

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 2020

1 October – 31 December 2020

- Net sales decreased by seven per cent to MSEK 1,681 (1,813). Prices of wood raw materials were down by six per cent on average while total delivery volumes declined one per cent.
- Operating profit decreased by 12 per cent to MSEK 308 (350). The decreased profit is primarily due to lower prices, higher costs for roads and reduced income for wind power concessions.
- At the end of the year, Sveaskog changed the accounting method for valuing the company's forest assets so that it is based on the market value calculated on transactions in the areas where Sveaskog owns forest land. We are therefore following the lead of other major companies in the industry. The forest assets were valued at MSEK 82,430 as at 31 December 2020, compared with the previously reported value of MSEK 36,623. The effect of the revaluation of the period's profits was net after tax SEK 9.5 billion. The remaining part of the revaluation has been recognised in other comprehensive income. The revaluation had no impact on cash flow.
- Profit for the quarter amounted to MSEK 9,832 (272), corresponding to SEK 83.04 (2.30) per share, which is mainly related to a positive impact on profit of a net SEK 9.5 billion from the change in accounting method for valuation of forest assets.

1 January – 31 December 2020

- Net sales decreased by eight per cent to MSEK 6,597 (7,209). Prices of wood raw materials were down by nine per cent on average while total delivery volumes declined one per cent.
- Operating profit decreased by 24 per cent to MSEK 1,120 (1,483). 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. Deliveries from externally sourced wood raw materials have decreased.
- The dividend yield was 2.4 per cent (4.9). The change is mainly attributed to the increase in the average operating capital through a change in the accounting method for valuation of forest assets.
- At the end of the year, Sveaskog changed the accounting method for valuing the company's forest assets so that it is based on the market value calculated on transactions in the areas where Sveaskog owns forest assets. We are therefore following the lead of other major companies in the industry. The effect of the revaluation of the year's operating profit was net after tax SEK 9.9 billion. The remaining part of the revaluation has been recognised directly in other comprehensive income. The change in value had no impact on cash flow.
- Profit for the year amounted to MSEK 10,867 (1,558), corresponding to SEK 91.78 (13.16) per share, which is mainly related to a positive impact on profit of a net SEK 9.5 billion from the change in accounting method for valuation of forest assets.
- The exclusive effect of the change in accounting method for valuation of forest assets decreased the profit per share to SEK 8.08 (13.16).

MSEK	3 months Oct-Dec			Full year		
	2020	2019	%	2020	2019	%
Net sales	1,681	1,813	-7%	6,597	7,209	-8%
Operating profit from continuing operations	308	350	-12%	1,120	1,483	-24%
Change in value of forest assets	12,017	-27	N/A	12,481	399	3,028%
Operating profit	12,401	380	3,163%	13,821	2,093	560%
Profit before tax	12,359	342	3,514%	13,668	1,963	596%
Profit for the period	9,832	272	3,515%	10,867	1,558	597%
Cash flow from operating activities	248	233	6%	623	1,108	-44%
Earnings per share, SEK	83.04	2.30	3,510%	91.78	13.16	597%

Performance measures¹, Group

	Full year 2020	Full year 2019
Dividend yield, % (target at least 4.5%)	2.4	4.9
Net debt/equity ratio, multiple (target 0.3–0.6)	0.13	0.30
Return on operating capital, %	28.2	6.8
Return on equity, %	26.2	6.7
Interest coverage ratio, multiple ²	7.6	11.6
Equity ratio, %	68	57
Net interest-bearing debt, MSEK	7,613	7,149
Average number of employees	827	807
Total delivery volume, thousand m ³ sub	10,629	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 1,120 (1,483) for 2020, which is 24 per cent lower than in the same period in the previous year. A fall in profit was expected, as the prices of our products declined gradually in 2019, and the trend has continued into 2020. The prices were on average nine per cent lower compared with the previous year. Total delivery volumes for the year were 10.6 (10.6) million m³sub, of which 6.2 (6.1) million m³sub came from own forest. Net sales were MSEK 6,597 (7,209). The dividend yield was 2.4 (4.9) per cent and the net debt/equity ratio 0.13 (0.30).

The market

Production within the Swedish forestry industry has continued to perform well during the last quarter of the year, especially within the sawmill industry where sufficient demand in the export markets and rising prices have driven production. Within the pulp and paper industry the market and prices have improved, mainly for market pulp, but partly also packaging products, while printing and writing paper have continued to experience declining demand and deteriorating prices. The round timber market is characterised by high demand for wood with improved prices, while low inventories of pulpwood and biofuels create a surplus in the market and pressure on prices.

Change in valuation method of forest assets

From and including the fourth quarter of 2020, Sveaskog applied a valuation method for the company's forest assets that is based on market data on forest transactions in the areas where Sveaskog's forests are located. We are therefore following other companies in the industry in how to value forest assets. The value of our forest assets last December was MSEK 82,430, an increase of MSEK 45,807 compared with 31 December 2019. The change had no impact on cash flow. Read more in note 1 and 2.

Sveaskog during the coronavirus pandemic

The coronavirus pandemic is affecting the whole world and we are no exception. A rapid adjustment to our timber production has preventing having to lay off sawmill customers during the pandemic. We are continuing to follow the guidelines issued by the authorities and have changed the way we operate by avoiding travel, enabling remote working and increasing our virtual meetings. We are contributing to the recovery of society by supporting local contractors and by refraining from collecting rent from companies that are dependent on tourism. We have a strong balance sheet and good access to liquidity and financing.

Positive results from the autumn stakeholder surveys

Results of the year's surveys from our corporate stakeholders, customers, contractors and timber suppliers are very positive. The results are consistently high among the felling and silviculture contractors. The overall satisfaction has influenced and been reinforced in important areas such as the image of Sveaskog, relationships and collaboration, delivery quality and professionalism. Sveaskog's ability to act fast and take responsibility during the pandemic has been appreciated and contributed to the favourable results.

Sveaskog has sold larger land areas to municipalities

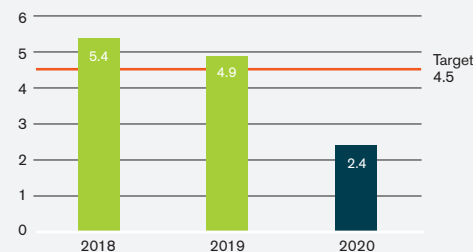
In December Sveaskog sold a large land area to Vaggeryd Municipality. The area has been designated as suitable for new areas of operations in the municipality's comprehensive plan. Sveaskog has also sold the Rådaås recreational area to Lidköping Municipality. The deal enables the municipality to continue developing the area with outdoor and recreational activities, while the sale supports Sveaskog's aim to focus on the core business – forestry.

Consideration inventory

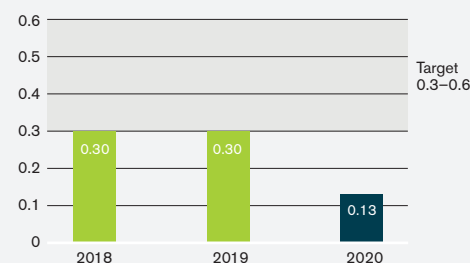
The Swedish Forest Agency's annual inventory of consideration for nature shows that 97 per cent of Sveaskog's felling took place without a major environmental impact. Assessed in the calculation were the parameters consideration areas left alone, trees of significant natural value saved and land damage avoided when felling. It is almost at the same level as the previous year.

Sveaskog's financial targets

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	1,100	1,100	850 ¹⁾
Percentage of basis for dividends, %	82	88	89

1) Proposal to the AGM.

Sustainable forestry

Sveaskog works constantly to develop sustainable forestry. This involves sustainable and secure deliveries of renewable raw materials to our customers and contributing to national environment and climate targets. A continually developed nature conservation work aims to preserve the biodiversity and through deeper dialogue with the Sami villages on our lands, we want to secure the continued coexistence with the reindeer industry.

Harmful effects of the spruce bark beetle

The exceptionally hot and dry summer of 2018 unleashed the largest spruce bark beetle infestation to affect Sweden. In 2018, 3–4 million cubic metres of forest was killed in Götaland and Svealand. In 2019 the damage was about twice that. The final damage tally in 2020 amounted to almost 8 million cubic metres, making 2020 a new record year in Sweden. In 2018 the infestation was greatest in Götaland, but the focal point has successively moved northwards, and we are now seeing the greatest damage in 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.

Continued structural changes in the forest industry

Consolidation within the forest sector in Sweden has continued in 2020, which has contributed to the creation of fewer and larger players in the timber market. This has taken place partly through company mergers, for example, Holmen's acquisition of Martinsons, and also through the expansion of production capacity in these companies such as Vida's acquisition of Berg's Swedish sawmills. The creation of the Norra Skog forest owners association, through the merger between the owners of Norra Skog and Norrskog, has also resulted in a significant and strong player in the timber market in Northern Sweden, in addition to even clearer industrial interests and ambitions. The latter was clarified through Norra Skog's acquisition of 30 per cent of the shares in Metsä Board's pulp mills in Husum in December.

New CEO

On 18 January Hannele Arvonen stepped down as CEO of Sveaskog. The Board of Directors and CEO could not agree on the necessary common understanding of the company's strategic direction and how it should be executed. The Board has appointed the undersigned acting CEO.

Challenging years

Despite the challenges during the year, we have been able to honour our customer promises. I would like to thank in particular all our employees who show great commitment to the job every day by undertaking forestry that is beneficial to nature and the environment.



Per Matses
President and CEO

Group performance

1 October – 31 December 2020

Net sales

Net sales decreased by seven per cent to MSEK 1,681 (1,813). Prices of wood raw materials were down by six per cent on average while total delivery volumes declined one per cent. The sales of wood raw materials amounted to 2.8 million cubic metres (m³sub) (2.8).

Results

Operating profit decreased by 12 per cent to MSEK 308 (350). The decreased profit is primarily due to lower prices, higher costs for roads and reduced income for wind power concessions. The deliveries from own forests were lower compared with the previous year.

Capital gains from property sales were MSEK 48 (87). Share of profits of associates was MSEK 28 (–30).

At the end of the year, Sveaskog changed the accounting method for valuing the company's forest assets so that it is based on the market value calculated on transactions in the areas where Sveaskog owns forest land. We are therefore following the lead of other major companies in the industry. The forest assets were valued at MSEK 82,430 as at 31 December 2020, compared with the previously reported value of MSEK 36,623. The effect of the revaluation of the period's financial performance was therefore SEK 9.5 billion. The remaining part of the revaluation has been recognised in other comprehensive income. The revaluation had no impact on cash flow. After the change in value of forest assets, operating profit was MSEK 12,401 (380).

Financial items in the quarter were net MSEK –42 (–38). Profit before tax was MSEK 12,359 (342). Tax was MSEK –2 527 (–70). Profit for the quarter increased to MSEK 9,832 (272), which is mainly related to a positive impact on profit of a net SEK 9.5 billion from the change in accounting method for valuation of forest assets.

1 January – 31 December 2020

Net sales

Net sales decreased by eight per cent to MSEK 6,597 (7,209). Prices of wood raw materials were down by nine per cent on average while total delivery volumes declined one per cent. The sales of wood raw materials amounted to 10.6 million cubic metres (m³sub) (10.6).

Results

Operating profit decreased by 24 per cent to MSEK 1,120 (1,483). 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. Deliveries from externally sourced wood raw materials have decreased.

Capital gains from property sales were MSEK 163 (185). Share of profits of associates was MSEK 57 (26).

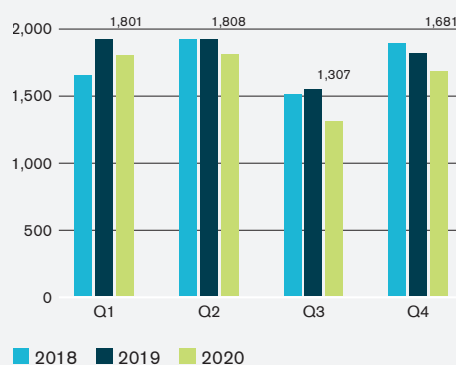
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Financial items during the year were MSEK –153 (–130). Profit before tax was MSEK 13,668 (1,963). Tax amounted to MSEK –2,801 (–405). Profit for the period increased to MSEK 10,867 (1,558), which is mainly related to a positive impact on profit of net SEK 9.9 billion from the change in accounting method for valuation of forest assets.

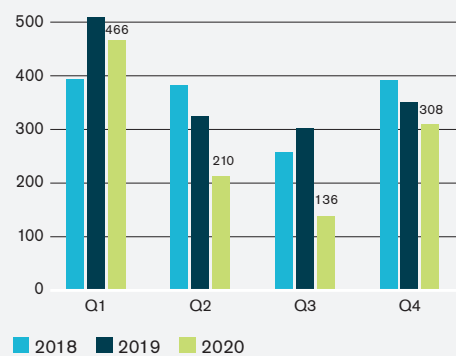
Change in net sales

MSEK	Quarter 4	Jan-Dec
2019	1,813	7,209
Price, wood raw materials	–84	–494
Delivery volume, wood raw materials	–24	–130
Concessions, etc.	–24	12
2020	1,681	6,597

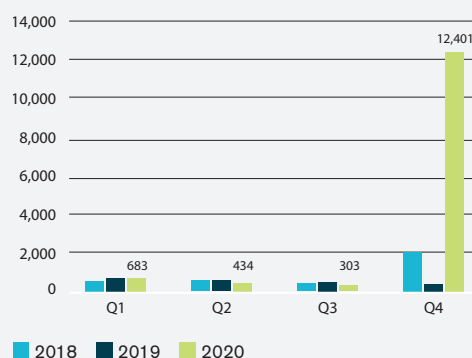
Net sales, MSEK



Operating profit from continuing operations, MSEK



Operating profit, MSEK



Cash flow, investments and financial position

Cash flow from operating activities for the period was MSEK 623 (1,108). The decrease is primarily due to lower operating profit and an increase in working capital in the form of increased trade receivables and increased inventories. Investments in non-current assets, mainly forest properties and forest machines, totalled MSEK 264 (445) while investments in shares were MSEK 7 (5). Sales of non-current assets, mainly forest properties, were MSEK 331 (407). Dividends from associates totalled MSEK 12 (60). A dividend of MSEK 1,100 (1,100) was paid to the owner.

Sveaskog's net interest-bearing debt at 31 December was MSEK 7,613 (7,149). 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 1,400 (1,925), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 31 December was MSEK 6,090 (4,990), of which MSEK 4,800 (3,100) refers to green bonds. The lowest average fixed interest period during the year was 31 months (35). The net debt/equity ratio was 0.13 (0.30).

The interest coverage ratio was 7.6 (11.6) and the gross borrowing cost was 1.57 (1.39) 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–December totalled MSEK 101 (43), of which MSEK 86 (28) was accounted for by capital gains from sales of forest land. The profit after financial items was MSEK 7,767. 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–December period were MSEK 4,131 (4,264). The operating profit was MSEK 117 (8). The improvement in profit is mainly due to the fact that lower selling prices compared with 2019 were offset by lower commodity prices, positive currency effects and higher delivery volumes. Sveaskog's share of the company's profit or loss adjusted for intercompany profits decreased by MSEK 43 (0). Sveaskog's share of Setra Group's other comprehensive income was MSEK 11 (–6).

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–December period were MSEK 1,377 (1,436). The operating profit was MSEK 43 (104). 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 36 per cent to MSEK 7 (20).

ShoreLink AB

Sveaskog owns 24.1 per cent of the shares of the logistics and transport firm ShoreLink AB. The Group's income statement for 2020 reports the share of the associate company's profit and loss for the period September 2019 up to and including November 2020, while the figures for the previous year cover the period from January 2019 up to and including August 2019. Net sales for this period totalled MSEK 391 (215) and the operating loss for the same period was MSEK 40 (30). Sveaskog's share of the company's profit or loss was MSEK 7 (6).

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

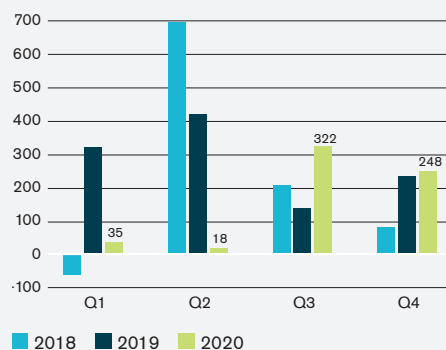
Change in operating profit from continuing operations

MSEK	Quarter 4	Jan-Dec
2019	350	1,483
Price, own wood raw materials	-41	-251
Volume and change in inventories, own wood raw materials	22	66
Unit cost harvesting	-3	-12
Forest management and nature conservation	-4	-38
Roads	-14	-39
Svenska Skogsplanter	5	-4
Earnings from externally procured wood raw materials	24	-26
Other property transactions ¹	-8	0
Other	-23	-59
2020	308	1,120

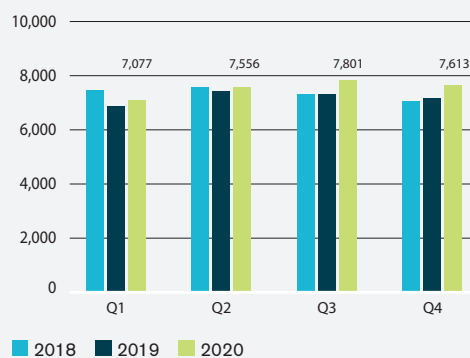
1) Other property transactions relate to a combination of:		
All future concessions	-4	-5
Sale of non-forest land	-4	5
Other property transactions	-8	0

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



industry. In addition, the Swedish krona's exchange rate compared with currencies such as USD, EUR and GBP is important for the competitiveness and profitability of the Swedish forest industry, which also affects the timber market.

The coronavirus pandemic, which has drastically impacted the global economy and trade, has had substantial consequences for the forest industry. The negative 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 only levelled out during the last quarter of the year. The price increases that were announced for the market pulp (NBSK) in spring did not take place but the announced price increases during the autumn were thought to have been implemented at the end of the period. For sawmills in Sweden, a previously expected weakening of the market as a result of the coronavirus pandemic has been reversed. Good levels of demand combined with production restrictions in other countries have driven strong production and exports from Swedish producers and have 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 was weak against the USD and EUR during the first months of the year, but since the mid-March to mid-December, it strengthened against the USD and EUR by almost 20% and 7% respectively.

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, among other things, 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 for Swedish sawmills outside Europe, such as North Africa, the Middle East and Japan, demand has weakened, though Swedish sawmills have succeeded in maintaining or even increasing their export volumes to some of these markets. China is an ever increasingly important market for Swedish sawmills where the exportation of timber has weakened during the year, however, despite this, the Swedish sawmills have increased the sales volume to new record levels. The US timber market has been strong, as has the demand and prices, in addition to imports from European producers. Swedish sawmills have substantially increased exports to USA, over 80 per cent compared with the previous year, and achieved historically high timber prices which had a substantial effect on the export price trend for wood products in Sweden during the last quarter of the year. As a result of good sales, both at home and the export markets, and a relatively good and improved price trend for wood products during the year, the sawmills' demand as well as price trend for timber have been strengthened.

Sveaskog's deliveries

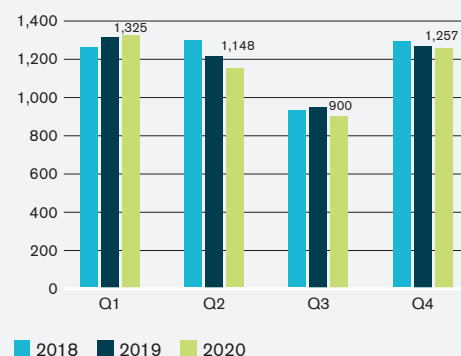
During the fourth quarter Sveaskog delivered 1,257 (1,267) km³sub of sawlogs, which is an increase of one per cent on the same period last year. For the full year in 2020 deliveries totalled 4,630 km³sub (4,743).

The pulp and paper industry

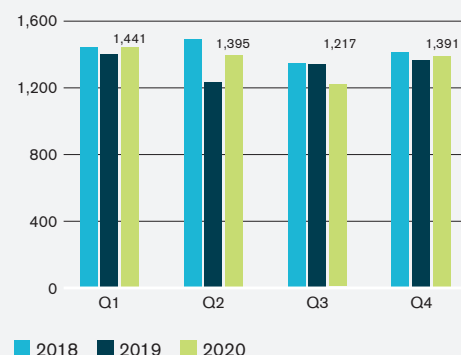
Globally the demand is increasing, and in recent years deliveries of paper pulp and Swedish production capacity have been expanded in order to satisfy this increased demand. Of the volumes not used directly in Sweden for paper production, most is exported to Europe. The next largest market is Asia, whose share has increased sharply and where China is becoming an increasingly important and influential market. The market for pulp has been characterised during the year by growing stocks which have only now started to reach levels that enable price increases. While the announced price increases for pulp (NBSK) at the start of the year were only partly realised, the price increases announced during the autumn have now been realised with prices at a level around USD 880 per tonne (PIX).

For printing and writing paper, the market was heavily weakened during the year where demand in Europe fell by just over 30 per cent which in turn resulted in a sig-

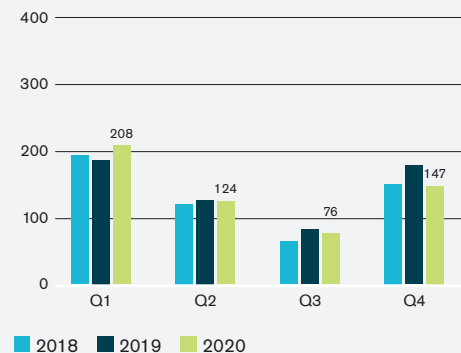
Delivery volume sawlogs, thousand m³sub



Delivery volume pulpwood and woodchips, thousand m³sub



Delivery volume biofuel, thousand m³sub



nificant drop in price of between 10 and 20 per cent for magazine and newsprint respectively, which has therefore hollowed out profitability and led to capacity closures such as in Ortviken. 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 has caused prices for Kraftliner and White Top Kraftliner to weaken over the course of the year, and those prices remain under pressure, even if the prices for Testliner are now increasing sharply.

The Swedish paper and pulp industry currently has high stock levels of pulpwood which, along with good access to cellulose chips and the shutdown for maintenance in the autumn, has reduced delivery need of fresh pulpwood for the industry. This puts pressure on the pulpwood prices and leads to range offsets where marking and harvesting of small sawtimber increases at the expense of pulpwood harvesting.

Sveaskog's deliveries

In the fourth quarter, Sveaskog delivered 1,391 (1,364) km³sub of pulpwood and woodchips, which is an increase of two per cent on the same period last year. For the full year in 2020 deliveries totalled 5,445 km³sub (5,333).

The biofuel market

The market for forest biofuel, such as GROT (branches and tree tops), is regional and local where the transport costs are high and the product costs are relatively low for biofuel. The forest biofuel market is significant in southern and central Sweden, but is more limited in northern Sweden. The customers for Sveaskog's biofuels are power and heating plants as well as the energy-producing forest industry.

Due to a relatively mild winter in the previous year and a warm autumn and winter so far, Sweden's combined heat and power plants did not use the planned volume of biofuel. Significant stores of biofuels are available for both industry and at 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 fourth quarter Sveaskog delivered 147 (177) km³sub of biofuel, which is a decrease of 17 per cent on the same period last year. For the full year in 2020 deliveries totalled 555 km³sub (571).

Sveaskog's sustainable business activities during the quarter

The customer's foremost and most knowledgeable partner

Flexible business during the pandemic

A rapid adjustment within Sveaskog's timber production has prevented sawmills in northern Sweden from having to lay off workers during the pandemic. By turning to Asia, sawmills have been able to continue exporting without serious disruption.

The basis for this is in the well mapped stands where the forest that will enter into production is described in detail. Digital forecasts provide an information flow from Sveaskog to the sawmill customers where it is shown how the production looks and progresses. This has created a partly new way of working to act quickly and flexibly. This allows us to have an efficient chain all the way to the end customer.

Stakeholder dialogue and brand investigation

In October Sveaskog conducted a wide-ranging stakeholder dialogue in the form of digital round table discussions. The dialogue discussions are an important part of Sveaskog's sustainability efforts. By listening to what the stakeholders consider to be the most important sustainability issues, Sveaskog can both follow how the outside views our work and develop our sustainability efforts.

During the autumn we have also conducted brand investigations aimed at our most important business target groups – customers, contractors and timber suppliers. These investigations have taken place every two years since 2008. The purpose is to ascertain the target groups' opinion about us as clients, suppliers and business partners. The results show an improvement in confidence in Sveaskog with a total index increase for the target groups from 74 to 78 and, together with

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 2020, the level is 97 (98).

	2018	2019	2020
Consideration index average value	98	98	97
Consideration areas	97	97	96
Trees of significant natural value	98	98	97
Vehicle damage	99	98	98

the stakeholder dialogues, form an important contribution to the development of Sveaskog and our business relations as well as our materiality assessment.

The investigations contain some questions that are unique to each group, as well as a number of group-wide questions connected to sustainability and brand.

A leader in innovation and efficiency

Sveaskog has, together with Mellanskog, invested in a new remote measurement system in the port of Harg. Remote measuring has become increasingly important in measuring pulpwood in recent years. Some block sawmills have chosen to invest in this within timber measurement. Long distance logistics provides the option to create increased flexibility in the market, and that requires more efficient measurement.

Sveaskog's investment opens up the option for measuring heavier timber as well.

A leader in sustainable forestry

During the external audit this autumn which was carried out according to the FSC/PEFC, ISO 14001 standards and frameworks and Controlled Wood/Chain of Custody, the entire business at Sveaskog from management to own forest to SSP including traceability have been scrutinised. The audit resulted in the closing of all open deviations from the 2019 audit and those that emerged during spring 2020. During the autumn audit, only minor deviations were found which were rectified immediately.

Continued high results for consideration inventory

The Swedish Forest Agency's annual inventory of consideration for nature shows that 97 (98) per cent of Sveaskog's felling took place without a major environmental impact. The parameters consideration areas, trees of significant natural value and vehicle damage are assessed in the calculation.

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 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	
	2020	2019	2020	2019
Net sales (Note 1)	1,681	1,813	6,597	7,209
Other operating income (Note 1)	25	35	101	109
Raw materials and consumables	-539	-551	-1,976	-2,314
Change in inventories	165	69	128	31
Other external costs	-838	-824	-2,990	-2,838
Personnel costs	-152	-152	-591	-569
Depreciation	-34	-40	-149	-145
Operating profit from continuing operations	308	350	1,120	1,483
Capital gains on property disposals	48	87	163	185
Share of profit/loss of associates	28	-30	57	26
Operating profit before change in value of forest assets	384	407	1,340	1,694
Change in value of forest assets (Note 2)	12,017	-27	12,481	399
Operating profit	12,401	380	13,821	2,093
Financial items	-42	-38	-153	-130
Profit before tax	12,359	342	13,668	1,963
Tax	-2,527	-70	-2,801	-405
Profit/loss for the period/year	9,832	272	10,867	1,558
Earnings per share in SEK before and after dilution	83.04	2.30	91.78	13.16
- 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	
	2020	2019	2020	2019
Profit for the year	9,832	272	10,867	1,558
Other comprehensive income				
<i>Components that will not be reversed in profit or loss</i>				
Change in value in land assets (Note 2)	32,949	-	32,949	-
Tax on change in value in land assets	-6,797	-	-6,797	-
Actuarial gains/losses concerning pensions	-10	-25	-10	-25
Tax on actuarial gains/losses	2	5	2	5
<i>Components that will not be reversed in profit or loss</i>				
Exchange differences	-2	0	-2	1
Other comprehensive income from associates	18	14	14	-8
Tax on other comprehensive income from associates	-4	-3	-3	2
Cash flow hedges	8	28	-1	-5
Tax attributable to cash flow hedges	-2	-6	0	1
Total other comprehensive income for the year, net after tax	26,162	13	26,152	-29
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	35,994	285	37,019	1,529

The Sveaskog Group

Condensed balance sheet

MSEK	31 Dec 2020	31 Dec 2019
ASSETS (Note 3)		
Non-current assets		
Intangible assets	164	136
Right-of-use assets	163	129
Forest assets (Note 2, 3)	82,430	36,623
- of which land assets	35,709	2 723
- of which biological assets	46,721	33,900
Other property, plant and equipment	597	537
Non-current financial assets, non-interest-bearing	795	739
Long-term interest-bearing receivables	5	4
Total non-current assets	84,154	38,168
Current assets		
Inventories	708	576
Contract assets	14	14
Current receivables, etc., non-interest bearing	1,864	1,677
Cash and cash equivalents	1,231	1 114
Total current assets	3,817	3,381
TOTAL ASSETS	87,971	41,549
EQUITY AND LIABILITIES		
Equity	59,493	23,574
Non-current liabilities (Note 3)		
Interest-bearing liabilities and provisions	6,213	5,642
Other liabilities and provisions	18,086	8,513
Total non-current liabilities	24,299	14,155
Current liabilities (Note 3)		
Interest-bearing liabilities and provisions	2,636	2,625
Contract liabilities	1	2
Other liabilities and provisions	1,542	1,193
Total current liabilities	4,179	3,820
Total liabilities	28,478	17,975
TOTAL EQUITY AND LIABILITIES	87,971	41,549

Condensed statement of changes in equity

MSEK	Full year 2020	Full year 2019
Opening equity, 1 January	23,574	23,145
Total comprehensive income for the year	37,019	1,529
Dividend paid according to Annual General Meeting resolution	-1,100	-1,100
CLOSING EQUITY AT THE END OF THE YEAR	59,493	23,574

The Sveaskog Group

Condensed cash flow statement

MSEK	Full year 2020	Full year 2019
Operating activities		
Operating profit	13,821	2,093
Non-cash items, etc.	-12,653	-574
Interest and dividends received	2	0
Interest paid	-138	-138
Tax paid	-163	-396
Cash flow from operating activities before changes in working capital	869	985
Changes in working capital	-246	123
Cash flow from operating activities	623	1,108
Investing activities		
Investment in non-current assets	-264	-445
Investments in shares	-7	-5
Dividends from associates	12	60
Sale of non-current assets	331	407
Change in interest-bearing receivables	0	-1
Cash flow from investing activities	72	16
Financing activities		
Dividend paid	-1,100	-1,100
Borrowings	9,285	8,450
Repayment of loans	-8,763	-8,207
Cash flow from financing activities	-578	-857
CASH FLOW FOR THE YEAR	117	267
Cash and cash equivalents at the beginning of the year	1,114	847
Cash and cash equivalents at the end of the year	1,231	1,114

Parent company

Condensed income statement

MSEK	3 months Oct-Dec		Full year	
	2020	2019	2020	2019
Operating income	5	29	101	43
Operating expenses	-1	0	-3	-2
Operating profit	4	29	98	41
Financial items	7,916 ¹	-77	7,669 ¹	-300
Profit before tax	7,920	-48	7,767	-259
Group contributions	399	376	399	376
Provisions to untaxed reserves	-87	-70	-87	-70
Profit before tax	8,232	258	8,079	47
Tax	-89	-90	-56	-45
Profit/loss for the period/year	8,143	168	8,023	2

1) The parent company has received a dividend from subsidiaries.

Condensed balance sheet

MSEK	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Tangible non-current assets	40	46
Total property, plant and equipment	40	46
Non-current financial assets		
Shares in Group companies	24,934	24,934
Receivables from Group companies, interest-bearing	1,200	1,200
Total non-current financial assets	26,134	26,134
Total non-current assets	26,174	26,180
Current assets		
Current receivables, etc., non-interest bearing	8,604	462
Receivables from Group companies, interest-bearing	489	500
Cash and cash equivalents	0	0
Total current assets	9,093	962
TOTAL ASSETS	35,267	27,142
EQUITY AND LIABILITIES		
Equity	13,390	6,467
Untaxed reserves	157	70
Liabilities		
Interest-bearing liabilities	5,732	5,183
Total non-current liabilities	5,732	5,183
Liabilities		
Interest-bearing liabilities and provisions	15,836	15,336
Other liabilities and provisions	152	86
Total current liabilities	15,988	15,422
TOTAL EQUITY AND LIABILITIES	35,267	27,142

Parent company

Condensed statement of changes in equity

MSEK	Full year 2020	Full year 2019
Opening equity, 1 January	6,467	7,565
Dividend paid according to Annual General Meeting resolution	-1,100	-1,100
Profit for the year	8,023	2
CLOSING EQUITY AT THE END OF THE YEAR	13,390	6,467

Condensed cash flow statement

MSEK	Full year 2020	Full year 2019
Cash flow from operating activities	-916	-270
Cash flow from investing activities	591	25
Cash flow from financing activities	325	245
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. The parent company's accounting principles and calculation principles for the report are unchanged from the most recent annual report. For the Group's accounting principles, see below in terms of forest assets. 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.

Forest assets

Ahead of the 2020 annual accounts, Sveaskog has carried out a review of its valuation of forest assets which resulted in a new method and new assumptions to determine the fair value of the assets. The new method means that the total forest value was based on forest land transactions in the areas where Sveaskog owns forest assets. The change means that in the land assets that are attributable to forest assets are also recognised at fair value with a change in the accounting principle as a result. The land assets were previously recognised at cost. The land assets are now recognised at fair value according to the so called revaluation method, IAS 16 p.31. The value of land assets amounts to the residual between the total value in accordance with the new method to determine the total market value and the value of the biological assets that were based on discounted cash flow. The change in value for land is recognised as other comprehensive income and does not affect the year's financial performance.

Biological assets – standing timber

According to IFRS, standing timber is reporting according to IAS 41 which means that standing timber is measured and recognised at each reporting date at level three of the fair value hierarchy. Changes

in fair value are recognised in the income statement and Sveaskog performs a valuation on an earnings basis, where future the cash flow from timber extractions less any harvesting costs etc. has been discounted to a present value. These calculations include future timber extractions corresponding to a forest growth cycle of 100 years in northern Sweden and 80 years in southern Sweden. The timber extractions are based on Sveaskog's felling and forestry plans. Sveaskog has set aside large areas of productive forest land as nature conservation areas. The value of standing timber in the nature conservation areas is not included in the value determined on an earnings basis. Other value of the forest land in the form of e.g. hunting income and other lease income is not included in the value determined on an earnings basis. Provision for deferred tax is calculated in accordance with IAS 12 on the full value of the biological asset according to IAS 41.

Property, plant and equipment – forest land

Was previously classified under the item "Property, plant and equipment" in the balance sheet. In connection with the group changing the valuation method, forest land has been reclassified as forest assets on a separate row which has also taken place for the comparative year.

- The comparative year has not been restated at fair value but is instead recognised at cost in accordance with IAS 8.

Property, plant and equipment – forest land is recognised according to IAS 16 at fair value in accordance with the valuation method described above. For land assets attributable to forest assets, Sveaskog has carried out a review in 2020. The review has resulted in land assets attributable to forest assets now being recognised in accordance with the revaluation method. The revaluation method means that forest land assets are recognised at fair value and is reported in other comprehensive income and as a revaluation reserve in Equity. Previously these assets were recognised at cost. The change also means that forest land attributable to forest assets is recognised on a separate row in the balance sheet. See not 2 for a more detailed description of the effects.

Note

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Full year 2020	Full year 2019
Sawlogs	3,016	3,297
Pulpwood and woodchips	2,793	2,969
Biofuel	140	153
Seedlings	301	305
Other	170	305
Total revenue from contracts with customers	6,420	7,029
Of which IFRS 15 in net sales	6,415	7,025
Lease income	182	184
Total net sales	6,597	7,209
Of which IFRS 15 in other operating income	5	4
Capital gains etc.	96	105
Total other operating income	101	109
Date of revenue recognition		
Goods and services transferred to customers on a specific date	6,944	6,944
Goods and services transferred to customers over time	85	85

Sveaskog has unsatisfied performance obligations for sales contracts with a term of more than 12 months of MSEK 4,198 (4,483). 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 the unsatisfied performance obligations of MSEK 4,483 reported for last year, MSEK 1,216 referred to January–December 2020.

NOTE 2 CHANGE IN VALUE OF FOREST ASSETS

The book value of Sveaskog's forest assets as at 31 September 2020 has been calculated at MSEK 82,430 (36,623), of which MSEK 46,721 (33,900) refers to the fair value of the standing timber and MSEK 35,709 (2,723) refers to the cost of the land. The change in the balance sheet since the previous year is MSEK 45,807 (501) and is shown below. The parameters that are included in the model for calculating the fair value are updated for the total forest assets annually, but a separate analysis is made every quarter to assess whether the annual price is in all material respects reasonable, while the value for biological assets and forest land is updated quarterly.

The forest assets are divided into standing timber and land assets. Standing timber is recognised as a biological asset according to IAS 41 Agriculture and forestry. Land assets are recognised as property, plant and equipment according to IAS 16 Property, plant and equipment.

In 2019 some of the major forest owning companies in Sweden made changes to their method and assumptions for valuing the forest assets with association land. Sveaskog announced at the end of 2019 that the company is following the development of any changes to IAS 41 and other regulations for forest valuation and how practices are developed among other Swedish forest-owning companies that report results in accordance with IFRS. As practices are adapted according to prevailing market conditions, Sveaskog, has starting

from 2020, adapted the method for reporting and valuation of forest assets.

The changed approach to forest valuation must be viewed against a background of the price of forest land in a number of larger forest land deals showing that the value of larger forest assets per hectare or per cubic metres of forest generally lie at the same level as for smaller or medium forest assets.

In previous years the market price or other comparable price was not used as there was a degree of uncertainty about the market price for forest assets of Sveaskog's size as no larger transactions had been performed in the market. As at 31 December 2020, Sveaskog changed the reporting method for valuing the company's forest assets so that the value is based on sales transactions in the areas where Sveaskog owns forest land. The valuation price comprises the five-year average and the new method means that the forest assets are also recognised at fair value according to the revaluation method in IAS 16 with a changed accounting principle as a result. Land assets that are associated with the standing timber have previously been recognised at cost which is possible according to IAS 16, p. 30. For biological assets there has been no change to the accounting principles, as the new method has only resulted in changed assumptions according to previously applied accounting principles. The new accounting method for forest assets therefore involves a change to the accounting principles for land assets but only a change to the assumptions for biological assets.

Statistics of forest land translations are available from several market players, but Sveaskog has chosen to retrieve the statistics that are reported on Ludvig & Co's website (www.ludvig.se). The statistics can be regarded as market-corroborated input according to valuation level 2 (IFRS 13). Input that is used for valuation of an asset or liability at fair value is attributed to different levels in the valuation hierarchy according to IFRS 13. For a description of the different valuation levels, see note 3. In these cases, the valuation is attributable to fair value as a whole at the lowest of the levels, valuation level 3. In order to refine the market-corroborated input, certain adjustments are made using non-observable input. In addition to this, an assessment is made of what period transactions should be included when calculating an average price. Sveaskog has chosen to base the market price on a five-year average. The new method therefore includes more elements of observable input but is nevertheless assessed to be attributable to valuation level 3 with regard to adjustment of inputs at valuation level 2. No transfers between valuation levels have therefore taken place during the year. In combination with market transactions and in order to determine the fair value of the group's biological assets, the expected future cash flows from the assets have been discounted.

The calculation for determining the value of biological assets has been based on existing felling plans and assessments of growth, wood prices, felling costs, etc. The calculation is performed for one production cycle which for biological assets Sveaskog estimates amount to an average of 100 years in northern Sweden and 80 years in southern Sweden. The change in value is reported in the income statement on the row change in value biological assets. The value of the land assets amounts to the residual between the total value in accordance with the new method to determine the total market value of the forest assets and the value of the biological assets that were based on discounted cash flow. The change in value for land is recognised in other comprehensive income and does not affect the year's financial performance. The land assets that are associated with the standing timber were previously classified in the balance sheet as Property, plant and equipment – forest land. The effect of changing the accounting principles to the so called revaluation method according to IAS 16 p.31 means that the land assets

are now recognised at fair value and have therefore as at 31 December 2020 been reported in their own row in the balance sheet under forest assets. A corresponding reclassification has taken place for the comparative year. The comparative year has not been restated at fair value but is instead recognised at cost. In the balance sheet the change of accounting principles to the revaluation method has meant that the value of the land assets has increased by MSEK 32,986, and that a deferred tax liability of MSEK 6,797 on the difference between the assets' tax cost and carrying amount have been reported. The increase in the land assets' value and the tax effect that arises from the revaluation is recognised in other comprehensive income and is accumulated in equity in the rows change in value land assets and income tax attributable to components in other comprehensive income.

Significant judgements and estimates

In previous years the market price or other comparable price was not used for forest assets as there was a degree of uncertainty about the market price for assets of Sveaskog's size as no larger transactions had been performed in the market. A number of major forest land deals now shows that the value of larger forest assets per hectare or per cubic metres of forest generally lie at the same level as for smaller or medium forest assets.

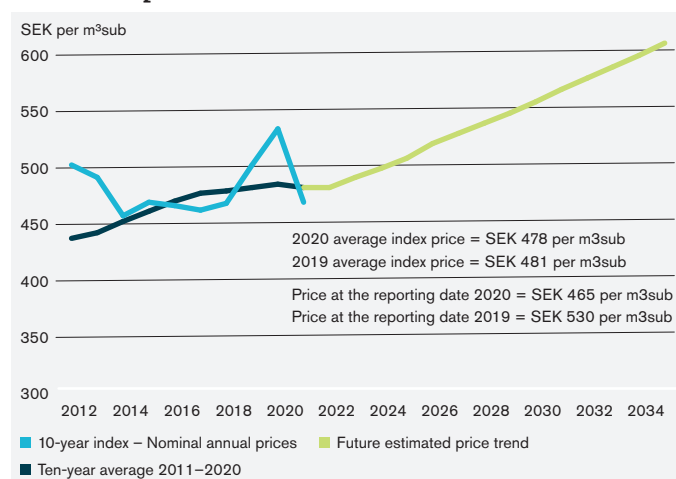
In order to value the forest assets at fair value, the valuation is based on the sales transactions in the areas that Sveaskog owns forest assets. The valuation price consists of a five-year average that is multiplied by Sveaskog's current timber stocks in cubic metres of forest in the different areas.

In order to calculate the fair value of the biological assets – standing timber, the estimated cash flow from future income from timber extractions less felling costs has been discounted to a present value. The calculation is performed for one production cycle which for biological assets Sveaskog estimates amount to an average of 100 years in northern Sweden and 80 years in southern Sweden. Cash flows are calculated on the basis of felling volumes according to Sveaskog's current felling plan and assessment of future price and cost development. Prices are based on a rolling ten-year average (2011-2020). In terms of cost development, the current standard cost (see model assumptions below) is applied. The inflation assumptions in the model are based on estimated future development during the valuation period. Cash flows before tax are discounted using an interest rate of 4.5 per cent (5.75), which is estimated to correspond to the long-term weighted cost of capital for this asset class, but which also includes the level of interest as at the closing date. In Sveaskog's Board of Directors' judgement, this interest rate should correspond to the long-term cost of capital for an investment in forest assets and not be affected by short-term fluctuations in market rates. In total Sveaskog owns a volume of standing timber amounting to 277 million cubic metres of forest (239) which forms the basis for the valuation of the forest assets. According to current felling estimates, which date from 2018 and are based on a forest optimisation model, felling will amount to approximately 6.3 million m³sub (6.3) per year. This level is estimated to be relatively unchanged until 2033, to then be successively increased to approximately 6.8 million m³sub by 2063.

The level is then expected to be increased further to 7.2–7.9 million m³sub. In 2020, approximately 54 per cent (56) of the volume, own forest, was sold as sawlogs to sawmills and 41 per cent (40) comprised pulpwood which was sold to the pulp and paper industry. Other volumes consisted of, for example, biofuel in the form of rejected branches and tree tops, which are primarily used as fuel wood; this volume is not included in the measurement.

The value of forest land consists of the residual of the value of the forest assets and the value of the biological assets – standing timber.

Model assumptions



Forest assets

The valuation price per cubic metre of forest in SEK is based on market prices that are published and compiled by Ludvig & Co (formerly LRF Konsult). The prices are a five-year average (2015–2019).

Timber stocks per million cubic metres of forest are based on Sveaskog's forest registers and refers to the most recent (October 2020) calculation.

Biological assets

Revenue (timber prices) is based on prices from a 10-year average (2011–2020) and thereafter on estimated development during the valuation period with a nominal price increase of 1.75% (1.75) a year, this estimated development is adjusted when the company forecasts a different development in their long-term plans.

Timber prices

For the production costs (felling costs) a current normal cost is applied that corresponds to the average of three years (outcome for the current year, the previous year and the budget for the coming year). These costs are based on an estimated development during the valuation period of 2.0 per cent (2.0) per year.

Sveaskog has set aside areas of productive forest land as nature conservation areas. These areas are not included in the value of forest assets.

Summary of model assumptions – Standing timber

MSEK	2020	2019
Valuation price per cubic metre of forest in SEK	5 year average	–
Timber stocks per million cubic metres of forest	Forest registers as at October 2020	–
Discount rate	4.50%	5.75%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.75% 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.

Sensitivity analysis based on key measurement parameters and their impact on Sveaskog's forest assets

Valuation price per cubic metre of forest in SEK

A reduction in the market value of SEK 5 per cubic metre of forest lowers the value of forest assets by approximately MSEK 1,300. An increase in the market value of SEK 5 per cubic metre of forest raises the value of forest assets by approximately MSEK 1,300.

Timber stocks per million cubic metres of forest

A reduction in the standing timber of 5 million cubic metres of forest lowers the value of forest assets by approximately MSEK 1,500. An increase in the standing timber of 5 million cubic metres of forest raises the value of forest assets by approximately MSEK 1,500.

Discount rate

A decrease in the discount rate by 0.5 percentage points will increase the value of standing timber by MSEK 7,500 (4,300). An increase in the discount rate by 0.5 percentage points will reduce the value of standing timber by MSEK 6,000 (3,500).

Revenue (wood prices)

A decrease in the annual price increase by 0.5 percentage points will reduce the value of standing timber by MSEK 12,600 (8,900). An increase in the annual price increase by 0.5 percentage points will increase the value of standing timber by MSEK 15,700 (11,000).

Costs (felling, silviculture, road and joint costs)

An increase in the annual price increase by 0.5 percentage points will decrease the value of standing timber by MSEK 8,100 (6,700). A decrease in the annual price increase by 0.5 percentage points will increase the value of standing timber by MSEK 6,500 (5,400).

Forest assets

MSEK	
Fair values	
Opening value, 1 January 2019	36,122
Change during the year	501
Closing value, 31 December 2019	36,623
Deferred tax attributable to forest assets	7,468
MSEK	
Fair values	
Opening value, 1 January 2020	36,623
Change during the year	45,807
Closing value, 31 December 2020	82,430
Deferred tax attributable to forest assets	16,916

Biological assets

MSEK	
Fair values	
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

MSEK	
Fair values	
Opening value, 1 January 2020	33,900
Acquisition of standing timber	8
Sales of standing timber	-94
Changes due to harvesting	-1,384
Changes in fair value	14,291
Closing value, 31 December 2020	46,721

Forest land

MSEK	
Fair value	
Opening value, 1 January 2019	2,515
Acquisition of forest land	213
Sale of forest land	-5
Closing balance 31 December 2019 (cost)	2,723

MSEK	
Fair value	
Opening value, 1 January 2020	2,723
Acquisition of forest land	44
Sale of forest land	-7
Change in fair value	32,949
Closing value, 31 December 2020	35,709

Note

NOTE 3 FAIR VALUE

MSEK	Level 1		Level 2		Level 3	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
ASSETS						
Forest assets						
<i>Biological assets</i>					46,721	33,900
<i>Forest land</i>					35,709	2,723
Derivative instruments			1	3		
Total assets	0	0	1	3	82,430	36,623
LIABILITIES						
Non-current liabilities	0	0	5,970	5,334	0	0
Current liabilities	0	0	2,566	2,528	0	0
Derivative instruments	0	0	73	75	0	0
Total liabilities	0	0	8,609	7,937	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. Com-

pared 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 2.

Issues

In January–September 2020 Sveaskog has issued MSEK 7,105 (7,350) 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. 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

On 18 January Hannele Arvonen stepped down as CEO of Sveaskog, during the recruitment process for a new CEO, Per Matses, previously vice CEO and CFO, has been appointed acting President and CEO. No other significant events have occurred after the end of the interim period that have not been included in the year-end 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.

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 2020 of MSEK 850.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 26 April 2021. The meeting will take place remotely. It is expected that the annual report will be published on www.sveaskog.se on 16 March 2021. 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 2021
Sveaskog AB (publ.) (556558-0031)

Eva Färnstrand
Chairman of the Board

Marie Berglund
Director

Johan Kuylenstierna
Director

Kerstin Lindberg Göransson
Director

Leif Ljungqvist
Director

Sven Wird
Director

Kenneth Andersson
Employee representative

Sara Östh
Employee representative

Per Matses
President and CEO

The report has not been audited.

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 year.

Gross margin

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

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.

Net debt/equity ratio

Net interest-bearing debt divided by equity.

Net earnings per share

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

Net interest-bearing debt

Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the 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 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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www.sveaskog.se

Financial calendar

Publication of annual report	16 April 2021
Annual General Meeting:	26 April 2021
Interim report January – March 2020:	26 April 2021
Interim report January – June 2020:	16 July 2021
Interim report January – September 2020:	26 October 2021

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