

Alternative performance measures

The company presents certain financial measures in the interim report that are not defined in accordance with IFRS. The company believes that these measures provide valuable additional information to investors and management, as they enable an evaluation of the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable with the metrics used by other companies. These financial measures should therefore not be seen as a substitute for measures defined in accordance with IFRS. The following table presents measures that are not defined in accordance with IFRS, unless otherwise stated.

Operating capital

Definition: 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. The Group's definition has not been changed since previous periods.

Comment: Sveaskog calculates operating capital for the key ratios return on operating capital and average operating capital.

	Sep 2019	Sep 2018	IB 190101 with IFRS 16	Full year 2018
Current receivables, etc., non-interest bearing	1,959	1,828	1,840	1,846
- of which advances to suppliers	249	172	219	219
- of which tax assets	178	62	1	1
- of which trade receivables, loans and other receivables	1,532	1,594	1,620	1,626
Current: other liabilities	1,581	1,512	1,397	1,397
- of which tax liabilities	248	258	156	156
- of which trade and other payables	1,333	1,254	1,241	1,241
Total assets	41,671	39,226	40,877	40,751
Less interest-bearing assets (cash and cash equivalents)	-1,071	-918	-847	-847
Less tax assets	-178	-62	-1	-1
Less other liabilities and provisions (non-current)	-8,465	-7,970	-8,382	-8,382
Less contract liabilities	-1	-1	-1	-1
Less trade and other payables	-1,333	-1,254	-1,241	-1,241
Operating capital	30,623	29,021	30,405	30,279

Dividend yield

Definition: Operating profit before change in value of forest assets, excl. capital gains on property sales, divided by average operating capital, excl. deferred tax. The Group's definition has not been changed since previous periods.

Comment: Dividend yield is one of Sveaskog's financial targets. The target is an average dividend yield of at least 4.5 per cent. The target reflects the return on Sveaskog's operating activities excluding the impact of forest valuations and temporary property sales.

	Oct 2018 – Sep 2019	Oct 2017 – Sep 2018	Full year 2018
Operating profit before change in value of forest assets	1,832	1,710	1,807
Less capital gains on property sales	-216	-229	-234
Subtotal	1,616	1,481	1,573
Operating capital OB	29,021	28,181	28,316
Operating capital CB	30,623	29,021	30,279
Average operating capital (OB + CB)/2	29,822	28,601	29,298
Subtotal as above	1,616	1,481	1,573
Divided by average operating capital	29,822	28,601	29,298
= Dividend yield, %	5.4%	5.2%	5.4%

Alternative performance measures, cont.

Interest-bearing net debt

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

The Group's definition has not been changed since previous periods.

Comment: Sveaskog calculates interest-bearing net debt for the key ratio net debt/equity ratio.

	Sep 2019	Sep 2018	IB 190101 with IFRS 16	Full year 2018
Interest-bearing assets (cash and cash equivalents)	1,071	918	847	847
Interest-bearing liabilities and provisions (non-current)	-5,610	-5,090	-5,164	-5,088
Interest-bearing liabilities (Current)	-2,760	-3,120	-2,823	-2,773
Interest-bearing net debt	-7,299	-7,292	-7,140	-7,014

Net debt/equity ratio

Definition: Interest-bearing net debt divided by equity, calculated at the end of the period/year.

The Group's definition has not been changed since previous periods.

Comment: Net debt/equity ratio is one of the ratios for which Sveaskog defines financial targets. The target is a ratio in the range of 0.3–0.6. Sveaskog considers that the ratio reflects the scope for dividends and strategic investments as well as enabling assessments of the Group's ability to fulfil its financial obligations.

	Sep 2019	Sep 2018	Full year 2018
Interest-bearing net debt	7,299	7,292	7,014
Divided by equity	23,254	21,533	23,110
= Net debt/equity ratio, multiple	0.31	0.34	0.30

Return on operating capital

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

The Group's definition has not been changed since previous periods.

Comment: Sveaskog believes the ratio gives a true and fair picture of the company's return excluding financial assets and financing choices.

	Oct 2018 – Sep 2019	Oct 2017 – Sep 2018	Full year 2018
Operating profit	3,749	1,954	3,504
Divided by average operating capital	29,822	28,601	29,298
= Return on operating capital, %	12.6%	6.8%	12.0%

Return on equity

Definition: Reported profit after tax expressed as a percentage of average equity. The Group's definition has not been changed since previous periods.

Comment: Sveaskog considers that the ratio measures the company's annual return on the capital invested in the business by the owner and thus shows how profitable the company is for its shareholders.

	Oct 2018 – Sep 2019	Oct 2017 – Sep 2018	Full year 2018
Equity OB	21,533	20,462	20,816
Equity CB	23,254	21,533	23,110
Average equity (OB + CB)/2	22,394	20,998	21,963
Profit for the year	2,861	1,953	3,168
Divided by average equity	22,394	20,998	21,963
= Return on equity, %	12.8%	9.3%	14.4%

Alternative performance measures, cont.

Interest coverage ratio

Definition: Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses. The Group's definition has not been changed since previous periods.

Comment: Sveaskog considers that the ratio shows the company's ability to cover its financial expenses (interest, etc.)

	Oct 2018 – Sep 2019	Oct 2017 – Sep 2018	Full year 2018
Financial items in the income statement	-163	-107	-141
- of which financial income	-22	27	2
- of which financial expenses	-141	-134	-143
Operating profit before change in value of forest assets	1,832	1,710	1,807
Less capital gains on property sales	-216	-229	-234
Plus financial income	-22	27	2
Subtotal	1,594	1,508	1,575
Divided by financial expenses	141	134	143
= Interest coverage ratio, multiple	11.3	11.3	11.0

Equity ratio

Definition: Equity Divided by total assets, all calculated at the end of the period/year.

The Group's definition has not been changed since previous periods.

Comment: Sveaskog considers that the ratio shows how large a share of the company's assets are financed with equity and indicates how sensitive the company is to changes in interest rates.

	Sep 2019	Sep 2018	Full year 2018
Equity	23,254	21,533	23,110
Divided by total assets	41,671	39,226	40,751
= Equity ratio, %	56%	55%	57%