. Sveaskog, which set aside over 460,000 hectares (the equivalent of 670,000 football pitches) of the company's managed forest land for nature conservation, is of a completely different opinion than Friends of the Earth.

The first choice for employees and contractors

Activities to increase the attractiveness of the forest industry and Sveaskog

"Tiotusingen"

Sveaskog needs enterprising people on the ground, which is often the key to the growth of smaller communities. The third quarter saw the introduction of the chance to apply for the "Tiotusingen" association grant, which aims to contribute to and support local associations in the inland municipalities of Norrbotten and Västerbotten.

"Skogsskolan", the Forest School

During the quarter, Sveaskog published a series consisting of eight episodes of "Skogsskolan" on its website and on social media, to demonstrate the breadth of Sveaskog's operations.

The series talks in a lighthearted way about the important work being done in the forest, and viewers can learn about and meet Sveaskog's staff in the field.

There are many experts working at Sveaskog, and it is important to increase the general public's knowledge of how forestry and nature conservation work is carried out today. The series is expected to inspire more people to work in the forest.

The contractor web portal

Sveaskog wants to create the conditions necessary for a viable and sustainable contractor market in which Sveaskog is the first choice of client for contractors. Cooperation with skilled contractors is a necessity for the sustainable and profitable long-term management of the forest. September saw the launch of Entrén, a new web portal aimed at Sveaskog's contractors. It is a unique initiative that allows faster and simpler communication to provide Sveaskog's key contractors with a series of benefits such as training, useful links, business monitoring and more, creates business value both for the contractors and for Sveaskog, and helps strengthen the relationship and the shared business.

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.



The Sveaskog Group

Condensed income statement

MSEK	3 months, Jul-Sep		9 months, Jul-Sep		12 months	
	2020	2019	2020	2019	Oct 2019 – Sep 2020	Full year 2019
Net sales (Note 1)	1,307	1,547	4,916	5,396	6,729	7,209
Other operating income (Note 1)	8	12	76	74	111	109
Raw materials and consumables	-387	-453	-1,437	-1,763	-1,988	-2,314
Change in inventories	52	51	-37	-38	32	31
Other external costs	-671	-691	-2,152	-2,014	-2,976	-2,838
Personnel costs	-135	-127	-439	-417	-591	-569
Depreciation	-38	-38	-115	-105	-155	-145
Operating profit from continuing operations	136	301	812	1,133	1,162	1,483
Capital gains on property disposals	6	18	115	98	202	185
Share of profit/loss of associates	4	-6	29	56	-1	26
Operating profit before change in value of forest assets	146	313	956	1,287	1,363	1,694
Change in value of forest assets (Note 2.3)	157	154	464	426	437	399
Operating profit	303	467	1,420	1,713	1,800	2,093
Financial items	-40	-33	-111	-92	-149	-130
Profit before tax	263	434	1,309	1,621	1,651	1,963
Tax	-55	-94	-274	-335	-344	-405
Profit/loss for the period/year	208	340	1,035	1,286	1,307	1,558
Earnings per share in SEK before and after dilution	1.76	2.87	8.74	10.86	11.04	13.16
- Calculated on average number of shares, million	118.4	118.4	118.4	118.4	118.4	118.4

Report on comprehensive income

MSEK	3 months, Jul-Sep		9 months, Jul-Sep		12 months	
	2020	2019	2020	2019	Oct 2019 – Sep 2020	Full year 2019
Profit/loss for the period/year	208	340	1,035	1,286	1,307	1,558
Other comprehensive income						
<i>Components that will not be reversed in profit or loss</i>						
Actuarial gains/losses concerning pensions ¹⁾	-	-	-	-	-25	-25
Tax on actuarial gains/losses	-	-	-	-	5	5
<i>Components that may be reversed in profit or loss</i>						
Currency differences	0	0	0	1	0	1
Other comprehensive income from associates	-3	-11	-4	-22	10	-8
Tax on other comprehensive income from associates	1	3	1	5	-2	2
Cash flow hedges	2	-7	-9	-33	19	-5
Tax attributable to cash flow hedges	0	1	2	7	-4	1
Total other comprehensive income for the period/year, net after tax	0	-14	-10	-42	3	-29
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	208	326	1,025	1,244	1,310	1,529

¹⁾ Actuarial calculations are done on an annual basis only.

The Sveaskog Group

Condensed balance sheet

MSEK	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS (NOTE 4)			
Non-current assets			
Intangible assets	152	135	136
Right-of-use assets	121	127	129
Property, plant and equipment			
- Forest land (Notes 2, 3)	2,731	2,594	2,723
- Other property, plant and equipment	593	506	537
Biological assets – standing timber (Note 3)	34,289	33,958	33,900
Non-current financial assets	762	767	739
Long-term interest-bearing receivables	4	3	4
Total non-current assets	38,652	38,090	38,168
Current assets			
Stock	563	563	576
Contract assets	21	23	14
Current receivables, etc., non-interest bearing	2,078	1,959	1,677
Cash and cash equivalents	978	1,071	1,114
Total current assets	3,640	3,616	3,381
TOTAL ASSETS	42,292	41,706	41,549
EQUITY AND LIABILITIES			
Equity	23,499	23,289	23,574
Non-current liabilities (Note 4)			
Interest-bearing liabilities and provisions	6,161	5,610	5,642
Other liabilities and provisions	8,587	8,465	8,513
Total non-current liabilities	14,748	14,075	14,155
Current liabilities (Note 4)			
Interest-bearing liabilities and provisions	2,622	2,760	2,625
Contract liabilities	2	1	2
Other liabilities and provisions	1,421	1,581	1,193
Total current liabilities	4,045	4,342	3,820
Total liabilities	18,793	18,417	17,975
TOTAL EQUITY AND LIABILITIES	42,292	41,706	41,549

Condensed statement of changes in equity

MSEK	Jan–Sep 2020	Jan–Sep 2019	Full year 2019
Opening equity, 1 January	23,574	23,145	23,145
Total comprehensive income	1,025	1,244	1,529
Dividend paid according to Annual General Meeting resolution	-1,100	-1,100	-1,100
CLOSING EQUITY AT END OF PERIOD/YEAR	23,499	23,289	23,574

The Sveaskog Group

Condensed cash flow statement

MSEK	Jan–Sep 2020	Jan–Sep 2019	Full year 2019
Operating activities			
Operating profit	1,420	1,713	2,093
Non-cash items, etc.	–535	–545	–574
Interest received	0	3	0
Interest paid	–111	–95	–138
Tax paid	–245	–333	–396
Cash flow from operating activities before changes in working capital	529	743	985
Changes in working capital	–154	132	123
Cash flow from operating activities	375	875	1,108
Investing activities			
Investment in non-current assets	–176	–226	–445
Investment in shares	–7	–5	–5
Dividends from associates	13	57	60
Sale of non-current assets	248	239	407
Change in interest-bearing receivables	0	0	–1
Cash flow from investing activities	78	65	16
Financing activities			
Dividend paid	–1,100	–1,100	–1,100
Borrowings	8,185	7,250	8,450
Repayment of loans	–7,674	–6,866	–8,207
Cash flow from financing activities	–589	–716	–857
CASH FLOW FOR THE PERIOD/YEAR	–136	224	267
Cash and cash equivalents at the beginning of the year	1,114	847	847
Cash and cash equivalents at the end of the period/year	978	1,071	1,114

Parent company

Condensed income statement

MSEK	3 months, Jul-Sep		9 months, Jul-Sep		Full year	
	2020	2019	2020	2019	Oct 2019 – Sep 2020	Full year 2019
Operating income	4	6	96	14	125	43
Operating expenses	-1	-1	-2	-2	-2	-2
Operating profit	3	5	94	12	123	41
Financial items	-86	-78	-247	-223	-324	-300
Profit/loss before appropriations and tax	-83	-73	-153	-211	-201	-259
Group contributions	-	-	-	-	376	376
Provisions to untaxed reserves	-	-	-	-	-70	-70
Profit before tax	-83	-73	-153	-211	105	47
Tax	18	15	33	45	-57	-45
PROFIT/LOSS FOR THE PERIOD/YEAR	-65	-58	-120	-166	48	2

Condensed balance sheet

MSEK	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS			
Non-current assets			
Tangible non-current assets	43	48	46
Total property, plant and equipment	43	48	46
Non-current financial assets			
Shares in Group companies	24,934	24,934	24,934
Receivables from Group companies, interest-bearing	1,200	1,200	1,200
Total non-current financial assets	26,134	26,134	26,134
Total non-current assets	26,177	26,182	26,180
Current assets			
Current receivables, etc., non-interest bearing	214	104	462
Receivables from Group companies, interest-bearing	520	500	500
Cash and cash equivalents	0	0	0
Total current assets	734	604	962
TOTAL ASSETS	26,911	26,786	27,142
EQUITY AND LIABILITIES			
Equity	5,247	6,299	6,467
Untaxed reserves	70	-	70
Non-current liabilities			
Interest-bearing liabilities	5,732	5,183	5,183
Total non-current liabilities	5,732	5,183	5,183
Current liabilities			
Interest-bearing liabilities and provisions	15,761	15,258	15,336
Other liabilities and provisions	101	46	86
Total current liabilities	15,862	15,304	15,422
TOTAL EQUITY AND LIABILITIES	26,911	26,786	27,142

Parent company

Condensed statement of changes in equity

MSEK	Jan–Sep 2020	Jan–Sep 2019	Full year 2019
Opening equity, 1 January	6,467	7,565	7,565
Dividend paid according to Annual General Meeting resolution	–1,100	–1,100	–1,100
Profit/loss for the period/year	–120	–166	2
CLOSING EQUITY AT END OF PERIOD/YEAR	5,247	6,299	6,467

Condensed cash flow statement

MSEK	Jan–Sep 2020	Jan–Sep 2019	Full year 2019
Cash flow from operating activities	–838	–164	–270
Cash flow from investing activities	588	–3	25
Cash flow from financing activities	250	167	245
CASH FLOW FOR THE PERIOD/YEAR	0	0	0
Cash and cash equivalents at the beginning of the year	0	0	0
Cash and cash equivalents at the end of the period/year	0	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. 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.

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	Jan–Sep 2020	Jan–Sep 2019	Oct 2019 – Sep 2020	Full year 2019
Sawlogs	2,207	2,439	3,065	3,297
Pulpwood and woodchips	2,019	2,228	2,760	2,969
Biofuel	99	105	147	153
Seedlings	254	253	306	305
Other	188	229	264	305
Total revenue from contracts with customers	4,767	5,254	6,542	7,029
Of which IFRS 15 in net sales	4,765	5,252	6,538	7,025
Lease income	151	144	191	184
Total net sales	4,916	5,396	6,729	7,209
Of which IFRS 15 in other operating income	2	2	4	4
Capital gains etc.	74	72	107	105
Total other operating income	76	74	111	109
Date of revenue recognition				
Goods and services transferred to customers on a specific date	4,675	5,197	6,422	6,944
Goods and services transferred to customers over time	92	57	120	85

Sveaskog has unsatisfied performance obligations for sales contracts with a term of more than 12 months of MSEK 3,579 (4,357). The obligations consist of contracted deliveries forward in time, mainly for pulpwood but also for biofuel and seedlings, 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. Of last year's unsatisfied performance obligations of MSEK 4,638, MSEK 932 related to January–September 2020 and has been recognised as MSEK 932 in income in the current reporting period.

NOTE 2 CHANGE IN VALUE OF FOREST ASSETS

The book value of Sveaskog's forest assets as per 30 September 2020 has been calculated at MSEK 37,020 (36,552), of which MSEK 34,289 (33,958) is the fair value of the standing timber and MSEK 2,731 (2,594) is the cost of the land. The change in the balance sheet since the end of the year amounts to MSEK 397 (430) and is shown in Note 3. The parameters included in the model for calculating the fair value of standing timber are updated annually. There have been no significant changes in the assessments linked to the valuation of biological assets since the 2019 annual report.

Summary of model assumptions

MSEK	30 Sep 2020	30 Sep 2019
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.

Note

NOTE 3 BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

Standing timber

MSEK	
Fair values	
Opening value, 1 January 2019	33,607
Acquisition of standing timber	16
Sales of standing timber	-92
Changes due to harvesting	-981
Changes in fair value	1,408
Closing values, 30 September 2019	33,958
Opening value, 1 January 2020	33,900
Acquisition of standing timber	3
Sales of standing timber	-78
Changes due to harvesting	-963
Changes in fair value	1,427
Closing values, 30 September 2020	34,289

Forest land

MSEK	
Cost	
Opening value, 1 January 2019	2,515
Acquisition of forest land	82
Sale of forest land	-3
Closing values, 30 September 2019	2,594
Opening value, 1 January 2020	2,723
Acquisition of forest land	11
Sale of forest land	-3
Closing values, 30 September 2020	2,731

NOTE 4 FAIR VALUE

MSEK	Level 1		Level 2		Level 3	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
ASSETS						
Standing timber					34,289	33,900
Total assets	0	0	0	0	34,289	33,900
LIABILITIES						
Non-current liabilities	0	0	5,740	5,334	0	0
Current liabilities	0	0	2,525	2,528	0	0
Derivative instruments	0	0	74	72	0	0
Total liabilities	0	0	8,339	7,934	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 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 2019, 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 86 of the 2019 annual report.

Issues

In January–September 2020 Sveaskog has issued MSEK 6,005 (6,150) under the commercial paper programme and MSEK 1,700 (1,100) under the MTN programme.

Other information

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Sveaskog's 2019 annual report, pages 44–47. The ongoing coronavirus pandemic is having a major impact on the global economy. Sveaskog has a strong balance sheet and good liquidity. Sveaskog monitors the situation continuously and evaluates the effects of alternative scenarios. For further information, see page 2. No other significant changes, in addition to those mentioned in this year-end report, have occurred since the publication of the annual report.

Significant events after the closing date

No significant events have occurred after the end of the interim period that have not been included in the interim report.

Related-party transactions

During the period, a dividend of MSEK 1,100 (1,100) was paid to the owner. No other significant changes have occurred in relationships or transactions with related parties since what was described in the 2019 annual report.

The Board of Directors and CEO hereby confirm that this interim 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, 26 October 2020
Sveaskog AB (publ.) (corp. ID no. 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

Auditor's review report

Introduction

We have reviewed the interim report of Sveaskog AB (publ) for the period 1 January to 30 September 2020. Responsibility for preparing this interim report in accordance with IAS 34 and the Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We have performed our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review involves posing questions, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and significantly narrower scope than a full audit conducted in accordance with ISA and generally accepted auditing standards. The review procedures taken in a review do not enable us to obtain

a degree of certainty that would make us aware of all important circumstances that would have been identified if an audit had been conducted. The conclusion based on a review therefore does not have the same certainty as a conclusion based on an audit.

Conclusion

Based on our review, we have not discovered any circumstances that would give us reason to consider that the interim report has not, in all material respects, been prepared, in respect of the Group, in accordance with IAS 34 and the Annual Accounts Act and, in respect of the parent company, in accordance with the Annual Accounts Act.

Stockholm, 26 October 2020

Deloitte AB

Hans Warén

Definitions¹

Capital turnover rate

Net sales divided by average operating capital.

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.

Equity ratio

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

Gross margin

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

Interest cover ratio

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

Net debt/equity ratio

Net interest-bearing debt divided by equity.

Net earnings per share

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

Net interest-bearing debt

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

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 period/year.

Operating margin

Operating profit expressed as a percentage of net sales.

Operating profit from continuing operations

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

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.

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

Year-end report 2020
Annual Report 2020

27 January 2021
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