

Annual Report  
and  
Sustainability Report

2017





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The annual report including the administration report and financial statements comprises pages 6–17, 20–25, 28–29 and 32–90.

The sustainability report that has been reviewed by the auditors is on pages 18–19, 26–27, 30–31 and 94–101.

Front cover: Sandra Backlund is a machine operator in Karlskoga. The photograph was taken in Finnerödja in north Västergötland.

# 2017 in brief

- Net sales increased by 5% to SEK 6,206 million
- Operating profit from continuing operations increased by 11% to SEK 1,248 million
- Dividend of SEK 900 million proposed to the 2018 Annual General Meeting
- Strong economy and increased productivity contributed to improved profitability
- Sveaskog issued its second green bond of SEK 1 billion
- Good outlook for 2018 due to continued strong business climate for forest industry

## about Sveaskog

Sveaskog is Sweden's largest forest owner. The company owns 14% of Sweden's forests and has some 850 employees around the country.

Sveaskog sells sawlogs, pulpwood, biofuel, forest seedlings and silvicultural services. Sveaskog complements supplies from its own forests with purchases from other forest owners, exchanges and imports. Sveaskog also works with land transactions and develops the forest as a venue for fishing, hunting and other nature-based experiences.

100%

owned by the Swedish state

Sweden's largest  
forest owner

846

employees

Net sales

SEK 6,206 Million




# Assignment

Sveaskog is owned by the Swedish state. According to the state's ownership policy, state-owned companies must operate in the long term, efficiently, profitably and be allowed to develop. In order to promote long-term sustainable growth in value in state-owned companies, sustainable business is an integrated part of corporate governance. This means that the companies must act in an exemplary manner within sustainable business and in other respects act in a manner that inspires public confidence.

According to its articles of association, Sveaskog shall own and manage real and personal property, conduct forestry operations and forest industry as well as related business activities. The core business is forest management. Sveaskog shall also be an independent player without major interests as an end user of wood raw material.

Through the sale of land on market terms, the company will enable re-zoning and purchases for private forestry, especially in rural areas. Sales of land will take place until 10% of the land the company held in 2002, when the company was formed, has been divested.

The owner has an explicit dividend policy and clear financial targets for Sveaskog regarding yield and net debt/equity ratio.

A woman with dark hair, wearing a black jacket, is lying on the ground in a forest, measuring a large log with a yellow measuring tape. She is looking directly at the camera. The background shows a dense forest with green trees and branches.

Susanne Spreer, Forest Assessor at Sveaskog.



## Comments from the Chairman

# The forest must be managed and managed well

Sveaskog's mission is to manage the Swedish people's forests in a sustainable manner and this assignment has never been more important than it is at present due to today's critical issue, the climate change. The growing forest binds very large quantities of carbon dioxide and the products the timber is used for replace fossil products to a great extent. Therefore, the forest must be managed and managed well.

The debate about the forest has been unusually lively during the year. The fact that there are opinions about how we at Sveaskog handle our felling, our nature conservation and other land usage we see as a sign of great involvement in the forest and this is something we appreciate. An open and constructive discussion gives us several ideas about how our forest management can be improved. The fact that we do not always agree can be due to Sveaskog having to balance ecological, economic and social aspects while other stakeholders focus on one single aspect, usually biodiversity. I would like to emphasise that an open dialogue is very important for us and we listen carefully.

### Increasing our presence in Brussels

In the EU there was intensive debate before voting on Land Use, Land-Use Change and Forestry (LULUCF), and the Renewable Energy Directive (RED II). Both votes led to a good result for forest management. The results of the vote on LULUCF mean that a felling cap which could reduce felling opportunities will not be introduced, in addition to the limits set by biological growth and set-asides for nature conservation. The RED II vote means that the residual products from the forest and forest industry can be used to produce renewable vehicle fuel, which already takes place in Sveaskog's associated company SunPine.

The fact that these key votes turned out well can be ascribed to well-conducted lobbying in Brussels where many stakeholders collaborated. We can see increased interest in forest issues within the EU and are convinced that our presence in Brussels must be intensified so that we can contribute to increased awareness of Nordic forest management.

### Innovation is important to us

Sveaskog has delivered a good financial result in 2017 due to good customer relationships, fine performances



from our employees, and high demand for timber. We are proud to be able to distribute SEK 900 million to our owner, the Swedish state.

Innovation is important to Sveaskog. We have issued a green bond which was soon oversubscribed and reduces our financing costs, we have completed our first ecological compensation deal and we are taking part in several development projects designed to increase the value of every cubic metre of wood. Sveaskog's contribution to a living countryside, to Sweden's prosperity and not least the climate is considerable. We will do our utmost to increase this still further by managing the forest in a sustainable manner.

Stockholm, March 2018

Eva Färnstrand  
Chairman of the Board

## CEO's comments

## Good outlook for 2018



**“We combine profitable forestry with protection of high conservation values and biodiversity”**

2017 was characterised by a strong economic climate for forest industry and this favourable situation is expected to continue in 2018.

Demand for the renewable wood raw material supplied by Sveaskog will remain high.

Things are going well for forest industry thanks to a strong construction climate and increased interest in building in wood both in Sweden and in export markets. Demand for cartonboard for packaging, packaging paper and hygiene products is also high.

Sveaskog is an important supplier to the Swedish forest industry and the strong economic climate gives us good business opportunities. We continue to strengthen our cooperation with customers and work close to them in order to help develop their businesses. Some examples of major customer projects during the year include improved delivery flows to Smurfit Kappa's pulp mill in Piteå and the new transport by rail from Småland to SCA's new pulp mill in Östrand, outside Sundsvall. These are long-term efforts that further intensify our customer relationships.

#### **Strong financial position**

Sveaskog's sales increased by 5% during the year and we improved our operating profit from continuing operations by 11%. We have a strong financial position and the Board will propose a dividend of SEK 900 million to the Annual General Meeting. This is an increase of SEK 100 million compared with last year which reflects the strong general economic situation and positive non-recurring items. Over the past five years we have distributed SEK 3.2 billion to our owner the Swedish state. In this way we contribute to Swedish prosperity. In 2017 we issued a green bond of SEK 1 billion which attracted very high demand from investors. The interest in the green bond confirms both our strong financial position and the fact that our operations contribute to a sustainable society.

#### **Sustainable forest management**

During autumn 2017 our forest management was criticised by different stakeholders. The critics believe that we ignore biodiversity when felling. For us active forest management involves constantly weighing up ecological, social and economic considerations while the environmental movement mainly focuses on biodiversity. Every year we fell in several thousand locations in Sweden and on every occasion we perform a conservation value inventory to ensure that we preserve those forests with the highest conservation values.

Our goal is to conduct sustainable forest management where active, profitable and responsible management of forests and forest land continuously creates growth,

diversity and increased value for generations. We combine profitable forestry with the protection of high conservation values and biodiversity.

Back in 2002, Sveaskog decided to make long-term nature conservation set-asides corresponding to 20% of its productive forest land. The ecoparks are part of efforts to achieve this goal. In our 37 ecoparks covering a total of 175,000 hectares we combine extensive protection of large areas of land with restoration of conservation values and forestry with appropriate consideration.

The public in Sweden have confidence in our sustainability work. In a survey conducted by Stockholm University about views on state-owned companies' sustainability work, Swedes gave us a strong rating which we are proud of.

The forest and forest industry are important for Sweden and for us who live here. The forest creates key climate benefits and the forest industry contributes to a living countryside. We have the good fortune to have a plentiful raw material that many other countries lack. Let us use it in a wise and discerning manner.

#### Sweden needs international lobbying

By using the wood raw material where we replace fossil products, we create positive climate effects. Research and development work is underway to find new applications for wood raw material as well as the residual products from forest industry. Sweden can do even more here to push development and create an important future global market. We also need strong international lobbying for our green transition – this was clear from discussions in the EU after year-end on the use of tall oil and biofuel from stumps.

The UN's 2030 Agenda for Sustainable Development is good for Sweden. It provides opportunities for Sweden to build a world-leading position within forestry. The Swedish forest is necessary if we are to meet the goals of the international community and the Swedish goal of a carbon-neutral society.

We at Sveaskog prioritise development projects that support changeover to a carbon-dioxide neutral society. We are involved in several major projects for the production of green fuel. It is stimulating to see how well SunPine, where we are a part owner, is developing and we have great expectations on efforts in Piteå to convert

black liquor from pulp mills into raw material for biofuels. Demand for biofuel is showing strong growth and more initiatives are needed if Sweden is to manage the green transition and the transfer to a fossil-free vehicle fleet. Our own carbon dioxide emissions continued to decrease during the year despite increased transport volumes. The reduced carbon dioxide emissions are due to continued improvements in the fuel mix with an ever increasing proportion of renewable fuel.

#### Sveaskog is an attractive employer

We conducted an employee survey during the autumn which shows that the employee motivation index is higher than the national average. Furthermore, our employees are happy to recommend people to start working with us.

We work with several different initiatives designed to increase both our attraction as an employer and interest in employment in the forestry industry. These include support for summer camps for young people, trainee positions and welcoming trainees within our 'Growing Power!' project which covers both recent immigrants and young Swedes.

Internally we focus on creating active employeeship where everyone can find a good balance between responsibility, enthusiasm and working tasks.

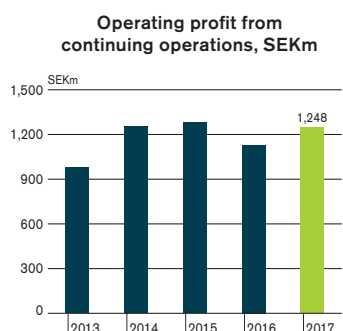
Our employees work diligently to deliver our products at the right time and with the right quality. This has a decisive impact on our performance both financial and within other areas. I am very proud of this.

#### Outlook for the coming year

We expect conditions in the forest industry to remain strong in 2018. There is still a lot of construction in Sweden and Europe at the same time as global demand for cartonboard and packaging paper continues to rise. The good economic climate ensures a strong 2018 for Sveaskog and Swedish forest industry. We are looking forward to a continued open discussion during the year about the use of the forest.

Stockholm, March 2018

Per-Olof Wedin  
President and CEO



| Performance measures                               |        |        |
|--|--------|--------|
|  | 2017   | 2016   |
| Yield, % (target at least 4.5%)                    | 4.6    | 4.2    |
| Net debt/equity ratio, multiple (target 0.3–0.6)   | 0.36   | 0.40   |
| Return on operating capital, %                     | 6.5    | 5.8    |
| Return on equity, %                                | 6.7    | 6.0    |
| Interest cover, multiple                           | 9.8    | 6.3    |
| Equity ratio, %                                    | 52     | 52     |
| Interest-bearing net debt, SEKm                    | 7,410  | 7,937  |
| Average number of employees                        | 846    | 844    |
| Total delivery volume, thousand m <sup>3</sup> sub | 10,817 | 10,684 |

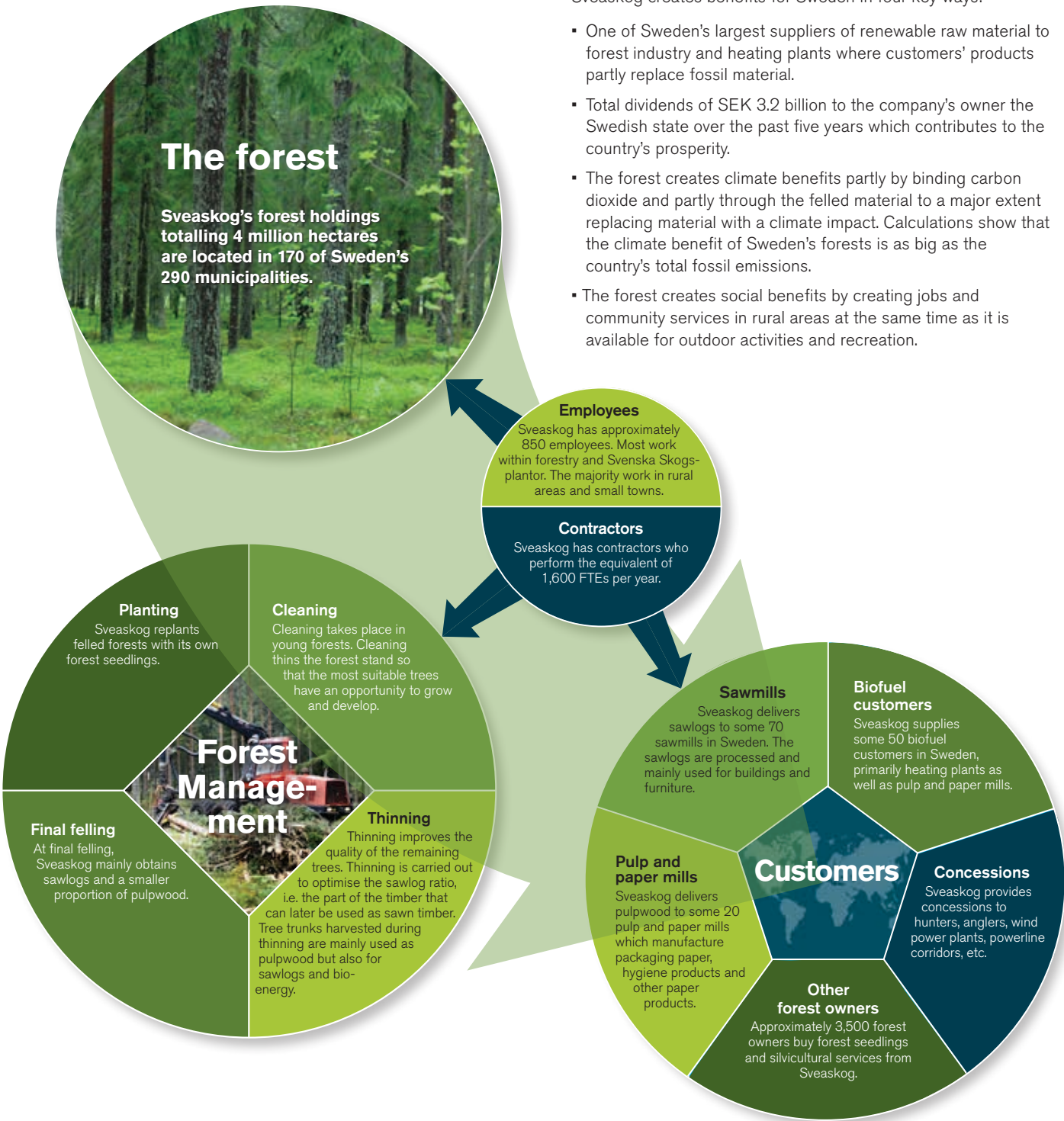


# Sveaskog's business model

Sveaskog's core business is to manage the forest and sell sawlogs and pulpwood as well as biofuel. In addition, Sveaskog carries out land transactions and develops the forest as a venue for fishing, hunting and nature-based experiences.

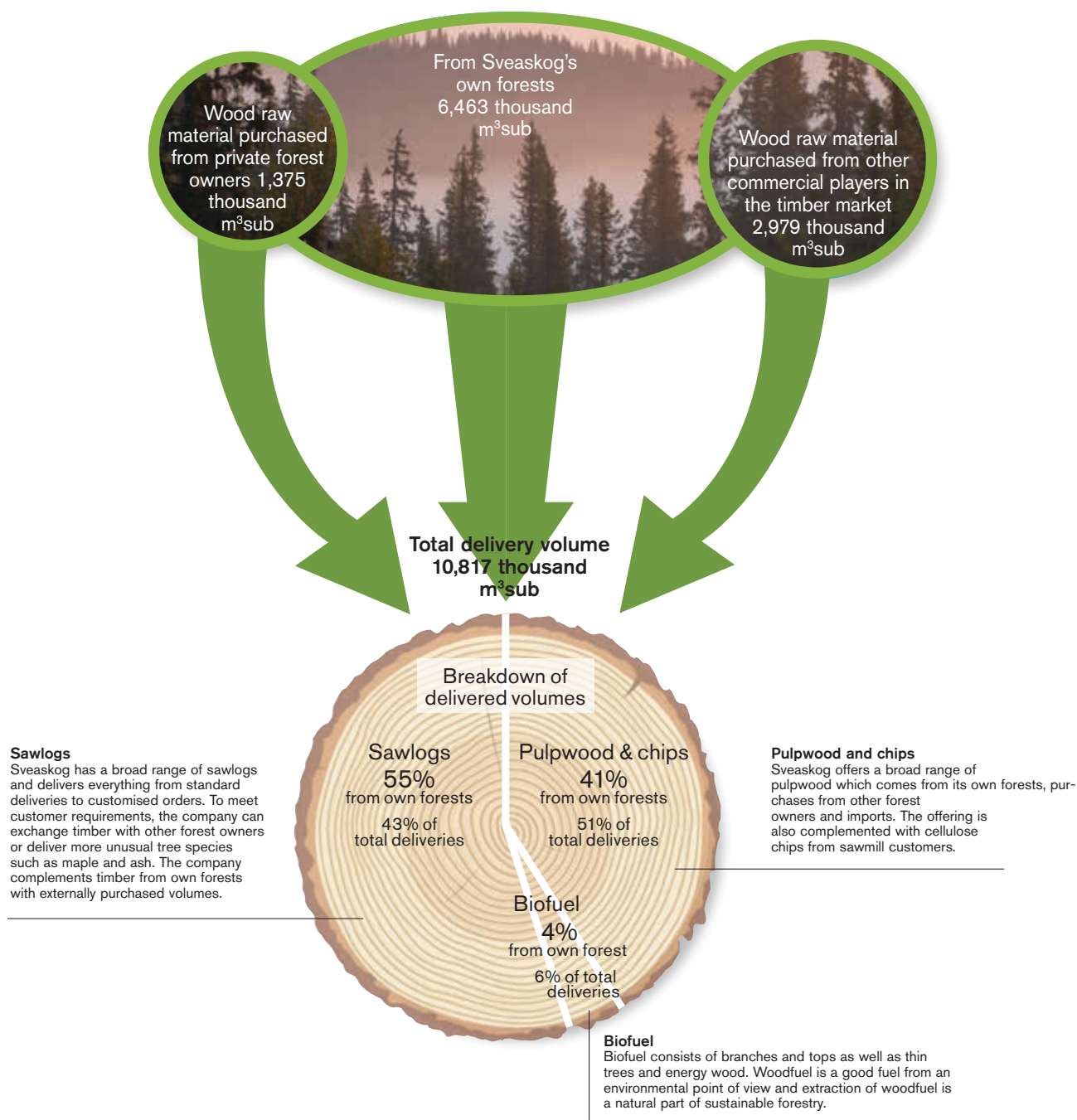
Sveaskog creates benefits for Sweden in four key ways:

- One of Sweden's largest suppliers of renewable raw material to forest industry and heating plants where customers' products partly replace fossil material.
- Total dividends of SEK 3.2 billion to the company's owner the Swedish state over the past five years which contributes to the country's prosperity.
- The forest creates climate benefits partly by binding carbon dioxide and partly through the felled material to a major extent replacing material with a climate impact. Calculations show that the climate benefit of Sweden's forests is as big as the country's total fossil emissions.
- The forest creates social benefits by creating jobs and community services in rural areas at the same time as it is available for outdoor activities and recreation.





## Sveaskog's total deliveries



### Other operations

#### Svenska Skogsplantor

Sveaskog sells forest seedlings under the Svenska Skogsplantor brand. Svenska Skogsplantor is Sweden's largest seedling supplier and delivers approximately 119 million forest seedlings every year. Sveaskog also offers silvicultural services such as soil scarification and planting.

#### Other business from forests and land

Sveaskog grants land concessions for among other things fishing, hunting and wind power and operates Mörrums Kronolaxfiske (salmon fishery) as well as the Hjälmare Canal.

### Share of total delivery volumes



# External factors that affect Sveaskog's operations

Sveaskog is a Swedish company that operates in a global environment. Operations are therefore affected by both national as well as global factors and trends. The eleven most significant external factors are described here.

## Climate change



The significance of climate change and how we should deal with this are issues that are becoming increasingly important both in Sweden and internationally. This affects views on forest management and the forest as a raw material. The global climate agreement COP21 reached by the international community in December 2015 describes forest management as a success factor for preventing the Earth's temperature from increasing by more than two degrees. Growing forest binds carbon dioxide and this type of climate benefit arises when total felling is less than forest growth and when the harvested timber is used in construction. The other climate benefit is the substitution effect that arises when wood raw material replaces

other materials with a less favourable climate profile. The forest binds most carbon dioxide when it is young and middle-aged since that is when the greatest growth occurs.

In Sweden, the goal is to reduce greenhouse gas emissions by 85% by 2025 compared with the 1990 level. Net emissions will then be zero and after 2025 increased uptake in forest and land will lead to negative emissions for Sweden. Globally, the UN's Agenda for Sustainable Development, the 2030 Agenda, can affect opinions about how the forest should be used and increase understanding of how active forest management can contribute to the achievement of its goals.

## Transports

Rail transport is used where possible but when the wood raw material is collected from the forest roads, HGVs have to be used. This means that the forest industry is highly dependent on road transport.

Transports are a significant cost item for producers of wood raw material and also account for major carbon dioxide emissions. Sveaskog's road transports alone drive the equivalent of two trips round the globe every day and account for two-thirds of the carbon dioxide emissions generated by its operations.

By increasing the proportion of renewable fuels and improving logistics with new IT systems, the negative climate impact is reduced and profitability is also improved.



## The green transition

The green transition is about Sweden having a fossil-independent vehicle fleet by 2030 and a carbon dioxide neutral society by 2050. The forest, forest management and wood raw material play a key role in this transition. The growing forest binds carbon dioxide and wood raw material can replace fossil products and processes.

The forest industry's residual products such as pine oil are important for the transition to a fossil-independent vehicle fleet. In Sweden demand for bio vehicle fuels exceeds production which is positive for the development of renewable vehicle fuels. Development projects take several years from laboratory to commercialisation but are important for raising the value added of wood raw material and residual products. Biofuel from the forest is also good fuel from an environmental perspective.





## Digitalisation

Digitalisation and technological development affect both forest management and the development of new applications for the wood raw material.

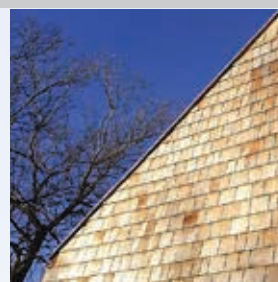
Within forest management, digitalisation and the use of big data lead among other things to improved maps and bases for decision-making. Laser-scanned forests, more detailed information about soil properties, mobile tools and cloud-based services mean that the forest can be both managed and harvested more efficiently and with less environmental impact.

New technology also means that forest machines will be more effective and cause less environmental impact.



## Interest in building with wood

The market for sawlogs is mainly dependent on the construction industry and interest in building with wood. In recent years a growing number of architects and construction companies have discovered the advantages of wood which is a climate-smart material. A growing number of apartment blocks, sports halls and bridges are being built with timber frames. Today 10% of all multi-storey buildings are built with timber frames and interest in using wood as a frame is increasing both in Sweden and internationally. This is having a positive effect on demand for sawlogs. There are also plans for several initiatives in Sweden using cross-glued wood as a building material for future housing construction.



## New applications for wood raw material

Increased use of wood and forest land contribute both to a long-term growing business and greater climate benefit. Since the forest is a renewable raw material and the climate is an increasingly central issue, there is growing interest in finding new applications. Everything that is made of oil can in principle be made from the forest. For example, work is underway to develop techniques for the manufacture of carbon fibre from lignin from sulphate pulp mills. Carbon fibre can be used in everything from cars and aircraft to satellites. Researchers have succeeded in developing transparent wood that can be used in windows and solar panels or video screens. Another new application for wood raw material is to manufacture protein for fish feed from branches and tops. Research is also underway into how cellulose-based textiles can be produced using more sustainable processes.

## Skills supply

Motivated employees with the relevant skills are essential for a company's ability to conduct an efficient and profitable business. Companies perceived as attractive employers find it easier to recruit people with the right skills.

Relocation from rural areas makes it difficult for the forest industry to find the right skills in smaller towns. A career in forestry is also losing its attractiveness among the young.



## Timber availability



Sweden has never had as much forest as today and the forest has never grown as fast as it does now. There is therefore potential in ten to thirty years for increasing felling within the limits for growth and obtaining more raw material from the forest at the same time as it continues to be an important carbon sink. Increased raw material availability will allow bigger deliveries to the industry for further processing.

## The global economy

The Swedish forest industry operates in the global market. 80% of what is produced is exported. Through its timber exports, Sweden contributes to the international green transition in countries that do not have much forest of their own. Export-dependence means that Sweden's forest industry is affected by the global economy and international trade rules.

More than half of the timber from the Swedish forests goes to the sawmills. The sawmills in turn export about 70% of their production, mostly to Europe. Demand for sawn wood products is mainly affected by the economic situation in the construction industry. Within the foreseeable future European housing starts are expected to remain strong at the same time as interest in building with wood is increasing.

Almost 90% of pulp and paper production in Sweden is exported and demand is growing in pace with world trade. The Swedish Forest Industries Federation expects export volumes to grow by about 3% per year in 2017-2018 assuming an unchanged exchange rate for the Swedish krona. Forest industry continues to invest in new production capacity in Sweden which is positive for Sveaskog and other producers of wood raw material.

## Biodiversity

Forest management and the forest industry are dependent on political decisions in many areas relating to everything from corporate taxes to nature conservation set-asides. The discussion about what the forest should be used for and what is meant by sustainable forestry affects conditions for forest management. Sveaskog carefully monitors the development of the ongoing work with the national forest programme.

Parliament's environmental quality objective Living Forests leads the way for the forest industry. Efforts to achieve the Living Forests environmental objective are based on formal protection, voluntary set-asides by landowners and environmental consideration in forest management.

Political interest in different values from the forest, so-called ecosystem services, is growing and a government inquiry on compensation land may provide new business opportunities for forest owners.



## Collaboration and dialogue

Many people are dependent on the forest and it is very important for recreation and outdoor activities. Where there are forests there are sometimes different opinions about how forest management should be conducted. Dialogue and collaboration between the different stakeholders affect forestry, for example the methods used for reforestation and when action should be taken. The forest sector's shared goals for good environmental consideration provide guidance on aspects such as communication about forest management activities. In areas where reindeer herding takes place there is regular dialogue to ensure access to grazing.





## Sveaskog's sustainable business

Sveaskog's starting point for sustainable business is to balance and unite the three perspectives economic, social and environmental development in an exemplary manner. This is guided by the UN's 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals.

**Sveaskog's definition of sustainable forest management:**

"Active, profitable and responsible management of forests and forest lands in a way that continuously creates growth, biodiversity and increased value for generations."

Sveaskog manages its forests and forest lands so that their climate benefit, biodiversity, social and economic values are retained and strengthened now and for future generations. At the same time, the company cares about the profitability and competitiveness of forestry. Sveaskog continuously strives to develop its sustainable forest management, an ongoing learning development process based on science, increased knowledge and experience.



## Sveaskog's most significant sustainability areas

Sveaskog addresses several sustainability challenges. The most significant are:

- The environment regarding biodiversity and carbon dioxide emissions from forest machines and transports
- Human rights regarding gender equality and diversity as well as the indigenous population's access to reindeer grazing
- Social issues such as working environment and availability of personnel in rural areas and small towns

Sveaskog has also identified the following sustainability issues as significant for the company:

- Confidence in Sveaskog and its sustainable forest management
- Customer satisfaction
- Financial results and profitability

| Sustainability area                      | Strategic goal  | Global Sustainable Development Goal   |
|--|---|---|
| Confidence                               | <ul style="list-style-type: none"> <li>▪ Customers' preferred and most knowledgeable partner</li> <li>▪ Leading within sustainable forest management</li> <li>▪ Preferred choice for employees and contractors</li> </ul> |    |
| Financial results                        | <ul style="list-style-type: none"> <li>▪ The most profitable forest company in the short and long term</li> <li>▪ Leading in innovation and efficiency</li> </ul>   |   |
| Climate impact                           | <ul style="list-style-type: none"> <li>▪ Leading within sustainable forest management</li> </ul>  |   |
| Customer satisfaction                    | <ul style="list-style-type: none"> <li>▪ Customers' preferred and most knowledgeable partner</li> </ul>   |   |
| Biodiversity                             | <ul style="list-style-type: none"> <li>▪ Leading within sustainable forest management</li> </ul>  |    |
| Equality, diversity and skills provision | <ul style="list-style-type: none"> <li>▪ Preferred choice for employees and contractors</li> </ul>  |    |

Sveaskog has decided on the most significant sustainability areas following a materiality analysis where the company's own assessments were combined with different stakeholders' perceptions.



# 2030 Agenda

## Sveaskog's strategies contribute to the global Sustainable Development Goals

The forest and forest management are key to attaining the global Sustainable Development Goals in the UN's 2030 Agenda for Sustainable Development. The 2030 Agenda includes 17 Sustainable Development Goals. Sveaskog has strong strategies in five of the Sustainable Development Goals.



### **Gender Equality – Achieve gender equality and the empowerment of all women and girls**

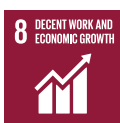
Goal 5 has been identified by Sveaskog as one of the company's most significant sustainability areas. Increased equality improves future skills provision.



### **Affordable and Clean Energy – Ensure the availability of affordable, reliable, sustainable and modern energy for everyone**

Sveaskog has a goal to drive innovation and focuses on participation in projects that contribute to the green transition. Sveaskog therefore participates in development projects to extract green vehicle fuels from wood raw material and residues from forest management and forest industry.

Sveaskog also contributes to goal 7 by leasing land for renewable electricity production in the form of wind power and the production of biofuels which provide renewable energy from the forest.



### **Decent work and economic growth – Work for lasting, inclusive and sustainable economic growth, full and productive employment with decent conditions for everyone**

The forest brings employment and vigour to rural areas and small towns. Sveaskog's business therefore contributes to a living countryside and economic growth outside big towns.

Diversity is one of Sveaskog's goals for broadening the recruitment base. The competence of contractors is vital for Sveaskog's ability to create efficient processes and satisfied customers. To be able to attract the most committed and knowledgeable contractors, the company works to get the contractors to make Sveaskog their first choice.



### **Climate action – Take immediate action to fight climate change and its consequences**

The forest is a very important resource in the fight against climate change. The forest binds carbon dioxide and most is bound by the young, growing forest. The forest is also key to the green transition since everything that is made from oil can in principle be made from wood.

Sveaskog's business is to fell mature forest and replace it with young, growing plants. The felled forest is sold on to companies where it is used as durable building material, replacing fossil material, or as renewable raw material to the packaging and pulp industries, or as renewable energy in the form of biofuel.

Sveaskog works actively to reduce dependence on fossil energy sources and has set goals and prepared action plans to reduce its own carbon dioxide emissions.



### **Life on land – Protect, restore and support sustainable usage of land-based ecosystems, manage forests sustainably, fight desertification, stop and reverse soil degradation, and stop loss of biodiversity**

Sveaskog has a goal of being a leader within sustainable forest management. The company has identified biodiversity as one of the most significant sustainability areas for reducing the negative impact of forest management on ecosystems. Sveaskog combines profitable forest management with protection of high conservation values.

In coming years Sveaskog will develop its strategies for the following three global goals:



# Strategies

## for being the leading forest company

Today, in the transition to a greener, more sustainable society, the importance of the forest for the climate and sustainable development has become increasingly topical. As Sweden's largest forest owner, and owned by the Swedish state, Sveaskog wants to be the leading forest company and an example within sustainable business.

Sveaskog has made its vision tangible in five goals and this will be achieved by balancing and unifying an economic, social and environmental sustainable development. Sveaskog has therefore fully integrated sustainable business into its business strategy and business plan development.

The five goals as well as the strategic priorities have remained the same since 2016. Over the years the goals and strategic priorities have been developed.

The goals are measured with indicators that are regularly monitored and form a basis for the annual business plan.

Vision 2021 and strategies







## The most profitable forest company in the short and long term

Good profitability creates scope to continue to develop the business. Profitability is affected both by use of the forest and wood raw material and by the efficiency of administration and production.

Refining the forest holdings through purchases and sales as well as exchange of forest land is also a step in ensuring good long-term value development.

### **Increase growth and volume extraction from own forests**

Wide-ranging work is ongoing in the company to increase growth in the forest. This includes among other things the silviculture programme which improves cleaning and felling methods as well as the development of faster growing seedlings. Initiatives to reduce grazing damage by elks also have a positive effect on growth.

The most important factor for Sveaskog's profitability is satisfied customers. With satisfied customers the volumes removed from own forests can increase and the company can focus on initiatives that enable future increased extraction from own forests. In 2017 new felling calculations were started which will be implemented in 2018. The new calculations, among other things, take into account that new forest will be ready for felling within the next ten years.

### **Increase other revenue as well as revenue from hunting, fishing and land concessions**

Increased use of wood and forest land contributes to both a long-term bigger business and increased climate benefit. Sveaskog therefore participates in various projects and activities aimed at creating new uses for wood and forest land.

The climate change is today's greatest challenge and the forest provides climate benefit through its sequestration of carbon dioxide. Since the forest is a renewable raw material, there is great interest in finding new uses such as textiles and nanocellulose.

Vehicle biofuel from the forest industry's residues is significant for the green transition.

Over the last two years the company successfully launched new lease forms for hunting and fishing such as short-term hunting of small game. Work on this is ongoing. A programme has also been started to increase ecotourism in the ecoparks.



Rickard Johansson is a machine operator at NOE Skogsbruk AB and makes random checks of logs for delivery to Sveaskog's customers.

Read more about the financial results on pages 34–35 and Sveaskog's economic effect on society on pages 18–19.

## Customers' preferred and most knowledgeable partner



Satisfied and profitable customers are a prerequisite for value-creating sustainable business. Sveaskog is therefore careful to have long-term business relations and be a secure supplier which keeps its word.

Developing customer relations is part of daily work and involves among other things employees developing business and the business model together with customers.

Sveaskog fells on over 10,000 sites every year and timber of different species, grades, lengths and diameters from this felling is matched to the right customer. To meet customer requirements, Sveaskog can complement raw material from its own forests

with purchases from other forest owners in Sweden or abroad.

The most important thing for customers is that the company delivers the right quantity and quality at the right time. The most recent customer survey shows that customer satisfaction is very high and that Sveaskog gets the highest mark in the area of delivery quality. Customers also think that the company's work with sustainable development is important and believe that Sveaskog has an open dialogue with customers, the public and stakeholder organisations.

Read more about the goals and Sveaskog's customer relations on pages 36–43.



## Leading in innovation and efficiency

Innovation and development work focus on projects that will increase production and productivity in forest management, reduce environmental impact or create new applications for wood raw material and forest land. The projects are run in close cooperation with customers and other stakeholders.

### Increase efficiency in production and administration

Digitalisation and new technology are key to increasing efficiency in all parts of the business and reducing production costs. Digital technology is used, for example, to improve the basis for planning forest management using land maps based on laser scanning and hydrological maps.

New technology is also used to develop more efficient and gentler machines for forest management. Sveaskog therefore works with other forest companies and machine manufacturers to develop harvesters and other forest machines that are more efficient and more environmentally friendly.

Sveaskog also works closely with its contractors to develop their methods and improve efficiency.

Within Svenska Skogsplantor the focus is on increasing production volumes and widening the market to the rest of the Nordic area.

Read more about the goals and Sveaskog's efficiency and innovation work on pages 32–33.



Sveaskog is involved in several large projects for the production of green vehicle fuel. SunPine, where Sveaskog owns 25.1%, produces successful raw pine diesel and other more high-value products such as resin, based on pine oil which is a residue from paper mills.

SunPine in Piteå has grown rapidly through extracting fuel from raw pine oil, a residue from paper mills.



## Preferred choice for employees and contractors

Motivated employees with relevant skills are a prerequisite for running an efficient and profitable business. In order to recruit employees with the right skills and ensure that staff feel motivated and proud, the company must be an attractive employer.

To be able to attract the most committed and knowledgeable contractors, the aim is that the contractors make Sveaskog their first choice.

### **Develop leadership and employeeship**

Forest management and silviculture are industries of the future. Sveaskog offers many different jobs throughout Sweden. The company works continuously

to develop both employeeship and leadership. Gender equality and diversity are key areas to ensure skills supply and continue to develop the business.

Long-term skills supply is among other things about conducting a dialogue with different stakeholders to increase the attractiveness of living in rural areas or small towns. Where the forest is managed, conditions are created for a vital countryside since the forest provides local employment and growth potential.

Read more about the goals and how Sveaskog works with its contractors on pages 30–31 and about employees on pages 28–29.

## Leading within sustainable forest management



Sveaskog develops the forests' economic, ecological and social values. The company produces renewable raw materials, provides climate benefits, protects biodiversity and develops social and cultural values. The company's goal is to economically optimise growth and have a high ambition for nature conservation.

Through long-term silviculture with planting, cleaning and thinning, the forest is given conditions for growth with a good mix of tree species. A positive effect of silviculture is also that the sequestering of carbon dioxide increases. Sveaskog's nature conservation work covers the entire scale from landscape to individual trees as well as trees and tree groups. Efforts include both leaving areas untouched and actions to increase conservation values. Sveaskog sets aside 20% of its productive forest land for nature conservation.

All activities which Sveaskog carries out in the forest can affect biodiversity. The company's ambition is to set an example for nature conservation. The intention is to improve the quality of nature conservation in the forests at the same time as forest management is adapted to outdoor activities and experience values in well-visited areas.

### **Increase confidence in Sveaskog's sustainable forest management**

In order to operate and create value, the public, customers and employees must have a high level of confidence in both Sveaskog and the forest industry. To increase confidence, the company engages with the public debate and is involved in sector initiatives intended to make the public feel confident that the forest is responsibly managed to the benefit of society.

Good ethics are a prerequisite for building confidence and a strong brand. The Code of Conduct specifies how employees and the company behave in relation to one another, customers, contractors and other stakeholders.

Sveaskog continuously develops its forms of communication and meetings with different stakeholder groups focusing on local dialogue. Forms of collaboration with the Sami are especially important and continue to be developed.

Read more about the goals and work on preserving or developing biodiversity in the forest on pages 22–25. On pages 26–27 you can read about the forest's major significance for climate change and Sveaskog's work to reduce its own carbon dioxide emissions.

# Sveaskog has a major, positive impact on society

Sveaskog creates significant values for society in many different ways. The company contributes among other things to a positive climate impact, employment in rural areas and keeps its forests accessible for outdoor activities and tourism.

Sveaskog has 846 employees throughout Sweden. In addition, the company engages contractors who each year carry out work corresponding to 1,600 FTEs. Together with the contractors, Sveaskog generates about 2,400 job opportunities per year.

For every person employed in an industry jobs are created in other sectors. According to the Employment Multiplier, 100 jobs in the forest industry create a further 125 jobs in other sectors. These involve everything from travel and transport services, post and telecommunication, property services, research and development, to corporate services in the service sector such as legal, economy, technology, architectural, design and marketing. In this way, Sveaskog's operations create over 3,000 jobs in other sectors.

## **The forest provides jobs in rural areas**

Forest management is an especially important business for the country since most jobs are in rural areas where

there are few other activities. Forest management also creates a local value chain which stretches across the village school, the town hotel and the local pizzeria. In addition, conditions are created for different types of community services. Tourism, hunting and fishing on Sveaskog's land also create jobs.

The forest is also of great significance for outdoor activities, recreation and tourism. In recent years more people have become aware of the forest's positive effect on both our physical and mental health. Tourism and the possibility to arrange hunting, hiking and sports events such as orienteering are activities which also create value for society.

## **Dividend of SEK 3.2 billion to the state**

Sveaskog contributes to Sweden's welfare through dividends to its owner, the state. Over the past five years Sveaskog has paid dividends of SEK 3.2 billion to the state. The company also pays corporation tax which in 2017 amounted to SEK 175 million.

A total of some 100,000 people work in forest management and forest industries in Sweden, according

\* From the Almega and Unionen joint report "Det nya näringslivet – om samspelet mellan industrin och tjänstesektorn" (2008).

## Integrated sustainability report



Pavan Sukhdev, CEO GIST Advisory

During 2017 work was carried out on a deeper analysis of Sveaskog's operations in order to report the business in a wider stakeholder perspective.

The analysis highlights the company's added value in the form of ecosystem services and benefit to society over and above the economic value of timber production and covers the company's different types of impact and contributions in areas relating from climate and water to land use and social values.

### **Model for follow-up**

The analysis provides the basis for a model for continuously evaluating, following-up and communicating the business, creating transparency and understanding – a tool which provides support for the follow-up of international frameworks such as UN's 2030 Agenda for Sustainable Development with regard

to natural capital and social values.

"Key confirmation that has come out of the analysis is that Sveaskog carries out sustainable forest management in a manner that is able to handle the major values that are in the natural capital," comments Lena Sammeli-Johansson, Head of Sustainability at Sveaskog.

### **Method designed in India**

The analysis was carried out together with GIST Advisory led by its CEO Pavan Sukhdev. Pavan Sukhdev is one of the founders and has led the work with Sveaskog's integrated income statement. Pavan Sukhdev has among other things been head of the UN Green Economy Initiative and on the board of the Stockholm Resilience Centre. The method used by GIST Advisory is called IP&L™ and stands for Integrated Profit and Loss Reporting.





The forest is important for recreation and well-being.

to Statistics Sweden. If the Employment Multiplier is applied here, it means that the forest industry creates a total of about 225,000 job opportunities in the country. These jobs are especially significant for Sweden since most of them are outside urban areas.

Sveaskog's forests are also important for reducing negative climate impact. Both the forest and its products create climate benefit. The forest is key to transitioning to a fossil-free society and Sveaskog is there and driving this development. Read more about the forest's effect on the climate on pages 26–27 and Sveaskog's contribution to the green transition on page 33.

#### Indicator

In order to operate and create value, the public, customers and employees must have a high level of confidence in both Sveaskog and the forest industry. To increase confidence, the company therefore engages with the public debate and is involved in sector initiatives intended to get the public to feel confident that the forest is responsibly managed.

The confidence index has remained at a stable level during 2017. The confidence index is an aggregate of perceptions from customers, contractors, suppliers and employees.

#### Goal: High confidence in Sveaskog

| Indicator              | Metric           | Value 2015 | Value 2016 | Value 2017 | Target 2021 |
|------------------------|------------------|------------|------------|------------|-------------|
| Confidence in Sveaskog | Confidence index | 78         | 78         | 78         | 80          |

# Active forest management creates values for generations

Sveaskog manages the forest so that climate benefits and biodiversity as well as social and economic values are strengthened both now and for future generations. At the same time forest management must be profitable and competitive.

Sveaskog's goal is to be the leader within sustainable forest management. This is achieved through active and responsible management of the forest and forest land in order to continually create growth, diversity and increased value for generations.

In 2017 Sveaskog delivered 10,817 thousand m<sup>3</sup>sub of sawlogs, pulpwood, chips and biofuel which makes the company Sweden's largest producer of wood raw material. To meet customer demands for different grades and volumes, Sveaskog also buys raw material from other forest owners in both Sweden and abroad.

Forest management means that the forest is inventoried, planted, cleaned, thinned and regeneration

felled. Cleaning is a priority activity and Sveaskog tries to clean the forest as early as possible. Increased digitalisation makes it possible already when felling to decide with great precision which tree is going to which customer.

## Growth exceeds felling

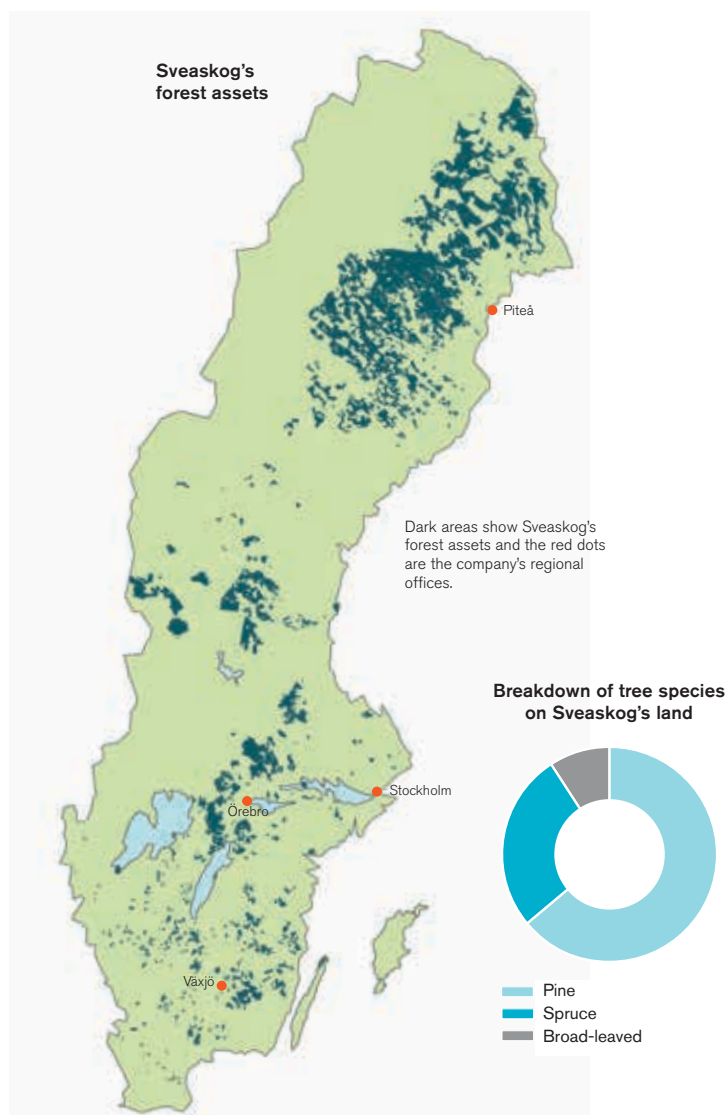
Every year Sveaskog carries out thinning and regeneration felling on some 40,000 hectares or about 1% of its land. Felling levels are maximised in the long term so that they do not need to be reduced in the future. Felling levels are lower than growth in the forest. In 2017 felling amounted to 72% (70) of growth on managed land.

For each tree which is felled, an average of three new ones are planted. Sowing as a regeneration method is also used. In 2017 Sveaskog scarified, sowed, planted, cleaned and fertilised 84,443 hectares (81,408) of its own land.

Sveaskog also fells on assignment from other forest owners. When felling on other's land, the same demands are made on nature conservation as when felling on own land. Felling is carried out by the company's own personnel and machines or by contractors.

## More forest than ever before

Sweden has never had as much forest as today and the forest has never grown as quickly as it does now. The age spread of Sveaskog's forests is, however, uneven. At the end of the 19th and beginning of the 20th centuries management methods led to the forests being sparse with low productivity. After 1950 restoration of the forest was started which led to large areas with high growth which will be ready for felling in ten to thirty years. There is therefore a potential for Sveaskog to increase felling in ten to thirty years. The time interval varies between



| Sveaskog's forest assets   |        |        |        |
|--|--------|--------|--------|
|  | 2015   | 2016   | 2017   |
| Total land area, million hectares                                | 4.04   | 4.01   | 4.01   |
| Of which productive forest land, million hectares                | 3.12   | 3.11   | 3.11   |
| Book value according to IAS 41, SEKm                             | 34,097 | 34,377 | 34,514 |
| Taxable value, SEKm  | 64,149 | 64,668 | 58,461 |
| Total deliveries, thousand m <sup>3</sup> sub                    | 10,748 | 10,684 | 10,817 |
| - Deliveries from own forest, thousand m <sup>3</sup> sub        | 6,570  | 6,459  | 6,463  |
| - Field purchases, thousand m <sup>3</sup> sub                   |        | 1,342  | 1,375  |
| - Central purchases and imports, thousand m <sup>3</sup> sub     |        | 2,883  | 2,979  |
| Timber extraction as proportion of net growth on managed land, % | 71     | 70     | 72     |



forests and regions. This will lead to the extraction of wood raw material increasing to meet an anticipated higher demand for both greater volumes and small-dimension timber.

#### Land sale programme

As part of making operations more efficient, Sveaskog tries to adapt the structure of its forest holdings to the customer structure by buying, exchanging and selling forest land.

In accordance with a parliamentary decision, Sveaskog must divest 10% of the land area the company had at its formation in 2002. Sales must be made under market terms and aim to strengthen private forestry. During 2017, 13,787 hectares (10,730) were sold. A total of 363,989 hectares or 8.35% has been sold in 2,185 deals.

#### All forests FSC® certified

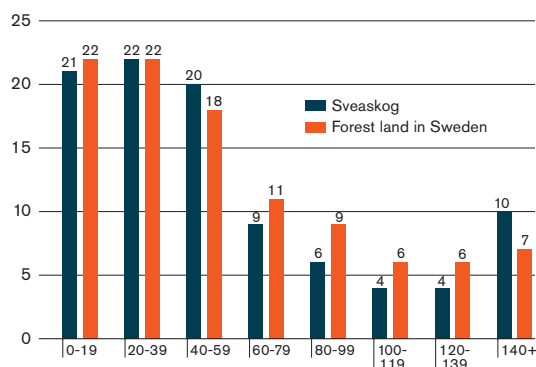
The FSC® certificate provides a guarantee that the forest is managed responsibly. All silvicultural actions and felling are planned based on the requirements in the Swedish FSC® standard which takes economic, environmental and social factors into account. The company also requires certification for imports. To help both consumers and companies make responsible purchases, Sveaskog has a FSC® traceability certificate.

In December 2017 Sveaskog obtained its PEFC certificate. This means that Sveaskog will be able to sell timber from its own forests that is either FSC® or PEFC certified.

FSC® is an independent international organisation for certification of responsible forestry. The aim is socially beneficial, environmentally appropriate and economically viable responsible forest management. FSC®'s logotype on products represents independent certification of forestry and product manufacturing according to FSC®'s rules.



Age classification for Sveaskog's forest land as well as Sweden's total forest land, %



Age classification in the Swedish forests is uneven which will affect future felling.

## The forest is shaped by thinning



Johan Henriksson thins in Hasselfors.

Near Hasselfors, just north of Laxå, Johan Henriksson manoeuvres his harvester through a stand that is to be thinned. He leaves a trail of easily handled piles of pulpwood. The spruce that remain can grow into thick sawlogs thanks to the increased light. Increased demand for small-dimension timber means that even thinning can give returns.



Helene Carlsson.

“Good forest must not be thrown away. We do what we can to get the best from the forest,” says Helene Carlsson, Sveaskog's profit centre manager Södra Bergslagen.



Quality is checked through random samples.

# Active habitat management focused on biodiversity

When the forest is cultivated, flora and fauna are affected. At Sveaskog biodiversity is in focus. The aim is to set an example within habitat management.

Sveaskog works actively to create varied forests for experiences and conservation values. Habitat management covers everything from landscapes to individual forests as well as trees and tree groups. Some forests are left untouched and others receive habitat management. The aim is to retain or develop biodiversity in the forest or protect other values from a sustainability perspective, for example reindeer herding. Activities are primarily aimed at protecting old natural forests, re-establishing or developing new broad-leaved forests and saving existing broad-leaved forests from invasion by spruce. Habitat management work increases the proportion of old forest and creates forests that are more varied and species-rich.

**More varied forests in the future**

Swedish productive forest land is dominated today by conifers but in the future there will be more broad-leaved trees. There will also be older, large trees as well as fallen tree trunks and dead wood left in the forests. Species that have been long threatened with extinction will become more viable when their habitats are cared for and recreated.

**Selective felling**

Sveaskog's main method of forest management is clear felling. The method is regulated by various certification processes. Clear felling means that a new generation of trees is established at the same time in the same tract. The forest is cared for while it is growing through cleaning and thinning. This method has been used since the 1950s and has resulted in increased growth and improved felling opportunities at the same time as the timber stock has grown.

Sveaskog is also testing selective felling. Pilot areas have been set up in different parts of the country in order to test different methods in practice and get a better understanding of the consequences of selective felling.

**Governance**

Sveaskog's habitat management work is governed by the environmental policy, the forest policy as well as FSC®'s policy and self-assessment. All non-conformances are reported in the environment and quality management system and result in immediate action. Reported non-conformances can include hauling damage, damage to sensitive biotopes, damage to archaeological or cultural remains, inadequate planning compensated by a machine team, quality of thinning, felled natural value trees, too high stumps and thinned areas.

In 2017 four minor non-conformances with ISO 14001 were noted, three for traceability and four within FSC®. All non-conformances will be rectified during 2018.

**Indicator**

The Consideration Index measures how well the company carries out forest management without significant impact. Measurements are taken in three areas: sensitive biotopes, conservation value trees and hauling damage. In 2017 the company carried out 99% of its assignments without hauling damage which is the same level as in 2016. For conservation value trees the level was 95%, that is the same level as 2016 and for sensitive biotopes an improvement was recorded from 89% in 2016 to 92% in 2017. The aggregate total consideration index of 95% was unchanged in 2017 compared with 2016. The measurements show that there are areas of the country where processes and routines relating to sensitive biotopes and edge zones need to be improved. During 2017 over 200 employees, seasonal workers and contractors have been given training in habitat management.

| Goal: Leader within sustainable forest management                              |                     |            |            |            |             |
|--|---------------------|------------|------------|------------|-------------|
| Indicator  | Metric              | Value 2015 | Value 2016 | Value 2017 | Target 2021 |
| Conservation values maintained in forest management without significant impact | Consideration Index | 94         | 95         | 95         | 99          |





## Dam demolition benefits trout and mussels

**During 2017 two dams on the Hedströmmen River in Västmanland were demolished in collaboration with the County Administrative Board. Removing the dams improves conditions for trout and the unique stock of freshwater pearl mussels.**

On the 130 km long Hedströmmen River there are over 20 dams. Three of these have been demolished of which two were on Sveaskog's land. The dams are a relic from the end of the 19th century from iron production, smelting works and timber rafting. Since rafting ceased in the 1960s the dams no longer had any function.

As well as removing sluices and stone sills, moving sediment and making the banks attractive, Sveaskog has also made improvements to the river. Rocks have been put back in the main stream to improve the environment for fish and mussels. The rocks have also made the stream wider which has given the falls more mirror pools.



"By demolishing the dams we both retain environmental values and reduce the need to maintain something that is no longer used. We take a very positive view of this type of action and are carrying out similar projects in other places," says Björn Lexén, Sveaskog's Roads Superintendent at profit centre Norra Bergslagen.



# 20% of the forest is set aside for nature conservation

A nature conservation area of 20% is the level many researchers consider necessary for forest management to be combined with the retention of biodiversity. The picture is from the Varjisån Ecopark.

Sveaskog combines profitable forest management with the retention of high conservation values. The company decided back in 2002 to make long-term set-asides for habitat management corresponding to 20% of its productive forest land.

Nature conservation work is split across three strategies: ecoparks, high conservation value forests and consideration for nature in the production forests.

## Ecoparks

Currently there are 37 ecoparks across the country with a total area of 175,000 hectares. In all the ecoparks at least half the area is set aside for habitat management, conservation management and consideration for nature when felling, corresponding to 110,000 hectares. The result is large, contiguous forests which benefit several bird species.

## High conservation value forests

High conservation value forests cover a total of 300,000 hectares and vary in size from a half to several hundred hectares. These set-asides are spread across the country. In the north, most of the high conservation value forests are left to develop freely while management is common in the southern part of the country in order to recreate or strengthen conservation values.

Sveaskog sets aside those forests that have the highest conservation values as high conservation value forests. If a new forest worthy of protection is discovered, for example when making an inventory prior to felling, it is exchanged for land with lower conservation values.

## Consideration for nature in the production forests

When felling or cleaning, Sveaskog always leaves key habitats for flora and fauna untouched. These areas can

include sensitive biotopes, edge zones adjacent to water or fens, or individual trees, tree groups and high stumps.

With the current focus, this type of consideration for nature will over time amount to 220,000 hectares. Of this area 45,000 hectares has been left as consideration for nature when felling. The remaining 175,000 hectares will be added in future felling plans.

## Montane forests

Sveaskog has set aside a further 50,000 hectares of high conservation value forests in the montane forest region. This has been done in accordance with FSC® regulations.

### Sveaskog's habitat management areas

| Hectares   |         |
|--|---------|
| Ecoparks   | 110,000 |
| High conservation value forests                      | 300,000 |
| Consideration for nature in the production forests   | 220,000 |
| Total nature conservation area in production forests | 630,000 |
| Montane forests                                      | 50,000  |
| Total  | 680,000 |

Sveaskog's forest holdings including the high conservation value forests can be found on the interactive map on our website [www.sveaskog.se](http://www.sveaskog.se). For further information see also Note S5.



## Dialogue about forest plans

Sveaskog is a company at the centre of society. The forest affects and involves people. Sveaskog therefore has a close dialogue with stakeholders about its forest plans.

The company has specific guidelines for consideration for outdoor activities and recreation. The first step in starting a dialogue is to identify those who can be affected by the forest plans. These can be, for example, municipalities, private individuals, non-profit organisations such as community associations, nature conservation organisations, sports clubs or eco-tourism businesses. The company then provides information about its plans and invites contact and discussion. If many stakeholders are affected, Sveaskog convenes a consultation meeting.

To ensure that the result is that which the company and stakeholders have agreed on, the person from Sveaskog who has participated in the dialogue is responsible for the design of the plans and following up

their execution. Dialogues and consultations are also entered in the central planning and case system.

Possible actions for among other things recreational forests and rest stops are selective felling, mosaic felling, different types of screens, splitting felling over time and avoiding scarification in areas especially sensitive for outdoor activities.

Every year Sveaskog holds consultations with the Sami villages. Sveaskog presents its plans to the Sami village representatives and these are discussed and amended if needed. The aim of the consultations is to ensure access to winter grazing for the reindeer and that the herds can be moved between areas. Forests that are too dense are an obstacle when the reindeer herds are moved.

Omberg Ecopark  
on the shores of  
Lake Vättern.

## Sveaskog's ecoparks

The ecoparks are large contiguous landscapes with high conservation values and conservation ambitions. Here comprehensive protection of large areas is combined with restoration of conservation values and forest management with appropriate consideration. Today Sveaskog has 37 ecoparks with an average size of 50 square kilometres.

The aim of the ecoparks is to develop conservation values over large areas at landscape level through a combination of different measures. The areas of an ecopark that already have high conservation values or great potential for restoration are managed so that conservation values are strengthened and retained. Other areas are felled with heightened consideration.

The ecoparks are located where especially large areas of forest land from a nature conservation perspective have been identified. The ecoparks include some of the country's most important outdoor activity areas for nature-based experiences and recreation. Sveaskog wants to provide more opportunities for experiencing nature and

therefore works to develop information on and access to our ecoparks.

Each ecopark has a customised management plan which is fixed in a formal 50-year agreement between the Swedish Forest Agency and Sveaskog. It sets targets for different sub-areas, defines which areas are set aside for habitat management and shows where Sveaskog can carry out production. The plans are developed in consultation with authorities, non-profit organisations, reindeer herders and others. These plans are also the basis for annual management consultations with the Swedish Forest Agency and affected county administrative boards where ongoing management activities are discussed.



# Growing forest counteracts climate change

The forest is of decisive importance for our climate. The growing forest and use of wood counteract climate change. Sveaskog wants to be a leader in harnessing and developing the forest's climate benefit.

The global climate agreement COP21 reached by the international community in December 2015 describes forest management as a success factor for preventing the Earth's temperature from increasing by more than two degrees. The forest provides climate benefit in three equally important ways:

- Standing timber as a carbon sink
- Carbon dioxide sequestration in the growing forest
- The substitution effect achieved when fossil resources are replaced by wood raw material.

The forest as a carbon sink has its limitations. There is only room for a certain number of trees in the forest and over time the forest stops growing. On the other hand, active and sustainable forest management means that the forest can be used continuously to bind carbon dioxide and wood raw material can replace fossil resources. The forest binds most carbon dioxide when it is young and middle-aged since growth is then at its greatest. Growth on the whole of Sveaskog's land, including high conservation value forests, was 12 million forest cubic metres (m<sup>3</sup>fo) during the year while at the same time timber extraction was around 7.5 million m<sup>3</sup>fo. This corresponds to a net uptake in the forest of six million tonnes of carbon dioxide.

## The forest swallows carbon dioxide

The Swedish forest grows with about 120 million cubic metres every year and only 70% of that volume is harvested. This means that Swedish forests contribute annually to a net binding of over 50 million tonnes of carbon dioxide. This corresponds to the total annual emissions of greenhouse gases in Sweden.

## Increase use of wood raw material

When wood raw material is used in different products it often replaces energy-demanding and fossil resources in, for example, building materials, packaging, vehicle fuel and energy. The wood raw material that Sveaskog has harvested over the years from its own forests has in this way contributed to avoiding 4–5 million tonnes of carbon dioxide emissions. Sveaskog sees the forest as a key factor in the green transition and therefore participates in various development and innovation projects to increase the use of wood raw material.

Sveaskog is adapting forest management ahead of upcoming climate change which threatens to make the forests more susceptible to storms, degrade the

## Sveaskog's carbon footprint including contractors and hauliers

| Tonnes carbon dioxide   | 2015    | 2016    | 2017    | Change on 2016, % |
|-------------------------|---------|---------|---------|-------------------|
| Forestry and felling    | 56,000  | 48,000  | 51,000  | 6.2               |
| Transports              | 69,000  | 65,000  | 58,000  | -10.8             |
| Road building           | 16,000  | 10,000  | 8,000   | -20.0             |
| Electricity and heating | 4,000   | 2,000   | 3,000   | 50.0              |
| Travel                  | 1,000   | 1,000   | 900     | -10.0             |
| Total carbon footprint  | 146,000 | 126,000 | 121,000 | -9.0              |



ground's load-bearing capacity and make forest fires more common. The company adapts among other things forestry activities to a stand's future conditions, works with technology development of forest machines' carrying capacity and develops seed and plant material so that it is better suited to a changed climate.

**More ecofuel**

In Sveaskog's own operations, transports account for nearly two-thirds of the carbon dioxide emissions generated by the company. Every year there is a total of 290,000 HGV transports or 795 per day. Each transport is on average 100 km which means that Sveaskog's HGV transports drive twice round the globe every day. To contribute to the green transition Sveaskog will reduce use of fossil fuels in its own operations. This is being done in close collaboration with forestry contractors and transport companies.

The focus is on increasing the proportion of renewable fuels both for transports and felling among other things by using ecofuel, so-called HVO diesel, which is made from slaughterhouse waste and forest residues. A lot of effort is put into logistics to make transports more efficient and reduce emissions for example by increasing the proportion of backhauls and moving road

transports to rail. The company is contributing to the development of vehicles that can take greater volumes since there are many stretches where trains cannot be used. Since March 2017 the use of 74-tonne vehicles has been permitted in some areas which contributes to reducing the number of transports.

Sveaskog also contributes to the green transition by leasing land for wind power plants. Today there are some 276 wind power plants on the company's land which together produce 1.7 terawatt-hours (TWh).

**Governance**

Governance of the goal for reduced carbon dioxide emissions lies with the profit centres. The most significant component for reducing carbon dioxide emissions is to increase the proportion of renewable vehicle fuel.

**Indicator**

During 2017 total carbon dioxide emissions as well as carbon dioxide emissions in tonnes per delivered thousand m<sup>3</sup>sub continued to fall despite increased transport work. The reduction is due to a better fuel mix with a higher proportion of renewable vehicle fuel.

| Goal: Leader within sustainable forest management                                 |   |            |            |            |             |
|---|---|------------|------------|------------|-------------|
| Indicator   | Metric  | Value 2015 | Value 2016 | Value 2017 | Target 2020 |
| Carbon dioxide emissions to be reduced by at least 30% in 2010–2020 <sup>1)</sup> | CO <sub>2</sub> emissions in tonnes per delivered thousand m <sup>3</sup> sub | 13.6       | 11.8       | 11.1       | 10.0        |

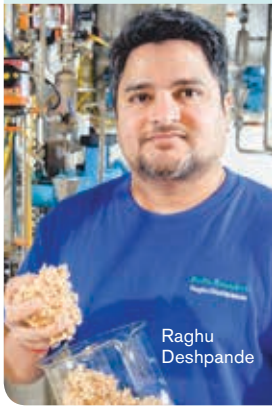
<sup>1</sup> In 2010 CO<sub>2</sub> emissions amounted to 14.9 tonnes per delivered thousand m<sup>3</sup>sub.

### Climate-smart fashion


Researchers have calculated that global textile use in 2050 will be three times that in 2015.

To meet demand in a sustainable way new alternatives are needed. It is here the forest, more accurately cellulose, comes into the picture. The technology for producing viscose from natural cellulose has had a boost. Research is underway to find sustainable processes for producing cellulose-based textiles. One such project is being run at Karlstad University. A doctoral thesis there shows that cellulose can be the way to the clothes of the future. Two different types of sulphite pulp from spruce and pine were studied to see if the boiling process can be improved to achieve a better economic outcome.

The researcher responsible for the thesis is Raghu Deshpande. The work has been a collaboration between MoRe Research, Domsjö Fabriker and Karlstad University's graduate school VIPP, and covers the first stage of sodium bisulphite boiling to produce dissolving pulps.



Raghu Deshpande



# We do each other good

Employees are proud to work at Sveaskog and gladly recommend others to start working at the company. This affects the working environment positively and increases Sveaskog's ability to attract and retain skilled employees.

As a step in strengthening Sveaskog's culture and attitude, employeeship and leadership principles were defined in 2017. The new principles – called "We do each other good" – must be used in performance reviews and salary negotiations, leadership programmes, when recruiting and in feedback.

The principles have been worked out in the project "Ambassadorship" through meetings at several places around the country. Many employees have been involved as well as Group Management and the central trade union cooperation group. Sveaskog's basic view is a belief that everyone wants to do their best by being involved, committed and skilled. The assignment itself and what is expected from the employees must be made clear in the dialogue with managers. The aim is a good balance between responsibility, enthusiasm and working tasks – so-called "active employeeship".

In Sveaskog's decentralised organisation employeeship is mainly about sharing skills and experience. In February 2017 all employees from the entire company met for two days in Gothenburg under the theme "Employeeship – learning from each other". A significant element was showing how digital tools simplify the spread of information and how employees can work with best practice.

In 2017 Sveaskog was named by employer branding company Universum as one of several career companies. In Universum's survey the company was chosen newcomer of the year among graduate and college engineers. In 2018 Sveaskog will continue work with the "Ambassadorship" project to increase its attractiveness as an employer both internally and externally.

## Focus on working environment issues

Safety and working environment issues are high on the

agenda for Group Management. In 2017 the processes for working environment activities were reviewed and equal treatment issues included. All managers will receive working environment training in 2018. In autumn 2017 a diversity game was launched to keep alive the dialogue and discussion on values, perceptions and prejudices.

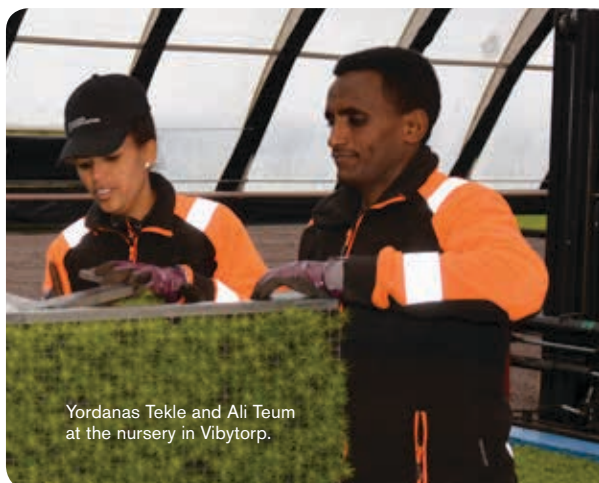
A new app is now used where employees themselves can report accidents, incidents and risks. The company hopes that the app will provide more risk observations which can lead to preventive measures. The most common accidents are slipping and falling in the forest.

The annual safety inspections must catch stress and stress-related illness. Employees do not feel that stress has increased since the previous employee survey in 2015. Sveaskog's average sickness absence in 2017 was 3.1% which can be compared with an average sickness absence of 3.0% in the state sector. The next danger to health comes from sitting still. In 2018 Sveaskog will be launching a health initiative aimed at encouraging everybody to take physical exercise and focus on diet and health. All employees will be able to make a self-assessment and have a personal meeting with a health coach.

## Governance

The basis of governance is the Code of Conduct adopted by the Board. There is an equal treatment plan set by the CEO. Working environment activities are monitored by the local and central safety committees.

Every other year a survey is carried out among all employees. In the 2017 survey a record 91% of employees participated. Managers have reviewed their unit and management report together with their staff and identified strengths and areas for improvement



Yordanas Tekle and Ali Teum  
at the nursery in Vibytorp.

## Growing Power! Provides work experience

Growing Power! is Sveaskog's project to broaden the recruitment base and increase interest in working in forestry. During 2017 the company took in 13 work experience trainees and 58 young people for summer jobs. Work experience trainees must either be registered in the Swedish Public Employment Service's establishment programme or be registered job seekers.

At the nursery in Vibytorp outside Hallsberg four people from Eritrea were given work experience in autumn 2017. The trainees learnt various tasks such as sorting seedlings, stacking cassettes and weeding. The traineeship was converted to 'new start' employment at the end of the year.





Employees are proud to work at Sveaskog and gladly recommend others to start working at the company. Left to right: Babs Stuver, Environment and Nature Conservation Specialist, Växjö; Lars Lundgren, Machine Operator, Storuman; Hanna Persson, Area Manager, Malå; Björn Ros, Forestry Assistant, Karlskoga.

which they will work on in 2018. Each manager has informed his or her superior (profit centre manager or staff manager, head of Svenska Skogsplanter) who has collated the results and briefed the CEO at the business follow-up in February 2018. The CEO will review how work has progressed and what actions have been taken at the business follow-up in autumn 2018.

For many years Sveaskog has had the goal of increasing the proportion of women in the company and at the turn of the year 2015/2016 managers were tasked with holding web-based equal opportunity training for their staff. This training is now part of the introduction for new employees. The employee survey showed that the proportion of women who consider that women and men are treated equally at Sveaskog has risen since 2013 from 53% to 72%.

The employee survey showed that the proportion of employees who believe that they were subject to some form of victimisation has increased from 5% to 6%. The CEO therefore adopted new guidelines against victimisation in 2017 which among other things mean that victimisation reports are handled by the SVP HR and Communications together with the company's General Counsel to ensure an impartial and consistent treatment throughout the company.

#### Indicators

The indicator Good leadership and employeeship is measured every other year in an employee survey. The measurement is divided into an Employee Motivation Index (MMI) and a Leadership Index (LI). The MMI of 68 is above the Swedish average of 65 and has fallen from 70. The LI has fallen from 73 to 70 which is the same as the national average.

Areas for improvement identified in the MMI include working situation, the possibility of professional development as well as internal collaboration. Areas for improvement identified for managers are the ability to provide feedback, follow up targets and handle conflicts. During 2018 all managers will receive training in "In-depth leadership efforts" to learn how to give feedback and work with targets and follow-up.

The total proportion of women at Sveaskog rose during 2017 from 22% to 24%. This is the result of long-term efforts to increase the proportion of women. The proportion of women managers is 27%. The proportion of women among market areas managers, Svenska Skogsplanter's manager and profit centre managers is 50%. In group management, the proportion of women is 40%.

#### Goal: Preferred choice for employees and contractors

| Indicator                        | Metric                    | Value 2015 | Value 2016      | Value 2017 | Target 2021 |
|----------------------------------|---------------------------|------------|-----------------|------------|-------------|
| Good leadership and employeeship | Employee Motivation Index | 70         | — <sup>1)</sup> | 68         | 75          |
|                                  | Leadership Index          | 73         | — <sup>1)</sup> | 70         | 75          |
| At least 30% women by 2020       | Proportion of women %     | 21         | 22              | 24         | 30          |

<sup>1)</sup> Measured every other year.



Felling in Örbyhus in 2017. Jörgen Eriksson from Öskebohyttan contracting is one of Sveaskog's over 1,000 contractors.

## Sustainable purchasing

Every year contractors supply services to Sveaskog equivalent to 1,600 FTEs. The skills, competence and attitude of the contractors are key to Sveaskog creating confidence and value.

Sustainable purchasing has been a significant area for Sveaskog for many years. There are two main reasons why Sveaskog gives priority to collaboration with contractors. Partly it is about ensuring well-executed services, partly minimising risks in the sector with working environment, social responsibility, employment terms and human rights. To meet the challenge, routines and tools have been developed such as the Service Agreement. Structured processes for evaluation and monitoring of suppliers have also been developed which among other things means that Sveaskog's employees regularly go into the field and check on both the company's own work teams and contractors.

### Service Agreement

Before a contractor is engaged, Sveaskog and the contractor prepare a written Service Agreement. This

specifies Sveaskog's and society's demands as well as the consequences of failure to comply. The purchaser also checks the contractor against a list of defined points to ensure that it follows all laws and regulations and has the financial stability needed to be able to fulfil its economic, environmental and social commitments. The contractor shall operate independently and carry out the work with its own personnel. Sveaskog permits subcontracting at one level only and the subcontractor must comply with the same checks. Silvicultural contractors must undergo training using Sveaskog's web-based silviculture school each year and pass an exam.

From 2016 Sveaskog requires silvicultural contractors to be PEFC certified. PEFC in turn has requirements that are important for Sveaskog such as gender equality and employment terms. Sveaskog's contractors must promote equal rights and opportunities as well as combat any form of discrimination so that everyone feels welcome in forestry.

Framework agreement suppliers must sign up to Sveaskog's sustainability requirements according to the UN Global Compact. So far 65 of 71 framework agreement suppliers have signed the document. In the event a framework agreement supplier has not signed the UN Global Compact, Sveaskog assesses that they apply the same approach.

In 2012 Sveaskog took a significant step to ensure sustainable purchasing by establishing and developing the role of professional purchaser for procurement of contractors.

### Services for two billion kronor

Contractors are engaged for assignments within felling, silviculture and transports as well as road maintenance and road building. In the areas of roads and transports, all assignments are carried out by contractors. Within silviculture they are responsible for 95% of assignments and they carry out 80% of felling assignments. During 2017 Sveaskog procured services from contractors for over two billion kronor.



### Governance

The Group's overall process for purchasing is developed by the Purchasing Staff which is part of the CFO unit. Some 4,500 of Sveaskog's contractors, subcontractors and suppliers are checked every day regarding specific checkpoints such as F-tax, VAT, payment defaults, operating permits and changes in boards. If this information shows signs of insolvency, the Staff takes action the same day.

Three times a year Purchasing Staff checks contractors and subcontractors against the Swedish Tax Agency to see if employer tax is consistent with the assignment. This is an established collaboration with the Tax Agency to exchange information and promote competition on equal terms.

At least half the contractors are checked in the field every year. Previously these checks were only made in the silvicultural area. In 2017 they have been extended to also include felling. Field inspections are carried out and documented by Sveaskog's local employees.

Every year Purchasing Staff carries out in-depth company checks on some ten contractors spread across the country. These checks apply to contractors in felling, silviculture and logistics and cover among other things terms of employment, salary payments and systematic work with the working environment.

### Indicators

To be able to attract the most committed and knowledgeable contractors, the aim is that the contractors should make Sveaskog their first choice. The most recent measurement was taken in 2016 and showed that contractors as well as other suppliers are becoming more satisfied with Sveaskog as a client. For silvicultural contractors and other suppliers the index is over the long-term goal. For felling contractors the target has almost been reached. Within Sveaskog there is continuous ongoing work to improve and strengthen the dialogue with all contractors.

#### Goal: Satisfied contractors and suppliers

| Indicator             | Metric                                   | Value 2015      | Value 2016 | Value 2017      | Target 2021 |
|-----------------------|--|-----------------|------------|-----------------|-------------|
| Satisfied contractors | Satisfied Contractor Index, felling      | – <sup>1)</sup> | 72         | – <sup>1)</sup> | 73          |
|                       | Satisfied Contractor Index, silviculture | – <sup>1)</sup> | 76         | – <sup>1)</sup> | 76          |
| Satisfied suppliers   | Satisfied Supplier index                 | – <sup>1)</sup> | 71         | – <sup>1)</sup> | 71          |

<sup>1)</sup> Measured every other year.

## Sveaskog's contractors early adopters of VR technology

**Mattias Ackesten at Johans Åkeri in Kolsva has swapped a crane cab for VR glasses. Using the glasses he can now remain in the lorry's cab and load up.**

The crane cab has been replaced by cameras which send live pictures in real-time to the VR glasses. The result is an image in the glasses that the driver can wear in the lorry cab, at the office or even at home on the sofa.

The haulier has been using the glasses since the autumn 2017. The new system has many advantages. For example the driver does not need to purchase and transport a crane cab weighing several hundred kilos. The driver also does not have to struggle up and down from the cab which gives a better working environment. Sveaskog is positive to the new technology. Logistician Therése Knutsson Dermer is in touch with the hauliers in Norra Bergslagen where Mattias Ackesten drives:

"Here at Sveaskog we do not control what the hauliers buy in terms of lorries or equipment, but we often push the point that we are interested in developments. This is an exciting step and there are many of us who want to see how it works in the field," she says.



Mattias Ackesten

# Innovation and efficiency for increased profitability

Through innovation and development work Sveaskog will increase profitability, reduce environmental impact and raise customer satisfaction. This involves using new digital technology as well as revisiting old ways of thinking and working – daring to do something new.

For the last couple of years the company has focused on three innovation areas. These are: increasing production in the forest, reducing costs and environmental impact in forestry, and promoting increased application and value of roundwood and forest land. Sveaskog prioritises projects that contribute to increased profitability and the green transition.

Sveaskog places great importance on projects being run close to customers and operations, ideally in collaboration. The possibility of commercialisation is key for projects which will create new applications for wood and forest land and here collaboration with customers and other players in the value chain is especially important.

## Digitalisation

Work to increase productivity in forest management is carried out on a broad front within Sveaskog. In recent years the company has focused especially on increasing the efficiency of flows to customers, among other things by better inventory management and logistics. In silviculture, digitalisation, for example through increased information on maps, has brought improved efficiency and better opportunities for gentle and appropriate forestry.

Digitalisation is taking development towards precision forest management where habitat management creates the greatest possible benefit for production and

biodiversity as the same time as extraction from the forest becomes more efficient and kinder to the environment. Digitalisation means among other things that the forest's character and composition can be determined through using laser scanning inventorying which increases the level of detail and accuracy. Better inventory maps lead in turn to greater precision in silvicultural and logging activities with a positive impact on efficiency and productivity in operations.

## Gentler machines

Sveaskog also collaborates with different sector players and machine manufacturers to develop forest machines. An important area is to develop machines and methods that are more productive and kinder to the environment. Sveaskog therefore participates in projects to develop machines with less impact on the ground, improved load-bearing, reduced emissions and increased productivity. The company also participates in many development projects covering new technology and digital tools to improve productivity and the working environment in silvicultural and logging activities.

## Better seedlings and forest production

Svenska Skogsplantor carried out development work to produce seedlings that grow faster, are more resistant to disease and weather and which need less energy to grow. Comprehensive development work has also been

## Unique transaction with Boliden on ecological compensation

### The transaction with Boliden enables the mining company to carry out expansion of the Aitik mine in Gällivare.

When Boliden expands its operations at the Aitik mine it is unavoidable that 170 hectares of high conservation value forest must be felled. To compensate for this, Boliden has given Sveaskog an assignment to carry out ecological compensation.

The agreement means that Sveaskog will carry out various activities to benefit conservation values in the Sarkanenä-Leipipir area. One key management activity is to move dead wood from the



area being used to the compensation area. This promotes species which are dependent on dead wood for their survival. The area will also be protected in the long-term. The Swedish University of Agricultural Sciences, SLU, will run a research project to monitor habitat management benefits.

"This is an important step in the area of ecological compensation," says Jessica Nordin, Environment and Business Development Strategist at Sveaskog. "We can now be a constructive party when it comes to ecological compensation in connection with exploitation beneficial to society."

Jessica Nordin.



Through active silvicultural activities in Sarkanenä-Leipipir, conservation values will be strengthened. Among other things dead wood will be taken to the compensation area.



### Significant involvement in green vehicle fuels

Sveaskog is involved in several major projects for the production of green vehicle fuels.

SunPine, where Sveaskog owns 25.1%, makes raw pine diesel and other more high-value products, such as resin, based on pine oil which is a residue from pulp mills. SunPine is an example of how collaboration between different players in a value chain can create a commercial platform for processing of forest-related residues to more high-value products.

In May 2017 a pilot plant was set up at the Research Institutes of Sweden Energy Technology Center (RISE ETC) in Piteå and Sveaskog is participating in a project

to turn lignin from the paper mills' black liquor into biofuel raw material. So far, tests have been successful and indicate opportunities for commercialisation. A full-scale plant can be in place within five years.

Setra Group, where Sveaskog owns just over 50%, is planning a full-scale pyrolysis oil plant at Kastet sawmill. Setra Group has received SEK 117 million in funding from the Swedish Environmental Protection Agency's initiative "Klimatklivet" to build the plant which is expected to be ready in three years. Pyrolysis oil can be used either as heating oil or processed to vehicle fuel.

carried out to improve the efficiency of the production process where the so-called microplant and digitalised production technology have contributed to significantly reduced production costs. Work is also underway to further improve Conniflex which is an eco-friendly protection against the pine weevil. Read more about Conniflex on page 42.

### Increased applications for wood and forest land

To create new application areas for wood and forest land, Sveaskog concentrates its efforts in three areas: wood, green vehicle fuels and chemicals, and material from residues.

#### Wood

Sveaskog has focused development work on collaboration projects with sawmill customers where significant initiatives include projects related to wooden buildings and components as well as X-raying sawlogs to increase the sawmill's value extraction. Sveaskog is now focusing its efforts on increasing the use and value of redwood products. This is being done by among other things a research project within the BioInnovation initiative including WoodCenter North. This is investigating the possibility of improving the wear resistance and durability of redwood products which increases the usefulness and value of pine.

#### Green vehicle fuels and chemicals

By 2030 Sweden will have a fossil-free vehicle fleet. Initiatives are therefore being taken with new biofuels using residues from the forest and forest industry as raw material – something that is of great advantage to Sveaskog, forest industry, the climate and Sweden, which has a good chance of being world leader in the area. Sveaskog is interested in investing in biofuel since this provides the possibility to add value to residues from the forest and forest industry. Sveaskog limits its involvement to projects that provide direct business benefits for the company and which are run together with several players

in the value chain. Read more about Sveaskog's involvement in this area above.

#### Material from residues

Other projects are running in parallel for the production of biofuel from branches and tops as well as sawdust from sawmills. Branches and tops are used for example in a pilot project to manufacture fish feed and to make mouldable material. The project to make mouldable material is being conducted in a laboratory environment and is expected to scale up in 2018.

#### Governance

Within operations it is the profit centres that are responsible for improving efficiency. This is followed up on a monthly basis by Group Management using scorecards. Projects are run in collaboration with customers and other stakeholders and are decided by market areas. Projects which require significant financing are secured through the budget process and are decided by the CEO or the Board depending on their extent.

In 2017 a model for product calculations was developed which will be tested and evaluated in 2018. With product calculations Sveaskog will be better able to take into account the gross margin for each product range from stump to customer. This will lead to more efficient production and result in increased profitability.

#### Indicator

To evaluate the aggregate efficiency improvements a calculation is made of the change in operating profit from year to year per volume unit and in fixed prices. The goal is an annual improvement of at least 2%. In 2017 efficiency improvement amounted to 6.4%. This high result is explained by among other things lower costs for roads and administration, higher prices and increased revenues from hunting, fishing and land concessions. In 2018 efficiency improvements will continue through increased timber value and reduced production and administration costs.

### Goal: Leading in innovation and efficiency

| Indicator                      | Metric  | Value 2015 | Value 2016 | Value 2017 | Target 2021          |
|--------------------------------|---|------------|------------|------------|----------------------|
| Increased efficiency, change % | Profit change per volume unit in fixed prices | +2.7       | -1.7       | +6.4       | At least 2% annually |

When measuring, operating profit from continuing operations has been adjusted for items affecting comparability.

# Strong improvement in earnings

The strong business climate in the forest industry meant that Sveaskog's net sales increased by 5% to SEK 6,206 million. Operating profit from continuing operations increased by 11% to SEK 1,248 million and Sveaskog achieved its financial targets.

In 2017 net sales rose by 5% to SEK 6,206 million (5,922). Total delivery volumes increased by 1% and prices by an average of 3%. The higher delivery volumes had a positive impact on sales of SEK 68 million and price rises increased sales by SEK 149 million.

The business climate in the forest industry was strong in 2017 with high capacity utilisation and high selling prices for the industry's products. A high level of construction activity drove demand for sawn wood products and globally there was high demand for paper pulp and packaging materials. The weakening of the Swedish krona in the autumn contributed to increased profitability in the export-dependent forest industry. The weak development for biofuel continued for the fourth consecutive year.

## Higher operating profit from continuing operations

Operating profit from continuing operations increased by 11% and amounted to SEK 1,248 million (1,128). The improved earnings were mainly explained by higher prices and a better result in the seedling operations. Increased revenues for ecological compensation from Boliden\*, improved income from other property transactions, and lower road costs also made a positive contribution.

Capital gains from property sales relating to forest land amounted to SEK 321 million (131), an effect of increased sales activity. Share of profits of the associate Setra Group amounted to SEK 58 million (53). Net change in the carrying amount of standing timber amounted to SEK 200 million (319). After change in value of forest assets, operating profit amounted to SEK 1,827 million (1,631).

Net financial items for the year amounted to SEK –108 million (–174) due to lower financing costs and higher dividends from shareholdings not related to the holding in

\* Agreed compensation programme with a number of different silvicultural measures to create new conservation values and protect existing ones.

Setra Group. Profit before tax amounted to SEK 1,719 million (1,457). Tax for the period amounted to SEK –360 million (–267). The change in tax expense is due, in addition to improved earnings, to Sveaskog receiving a tax refund of SEK 43 million in 2016.

Profit for the year increased by 14% to SEK 1,359 million (1,190).

## Change, operating profit from continuing operations

| 2016  | 1,128 |
|---|-------|
| Price, wood raw material                                | 73    |
| Volume and change in inventories, own wood raw material | –10   |
| Seedling operations                                     | 24    |
| Ecological compensation                                 | 13    |
| Other property transactions *                           | 27    |
| Other **  | –7    |
| 2017  | 1,248 |

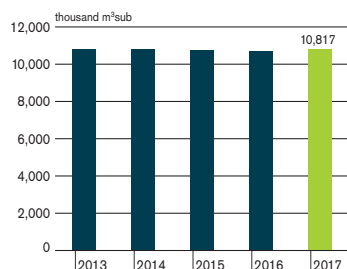
\* Other property transactions relate to combined:

|  |     |
|--|-----|
| Permanent tenure, Environmental Protection Agency 2016 | –60 |
| Permanent tenure, Environmental Protection Agency 2017 | 15  |
| Permanent tenure, other                                | –6  |
| Sale of non-forest land                                | 78  |
| Other property transactions                            | 27  |

\*\* Relates among other things to costs for silvicultural activities, roads and administration as well as restructuring reserve for 2017.

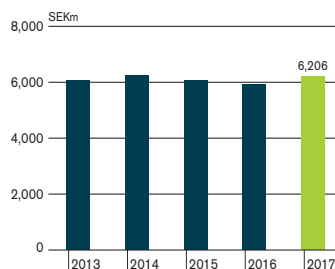
Cash flow from operating activities amounted to SEK 803 million (789). The increase was mainly due to an improved operating profit from continuing operations. Investments in property, plant and equipment amounted to SEK 219 million (183) and investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 647 million (298). Share

**Total delivery volume, thousand m<sup>3</sup>sub**



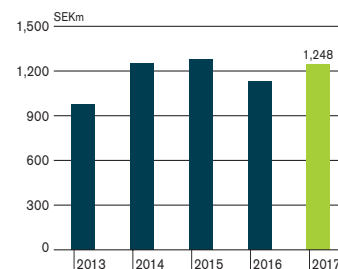
Deliveries solid under bark (sub) increased by 1% in 2017.

**Net sales, SEKm**



Net sales increased by 5% in 2017, mainly due to price increases of 3%.

**Operating profit from continuing operations, SEKm**



Operating profit from continuing operations increased by 11% in 2017. The increase is mainly explained by higher prices and improved earnings in the seedling operations.



dividends received totalled SEK 78 million (16) of which SEK 50 million (5) from Setra Group AB and SEK 28 million (11) from other shareholdings.

### Strong financial position

Interest-bearing net debt decreased during the year by SEK 527 million to SEK 7,410 million (7,937). At the end of the year, the loan portfolio mainly comprised loans issued under Sveaskog's MTN programme as well as a Swedish commercial paper programme. The loan volume under the commercial paper programme, which is refinanced regularly, amounted to SEK 2,410 million (2,270). The outstanding volume under the MTN programme at 31 December was SEK 4,990 million (4,990). The lowest average fixed interest period during the year was approximately 28 months and approximately 34 months on the closing date.

Net debt/equity ratio amounted to 0.36 (0.40).

Interest cover amounted to 9.8 (6.3) and the gross borrowing cost was 1.31% (1.80).

### Dividend

A dividend of SEK 900 million (800) will be proposed to the 2018 Annual General Meeting. In the period 2013–2017 Sveaskog has distributed SEK 3.285 billion to its owner the Swedish state.

### Financial targets

Sveaskog's owner, the Swedish state, has set the following financial targets for the company:

- Yield to amount to an average of at least 4.5% per year. Yield in 2017 amounted to 4.6% (4.2). Yield is affected to a considerable extent by the valuation of standing timber. Since the target was set in 2014, the value of standing timber and therefore of operating capital have increased due, among other things, to a change in the discount rate. The increase has had a negative impact on yield of 0.3 percentage points.
- Net debt/equity ratio 0.3–0.6. For 2017 the net debt/equity ratio was 0.36 (0.40).
- Over time the ordinary dividend to correspond to 65–90% of profit after tax excluding non-cash adjustments in value of standing timber after tax. A dividend is paid provided the capital structure target after the dividend falls within the target interval and taking into account implementation of the Group's strategic and investment requirements. The dividend payout ratio for the proposed dividend for the 2017 financial year is 75% (85).

### 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. Operating income for Sveaskog AB (publ) for the year was SEK 53 million (65). Loss after financial items amounted to SEK 200 million (–196). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

### Number of employees

The number of employees at year-end totalled 685 (674). The average number of employees during the year was 846 (844).

### Share of profits of associates

Sveaskog owns participations in companies where there is not a Group relationship. The holding in the wood products company Setra Group AB is the largest where Sveaskog owns 50% of the shares. 50% of Setra Group's profit is recognised as share of profits of associates in Sveaskog's income statement.

Setra Group's net sales increased by 2.4% to SEK 4,139 million (4,043) and operating profit improved by 3.9% to SEK 159 million (153). Sveaskog's share of profits from Setra Group increased to SEK 58 million (53).

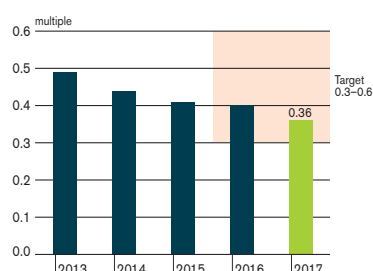
### Market outlook

Sveaskog assesses the market outlook for 2018 as good.

### Condensed income statement, SEKm

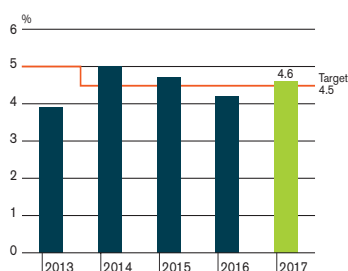
|   | 2017  | 2016  | %   |
|---|-------|-------|-----|
| Net sales                                   | 6,206 | 5,922 | 5   |
| Operating profit from continuing operations | 1,248 | 1,128 | 11  |
| Change in value of forest assets            | 200   | 319   | –37 |
| Operating profit                            | 1,827 | 1,631 | 12  |
| Profit before tax                           | 1,719 | 1,457 | 18  |
| Profit for the period                       | 1,359 | 1,190 | 14  |
| Cash flow from operating activities         | 803   | 789   | 2   |

Net debt/equity ratio, multiple



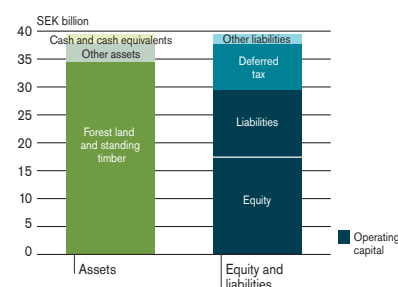
The target was decided by the 2014 Annual General Meeting. The target is a net debt/equity ratio of 0.3–0.6. This metric specifies net interest-bearing liabilities in the company in relation to equity.

Yield, %



The target was decided by the 2014 Annual General Meeting. Yield is to be an average of at least 4.5% per year. Yield shows return on operating capital where capital gains from property sales and change in value of forest assets are excluded.

Assets, equity and liabilities



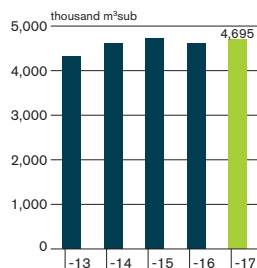
The majority of the assets comprise standing timber which is valued in accordance with international accounting principles, IFRS.

# Increased interest in building with wood



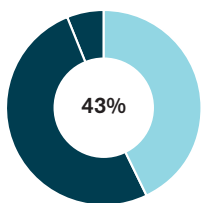
90% of single-family homes in Sweden are built of wood.

Delivery volume sawlogs, thousand m<sup>3</sup>sub

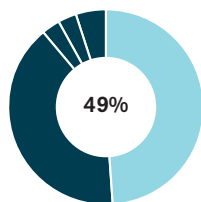


Delivery volumes of sawlogs increased by 1.9% in 2017.

Share of total delivery volume



Share of total net sales



The sawmill industry had a good year in 2017 due to a strong construction climate and increased interest in building with wood in both Sweden and export markets. For Sveaskog, this meant that both deliveries and prices of sawlogs increased.

Sveaskog has a wide range of sawlogs to satisfy customer requirements for volumes, species, grades and dimensions in an even flow throughout the year.

Sales can cover everything from standard deliveries to complex customer-specific orders. To meet customer demands Sveaskog can exchange timber with other forest owners or sell less common species such as maple and ash. The company also complements timber from its own forests with bought-in volumes.

The trend is towards increased specialisation at the sawmills which makes demands on Sveaskog to continually improve its delivery precision. This work is about using new digital technology to map the forest so that the right tree reaches the right customer. The goal is to be able to decide which tree to fell based on the quality requirements of the end customer. This also involves developing gentler equipment for felling so that the trunks are not damaged. Efforts with continued develop-

ment of delivery ability also require close collaboration and a good dialogue with forest contractors and transport companies.

## Customers

Sveaskog delivers to more than half of the sawmills in Sweden each one of which manufactures more than 10,000 m<sup>3</sup> per year. There are approximately 130 sawmills of this size in Sweden and Sveaskog has some 70 of them as customers.

Sawmills are often privately-owned family companies or global groups based in Sweden. They deliver in turn to primarily the construction and furniture industries in Sweden and abroad, mainly to Europe but also to North Africa and China.

## Market

The market for sawlogs is above all dependent on the state of the construction market. Nearly 70%

**“Global demand for sawn wood products is expected to remain strong in 2018”**



of Swedish timber is exported, which creates significant dependence on the international construction market and the exchange rate for the Swedish krona.

The four largest purchaser countries for Swedish sawn wood products are the UK, Egypt, Norway and Germany. Exports to the UK are double those to Egypt which is the second-largest market. During the year exports to east Asia and the US increased. Sawmills in Russia, Canada and Finland are the biggest competitors in the export market. The Russian sawmills are focused on delivering to China which is a market with strong growth.

#### Outlook

The global demand for sawn wood products is expected to remain strong in 2018 and to

increase due to the strong construction climate in Europe. Demand is also driven by an increased interest in building with wood. The Swedish market is expected to continue to develop well.

#### Indicator

The most recent measurement of customer satisfaction took place in 2016. The sawmill customers were the most satisfied and valued most Sveaskog's ability to deliver the right quantity and quality at the right time. The high value is among other things a result of Sveaskog's consistent efforts to improve the entire production and delivery chain. It also requires a good dialogue and collaboration not just with customers and internal working groups but also with contractors and transport companies.

#### Goal: Customers' preferred and most knowledgeable partner

| Indicator           | Metric  | Value 2015      | Value 2016 | Value 2017      | Target 2021 |
|---------------------|---|-----------------|------------|-----------------|-------------|
| Satisfied customers | Customer Satisfaction Index sawmill customers | – <sup>1)</sup> | 72         | – <sup>1)</sup> | 80          |

<sup>1)</sup> Measurements are made every other year.

## Collaboration the key to success

Setra is one of the largest wood products companies in Sweden. The company processes raw material from responsibly managed forests and offers wood products, glulam and bioproducts for building and living in a global market. Approximately 60% of Setra's revenues come from exports to Europe, North Africa, the Middle East and Asia.

"Our brand promise is natural simplicity. This means that it must be simple to do business with Setra," says Hannele Arvonen, CEO of Setra Group. "To be able to live up to this we must in our turn have suppliers who understand our needs. We have such a reliable partner in Sveaskog."

Setra conducts sustainable business throughout its production chain and makes high demands on sustainable forest management.

"A sustainable business is essential for maintaining the confidence of our customers and other stakeholders," Arvonen continues.

Setra was formed in autumn 2003

through a merger between Mellanskog Industry and AssiDomän Timber Holding. The intention was to create a driving force in the development of a modern wood products industry. Setra is owned to 50% by Sveaskog and 49.5% by the forest owner association Mellanskog. The remaining 0.5% is owned by some 1,500 small shareholders.

The first part of the company's name, SE, states that the company originated in Sweden. The second part, TRA, states the focus of operations: 'trä' (Swedish for wood). Setra = Swedish wood.

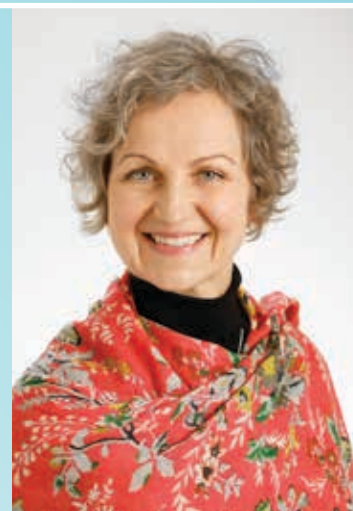
#### ABOUT SETRA GROUP

**Core business:** Production and sales of wood products.

**Annual sales:** Approximately SEK 4 billion.

**Number of employees:** Approximately 800.

**Units:** Eight sawmills and three processing units.

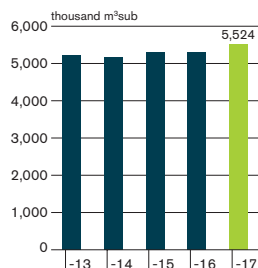


Setra's CEO Hannele Arvonen.

## Major capacity increases in Swedish pulp mills

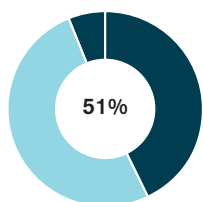
Sveaskog delivers pulpwood from southern Sweden by rail to SCA's pulp mill in Östrand outside Sundsvall.

Delivery volumes pulpwood and chips, thousand m<sup>3</sup>sub

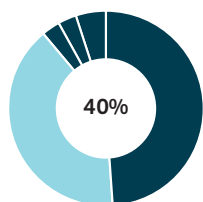


Delivery volumes of pulpwood and chips increased by 4.3% in 2017.

Share of total delivery volumes



Share of total net sales



Major investments are being made in the Swedish pulp industry and Sveaskog is preparing to meet this new demand. In 2017, Sveaskog started deliveries by rail from the Småland highlands to SCA's new pulp mill outside Sundsvall.

When the new plant starts up in June 2018, SCA will double its production capacity in Östrand outside Sundsvall. So far most of the pulpwood to Östrand has been sent by road. This is the first time for many years that Sveaskog will send pulpwood from southern Sweden by rail as far north as 800 km. The goal is to start with one train per week with 1,300 cubic metres, corresponding to approximately 35 HGVs with trailers.

The biggest volumes of Sveaskog's pulpwood come from thinning and regeneration felling. Pulpwood consists of trees and tree parts that cannot be used by the sawmills. Sveaskog offers a wide range of pulpwood from both its own forests and through purchases from other forest owners and imports. The offering is also complemented with cellulose chips from Sveaskog's sawmill customers.

### Customers

Sveaskog has some 20 pulpwood customers in Sweden. Customers manufacture paper pulp which is exported or used in Sweden for packaging and printing papers. The pulp is also used in hygiene products such as nappies, kitchen paper and toilet paper. Pulpwood from Swedish forests has qualities that make it especially suitable for

packaging with high requirements such as liquid cartons for milk and juice.

### Market

Global demand for paper pulp increased and Swedish exports rose in 2017. Approximately 80% of Swedish paper pulp is exported, mainly within Europe. Access to pulpwood in the market was good due to a high level of activity in the forest and sawmills which in turn was driven by the construction climate.

Its high export-dependence means that the pulpwood market is affected by economic growth and exchange rates to a considerable extent. The

**“Forecasts indicate continued increased demand for cartonboard for packaging, packaging paper and hygiene products”**



good global demand is driven by increased prosperity which leads to rising demand for packaging and hygiene products. Price levels for pulpwood also increased in 2017.

#### Outlook

Forecasts indicate continued increased demand for cartonboard for packaging, packaging paper and hygiene products. Growth will come primarily from Asia, especially China. Demand for graphic paper, on the other hand, continues to fall. In the Nordic countries substantial investment is underway in the pulp industry which is positive for forest owners.

#### Indicator

The most recent measurement of customer satisfaction took place in 2016 and pulpwood customers satisfaction remained at a high level. One of Sveaskog's strengths is its long experience of working with pulpwood customers and the focus in recent years on developing logistics together with them. Sveaskog also has the advantage of being able to offer a broad range of fresh pulpwood and cellulose chips.

| Goal: Customers' preferred and most knowledgeable partner |  |                 |            |                 |             |
|---|--|-----------------|------------|-----------------|-------------|
| Indicator   | Metric   | Value 2015      | Value 2016 | Value 2017      | Target 2021 |
| Satisfied customers                                       | Customer Satisfaction Index pulpwood customers | — <sup>1)</sup> | 64         | — <sup>1)</sup> | 70          |

<sup>1)</sup> Measurements are made every other year.

## Improved flows together with Smurfit Kappa

Smurfit Kappa in Piteå is one of Sveaskog's largest customers and a key collaboration partner. At present a joint project is underway where the long-term aim is to achieve world-class flow efficiency.

"This feels important! We want to create value for both Sveaskog and Smurfit Kappa," says Ann Eklund, Business Developer at Sveaskog and project manager.

The focus is on improvements in the flow which have a positive impact on both consistency and the freshness of the wood raw material in Smurfit Kappa's process. The products that Smurfit Kappa delivers globally to its customers must be of the right quality and the

properties of the wood are essential for achieving this. A central part of the project is therefore to develop delivery planning in the short and long term throughout the value chain.

"Another exciting track we are working with is a digital information chain from forest to paper mill. If Smurfit Kappa can in an efficient way obtain more information about the pulpwood that we supply, they can also use it better in their process," says Ann Eklund.



Ann Eklund, Sveaskog



#### ABOUT SMURFIT KAPPA

**Operations:** One of the world's largest paper industries with employees in 34 countries.

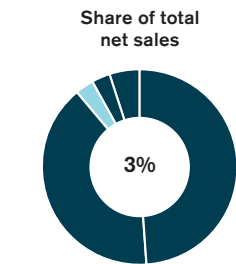
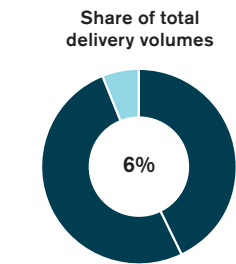
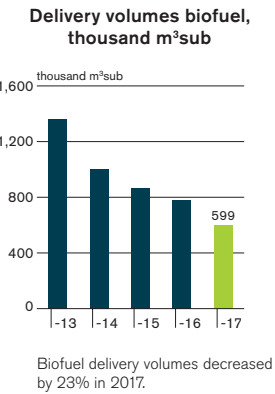
**Annual sales:** Approximately SEK 80 billion.

**Number of employees:** Approximately 45,000.

**Operations in Sweden:** Represented from Piteå to Arlöv with production units and sales offices.

**Other:** Head office in Dublin, Ireland.

# Biofuel market remains tough



The market for biofuel, which is fuel chips and branches and tops used among other things in CHP plants, has been weak for several years.

Sveaskog's biofuel comes from branches and tops, known as forest residues, as well as tree parts from thinning and regeneration felling. Biofuel is good from an environmental aspect. The carbon dioxide which is released at combustion is the same amount as the tree absorbed while growing and so woodfuel does not increase carbon dioxide in the atmosphere.

Biofuel extraction is a natural part of sustainable forestry and is carried out with consideration for nature and culture based among other things on FSC® certification.

### Customers

Sveaskog mainly delivers to customers in Sweden since the biofuel market is local due to transport costs. The company has some 50 customers, primarily heating plants, CHP plants and pulp and paper mills.

### Market

The market for biofuel has been weak since 2013 due to competition from other combustible fuels such as garbage and waste wood. Other factors that have contributed to weak market development are more efficient production and distribution of energy as well as low electricity prices.

In 2017 demand for biofuel was strong in southern Sweden, more balanced in central Sweden and weak in the north. Prices were generally unchanged except in southern Sweden where they rose slightly.

### Outlook

The market for biofuel is expected to remain tough in the short term. In the longer term the market is expected to grow due to rising demand for renewable energy.

**“The market for biofuel is expected to remain tough in the short term.”**

### Indicator

The most recent measurement of customer satisfaction was made in 2016. Biofuel customers were satisfied and valued most highly Sveaskog's ability to deliver the right quantity and quality at the right time.

| Goal: Customers' preferred and most knowledgeable partner |   |                 |            |                 |             |
|---|---|-----------------|------------|-----------------|-------------|
| Indicator   | Metric  | Value 2015      | Value 2016 | Value 2017      | Target 2021 |
| Satisfied customers                                       | Customer Satisfaction Index biofuel customers | — <sup>1)</sup> | 69         | — <sup>1)</sup> | 70          |

<sup>1)</sup> Measurements are made every other year.

## Chips, branches and tops heat Stockholm



The bioenergy CHP plant at Värtaverket is Sweden's largest of its type.

In 2017 Sveaskog delivered chips, branches and tops to Sweden's largest bioenergy CHP plant. The plant is located in Värtan in Stockholm and was inaugurated in 2016.

Three wheelbarrow loads of chips a second are needed to produce heat and electricity when the plant is running flat out. Then the plant provides heating for 190,000 apartments. The bioenergy CHP plant reduces fossil carbon dioxide emissions in Stockholm corresponding to those released by road traffic during one and a half months.

### ABOUT FORTUM VÄRME

**Operations:** Fortum Värme supplies heating to 10,000 customers and far more users.

**Annual sales:** Approximately SEK 6.6 billion.

**Number of employees:** Approximately 720.

**Other:** Owned equally by Fortum and the City of Stockholm.



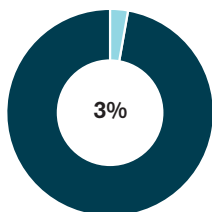
A harvester with a chipper produces biofuel from branches and tops.





# Svenska Skogsplantor

Svenska Skogsplantor's  
share of  
total net sales



Sveaskog is Sweden's biggest seedling supplier and sells seedlings as well as silvicultural services under the Svenska Skogsplantor brand.

Svenska Skogsplantor has a market share of 34% and supplies seedlings annually to some 3,500 customers. Svenska Skogsplantor also offers silvicultural services such as soil scarification and planting to external customers.

Operations consist of six nurseries, a seed processing unit and about 110 seed plantations. For 2017 sales amounted to 119 million plants (118.1) of which 42.8% (41.6) were delivered to Sveaskog's forestry operations. The bulk of deliveries is conifer seedlings. In 2017, 32% or 38.3 million seedlings delivered were treated with Conniflex.

Svenska Skogsplantor produces a half billion seeds annually. 95% of these are spruce or pine seeds. The 100 seed plantations account for 60% of seed production in Sweden.

Svenska Skogsplantor strives to be a leader in technological development. Research is ongoing in collaboration with other players to further develop technology for microplants, seed breeding and somatic embryogenesis. A project is also underway to further develop the industry-leading treatment Conniflex which protects plants against the pine weevil.



Svenska Skogsplantor develops plants that are among other things more resistant to disease and climate and need less energy to grow. The photo shows germination analysis in the laboratory at the Lagan facility.



## Success for Conniflex

The pine weevil is a major pest for forest seedlings. If the plants are not treated against pine weevil they can destroy 80–90% of a tract. Seven years ago Svenska Skogsplantor introduced the non-toxic product Conniflex. Conniflex is a non-toxic protective layer of adhesive and sand that is applied to the stem of the plant so that the pine weevil cannot eat the bark.

In autumn 2017 inventors Göran Nordlander and Henrik Nordenhem received an award from the Swedish University of Agricultural Sciences, SLU, for the research that led to Conniflex. SLU declared their efforts

to be one of the most successful innovations at SLU in 40 years.

"I am proud that we are now on the way to getting rid of the use of insecticides on forest seedlings," says Göran Nordlander.

### ABOUT CONNIFLEX

**Introduced:** 2010.

**Inventors:** Professor Göran Nordlander and Henrik Nordenhem.

**Total number of plants treated:** 189 million pine and spruce.

**Conniflex-treated seedlings.**



# Hunting, fishing and other concessions

Through various types of concessions the forests are made available for both recreation and business activities. Holders of concessions include companies in the energy and construction industries, tourism, private individuals, associations, municipalities and telecom companies.

During the year Sveaskog continued to develop the concept of among other things short-term hunting and increased the number of destinations. Short-term hunting is offered from Malingsbo-Kloten in Dalarna to Kihlangi north of the Arctic Circle. Day hunting licences are ordered on the website and there has been considerable demand.

At year-end 2017 there was a total of 7,408 leases (7,600) and other concessions. Concessions for hunting and fishing dominate. The number of hunting rights amounted to 3,052 (3,081). A total of about 25,000 people hunt on Sveaskog's land. At year-end 2017 Sveaskog had 1,508 fishing rights (1,495).

Among other concessions are rental contracts and leases for such things as farming, peat, gravel and rock quarrying as well as wind power and telecom equipment. During 2017, 15 wind power plants (20) were commissioned and in total some 276 wind power plants have been built on Sveaskog's land with an annual production of 1.7 terawatt-hours (TWh).

## Mörrums Kronolaxfiske and Hjälmare Canal

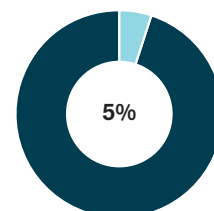
Sveaskog owns Mörrums Kronolaxfiske (salmon fishery) which saw a 20% increase of visitors in 2017 and was visited by 300,000 tourists (250,000) from some 20 countries.

Hjälmare Kanal AB is also owned by Sveaskog and is Sweden's oldest navigable canal.



As Sweden's largest landowner Sveaskog makes land and water available for private tourism businesses. Concessions are offered on market terms and the basis of every business relationship is long-term as well as being sustainable and businesslike.

Hunting, fishing and other businesses' share of total net sales



Ida-Maria Rigoll

## Leader in fish conservation

The Mörrum River is one of Sweden's best-known places to fish. Every year hundreds of thousands of anglers try to catch large salmon and trout that swim in the water.

At the Grand Travel Awards gala in Stockholm in February 2018 Mörrums Kronolaxfiske received the Eco-tourism prize. The motivation highlighted hospitality, nature conservation work, research co-operation, and the 2017 knowledge seminar on eco-tourism.

"We are incredibly pleased and grateful for this recognition. Combining world-class

hospitality with the long-term development of the Mörrum River's ecosystem feel really inspiring," says Ida-Maria Rigoll, Site Manager at Mörrums Kronolaxfiske.

Work on restoring the Mörrum River and improving biodiversity has taken an increasing role in recent years. During 2019 the Mörrum River will take another important step when the hydropower station at Marieberg will be demolished, opening up additional spawning grounds and nurseries for salmon and trout.

# Dividend and profit distribution

The Board of Directors proposes to the Annual General Meeting a total dividend for 2017 of SEK 900 million (800), which corresponds to SEK 7.60 (6.76) per share

Proposed profit distribution, SEK  
Unappropriated profit available to  
the Annual General Meeting:

|                        |               |
|------------------------|---------------|
| Profit brought forward | 8,323,285,283 |
| Profit for the year    | 102           |
| Total                  | 8,323,285,385 |

The Board proposes that profit be  
distributed as follows:

|                                |               |
|--------------------------------|---------------|
| Dividend to shareholder        | 900,000,000   |
| Carried forward to new account | 7 423,285,385 |
| Total                          | 8 323,285,385 |

**Following the Board's dividend proposal, the Board of Sveaskog AB (publ) hereby makes the following statement pursuant to Chapter 18 Section 4 of the Swedish Companies Act.**

According to current financial targets, the ordinary dividend over time shall correspond to 65–90% of the Group's profit after tax excluding non-cash adjustments in value of standing forest after tax. A dividend is paid provided the capital structure target after the dividend falls within the target interval and taking into account implementation of the Group's strategic and investment requirements.

The Board proposes to the Annual General Meeting that the total dividend for 2017 be SEK 900 million, corresponding to SEK 7.60 per share. The dividend, which comprises 75% of the dividend base, is proposed to take the form of a cash distribution. Provided the 2018 Annual General Meeting resolves in accordance with the Board's proposed profit distribution, SEK 7,423,285,385 will be carried forward to new account. Full coverage exists for the company's restricted equity after the proposed distribution of profit.

The nature and scope of the company's operations are specified in the Articles of Association and the published Annual Report. The operations conducted in the company and the Group do not entail risks in addition

to those that exist or can be assumed to exist in the industry or risks inherent in conducting business activities.

The company's and the Group's dependence on business cycles do not differ from those otherwise occurring in the industry. The Board's opinion is that after the proposed distribution of profit the company will have sufficient restricted equity in relation to the size of its operations. The Board has taken into account the company's consolidation needs through a comprehensive assessment of the company's financial position and ability to meet its commitments over time. The company's financial situation is disclosed in the Annual Report. Here it is disclosed that the Group's net debt/equity ratio is 0.36. Sveaskog's adopted target for the net debt/equity ratio is 0.3–0.6. The Group's financial position is therefore strong.

The proposed dividend does not jeopardise the company's ability to make any necessary investments. The company has financial resources to meet unexpected events and temporary variations in payment flows to a reasonable extent. The company's financial position does not give rise to any assessment other than that the company is able to continue its operations and that the company is expected to meet its commitments in the short and long term.

The Board has taken into account the position of the Group and the company in other respects. The Board has therefore taken into account known circumstances that might be significant for the company's financial position and which have not been taken into account within the framework of the assessment of the company's consolidation requirements and liquidity. Among such circumstances taken into account by the Board can be noted such events and circumstances about which the company has provided information in the Administration Report, including those attributable to the period after the 2017 financial year.

With reference to the above, the Board is of the opinion that the dividend is justifiable in view of the demands that the nature, scope and risks of operations place on the size of the company's and the Group's equity, as well as the consolidation requirements, liquidity and position in general of the company and the Group.



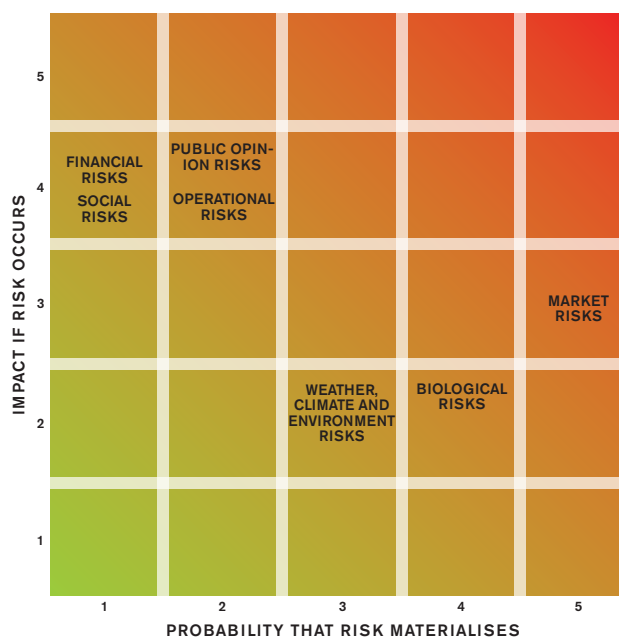
# Risk and sensitivity analysis

One important aspect for creation of long-term values is to understand and be able to manage the risks that exist in operations. The entire company is involved in risk management and this is part of business planning. Significant risks are reported in the system for operational monitoring and planning.

Since the forest is regularly felled and replanted, Sveaskog has stable cash flows. This means that Sveaskog's direct economic risks are limited. There are, however, other risks that are systematically inventoried by Sveaskog. Sveaskog is exposed to financial, legal, market-related, operational, public opinion and social risks. The forests are also exposed to biological risks as well as weather and climate risks.

The extensive storm fellings in recent years have highlighted the weather and climate risks. At the same time, Sveaskog's forest holdings are spread throughout Sweden which evens out weather risks and biological risks. The forests are also insured against major extra costs.

Sveaskog works to develop new products and businesses such as biofuel and eco-system services. The company also increases revenues from the forest by granting leases for hunting, fishing, eco-tourism and wind power. These activities provide a broader income base but can also involve risks.



## Responsibility

Sveaskog's Board is responsible for the company managing risks correctly and ensuring compliance with adopted principles for financial reporting and internal control. The CEO has overall operational responsibility and has delegated to the CFO the conduct of the risk management process. Operational responsibility rests with each profit unit and staffs and is followed up at management level.

## Risk management process at Sveaskog

Risk management is an integrated part of annual business planning in the company and includes both profit units and staffs. All significant risks are identified, reported and compiled in the company's system for operational monitoring and planning.

Reporting includes a description of the risk and actions taken as well as who is responsible. Each risk is assigned an evaluation of probability and consequence on a five-point scale. The result of this evaluation provides the total risk value as illustrated in the above risk matrix.

The identified risks are evaluated and prioritised on the basis of the total risk value.

The person responsible identifies remedial actions and evaluates these on the basis of their effect and how time- and cost-demanding the actions are. These are carried out according to priority and available resources. Once an action has been taken, an assessment is made of whether it was sufficient to manage the risk concerned. How Sveaskog manages its key risks is shown on the next two pages.

Identification, revision and evaluation of risks

Prioritising remedial actions

Reporting/registration of risks and actions

Implement, follow-up actions

# Management of significant risks

## Biological risks

### ● Spruce bark beetle

Insect pest that has grown in number in the north of Sweden and the control area has been extended. In the south, attacks have subsided leading to a reduced control area.

**Management:** Fast processing of storm-felled timber and recently attacked standing trees.

### ○ Shortage of spruce seeds

Problems with spruce cone rust continue. Flowering has been absent for several years. Shortage of processed seed in Norrland can result in growth losses.

**Management:** Collection of stand seeds and/or external purchases. Research and development.

### ● Root rot

Value of standing forests decreases, trees die.

**Management:** Prevent attacks by treating stumps with spores during felling.

### ● New pests become established

If, for example the nun moth, the mountain pine beetle or other pests become established in Sweden, large-scale destruction could result.

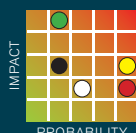
**Management:** Monitoring.

### ● Game grazing damage

Game which graze on trees and seedlings reduce forest growth.

**Management:** Hunting, measures to increase access to feed, increased knowledge of game populations.

Game grazing damage is a fact and amounts to approximately SEK 250 million per year on Sveaskog's land. An increase of 10% affects operating profit from continuing operations by SEK 25–50 million.



## Financial risks

### ● Financing risks

Assets are partly financed by external loans. This constitutes a risk if a large borrowing requirement arises in a tight credit market.

**Management:** A well-diversified loan portfolio of lenders and investors with good flexibility and competitive pricing.

### ○ Interest rate risk

The risk that Sveaskog is exposed to a disadvantageous interest rate situation with a large loan portfolio.

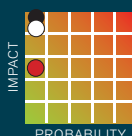
**Management:** Sveaskog's policy is an average fixed-interest term on the loan portfolio of 12–48 months.

### ● Credit risk

The risk that a counterparty is unable to fulfil obligations.

**Management:** The finance policy regulates maximum credit exposure in the investment portfolio. For commercial credit exposure some major customers are exempted, otherwise credit insurance is taken out for other customers. Regular credit committee meetings and information to the Board.

Sveaskog's financial risks are described in detail in Note 28.



## Operational and legal risks

### ● Loss of FSC® certification

Lack of quality in silvicultural activities and consideration for nature as well as deficiencies in work and follow-up of social responsibility, can result in Sveaskog losing its FSC® certificate, which would have a significant impact on the timber business.

**Management:** Documented routines and work processes in all parts of the business, internal and external audits as well as training for continual improvements.

### ○ Forest management impact of political decisions

National and EU directives, interpretations by authorities and their impact on forest management

**Management:** Follow, participate in and influence debate. Note interpretations made.

### ● Access to workforce and contractors

Sveaskog's business is to a large extent represented in rural areas. Lifestyle and values make recruitment difficult and limit the availability of contractors.

**Management:** Profiling Sveaskog as an attractive employer. Collaboration with education programmes. Work towards a functioning supplier market with healthy competition. Increase integration work.

### ● Nature conservation and high conservation value forests

Sveaskog has chosen to set aside 20% of productive forest land as nature conservation areas. Half of this area (10%) is set aside for high conservation value forests. Too much set aside of high conservation value forests leads to reduced availability of wood raw material for industry and a poorer result for Sveaskog.

**Management:** Continuous evaluations to ensure that the 10% set aside are those with the highest conservation values. Routines for ensuring that forest with lower conservation values remains as production forest.

### ● IT-related risks

Interruptions, hacking, virus attacks, sabotage and computer blackmail.

**Management:** High IT security and reliable backup routines. Information and training.





## Market risks

### ● Sawmill industry

At times poor profitability leads to sawmill closures and credit losses for Sveaskog. Restructuring may lead to fewer customers in local areas for Sveaskog's forest holdings. The effect of Brexit and other changes in international markets can affect demand for products from the sawmill industry.

**Management:** Active selection of customers and credit insurance. Priority given to cooperation with customers with long-term survival and profitability potential. Prioritise product development and innovation.

### ○ Pulp and paper industry

A few, dominant companies means a lack of competition and few alternative business and marketing opportunities. The effect of Brexit and other changes in international markets can affect demand for products from the pulp and paper industry.

**Management:** Expand market and customer capital. More efficient logistics and increased exports. Prioritise product development and innovation.

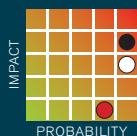
### ● Energy sector

Increased competition from substitutes and low energy prices lead to limited market outlets. Elimination of companies and customers within Sveaskog's traditional markets.

**Management:** Be an efficient supplier of advanced, customer-oriented business concepts that provide added value and increased profitability for all parties. Prioritise product development and innovation.

A change in the average price of wood raw material from own forests of 10% affects operating profit from continuing operations by approximately SEK 300 million.

A change in delivery volume from own forests of an average of 10% affects operating profit from continuing operations by approximately SEK 200 million.



## Weather, climate & environmental risks

### ● Climate change

Changed climate can increase the risk of storms, cause changes in precipitation, worsen forcing conditions and change vegetation boundaries.

**Management:** Tract adaptation, adapted thinning and clearing, developed forcing in poor conditions and work with processed seed and seedling material. Insurance.

### ○ Storm felling

Direct economic loss through lower operating profit, reduced value of forest assets, cleaning up puts a strain on the organisation, damage from bark beetle.

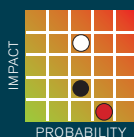
**Management:** Silvicultural measures that reduce risks: thinning, planting, increased proportion of broad-leaved trees, final felling at economic maturity. Good crisis organisation and logistics. Ability to move felling resources to storm-felled areas. Insurance against damage.

### ● Contaminated land

Responsibility for contaminated land from earlier possible pollutants.

**Management:** Inventory, strategy and action plan for management and ongoing operations and possible subsequent treatment.

In 2005 the storm Gudrun caused gross damage of SEK 730 million. Given today's insurance cover, similar damage would affect operating profit from continuing operations by approximately SEK 376 million. Sveaskog's insurance cover is described in detail in Note 26.



## Social risks

### ● Timber imports from undesirable origins

Purchases from, for example, the Baltic countries can present risks linked to illegal felling, corruption and labour law.

**Management:** Sveaskog's Code of Conduct as well as certification and clear guidelines for traceability and documentation of purchased raw material, which govern the company's actions and follow-up.

### ○ Contractors

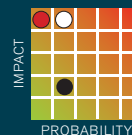
Contractors which fail to meet commitments can constitute a risk linked to working environment, health, safety and labour law.

**Management:** Code of Conduct, guidelines for procurement of contractors as well as follow-up and control of compliance reduce risks.

### ● Corruption

Unclear guidelines and routines lead to a risk of bribes, bribery and corruption.

**Management:** Continuous training and dialogue, Code of Conduct, clear guidelines, internal control, possibility to report violations anonymously.



## Public opinion risks

### ● Opinions about the forest

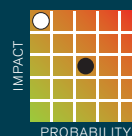
Opinions about the use of the forest which restrict forestry can affect profitability and the value of forest land.

**Management:** Active participation in the forest debate. Collaboration with other parties and players. Local presence and dialogue.

### ○ Reduced confidence

The brand and confidence in the company can be affected and thus customer relations and cooperation.

**Management:** Code of Conduct, internal routines, active information work and ongoing dialogue with stakeholders.



# Success for Improvement of the Year

Improvement of the Year is a success at Sveaskog. For five consecutive years employees have nominated and voted for the winners of Improvement of the Year and involvement in the competition is considerable. There are four categories in the competition which correspond to the company's values: Simplicity, Customer focus, Innovation and Transparency.



The winners of Improvement of the Year 2016 received their awards during Sveaskog's employee days in Gothenburg in February 2017. The photo shows Team Riddarhytte receiving the prize for Transparency from Inger Thorén Emilsson, SVP HR and Communications.

## Winners of Transparency 2016

At Sveaskog's employee days in Gothenburg in February 2017, Team Riddarhytte in Norra Bergslagen received the award in the Transparency category. The four machine operators in Team Riddarhytte are accustomed to hosting work-experience trainees. Over the past five years they have provided students from nature management colleges and other educational establishments with around 50 experience weeks.

Since Sveaskog has provided special training scooters for the students which are not used in regular operations, the students get a lot of extra driving time. With Team Riddarhytte they learn how to plan a route and where to leave the timber as well as how to drive in the forest. Team Riddarhytte comprises Göran Broberg, Mats Lind, Patrik Olson and Simo Ylikoski.

## Winners of Innovation 2017

Annika Boman and Peter Forsberg have reduced energy costs for forcing spruce seedlings at the same time as they have succeeded in ensuring that the plants get sufficient light. The solution is lightweight lighting with energy-efficient LED lamps. The new solution replaces fixed lights in the roofs at the nurseries. The new lightweight lighting is cheap to run and can be moved when the seedlings are planted out. This improved lighting gives more consistent plants of higher quality.



Annika Boman and Peter Forsberg won the category Innovation in 2017.

## Winners of Innovation of the Year 2017

**Customer focus** – Krister Bergman, Håkan Broman, Patrick Bäckström, Anna Malmqvist and Claes Scholander for a pulpwood transaction with SCA.

**Innovation** – Annika Boman and Peter Forsberg for lightweight lighting of spruce seedlings.

**Simplicity** – Lars Johansson and Mattias Tengbrand for a common mapping language in Sveaskog's management system.

**Transparency** – Hanna Aminder, Rune Andersson, Lena Bruce, Fideli Sandahl, Babs Stuiver and Sara Östh for open and clear dialogue with external interests.



# Green bonds

Sveaskog has issued its second green bond of SEK 1 billion. It was issued within the international “Green Bond Principles” framework.



The framework is called the “Green Bond Principles” and aims to enable capital-raising and investment in projects which deliver environmental sustainability. A green bond means that the borrowed capital must be used for various types of environmental project. Issuers of green bonds must therefore explain what the financing will be used for, what positive environmental effects are expected and how feedback will be provided to investors.

Prior to the issue, Sveaskog's green framework was audited by Norwegian DNV GL which evaluated forest production, certification and the nature conservation programme. There was strong interest from investors in the bond which was quickly oversubscribed.

The first green bond was issued in 2016 and also amounted to SEK 1 billion.

Sveaskog's post-issuance report within the green bond framework can be found in Note S20.

# Corporate governance report

Sveaskog is a limited company owned by the Swedish state. Governance of Sveaskog is based on the Swedish Companies Act, the State ownership policy, the Swedish Code of Corporate Governance (the Code) as well as applicable Swedish and foreign legislation and regulations.

This corporate governance report has been prepared as part of Sveaskog's application of the Code. The report has been reviewed by the company's auditors.

In accordance with the State ownership policy and guidelines for state-owned companies, Sveaskog has deviated from the Code in three instances:

- Preparation of decision on nomination of the Board and auditors, which means that Sveaskog has not appointed a nomination committee.
- With regard to reporting of Board members' independence in relation to the state as a major owner, which is not reported since the Code in this respect focuses on companies with a diverse ownership base.
- Date and location of the Annual General Meeting shall be stated on the company's website in conjunction with the interim report for the third quarter. Here Sveaskog has chosen to comply with Nasdaq Stockholm's rules for issuers and therefore provided details of the planned date of the Annual General Meeting in the year-end report.

The state's ownership policy and guidelines for companies with state ownership are applied according to the "comply or explain" principle which means that companies are entitled to deviate from these guidelines provided a clear explanation motivating the deviation is provided in the company's annual report. In the annual report, the Board shall also describe how these guidelines were applied in the most recent financial year. In 2017, Sveaskog has not deviated from the state's ownership policy and guidelines for companies with state ownership in addition to what is set out above as deviations from the Code.

## ASSIGNMENT

According to the articles of association, Sveaskog owns and manages real and personal property, conducts forestry operations and forest industry as well as related business activities. The core business is forest management. Sveaskog must also be an independent player without major interests as an end user of wood raw material. The company can also conduct related activities if these contribute to higher returns. Sales of land on market terms shall enable rezoning of land holdings and add-on purchases for private forestry, particularly in rural areas. Sales of land shall be carried out until 10% of the land area owned by the company at its formation in 2002 has been divested. Operations shall be conducted on a commercial basis and generate a market return.

## ANNUAL GENERAL MEETING

The Annual General Meeting is Sveaskog's highest decision-making body. The Annual General Meeting of the Parent Company Sveaskog AB (publ) was held on 26 April 2017 in Stockholm. The 2018 Annual General Meeting will be held on 23 April. More information about the 2018 Annual General Meeting is provided on page 107.

According to the State ownership policy, guidelines for companies with state ownership and the articles of association, members of parliament are entitled to attend and ask questions at Sveaskog's general meetings. The meetings are also open to the public.

## Nomination process

The State ownership policy and guidelines for state-owned companies specify a different nomination process than that prescribed by Code with regard to the Board and auditors. Nomination of the Board is coordinated by the Government Offices of Sweden. The Government Offices of Sweden also submit a proposal for the Chairman of the Board and chairman at the Annual General Meeting. Nomination of members of the Board is presented in the notice of the meeting and on Sveaskog's website. The Government Offices of Sweden is responsible for election of auditors and a decision on this is made at the Annual General Meeting. A proposal for election of auditors is presented in the notice of the meeting and on Sveaskog's website. Auditors are appointed with a mandate period of one year. The practical work of procurement of auditors is handled by the Board's audit committee together with the company and owner.

## BOARD OF DIRECTORS

The Board is responsible for the company's organisation and management of the company's affairs. According to the articles of association, the Board shall consist of a minimum of five and a maximum of nine members. In addition, there are two employee representatives with two deputies. The articles of association do not contain any regulations on the appointment or dismissal of Board members. The company's legal counsel is the secretary to the Board.

## Composition of the Board

Six Board members were elected at the 2017 Annual General Meeting. After the 2017 Annual General Meeting the Board comprises three women and three men. The Board also has two employee representatives and two deputies for them. At the Annual General Meeting the Chairman of the Board Helene Biström declined re-election and Eva Färnstrand was elected as Chairman.



### The work of the Board

The work of the Board is governed by the Board's formal work plan. The Chairman of the Board shall ensure that the work of the Board is conducted efficiently and that the Board meets its commitments. According to the formal work plan the Board shall normally hold eight meetings per year, in addition to its statutory meeting in conjunction with the Annual General Meeting. The formal work plan stipulates which issues should be examined at each meeting and which specific issues should be submitted to the Board. The work plan also states that the Chairman, on behalf of the Board, shall consult with representatives of the owner on matters of decisive significance to Sveaskog. The work plan also contains details of the Chairman's role in the Board and on assignment of responsibilities and tasks between the Board and the CEO. Every year the Board evaluates the work of the Board and monitors the work of the CEO on an ongoing basis. At least once a year the work of the CEO is evaluated without any member of group management being present.

The Board held nine meetings in 2017, including two strategy meetings. In addition to processing standing items on the agenda, the Board focused on issues relating to sustainable forest management and digitalisation and decided on a number of major property sales.

### Board committees

The Board's committees prepare issues ahead of a decision by the Board. Guidelines for the work of the

committees are found in the Board's formal work plan. In addition, there are special instructions for the property committee and the audit committee. Issues examined by the committees are minuted and reported at the next Board meeting.

### Remuneration Committee

Prepares issues related to remuneration and terms of employment for senior executives. The Remuneration Committee consists of Eva Färnstrand (chairman) and Leif Ljungqvist.

### Property Committee

Prepares issues relating to property acquisition, management and divestment. In 2017 the Property Committee consisted of Sven Wird (chairman), Annika Nordin and Sofia Gilliusson. In January 2018 Sofia Gilliusson, who is an employee representative, was replaced by Sara Östh.

### Audit Committee

Tasks include preparing the Board's work on quality assurance of the company's financial reporting, regular meetings with the company's auditors in order to be informed of the focus, scope and result of audits as well as to discuss coordination between external auditors and internal control activities and approach to the company's risks. The Audit Committee consists of Anna-Stina Nordmark Nilsson (chairman), Leif Ljungqvist, Thomas Hahn and Kenneth Andersson.

## Board meetings 2017

### 7 December

- Reports from committees
- Financial report
- Budget
- Forest debate
- Communication issues
- Sustainable forest management
- Valuation of standing timber IAS 41
- Decision on property divestments
- Evaluation of Board work

### 26 October

- Reports from committees
- Financial report
- Decisions on property divestments
- Investment plans SunPine
- Interim report
- Auditors' review

### 11–12 September

- Reports from committees
- Financial report
- Interim report
- Strategy
- Investment plans Setra Group
- Business plan including review of significant risks and their impact

### 15 July

- Financial report
- Interim report

### 26 January

- Reports from committees
- Special review function
- Year-end report 2016
- Auditors' review
- Follow-up of property transactions and land sales programme
- Sveaskog's insurance cover
- Evaluation of Board work

### 7–8 March

- Reports from committees
- Financial report
- Information about FSC® non-conformance
- Annual accounts including review of auditor's opinion on the company's risks
- Ahead of the Annual General Meeting
- Business plan process
- Decisions on property divestments
- Study visit to Bayrische Staatsforst

### 26 April

- Reports from committees
- Financial report
- Interim report
- Decisions on property divestments

### Statutory Board meeting after Annual General Meeting 26 April

### 15 June

- Reports from committees
- Financial report
- Managing challenges
- Forest policy and sustainable forest management
- Decisions on property divestments
- Decisions on Code of Conduct and Employee Policy
- Sustainable forest management
- Strategy
- Business plan



**Principles for remuneration to the Board**

Fees to the Board are decided by the Annual General Meeting. Fees to Board members on committees are also decided at the Annual General Meeting. In 2017, remuneration to the Board totalled SEK 1,306,666. The Board does not have a bonus or incentive programme. Employee representatives on the Board and the member employed by the Swedish Government Offices does not receive a fee.

Eva Färnstrand, Anna-Stina Nordmark Nilsson, Annika Nordin and Sven Wird invoiced fees through their own companies. An additional charge has been made for social security contributions. This arrangement is cost neutral for Sveaskog but will cease after the 2018 Annual General Meeting.

**Related-party transactions**

The following related-party transactions have been reported to Sveaskog: Annika Nordin's husband has a consulting agreement with the company and Sara Östh has sold timber to the company. Both transactions were conducted on business terms.

**CORPORATE STRUCTURE**

Sveaskog's operations are organised in three geographical market areas and Svenska Skogsplantor. The divisions into market areas is based on forest assets, customer structure and trade flows. The market areas have customer, production, and delivery responsibility for the wood raw material as well as responsibility for leases. The operating activities are supported by group-wide staffs.

Sveaskog also owns shares in companies where there is not a Group relationship, where the holding in the wood products company Setra Group AB is the largest.

**CEO and Group Management**

Sveaskog's CEO is responsible for ongoing management of the company in accordance with the Board's instructions. The CEO gives presentations at meetings

of the Board. The CEO is responsible for ongoing business activities and contacts with the Chairman and external stakeholders. The CEO also leads the work of Group Management. Group Management consists of six men and four women. The CEO's assistant is a co-opted member of group management. No changes in Group Management were made during the year.

**SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH FINANCIAL REPORTING**

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Code. Internal control is intended to provide reasonable assurance regarding the reliability of external financial reporting in the form of year-end reports, interim reports and annual reports. Control shall also include external financial reporting and that this is prepared in accordance with legislation, applicable accounting standards and other requirements on a limited company.

**Framework for internal control**

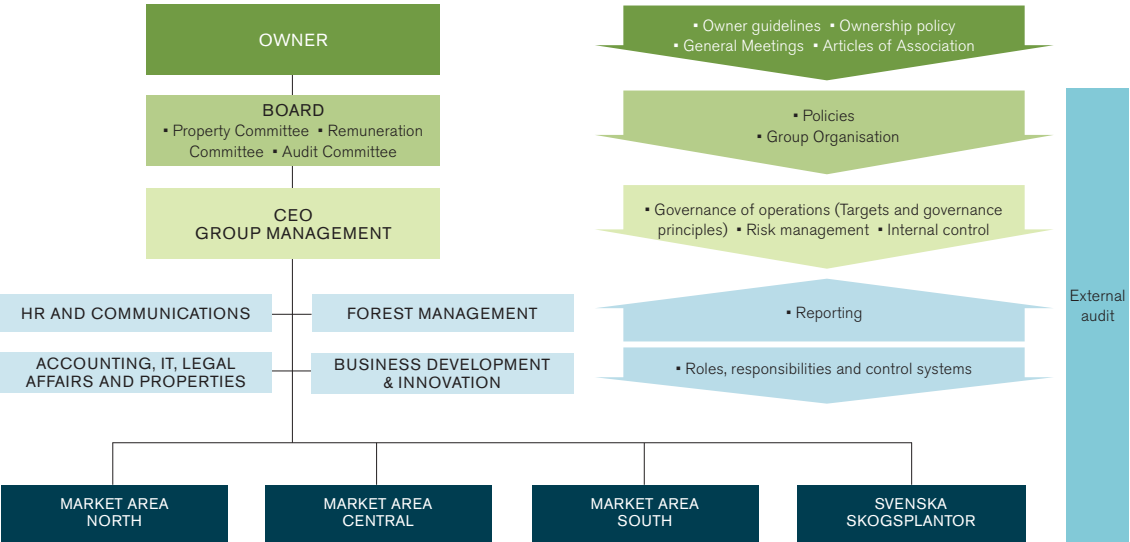
A description of how internal control is organised in relation to financial reporting is provided below.

**Control environment**

The Board has overall responsibility for maintaining an effective system for internal control and risk management. The Board has appointed an audit committee which prepares matters related to risk assessment, internal control, financial reporting and audit. The Board's risk management has been given greater scope in recent years.

Responsibility for maintaining an effective control environment and day-to-day work with risk management and internal control relating to financial reporting is delegated to the CEO. Managers at different levels in the company have corresponding responsibility within their respective areas. The most significant parts of the control environment relating to financial reporting are

**Organisation and governance**





handled in the governing documents relating to accounting and financial reporting and in the accounting handbook which is published on Sveaskog's employee intranet.

### Risk assessment and control structures

The Board is responsible for ensuring that the company manages its risks in the right way and that adopted principles for financial reporting and internal control are complied with. Risks in connection with the financial reporting are loss or misappropriation of assets, unlawful benefit of another party at the company's expense and other risks relating to material misstatement in the financial statements, for example relating to recognition and measurement of assets, liabilities, revenues and expenses or discrepancies in disclosure requirements. These issues are prepared by the audit committee before consideration by the Board. A number of items in the income statement and balance sheet have been identified where the risk of material misstatement is significant. These risks can mainly be attributed to measurement of standing forest, accruals and the IT systems which support operations.

### Information and communication

Sveaskog has information and communication channels designed to promote the completeness and accuracy in financial reporting. For external communication there are guidelines designed to ensure that the company meets the owner's requirement that reporting is carried out in accordance with Nasdaq Stockholm's Rules for Issuers.

### Monitoring

Monitoring is regulated in the Board's formal work plan and instructions to the CEO.

### Special review function

The Board considers that Sveaskog's significant risks and risk areas are covered by the risk management process applied by the company. The CFO unit is

assigned by the CEO to be responsible for risk inventories and conducting the risk management processes. The CFO unit is also responsible for a number of central controls combined with local follow-up. Operational responsibility rests, however, with the market areas and other operating areas. The Board believes that there is no need for a special review function in the company. The CFO unit is headed by the Deputy CEO who is also the CFO and comprises the finance and accounting, IT as well as law and property staffs.

### AUDIT

The task of the auditors is on behalf of shareholders to examine the company's annual accounting and accounting records as well as the administration by the Board and the CEO. The Board communicates with the auditors through the audit committee, by auditors attending Board meeting at which issues ahead of annual accounts and annual report are examined. At least once a year the auditors meet the Board without the CEO or another person in group management being present. The auditors participated six of the Audit Committee's seven meetings. Remuneration to auditors is specified in Note 6 of the Annual Report.

### SUSTAINABLE BUSINESS

Sveaskog has an integrated sustainability perspective throughout its operations. Sveaskog's objectives for sustainable business are broken down into strategies and operational targets which are regularly monitored. This work is supported by a number of policies and guidelines which are available on Sveaskog's intranet and website. During the year the company started work with "Integrated Profit and Loss Reporting" which illustrates the impact from Sveaskog's operations from several perspectives. The analysis highlights, among other things, the added values the company has in addition to timber production, such as ecosystem services.

Follow-up of sustainability initiatives is ongoing both

Board attendance and remuneration 2017

|  | Attendance<br>Board Meetings | Attendance<br>Remuneration<br>Committee | Attendance<br>Property<br>Committee | Attendance<br>Audit<br>Committee | Remuneration, SEK |            |
|--|------------------------------|---|-------------------------------------|----------------------------------|-------------------|------------|
|  |                              |   |                                     |                                  | Board             | Committees |
| <b>Board members</b>   |                              |   |                                     |                                  |                   |            |
| Eva Färnstrand*  | 9/9                          | 1/1                                     | –                                   | –                                | 353,333           | 23,333     |
| Thomas Hahn  | 9/9                          | –                                       | –                                   | 4/4                              | 170,000           | 13,333     |
| Leif Ljungqvist  | 9/9                          | 1/1                                     | –                                   | 7/7                              | –                 | –          |
| Annika Nordin  | 9/9                          | –                                       | 3/3                                 | –                                | 170,000           | 26,667     |
| Anna-Stina Nordmark Nilsson  | 9/9                          | –                                       | –                                   | 7/7                              | 170,000           | 40,000     |
| Sven Wird  | 9/9                          | –                                       | 3/3                                 | –                                | 170,000           | 26,667     |
| <b>Employee representatives</b>  |                              |   |                                     |                                  |                   |            |
| Kenneth Andersson (elected 2017)   | 6/6                          | –                                       | –                                   | 4/4                              | –                 | –          |
| Sofia Gilliusson   | 9/9                          | –                                       | 3/3                                 | –                                | –                 | –          |
| Lars Djerf (deputy)  | 6/9                          | –                                       | –                                   | –                                | –                 | –          |
| Thomas Esbjörnsson (deputy)  | 8/9                          | –                                       | –                                   | –                                | –                 | –          |
| <b>Board members who resigned<br/>at the 2017 Annual General Meeting</b> |                              |   |                                     |                                  |                   |            |
| Helene Biström   | 3/3                          | –                                       | –                                   | –                                | 140,000           | 3,333      |
| Sture Persson (employee representative)                                  | 2/3                          | –                                       | –                                   | 2/2                              | –                 | –          |

\* Eva Färnstrand took up the position of Chairman at the 2017 Annual General Meeting. She was previously a member of the Board. Helene Biström resigned as Chairman at the 2017 Annual General Meeting. In 2017, Sofia Gilliusson was an ordinary employee representative. She was replaced by Sara Östh in January 2018.

internally and externally. The CFO and CEO have regular business follow-ups with the market areas and Svenska Skogsplantor. The Board submits the sustainability report and the Audit Committee prepares work with the report.

Collaboration with local contractors and suppliers is important for Sveaskog's development. The Code of Conduct, general sustainability requirements linked to the UN Global Compact and detailed requirements for contractors govern the assessment of contractors. Follow-up takes the form of self-assessments and internal audits. Non-conformances are reported in the business management system. There is also an annual follow-up of framework agreements with external suppliers.

The external review consists of auditors reviewing the Annual Report and the Sustainability Report. There is also an external audit according to ISO 14001 of the integrated business management system. There is an external audit of the FSC® certificate and regular surveys for customers, employees, contractors, suppliers and the brand. This will be a tool for creating an understanding for the impact of operations from a stakeholder perspective and provides support for monitoring international regulations such as national environmental goals and the 2030 Agenda.

#### VALUES AND CODE OF CONDUCT

Sveaskog's values must permeate the corporate culture and help all employees to adopt a common approach. Sveaskog's values:

- Customer Focus
- Innovation
- Simplicity
- Transparency

The values cover:

- How Sveaskog conducts business  
Employees must be professional and understand customer needs, take initiatives and be innovative.
- How employees should act as employees and colleagues  
Employees must be led by the vision, goals and strategies and show respect for the integrity and knowledge of their colleagues.
- How managers and leaders take special responsibility  
Managers and leaders must create an innovative climate and an open culture with feedback.

Sveaskog has a Code of Conduct that applies to all employees. Anyone concluding an agreement with customers, suppliers, contractors and consultants must ensure and monitor that these comply with the Code of Conduct. Sveaskog's managers shall ensure that the Code of Conduct is complied with in daily operations. The Code must always been gone through with new employees, at performance reviews, procurements, operational follow-up, etc. The Code of Conduct is included as an appendix to business and cooperation agreements.

Under the leadership of lawyers and HR specialists, regular meeting are held in the different profit areas where questions about the Code of Conduct, entertainment guidelines and other ethical issues are discussed.

#### Whistle-blower function

Sveaskog has an external whistle-blower function on its website Sveaskog.se ("Sveaskog's visslarfunktion"). Notifications are handled by an independent external party and can be submitted anonymously using the form on the website, e-mail, a telephone call or letter. The whistle-blower function is open to all stakeholders. No notifications were received via the whistle-blower function in 2017.

#### If you wish to read more:

State ownership policy

<http://www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/>

Sveaskog's Articles of Association

<https://www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/>

Sveaskog's Code of Conduct

<https://www.sveaskog.se/om-sveaskog/uppforandekod/>

Swedish Companies Act

[www.regeringen.se](http://www.regeringen.se)

Swedish Code of Corporate Governance

[www.bolagsstyrning.se](http://www.bolagsstyrning.se)

Nasdaq Stockholm's Rules for Issuers

[www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html](http://www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html)

| Sveaskog's policies                             |  |
|---|--|
| Sveaskog's policies are adopted by the Board    |  |
| AREA  | PURPOSE  |
| Property strategy                               | Provide directives for the company's property strategy.  |
| Communications Policy                           | Guide the company in its communications work.  |
| Group Finance Policy and Group Insurance Policy | Provide directives on how the Group's treasury and insurance operations shall be designed and conducted.   |
| Employee Policy                                 | Provides guidelines for employeeship, leadership, salary levels and working environment.   |
| Environmental Policy                            | States how the company will develop sustainable use of the forest's various natural resources as well as working to realise the nationally adopted environmental objectives. |
| Forest Policy                                   | States how the company's forests should be managed.  |
| Code of Conduct                                 | Clarifies for employees how they should act as business partners, employers, employees and community members.  |





Sveaskog's Chairman of the Board Eva Färnstrand pays a visit outside Karlskoga. Seen here with machine operator Tobias Blomqvist, employed with contractors Team Jord & Skog.

# Board of Directors



Eva Färnstrand



Thomas Hahn



Leif Ljungqvist



Annika Nordin



Anna-Stina  
Nordmark Nilsson



Sven Wird



Kenneth Andersson



Sara Östh



Lars Djerf



Thomas Esbjörnsson



**Eva Färnstrand**

Chairman of the Board.

MSc.Eng. Born 1951.

Elected 2008 and Chairman since 2017. Chair of the Remuneration Committee.

Other assignments: Member of the Royal Swedish Academy of Engineering Sciences (IVA). Chair of Infranord AB and Inlandsinnovation AB. Board member of Saminvest AB.

Previous experience: Plant Manager Södra Cell Mönsterås, CEO Tidningstryckarna AB, Business Area Manager SCA. Chairman of Profilgruppen AB. Board member of Indutrade AB, Domsjö fabriker AB, Södra Cell AB, Handelsbanken Regionbank Stockholm City and Schibsted Tryck AS, among others.

**Thomas Hahn**

PhD Agronomics. Born 1964.

Elected 2007. Member of the Audit Committee.

Other assignments: Researcher at Stockholm Resilience Centre. Member of the Royal Swedish Academy of Agriculture and Forestry. Involved in The Millennium Ecosystem Assessment and the Inter-governmental Platform for Biodiversity and Ecosystem Services (IPBES).

Previous experience: Secretary to the Committee of Inquiry on the Value of Ecosystem Services, Board member of the Nuclear Waste Fund. Chairman of Economists for the Environment.

**Leif Ljungqvist**

MSc.Econ. Born 1971.

Elected 2016. Member of the Remuneration and Audit Committees.

Other assignments: Company Manager and Deputy Director of the Ministry of Enterprise and Innovation's corporate governance unit. Board member of Apoteket AB, Samhall AB and Statens Bostadsomvandling AB.

Previous experience: Board member of Akademiska Hus AB, AB Svensk Bilprovning, Vasallen AB and AB Bostadsgaranti. Previously equity analyst at Kaupthing Bank, Nordiska Fondkommission and Hagströmer & Qviberg.

**Annika Nordin**

PhD Forestry. Born 1968.

Elected 2016. Member of the Property Committee.

Other assignments: Professor of Forest Ecophysiology at the Swedish University of Agricultural Sciences. Programme leader for the Future Forests research programme. Member of the Royal Swedish Academy of Agriculture and Forestry, Kungliga Skytteanska Samfundet and board member of the Forestry Research Institute of Sweden.

Previous experience: Vice Dean of the Faculty of Forestry Science at the Swedish University of Agricultural Sciences, board member of the Berzelii Centre for Forest Biotechnology and a member of the Swedish Environmental Research Advisory Board.

**Anna-Stina Nordmark Nilsson**

MSc.Econ. Born 1956.

Elected 2006. Chair of the Audit Committee.

Other assignments: CEO Lulebo AB. Deputy Chair of Svenska Kraftnät. Board member of Svevia AB, Dedicare AB among others.

Previous experience: CEO Företagarna, authorised public accountant and manager PwC, Healthcare Director Stockholm County Council, County Council Director Norrbotten, CEO Piteå-Tidningen and Director of Roads. Directorships in companies, hospitals, universities, foundations and organisations.

**Sven Wird**

MSc.Eng. Born 1951.

Elected 2016. Chairman of the Property Committee.

Other assignments: Chairman of Nordiska Virkesbörsen AB. Board member of Melodea Ltd and Rise Research Institutes of Sweden AB.

Previous experience: Technology Director Holmen AB. Leading positions at SCA, Norske Skog France, Modo AB and Modo Paper AB. Previously chairman of the board of SunPine AB and Board member of Innventia AB and SP Technical Research Institute of Sweden.

**Kenneth Andersson**

Machine operator. Born 1969.

Elected 2017. Board member. Employee representative appointed by the Swedish Forest and Wood Trade Union. Member of the Audit Committee.

**Sara Östh**

Environment and nature conservation specialist.

MSc.Forestry. Born 1983.

Elected 2018. Board member. Employee representative appointed by SI/Naturvetarna. Member of the Property Committee.

**Lars Djerf**

Harvester operator. Born 1966.

Elected 2010. Board member, deputy. Employee representative, appointed by the Swedish Forest and Wood Trade Union.

**Thomas Esbjörnsson**

Logistician. Born 1962.

Elected 2015. Board member, deputy. Employee representative, appointed by the Association of Managerial and Professional Staff.

**Auditors**

Auditor is audit firm Deloitte AB with Hans Warén, born 1964, as auditor in charge. Deloitte AB address Rehnsgatan 11, SE-113 79 Stockholm.

# Group Management





**Per-Olof Wedin**

President and CEO.  
MSc.Eng. Born 1955.  
Employed 2011. Assumed current position 2011.

Previous experience: CEO of Svevia AB. Head of Stora Enso business area Uncoated Magazine Paper and Pulp as well as the Transport and Distribution Division. CEO of Grycksbo Pappersbruk. Senior management positions at SCA and Modo.

Other assignments: Board member of Setra Group AB and Mesta AS. Chairman of The European State Forest Association (Eustafor).

**Per Matses**

Deputy CEO, CFO.  
MBA. Born 1958.  
Employed 2010. Assumed current position 2010.

Previous experience: Executive Vice President, CFO and Administrative Director at Apoteket AB, Finance Director at Postgirot Bank AB and Finance Director at Posten AB.

Other assignments: Board member of Setra Group AB and Praktikertjänst AB.

**Nina Arkeberg**

PA to the CEO, co-opted member of Group Management. MSc Business Administration & Management. Born 1967.  
Employed 2011. Assumed current position 2011.

Previous experience: PA to CEO of Svevia AB and Grycksbo Pappersbruk.

**Viveka Beckeman**

SVP Legal Affairs and Property.  
LLB. Born 1971.  
Employed 2012. Assumed current position 2012.

Previous experience: General Counsel at Aditro Holding AB, lawyer at Advokatfirman Vinge, Clerk at the Court of Appeal and law clerk at Helsingborg District Court.

Other assignments: Chair of SunPine AB.

**Eva Karlsson Berg**

SVP Central Market Area.  
MSc.Eng. Born 1959.  
Employed 2015. Assumed current position 2015.

Previous experience: Senior positions within Stora Enso, Chair of Svenska Pappers- och Cellulosaingenjörsföreningen (SPCI).

Other assignments: Board member of Högskolan i Gävle.

**Roger Johansson**

SVP Svenska Skogsplantor.  
MSc. Forestry, MBA. Born 1972.  
Employed 2002. Assumed current position 2016.

Previous experience: Senior positions within sawmill industry and Sveaskog, including Deputy Head of Forestry and Head of Marketing.

**Fredrik Klang**

SVP South Market Area.  
MSc. Forestry and PhD from SLU. Born 1970.  
Employed 2000. Assumed current position 2012

Previous experience: Regional Manager and Head of Production Sveaskog Götaland, District Manager, Head of Silviculture, AssiDomän Forestry.

**Tommy Nilsson**

SVP Forestry.  
MSc. Forestry. Born 1954.  
Employed 1999. Assumed current position 2016.

Previous experience: Forest Manager at Domänverket (The Swedish Forest Service), Managing Director for sawmills, responsible for customer relations at AssiDomän, Market Area Manager Sveaskog North.

Other assignments: Board member of Shorelink AB and Efficient Forest Fuel Supply Systems.

**Inger Thorén Emilsson**

SVP Human Resources and Communications.  
BA HR and Psychology. Born 1965.  
Employed 2016. Assumed current position 2016.

Previous experience: Leading positions at Telia, Akademiska sjukhuset i Uppsala, Niscayah and Stora Enso, among others.

**Anette Waara**

SVP North Market Area.  
MSc. Forestry. Born 1969.  
Employed 2002. Assumed current position 2016.

Previous experience: Head of Production Västerbotten market area, head of Västerbotten profit area.

**Jan Wintzell**

SVP Business Development & Innovation.  
MSc. Forestry. Born 1961.  
Employed 2013. Assumed current position 2013.

Previous experience: Leading positions within Pöyry Management Consulting.

# Sustainability Report

Sveaskog publishes a sustainability report in accordance with the Swedish Annual Accounts Act 6:11 which is an integrated part of the annual report. The sustainability report relates to Sveaskog AB and its subsidiaries.

According to the Swedish Annual Accounts Act the sustainability report shall contain a business model, policy, result of policy, significant risks, management of risks and result indicators. The table shows where in the annual report these different areas can be found.

| Area  | Disclosure requirement  | Where to find the disclosure   |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
|---|---|--|------------------------|-------|---|-------|--|-------|----------------------------------|-------|----------------------------|-------|-------------------------------------|-------|----------------------|-------|-------------------|-------|---------------------|-------|
| Business model  | The sustainability report shall describe the company's business model.  | Sveaskog's business model is described on pages 6–7.   |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Policy  | The sustainability report shall describe the policy applied by the company to these issues, including the review procedure carried out.   | Sveaskog has integrated sustainable business fully into its business strategy and business plan development. Policies and guidelines as well as goals steer towards sustainable business. Sveaskog's policies and their purpose are described on page 54. Review procedures are described on pages 52–54.  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Result of policy  | The sustainability report shall describe the result of the policy.  | Sveaskog's annual report describes the result of the company's sustainable business.   |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Significant risks   | The sustainability report shall describe the significant risks that relate to these issues and that are linked to the company's operations including, when relevant, the company's business connections, products or services that probably have negative consequences. | Sveaskog's risk and sensitivity analysis as well as significant risks and risk management are described on pages 45–47.  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Risk management   | The sustainability report shall describe how the company manages these risks.   | Sveaskog's risk and sensitivity analysis as well as significant risks and risk management are described on pages 45–47.  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Result indicators   | The sustainability report shall describe the result indicators that are relevant to the operations.   | <div>Result indicators and a description of governance are provided on the following pages:</div> <table><tr><td>Confidence in Sveaskog</td><td>18–19</td></tr><tr><td>Environmental values achieved in forest management without major impact</td><td>22–23</td></tr><tr><td>Carbon dioxide emissions shall decrease by 30% between 2010 and 2020</td><td>26–27</td></tr><tr><td>Good leadership and employeeship</td><td>28–29</td></tr><tr><td>At least 30% women by 2020</td><td>28–29</td></tr><tr><td>Satisfied contractors and suppliers</td><td>30–31</td></tr><tr><td>Increased efficiency</td><td>32–33</td></tr><tr><td>Financial targets</td><td>34–35</td></tr><tr><td>Satisfied customers</td><td>36–43</td></tr></table> <div>A list of all indicators is provided on page 101.</div> | Confidence in Sveaskog | 18–19 | Environmental values achieved in forest management without major impact | 22–23 | Carbon dioxide emissions shall decrease by 30% between 2010 and 2020 | 26–27 | Good leadership and employeeship | 28–29 | At least 30% women by 2020 | 28–29 | Satisfied contractors and suppliers | 30–31 | Increased efficiency | 32–33 | Financial targets | 34–35 | Satisfied customers | 36–43 |
| Confidence in Sveaskog  | 18–19   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Environmental values achieved in forest management without major impact | 22–23   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Carbon dioxide emissions shall decrease by 30% between 2010 and 2020    | 26–27   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Good leadership and employeeship  | 28–29   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| At least 30% women by 2020  | 28–29   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Satisfied contractors and suppliers                                     | 30–31   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Increased efficiency  | 32–33   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Financial targets   | 34–35   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |
| Satisfied customers   | 36–43   |  |                        |       |   |       |  |       |                                  |       |                            |       |                                     |       |                      |       |                   |       |                     |       |



# Five-year summary

|  | 2017   | 2016   | 2015   | 2014   | 2013   |
|--|--------|--------|--------|--------|--------|
| <b>Income statements, SEKm</b>                             |        |        |        |        |        |
| Net sales  | 6,206  | 5,922  | 6,078  | 6,232  | 6,056  |
| Other operating income                                     | 205    | 171    | 105    | 55     | 40     |
| Operating expenses   | -5,082 | -4,885 | -4,819 | -4,937 | -5,021 |
| Depreciation and impairment                                | -81    | -80    | -84    | -96    | -97    |
| Operating profit from continuing operations                | 1,248  | 1,128  | 1,280  | 1,254  | 978    |
| Capital gains from property sales                          | 321    | 131    | 78     | 68     | 163    |
| Share of profits of associates                             | 58     | 53     | 10     | 64     | 27     |
| Operating profit before change in value of forest assets   | 1,627  | 1,312  | 1,368  | 1,386  | 1,168  |
| Change in value of forest assets                           | 200    | 319    | 1,432  | 1,032  | 1,046  |
| Operating profit   | 1,827  | 1,631  | 2,800  | 2,418  | 2,214  |
| Net financial items  | -108   | -174   | -214   | -261   | -273   |
| Profit before tax  | 1,719  | 1,457  | 2,586  | 2,157  | 1,941  |
| Tax  | -360   | -267   | -569   | -466   | -466   |
| Profit for the year  | 1,359  | 1,190  | 2,017  | 1,691  | 1,475  |
| <b>Statement of comprehensive income</b>                   |        |        |        |        |        |
| Profit for the year  | 1,359  | 1,190  | 2,017  | 1,691  | 1,475  |
| Total other comprehensive income after tax                 | 29     | -18    | 34     | -174   | 86     |
| Total comprehensive income for the year                    | 1,388  | 1,172  | 2,051  | 1,517  | 1,561  |
| <b>Balance sheets, SEKm</b>                                |        |        |        |        |        |
| Non-current assets, non-interest bearing                   | 35,562 | 35,422 | 35,088 | 33,557 | 32,487 |
| Inventories  | 540    | 582    | 669    | 740    | 673    |
| Current receivables, non-interest bearing                  | 1,662  | 1,520  | 1,407  | 1,561  | 1,512  |
| Cash and cash equivalents and interest-bearing receivables | 1,681  | 1,070  | 1,135  | 1,345  | 1,155  |
| Total assets   | 39,445 | 38,594 | 38,299 | 37,203 | 35,827 |
| Equity   | 20,669 | 20,081 | 19,714 | 18,463 | 17,397 |
| Interest-free liabilities                                  | 9,685  | 9,506  | 9,361  | 9,188  | 8,741  |
| Interest-bearing liabilities                               | 9,091  | 9,007  | 9,224  | 9,552  | 9,689  |
| Total equity and liabilities                               | 39,445 | 38,594 | 38,299 | 37,203 | 35,827 |
| Operating capital  | 28,169 | 28,012 | 27,809 | 26,707 | 25,934 |
| <b>Cash flow</b>   |        |        |        |        |        |
| Cash flow from operating activities                        | 803    | 789    | 909    | 769    | 636    |
| Cash flow from investing activities                        | 477    | 122    | -62    | 61     | 158    |
| Cash flow from financing activities                        | -669   | -976   | -1,057 | -640   | -469   |
| Cash flow for the year                                     | 611    | -65    | -210   | 190    | 325    |
| Interest-bearing net debt                                  | 7,410  | 7,937  | 8,089  | 8,207  | 8,533  |
| <b>Performance measures</b>                                |        |        |        |        |        |
| Return on equity, %  | 6.7    | 6.0    | 10.6   | 9.4    | 8.8    |
| Yield, %   | 4.6    | 4.2    | 4.7    | 5.0    | 3.9    |
| Equity ratio, %  | 52     | 52     | 51     | 50     | 49     |
| Return on operating capital, %                             | 6.5    | 5.8    | 10.3   | 9.2    | 8.7    |
| Net debt/equity ratio, multiple                            | 0.36   | 0.40   | 0.41   | 0.44   | 0.49   |
| Capital turnover ratio, multiple                           | 0.22   | 0.21   | 0.22   | 0.24   | 0.24   |
| Interest cover, multiple                                   | 9.8    | 6.3    | 6.2    | 4.8    | 3.5    |
| Gross margin, %  | 30     | 28     | 47     | 39     | 38     |
| Operating margin, %  | 29     | 28     | 46     | 39     | 37     |
| <b>Dividend</b>  |        |        |        |        |        |
| Total dividend, SEKm *                                     | 900*   | 800    | 800    | 800    | 450    |
| <b>Investments, SEKm</b>                                   |        |        |        |        |        |
| Company acquisitions and investments in shares             | 1      | 1      | 1      | 1      | 0      |
| Other investments  | 219    | 183    | 329    | 132    | 212    |
| <b>Employees</b>   |        |        |        |        |        |
| Number of employees  | 685    | 674    | 688    | 678    | 693    |
| Average number of employees                                | 846    | 844    | 851    | 877    | 899    |
| Expenses salaries and other remuneration, SEKm             | 386    | 373    | 368    | 365    | 378    |

\* For 2017 proposed dividend.

# Consolidated income statement

| SEKm  |           | 2017         | 2016         |
|---|-----------|--------------|--------------|
| Net sales   | note 4, 7 | 6,206        | 5,922        |
| Other operating income  | note 5    | 205          | 171          |
| Raw materials and consumables                                   |           | -1,765       | -1,622       |
| Change in inventories   |           | -47          | -62          |
| Other external costs  | note 6, 7 | -2,695       | -2,666       |
| Employee benefit expenses                                       | note 8    | -575         | -535         |
| Depreciation/amortisation and impairment                        | note 9    | -81          | -80          |
| <b>Operating profit from continuing operations</b>              |           | <b>1,248</b> | <b>1,128</b> |
| Capital gains from property sales                               | note 15   | 321          | 131          |
| Share of profits of associates                                  | note 16   | 58           | 53           |
| <b>Operating profit before change in value of forest assets</b> |           | <b>1,627</b> | <b>1,312</b> |
| Change in value of forest assets                                | note 15   | 200          | 319          |
| <b>Operating profit</b>   |           | <b>1,827</b> | <b>1,631</b> |
| Financial income  | note 10   | 28           | 15           |
| Financial expenses  | note 10   | -136         | -189         |
| Net financial items   |           | -108         | -174         |
| <b>Profit before tax</b>  |           | <b>1,719</b> | <b>1,457</b> |
| Tax   | note 11   | -360         | -267         |
| <b>Profit for the year</b>                                      |           | <b>1,359</b> | <b>1,190</b> |
| Earnings per share  |           |              |              |
| before dilution, SEK  |           | 11.48        | 10.05        |
| after dilution, SEK   |           | 11.48        | 10.05        |

# Statement of comprehensive income

| SEKm  |  | 2017         | 2016         |
|---|--|--------------|--------------|
| Profit for the year   |  | 1,359        | 1,190        |
| <b>Other comprehensive income</b>                                   |  |              |              |
| Components that will not be reversed in profit or loss              |  |              |              |
| Actuarial gains/losses on pensions                                  |  | -4           | -24          |
| Tax on actuarial gains/losses                                       |  | 1            | 5            |
| Components that can be reversed in profit or loss                   |  |              |              |
| Exchange differences  |  | 1            | 1            |
| Other comprehensive income from associate                           |  | 4            | -7           |
| Tax on other comprehensive income from associate                    |  | -1           | 1            |
| Cash flow hedges  |  | 36           | 8            |
| Tax attributable to cash flow hedges                                |  | -8           | -2           |
| <b>Total other comprehensive income for the year, net after tax</b> |  | <b>29</b>    | <b>-18</b>   |
| <b>Total comprehensive income for the year</b>                      |  | <b>1,388</b> | <b>1,172</b> |



# Consolidated balance sheet

| SEKm  |                     | 31 Dec 2017   | 31 Dec 2016   | 1 Jan 2016    |
|---|---------------------|---------------|---------------|---------------|
| <b>ASSETS</b>                                       |                     |               |               |               |
| <b>Non-current assets</b>                           |                     |               |               |               |
| Intangible assets                                   | note 13             | 93            | 52            | 1             |
| Property, plant and equipment                       | note 14             |               |               |               |
| Forest land   | note 15             | 2,460         | 2,384         | 2,346         |
| Other property, plant and equipment                 |                     | 458           | 498           | 529           |
| Biological assets, standing timber                  | note 15             | 32,054        | 31,993        | 31,751        |
| Financial assets                                    |                     |               |               |               |
| Participations in associates                        | note 16             | 403           | 391           | 349           |
| Other securities held as non-current assets         | note 16             | 76            | 75            | 75            |
| Non-current receivables                             | note 17             | 5             | 7             | 8             |
| Deferred tax assets                                 | note 11             | 13            | 22            | 24            |
| <b>Total non-current assets</b>                     |                     | <b>35,562</b> | <b>35,422</b> | <b>35,083</b> |
| <b>Current assets</b>                               |                     |               |               |               |
| Inventories   | note 18             | 540           | 582           | 669           |
| Advance payments to suppliers                       |                     | 168           | 136           | 157           |
| Tax assets  |                     | 1             | 8             | 6             |
| Trade receivables, loans and other receivables      | note 19             | 1,493         | 1,376         | 1,244         |
| Cash and cash equivalents                           | note 21             | 1,681         | 1,070         | 1,135         |
| <b>Total current assets</b>                         |                     | <b>3,883</b>  | <b>3,172</b>  | <b>3,211</b>  |
| <b>TOTAL ASSETS</b>                                 |                     | <b>39,445</b> | <b>38,594</b> | <b>38,294</b> |
| <b>EQUITY AND LIABILITIES</b>                       |                     |               |               |               |
| <b>Equity</b>                                       |                     |               |               |               |
|   | note 20             |               |               |               |
| Share capital                                       |                     | 118           | 118           | 118           |
| Reserves  |                     | -56           | -87           | -89           |
| Retained earnings                                   |                     | 20,607        | 20,050        | 19,680        |
| <b>Total equity</b>                                 |                     | <b>20,669</b> | <b>20,081</b> | <b>19,709</b> |
| <b>Non-current liabilities</b>                      |                     |               |               |               |
| Interest-bearing non-current liabilities            | note 21, 24, 26     | 5,187         | 5,187         | 5,187         |
| Provisions for pensions                             | note 22             | 439           | 479           | 580           |
| Non-current liabilities                             |                     | 11            | 13            | 15            |
| Other provisions                                    | note 24             | 150           | 158           | 179           |
| Deferred tax liabilities                            | note 11             | 8,260         | 8,173         | 8,043         |
| <b>Total non-current liabilities</b>                |                     | <b>14,047</b> | <b>14,010</b> | <b>14,004</b> |
| <b>Current liabilities</b>                          |                     |               |               |               |
| Interest-bearing current liabilities and provisions | note 21, 22, 24, 26 | 3,465         | 3,341         | 3,457         |
| Tax liabilities                                     |                     | 91            | 2             | 11            |
| Trade payables, other liabilities and provisions    | note 23, 24         | 1,173         | 1,160         | 1,113         |
| <b>Total current liabilities</b>                    |                     | <b>4,729</b>  | <b>4,503</b>  | <b>4,581</b>  |
| <b>Total liabilities</b>                            |                     | <b>18,776</b> | <b>18,513</b> | <b>18,585</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |                     | <b>39,445</b> | <b>38,594</b> | <b>38,294</b> |

Information on the Group's pledged assets and contingent liabilities, see Note 25.

# Consolidated statement of changes in equity

Equity attributable to owners of the parent

| SEKm  | Share capital | Hedging reserve | Translation reserve | Retained earnings | Total  |
|---|---------------|-----------------|---------------------|-------------------|--------|
| <b>Opening equity, 1 January 2016</b>                 | 118           | -79             | -8                  | 19,683            | 19,714 |
| Correction of error in OB 2016                        | note 16       | -               | 2                   | -3                | -5     |
| <b>Adjusted opening equity, 1 January 2016</b>        | 118           | -77             | -12                 | 19,680            | 19,709 |
| <b>Comprehensive income</b>                           |               |                 |                     |                   |        |
| Profit for the year                                   | -             | -               | -                   | 1,190             | 1,190  |
| <b>Other comprehensive income</b>                     |               |                 |                     |                   |        |
| Actuarial gains/losses relating to pensions           | -             | -               | -                   | -24               | -24    |
| Tax on actuarial gains/losses                         | -             | -               | -                   | 5                 | 5      |
| Other comprehensive income from associate             | -             | -4              | -1                  | -1                | -6     |
| Cash flow hedges                                      | -             | 8               | -                   | -                 | 8      |
| Tax attributable to cash flow hedges                  | -             | -2              | -                   | -                 | -2     |
| Translation differences foreign operations            | -             | -               | 1                   | -                 | 1      |
| <b>Total comprehensive income</b>                     | -             | 2               | 0                   | 1,170             | 1,172  |
| Dividend paid according to AGM decision 26 April 2016 | -             | -               | -                   | -800              | -800   |
| <b>Closing equity, 31 December 2016</b>               | 118           | -75             | -12                 | 20,050            | 20,081 |
| <b>Comprehensive income</b>                           |               |                 |                     |                   |        |
| Profit for the year                                   | -             | -               | -                   | 1,359             | 1,359  |
| <b>Other comprehensive income</b>                     |               |                 |                     |                   |        |
| Actuarial gains/losses relating to pensions           | -             | -               | -                   | -4                | -4     |
| Tax on actuarial gains/losses                         | -             | -               | -                   | 1                 | 1      |
| Other comprehensive income from associate             | -             | 3               | 0                   | 1                 | 4      |
| Tax on other comprehensive income from associate      | -             | -1              | 0                   | 0                 | -1     |
| Cash flow hedges                                      | -             | 36              | -                   | -                 | 36     |
| Tax attributable to cash flow hedges                  | -             | -8              | -                   | -                 | -8     |
| Translation differences foreign operations            | -             | -               | 1                   | -                 | 1      |
| <b>Total comprehensive income</b>                     | -             | 30              | 1                   | 1,357             | 1,388  |
| Dividend paid according to AGM decision 26 April 2017 | -             | -               | -                   | -800              | -800   |
| <b>Closing equity, 31 December 2017</b>               | 118           | -45             | -11                 | 20,607            | 20,669 |

See further, Note 20 Equity.



# Consolidated statement of cash flows

| SEKm   | 2017         | 2016         |
|--|--------------|--------------|
| <b>Operating activities</b>  |              |              |
| Operating profit   | 1,827        | 1,631        |
| Adjustment for non-cash items <span style="float:right">note 12</span>                                 | -644         | -509         |
| Interest received, etc.  | 28           | 13           |
| Interest paid  | -186         | -195         |
| Paid tax   | -175         | -144         |
| <b>Cash flow from operating activities before change in working capital</b>                            | <b>850</b>   | <b>796</b>   |
| <i>Change in working capital</i>   |              |              |
| Operating receivables  | -149         | -111         |
| Inventories  | 21           | 64           |
| Operating liabilities, etc.  | 81           | 40           |
| <b>Cash flow from operating activities</b>   | <b>803</b>   | <b>789</b>   |
| <b>Investing activities</b>  |              |              |
| Investments in property, plant and equipment   | -219         | -183         |
| Investments in shares  | -1           | -1           |
| Dividend from associate  | 50           | 5            |
| Sale of property, plant and equipment  | 647          | 298          |
| Sale of shares   | 0            | 3            |
| <b>Cash flow from investing activities</b>   | <b>477</b>   | <b>122</b>   |
| <b>Financing activities</b>  |              |              |
| <i>Change in owner capital</i>   |              |              |
| Dividend   | -800         | -800         |
| <i>Change in interest-bearing liabilities</i>  |              |              |
| Borrowings   | 11,600       | 9,530        |
| Repayment of borrowings  | -11,469      | -9,706       |
| <b>Cash flow from financing activities</b>   | <b>-669</b>  | <b>-976</b>  |
| <b>CASH FLOW FOR THE YEAR</b>  | <b>611</b>   | <b>-65</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b> <span style="float:right">note 21</span> | <b>1,070</b> | <b>1,135</b> |
| Cash and cash equivalents at the end of the year <span style="float:right">note 21</span>              | <b>1,681</b> | <b>1,070</b> |

# Parent Company

## Income statement

| SEKm   | 2017 | 2016 |
|--|------|------|
| <i>Operating income</i>  |      |      |
| Net sales <span style="float: right;">note 4, 7</span>                             | 13   | 12   |
| Other operating income <span style="float: right;">note 5</span>                   | 40   | 53   |
|  | 53   | 65   |
| <i>Operating expenses</i>  |      |      |
| Other external costs <span style="float: right;">note 6, 7</span>                  | -1   | -1   |
| Employee benefit expenses <span style="float: right;">note 8</span>                | -1   | -1   |
| Depreciation according to plan <span style="float: right;">note 9</span>           | 0    | 0    |
|  | -2   | -2   |
| <b>Operating profit</b>  | 51   | 63   |
| <i>Profit/loss from financial items</i> <span style="float: right;">note 10</span> |      |      |
| Other financial income   | 14   | 17   |
| Other financial expenses   | -265 | -276 |
| Net financial items  | -251 | -259 |
| <b>Profit/loss before appropriations and tax</b>                                   | -200 | -196 |
| Group contribution received  | 200  | 197  |
| Group contribution provided  | -    | -1   |
| <b>Profit before tax</b>   | 0    | 0    |
| Tax <span style="float: right;">note 11</span>                                     | 0    | 0    |
| <b>Profit for the year *</b>   | 0    | 0    |
| Proposed dividend per share, SEK<br>(2016 adopted dividend per share)              | 7.60 | 6.76 |

\* Same as Total comprehensive income for the year.

## Balance sheet

| SEKm  | 31 Dec<br>2017 | 31 Dec<br>2016 |
|---|----------------|----------------|
| <b>ASSETS</b>   |                |                |
| <b>Non-current assets</b>   |                |                |
| <i>Property, plant and equipment</i> <span style="float: right;">note 14</span>                     |                |                |
| Forest properties   | 34             | 36             |
| Buildings, other land and land improvements   | 15             | 16             |
| <b>Total property, plant and equipment</b>  | 49             | 52             |
| <i>Financial assets</i>   |                |                |
| Shares and participations <span style="float: right;">note 16</span>                                | 24,934         | 24,934         |
| Receivables from group companies,<br>interest-bearing <span style="float: right;">note 3, 17</span> | 2,400          | 2,000          |
| <b>Total financial assets</b>   | 27,334         | 26,934         |
| <b>Total non-current assets</b>   | 27,383         | 26,986         |
| <b>Current assets</b>   |                |                |
| <i>Current receivables</i>  |                |                |
| Receivables from group companies <span style="float: right;">note 3, 17, 19</span>                  | 214            | 199            |
| Tax assets  | 0              | 0              |
| Other receivables <span style="float: right;">note 19</span>  | 78             | 76             |
| Receivables from group companies,<br>interest-bearing <span style="float: right;">note 3, 19</span> | 10             | 363            |
| Cash and bank <span style="float: right;">note 21</span>  | 0              | 0              |
| <b>Total current assets</b>   | 302            | 638            |
| <b>Total assets</b>   | 27,685         | 27,624         |
| <b>EQUITY, PROVISIONS AND LIABILITIES</b>   |                |                |
| <b>Equity</b> <span style="float: right;">note 20</span>  |                |                |
| <i>Restricted equity</i>  |                |                |
| Share capital   | 118            | 118            |
| Statutory reserve   | 24             | 24             |
| <b>Total restricted equity</b>  | 142            | 142            |
| <i>Unrestricted equity</i>  |                |                |
| Profit carried forward  | 8,323          | 9,123          |
| Profit for the year   | 0              | 0              |
| <b>Total unrestricted equity</b>  | 8,323          | 9,123          |
| <b>Total equity</b>   | 8,465          | 9,265          |
| <b>Non-current liabilities</b>  |                |                |
| Interest-bearing non-current liabilities <span style="float: right;">note 21</span>                 | 5,187          | 5,187          |
| <b>Total non-current liabilities</b>  | 5,187          | 5,187          |
| <b>Current liabilities</b>  |                |                |
| Liabilities to group companies,<br>interest-bearing <span style="float: right;">note 3, 21</span>   | 10,589         | 9,849          |
| Other liabilities, interest-bearing <span style="float: right;">note 21</span>                      | 3,412          | 3,271          |
| Liabilities to group companies <span style="float: right;">note 3, 23</span>                        | 0              | 0              |
| Other liabilities <span style="float: right;">note 23</span>  | 32             | 52             |
| <b>Total current liabilities</b>  | 14,033         | 13,172         |
| <b>Total equity and liabilities</b>   | 27,685         | 27,624         |

Information about the Parent Company's pledged assets and contingent liabilities, see Note 25.



# Parent Company

## Statement of changes in equity

| SEKm  | Share capital* | Statutory reserve | Un-restricted equity | Total  |
|---|----------------|-------------------|----------------------|--------|
| <b>Equity, 1 January 2016</b>                         | 118            | 24                | 9,923                | 10,065 |
| Dividend paid according to AGM decision 26 April 2016 | –              | –                 | –800                 | –800   |
| Profit for the year                                   | –              | –                 | 0                    | 0      |
| <b>Equity, 31 December 2016</b>                       | 118            | 24                | 9,123                | 9,265  |
| Dividend paid according to AGM decision 26 April 2017 | –              | –                 | –800                 | –800   |
| Profit for the year                                   | –              | –                 | 0                    | 0      |
| <b>Equity, 31 December 2017</b>                       | 118            | 24                | 8,323                | 8,465  |

Proposed but not decided dividend amounts to SEK 7.60 per share.  
Total SEK 900 million.

\* Number of shares amounts to 118,373,034 A shares.

See further, Note 20 Equity.

## Statement of cash flows

| SEKm  | 2017    | 2016   |
|---|---------|--------|
| <b>Operating activities</b>   |         |        |
| Operating profit  | 51      | 63     |
| Adjustment for non-cash items note 12                                       | –40     | –53    |
| Interest and dividends received   | 14      | 17     |
| Interest paid   | –316    | –268   |
| Paid tax  | 0       | 0      |
| <b>Cash flow from operating activities before change in working capital</b> | –291    | –241   |
| <i>Change in working capital</i>  |         |        |
| Operating receivables   | –24     | –384   |
| Operating liabilities   | 30      | 0      |
| <b>Cash flow from operating activities</b>                                  | –285    | –625   |
| <b>Investing activities</b>   |         |        |
| Sale of non-current assets  | 44      | 56     |
| Decrease in interest-bearing receivables                                    | 0       | 750    |
| Increase in interest-bearing receivables                                    | –400    | –600   |
| <b>Cash flow from investing activities</b>                                  | –356    | 206    |
| <b>Financing activities</b>   |         |        |
| Dividend paid   | –800    | –800   |
| Group contribution received   | 196     | 245    |
| Borrowings  | 11,600  | 9,530  |
| Repayment of borrowings   | –10,355 | –8,556 |
| <b>Cash flow from financing activities</b>                                  | 641     | 419    |
| <b>Cash flow for the year</b>   | 0       | 0      |
| Cash and cash equivalents at the beginning of the year note 21              | 0       | 0      |
| Cash and cash equivalents at the end of the year note 21                    | 0       | 0      |

# Notes

Amounts are stated in millions of Swedish kronor (SEK million) unless specified otherwise. Figures in parentheses refer to the previous year.

## Note 1 | Accounting principles

### General information

Sveaskog AB and its subsidiaries (the Sveaskog Group) sell sawlogs, pulpwood and biofuel. Over half of net sales come from the Group's own forests and the remainder from externally sourced wood raw material. The Group's own forests comprise forests which are to 100% located in Sweden.

The Parent Company is a limited liability company with its registered office in Sweden. The address of the company's registered office is Torggatan 4, Kalix, Sweden.

In conjunction with a Board meeting held on 8 March 2018, the Board of Directors of Sveaskog AB decided to approve the 2017 financial statements for publication. The approved financial statements comprise the income statement, balance sheet, statement of changes in equity and cash flow statement with accompanying notes presented for the Sveaskog Group and the Parent Company.

### Conformity with standards and regulations

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretation statements issued by IFRS Interpretations Committee as endorsed by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 – Supplementary Accounting Rules for Groups, is applied.

### Annual accounts

The Parent Company prepares its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 which means that in the annual accounts for the legal entity the Parent Company must apply all EU endorsed IFRS and statements as far as this is possible within the framework of the Annual Accounts Act and taking into account the correlation between accounting and taxation. The recommendation states what exemptions and additions should be made from IFRS.

The Parent Company applies the same accounting principles as the Group except in cases specified under the section "Parent Company's accounting principles". The differences that exist between the principles applied by the Parent Company and the Group are due to limitations on the possibilities to apply IFRS in the Parent Company as a consequence of the provisions of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act as well as taxation legislation.

### Measurement basis

Assets and liabilities are recognised at historical cost, except for some financial assets, liabilities and biological assets which are measured at fair value.

### Assessments and estimations in the financial statements

Preparation of the financial statements in accordance with IFRS requires the company's management to make assessments and estimations as well as assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and a number of other factors which under prevailing conditions are regarded as reasonable. The outcome of these estimates and assumptions is then used to assess the carrying amounts of assets and liabilities that are not otherwise clear from other sources. The actual outcome can deviate from these estimates and assessments.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are reported in the period in which the change is made if it only affects that period, or in the period the change is made and future periods if the change affects both the current period and future periods. Assessments that have a material impact on the financial statements and estimates that might result in significant adjustments to the following year's financial statements are described in greater detail in the relevant note.

The accounting principles specified below are applied consistently in all periods presented in the financial statements. The Group's accounting principles are applied consistently in reporting and consolidation of subsidiaries.

### Changes in accounting principles and disclosures

*New and revised standards applied by the Group as of 1 January 2017*

There are no new standards applied by the Group for the first time for the financial year starting on 1 January 2017. Within the framework for Disclosure Initiative IASB has modified IAS 7 Statement of Cash Flows. This amendment is intended to improve information regarding financing operations. The company started to apply the amendment in IAS 7 on 1 January 2017.

"Annual Improvements to IFRSs 2015-2017 Cycle" have no material impact on the Group's financial statements.

*New standards and interpretations not yet applied by the Group*

A number of new standards and interpretations become effective in financial years that start after 1 January 2018 and have not been applied in preparation of this financial report. IFRS 9 Financial Instruments is expected to have some quantitative effects and both IFRS 9 and IFRS 15 Revenues from Contracts with Customers are expected to have effects on disclosures.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains new principles for how financial assets are classified and measured. The measurement category of a financial asset is determined by the company's business model (the purpose of the holding of the financial asset), and partly by financial assets' contractual cash flows.

The new standard also contains new rules for impairment testing of financial assets which means that the earlier "incurred loss-method" is replaced by a new "expected loss-method".

The impairment rules in IFRS 9 are based on a three-step model where impairment recognition is determined by changes in the credit risk of the financial assets. In other words it is no longer necessary for a loss event to occur for an impairment loss to be recognised. The standard contains, however, simplification rules for trade receivables and lease receivables. These mean that a reserve for credit losses can be recognised directly and no assessment needed to be made of changes in the credit risk.

For hedge accounting the three types of hedge accounting models that exist today in IAS 39 remain unchanged (cash flow hedges, fair value hedges and hedge of net investments). IFRS 9 includes, however, greater flexibility for the transactions to which hedge accounting can be applied as well as additional types of instruments that are eligible for inclusion in a hedge.

The standard provides extended opportunities to hedge risk components in non-financial items as well as additional types of instruments that can be included in a hedge relationship. Furthermore, the quantitative requirement for effectiveness of between 80–125% no longer applies.

The standard will be applied for the financial year starting on 1 January 2018. Retrospective application is permitted. Sveaskog will start to apply IFRS 9 with effect from 1 January 2018 with using of the full retrospective method. The effects of the new impairment rules are negligible for Sveaskog. The credit loss reserve for trade receivables as of 1 January 2018 will decrease by SEK 0.2 million. Financial non-current receivables and other financial current receivables are assessed as having fully adequate creditworthiness.

IFRS 15 Revenue from Contracts with Customers regulates revenue recognition. The principles on which IFRS 15 is based provide the user of financial statements with more useable information about the company's revenue. The extended disclosure obligation means that information about type of revenue, settlement date, uncertainties linked to revenue recognition and cash flow attributable to the company's customer contracts must be provided. According to IFRS 15 a revenue is recognised when the customer obtains control of the sold good or service and is able to use and obtain benefit from the goods or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as associated SICs and IFRICs. Sveaskog

intends to apply IFRS 15 as of 1 January 2018 using the full retrospective method. The Group has identified the effects of introduction of the standard and these effects will be negligible apart from all new disclosure requirements. The Group's revenue flows consist of deliveries of timber, pulpwood, biofuel and forest seedlings, execution of planting assignments, soil scarification and silvicultural assignments, as well as leasing of land for wind energy, peat, mobile masts, gravel, hunting and fishing. Most revenues are recognised at a given date, only a small number arise over time.

IFRS 16 Leases replaces IAS 17 Leases. IFRS 16 means for the lessee that almost all leases will be recognised in the statement of financial position. Classification into operating and finance leases will therefore no longer take place. The underlying asset in the lease is recognised in the statement of financial position. In subsequent periods the right of use is recognised at cost with deduction for depreciation and any impairment as well as adjusted for any remeasurement of the lease liability. The lease liability is recognised in the statement of financial position and recognised continuously at amortised cost reduced by lease payments made. The lease liability is remeasured in the event of changes in among other things the lease period, residual value guarantees and any changes in lease payments.

The income statement will be affected by the present operating expenses attributable to operating leases being replaced by amortisation of interest expenses.

Short-term leases (12 months or less) and leases where the underlying asset amounts to a low value do not need to be recognised in the balance sheet. These will be recognised in operating profit or loss in the same way as present operating leases.

The new standard contains more extensive disclosure requirements compared with the present standard. For the lessor, IFRS 16 presents no differences compared with IAS 17.

This standard was adopted on 13 January 2016 and will be effective as of 1 January 2019. The Group has not yet evaluated the effects of introduction of this standard.

None of the other IFRS or IFRIC interpretations that have not yet taken effect, is expected to have a material impact on the Group.

## Income measures

### *Operating profit from continuing operations*

Operating profit from continuing operations is operating profit before change in value of forest assets, share of profit in associates and capital gains from property sales. Operating profit from continuing operations comprises the profit from the Group's operational core businesses, where the absolute predominant part comprises the forestry operations with purchases and sales of sawlogs, pulpwood, chips and biofuel.

### *Operating profit before change in value of forest assets*

Operating profit before change in value of forest assets is operating profit before calculation of timber growth rates according to IAS 41, felling during the year and any sold or purchased forest assets.

### *Associates*

Associates are reported in the consolidated income statement separate from operating profit from continuing operations since they do not comprise the Group's operational core businesses.

## Segment reporting

The Group applies IFRS 8 but this does not have a material impact on the Group's financial statements and has not led to any change in the Group's segment classification, which comprises one segment, called Forestry Operations. Forestry operations is the Group's cohesive segment with purchases and sales of sawlogs, pulpwood, chips and biofuel and these operations are reported internally as one segment.

## Consolidation principles

### *Transactions to be eliminated at consolidation*

Intra-group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-group transactions between group companies, are eliminated in their entirety in preparation of the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated to an extent that corresponds to the Group's holding in the company. Unrealised losses are eliminated in the same manner as unrealised gains but only to the extent there is no indication of impairment.

## Functional currency and date

The function currency is Swedish kronor (SEK) which is also the presentation currency. This means that the financial statements are presented in Swedish

kronor. All amounts, unless specified otherwise, are rounded to the nearest million kronor (SEK million). Figures in parentheses refer to the previous year. Income statement related items relate to the period 1 January–31 December and balance sheet related items relate to 31 December.

## Foreign currency

### *Transactions in foreign currency*

Transactions in foreign currency are translated into the functional currency at the exchange rate that prevails on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange differences that arise on translation are recognised in the income statement, partly in operating profit, partly in net financial items depending on the nature of the underlying transactions. Non-monetary assets and liabilities which are recognised as historical cost are translated at the exchange rate on the transaction date.

The functional currency is the currency in the primary economic environment in which the companies operate. Companies that are part of the Group are the Parent Company and subsidiaries. The functional currency and the presentation currency are Swedish kronor.

### *Receivables and liabilities in foreign currency*

Changes in value relating to operational related receivables and liabilities are recognised in profit or loss while changes in value relating to financial receivables and liabilities are recognised in net financial items.

### *Financial statements of foreign operations*

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated into Swedish kronor at the exchange rate prevailing at the end of the reporting period. Income and expenses in foreign operations are translated into Swedish kronor at an average rate that comprises an approximation of the rates on each transaction date. Translation differences that arise on translation of foreign operations are reported in other comprehensive income and in equity as a translation reserve.

### *Net investment in foreign operations*

Translation differences that arise in conjunction with translation of a foreign net investment and related effects of hedges of the net investments are recognised in comprehensive income. At disposal of a foreign operation the accumulated translation differences after deduction for any currency hedges are recognised in profit or loss.

## Impairment

If it is not possible to determine materially independent cash flows for an individual asset, when testing for impairment the assets are grouped at the lowest level at which it is possible to identify materially independent cash flows (a so-called cash-generating unit). A cash-generating unit is the smallest group of assets for which it is possible to determine continuous payments which are essentially independent of other assets of groups of assets. An impairment loss is recognised when an asset's or cash-generating unit's carrying amount exceeds the recoverable amount. Impairment losses are recognised in profit or loss.

Impairment of assets attributable to a cash-generating unit is primarily allocated to goodwill. Thereafter, a proportional impairment loss is recognised for other assets included in the unit.

### *Calculation of recoverable amount*

Assets with a short life are not discounted.

The recoverable amount of other assets is the higher of fair value minus sales costs and value in use. When calculating value in use future cash flows are discounted with a discount factor that takes into account risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are materially independent of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

### *Reversal of impairment losses*

Impairment of loan receivables and trade receivables recognised at amortised cost is reversed if a later increase in the recoverable amount can objectively be attributed to an event that occurred after the impairment was recognised.

Impairment of other assets is reversed if a change has occurred in the assumptions that formed the basis for calculation of the recoverable amount.

An impairment is only reversed to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if no impairment loss had been recognised, taking into account the depreciation that would then have been made.



## PARENT COMPANY

### The Parent Company's accounting principles

The Parent Company prepared its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board and RFR 2. RFR 2 means that the Parent Company in the annual accounts for the legal entity must apply all EU endorsed IFRSs and statements as far as this is possible within the framework of the Annual Accounts Act and taking into account the correlation between accounting and taxation. The recommendation states what exemptions and additions should be made from IFRS. The differences between the accounting principles of the Group and the Parent Company are stated below.

The accounting principles for the Parent Company specified below are applied consistently for all periods presented in the Parent Company's financial statements. In accordance with relaxation rules RFR 2, IAS 39 is not applied in the Parent Company.

### Taxes

In the Parent Company untaxed reserves are recognised included deferred tax liability. In the consolidated financial statements, on the other hand, untaxed reserves are divided between deferred tax liability and equity.

### Group contributions and shareholder contributions

The company reports group contributions and shareholder contributions in accordance with RFR 2 Accounting for listed legal entities. The Parent Company reports group contributions in appropriations according to the alternative method.

## Note 2 | Parent Company information

Sveaskog AB (publ), reg. no. 556558-0031, with its registered office in Kalix is a Swedish-registered limited liability company. On 31 December 2017 the company was wholly owned by the Swedish state.

Sveaskog's head office has the following address:  
SE-105 22 STOCKHOLM  
Visitors' address: Torsgatan 4

Sveaskog AB owns and manages forest properties and shares in subsidiaries as well as being responsible for group-wide financing.

## Note 3 | Related party transactions

### ACCOUNTING PRINCIPLES

Transactions with related parties take place on market terms. Related parties refer to companies where Sveaskog can exercise a controlling or significant influence as regards operational and financial decisions. Related parties also include those companies and physical persons who are able to exercise a controlling or significant influence over Sveaskog's financial and operational decisions. Transactions with related parties also include defined benefit and defined contribution pension plans.

### Transactions with the state

Sveaskog AB is 100% owned by the Swedish state. The Sveaskog Group's products and services are offered to the state, state authorities and state companies in competition with other suppliers under commercial terms.

In a similar manner, Sveaskog AB and its Group companies purchase products and services from state authorities and state companies at market prices and on commercial terms. Individually neither the state, nor any of its authorities or companies accounts for a significant share of the Sveaskog Group's net sales or earnings. Property transactions with the Environmental Protection Agency in 2017 amounted to SEK 65.3 million (61.2). Sales were made at market prices. Guarantees and contingent liabilities were not issued.

### Sveaskog AB's transactions with subsidiaries

Intra-group property transactions amounted to SEK 0 million (0) in 2017.

Sveaskog AB's invoicing to subsidiaries totalled SEK 13 million (12) in 2017. No purchases were made from subsidiaries. Dividend from Sveaskog

Förvaltnings AB and interest income from and interest expenses to Group companies are specified in Note 10 Financial income and expenses.

Regarding Sveaskog AB's receivables from and liabilities to subsidiaries, refer to Note 17 Non-current receivables, Note 19, Trade receivables, loans and other receivables, Note 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments and Note 23 Non-interest bearing liabilities. Shares in Group companies are specified in Note 16 Shares and participations.

Sveaskog AB has issued guarantees for pensions to FPG for Sveaskog Förvaltnings AB. Otherwise there are no guarantees or contingent liabilities.

### Transactions with associates

Transactions with associates relate to Setra Group AB. Sveaskog Förvaltnings AB owns 50% of the shares and voting rights in Setra Group AB.

Sales to Setra Group account for 17% (17) of total net sales for the Group. Purchases from Setra Group mainly relate to residual products from Setra's sawmills (chips, shavings and bark) and account for 2% (2) of the Group's total costs for raw materials and consumables.

### Transactions with related parties

No guarantees or contingent liabilities from Sveaskog have been issued to senior executives/Board members.

For information on remuneration to senior executives and Board members, refer to Note 8.

| SEKm  | Group |       | Parent Company |       |
|---|-------|-------|----------------|-------|
|   | 2017  | 2016  | 2017           | 2016  |
| Sales to related parties, subsidiaries            | –     | –     | 13             | 12    |
| Receivables from related parties, group companies | –     | –     | 2,624          | 2,562 |
| Liabilities to related parties, group companies   | –     | –     | 10,589         | 9,849 |
| Sales to related parties, associates              | 1,037 | 1,014 | –              | –     |
| Purchases from related parties, associates        | 35    | 26    | –              | –     |
| Receivables from related parties, associates      | 111   | 103   | –              | –     |
| Liabilities to related parties, associates        | 7     | 4     | –              | –     |

### Transactions with senior executives

No transactions or receivables/liabilities have been issued from Sveaskog to senior executives/Board members.

For information on remuneration to senior executives and Board members, refer to Note 8.

## Note 4 | Revenue breakdown

### ACCOUNTING PRINCIPLES

#### Sale of goods

Revenue from sales includes sawlogs, pulpwood and biofuel. Income from sale of goods is recognised in the profit or loss when significant risks and benefits associated with ownership of the goods have been transferred to the purchaser. If there is significant uncertainty regarding payment, associated costs or risk of returns and if the seller remains involved in ongoing management normally associated with ownership no revenue recognition takes place.

#### Execution of service assignments

Revenue for service assignments includes transports to industry, silvicultural services, hunting, fishing and other nature-based experiences. Revenue from service assignments is recognised in profit or loss when the financial outcome for the service assignment carried out can be calculated in a reliable manner. Revenue is not recognised if it is probable that financial benefits will not accrue to the company.

### Revenue from leases

Revenue from leases, such as revenue from hunting and fishing leases, rental income from rented buildings and other leases is recognised as operating income in the income statement on a straight line basis over the term of the lease.

### Net sales

Most of the Group's revenue from sale of goods consists within the forestry operations of revenue from sales of sawlogs, pulpwood and other fibre raw material from both the Group's own forests and from external sources. Revenue from service assignments relates among other things to transports to industry as well as hunting and fishing leases.

Within the Svenska Skogsplantor operating area, sales of goods consists of seed and seedlings, primarily from own seed plantations and own nurseries but also from external purchases. Sales of services consist of silvicultural services such as soil scarification and planting. Service revenue from other operating areas mainly comes from hunting and crayfish fishing as well as lockage within Hjälmare Kanal AB.

| SEKm  | Group |       | Parent Company |      |
|---|-------|-------|----------------|------|
|   | 2017  | 2016  | 2017           | 2016 |
| <i>External revenue per products and services</i> |       |       |                |      |
| Net sales   |       |       |                |      |
| Sale of goods                                     | 5,006 | 4,778 | –              | –    |
| Service assignments                               | 1,196 | 1,140 | –              | –    |
| Other sales revenue                               | 4     | 4     | –              | –    |
| Total external revenue                            | 6,206 | 5,922 | –              | –    |
| <i>Revenue from group companies</i>               |       |       |                |      |
| Net sales   |       |       |                |      |
| Service assignments                               | –     | –     | 13             | 12   |
| Total revenue from group companies                | –     | –     | 13             | 12   |
| Total   | 6,206 | 5,922 | 13             | 12   |

### Net sales per geographic market

The Group's net sales are to 97% (98) attributable to Sweden. The Parent Company's net sales are entirely attributable to Sweden.

| SEKm                                 | Group |       | Parent Company |      |
|--------------------------------------|-------|-------|----------------|------|
|                                      | 2017  | 2016  | 2017           | 2016 |
| <i>Revenue per geographic market</i> |       |       |                |      |
| Net sales                            |       |       |                |      |
| Sweden                               | 6,049 | 5,824 | 13             | 12   |
| Finland                              | 46    | 31    | –              | –    |
| Norway                               | 12    | 15    | –              | –    |
| Latvia                               | 23    | 7     | –              | –    |
| Lithuania                            | 3     | 3     | –              | –    |
| Germany                              | 42    | 41    | –              | –    |
| Poland                               | 22    | –     | –              | –    |
| Denmark                              | 8     | –     | –              | –    |
| Other countries                      | 1     | 1     | –              | –    |
| Total                                | 6,206 | 5,922 | 13             | 12   |

### Information on major customers

The Group has three (three) customers each of which separately account for over 10% of sales and these account for 17%, 13% and 12% respectively (17%, 14% and 12% respectively).

### NEW ACCOUNTING PRINCIPLES

#### with effect from 1 January 2018

With effect from 1 January 2018 the company will apply IFRS 15 Revenue from Contracts with Customers and revenue will be recognised when the customer obtains control of the sold good or service and is able to use and obtain benefit from the good or service. The full retrospective method will be applied. The effects of introduction have been evaluated and the amounts are negligible.

#### Sawlogs

Revenue from sales of sawlogs comprise sawlogs from spruce, pine and various broad-leaved trees such as oak and birch. Sales can include everything from standard deliveries to complex customised orders. To meet customers' needs, Sveaskog complements timber from its own forests with externally purchased volumes of by exchanging timber with other forest owners. The customer obtains control of the timber when it is unloaded and measured. Invoicing and revenue recognition take place in the same month as intake measurement.

#### Pulpwood and chips

Revenue for sales of pulpwood and chips include a broad range from own forests, imports and purchases from other forest owners. Sales are made to the paper and pulp industry. The customer obtains control of the pulpwood and chips when they are unloaded and measured. Invoicing and revenue recognition take place in the same month as intake measurement.

#### Biofuel

Revenue for sales of biofuel include branches and tops (called felling residues) as well as small-dimension trees and energy wood. Biofuel comes from cleaning, thinning, regeneration felling in Sveaskog's own forests and through purchases from other forest owners. Revenues are recognised when the biofuel is delivered to a customer.

#### Svenska Skogsplantor

Seed and forest seedlings are produced within the framework of the Svenska Skogsplantor brand. Svenska Skogsplantor also offers silvicultural services such as soil scarification and planting for external customers. Revenues are recognised when seedlings or seed are delivered to a customer or when planing or soil scarification has been carried out.

#### Other

Other revenue from contracts with customers include silvicultural assignments, hunting fees for killed elk, fishing permit and lockage, etc. Revenues are recognised when the silvicultural assignment has been carried out.

#### Concessions (Revenues from leases)

Revenues from leases mainly include concessions for hunting and fishing. Other concession include rental objects and leasing for agriculture, peat, gravel and rock quarrying as well as for wind power and telecom equipment.

#### Net sales breakdown by main goods and services

| SEKm                                    | Group |      | Parent Company |      |
|---|-------|------|----------------|------|
|   | 2017  | 2017 | 2017           | 2017 |
| Net sales from contracts with customers |       |      |                |      |
| Sawlogs                                 | 3,010 |      | –              |      |
| Pulpwood and chips                      | 2,510 |      | –              |      |
| Biofuel                                 | 176   |      | –              |      |
| Svenska Skogsplantor                    | 220   |      | –              |      |
| Other                                   | 152   |      | –              |      |
| Net sales from leases                   |       |      |                |      |
| Concessions                             | 138   |      | 13             |      |
| Total                                   | 6,206 |      | 13             |      |

## Note 5 | Other operating income

### ACCOUNTING PRINCIPLES

#### Government support

A government grant attributable to an asset is recognised as revenue when the terms are met. The grant is recognised over a period systematically in the income statement in the same manner and over the same period as the expenses for which the grant is intended to compensate. Government grants related to assets are recognised in the balance sheet as prepaid income and over the period of the asset's useful life. Compensation for road grants SEK 22 million (22) and nature conservation initiatives SEK 3 million (3) is recognised as revenue in the income statement. Road grants are of two types: for annual operations (summer and winter maintenance) and for special operations (improvements to roads). There are no unfulfilled conditions which might lead to repayment.

Sveaskog expects no significant reductions in government support within the next few years. For the rural areas programme "the forest's conservation values", applications are prioritised according to highest conservation values. Sveaskog will no longer be able to apply for grants to areas protected by conservation landscapes (primarily ecoparks) and this revenue will therefore decrease slightly, but other grants can be sought for ecoparks.

Road grants are paid to the road operator when there is a permanent resident who lives more than 1 km from a public road. The maintenance grant is calculated using a standard formula and amounts to 50–70% of Sveaskog's maintenance costs. The grants received are utilised each year. Every grant road can be monitored with a project number both at Sveaskog and at the Swedish Transport Administration, which is the main grant provider.

#### Insurance compensation

Sveaskog has its forest holdings insured for damage caused by storms and fires. No insurance compensation for this type of damage was received in 2017 but in 2016 SEK 5 million was received in insurance compensation for storm damage to greenhouses.

| SEKm  | Group      |            | Parent Company |           |
|---|------------|------------|----------------|-----------|
|   | 2017       | 2016       | 2017           | 2016      |
| Capital gain from the sale of machinery, equipment and properties | 127        | 48         | 40             | 53        |
| Insurance compensation  | 0          | 6          | –              | –         |
| Intrusion compensation  | 39         | 77         | –              | –         |
| Contribution  | 25         | 25         | –              | –         |
| Licence revenues and royalties                                    | 3          | 4          | –              | –         |
| Other operating income  | 11         | 11         | –              | –         |
| <b>Total</b>  | <b>205</b> | <b>171</b> | <b>40</b>      | <b>53</b> |

Intrusion compensation for the year includes a non-recurring compensation from the Environmental Protection Agency of SEK 15 million (60) in conjunction with establishment of a nature reserve.

## Note 6 | Other external costs

Other external costs comprise to 74% (75) compensation to contractors within the Forestry Operations as well as freight and transport costs.

#### Fees and compensation for expenses to auditors

| SEKm                                       | Group    |          | Parent Company |          |
|--|----------|----------|----------------|----------|
|  | 2017     | 2016     | 2017           | 2016     |
| <i>Deloitte AB</i>                         |          |          |                |          |
| Audit assignment                           | 1        | 2        | –              | –        |
| Tax advice                                 | 0        | 0        | –              | –        |
| Other services                             | 0        | 0        | –              | –        |
| <b>Total</b>                               | <b>1</b> | <b>2</b> | <b>0</b>       | <b>0</b> |
| Audit assignment                           | 1        | 2        | 0              | 0        |
| Audit work in addition to audit assignment | 0        | 0        | 0              | 0        |
| Tax advice                                 | 0        | 0        | 0              | 0        |
| Other services                             | 0        | 0        | 0              | 0        |
| <b>Total</b>                               | <b>1</b> | <b>2</b> | <b>–</b>       | <b>–</b> |

An audit assignment refers to examination of the annual accounts and bookkeeping as well as administration by the Board of Directors and the CEO, other working duties that it is incumbent on the company's auditors to perform as well as advice or other assistance resulting from observations from such examination or implementation of such other working duties. Everything else is other assignments.

## Note 7 | Leases

### ACCOUNTING PRINCIPLES

#### Payments for operating leases

Expenses paid for operating leases are recognised in the income statement on a straight-line basis over the leasing period. Leases where the economic risks and benefits are essentially retained by the lessor are classified as operating leases.

#### Finance leases

Finance leases exist when the economic risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, it is classified as an operating lease.

#### Operating leases with Group as lessor

| SEKm                                  | Group        |              | Parent Company |           |
|---------------------------------------|--------------|--------------|----------------|-----------|
|                                       | 2017         | 2016         | 2017           | 2016      |
| Income for the year related to leases | 139          | 133          | 13             | 12        |
| Minimum lease payments                | 1,086        | 1,060        | 13             | 12        |
| Expiry year for existing contracts    |              |              |                |           |
| Within one year                       | 134          | 130          | 13             | 12        |
| Between 1 and 5 years                 | 142          | 130          | –              | –         |
| Beyond five years                     | 810          | 800          | –              | –         |
| <b>Total</b>                          | <b>1,086</b> | <b>1,060</b> | <b>13</b>      | <b>12</b> |

The Group reports lease income relating to

- hunting and fishing concessions
- housing, holiday cottage, farm and associated leases
- other land concessions such as for wind energy and mobile telephone masts
- gravel pits, peat mines and quarries

Contracts for hunting and fishing are mostly indefinite concessions, or concessions for 1–5 years which can be terminated by either party at short notice.

Contracts for agricultural leases, housing leases, etc., as well as concessions with tenancy rights (primarily holiday cottages) have varying periods but concessions relating to houses often have long contract periods or indefinite concessions which are related to some form of right of tenure.

The Group has revenue for plant leases for wind energy plants, communications masts and other capital-intensive structures. In particular contracts for wind energy are signed with long period, 25 years or more. The Group concedes right of use to quarries, gravel pits and peat mines. These concessions are in most cases linked to applicable mining rights and may have a duration of up to 25 years.

| SEKm   | Group     |           | Parent Company |          |
|--|-----------|-----------|----------------|----------|
|  | 2017      | 2016      | 2017           | 2016     |
| Expense for the year for operating leases        | 35        | 33        | –              | –        |
| Minimum lease payments                           | 73        | 83        | –              | –        |
| Expiry year for non-cancellable operating leases |           |           |                |          |
| Within 1 year                                    | 31        | 29        | –              | –        |
| Between 1 and 5 years                            | 41        | 51        | –              | –        |
| Beyond 5 years                                   | 1         | 3         | –              | –        |
| <b>Total</b>                                     | <b>73</b> | <b>83</b> | <b>–</b>       | <b>–</b> |

The Group reports operating leases for

- office premises
- forest machines, cars and other vehicles.



The Group rents a number of office premises through operating leases. The largest are the head offices in Kalix and Stockholm. Contracts have a duration of one, three or five years. Options to extend by one, three or five years always include indexation. No contracts carry a requirement for extension if cancelled within the contracted period before the next period starts to apply. Rental agreements include index clauses.

No other large non-cancellable operating leases exist in the Parent Company or the Group.

## Note 8 | Employee benefit expenses, average number of employees and sickness absence

### ACCOUNTING PRINCIPLES

#### Employee benefits

##### Pension obligations

Sveaskog has pension obligations according to pension plans derived from collective agreements as well as due to obligations according to the incorporation agreement with the Swedish state. The pension plans are either defined contribution or defined benefit and include vested and unvested pension obligations. The pension plans for employees in current service are primarily funded through premium payments to an insurance company.

##### Defined contribution plans

Obligations primarily relate to obligations to employees linked to the SAF-LO agreement pension and the ITP agreements part 1 (new ITP). Obligations regarding fees to defined contribution plans are recognised as an expense in the income statement as the benefits are earned, which normally coincides with the period for which premiums are paid. After premiums have been paid to the formal or informal independent insurance company engaged there is no obligation to pay additional premiums.

##### Defined benefit plans

According to defined benefit plans the amount of pension is determined by factors such as salary, service period and age.

Obligations relate mainly to obligations relating to employees linked to the ITP agreement's part 2 (old ITP), as well as obligations for pensions and annuities taken over from the state in conjunction with the incorporation (see Note 22 Provisions for pensions).

Obligations according to the ITP agreement part 2 are secured through premium payments to Alecta. In accordance with a statement issued by the Swedish Financial Reporting Board (UFR 10) the ITP plan secured through insurance with Alecta is classified as a multi-employer defined benefit plan. Access to sufficient information to make it possible to report the Group's share of the defined benefit obligations and the plan assets and costs associated with the plan is not available. The plan is therefore reported as a defined contribution plan which means that premiums paid are recognised as an expense. Anticipated contributions to the plan for the next reporting period are SEK 13 million (14). Alecta's surplus can be distributed to policyholders and/or the insured. Alecta's capital coverage target is that 140% of the market value of assets shall be achieved in relation to pension insurance obligations. Alecta's capital coverage amounted to 154% (149) compared with the commitment as per 31 December 2016. Sveaskog's share of the total number of active members in the plan amounted to 0.07% (0.06) which corresponds to 309 (310) active members.

The net obligation, relating to other defined benefit plans, is calculated separately for each plan on the basis of company-specific actuarial assumptions. These include assessments of future salary adjustments, inflation rate, mortality, attrition and changes in income base amount. The obligations are discounted to a present value. The discount rate is calculated using the market interest on mortgage bonds.

Measurements are performed by a qualified external actuary.

When the benefits in a plan improve, the proportion of the increased benefit attributable to the employees' past service cost is recognised as an expense in the income statement allocated on a straight-line basis over the average period until the benefits are fully earned. If the benefits are fully earned an expense is recognised in the income statement directly.

In accordance with IAS 19 all actuarial gains and losses are recognised in other comprehensive income when they arise.

##### Benefits in the event of termination of employment

A provision is recognised in conjunction with termination of employment only if the company is demonstrably obligated to terminate an employment prior to the normal date or when benefits are provided as an offer to encourage

voluntary attrition. If employment is terminated by the company a detailed plan is drawn up which at least includes workplace, positions and the number of persons affected as well as benefits for each personnel category or position and the date for implementation of the plan.

#### Salaries and other remuneration and social security costs

| SEKmn   | Group |      | Parent Company |      |
|---|-------|------|----------------|------|
|   | 2017  | 2016 | 2017           | 2016 |
| Salaries and other remuneration                           | 384   | 373  | 1              | 1    |
| Contractual pensions to the CEO                           | 2     | 2    | -              | -    |
| Contractual pensions, other*                              | 50    | 30   | -              | -    |
| Other social security costs                               | 139   | 130  | -              | -    |
| Total   | 575   | 535  | 1              | 1    |
| Capitalised pension obligations to the CEO and Deputy CEO | -     | -    | -              | -    |

\* See also Note 22, Provisions for pensions.

Of costs for contractual pensions, SEK 23 million (5) relate to defined benefit plans and SEK 29 million (27) to defined contribution plans.

#### Salaries and other remuneration by country

| SEKmn                 | 2017                      |                    | 2016                      |                    |
|-----------------------|---------------------------|--------------------|---------------------------|--------------------|
|                       | Boards<br>MDs, Deputy MDs | Other<br>employees | Boards<br>MDs, Deputy MDs | Other<br>employees |
| <i>Parent Company</i> |                           |                    |                           |                    |
| Sweden                | 1                         | -                  | 1                         | -                  |
| <i>Subsidiaries</i>   |                           |                    |                           |                    |
| Sweden                | 7                         | 369                | 7                         | 359                |
| of which bonus        | -                         | -                  | -                         | -                  |
| Latvia                | 1                         | 6                  | 1                         | 5                  |
| Finland               | -                         | -                  | -                         | -                  |
| Lithuania             | -                         | -                  | -                         | -                  |
| Total subsidiaries    | 8                         | 375                | 8                         | 364                |
| Total                 | 9                         | 375                | 9                         | 364                |

#### Average number of employees per country

|                       | 2017  |     | 2017  | 2016  |
|-----------------------|-------|-----|-------|-------|
|                       | Women | Men | Total | Total |
| <i>Parent Company</i> | -     | -   | -     | -     |
| <i>Subsidiaries</i>   |       |     |       |       |
| Sweden                | 197   | 619 | 816   | 815   |
| Latvia                | 6     | 24  | 30    | 29    |
| Finland               | -     | -   | -     | 1     |
| Lithuania             | -     | -   | -     | 1     |
| Total subsidiaries    | 203   | 643 | 846   | 844   |
| Total                 | 203   | 643 | 846   | 844   |

#### Gender breakdown in Board and Group Management

| Group                                      | 2017  |     | 2016  |     |
|--|-------|-----|-------|-----|
|  | Women | Men | Women | Men |
| <i>Board members</i>                       |       |     |       |     |
| AGM elected                                | 3     | 3   | 4     | 3   |
| Employee representatives,<br>Board members | 1     | 1   | 1     | 1   |
| Employee representatives,<br>deputies      | -     | 2   | -     | 2   |
| CEO  | -     | 1   | -     | 1   |
| Other Group Management                     | 4     | 5   | 4     | 5   |
| Total                                      | 8     | 12  | 9     | 12  |

The Boards of Sveaskog AB and Sveaskog Förvaltnings AB are identical.

| Parent Company                          | 2017  |     | 2016  |     |
|---|-------|-----|-------|-----|
|   | Women | Men | Women | Men |
| <i>Board members</i>                    |       |     |       |     |
| AGM elected                             | 3     | 3   | 4     | 3   |
| Employee representatives, Board members | 1     | 1   | 1     | 1   |
| Employee representatives, deputies      | –     | 2   | –     | 2   |
| CEO                                     | –     | 1   | –     | 1   |
| Total                                   | 4     | 7   | 5     | 7   |
|   |       |     |       |     |
| Subsidiaries (operating)                | 2017  |     | 2016  |     |
|   | Women | Men | Women | Men |
| <i>Board members</i>                    |       |     |       |     |
| AGM elected                             | 6     | 11  | 7     | 11  |
| Employee representatives, Board members | 1     | 1   | 1     | 1   |
| Employee representatives, deputies      | –     | 2   | –     | 2   |
| CEO                                     | –     | 1   | –     | 1   |
| Total                                   | 7     | 15  | 8     | 15  |

#### Information on employee absence due to sickness

| Group  | 2017 | 2016 |
|--|------|------|
| <i>Total sickness absence as per cent of employees' aggregate normal working hours</i>   |      |      |
| Men  | 2.7  | 2.6  |
| Women  | 4.2  | 3.2  |
| Total  | 3.1  | 2.7  |
| <i>Days of sickness absence as per cent of total sickness absence</i>                    |      |      |
| Contiguous period of 60 days or more   | 46   | 46   |
| < 60 days  | 54   | 54   |
| Total  | 100  | 100  |
| <i>Age breakdown of sickness absence in per cent</i>                                     |      |      |
| 29 and younger   | 1.9  | 1.6  |
| 30–49  | 2.8  | 1.8  |
| 50 and older   | 3.6  | 3.8  |
| Total  | 3.1  | 2.7  |
| Number of long-term healthy people as per cent of average number of permanent employees* | 33.0 | 35.2 |

\* Persons who have been employed for at least three years and have no absence due to illness in the past two years.

#### Principles for remuneration and other benefits to the Board of Directors and senior executives

##### Principles

The Chairman of the Board and other Board members elected by a general meeting are paid fees in accordance with the Annual General Meeting resolution. Sveaskog adheres to the state's guidelines for remuneration to senior executives.

Remuneration to the CEO is decided by the Board and to other members of Group Management by the CEO in consultation with the Remuneration Committee. Remuneration issues are prepared by the Remuneration Committee which consists of Eva Färnstrand and Leif Ljungqvist.

#### Remuneration and other benefits during the year, Board of Directors

| 2017, SEK  | Board fees | Committee fees | Total     |
|--|------------|----------------|-----------|
| Eva Färnstrand, Board Chairman (from 26 April 2017)* | 353,333    | 23,333         | 376,666   |
| Helene Biström (until 26 April 2017)                 | 140,000    | 3,333          | 143,333   |
| Thomas Hahn  | 170,000    | 13,333         | 183,333   |
| Annika Nordin*                                       | 170,000    | 26,667         | 196,667   |
| Anna-Stina Nordmark-Nilsson *                        | 170,000    | 40,000         | 210,000   |
| Sven Wird*   | 170,000    | 26,667         | 196,667   |
| Leif Ljungqvist                                      | 0          | 0              | 0         |
| Total  | 1,173,333  | 133,333        | 1,306,666 |

| 2016, SEK  | Board fees | Committee fees | Total     |
|--|------------|----------------|-----------|
| Helene Biström, Board Chairman                   | 415,000    | 20,000         | 435,000   |
| Birgitta Johansson-Hedberg (until 26 April 2016) | 48,333     | 12,889         | 61,222    |
| Thomas Hahn                                      | 157,500    | 0              | 157,500   |
| Annika Nordin (from 26 April 2016)*              | 109,000    | 0              | 109,000   |
| Eva Färnstrand*                                  | 157,500    | 30,000         | 187,500   |
| Anna-Stina Nordmark Nilsson*                     | 157,500    | 40,000         | 197,500   |
| Sven Wird (from 26 April 2016)*                  | 109,000    | 0              | 109,000   |
| Johan Hallberg (until 26 April 2016)             | –          | –              | 0         |
| Leif Ljungqvist (from 26 April 2016)             | –          | –              | 0         |
| Total  | 1,153,833  | 102,889        | 1,256,722 |

\* Fees were invoiced to the self-owned companies. Additions were made for social security costs. This procedure is cost-neutral for Sveaskog.

The Board also includes employee representatives. No fees are paid to these persons.

#### Remuneration and benefits during the year, Group Management and other senior executives

| 2017, SEK  | Salaries and remuneration | Taxable benefits | Pension costs * | Total      |
|--|---------------------------|------------------|-----------------|------------|
| <i>Group Management</i>                                |                           |                  |                 |            |
| Per-Olof Wedin, CEO                                    | 4,385,056                 | 78,424           | 1,413,090       | 5,876,570  |
| Per Matses, Deputy CEO and CFO                         | 2,328,100                 | 54,798           | 631,165         | 3,014,063  |
| Eva Karlsson Berg, SVP Central Market Area             | 1,535,245                 | 198              | 501,771         | 2,037,214  |
| Fredrik Klang, SVP South Market Area                   | 1,340,933                 | 25,387           | 390,667         | 1,756,987  |
| Anette Waara, SVP North Market Area                    | 1,395,849                 | 46,733           | 507,572         | 1,950,154  |
| Roger S Johansson, SVP Svenska Skogsplantor            | 1,345,696                 | 30,798           | 376,276         | 1,752,770  |
| Jan Wintzell, SVP Business Development                 | 1,246,818                 | 34,790           | 411,184         | 1,692,792  |
| Tommy Nilsson, SVP Forestry                            | 1,686,381                 | 6,192            | 439,814         | 2,132,387  |
| Viveka Beckeman, SVP Legal Affairs                     | 1,386,029                 | 198              | 319,704         | 1,705,931  |
| Inger Thorén Emilsson, SVP HR & Communications         | 1,371,671                 | 198              | 524,500         | 1,896,369  |
| <i>Other senior executives</i>                         |                           |                  |                 |            |
| Guntars Zvejsalnieks, MD SIA Sveaskog Baltfor (EUR) ** | 79,436                    |                  |                 | 79,436     |
| SEK  | 781,952                   |                  |                 | 781,952    |
| Total (SEK)  | 18,803,730                | 277,716          | 5,515,743       | 24,597,189 |

\* Pension premiums relating to the year or specified period.

\*\* EUR, exchange rate at 31/12/2017 EUR/SEK 9.8438.

| 2016, SEK   | Salaries and remuneration | Taxable benefits | Pension costs * | Total      |
|---|---------------------------|------------------|-----------------|------------|
| <b>Group Management</b>   |                           |                  |                 |            |
| Per-Olof Wedin, CEO   | 4,276,702                 | 79,215           | 1,281,432       | 5,637,349  |
| Per Matses, Deputy CEO and CFO  | 2,271,019                 | 55,647           | 600,110         | 2,926,776  |
| Eva Karlsson Berg, SVP Central Market Area                            | 1,412,211                 | 34,304           | 398,919         | 1,845,434  |
| Fredrik Klang, SVP South Market Area                                  | 1,296,776                 | 27,449           | 352,633         | 1,676,858  |
| Anette Waara, SVP North Market Area (from 15 August 2016)             | 513,527                   | 17,000           | 202,219         | 732,746    |
| Roger S Johansson, SVP Svenska Skogsplantor (from 1 July 2016)        | 619,298                   | 24,568           | 175,506         | 819,372    |
| Lena Sammel-Johansson, SVP Svenska Skogsplantor (until 31 May 2016)   | 510,332                   | 24,200           | 195,103         | 729,635    |
| Jan Wintzell, SVP Business Development                                | 1,327,167                 | 29,161           | 401,884         | 1,758,212  |
| Tommy Nilsson, SVP Forestry   | 1,598,991                 | 5,556            | 385,800         | 1,990,347  |
| Herman Sundqvist, SVP Forestry (until 2 February 2016)                | 411,464                   | 14,758           | 68,875          | 495,097    |
| Viveka Beckeman, SVP Legal Affairs                                    | 1,349,386                 | 275              | 296,382         | 1,646,043  |
| Inger Thorén Emilsson, SVP HR & Communications (from 1 February 2016) | 1,222,321                 | 351              | 356,582         | 1,579,254  |
| Karin Ericsson, SVP HR (until 31 January 2016)                        | 101,448                   | 447              | 43,351          | 145,246    |
| Linda Andersson, SVP Communications (until 31 January 2016)           | 93,912                    | 275              | 18,716          | 112,903    |
| <b>Other senior executives</b>  |                           |                  |                 |            |
| Guntars Zvejsalnieks, MD SIA  |                           |                  |                 |            |
| Sveaskog Baltfor (EUR) **   | 80,646                    |                  |                 | 80,646     |
| SEK   | 771,681                   |                  |                 | 771,681    |
| Total (SEK)   | 17,776,235                | 313,206          | 4,777,512       | 22,866,953 |

\* Pension premiums relating to the year or specified period.

\*\* EUR, exchange rate at 31/12/2017 EUR/SEK 9.5699. Retroactive salary from 1 January 2015 is included.

#### Senior executives

Remuneration to the CEO, other members of Group Management and other senior executives, consists of basic salary, company car and pension. Incentive programmes or variable remuneration do not exist.

#### CEO

Per-Olof Wedin

#### Pension

Pension applies from the age of 65. In addition to pension benefits according to national insurance (national pension) occupational pension benefits are payable which means that the company annually sets aside the equivalent of 30% of monthly salary to a pension plan including disability insurance, survivor cover and waiver of premium.

#### Termination and severance pay

In the event of termination triggered by the company, a notice period of six months applies. In the event termination is triggered by Per-Olof Wedin six months. In the event of termination by the company severance pay will be amount to 18 monthly salaries. Salary during notice and severance pay are deducted against other income.

Severance pay does not carry pension or holiday entitlement.

#### Deputy CEO

Per Matses

#### Pension

Pension applies from the age of 65. In addition to pension benefits according to national insurance (national pension) pension benefits will be paid according to the ITP plan part 1 applicable at any time.

#### Termination and severance pay

In the event of termination triggered by the company, a notice period of six months applies. In the event termination is triggered by Per Matses six months. In the event of termination by the company severance pay will amount to 18 monthly salaries. Salary during notice and severance pay are deducted against other income.

Severance pay does not carry pension or holiday entitlement.

#### Other members of Group Management and MD of subsidiary in Latvia

#### Pension

From the age of 65 a pension is paid corresponding to the ITP plan. In the event a high-earner's solution applies, the premium is paid as for a traditional ITP plan.

One senior executive has a pension agreement outside the ITP plan due to an agreement entered into previously.

The MD of the subsidiary in Latvia has pension terms according to Latvian law.

#### Termination and severance pay

In the event termination is triggered by the company, a notice period of 6 months applies. In the event termination is triggered by employees, 3–6 months.

In the event of termination by the company, severance pay is received amounting to 9–18 monthly salaries.

Salary during the notice period and severance pay are deducted against other income.

Severance pay does not carry pension or holiday entitlement.

One senior executive lacks entitlement to severance pay. No deduction applies to this person.

## Note 9 | Amortisation/depreciation according to plan and impairment

| SEKm  | Group |      | Parent Company |      |
|---|-------|------|----------------|------|
|   | 2017  | 2016 | 2017           | 2016 |
| <b>Amortisation/depreciation according to plan</b>    |       |      |                |      |
| <i>Intangible assets</i>                              |       |      |                |      |
| Capitalised expenditure for systems development, etc. | 0     | 1    | –              | –    |
| <i>Property, plant and equipment</i>                  |       |      |                |      |
| Buildings   | 4     | 4    | 0              | 0    |
| Land improvements                                     | 3     | 4    | –              | –    |
| Machinery and equipment                               | 74    | 71   | –              | –    |
| Total amortisation/depreciation                       | 81    | 80   | 0              | 0    |

## Note 10 | Financial income and expenses

### ACCOUNTING PRINCIPLES

#### Financial income and expenses

Financial income and expenses include interest income on bank deposits, receivables and fixed-income securities, dividends, interest expenses on loans, unrealised and realised gains on financial assets and derivative instruments used within the financial operation as well as exchange differences.



Interest income on receivables and interest expenses on liabilities are calculated according to the effective interest method. Effective interest is the interest that makes the present value of all payments received and made during the fixed interest period equal to the carrying amount of the receivable or liability. Interest income includes the accrued amount of transaction costs and any discounts, premiums and other differences between the original value of a receivable and the amount received at maturity.

Dividend income is recognised when the right to receive payment is determined.

Parent Company recognises group contributions in appropriations in accordance with the alternative rule in RFR 2 Accounting for legal entities.

| SEKm                        | Group |      |
|-----------------------------|-------|------|
|                             | 2017  | 2016 |
| <i>Financial income</i>     |       |      |
| Dividend                    | 28    | 11   |
| Capital gain                | –     | 2    |
| Interest income             | 0     | 2    |
| Total                       | 28    | 15   |
| <i>Financial expenses</i>   |       |      |
| Interest expenses, pensions | –8    | –15  |
| Interest expenses, other    | –112  | –159 |
| Other financial expenses    | –16   | –15  |
| Exchange differences        | 0     | 0    |
| Total financial expenses    | –136  | –189 |
| Total                       | –108  | –174 |

The financial part of expenses for own pension obligations have been calculated using an interest rate of 1.35% (1.60).

| SEKm                                    | Parent Company |      |
|---|----------------|------|
|   | 2017           | 2016 |
| <i>Other financial income</i>           |                |      |
| Interest income, other group companies  | 14             | 17   |
| Interest income, other                  | –              | 0    |
| Total                                   | 14             | 17   |
| <i>Other financial expenses</i>         |                |      |
| Interest expenses other group companies | –185           | –169 |
| Interest expenses, other                | –66            | –93  |
| Other financial expenses                | –14            | –14  |
| Total financial expenses                | –265           | –276 |
| Total                                   | –251           | –259 |

## Note 11 | Taxes

### ACCOUNTING PRINCIPLES

Income taxes comprises current tax and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in other comprehensive income or in equity, whereby also the associated tax effect is reported in other comprehensive income and equity, respectively. Current tax is tax to be paid or received for the current year, with the application of the tax rates that are established or, established in practice as of the balance sheet date. Adjustments of tax paid attributable to previous periods are also included in this.

Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between the reported and taxable values of assets and liabilities. The following temporary differences are not taken into account: temporary differences that arises with the initial recognition of goodwill and temporary differences on initial recognition of assets and liabilities that are not business combinations and at the time of the transaction do not affect either reported or taxable profit. Further, such temporary differences attributable to shares or participations in subsidiaries or associated companies that are not expected to be reversed in the foreseeable future are not taken into account either. The valuation of deferred tax is based on how the reported value of assets or liabilities is expected to be realised or

settled. Deferred tax is calculated in accordance with the tax rates and tax rules that have been established or have been established in practice by the balance sheet date. Adjustment of current tax attributable to previous periods is included here.

Deferred tax assets concerning non-deductible temporary differences and tax-loss carry forwards are only reported to the extent that it will be possible for these to be used. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

### Important estimations and assessments

Measurement of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised. For Sveaskog this means that the deferred tax liability is also dependent on the model assumptions made when calculating biological assets.

### Profit after financial items

| SEKm            | Group |       |
|-----------------|-------|-------|
|                 | 2017  | 2016  |
| Sweden          | 1,711 | 1,453 |
| Other countries | 8     | 4     |
| Total           | 1,719 | 1,457 |

### Tax expense (–)/tax income (+)

| SEKm  | Group |      | Parent Company |      |
|---|-------|------|----------------|------|
|   | 2017  | 2016 | 2017           | 2016 |
| <i>Current tax</i>  |       |      |                |      |
| Tax expense for the period (–)/tax income (+)                             | –272  | –175 | –              | –    |
| Adjustment of tax expense attributable to previous years                  | 0     | 43   | –              | –    |
| Total   | –272  | –132 | –              | –    |
| <i>Deferred tax</i>   |       |      |                |      |
| Deferred tax income (+)/tax expense (–) relating to Temporary differences | –88   | –135 | –              | –    |
| Total deferred tax  | –88   | –135 | –              | –    |
| Total   | –360  | –267 | –              | –    |

### Tax expense (–)/tax income (+) per country

| SEKm            | Group |      | Parent Company |      |
|-----------------|-------|------|----------------|------|
|                 | 2017  | 2016 | 2017           | 2016 |
| Sweden          | –271  | –131 | –              | –    |
| Other countries | –1    | –1   | –              | –    |
| Total           | –272  | –132 | –              | –    |

### Difference between nominal and effective tax rate

| %   | Group |       | Parent Company |       |
|---|-------|-------|----------------|-------|
|   | 2017  | 2016  | 2017           | 2016  |
| Swedish income tax rate   | –22.0 | –22.0 | –22.0          | –22.0 |
| Tax effect between recognised and fiscal profit/loss from property deals  | –     | –     | –              | –     |
| Tax effect due to earlier tax assets not recognised as income respectively liabilities not recognised as expenses | –     | –     | –              | –     |
| Tax effect attributable to previous years   | 0.0   | 3.0   | –              | –     |
| Tax effect of share of profits of associates recognised net after tax   | 0.7   | 0.8   | –              | –     |
| Tax effect due to non-deductible costs and non-taxable income   | 0.3   | –0.1  | –              | –     |
| Other   | 0.0   | 0.0   | –              | –     |
| Effective tax rate according to income statement  | –21.0 | –18.4 | –22.0          | –22.0 |

**Tax items recognised in other comprehensive income**

| SEKm   | Group |      | Parent Company |      |
|--|-------|------|----------------|------|
|  | 2017  | 2016 | 2017           | 2016 |
| Tax attributable to items recognised in other comprehensive income | -8    | 4    | -              | -    |
| Current tax in group contributions provided(-)/received (+)        | -     | -    | -              | -    |
| Total  | -8    | 4    | -              | -    |

**Deferred tax liabilities and tax assets\***

| SEKm   | Group |       | Parent Company |      |
|--|-------|-------|----------------|------|
|  | 2017  | 2016  | 2017           | 2016 |
| <i>Deferred tax liabilities</i>                          |       |       |                |      |
| Biological assets, forest land, other land and buildings | 7,489 | 7,450 | -              | -    |
| Other tangible assets                                    | 27    | 34    | -              | -    |
| Inventories  | 24    | 28    | -              | -    |
| Silvicultural liability                                  | 79    | 82    | -              | -    |
| Provision for remuneration to employees                  | 2     | 3     | -              | -    |
| Tax allocation reserve                                   | 326   | 294   | -              | -    |
| Replacement reserve for land                             | 69    | 46    | -              | -    |
| Other untaxed reserves                                   | 251   | 247   | -              | -    |
| Total  | 8,267 | 8,184 | -              | -    |
| <i>Deferred tax assets</i>                               |       |       |                |      |
| Financial instruments                                    | 13    | 21    | -              | -    |
| Reserves   | 1     | 1     | -              | -    |
| Provisions   | 6     | 11    | -              | -    |
| Total  | 20    | 33    | -              | -    |
| Total net deferred tax liability (+)/-asset (-)          | 8,247 | 8,151 | -              | -    |
| <i>Recognised as</i>                                     |       |       |                |      |
| Deferred tax assets                                      | 13    | 22    | -              | -    |
| Deferred tax liabilities*                                | 8,260 | 8,173 | -              | -    |
| Net deferred tax liabilities                             | 8,247 | 8,151 | -              | -    |

**Breakdown of deferred tax assets and liabilities\*:**

| SEKm  | Group  |        |
|---|--------|--------|
|   | 2017   | 2016   |
| <i>Deferred tax assets</i>                                    |        |        |
| Deferred tax assets to be utilised after more than 12 months  | 13     | 22     |
| Deferred tax assets to be utilized within 12 months           | -      | -      |
|   | 13     | 22     |
| <i>Deferred tax liabilities</i>                               |        |        |
| Deferred tax liabilities to be paid after more than 12 months | 8,260  | 8,173  |
| Deferred tax liabilities to be paid within 12 months          | -      | -      |
|   | 8,260  | 8,173  |
| Deferred tax liabilities (net)                                | -8,247 | -8,151 |

\* All changes in deferred tax have gone via profit or loss, of which SEK -8 million (4) via other comprehensive income.

**Note 12 | Non-cash items**

| SEKm                             | Group |      | Parent Company |      |
|----------------------------------|-------|------|----------------|------|
|                                  | 2017  | 2016 | 2017           | 2016 |
| Amortisation/depreciation        | 81    | 80   | 0              | 0    |
| Capital gains/losses*            | -127  | -45  | -40            | -53  |
| Capital gains on property sales  | -321  | -131 | -              | -    |
| Share of profits of associations | -58   | -53  | -              | -    |
| Change in value of forest assets | -200  | -319 | -              | -    |
| Other                            | -19   | -41  | -              | -    |
| Total                            | -644  | -509 | -40            | -53  |

\* Of which capital loss for the Group SEK 0 million (-3) included in Other external costs.

**Note 13 | Intangible assets****ACCOUNTING PRINCIPLES****Other intangible assets**

Other intangible assets acquired or developed internally, are recognised at cost minus accumulated amortisation (see below) and impairment losses.

**Subsequent expenditure**

Subsequent expenditure for capitalised intangible assets is recognised as an asset in the balance only when it increases the future economic benefits for the specific asset with which it is associated. All other expenditure is recognised as an expense when it arises.

**Amortisation**

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. Amortisable intangible assets are amortised from the date they are in use. The estimated useful lives are:

| Intangible assets                                     | Estimated useful lives | Amortisation rates |
|---|------------------------|--------------------|
| <i>Acquired and generated internally respectively</i> |                        |                    |
| Capitalised expenditure for systems development, etc. | 5 years                | 20%                |
| Capitalised expenditure for systems development, etc. |                        |                    |

|                                   |    |
|-----------------------------------|----|
| SEKm                              |    |
| <i>Cost</i>                       |    |
| Opening balance, 1 January 2016   | 47 |
| Investments                       | 41 |
| Reclassifications                 | 11 |
| Sales and disposals               | 0  |
| Exchange differences              | 0  |
| Closing balance, 31 December 2016 | 99 |

|                                   |   |
|-----------------------------------|---|
| <i>Accumulated revaluations</i>   |   |
| Opening balance, 1 January 2016   | 4 |
| Closing balance, 31 December 2016 | 4 |

|   |     |
|---|-----|
| <i>Accumulated amortisation according to plan</i> |     |
| Opening balance, 1 January 2016                   | -19 |
| Sales and disposals                               | 0   |
| Amortisation for the year                         | -1  |
| Exchange differences                              | 0   |
| Closing balance, 31 December 2016                 | -20 |

|   |     |
|---|-----|
| <i>Accumulated impairment</i>                     |     |
| Opening balance, 1 January 2016                   | -31 |
| Closing balance, 31 December 2016                 | -31 |
| Closing planned residual values, 31 December 2016 | 52  |

|                                   |     |
|-----------------------------------|-----|
| <i>Cost</i>                       |     |
| Opening balance, 1 January 2017   | 99  |
| Investments                       | 41  |
| Reclassifications                 | 0   |
| Sales and disposals               | 0   |
| Exchange differences              | 0   |
| Closing balance, 31 December 2017 | 140 |

|                                   |   |
|-----------------------------------|---|
| <i>Accumulated revaluations</i>   |   |
| Opening balance, 1 January 2017   | 4 |
| Closing balance, 31 December 2017 | 4 |

|   |     |
|---|-----|
| <i>Accumulated amortisation according to plan</i> |     |
| Opening balance, 1 January 2017                   | -20 |
| Sales and disposals                               | 0   |
| Amortisation for the year                         | 0   |
| Exchange differences                              | 0   |
| Closing balance, 31 December 2017                 | -20 |

|  |           |
|--|-----------|
| <i>Accumulated impairment</i>                            |           |
| Opening balance, 1 January 2017                          | -31       |
| Closing balance, 31 December 2017                        | -31       |
| <b>Closing planned residual values, 31 December 2017</b> | <b>93</b> |

## Note 14 | Property, plant and equipment

### ACCOUNTING PRINCIPLES

#### Owned assets

Property, plant and equipment are reported as assets in the balance sheet if it is likely there will be future economic benefits for the company and the cost of the asset can be calculated in a reliable manner.

Property, plant and equipment are recognised at cost after deduction for accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to putting the asset in place and in a suitable condition for use in accordance with the intention of the acquisition. Examples of directly attributable expenses included in cost are delivery and handling, installation, registration of title, consulting services and legal services. The accounting principles for impairment losses are specified in Note 1.

The cost of own-manufactured property, plant and equipment includes expenditure for material, employee benefits, other manufacturing expenses which are considered directly attributable to the assets.

Property, plant and equipment that consists of components with different useful lives, are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is derecognised from the balance sheet at disposal or sale or when no future economic benefits are expected from use or disposal/sale of the asset. Gains or losses that arise from sale or disposal of an asset comprise the difference between the selling price and the carrying amount of the asset with deduction for direct selling costs. Gains and losses are reported as other operating income/expense.

#### Subsequent expenditure

Subsequent expenditure is added to cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be estimated in a reliable manner. All other subsequent expenditure is recognised as an expense in the period in which it arises. Decisive for assessment of when a subsequent expenditure is added to cost

is whether the expenditure relates to replacement of identified components, or parts of the same, whereby such expenditure is recognised as an asset. In cases where a new component is created, the expenditure is also added to cost. Any undepreciated carrying amounts on replaced components, or parts of components, are disposed of and recognised as an expense when the replacement takes place. Repairs are recognised as an expense on a current basis.

#### Borrowing costs

Borrowing costs such as interest and other costs that arise and are directly attributable to purchase, construction or production of a qualifying asset comprise part of the asset's cost. Other borrowing costs are recognised as an expense.

#### Depreciation principles

Cost is depreciated to a residual value on a straight-line basis over the useful life, land is not depreciated. The Group applies component depreciation which means that the estimated useful lives of components provide the basis for depreciation.

| Property, plant and equipment   | Estimated useful lives | Depreciation rates |
|---|------------------------|--------------------|
| Industrial buildings  | 20–33 years            | 3–5%               |
| Housing and office buildings  | 40–50 years            | 2–2,25%            |
| Land improvements   | 20 years               | 5%                 |
| Vehicles and other machinery and equipment                            | 3–6 years              | 16,5–33%           |
| Machines and other technical equipment within Skogsplanter operations | 5–7 years              | 14,29–20%          |

Assessment of an asset's residual value and useful life is performed annually. An asset is recognised for impairment if its carrying amount exceeds its assessed recoverable amount.

| SEKm  | Forest land  | Other property plant and equipment          |                         |  |   |
|---|--------------|---|-------------------------|--|---|
|   |              | Buildings, other land and land improvements | Machinery and equipment | Constructions in progress and advances | Total other property, plant and equipment |
| <b>Group</b>                                      |              |   |                         |  |   |
| <i>Cost</i>                                       |              |   |                         |  |   |
| Opening balance, 1 January 2016                   | 2,346        | 555   | 810                     | 13                                     | 1,378                                     |
| Investments                                       | 45           | 1   | 82                      | 1                                      | 84  |
| From constructions in progress and advances       | –            | –   | 1                       | –1                                     | –   |
| Reclassification                                  | 0            | 0   | –                       | –11                                    | –11                                       |
| Sales and disposals                               | –7           | –36   | –49                     | –                                      | –85                                       |
| Exchange differences, etc.                        | 0            | 0   | 1                       | –                                      | 1   |
| Closing balance, 31 December 2016                 | 2,384        | 520   | 845                     | 2                                      | 1,367                                     |
| <i>Accumulated depreciation according to plan</i> |              |   |                         |  |   |
| Opening balance, 1 January 2016                   | –            | –327  | –516                    | –                                      | –843                                      |
| Sales and disposals                               | –            | 16  | 44                      | –                                      | 60  |
| Depreciation for the year                         | –            | –9  | –70                     | –                                      | –79                                       |
| Exchange differences, etc.                        | –            | 0   | –1                      | –                                      | –1  |
| Closing balance, 31 December 2016                 | –            | –320  | –543                    | –                                      | –863                                      |
| <i>Accumulated impairment</i>                     |              |   |                         |  |   |
| Opening balance, 1 January 2016                   | –            | –3  | –3                      | –                                      | –6  |
| Impairment for the year                           | –            | –   | –                       | –                                      | –   |
| Closing balance, 31 December 2016                 | –            | –3  | –3                      | –                                      | –6  |
| Closing planned residual value, 31 December 2016  | 2,384        | 197   | 299                     | 2                                      | 498                                       |
| <i>Cost</i>                                       |              |   |                         |  |   |
| Opening balance, 1 January 2017                   | 2,384        | 520   | 845                     | 2                                      | 1,367                                     |
| Investments                                       | 86           | 6   | 52                      | 6                                      | 64  |
| From constructions in progress and advances       | 0            | 3   | 3                       | –6                                     | –   |
| Reclassification                                  | 0            | 0   | –                       | –                                      | –   |
| Sales and disposals                               | –10          | –17   | –96                     | –                                      | –113                                      |
| Exchange differences, etc.                        | 0            | 0   | 0                       | –                                      | –   |
| Closing balance, 31 December 2017                 | 2,460        | 512   | 804                     | 2                                      | 1,318                                     |
| <i>Accumulated depreciation according to plan</i> |              |   |                         |  |   |
| Opening balance, 1 January 2017                   | –            | –320  | –543                    | –                                      | –863                                      |
| Sales and disposals                               | –            | 4   | 86                      | –                                      | 90  |
| Depreciation for the year                         | –            | –7  | –73                     | –                                      | –81                                       |
| Exchange differences, etc.                        | –            | 0   | 0                       | –                                      | –   |
| Closing balance, 31 December 2017                 | –            | –323  | –530                    | –                                      | –854                                      |
| <i>Accumulated impairment</i>                     |              |   |                         |  |   |
| Opening balance, 1 January 2017                   | –            | –3  | –3                      | –                                      | –6  |
| Impairment for the year                           | –            | –   | –                       | –                                      | –   |
| Closing balance, 31 December 2017                 | –            | –3  | –3                      | –                                      | –6  |
| <b>Closing balance, 31 December 2017</b>          | <b>2,460</b> | <b>186</b>                                  | <b>271</b>              | <b>2</b>                               | <b>458</b>                                |



| SEKm  | Forest land | Buildings,<br>other land and<br>land improvements |
|---|-------------|---|
| <b>Parent Company</b>                             |             |   |
| <i>Cost</i>                                       |             |   |
| Opening balance, 1 January 2016                   | 39          | 21  |
| Investments                                       | –           | –   |
| Sales and disposals                               | –3          | 0   |
| Closing balance, 31 December 2016                 | 36          | 21  |
| <i>Accumulated depreciation according to plan</i> |             |   |
| Opening balance, 1 January 2016                   | –           | –5  |
| Sales and disposals                               | –           | 0   |
| Depreciation for the year                         | –           | 0   |
| Closing balance, 31 December 2016                 | –           | –5  |
| Closing planned residual value, 31 December 2016  | 36          | 16  |
| <i>Cost</i>                                       |             |   |
| Opening balance, 1 January 2017                   | 36          | 21  |
| Investments                                       | –           | –   |
| Sales and disposals                               | –2          | –1  |
| Closing balance, 31 December 2017                 | 34          | 20  |
| <i>Accumulated depreciation according to plan</i> |             |   |
| Opening balance, 1 January 2017                   | –           | –5  |
| Sales and disposals                               | –           | 0   |
| Depreciation for the year                         | –           | 0   |
| Closing balance, 31 December 2017                 | –           | –5  |
| Closing planned residual value, 31 December 2017  | 34          | 15  |

#### Tax assessment values for Swedish properties

| SEKm                                | Group  |        | Parent Company |      |
|-------------------------------------|--------|--------|----------------|------|
|                                     | 2017   | 2016   | 2017           | 2016 |
| Biological assets                   | 57,851 | 64,063 | 735            | 776  |
| Other land                          | 520    | 512    | 34             | 41   |
| Buildings                           | 90     | 93     | 11             | 11   |
| Total                               | 58,461 | 64,668 | 780            | 828  |
| <i>Recognised in balance sheet:</i> |        |        |                |      |
| Forest land                         | 2,460  | 2,384  | 34             | 36   |
| Standing timber                     | 32,054 | 31,993 | –              | –    |
| Total                               | 34,514 | 34,377 | 34             | 36   |

### Note 15 | Biological assets, standing timber and forest land

#### ACCOUNTING PRINCIPLES

##### Biological assets – standing timber

According to IFRS, forest assets are divided up and recognised as standing timber according to IAS 41 and land which is recognised as property, plant and equipment. IAS 41 means that standing timber is measured and recognised at fair value at each closing date. Changes in fair value are recognised in profit or loss.

The listed price in an active market provides the best basis for calculation of the fair value of the assets. There is no functioning market for standing timber of the size that corresponds to Sveaskog's holding and therefore there are no relevant market prices. Fair value has therefore been calculated as a value determined on a yield basis, where cash flow from future revenue from timber extractions after deduction for felling, reforestation, road and other silvicultural costs are discounted to a present value.

These calculations include future timber extractions which correspond to a forest growth cycle (60–120 years depending on geographical

circumstances). Costs for reforestation required according to Swedish law are taken into account. Timber extractions are based on Sveaskog's felling and forest management plans.

Sveaskog has set aside large areas of productive forest land as nature conservation areas. The value of standing timber in these nature conservation areas is not included in the value determined on a yield basis. The forest land's other value in the form of hunting revenues and other lease revenues are not included in yield.

When calculating cash flows from standing timber an assessment is made of costs and income development 100 years forward in time. Prices are based on a rolling ten-year average (2008–2017). Regarding cost development, current normal costs and inflation assumptions in the model are based on estimated development in the years 2018–2118.

Asset value is determined through cash flow before tax discounted to a nominal rate which is estimated to correspond to the long-term weighted cost of capital (WACC) for this asset class. Sveaskog's Board is of the opinion that this rate should describe the long-term cost of capital for an investment in forest assets and not be affected by short-term fluctuations in market interest rates.

Provision to deferred tax is calculated in accordance with IAS 12 on the entire value of the biological assets according to IAS 41. Deferred tax is calculated on the difference between the book value of the properties and their fiscal value. The book value of the properties consists of the value of standing timber (see Note 14), forest land value as well as other property values (see Note 14).

#### Important estimations and assessments

Since an active market and thereby relevant market prices for standing timber of the scope owned by Sveaskog does not exist, the fair value is calculated as a yield.

The estimated cash flow from future revenue from timber extractions after deduction for felling, reforestation and other silvicultural costs has been discounted to a present value.

In the Sveaskog Group forest assets are recognised divided into standing timber which is recognised as a biological asset at fair value (IAS 41) and forest land which is recognised at cost. Sveaskog has assessed that relevant market prices that can be used to value forest holdings of Sveaskog's size do not exist. Sveaskog's valuation is therefore made by calculating the present value of future anticipated cash flows from the standing forest. Measurement at fair value is based on measurement level three (see Note 26). Calculation of cash flows is performed for the next 100 years, which is assessed as the forest's felling cycle. Cash flows are calculated on the basis of felling volumes according to Sveaskog's current felling plans as well as assessments of future price and cost development. Costs for replanting are included in the measurement since replanting after felling is obligatory according to law. Cash flows before tax are discounted by a rate of 5.95% (5.95), which is assessed as corresponding to a long-term weighted cost of capital (WACC) for this class of asset.

In total, Sveaskog owns 3.11 million hectares of productive forest land with a volume of standing timber of 304 million m<sup>3</sup>fo, of which 239 m<sup>3</sup>fo on the managed land. According to current felling plans, which date from 2013 and are based on a forest optimisation model, felling will amount to approximately 6.3 million m<sup>3</sup>sub per year. This level is expected to remain relatively unchanged until 2028. Subsequently, it is expected to increase steadily to over 7.4 million m<sup>3</sup>sub by 2116. In 2017, Sveaskog is currently carrying out new felling calculations which are expected to be completed in 2018.

In 2017 approximately 55% (43) of volume was sold as sawlogs to sawmills and 41% (50) was pulpwood sold to the pulp and paper industry. Other volume consists of biofuel in the form of branches and tops which is primarily used as fuelwood, this volume is not included in the measurement.

#### Timber stocks, timber extraction and timber growth

|   | Group  |      |
|---|--------|------|
|   | 2017   | 2016 |
| Timber stocks*, million m <sup>3</sup> fo, managed land             | 239**  | 245  |
| Net growth*, million m <sup>3</sup> fo, managed land                | 10.9** | 11.3 |
| Timber extraction from own forests m <sup>3</sup> sub, managed land | 6.55   | 6.46 |

\* Managed land. 1 m<sup>3</sup>fo corresponds to c. 0.82 m<sup>3</sup>sub.

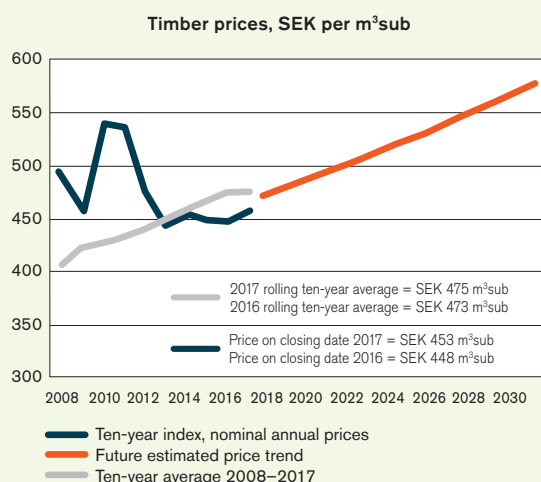
\*\* Adjustments have been made using laser scanning compared with previous year.

**Model assumptions**

Revenues (timber prices) are based on prices from a ten-year average (2008–2017) and thereafter an assessed development during the years 2017–2018 with a nominal price increase of 1.5% (1.5) per year.

For production costs (felling costs) a current normal cost is applied. The normal cost corresponds to a three-year average (result for current year, previous year as well as budget for next year). These costs are based on an estimated development for the years 2018–2018 with a nominal cost increase of 2.0% (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 standing timber.

**Summary model assumptions**

|                        | 2017            | 2016            |
|------------------------|-----------------|-----------------|
| Discount rate          | 5.95%           | 5.95%           |
| Revenue                | 10-year average | 10-year average |
| Nominal price increase | 1.50% per year  | 1.50% per year  |
| Costs                  | Normal cost*    | Normal cost*    |
| Nominal cost increase  | 2.00% per year  | 2.00% per year  |

\* Normal cost = result for current year and previous year and budget for next year.

| SEKm                              | Standing timber |
|-----------------------------------|-----------------|
| <b>Standing timber</b>            |                 |
| <i>Cost</i>                       |                 |
| Opening balance, 1 January 2016   | 31,751          |
| Acquisition of standing timber    | 13              |
| Sales of standing timber          | -90             |
| Changes due to felling            | -1,426          |
| Changes in fair value             | 1,745           |
| Closing balance, 31 December 2016 | 31,993          |
| Opening balance, 1 January 2017   | 31,993          |
| Acquisition of standing timber    | 28              |
| Sales of standing timber          | -167            |
| Changes due to felling            | -1,541          |
| Changes in fair value             | 1,741           |
| Closing balance, 31 December 2017 | 32,054          |

**Forest land**

|                                   |       |
|-----------------------------------|-------|
| Opening balance, 1 January 2016   | 2,346 |
| Acquisition of forest land        | 45    |
| Sales of forest land              | -7    |
| Closing balance, 31 December 2016 | 2,384 |
| Opening balance, 1 January 2017   | 2,384 |
| Acquisition of forest land        | 86    |
| Sales of forest land              | -10   |
| Closing balance, 31 December 2017 | 2,460 |

**Sensitivity analysis of key measurement parameters and their impact on Sveaskog's standing timber***Discount rate*

- A decrease in the discount rate of 0.5 percentage points will increase the value of standing timber by SEK 3,400 million (3,400).
- An increase in the discount rate of 0.5 percentage points will reduce value of standing timber by SEK 2,900 million (2,900).

*Revenues (timber prices)*

- A decrease in the annual price increase of 0.5 percentage points will reduce the value of standing timber by SEK 7,300 million (7,300).
- An increase in the annual price increase of 0.5 percentage points will increase the value of standing timber by SEK 8,900 million (8,900).

*Costs (felling, silviculture, road and joint costs)*

- An increase in the annual cost increase of 0.5 percentage points will reduce the value of standing timber by SEK 5,700 million (5,600).
- A decrease in the annual cost increase of 0.5 percentage points will increase the value of standing timber by SEK 4,600 million (4,500).

**Note 16 | Shares and participations****ACCOUNTING PRINCIPLES****Subsidiaries**

Subsidiaries are companies in which the Parent Company Sveaskog AB exercises control. An investor has control over the investee when it is exposed to or entitled to variable returns from its involvement in the investee and can influence returns through its control over the investee.

Subsidiaries are reported according to the acquisition method. This method means that acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is identified through a purchase price allocation (PPA) in conjunction with the business combination. This analysis identifies the cost for the participations or business, the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities. The difference between the cost of the subsidiary's shares and the fair value of acquired assets, assumed liabilities and contingent liabilities comprises consolidated goodwill. If the acquisition cost is less than fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit or loss. Transaction costs are recognised in profit or loss.

The subsidiary's financial statements are included in consolidated financial statements from the acquisition date until the date control ceases.

### Associates

Associates are companies over which the Group exercises a significant influence, over operational and financial governance, normally through ownership of between 20 and 50% of the voting rights. Exceptions may exist if the Group does not exercise a significant influence nor intends to exercise a significant influence. From the date that a significant influence is obtained participations in subsidiaries are recognised according to the equity method in the consolidated accounts. The equity method means that the carrying amount in the Group of shares in associates corresponds to the Group's share of equity in associates as well as consolidated goodwill and any residual values on consolidated surplus and deficit values. In the consolidated income statement, the Group's share of associates' net profit after tax and any non-controlling interests also adjusted for any depreciation, impairment or dissolution of acquired surplus and deficit values is reported as "Share of profits of associates". Dividends received from associates reduce carrying amounts. With effect from this annual report the Group includes associate's other comprehensive income in Statement of comprehensive income and figures for the comparative year have been recalculated. This represents correction of an error.

Any difference at acquisition between the cost of the holding and the investor's share of net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recognised in accordance with IFRS 3 Business Combinations.

When the share of recognised losses in the associate exceeds the carrying amount of the interests in the Group, the value of these interests is reduced to zero. Accounting for losses also takes place against non-current financial balances without guarantees, which in its economic significance comprises part of the investor's net investment in the associate. When share in the losses of an associate amounts to or exceeds its holding in the associate, no further losses are recognised unless a guarantee has been provided to cover losses arising in the associate. The equity methods is applied until the date a significant influence ceases.

### Correction

The Group previously assessed that the effect of Sveaskog's share of associates' other comprehensive income was immaterial but now makes a change and includes Sveaskog's share of associates' other comprehensive income. Earlier periods have been recalculated and the total effect of SEK –11 million has been recognised in equity at 1 January 2016 with SEK –5 million and in profit for 2016 with SEK –6 million. A table showing these amounts for the period 2012-2016 is provided below.

| SEKm   | 2012 and earlier | 2013 | 2014 | 2015 | 2016 |
|--|------------------|------|------|------|------|
| Other comprehensive income                             | 5                | –17  | –11  | 18   | –6   |
| Total comprehensive income for the year                | 5                | –17  | –11  | 18   | –6   |
| Financial assets                                       |                  |      |      |      |      |
| Shares in associates                                   | 5                | –13  | –23  | –5   | –11  |
| Equity   |                  |      |      |      |      |
| Reserves   | 10               | –13  | –24  | –2   | –7   |
| Earned profit  | –5               | 0    | 1    | –3   | –4   |
| Impact on earnings per share before and after dilution | NA               | NA   | NA   | NA   | NA   |

| SEKm  | Associates* | Other securities held as non-current assets |
|---|-------------|---|
| <b>Group</b>                                      |             |   |
| Opening balance, 1 January 2016                   | 354         | 75  |
| Correction OB 2016                                | –5          | –   |
| Investments                                       | –           | 1   |
| Sales   | –           | –1  |
| Dividend  | –6          | –   |
| Share of profits of associates**                  | 53          | –   |
| Share of other comprehensive income of associates | –6          | –   |
| Closing balance, 31 December 2016                 | 391         | 75  |
| Opening balance, 1 January 2017                   | 391         | 75  |
| Investments                                       | –           | 1   |
| Dividend  | –50         | –   |
| Share of profits of associates**                  | 58          | –   |
| Share of other comprehensive income of associates | 3           | –   |
| Closing balance, 31 December 2017                 | 403         | 76  |

\* The holding in Setra Group is reported according to the equity method. The shareholdings in other associates are measured at cost. The equity method is not applied to these due to their negligible significance.

\*\* Share in associates' profit after tax and dividend for 2017 (2016) as well as change in intra-group reserve relating to Setra.

### Specification of revenue, earnings, assets and liabilities in associate (Setra Group)

| SEKm                                | 2017  | 2016  |
|-------------------------------------|-------|-------|
| <b>Setra Group</b>                  |       |       |
| According to company's accounts:    |       |       |
| Net sales                           | 4,139 | 4,043 |
| Profit after tax                    | 116   | 103   |
| Profit from continuing operations   | 116   | 103   |
| Other comprehensive income          | 7     | –12   |
| Comprehensive income for the period | 123   | 91    |
| Non-current assets                  | 825   | 864   |
| Current assets                      | 1,723 | 1,572 |
| Equity                              | 1,372 | 1,347 |
| Non-current liabilities             | 465   | 446   |
| Current liabilities                 | 711   | 643   |

### Parent Company

|              |        |        |
|--------------|--------|--------|
| <b>Cost</b>  |        |        |
| Opening cost | 24,934 | 24,934 |
| Closing cost | 24,934 | 24,934 |



## Specification of shares and participations and other holdings held as non-current assets

| Exposition of shares and participations and other holdings held as non-current assets                  |             |                      |               |                 |      | Equity,<br>SEKm, 31 Dec<br>2017 | Profit for the<br>year, SEKm<br>2017 | Carrying amount,<br>SEKm, 31 Dec<br>2017 |            |
|--|-------------|----------------------|---------------|-----------------|------|---------------------------------|--------------------------------------|--|------------|
|  | Reg. no.    | Domicile/<br>country | No. of shares | Ownership in %* |      |                                 |                                      |  |            |
|  |             |                      |               | 2017            | 2016 |                                 |                                      |  | 2016       |
| <b>Sveaskog AB</b> <b>556558-0031</b>  |             |                      |               |                 |      |                                 |                                      |  |            |
| <i>Direct holding in group company</i>   |             |                      |               |                 |      |                                 |                                      |  |            |
| Hjälmare Kanal AB  | 556002-4472 | Stockholm            | 5,936         | 100             | 100  | 2                               | –                                    | 3  | 3          |
| Sveaskog Förvaltnings AB   | 556016-9020 | Stockholm            | 95,157,179    | 100             | 100  | 20,248                          | 1,123                                | 24,931                                   | 24,931     |
| Total directly owned group companies   |             |                      |               |                 |      |                                 |                                      | 24,934                                   | 24,934     |
| <i>Indirect holding in group company</i>   |             |                      |               |                 |      |                                 |                                      |  |            |
| MPH Skydd AB   | 556852-1339 | Stockholm            | 50            | 100             | 100  | 1                               | 0                                    | –  | –          |
| SIA Sveaskog Baltfor   | 40003293038 | Riga, Latvia         | 2,500         | 100             | 100  | 24                              | 7                                    | –  | –          |
| Skogsriket Sveaskog AB   | 556097-2811 | Östersund            | 1,000         | 100             | 100  | 0                               | –                                    | –  | –          |
| Stöten Mark AB (Merger of<br>Sveaskog Timber AB 171227)  | 556000-1074 | Stockholm            | 90,000        | 100             | 100  | 362                             | 0                                    | –  | –          |
| Sveaskog Försäkringsaktieföretag   | 516401-8466 | Stockholm            | 500,000       | 100             | 100  | 50                              | –                                    | –  | –          |
| Sveaskog Timber AB (Merged in<br>Stöten Mark AB 171227)  | 556027-0703 | Stockholm            | –             | –               | 100  | –                               | –                                    | –  | –          |
| <b>Group's holdings in associates</b>  |             |                      |               |                 |      |                                 |                                      |  |            |
| <i>Parent Company's indirect holdings</i>  |             |                      |               |                 |      |                                 |                                      |  |            |
| Setra Group AB   | 556034-8483 | Stockholm            | 25,761,671    | 50              | 50   | 1,372                           | 116                                  | 403                                      | 402        |
| Total associates   |             |                      |               |                 |      |                                 |                                      | 403                                      | 402        |
| <b>Group's other securities held as non-current assets</b>   |             |                      |               |                 |      |                                 |                                      |  |            |
| <i>Parent Company's indirect holdings</i>  |             |                      |               |                 |      |                                 |                                      |  |            |
| EkoNord Invest AB  | 556769-8625 | Krokum               | 7,143         | 14.3            | 14.3 | –                               | –                                    | 9  | 9          |
| Shorelink AB   | 556053-7168 | Piteå                | 18,775        | 24.1            | 24.1 | –                               | –                                    | 2  | 2          |
| SunPine AB   | 556682-9122 | Piteå                | 16,685        | 25.1            | 25.1 | –                               | –                                    | 50                                       | 50         |
| Swe Tree Technologies AB   | 556573-9587 | Umeå                 | 408,333       | 13.8            | 13.8 | –                               | –                                    | 14                                       | 13         |
| Torsta AB  | 556892-2420 | Krokum               | 200           | 5.0             | 5.0  | –                               | –                                    | 0  | 0          |
| Svensk Skogskommunikation AB   | 559031-9231 | Stockholm            | 25,000        | 25.0            | 25.0 | –                               | –                                    | 0  | 0          |
| Other participations   |             |                      |               |                 |      |                                 |                                      | 1  | 1          |
| Total Group's other securities held as non-current assets  |             |                      |               |                 |      |                                 |                                      | 76                                       | 75         |
| <b>Total Group's holding of shares in subsidiaries and other securities held as non-current assets</b> |             |                      |               |                 |      |                                 |                                      | <b>479</b>                               | <b>477</b> |

\* Share of voting rights agrees for all participations with share of equity.

A complete statutory specification of group companies' holdings is included in the annual report sent to the Swedish Companies Registration Office. This specification is available at [www.sveaskog.se](http://www.sveaskog.se).

## Note 17 | Non-current receivables

|   |  | Group |      | Parent Company |       | SEKm |  | Group |      |
|---|--|-------|------|----------------|-------|------|--|-------|------|
|   |  | 2017  | 2016 | 2017           | 2016  |      |  | 2017  | 2016 |
| <i>Interest-bearing non-current receivables</i>     |  |       |      |                |       |      |  |       |      |
| Receivables from group companies                    |  | –     | –    | 2,400          | 2,000 |      |  | 19    | 15   |
| Other non-current receivables                       |  | 5     | 7    |                |       |      |  | 92    | 77   |
| Total   |  | 5     | 7    | 2,400          | 2,000 |      |  | 14    | 14   |
| <i>Non-interest bearing non-current receivables</i> |  |       |      |                |       |      |  | 118   | 117  |
| Other non-current receivables                       |  | –     | –    | –              | –     |      |  | 297   | 359  |
| Total   |  | –     | –    | –              | –     |      |  | 540   | 582  |
| Grand total   |  | 5     | 7    | 2,400          | 2,000 |      |  |       |      |

\* Products in process pertain to seedlings, other plants and seed. Finished products pertain to timber inventories, felling residues and tree parts by the roadside, fuel at terminals and cuttings.

## Note 19 | Trade receivables, loans and other receivables

## ACCOUNTING PRINCIPLES

Trade receivables are classified in the category loans and receivables. Trade receivables are initially measured at fair value, subsequently at amortised cost using the effective interest method. A reserve for reduction in value of trade receivables is made when there is objective proof that the Group will not receive all amounts due according to the original terms of the receivable. Impairment of trade receivables is recognised in operating expenses. Trade receivables' anticipated duration is short, however, so recognition takes place at a nominal amount without discount.

## Note 18 | Inventories

## ACCOUNTING PRINCIPLES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and selling costs. The cost of processed timber amounts to fair value with deduction for estimated selling costs at the time of felling in accordance with the accounting principle for biological assets.

Cost of inventories is calculated according to the first-in, first-out method (FIFO) and includes expenditure that arises from acquisition of inventory assets and their transport to their current location and condition. Cost includes a reasonable proportion of indirect costs based on normal capacity utilisation.

| SEKm   | Group |       | Parent Company |      |
|--|-------|-------|----------------|------|
|  | 2017  | 2016  | 2017           | 2016 |
| <i>Trade receivables and loans</i>                 |       |       |                |      |
| Trade receivables                                  | 956   | 958   | –              | –    |
| Reserve for doubtful trade receivables             | –1    | –2    | –              | –    |
| Receivables from associates                        | 111   | 103   | –              | –    |
| Receivables from group companies, interest-bearing | –     | –     | 0              | 0    |
| Receivables from other group companies             | –     | –     | 214            | 199  |
| Total  | 1,066 | 1,059 | 214            | 199  |

| SEKm   | Group |       | Parent Company |      |
|--|-------|-------|----------------|------|
|  | 2017  | 2016  | 2017           | 2016 |
| <i>Other receivables</i>                             |       |       |                |      |
| Prepaid expenses                                     | 57    | 58    | 11             | 11   |
| Accrued income                                       | 28    | 24    | –              | –    |
| Other current receivables                            | 342   | 235   | 67             | 65   |
| Total  | 427   | 317   | 78             | 76   |
| Total trade receivables, loans and other receivables | 1,493 | 1,376 | 292            | 275  |
| Of which financial                                   | 1,387 | 1,270 | 281            | 264  |

See Note 26 for an age analysis and information on due non-impaired receivables.

## Note 20 | Equity

### ACCOUNTING PRINCIPLES

Equity in the Group consists of share capital, reserved and earned profits (incl. profit for the year). Equity in the Parent Company consists of share capital, statutory reserve, profit brought forward and profit for the year.

Dividends to shareholders are recognised as a liability to shareholders after the Annual General Meeting has approved the dividend.

#### Group

##### Share capital

The number of shares amounts to 118,373,034 A shares with a quotient value of SEK 1.

##### Reserves

Reserves consist of hedging reserve and translation reserve.

##### Hedging reserve

The hedging reserve comprises the effective portion of cumulative net change in the fair value of the cash flow hedging instruments attributable to hedging transactions not yet completed.

##### Translation reserve

The translation reserve includes all exchange rate differences that arise on translation of financial statements from foreign operations that have prepared their financial statements in the currency used in the economic environment in which they have their main operations (functional currency) to SEK. The Parent Company and the Group present their financial statements in Swedish kronor.

##### Earned profit

Earned profit in the Group consists of profit for the year as well as the previous year's earned profit after any distribution of profits.

The Board submits a dividend proposal. The amount of the dividend is decided by the Annual General Meeting.

#### Parent Company

##### Statutory reserve

The intention of the statutory reserve was to save part of annual profit not required to cover a loss carried forward. A provision to a statutory reserve is no longer required.

##### Unrestricted equity

Profit brought forward in the Parent Company consists of profit for the year as well as the previous year's profit carried forward after any distribution of profit.

The Board submits a dividend proposal. The amount of the dividend is decided by the Annual General Meeting.

### Proposed profit distribution, SEK

Unappropriated profit available to the Annual General Meeting:

|                        |               |
|------------------------|---------------|
| Profit brought forward | 8,323,285,283 |
| Profit for the year    | 102           |
| Total                  | 8,323,285,385 |

The Board proposed that the profit be distributed as follows:

|                                |               |
|--------------------------------|---------------|
| Dividend to shareholder        | 900,000,000   |
| Carried forward to new account | 7,423,285,385 |
| Total                          | 8,323,285,385 |

## Note 21 | Cash and cash equivalents, interest-bearing liabilities and other financial instruments

### ACCOUNTING PRINCIPLES

Cash and cash equivalents consist of cash as well as immediately available deposits with banks and similar institutions as well as short-term investments. Cash and bank balances consist of bank deposits and investments that can easily be converted into cash, the latter with a maximum duration at acquisition of 3 months. Carrying amount, cost, is regarded as a good approximation of fair value since a discount based on market conditions is not assessed as leading to significant differences.

Short-term investments consist of commercial papers according to the established counterparty regulation (see Note 26). Investments have a maximum duration of 12 months. Investments are recognised at cost. Unutilised credit facilities amount to SEK 4,200 million (4,200).

For most of the Group a so-called group account is used with Sveaskog Förvaltnings AB as the main account holder. Sveaskog Förvaltnings AB's dealings with group companies relating to the group account are recognised as current interest-bearing receivables and current interest-bearing liabilities to group companies. Sveaskog AB's receivables from group companies relate to bank deposits within the group account system.

Financial liabilities consist of liabilities from the banking system via bilateral bank loan agreements as well as the capital market via commercial papers and bond loans. The liability is recognised at cost, fair value for the current liabilities is measured at book value including accrued interest which is assessed as a good approximation of fair value. The fair value of non-current debt instruments is determined using valuation models such as, for example, discounting of future cash flows to quoted market interest rates for the respective maturity.

All the Group's derivatives are covered by an ISDA agreement which means that Sveaskog has right of set-off for assets and liabilities against the same counterparty in the event of a credit event. Set-off of assets and liabilities is not applied in the accounts. To calculate the fair value of the derivative a cash flow measurement is used. Interest is a market-based swap rate which is recalculated to a yield curve and a zero coupon curve. The heading Derivatives in the note includes both interest-bearing and non-interest bearing derivatives.

When specifying variable interest rates, the most recent variable rate (STIBOR three months) for each loan that applied at 31 December 2017 has been used.

### Derivatives and cash flow hedges

Derivatives comprise among other things forward contracts, options and swaps that are used to cover exchange rate fluctuations and exposure to interest rate risks. At present, Sveaskog does not hedge exchange rate risks. Changes in value of derivative instruments are recognised in profit or loss based on the purpose of the contract.

If hedge accounting is not applied, increases and decreases in value of a derivative are recognised as income and expenses respectively within operating profit or loss or within net financial items based on the purpose of the use of the derivative instrument and the extent to which such use related to an operating item or a financial item.

If hedge accounting is not applied for the use of interest rate swaps, the interest coupon is recognised as an interest expense and other change in value of the interest rate swap is recognised as a financial income or financial expense.

#### Cash flow hedges

Interest rate swaps are used to hedge interest rate risk and fixed interest. Interest rate swaps are measured at fair value in the balance sheet. In the income statement, accrued interest is recognised continuously as an interest expense and other changes in value of the interest rate swap are recognised

in other comprehensive income as long as the criteria for hedge accounting and effectiveness are met. In hedge accounting the excess ineffective component is recognised in the same way as changes in value of derivatives not used for hedge accounting.

In order to meet requirements for hedge accounting there must be an unequivocal link to the hedged item. Furthermore, it is required that the hedge effectively protects the hedged item, that hedging documentation is prepared and that effectiveness can be measured and followed up continuously. Gains and losses on hedges are recognised in profit or loss at the same time as gains and losses are recognised for the hedged items. If the requirements for hedge accounting are no longer met, the derivative instrument is recognised at fair value with change in value through profit or loss in accordance with the principle described above.

#### Disclosures on financial instrument categories

Financial instruments recognised in the balance sheet on the assets side include cash and cash equivalents, trade receivables, shares, loan receivables and bond receivables. Among liabilities and equity there are trade payables, loan liabilities and derivatives, non-current liabilities and interest-bearing non-current and current liabilities.

Financial instruments are initially recognised at cost corresponding to the instrument's fair value through profit or loss with the addition of transaction costs for all financial instruments apart from those that belong to the category financial assets at fair value through profit or loss. Recognition thereafter depends on classification as set out below.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual conditions of the instrument. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not been received.

A financial asset is derecognised from the balance sheet when the contractual rights are realised, expired or the company loses control over them. The same applies to part of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation is met or otherwise extinguished. The same applies to part of a financial liability. Acquisition and divestment of financial assets are reported on the trade date which is the day when the company undertakes to acquire or divest the asset.

On each reporting date, the company evaluates whether there are objective indications that a financial asset or group of financial assets are in need of recognition of impairment.

Financial instruments are classified in the following categories.

#### Financial assets and liabilities at fair value through profit or loss

This category consists of two sub groups: financial assets and liabilities held for trading. A financial asset and liability are classified as held for trading if it was acquired to be sold in the short term. Derivatives are classified as held for trading except when hedge accounting is applied, see further under Derivatives and hedge accounting below. Assets and liabilities in this category are measured on a current basis at fair value with changes in value recognised in profit or loss. Liabilities and derivatives are level 2 items, for specification of the different levels see Note 26 Financial risks.

#### Loans and trade receivables

Loans and trade receivables are financial assets that do not comprise derivatives, with fixed payments with payments that can be determined and which are not listed in an active market. Receivables arise when the company provides money, goods and services directly to the borrower without the intention of trading in receivable rights. Assets in this category are measured at amortised cost. Amortised cost is determined on the basis of the effective interest rate calculated on the acquisition date.

#### Available-for-sale financial assets

Available-for-sale financial assets are recognised at fair value with changes in value in other comprehensive income.

#### Other financial liabilities

Financial liabilities not held for trading are measured in subsequent periods at amortised cost. Amortised cost is determined on the basis of the effective interest rate calculated when the liability was assumed. This means that surplus and deficit values are accrued over the duration of the liability.

For other disclosures about the Group's and the Parent Company's financing and financial risks, refer to Note 26 Financial Risks. Financial instruments are also described in more detail in Notes 16, 17, 19 and 23.

| GROUP, SEKm,<br>financial instruments                      | Loans and trade<br>receivables |       | Available-for-<br>sale financial<br>assets |      | Derivatives at<br>fair value<br>through profit<br>or loss |      | Derivatives<br>used for<br>hedging |      | Other<br>financial<br>liabilities |       | Book value |       | Fair value |       |
|--|--------------------------------|-------|--|------|---|------|------------------------------------|------|-----------------------------------|-------|------------|-------|------------|-------|
|  | 2017                           | 2016  | 2017                                       | 2016 | 2017  | 2016 | 2017                               | 2016 | 2017                              | 2016  | 2017       | 2016  | 2017       | 2016  |
| <b>Interest-bearing assets and liabilities</b>             |                                |       |  |      |   |      |                                    |      |                                   |       |            |       |            |       |
| <i>Interest-bearing non-current assets</i>                 |                                |       |  |      |   |      |                                    |      |                                   |       |            |       |            |       |
| Interest-bearing other non-current receivables             | 5                              | 7     | –  | –    | –   | –    | –                                  | –    | –                                 | –     | 5          | 7     | 5          | 7     |
| Total  | 5                              | 7     | –  | –    | –   | –    | –                                  | –    | –                                 | –     | 5          | 7     | 5          | 7     |
| <i>Cash and cash equivalents</i>                           |                                |       |  |      |   |      |                                    |      |                                   |       |            |       |            |       |
| Cash and bank balances                                     | 1,144                          | 200   | –  | –    | –   | –    | –                                  | –    | –                                 | –     | 1,144      | 200   | 1,144      | 200   |
| Short-term investments                                     | 537                            | 870   | –  | –    | –   | –    | –                                  | –    | –                                 | –     | 537        | 870   | 537        | 870   |
| Total  | 1,681                          | 1,070 | –  | –    | –   | –    | –                                  | –    | –                                 | –     | 1,681      | 1,070 | 1,681      | 1,070 |
| Total interest-bearing assets                              | 1,686                          | 1,077 | –  | –    | –   | –    | –                                  | –    | –                                 | –     | 1,686      | 1,077 | 1,686      | 1,077 |
| <i>Interest-bearing non-current liabilities</i>            |                                |       |  |      |   |      |                                    |      |                                   |       |            |       |            |       |
| MTN (Ceiling SEK 8,000m)                                   | –                              | –     | –  | –    | –   | –    | –                                  | –    | 4,387                             | 3,987 | 4,387      | 3,987 | 4,545      | 4,155 |
| Bank facilities (Ceiling SEK 4,200m)                       | –                              | –     | –  | –    | –   | –    | –                                  | –    | –                                 | –     | –          | –     | –          | –     |
| Bond loans   | –                              | –     | –  | –    | –   | –    | –                                  | –    | 800                               | 1,200 | 800        | 1,200 | 801        | 1,201 |
| Total  | –                              | –     | –  | –    | –   | –    | –                                  | –    | 5,187                             | 5,187 | 5,187      | 5,187 | 5,346      | 5,356 |
| <i>Interest-bearing current liabilities</i>                |                                |       |  |      |   |      |                                    |      |                                   |       |            |       |            |       |
| Commercial paper programme (Ceiling SEK 5,000m)            | –                              | –     | –  | –    | –   | –    | –                                  | –    | 2,412                             | 2,271 | 2,412      | 2,271 | 2,411      | 2,270 |
| MTN (Ceiling SEK 8,000m)                                   | –                              | –     | –  | –    | –   | –    | –                                  | –    | 600                               | 1,000 | 600        | 1,000 | 600        | 1,021 |
| Bank facilities  | –                              | –     | –  | –    | –   | –    | –                                  | –    | –                                 | –     | –          | –     | –          | –     |
| Bonds  | –                              | –     | –  | –    | –   | –    | –                                  | –    | 400                               | –     | 400        | –     | 400        | –     |
| Utilised bank overdraft facility and overnight deposit     | –                              | –     | –  | –    | –   | –    | –                                  | –    | –                                 | 10    | –          | 10    | –          | 10    |
| Total  | –                              | –     | –  | –    | –   | –    | –                                  | –    | 3,412                             | 3,281 | 3,412      | 3,281 | 3,411      | 3,301 |
| Total interest-bearing liabilities                         | –                              | –     | –  | –    | –   | –    | –                                  | –    | 8,599                             | 8,468 | 8,599      | 8,468 | 8,757      | 8,657 |
| <i>Interest rate derivative liability</i>                  |                                |       |  |      |   |      |                                    |      |                                   |       |            |       |            |       |
| Interest rate futures net (nom amount SEK 0m)              | –                              | –     | –  | –    | –   | –    | –                                  | –    | –                                 | –     | –          | –     | –          | –     |
| Interest rate swaps Short < 1 year (nom amount SEK 1,100m) | –                              | –     | –  | –    | 3   | –    | 27                                 | –    | –                                 | –     | 30         | –     | 30         | –     |
| Interest rate swaps Long > 1 year nom amount SEK 1,700m)   | –                              | –     | –  | –    | 9   | 15   | 68                                 | 127  | –                                 | –     | 77         | 142   | 77         | 142   |
| Total  | –                              | –     | –  | –    | 12  | 15   | 95                                 | 127  | –                                 | –     | 107        | 142   | 107        | 142   |



| GROUP, SEKm,<br>financial instruments  | Loans and trade<br>receivables |       | Available-for-<br>sale financial<br>assets |      | Derivatives at<br>fair value<br>through profit<br>or loss |      | Derivatives<br>used for<br>hedging |      | Other<br>financial<br>liabilities |        | Book value |        | Fair value |        |
|--|--------------------------------|-------|--|------|---|------|------------------------------------|------|-----------------------------------|--------|------------|--------|------------|--------|
|  | 2017                           | 2016  | 2017                                       | 2016 | 2017  | 2016 | 2017                               | 2016 | 2017                              | 2016   | 2017       | 2016   | 2017       | 2016   |
| <b>Non-interest bearing financial instruments</b>  |                                |       |  |      |   |      |                                    |      |                                   |        |            |        |            |        |
| <i>Non-current non-interest bearing assets</i>   |                                |       |  |      |   |      |                                    |      |                                   |        |            |        |            |        |
| Other securities held as non-current assets<br>(spec. Note 16 Shares and participations) | –                              | –     | 76   | 75   | –   | –    | –                                  | –    | –                                 | –      | 76         | 75     | 76         | 75     |
| Total  | –                              | –     | 76   | 75   | –   | –    | –                                  | –    | –                                 | –      | 76         | 75     | 76         | 75     |
| <i>Current non-interest bearing assets</i>   |                                |       |  |      |   |      |                                    |      |                                   |        |            |        |            |        |
| Trade receivables and other receivables  | 1,387                          | 1,270 | –  | –    | –   | –    | –                                  | –    | –                                 | –      | 1,387      | 1,270  | 1,387      | 1,270  |
| Total  | 1,387                          | 1,270 | –  | –    | –   | –    | –                                  | –    | –                                 | –      | 1,387      | 1,270  | 1,387      | 1,270  |
| Total non-interest bearing assets  | 1,387                          | 1,270 | 76   | 75   | –   | –    | –                                  | –    | –                                 | –      | 1,463      | 1,345  | 1,463      | 1,345  |
| <i>Non-current non-interest bearing liabilities</i>                                      |                                |       |  |      |   |      |                                    |      |                                   |        |            |        |            |        |
| Non-current non-interest bearing liabilities   | –                              | –     | –  | –    | –   | –    | –                                  | –    | 11                                | 13     | 11         | 13     | 11         | 13     |
| Total  | –                              | –     | –  | –    | –   | –    | –                                  | –    | 11                                | 13     | 11         | 13     | 11         | 13     |
| <i>Current non-interest bearing liabilities</i>  |                                |       |  |      |   |      |                                    |      |                                   |        |            |        |            |        |
| Trade payables   | –                              | –     | –  | –    | –   | –    | –                                  | –    | 790                               | 751    | 790        | 751    | 790        | 751    |
| Other current liabilities excl. derivatives  | –                              | –     | –  | –    | –   | –    | –                                  | –    | 100                               | 75     | 100        | 75     | 100        | 75     |
| Total  | –                              | –     | –  | –    | –   | –    | –                                  | –    | 890                               | 826    | 890        | 826    | 890        | 826    |
| Total non-interest bearing liabilities   | –                              | –     | –  | –    | –   | –    | –                                  | –    | 901                               | 839    | 901        | 839    | 901        | 839    |
| Total financial instruments  | 3,073                          | 2,347 | 76   | 75   | –12   | –15  | –95                                | –127 | –9,500                            | –9,307 | –6,458     | –7,027 | –6,616     | –7,216 |

#### Reconciliation of liabilities attributable to financing operations, Group

| SEKm   | 2015  | Cash flow | Non-cash flow events |                           |                          | 2016  |
|--|-------|-----------|----------------------|---------------------------|--------------------------|-------|
|  |       |           | Acquisitions         | Changed<br>interest rates | Changes in<br>fair value |       |
| <i>Financial liabilities</i>                           |       |           |                      |                           |                          |       |
| Interest-bearing non-current liabilities               | 5,187 | –         | –                    | –                         | –                        | 5,187 |
| Interest-bearing current liabilities                   | 3,457 | –176      | –                    | –                         | –                        | 3,281 |
| Total liabilities attributable to financing operations | 8,644 | –176      | 0                    | 0                         | 0                        | 8,468 |

| SEKm   | 2016  | Cash flow | Non-cash flow events |                           |                          | 2017  |
|--|-------|-----------|----------------------|---------------------------|--------------------------|-------|
|  |       |           | Acquisitions         | Changed<br>interest rates | Changes in<br>fair value |       |
| <i>Financial liabilities</i>                           |       |           |                      |                           |                          |       |
| Interest-bearing non-current liabilities               | 5,187 | –         | –                    | –                         | –                        | 5,187 |
| Interest-bearing current liabilities                   | 3,281 | 131       | –                    | –                         | –                        | 3,412 |
| Total liabilities attributable to financing operations | 8,468 | 131       | 0                    | 0                         | 0                        | 8,599 |

#### Interest rate terms Group at 31 December 2017

| Nominal values SEKm                 | Interest rate % | Fixed-interest | Currency | Nominal<br>amount in ori-<br>ginal currency | Total |
|-------------------------------------|-----------------|----------------|----------|---|-------|
| <i>Interest-bearing assets</i>      |                 |                |          |   |       |
| Short-term investments              | –0.23           | Variable       | SEK      | 537   | 537   |
| Cash and bank balances              | –0.4            | Variable       | SEK      | 1,144                                       | 1,144 |
| <i>Interest-bearing liabilities</i> |                 |                |          |   |       |
| Commercial papers                   | –0.26           | Variable       | SEK      | 2,410                                       | 2,410 |
| <i>Bonds</i>                        |                 |                |          |   |       |
| MTN Bond                            | 2.35            | Fixed          | SEK      | 2,060                                       | 2,060 |
| MTN FRN                             | 0.32            | Variable       | SEK      | 2,930                                       | 2,930 |
| Effect of interest rate swaps       | 1.98            | Fixed          | SEK      | 1,200                                       | 1,200 |
| Bond loan                           | 0.93            | Variable       | SEK      | 1,200                                       | 1,200 |
| Effect of interest rate swaps       | 3.57            | Fixed          | SEK      | 1,200                                       | 1,200 |

|   | Loans and trade receivables |       | Available-for-sale financial assets |      | Other financial liabilities |         | Book value |         |
|---|-----------------------------|-------|-------------------------------------|------|-----------------------------|---------|------------|---------|
| PARENT COMPANY, SEKm                              | 2017                        | 2016  | 2017                                | 2016 | 2017                        | 2016    | 2017       | 2016    |
| <b>Interest-bearing assets and liabilities</b>    |                             |       |                                     |      |                             |         |            |         |
| <i>Non-current interest-bearing assets</i>        |                             |       |                                     |      |                             |         |            |         |
| Receivables from group companies                  | 1,400                       | 2,000 | –                                   | –    | –                           | –       | 1,400      | 2,000   |
| Total   | 1,400                       | 2,000 | –                                   | –    | –                           | –       | 1,400      | 2,000   |
| <i>Current interest-bearing assets</i>            |                             |       |                                     |      |                             |         |            |         |
| Receivables from group companies                  | 1,000                       | –     | –                                   | –    | –                           | –       | 1,000      | –       |
| Total   | 1,000                       | –     | –                                   | –    | –                           | –       | 1,000      | –       |
| Total interest-bearing assets                     | 2,400                       | 2,000 | –                                   | –    | –                           | –       | 2,400      | 2,000   |
| <i>Non-current interest-bearing liabilities</i>   |                             |       |                                     |      |                             |         |            |         |
| MTN   | –                           | –     | –                                   | –    | 4,387                       | 3,987   | 4,387      | 3,987   |
| Bank facilities                                   | –                           | –     | –                                   | –    | –                           | –       | –          | –       |
| Bond loans  | –                           | –     | –                                   | –    | 800                         | 1,200   | 800        | 1,200   |
| Total   | –                           | –     | –                                   | –    | 5,187                       | 5,187   | 5,187      | 5,187   |
| <i>Current interest-bearing liabilities</i>       |                             |       |                                     |      |                             |         |            |         |
| Commercial paper programme                        | –                           | –     | –                                   | –    | 2,412                       | 2,271   | 2,412      | 2,271   |
| MTN   | –                           | –     | –                                   | –    | 600                         | 1,000   | 600        | 1,000   |
| Bank facilities                                   | –                           | –     | –                                   | –    | –                           | –       | –          | –       |
| Bond loans  | –                           | –     | –                                   | –    | 400                         | –       | 400        | –       |
| Liabilities to group companies                    | –                           | –     | –                                   | –    | 10,589                      | 9,849   | 10,589     | 9,849   |
| Total   | –                           | –     | –                                   | –    | 14,001                      | 13,120  | 14,001     | 13,120  |
| Total interest-bearing liabilities                | –                           | –     | –                                   | –    | 19,188                      | 18,307  | 19,188     | 18,307  |
| <b>Non-interest bearing financial instruments</b> |                             |       |                                     |      |                             |         |            |         |
| <i>Current non-interest bearing assets</i>        |                             |       |                                     |      |                             |         |            |         |
| Receivables from other group companies            | 214                         | 199   | –                                   | –    | –                           | –       | 214        | 199     |
| Other receivables                                 | 67                          | 65    | –                                   | –    | –                           | –       | 67         | 65      |
| Total non-interest bearing assets                 | 281                         | 264   | –                                   | –    | –                           | –       | 281        | 264     |
| <i>Current non-interest bearing liabilities</i>   |                             |       |                                     |      |                             |         |            |         |
| Liabilities to group companies                    | –                           | –     | –                                   | –    | 0                           | 0       | 0          | 0       |
| Other current liabilities                         | –                           | –     | –                                   | –    | 0                           | 0       | 0          | 0       |
| Total non-interest bearing liabilities            | –                           | –     | –                                   | –    | 0                           | 0       | 0          | 0       |
| Total financial instruments                       | 2,681                       | 2,264 | –                                   | –    | –19,188                     | –18,307 | –16,507    | –16,043 |

#### Reconciliation of liabilities attributable to financing operations, Parent Company

| SEKm   | 2015   | Cash flow | Non-cash flow events |                        |                       | 2016   |
|--|--------|-----------|----------------------|------------------------|-----------------------|--------|
|  |        |           | Acquisitions         | Changed interest rates | Changes in fair value |        |
| <i>Financial liabilities</i>                           |        |           |                      |                        |                       |        |
| Interest-bearing non-current liabilities               | 5,187  | 0         | –                    | –                      | –                     | 5,187  |
| Interest-bearing current liabilities                   | 12,146 | 974       | –                    | –                      | –                     | 13,120 |
| Total liabilities attributable to financial operations | 17,333 | 974       | 0                    | 0                      | 0                     | 18,307 |
| SEKm   | 2016   | Cash flow | Non-cash flow events |                        |                       | 2017   |
|  |        |           | Acquisitions         | Changed interest rates | Changes in fair value |        |
| <i>Financial liabilities</i>                           |        |           |                      |                        |                       |        |
| Interest-bearing non-current liabilities               | 5,187  | –         | –                    | –                      | –                     | 5,187  |
| Interest-bearing current liabilities                   | 13,120 | 881       | –                    | –                      | –                     | 14,001 |
| Total liabilities attributable to financial operations | 18,307 | 881       | 0                    | 0                      | 0                     | 19,188 |

## Note 22 | Provisions for pensions

### Defined contribution plans

Obligations mainly relate to obligations to employees linked to the SAF-LO Agreement Pension but also obligations to employees linked to the ITP-1 agreement. Obligations relating to payments to defined contribution plans are recognised as an expense in the income statement when they arise.

### Defined contribution plans

Obligations mainly relate to obligations to employees linked to the ITP 2 agreement and obligations relating to pensions and annuities taken over from the state in conjunction with the incorporation agreement under which Sveaskog Förvaltnings AB took over the Swedish Forest Service's operations and assets as per 1 July 1992 as well as corresponding obligations at Svenska Skogsplanter AB, also taken over from the state in conjunction with that company's takeover of operations and assets from the Swedish Forest Agency as per 1 July 1994. In addition there are some temporary obligations added in conjunction with rationalisation and restructuring of operations.

The Group's recognised provisions for pensions correspond to the present value of these pension obligations except for ITP 2.

Obligations essentially relate to obligations taken over from the state in conjunction with the takeover of operations and related matters after the takeover date. Obligations also include vested commitments to some personnel whose employment accompanied the takeover of operations in 1992 as well as some additional pension obligations that are not yet tax deductible. The amount taken up includes a provision to cover some inadequacies in the basis taken over from the state. Since there are no new earnings, the risks are primarily limited to changes in the discount rate but a sensitivity analysis is also performed for life expectancy and inflation.

The pension liability is calculated according to IAS 19. Actuarial gains and losses due to experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

The defined benefit pension obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting estimated cash flows using an interest rate for mortgage bonds with the same duration as the pension liability.

The contractual non-vested pension entitlement relating to defined benefit pension plans that are earned continuously is financed through premium payments to Alecta. Alecta is capitalised on a collective basis which provides a buffer for insurance undertakings against variations in return on capital and insurance risks. For employees linked to defined benefit plans administered by Alecta (ITP plan) and not included in the so-called high-earner solution premiums in 2017 amounted to SEK 17 million (17). See also Note 8, Employee benefits, average number of employees and sickness absence relating to accounting for Alecta. Provisions for vested commitments are calculated, however, as if earning continuously takes place even if the commitment to the creditor does not arise until the pension date.

The tables below provide an overview of the items linked to pension obligations treated as defined benefit and funded obligations and which are included in the net cost of the benefits recognised in the consolidated income statement.

| SEKm  | Group |      |
|---|-------|------|
|   | 2017  | 2016 |
| <i>Carrying amount of defined benefit pension plans</i>                       |       |      |
| Present value of obligations  | 492   | 539  |
| Recognised provisions for pensions  | 492   | 539  |
| <i>Changes in recognised pension provisions in 2017 and 2016 respectively</i> |       |      |
| Provision at 31/12/2016 and 31/12/2015 respectively                           | 539   | 580  |
| Actuarial gains/losses due to changed financial assumptions                   | 10    | 45   |
| Actuarial gains/losses due to experience-based changes                        | -6    | -21  |
| Benefits paid   | -56   | -65  |
| Other change  | 5     | 0    |
| Recognised provisions to pensions   | 492   | 539  |

| SEKm  | Group       |             |
|---|-------------|-------------|
|   | 2017        | 2016        |
| <i>Net cost of benefit from defined benefit pension plans</i>                       |             |             |
| Operating expense   | 9           | -7          |
| Interest component in increase for the year of present value of pension obligations | 8           | 15          |
| Actuarial gains/losses due to changed financial assumptions                         | 10          | 45          |
| Actuarial gains/losses due to experience-based changes                              | -6          | -21         |
| Recognised pension expense  | 21          | 32          |
| <i>Expected maturities for pension provisions</i>                                   |             |             |
| Within 1 year (Included in interest-bearing current liabilities and provisions)     | 53          | 60          |
| Beyond 1 year (Included in Provisions for pensions)                                 | 439         | 479         |
| Total   | 492         | 539         |
| %   | 31 Dec 2017 | 31 Dec 2016 |
| Discount factor   | 1.35        | 1.60        |
| Inflation index for consumer prices   | 2.0         | 2.0         |
| Income inflation  | 3.0         | 3.0         |
| Future salary increased   | 3.0         | 3.0         |
| Mortality assumption  | DUS14       | DUS14       |

### Sensitivity analysis discount rate

A 1.0% increase in the discount rate means a decrease in the liability of SEK 36 million (39). A 1.0% decrease in the discount rate means an increase in the liability of SEK 50 million (54).

### Sensitivity analysis inflation

A 0.5% increase in inflation means an increase in the liability of SEK 23 million (24). A 0.5% decrease in inflation means a decrease in the liability of SEK 19 million (20).

### Sensitivity analysis mortality/life expectancy

Increased life expectancy by one year means an increase in the liability of SEK 32 million (32). Reduced life expectancy by one year means a decrease in the liability of SEK 26 million (27).

Anticipated weighted average duration for the present value of these obligations as per 31 December 2017 is 7.89 years (7.78). The discount rate is determined by the market rate on mortgage bonds. Adjustment is made for the difference between real and nominal government bonds. In this way we can keep the inflation assumption at Riksbanken's long-term inflation target.

## Note 23 | Non-interest bearing liabilities

### ACCOUNTING PRINCIPLES

Trade payables are classified in the category other financial liabilities. Trade payables have a short anticipated duration and are initially measured at fair value, subsequently amortised cost using the effective interest method. Trade payables' anticipated duration is short, however, so recognition is at a nominal amount without discount.

| Trade payables, etc.           | Group |      | Parent Company |      |
|--------------------------------|-------|------|----------------|------|
| SEKm                           | 2017  | 2016 | 2017           | 2016 |
| <i>Current liabilities</i>     |       |      |                |      |
| Trade payables                 | 783   | 747  | -              | -    |
| Liabilities to subsidiaries    | 7     | 4    | -              | -    |
| Liabilities to group companies | -     | -    | 0              | 0    |
| Total                          | 790   | 751  | 0              | 0    |



| Other liabilities<br>SEKm                     | Group |       | Parent Company |      |
|---|-------|-------|----------------|------|
|   | 2017  | 2016  | 2017           | 2016 |
| Derivative liability                          | 107   | 142   | –              | –    |
| Prepaid income                                | 32    | 31    | –              | –    |
| Accrued costs, etc.                           | 100   | 128   | 30             | 51   |
| Other current liabilities                     | 105   | 87    | 0              | 1    |
| Total   | 344   | 388   | 30             | 52   |
| Total trade payables<br>and other liabilities | 1,134 | 1,139 | 30             | 52   |
| Of which financial                            | 890   | 826   | 0              | 0    |

## Note 24 | Other provisions

### ACCOUNTING PRINCIPLES

A provision is recognised in the balance sheet when an existing legal or informal obligation exists as a consequence of an event that has occurred,

and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimation of the amount can be made.

### Provision for resource adjustment

A provision for restructuring is recognised when there is an adopted, detailed and formal restructuring plan and the restructuring has either started or been publicly announced. No provision is made for future operating expenses.

### Environmental provisions

An environmental provision is recognised in the balance sheet when an existing legal or informal obligation exists due to an event that has occurred that leads to an outflow of financial resources.

### Onerous contract

A provision for an onerous contract is recognised when the anticipated benefits expected to be received from a contract are lower than unavoidable costs for meeting the obligations under the contract.

### Key assessments and estimations

#### Environment

Ongoing examinations and valuations are made of possible and existing environmental pollution on Sveaskog's land.

| SEKm  | Opening<br>balance<br>1 January 2016 | Reversed<br>provisions | New<br>provisions | Utilisation | Closing<br>balance<br>31 Dec 2016 | Of which<br>current<br>portion | Of which<br>non-current<br>portion |
|---|--------------------------------------|------------------------|-------------------|-------------|-----------------------------------|--------------------------------|------------------------------------|
| <i>Group</i>  |                                      |                        |                   |             |                                   |                                |                                    |
| Provision for resource adjustment   | 3                                    | 0                      | 11                | –3          | 11                                | 8                              | 3                                  |
| Provision for archive costs, historical<br>impediments, roads and bridges | 150                                  | –1                     | –                 | –7          | 142                               | 10                             | 132                                |
| Environmental provisions  | 23                                   | –                      | 5                 | –4          | 24                                | 2                              | 22                                 |
| Onerous contracts and other provisions                                    | 3                                    | –                      | 3                 | –4          | 2                                 | 1                              | 1                                  |
| Total   | 179                                  | –1                     | 19                | –18         | 179                               | 21                             | 158                                |
| SEKm  | Opening<br>balance<br>1 January 2017 | Reversed<br>provisions | New<br>provisions | Utilisation | Closing<br>balance<br>31 Dec 2017 | Of which<br>current<br>portion | Of which<br>non-current<br>portion |
| <i>Group</i>  |                                      |                        |                   |             |                                   |                                |                                    |
| Provision for resource adjustment   | 11                                   | –3                     | 26                | –5          | 29                                | 28                             | 1                                  |
| Provision for archive costs, historical<br>impediments, roads and bridges | 142                                  | –                      | 2                 | –8          | 136                               | 8                              | 128                                |
| Environmental provisions  | 24                                   | –                      | 1                 | –2          | 23                                | 2                              | 21                                 |
| Onerous contracts and other provisions                                    | 2                                    | –                      | 3                 | –4          | 1                                 | 1                              | 0                                  |
| Total   | 179                                  | –3                     | 32                | –19         | 189                               | 39                             | 150                                |

### Provision for resource adjustment

Provisions to a reserve for resource adjustment in Sveaskog Förvaltnings AB relate to reorganisations in 2016, 2017 and 2018.

### Provision for archive costs

In accordance with the incorporation agreement from 1992 between the state and Domän AB (today Sveaskog Förvaltnings AB, SFAB) SFAB is responsible for archive costs, so-called safe-keeping, relating the Swedish Forest Service's documents. The documents are archived at The National Archives. The undertaking is in perpetuity.

### Provision for historical impediments

Provisions for historical impediments relates to costs for remedying unapproved reforestations.

### Provision for roads and bridges

The provisions relates to a legal maintenance obligation for sub-standard roads, bridges and dams.

### Reconciliation of certain balance sheet items against the balance sheet, Group

|  |               | Group |       |
|--|---------------|-------|-------|
| SEKm   |               | 2017  | 2016  |
| MTN loan non-current portion                               | Note 21       | 4,387 | 3,987 |
| Bond loan non-current portion                              | Note 21       | 800   | 1,200 |
| Interest-bearing non-current liabilities                   |               | 5,187 | 5,187 |
| Non-current portion of other provisions                    | Note 24 above | 150   | 158   |
| Other provisions (non-current)                             |               | 150   | 158   |
| Commercial paper   | Note 21       | 2,412 | 2,271 |
| MTN loan current portion                                   | Note 21       | 600   | 1,000 |
| Bond loan current portion                                  | Note 21       | 400   | –     |
| Unutilised bank overdraft facility and overnight deposit   | Note 21       | –     | 10    |
| Current portion of provisions for pensions                 | Note 22       | 53    | 60    |
| Interest-bearing current liabilities and provisions        |               | 3,465 | 3,341 |
| Current portion of provisions for pensions                 | Note 24 above | 39    | 21    |
| Trade payables and other liabilities                       | Note 23       | 1,134 | 1,139 |
| Trade payables, other liabilities and provisions (current) |               | 1,173 | 1,160 |

## Note 25 | Pledged assets and contingent liabilities

### ACCOUNTING PRINCIPLES

A contingent liability is recognised when there is a possible commitment that stems from events that have taken place and when their occurrence is only confirmed by one or more uncertain future events entirely outside the control of the company, or when there is a commitment that is not recognised as a liability or provision since it is not probable that an outflow of resources will be required to settle the commitment, or that the size of the commitment can be calculated with sufficient reliability.

| SEKm                                      | Group |      | Parent Company |      |
|---|-------|------|----------------|------|
|   | 2017  | 2016 | 2017           | 2016 |
| <i>Pledged assets</i>                     |       |      |                |      |
| Bank balances                             | 5     | 5    | –              | –    |
| Total                                     | 5     | 5    | –              | –    |
| <i>Contingent liabilities</i>             |       |      |                |      |
| Guarantee commitments for group companies | –     | –    | 480            | 515  |
| Total                                     | –     | –    | 480            | 515  |

### Capital call-off

In 2008, the Board of Sveaskog decided to take part in the formation of EkoNord Invest AB and to provide a total amount of SEK 20 million. The capital is provided in stages through a capital call-off on the part of EkoNord Invest AB. As per the closing date, SEK 16 million (16) had been paid to EkoNord Invest AB. In 2013, the Board decided to take part in a new issue in Swe Tree Technologies AB and to provide a total amount of SEK 4 million. The capital is provided in stages via a capital call-off from Swe Tree Technologies AB. As per the closing date, SEK 4 million (3) had been made to Swe Tree Technologies in the new issue.

### Guarantee

In 2013, the Board of Sveaskog decided that Sveaskog Förvaltnings AB sign a surety for a maximum of SEK 19.5 million linked to the economic association SDC's systems upgrade.

## Note 26 | Financial risks

### ACCOUNTING PRINCIPLES

#### Financial policy

The Board of Sveaskog has adopted a financial policy that regulates how the financial risks to which the Group is exposed are to be managed. This policy is evaluated and revised once a year. Operational responsibility is delegated via the CEO and Deputy CEO/CFO to the Head of Group Finance who is responsible for ensuring that the finance function reports monthly to management and parts of the Board.

Financial risks relate to changes in the Group's earnings and cash flow caused by changes in exchange rates, interest rate levels, refinancing requirements and credit risks. Responsibility for reducing financial risks and carrying out ongoing financial transactions is centralised to a group-wide treasury function. The overall aim for the treasury function is to ensure cost-effective financing and to minimise the negative effect on consolidated profit that might arise through price changes in fixed income and currency markets.

Of the different financial risks to which a company can be exposed – financing risk, interest rate risk, credit risk/counterparty risk and currency risk – financing risk and interest rate risk clearly dominate within Sveaskog. Currency risk is relatively small.

Sveaskog, as a forest-owning and forest management company, finances approximately 22% (22) of its assets with external loans. For this reason great emphasis is placed on minimising both financing risk and interest rate risk in this borrowing. Furthermore, efforts are made to not be dependent on individual financing sources and to be restrictive when assessing counterparties when placing surplus liquidity.

#### Financing risk

Financing risk is the risk that a major borrowing requirement will arise in a tight credit market situation.

In order to ensure that the Group in every situation has access to external financing, the treasury department ensures that confirmed bank credit lines are available. In terms of volume, these should in the first instance cover outstanding commercial paper in order to eliminate the risk that these cannot be refinanced in a situation where the commercial paper market does not function.

The lender base shall consist of various financing sources so that too great dependence on an individual loan market does not arise. The Sveaskog Group's external borrowing possibilities consist of a mix of bank loans and market loans – commercial paper and bond loans. In this way the Group is not dependent on a single financing source. Sveaskog has not pledged any collateral for these loans. Instead, the loan agreements include a so-called negative clause which means no company in the Group can receive or pledge collateral for loans or other business transactions.

The present loan portfolio consists of commercial paper and bond loans. The commercial paper is by its nature short-term with a maximum duration of twelve months, while the long-term outstanding bond loans have a duration of between one and 26 years. The bilateral bank loan agreements have an average remaining duration of 3.2 years (3.6).

According to the current financial policy, loan maturities must be spread over a period of at least five years but can be spread over a longer period. Maturity within the next twelve months may not exceed 20% of the total loan portfolio excluding commercial papers. In the interval beyond one year, maturities must be spread as evenly as possible. At year-end 12% (11) of the total loan portfolio excluding commercial paper matures within the next twelve months.

The loan volume under the commercial paper programme amounted to SEK 2,410 million (2,270) which is refinanced continuously. Under the MTN programme the outstanding volume at 31 December was SEK 4,990 million (4,990).

Sveaskog's financial net debt at year-end amounted to SEK 7,410 million (7,937) and its maturity structure is shown in the table Liquidity risk, maturity years for financial liabilities Group.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument varies due to changes in market interest rates which means that interest expenses increase or decrease. How fast a trend-related interest rate change has effects on earnings depended on the fixed-interest period of the loans and investments.

Responsibility for management of the Group's interest rate exposure in accordance with adopted policy is centralised to the treasury function. It is incumbent on the treasury function to continuously follow up and take relevant action to ensure that interest rate risk is minimised. The financial policy stipulates that the Group's loan portfolio shall have an average fixed-interest period that is not less than twelve months and not more than 48 months. In order to achieve this, interest rate derivatives, primarily interest rate swaps, are used, see Note 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments. The average fixed-interest period on the net debt at 31 December 2017 was 34.3 months (32.8) and the gross borrowing cost was 1.31% (1.80).

The main purpose of interest rate swaps is at any given time for the Sveaskog Group to try to achieve such an optimal fixed-interest as possible taking into account the economic situation, interest rate levels, own income statement and balance sheet, the size of the loan portfolio, etc.

At 31 December 2017, Sveaskog had interest rate swaps with a contract value of SEK 2,800 million (2,400), of which SEK 2,400 million (2,000) is hedge accounted and SEK 400 million (400) held for trading.

The fair value of the swaps at 31 December 2017 amounted to SEK –107 million (–142) of which SEK –95 million (–127) for derivatives used for hedging purposes and SEK –12 million (–15) for derivatives measured at fair value through profit or loss consisting of liabilities of SEK 2,400 million (2,400), see table Interest rate derivative liability Note 21. See also page 90 for a sensitivity analysis.

Gains and losses on interest rate swaps at 31 December 2017 which are hedge accounted, are recognised in other comprehensive income.

#### Credit risk/counterparty risk

Credit risk is the risk that a counterparty in a financial transaction cannot meet its obligations. Financial risk management includes exposure to credit risks. For Sveaskog these arise partly in conjunction with investment of cash and cash equivalents but above all in conjunction with counterparty risks in relation to banks at the purchase of derivative instruments. In order to be able to enter into derivative transactions with the banks, Sveaskog Förvaltnings AB has ISDA agreements with the parties concerned. The financial policy includes a special counterparty regulation in which maximum credit exposure to different counterparties is specified. This regulation is strict and specifies the minimum credit rating that must apply for selected counterparties according to Standard & Poor's and Moody's rating scales. For Swedish counterparty risks up to one year, Nordisk Rating's highest rating, K1, applies and for risks exceeding one year counterparties must have a long rating corresponding to at least A or A3 according to Standard & Poor's and Moody's rating scales, respectively. With two exceptions, Sveaskog only has credit risks from Swedish counterparties. No credit losses for financial transactions were incurred in 2017.

Another type of credit risk is receivables from commercial customers. The Group has two largest customers each of which exceed 10% of sales and in

total these account for 30% (31) of total sales. Credit insurance is managed in accordance with the Group's insurance policy but is not applied to major customers. Instead, an internal credit analysis is performed which is followed up on a regular basis. At 31 December 2017, outstanding receivables from the two largest customers corresponded to 36% (37) of the Group's total trade receivables on the same date.

At 31 December 2017, satisfactory trade receivables amounted to SEK 821 million (821).

At 31 December 2017, trade receivables amounting to SEK 246 million (242) were due but without any impairment being considered to exist. The overdue receivables relate to a number of customers which have not previously had any payment difficulties. In mid-January 2018 the overdue trade receivables amounted to SEK 6 million (11).

At 31 December 2017 there were trade receivables with credit insurance for SEK 346 million (377) of a total of 956 (958). Total exposure to counterparty risks corresponds to the value in the balance sheet of corresponding assets.

### Capital management

The Group's objective for capital structure is to ensure the Group's ability to continue its operations so that it can continue to generate a return to the owner and benefits for other stakeholders and to maintain an optimal capital structure in order to keep costs of capital down.

In order to maintain or adjust the capital structure, the Group can change the dividend paid to the owner, repay capital to the owner, issue new shares or sell assets to reduce liabilities.

At the 2014 Annual General Meeting new financial targets were decided for the Sveaskog Group which included the Group shall maintain a net debt/equity ratio of between 30% and 60%. This financial target is calculated as interest-bearing net debt divided by equity, all calculated at the end of the period/year. Interest-bearing net debt is calculated as total borrowing (comprising the items interest-bearing currency liabilities, interest-bearing non-current liabilities and pension liabilities in the consolidated balance sheet) with deduction for cash and cash equivalents. Total capital is calculated as equity in the consolidated balance sheet plus net liabilities. The equity ratio at 31 December 2017 and 2016 was as follows:

| SEKm                                      | Group  |        |
|---|--------|--------|
|   | 2017   | 2016   |
| Total borrowing (Note 21, 22)             | 9,091  | 9,007  |
| Less: cash and cash equivalents (Note 21) | -1,681 | -1,070 |
| Net debt                                  | 7,410  | 7,937  |
| Total equity                              | 20,669 | 20,081 |
| Total capital                             | 28,079 | 28,018 |
| Net debt/equity ratio                     | 36%    | 40%    |

### Age analysis overdue trade receivables, gross

| SEKm                | Group |      |
|---------------------|-------|------|
|                     | 2017  | 2016 |
| Less than 1 month   | 243   | 238  |
| 1 to 3 months       | 2     | 0    |
| 3 months and longer | 1     | 4    |
|                     | 246   | 242  |

### Doubtful trade receivables, change during the year

| SEKm                                      | Group |      |
|---|-------|------|
|   | 2017  | 2016 |
| OB reserve for doubtful trade receivables | -2    | -6   |
| Added during the year                     | -1    | -3   |
| Settled/received during the year          | 2     | 7    |
| CB reserve for doubtful trade receivables | -1    | -2   |

### Liquidity risk

#### Maturity for financial liabilities Group (including future interest flows)

| SEKm   | Between 0–3 mths |       | Between 4–12 mths |      | Between 12–24 mths |       | Between 24–60 mths |       | More than 60 mths |       |
|--|------------------|-------|-------------------|------|--------------------|-------|--------------------|-------|-------------------|-------|
|  | 2017             | 2016  | 2017              | 2016 | 2017               | 2016  | 2017               | 2016  | 2017              | 2016  |
| Borrowing (excl. liabilities for finance leases) | 2,526            | 3,187 | 950               | 147  | 563                | 1,061 | 3,289              | 2,101 | 1,779             | 2,511 |
| Derivative instruments                           | 15               | 11    | 30                | 34   | 29                 | 32    | 67                 | 47    | 43                | 8     |
| Trade payables and other liabilities             | 816              | 762   | 43                | 37   | 8                  | 18    | 13                 | 8     | 10                | 1     |
| Financial guarantee contracts                    | -                | -     | 78                | 78   | -                  | -     | -                  | -     | -                 | -     |

To secure the extension of Sveaskog's short-term debt in the event of increased capital shortage, Sveaskog has contracted credit facilities. These credit facilities amounted to SEK 4,200 million (4,200) at 31 December 2017. The financial policy also regulates how large a proportion of the loan portfolio may fall due within 12 months. At present a maximum of 20% may fall due within 12 months.

### Currency risk

Sveaskog's currency exposure is limited. All assets are in Sweden and only a small proportion of expenses are in foreign currency. No currency hedging of commercial flows currently takes place.

### Sensitivity analysis

In order to manage interest rate risk, in recent years the Group has issued bonds with a longer duration than previously in order to reduce the impact of short-term interest rate fluctuations on the Group's earnings. In the long term, however, lasting changes in the interest rate situation will have an impact on consolidated earnings.

At 31 December 2017 a general increase in interest rates by one percentage point is estimated to decrease the Group's profit before tax by approximately SEK 87 million (85) without taking cash flow hedges into account. Taking cash flow hedges into account which through hedge accounting does not affect profit or loss, profit before tax will decrease by approximately SEK 63 million (65). Equity is negatively affected in the event of a general increase in the interest rate of one percentage point by SEK 68 million (66).

### Calculation of fair value

#### Securities

Fair value is based on quoted market prices on the closing date.

#### Derivative instruments

Cash flow measurement is used to determine rates on interest rate swaps. The rate used in a market based rate for interest rate swaps on the closing date compiled to a yield curve and then remeasured to a zero coupon curve.

- Level 2 Other observable data for assets or liabilities than quoted prices incl. in level 1, either directly (that is, as prices) or indirectly (that is, derived from prices). Derivatives in level 2 include interest rate swaps and are used for both trading and hedging purposes. Measurement of fair value of interest rate swaps is based on swap rates taken from a financial information system and converted to a zero coupon curve for measurement.
- Level 3 Inputs for the asset or liabilities that is not based on observable market data (that is, unobservable data). See Note 15 for information of assessments of fair value.

The following table shows the Group's assets and liabilities measured at fair value as per 31 December 2017 and 2016:

| SEKm  | Level 1 |      | Level 2 |        | Level 3 |        |
|---|---------|------|---------|--------|---------|--------|
|   | 2017    | 2016 | 2017    | 2016   | 2017    | 2016   |
| <b>Assets</b>   |         |      |         |        |         |        |
| <i>Financial assets measured at fair value through profit or loss</i> |         |      |         |        |         |        |
| Standing timber   | -       | -    | -       | -      | 32,054  | 31,993 |
| Total assets  | 0       | 0    | 0       | 0      | 32,054  | 31,993 |
| <b>Liabilities</b>  |         |      |         |        |         |        |
| Non-current liabilities   | -       | -    | 5,345   | 5,356* | -       | -      |
| Current liabilities   | -       | -    | 3,410   | 3,291  | -       | -      |
| Derivative instruments  | 0       | 0    | 107     | 142    | 0       | 0      |
| Total liabilities   | 0       | 0    | 8,862   | 8,789  | 0       | 0      |

\* An adjustment of method for calculation of fair value has been used for non-current liabilities, see measurement techniques level 2 below.



**Measurement techniques for Level 2 fair value**

Current liabilities are measured at book value including accrued interest which is assessed to provide a good approximation of fair value. Fair value of non-current debt instruments is established using valuation models such as discounting future cash flows to listed market interest rates for the respective term. Derivatives in level 2 consist of interest rate swaps and are recognised at market value or as hedge accounting. Measurement at 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 measurement. Compared with 2016, no transfers have been made between the different levels in the hierarchy and no significant changes have been made in measurement method, data used or assumptions.

**Measurement techniques used for Level 3 fair value**

Measurement techniques are specified in Note 15 on page 79.

**Issues**

During 2017 Sveaskog has issued SEK 10,600 million (8,530) under the commercial paper programme and SEK 1,000 million (1,000) under the MTN programme.

**Insurance policy**

The Board of Sveaskog AB has adopted an insurance policy that regulates how the Group's risk management is designed and conducted. This policy is

evaluated once a year. It is then the CEO who via the CFO and Risk Manager shall implement the policy's directives.

The biological assets, standing timber, are Sveaskog's largest assets, but also the asset assessed as exposed to the largest individual static risk. In the event of damage this can temporarily cause major costs for the Group which could have major effects on the Group's financial position. Great importance has therefore been given to ensuring that the Group has forest insurance that covers the extra costs that can occur in conjunction with major damage to standing timber in the form of a storm, for example. To help it design suitable cover and risk coverage, the Sveaskog Group owns a so-called captive, Sveaskog Försäkrings AB. Via this captive, the Group transfers the risk of damage on out to the direct insurance market and the reinsurance market. The Group today has coverage for the standing timber that covers cost increases of up to SEK 2,000 million. This amount is based on experience from storms in recent years as well as simulated together with external experts.

**Note 27 | Significant events after year-end 2017**

No significant events took place after the balance sheet date.

# Assurance and signatories' declaration

The undersigned confirm that the consolidated financial statements and annual accounts have been prepared in accordance with international financial reporting standards IFRS, as adopted by the European Union, and generally accepted accounting standards and give a true and fair view of the Group's and the Parent Company's financial position and results of operations, and that the consolidated administration report and the administration report provide a true and fair view of the development of the Group's and

Parent Company's operations, financial position and results of operations and describe significant risks and uncertainties facing the companies that are part of the Group. The undersigned also submit Sveaskog's statutory sustainability report for 2017. The sustainability report describes Sveaskog's sustainability work and is prepared in accordance with Guidelines for Sustainability Reporting, issued by the Global Reporting Initiative.

Sveaskog AB (publ) (556558-0031)  
Stockholm, 8 March 2018

Eva Färnstrand  
*Chairman*

Thomas Hahn  
*Board Member*

Leif Ljungqvist  
*Board Member*

Annika Nordin  
*Board Member*

Anna-Stina Nordmark Nilsson  
*Board Member*

Sven Wird  
*Board Member*

Kenneth Andersson  
*Employee Representative*

Sara Östh  
*Employee Representative*

Per-Olof Wedin  
*President and CEO*

Our audit report regarding the company's annual accounts and consolidated financial statement was submitted on 8 March 2018.

Deloitte AB  
Hans Warén  
*Authorised Public Accountant*

# Auditor's report

To the Annual General Meeting of Sveaskog AB (publ)  
company registration number 556558-0031

## Report on the Audit of annual accounts and consolidated financial statements

### Opinions

We have audited the annual accounts and consolidated financial statements of Sveaskog AB (publ) for the financial year 1 January 2017 to 31 December 2017 with the exception of the Corporate Governance Report on pages 50–54 and the Sustainability Report on pages 6–7, 18–19, 22–23, 26–43, 45–47 and 52–54. The company's annual accounts and consolidated financial statements are on pages 6–17, 20–25, 28–29 and 32–90 of this document.

In our opinion the annual accounts have been prepared in accordance with the Annual Accounts Act and present a true and fair view in all material respects of the Parent Company's financial position as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the Annual Accounts Act. Our opinion does not cover the Corporate Governance Report on pages 50–54 or the Sustainability Report on pages 6–7, 18–19, 22–23, 26–43, 45–47 and 52–54. The statutory Administration Report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the Parent company and for the Group.

Our opinions in this report on the annual accounts and consolidated financial statements are consistent with the content of the additional report that has been submitted to the Parent Company's Audit Committee in accordance with Article 11 of the Audit Regulations (537/2014).

### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the section Auditor's responsibilities. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in Article 5.1 of the Audit Regulations (537/2014) have been provided to the audited company or, if appropriate, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated financial statements of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

#### VALUATION OF FOREST ASSETS

Standing timber comprises 81% of the Group's assets and is therefore quantitatively the Group's most significant asset. The company reports forest assets amounting to SEK 32,054 million as per 31 December 2017.

Sveaskog has assessed that there are no relevant market prices for measuring a forest holding of Sveaskog's size. Sveaskog's valuation is therefore made by calculating the present value of future anticipated cash flows from the standing timber. Valuation of standing timber places high demands on Sveaskog's valuation process and valuation models since it is based on an assessment of future cash flows over 100 years. The valuation is based on a number of critical assumptions regarding average felling cycle, long-term price development, long-term cost levels and the long-term average weighted cost of capital. Since yield models are based on very long periods of time, small changes can have major effects on the valuation.

See Note 15 for a more detailed description of how the company applies IAS 41 and the assessments made.

Our audit included the following examinations but was not limited to these:

- Documenting routines and processes in the valuation process as well as evaluating and verifying the effectiveness of implemented key controls in relation to documented guidelines

- Evaluation of the reasonableness of the assumptions underlying the company's valuation by comparing previous years' assumptions with actual outcomes
- Verification of the functionality of the calculation model in terms of mathematical accuracy and the company's process for obtaining input data
- Verification of input data in the valuation model on a random sample basis
- Review of relevant notes to the financial statements
- Our valuation specialists have reviewed the company's documentation regarding the long-term average weighted cost of capital which is based on the opinion of an external specialist. We have also evaluated the experience and competence of the specialist.

#### COMPLETENESS OF REVENUE RECOGNITION

Sales of sawlogs, pulpwood and biofuel are transaction-intensive which places high demands on accounting, follow-up and internal control. A large number of felling assignments are carried out every day on own account and for other forest owners and deliveries to end customers are continuous. There are therefore high demands on support systems to ensure correct handling when measuring volumes, reconciliation of delivery data and pricing based on contracted prices. See Note 4 for a description of the principles for revenue recognition.

Our audit included the following examinations but was not limited to these:

- Documenting significant transaction flows for revenues and critical business systems as well as evaluating the extent to which the company's significant controls for managing the risk of errors in financial reporting are appropriately designed and implemented
- Our IT auditors have specifically reviewed general IT controls regarding permissions and management of changes in the system environment
- An examination of the company's revenue recognition routines focusing on (1) input data in timber administration systems, (2) completeness of transmission between or data extraction from systems, and (3) a review of accounting documents and reconciliation with actual invoicing
- For a selection of individual revenue transactions verifying that these were priced according to current customer contracts and that revenue was recognised in the period in which Sveaskog fulfilled its commitments
- Implementation of a register analysis for examining the completeness of the flow from the timber administration system and recognition in the financial statements
- An analytical review of revenue recognition of a monthly basis and development of revenues and margins at segment level to identify significant fluctuations for further investigation.

#### RESERVES FOR ENVIRONMENTAL PROVISIONS

As a state-owned company that operates within the forest industry, Sveaskog is subject to high demands on identification and recognition of environmental provisions. Sveaskog owns and has previously owned a number of nurseries around the country. In addition to this there are a number of locations where operations were conducted previously and responsibility can be traced to the former Swedish Forest Service or AssiDomän which Sveaskog has taken over. Sveaskog recognises an environmental provision when the authorities have made a decision and called on the company to take action, which is in line with IFRS.

The size of the environmental provision amounts to SEK 23 million at 31 December 2017 and is therefore not a significant item but has been one of the areas discussed most with management during the year in view of the assessments and estimates that need to be made. As noted above, the completeness and valuation of environmental provisions are considered to be an area of particular importance.

Sveaskog's environmental work is described in several places in the annual accounts. Accounting principles and the size of the provision are provided in Note 24.

Our audit included the following examinations but was not limited to these:

- A review of Sveaskog's policies and guidelines for mapping and making an inventory of environmental commitments
- A review of provisions made against external documentation such as decisions by authorities and quotations from contractors.

## Other information than the annual accounts and consolidated financial statements

This document also contains other information than the annual accounts and consolidated financial statements and is found on pages 1–5, 18–19, 26–27,

30–31, 94–102 and 103–107. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and the consolidated financial statements. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated financial statements and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated financial statements, The Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters that can affect the company's ability to continue as a going concern and use the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do either of these.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated financial statements.

A further description of our responsibility for the audit of the annual accounts and consolidated financial statements is provided on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the administration of the Board of Directors and CEO of Sveaskog AB (publ) the financial year 1 January 2017–31 December 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the statutory Administration Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

#### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the section Auditor's responsibilities. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. When proposing a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place

on the size of the parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration in accordance with the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's Responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- have undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way have acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is provided on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### Auditor's examination of the Corporate Governance Report

The Board of Directors is responsible for ensuring that the Corporate Governance Report on pages 50–54 has been prepared in accordance with the Annual Accounts Act. Our examination of the Corporate Governance Report is conducted according to FAR's auditing standard RevU 16 The auditor's examination of the Corporate Governance Report. This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A Corporate Governance Report has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated financial statements and are in accordance with the Annual Accounts Act.

### Auditor's statement regarding the statutory Sustainability Report

The Board of Directors is responsible for the Sustainability Report on pages 6–7, 18–19, 22–23, 26–43, 45–47 and 52–54 and ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our examination is conducted according to FAR's recommendation RevR 12 The auditor's opinion regarding the statutory Sustainability Report. This means that our examination of the Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A Sustainability Report has been prepared.

Deloitte AB was appointed auditor of Sveaskog AB (publ) by the Annual General Meeting on 26 April 2017 and has been the company's auditor since 23 April 2015.

Stockholm, 8 March 2018  
Deloitte AB

Hans Warén  
Authorised Public Accountant



# Notes to the sustainability report

## Note S1 | About the sustainability report

Sveaskog prepares a sustainability report in accordance with the Global Reporting Initiative's (GRI) Standards for sustainability reporting. The Sustainability Report comprises pages 18–19, 26–27, 30–31 and 94–101 of the Annual Report and Sustainability Report 2017 and is reviewed by the auditing firm Deloitte AB.

The Board's signature of the 2017 Sustainability Report and the Auditors' limited assurance report will be found on page 91 and 92–93 respectively.

### Application of GRI Standards

GRI is a collaborative organisation within the UN Environment Programme. The organisation has drawn up global guidelines for how companies report information related to sustainable development. A complete picture of GRI Standards can be found at [www.globalreporting.org](http://www.globalreporting.org).

Sveaskog reports according to GRI Standards at application level "Core". A transition from the fourth version (GRI G4) was made in 2017. Sveaskog reports the results achieved for the reporting period against the background of the undertakings, strategies and sustainability governance. The intention is to present, measure and accept responsibility towards stakeholders, both within and outside the company, for what has been achieved in work towards sustainable business.

GRI Standards are implemented in internal work with sustainability issues and the information in the indicators meets GRI's criteria for "Universal standards". All information according to GRI's "Universal standards" is published on [www.sveaskog.se](http://www.sveaskog.se) in a GRI index.

### Process for GRI Standards

Sveaskog's ambition is to provide a comprehensive report of sustainability initiatives, where both negative and positive development is clearly stated. The undertakings resulting from certification and various memberships, including FSC® and Global Compact, are of major significance for sustainability work.

To support the issues that have the most effect on

Sveaskog as a company and which are most significant for Sveaskog's external and internal stakeholders to take into account, the work is based on a materiality assessment carried out and decided upon by the Sustainability Council. First, all aspects of GRI's requirements were analysed on the basis of how important they are for the work with sustainable development which Sveaskog has identified as significant and where each aspect's effect is greatest, within or outside the company. Based on the identified aspects the various indicators were analysed and a decision taken in the Sustainability Council as to which should be reported.

### Boundaries

The information applies to the whole of the Sveaskog Group, unless stated otherwise. The Group includes the wholly owned subsidiary Sveaskog Baltfor SIA. The sawmill group Setra Group AB, which is owned to 50% by Sveaskog AB, is not included in the sustainability report except for that part of the financial result for Setra Group AB which affects Sveaskog Förvaltnings AB's earnings. Sveaskog has two members on Setra Group AB's board and is thus able to influence Setra's sustainability work.

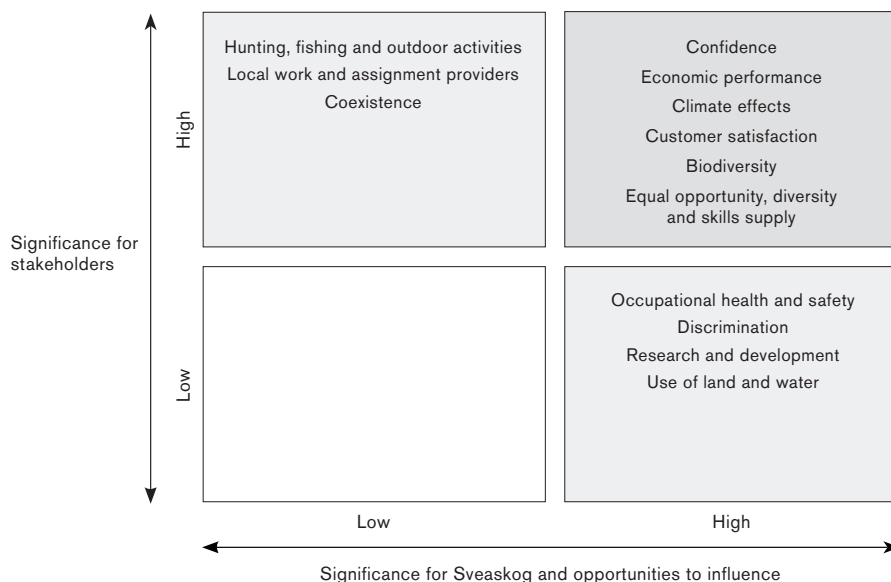
### Global Compact

Sveaskog has supported the UN Global Compact initiative since 2005 and thereby takes a clear stance on issues related to human rights, social conditions, environmental responsibility, freedom of association and anticorruption. The Global Compact is derived from the Universal Declaration of Human Rights, the Rio Declaration on Environment and Development which means that Sveaskog commits to working proactively to minimise environmental risks throughout the company, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's principles and guidelines for how multinational enterprises should conduct responsible business. More information about the Global Compact is available at [www.globalcompact.org](http://www.globalcompact.org). Sveaskog works to substantiate how these principles are reflected in the business. Each year a "Communication on Progress" (CoP) report is submitted to the Global Compact presenting the GRI indicators associated with the principles.

**Note S2 | Materiality assessment**

Every year, the company performs an analysis of the entire value chain in order to identify and work with the most relevant environmental, social and economic issues. This provides the company with an understanding of how it affects others. The

materiality assessment is an aggregate of the issues that Sveaskog regards as strategically important and the issues that stakeholders regard as most important. The order of the aspects within each of the four fields has no significance.

**Note S3 | GRI indicators, where influence occurs and examples of initiatives in 2017 that have increased or decreased influence**

For the most significant aspects of sustainability examples of initiatives that have increased or decreased influence as well as where influence mainly occurs are specified below. The entire GRI index is available at [www.sveaskog.se](http://www.sveaskog.se).

|  | Examples of initiatives in 2017 that have increased or decreased influence   | Sustainability aspect   | Influence mainly occurs        |
|--|--|---|--------------------------------|
| Confidence                                     | Employee survey "We at Sveaskog", study "Swedish sustainability ranking" carried out by Stockholm Business School, Sveaskog's employees engaged as ambassadors, collaboration with contractors, seminar "Nature tourism's future in Sweden", Svenska Skogen's summer campaign, networking meetings with state-owned companies, dialogues with nature conservation organisations, consultations with Sami villages, meetings in local communities | Supplier assessments relating to environment, labour practices, human rights and impact on society  | Within and outside the company |
| Economic performance                           | Increased overall productivity, higher prices, new revenues for ecological compensation, changed inventory mix   | Economic performance  | Outside the company            |
| Climate effects                                | Pilot plant at RISE ETC, new rail terminal outside Kumla, improved logistics, increased blending of ecofuel  | Energy, Emissions, Economic performance   | Outside the company            |
| Customer satisfaction                          | Sawmill days, participation in Elmia Wood, short-term hunting, Svenska Skogsplanter's seedling website, internal efficiency programme Lyftet   | Labelling of products and services  | Within the company             |
| Biodiversity                                   | Membership of Swedish PEFC, ecological landscape plans, historical maps  | Biodiversity  | Within and outside the company |
| Equal opportunity, diversity and skills supply | Integration project Growing Power!, forest summer camp, hunting camps, trainee programme, summer jobs for young people   | Employment, Occupational health and safety, Training and education, Diversity and equal opportunity | Within the company             |

## Note S4 | Stakeholder dialogues

Sveaskog has structured and documented stakeholder dialogues. This overview shows the key issues for the ten principal stakeholders, what Sveaskog is doing in these areas and dialogue opportunities.

|   | Issues 2017  | What is Sveaskog doing?   | Dialogue opportunities 2017  |
|---|--|---|--|
| Customers                                 | Product quality, prices, efficient logistics, renewable vehicle fuels, technology development, FSC® and traceability, reliability, long-term relationships   | FSC® certification, market prices, Code of Conduct, measures delivery precision, participates in development of new fossil-free fuels, timber traceability  | Business discussions, Elmia Wood, forest days, collaboration in sustainability reporting   |
| Owner                                     | Meeting financial targets, sustainable business, work with human rights, stakeholder dialogues and confidence in Sveaskog  | Initiatives to meet financial targets, goals and strategies for sustainable business, clearer reporting of and processes around work with human rights, stakeholder dialogues   | Annual General Meeting, Board meetings, dialogue with the Chairman of the Board, Government Offices of Sweden and Members of Parliament, networking meetings with state-owned companies  |
| Lending institutes, credit providers      | Economic development, financial stability, sustainable business, new business possibilities  | Financial targets, financial policy, prioritises long-term business relationships and customers with profitability potential, issues green bonds  | Investor presentations, business discussions, capital market days in connection with issuing the green bond and collaboration with the issuing agent and Norwegian DNV GL  |
| Employees                                 | Skills development and supply, confidence, equal opportunity, occupational health and safety, organisation   | Internal training programmes, supports job rotation, active recruitment, work environment efforts and develops the organisation, and project ambassadorship   | Employee survey VIS 2017, performance reviews, Improvement of the Year, joint employee meeting Sveaskog Days 2017, leadership days and programme, cooperation with trades unions, workplace meetings, ambassadorship programme, and the new employeeship and leadership principles "We do each other good" |
| Contractors                               | Developed and long-term cooperation, renewable energy, sustainable forest management, contract/ remuneration issues, training and working environment, attractiveness of forest industry, traceability and certification | Long-term cooperation, partner contractors, cooperation projects, information and evaluations, Code of Conduct, Service agreement, requirement that framework suppliers shall comply with the UN Global Compact, PEFC certification, daily checks of operating permits, etc., checks against Swedish Tax Agency | Business discussions, follow up, field checks, in-depth checks of some ten contractors   |
| Timber suppliers                          | Ability to pay, long-term cooperation, market prices, renewable energy, quality of felling assignments, skills supply, sustainable forest management, information about Sveaskog's operations, technology development    | Good liquidity, market prices, FSC® planning for felling assignments, participates in development of new fossil-free fuels, information activities  | Supplier Satisfaction Index, FSC® cooperation, forest days, business discussions   |
| Tourism companies, hunters, anglers, etc. | Grants land concessions, lease prices, forest and land for outdoor activities, forest management impact on outdoor activities, grazing damage  | Leases, investments in recreation areas and ecoparks, roads and signs, maps and information on the website  | Seminar "Nature tourism's future in Sweden", elk management meetings, hunt leader meetings, consultations, business discussions, continued development of short-term hunting and increased number of destinations  |
| Reindeer herders                          | Considerate silvicultural measures and concessions that do not affect reindeers' winter grazing – co-existence   | Formalised consultations, better maps, projects to develop land usage   | Consultations about silvicultural measures in Sami villages, co-operation within Swedish FSC®  |
| Authorities                               | Swedish Forestry Act, national environmental objectives, the Swedish Forest Agency's decision to pause inventorying of key biotopes in northwest Sweden  | Annual audits, business management system, follow-up of targets and key indicators  | Consultations regarding ecoparks, co-operation with the key biotope inventorying in northwest Sweden, seminar "Nature tourism's future in Sweden"  |
| Nature conservation organisations         | Biodiversity, nature conservation  | Targets for sustainable business, environmental objectives and targets, FSC® membership, nature conservation strategy   | Seminar "Nature tourism's future in Sweden", excursions, mail exchange, dialogue meeting in Almedalen, consultation and dialogue meetings in local communities   |



**Note S5 | Environment and nature conservation**

Nature conservation can take the form of formally protected areas or voluntary set-asides. Sveaskog has chosen to manage 20% of its productive forest land as nature conservation areas. The 20% objective applies to forest below the montane forest region. This is achieved in three ways: ecoparks, high conservation value forests and so-called consideration for nature which is left untouched in the production forests. The ecoparks comprise a total of 145,000 hectares below the montane forest region. An additional 30,000 hectares of ecoparks are located in the montane forest region.

Nature conservation in production forests will with the present

approach reach 220,000 hectares over time. Of this area 45,000 hectares have so far been left as consideration for nature when felling. The remaining 175,000 hectares will be added in future felling plans.

In the montane forests Sveaskog has set aside about 80,000 hectares for nature conservation. In previous years Sveaskog has reported that 100,000 hectares were set aside for nature conservation in the montane forest region. In 2017 a decision was taken to exclude those areas which were made a nature reserve in 2016. This is a total area of 20,000 hectares.

**Nature conservation areas below the montane forest region:**

| Definition  | Status 31 December 2017  | Size  | Third party measurement                             | Cooperation  |
|---|--|---|---|--|
| Ecoparks  | 37 ecoparks inaugurated. Ecopark agreements with the Swedish Forest Agency are in place for 34 of these ecoparks | 80,000 hectares   | Swedish Forest Agency, County Administrative Boards | 50-year agreements with the Swedish Forest Agency and WWF  |
| High conservation value forests   | Reported at <a href="http://www.sveaskog.se">www.sveaskog.se</a>   | 300,000 hectares  | Swedish Forest Agency, County Administrative Boards | WWF, Swedish Forest Agency, County Administrative Boards and the Swedish Society for Nature Conservation (broad-leaved forest restoration) |
| Consideration for nature in production forests<br>- Of which Consideration for nature when felling<br>- Of which Consideration for nature in future felling plans | Control self-assessments   | 220,000 hectares<br><br>- 45,000 hectares<br><br>- 175,000 hectares | Swedish Forest Agency's follow-up, FSC® audit       | Method development with the Swedish Forest Agency  |
| Sveaskog's total nature conservation area below the montane forest region   |  | 600,000 hectares  |   |  |

**Nature conservation in the montane forest region:**

| Definition  | Status 31 December 2017   | Size             | Third party measurement   | Cooperation                             |
|---|---|------------------|---|---|
| Sveaskog's montane forest region boundary is based on the Swedish Forestry Act and FSC® | Nature reserves and ecoparks formed and quality assurance of high conservation value forests underway | 80,000 hectares  | Swedish Forest Agency, County Administrative Boards, FSC® audit | Dialogue with the Swedish Forest Agency |
| Sveaskog's total nature conservation area including the montane forest region           |   | 680,000 hectares |   |   |

**Restoration:**

| Definition                                     | Status 31 December 2017   | Size | Third party measurement | Cooperation   |
|--|---|------|-------------------------|---|
| Restoration of wetlands and aquatic landscapes | The objective of 100 restored wetlands achieved. Five aquatic landscapes identified | –    | –                       | Swedish Wetlands Foundation, Swedish Ornithological Society |

## Note S6 | Environmental data

|  | 2013   | 2014   | 2015   | 2016   | 2017   |   | 2013  | 2014  | 2015  | 2016  | 2017  |
|--|--------|--------|--------|--------|--------|---|-------|-------|-------|-------|-------|
| <b>Production</b>  |        |        |        |        |        | <b>Emissions to air *</b>                                 |       |       |       |       |       |
| All deliveries, thousand m <sup>3</sup> sub              | 10,807 | 10,838 | 10,748 | 10,684 | 10,817 | Fossil CO <sub>2</sub> , thousand tonnes                  | 138   | 153** | 146   | 126   | 121   |
| Deliveries from own forests, thousand m <sup>3</sup> sub | 6,255  | 6,561  | 6,570  | 6,459  | 6,463  | of which direct emissions, thousand tonnes                | 13    | 16    | 14    | 13    | 16    |
| Biofuel deliveries, thousand m <sup>3</sup> sub          | 1,359  | 999    | 868    | 780    | 599    | of which indirect emissions, Scope 2, thousand tonnes     | 0.051 | 0.052 | 0.052 | 0.049 | 0.042 |
| <b>Energy consumption</b>                                |        |        |        |        |        | of which indirect emissions, Scope 3, thousand tonnes *** | 125   | 137   | 132   | 113   | 105   |
| Non-renewable fuels, TJ                                  | 1,806  | 1,752  | 1,519  | 1,374  | 1,535  | <b>Land</b>   |       |       |       |       |       |
| Renewable fuels, TJ                                      | 109.1  | 80.5   | 233    | 243    | 209    | Total land area, million ha                               | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   |
| Indirect energy consumption, MWh                         | 9,254  | 9,222  | 9,136  | 8,528  | 8,191  | of which productive forest land, million ha               | 3.1   | 3.1   | 3.1   | 3.1   | 3.1   |
|  |        |        |        |        |        | Proportion of total unfelled growth, % ****               | 40    | 35    | 36    | 36    | 34    |

- \* Sveaskog reports the greenhouse gas carbon dioxide and complies with the guidelines of the Greenhouse Gas Protocol. The calculations of CO<sub>2</sub> emissions are based on ISO14001:2004, 14040:2004 and GWP according to IPCC 2007 and 2013.
- \*\* Starting in 2014, reporting both production and distribution of fuel are included in the emissions calculation which means that carbon dioxide emissions have increased.
- \*\*\* Scope 3 includes felling, transport by road, sea and rail, road building, silviculture and business travel.
- \*\*\*\* Including unmanaged forests.

# Employee data

Relates to the entire Sveaskog Group unless otherwise specified.  
All employees included in the data have employment contracts with the Group. Since the number of contractors hired during the year varies, these are not included in the audit.

## Note S7 | Number of employees

|  | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------|------|------|------|------|
| Permanent employees                                    | 693  | 678  | 688  | 674  | 685  |
| Average number of employees incl. temporary employees* | 899  | 877  | 851  | 844  | 846  |
| Number of wage-earners                                 | 293  | 287  | 282  | 240  | 234  |
| Number of salaried employees                           | 400  | 391  | 406  | 434  | 451  |
| Proportion of part-time/permanent employees, %         | 2.2  | 1.6  | 1.3  | 1.5  | 3.4  |
| Proportion of full-time/permanent employees, %         | 97.8 | 98.4 | 98.7 | 98.5 | 96.6 |
| Number of HR managers                                  | 95   | 91   | 96   | 95   | 92   |
| Average age, years                                     | 48   | 48   | 48   | 47   | 47   |
| Employees within different age groups                  |      |      |      |      |      |
| –29  | 94   | 89   | 92   | 95   | 101  |
| 30–49  | 384  | 369  | 336  | 344  | 347  |
| 50–  | 421  | 419  | 423  | 407  | 398  |
| Proportion recruited internally, %                     | 60   | 61   | 64   | 70   | 68   |
| Proportion of employees with non-Swedish background, % |      |      |      | 3.3  | 2.9  |

\* Total number of hours worked/1,650.

The number of full-time and part-time employees is not reported for temporary employees. The majority of permanent employees work full time. Some of the permanent employees are employed on zero-hours contracts, which means they work a number of hours when needed. Sometimes this means that they work a number of hours corresponding to full time while at other periods they work less.

## Note S8 | Number of permanent employees by market area

| Market area/region | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------|------|------|------|------|------|
| North*             | 214  | 207  | 215  | 180  | 221  |
| Central*           | 257  | 249  | 247  | 250  | 241  |
| South*             | 131  | 135  | 141  | 158  | 134  |
| Stockholm**        | 54   | 52   | 55   | 56   | 57   |
| Latvia/Lithuania   | 34   | 34   | 29   | 29   | 31   |
| Finland            | 3    | 1    | 1    | 1    | 1    |

\* Including employees in staffs stationed within the market area.

\*\* Stationed at the head office in Stockholm.

## Note S9 | Employee breakdown

|                                  | 2013  | 2014  | 2015  | 2016  | 2017  |
|----------------------------------|-------|-------|-------|-------|-------|
| Women, %*                        | 19.7  | 19.8  | 21.0  | 21.6  | 24.0  |
| Men, %*                          | 80.3  | 80.2  | 79.0  | 78.4  | 76.0  |
| Women/men on the Board, %**      | 43/57 | 50/50 | 67/33 | 57/43 | 50/50 |
| Women/men in Group Management, % | 36/64 | 36/64 | 45/55 | 40/60 | 40/60 |
| Women managers, %                | 26    | 22    | 24    | 24    | 27    |

\* Average number of employees.

\*\* Elected by Annual General Meeting.

Year of birth of Board members and members of Group Management is specified in the presentations on pages 56–59.

## Note S10 | Relation between men's and women's salaries

|   | 2013    | 2014    | 2015    | 2016    | 2017    |
|---|---------|---------|---------|---------|---------|
| <i>Wage earners</i>                           |         |         |         |         |         |
| Women/men                                     | 21/250  | 18/248  | 23/241  | 19/203  | 20/196  |
| Women's median salary relation to men's, %    | 86      | 85      | 87      | 85      | 85      |
| <i>Salaried employees</i>                     |         |         |         |         |         |
| Women/men                                     | 108/277 | 103/274 | 115/279 | 128/294 | 137/300 |
| Women's median salary in relation to men's, % | 99      | 99      | 97      | 97      | 96      |

The comparison above does not take into account that different requirements are made for different positions but only provides an overview of salary structure per agreement area. Salary information and number of employees refer to permanent employees in Sweden (excluding foreign subsidiaries).

## Note S11 | Employee turnover

|             | 2013         | 2014  | 2015   | 2016  | 2017           |
|-------------|--------------|-------|--------|-------|----------------|
| Total, %    | 6.2          | 4.6   | 5.5    | 7.0   | 7.7            |
| Women/men   | By age group |       |        |       | By market area |
| Joined Left | Joined Left  |       |        |       | Joined Left    |
| 33/69 11/42 | –30:         | 19 1  | 30–50: | 66 20 | North 47 22    |
|             | 50–:         | 17 32 |        |       | Central 31 18  |
|             |              |       |        |       | South 16 8     |
|             |              |       |        |       | Stockholm 5 4  |
|             |              |       |        |       | Latvia 3 1     |



## Note S12 | Proportion of employees receiving regular evaluations and monitoring of their performance and career development

The performance review is a strong and effective instrument for steering towards Sveaskog's vision and goals since it provides an opportunity to communicate targets, plans and achievements. These reviews also allow managers to identify the employees' needs for skills development in their position as well as any preferences for further development.

Sveaskog's objective is that all permanent employees shall have at least one performance review during a 12-month period and that the

discussion should be of a high quality. In order to provide conditions for good quality, all managers are offered training in performance reviews. Support documents and checklists are available to help with implementation of these reviews.

According to the most recent employee survey, VIS 2017, a total of 83% of all permanent employees had a performance review during the past 12-month period.

## Note S13 | Sickness absence

|   | 2013 | 2014 | 2015  | 2016 | 2017 |
|---|------|------|-------|------|------|
| Sickness absence total, %   | 2.6  | 2.7  | 2.5   | 2.7  | 3.1  |
| Sickness absence women, %   | 3.1  | 3.4  | 3.4   | 3.2  | 4.2  |
| Sickness absence men, %   | 2.5  | 2.6  | 2.2   | 2.6  | 2.7  |
| Long-term sickness absence, % of total sickness absence             | 49.7 | 45.4 | 34.5  | 45.6 | 50.0 |
| Long-term health, %*  | 44.4 | 41.3 | 36.1  | 35.2 | 33.0 |
| Notified work-related injuries**/ 1,000 average employees           | 4.4  | 6.8  | 3.5   | 5.9  | 8.3  |
| Notified work-related injuries, according to GRI***                 | 5.4  | 8.3  | 4.3   | 7.0  | 10   |
| Total absentee days (working days) due to work-related injuries**** | 33   | 128  | 14    | 41   | 116  |
| Sickness absence due to work-related injuries, %                    | 0.02 | 0.10 | 0.008 | 0.02 | 0.07 |

\* Proportion of employees employed for at least three years with no sickness absence during the past two years. Employees of SIA Sveaskog Baltfor are not included.

\*\* Work-related injuries: accidents, travel accidents, work-related illnesses which on the reporting date are expected to lead to absence. Also includes minor injuries at a first-aid level. Contractor's accidents are not included. Work-related injuries are reported in SKIA, the forest industry's information system for working environment operated by AFA Insurance on behalf of the industry. Injuries are not reported by region, but follow-up takes place in the local safety committees within each market area. There were no fatal accidents during the year.

\*\*\* Total number of injuries divided by hours worked x 200,000.

\*\*\*\* All absentee days of planned working days commenced within two days of the work-related injury.

## Note S14 | Average number of training hours by employee and year breakdown by employee category\*

|   | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|------|
| Number of training hours, wage earners, average       | 46   | 37   | 52   | 48   | 43   |
| Number of training hours, salaried employees, average | 45   | 33   | 35   | 31   | 39   |
| Key number of training hours/employee, days           | 6    | 4.4  | 5.4  | 4.9  | 5.1  |
| Key number of training hours/employee, hours          | 46   | 35   | 43   | 39   | 41   |

\* Average number of employees.

## Note H16 | Instances of victimisation

Sveaskog does not tolerate any form of victimisation. This means actions directed at one or more employees in an offensive manner and which can lead to ill-health or that the victim is excluded from the fellowship of the workplace.

Employees are required to follow the Code of Conduct and managers are responsible for the code being followed in daily activities. Employees or stakeholders who think that Sveaskog is breaking the Code of Conduct can report this. The report can be made to the General Counsel or the SVP HR and Communications as well as through a whistle-blower function on Sveaskog's website.

To prevent discrimination there are, among other things, special guidelines for recruitment as well as guidelines against victimisation. New managers are continually trained in their responsibilities in cases of harassment and victimisation.

Two cases of victimisation were reported in 2017. Investigation of these incidents has been carried out.

## Note S15 | Proportion of workforce covered by a collective agreement

In Sweden, 100% of employees are covered by a collective agreement. Those not covered by a collective agreement are employed in the subsidiary SIA Sveaskog Baltfor registered office in Riga, Latvia. The proportion of employees covered by collective agreements is therefore 96%.

**Note S17 | Goals and indicator values 2017**

Sveaskog measures and monitors its goals regularly using several indicators. The value of these indicators is a central component of the annual review of the business plan and strategies.

The table below summarises the goals, indicators and values for the last three years as well as the target for the end of the business plan period in 2021. The indicator Carbon dioxide emissions has a target year of 2020.

**The most profitable forest company in the short and long term**

| Indicator                   | Metric            | Value 2015 | Value 2016 | Value 2017 | Target 2021  |
|-----------------------------|-------------------|------------|------------|------------|--------------|
| Average yield 4.5% per year | Yield             | 4.7        | 4.2        | 4.6        | At least 4.5 |
| Confidence in Sveaskog      | Confidence index* | 78         | 78         | 78         | 80           |

**Customers' preferred and most knowledgeable partner**

| Indicator           | Metric   | Value 2015 | Value 2016 | Value 2017 | Target 2021 |
|---------------------|--|------------|------------|------------|-------------|
| Satisfied customers | Customer Satisfaction Index sawmill customers  | **         | 72         | **         | 80          |
|                     | Customer Satisfaction Index pulpwood customers | **         | 64         | **         | 70          |
|                     | Customer Satisfaction Index biofuel customers  | **         | 69         | **         | 70          |

**Preferred choice for employees and contractors**

| Indicator   | Metric                                     | Value 2015 | Value 2016 | Value 2017 | Target 2021 |
|---|--|------------|------------|------------|-------------|
| Good leadership and employeeship as well as satisfied contractors | Employee Motivation Index                  | 70         | ***        | 68         | 75          |
|   | Leadership Index                           | 73         | ***        | 70         | 75          |
|   | Contractor Satisfaction Index felling      | **         | 72         | **         | 73          |
|   | Contractor Satisfaction Index silviculture | **         | 76         | **         | 76          |
| Satisfied suppliers   | Supplier Satisfaction Index                | **         | 71         | **         | 71          |
| At least 30% women by 2021  | Proportion of women, %                     | 21         | 22         | 24         | 30          |

**Leading within innovation and efficiency**

| Indicator                          | Metric             | Value 2015 | Value 2016 | Value 2017 | Target 2021      |
|------------------------------------|--------------------|------------|------------|------------|------------------|
| Increased efficiency, change %**** | Total productivity | +2.7       | -1.7       | +6.4       | At least 2%/year |

**Leader within sustainable forest management**

| Indicator   | Metric   | Value 2015 | Value 2016 | Value 2017 | Target 2020 |
|---|--|------------|------------|------------|-------------|
| Carbon dioxide emissions to be reduced by at least 30% in 2010–2020*****        | CO <sub>2</sub> emissions tonnes per delivered thousand m <sup>3</sup> sub | 13.6       | 11.8       | 11.1       | 10.0        |
| Indicator   | Metric   | Value 2015 | Value 2016 | Value 2017 | Target 2021 |
| Environmental values maintained in forest management without significant impact | Consideration Index  | 94         | 95         | 95         | 99          |

\* The Confidence Index is an aggregate of employees' confidence in Sveaskog's sustainable forest management and customers', contractors' and suppliers' satisfaction. The employee survey as well as customer, contractor and supplier surveys are carried out by an external company on behalf of Sveaskog.

\*\* Measurements are taken every other year.

\*\*\* No measurements in 2016.

\*\*\*\* For measurement, the operating profit from continuing operations has been adjusted for non-recurring items.

\*\*\*\*\* In 2010, CO<sub>2</sub> emissions amounted to 14.9 tonnes/delivered thousand m<sup>3</sup>sub.

**Note S18 | Certificates**

Sveaskog holds the following certificates:

- FSC® forest management certificate for own forests and group
- FSC® chain of custody certificate
- PEFC chain of custody certificate
- PEFC forest management certificate for group
- ISO 14001
- AEO certificate for customs simplification/security and protection
- Sveaskog's FSC licence number is FSC-C008344

**Note S19 | Competitors**

Sveaskog's competitors in the market for wood raw material include:

Bergvik Skog, Holmen, SCA, the Swedish Forest Society Foundation, forest owner associations, the Church of Sweden and Sydved.

Some of the companies that are competitors in the market for wood raw material may also be Sveaskog customers when they buy pulpwood or seedlings. The same companies can also be suppliers when Sveaskog buys wood raw material to satisfy customer demands.

## Note S20 | Post-issuance report according to the "Green Bond Principles"

For more information, see the separate "Post-issuance report on Sveaskog's green bonds" on [www.sveaskog.se](http://www.sveaskog.se).

### Whole of Sveaskog

| Project name         | Project category according to framework | Total investment (SEK thousands) | Total costs incurred (SEK thousands) allocated to the green bond at 31 December 2017 | Share of the project financed by the green bond (%) at 31 December 2017 | Most significant measurable environmental impact as a result of financing  |
|----------------------|---|----------------------------------|--|---|--|
| Silviculture         | Environmentally sustainable forestry    | 627,284                          | 489,010  | 78%   | Carbon dioxide sequestration of 4,533,000 tonnes and a substitution benefit of 3,064,000 tonnes in fossil carbon dioxide emissions avoided |
| Fertilising          | Environmentally sustainable forestry    | 11,632                           | 9,068  | 78%   |  |
| Regeneration felling | Environmentally sustainable forestry    | 477,524                          | 372,262  | 78%   |  |
| Nature conservation  | Environmentally sustainable forestry    | 7,244                            | 5,647  | 78%   |  |

### Research and development

| Project name  | Project category according to framework | Total investment (SEK thousands)/ of which Sveaskog's share | Total costs incurred (SEK thousands) allocated to the green bond at 31 December 2017 | Share of the project financed by the green bond (%) at 31 December 2017 | Most significant measurable environmental impact as a result of financing |
|---|---|---|--|---|---|
| Somatic embryogenesis                                 | Research and development                | 16,000/4,000  | 2,251  | 14%   | Reduced energy consumption  |
| Higher raw material yield                             | Research and development                | 12,000/3,000  | 1,000  | 8%  | Increased climate benefit in the value chain                              |
| Bio vehicle fuel from lignin in black liquor          | Research and development                | 30,000/7,500  | 1,000  | 3%  | Reduced use of fossil vehicle fuels                                       |
| Competitive production of wood-fibre based composites | Research and development                | 7,000/780   | 390  | 6%  | Reduced use of fossil raw materials                                       |
| SeedPad   | Research and development                | 2,500/2,500   | 417  | 17%   | Reduced energy consumption  |
| Bigger and longer vehicles                            | Research and development                | 3,000/3,000   | 377  | 6%  | Reduced use of fossil vehicle fuels                                       |
| Bio4Gasification                                      | Research and development                | 31,600/800  | 200  | 1%  | Reduced use of fossil vehicle fuels                                       |
| Flowcut   | Research and development                | 2,250/300   | 100  | 4%  | Reduced use of fossil raw materials                                       |

### Acquisition of property

| Project name | Project category according to framework | Total investment (SEK thousands) | Total costs incurred (SEK thousands) allocated to the green bond at 31 December 2017 | Share of the project financed by the green bond (%) at 31 December 2017 | Most significant measurable environmental impact as a result of financing |
|--------------|---|----------------------------------|--|---|---|
| MA North     | Acquisition of forest land              | 1,025                            | 1,025  | 100%  | FSC® certification of 108 hectares of forest land                         |
| MA Central   | Acquisition of forest land              | 52,876                           | 52,876   | 100%  | FSC® certification of 1,164 hectares of forest land                       |
| MA South     | Acquisition of forest land              | 64,377                           | 64,377   | 100%  | FSC® certification of 791 hectares of forest land                         |

|              |                               |  |  |  |  |
|--------------|-------------------------------|--|--|--|--|
| <b>Total</b> | <b>SEK 1,000,000 thousand</b> |  |  |  |  |
|--------------|-------------------------------|--|--|--|--|



# Auditor's Limited Assurance Report on Sveaskog's Sustainability Report

To Sveaskog AB (publ)

## Introduction

We have been engaged by the Board of Directors of Sveaskog AB (publ) to undertake a limited assurance engagement of Sveaskog AB (publ)'s sustainability report for the financial year 2017. The company has defined the scope of the Sustainability Report on page 1.

## Responsibilities of the Board of Directors and the Group Management for the sustainability report

The Board of Directors and the Group Management are responsible for the preparation of the sustainability report in accordance with the applicable criteria, as explained on page 94 in the sustainability report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI) which are applicable to the sustainability report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a sustainability report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the sustainability report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance

engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Sveaskog AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the sustainability report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the sustainability report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 8 March 2018

Deloitte AB

Hans Warén  
*Authorised Public Accountant*

Didrik Roos  
*Authorised Public Accountant*

# Definitions

## Capital turnover rate

Net sales divided by average operating capital.

## 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 associates expressed as a percentage of net sales.

## Interest-bearing net debt

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

## Interest cover

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

Interest-bearing net 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.

## 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, share of profits of associates and capital gains from property sales.

## Return on equity

Profit after tax expressed as a percentage of average equity.

## Return on operating capital

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

## Yield

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

## Alternative performance measures

The company presents some financial performance measures in the annual report which are not defined according to IFRS. The company is of the opinion that these measures provide valuable complementary information to investors and the company's management since they facilitate an evaluation of the company's performance. Since not all companies calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

Performance measures not defined according to IFRS, unless otherwise stated, are presented in the tables below.

## 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 year. The Group's definition is unchanged compared with previous periods.

**Comments:** Sveaskog calculates operating capital for the performance measures return on operating capital and average operating capital.

|   | 2017          | 2016          |
|---|---------------|---------------|
| Current receivables, etc., non-interest bearing           | 1,662         | 1,520         |
| Of which advance payments to suppliers                    | 168           | 136           |
| Of which tax assets                                       | 1             | 8             |
| Of which accounts receivable, loans and other receivables | 1,493         | 1,376         |
| Current, other liabilities                                | 1,264         | 1,162         |
| Of which tax liabilities                                  | 91            | 2             |
| Of which accounts payable and other liabilities           | 1,173         | 1,160         |
| Total assets  | 39,445        | 38,594        |
| Minus interest-bearing assets (cash and cash equivalents) | -1,681        | -1,070        |
| Minus tax assets  | -1            | -8            |
| Minus other liabilities and provisions (non-current)      | -8,421        | -8,344        |
| Minus accounts payable and other liabilities              | -1,173        | -1,160        |
| <b>Operating capital</b>                                  | <b>28,169</b> | <b>28,012</b> |

## Yield

**Definition:** Operating profit before change in value of forest assets excluding capital gains on property sales, divided by average operating capital, excluding deferred tax. The Group's definition is unchanged compared with previous periods.

**Comments:** Yield is one of Sveaskog's financial targets. The target is that an average yield of at least 4.5%. This target reflects return on Sveaskog's operations without impact from forest asset valuations and incidental property sales.

|  | 2017        | 2016        |
|--|-------------|-------------|
| Operating profit before change in value of forest assets | 1,627       | 1,312       |
| Minus capital gains on property sales                    | -321        | -131        |
| Subtotal   | 1,306       | 1,181       |
| Operating capital, opening balance                       | 28,012      | 27,804      |
| Operating capital, closing balance                       | 28,169      | 28,012      |
| Average operating capital (OB + CB)/2                    | 28,091      | 27,908      |
| Subtotal from above                                      | 1,306       | 1,181       |
| Divided by average operating capital                     | 28,091      | 27,908      |
| <b>= Yield in %</b>                                      | <b>4.6%</b> | <b>4.2%</b> |

## Interest-bearing net debt

**Definition:** Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the year. The Group's definition is unchanged compared with previous periods.

**Comments:** Sveaskog calculates interest-bearing net debt for the performance measure net debt/equity ratio.

|   | 2017          | 2016          |
|---|---------------|---------------|
| Interest-bearing assets (cash and cash equivalents)       | 1,681         | 1,070         |
| Interest-bearing liabilities and provisions (non-current) | -5,626        | -5,666        |
| Interest-bearing liabilities (current)                    | -3,465        | -3,341        |
| <b>Interest-bearing net debt</b>                          | <b>-7,410</b> | <b>-7,937</b> |

## Net debt/equity ratio

**Definition:** Interest-bearing net debt divided by equity. The Group's definition is unchanged compared with previous periods.

**Comments:** Net debt/equity ratio is one of Sveaskog's financial targets. The target is a net debt/equity ratio of 0.3–0.6. Sveaskog is of the opinion that this performance measure reflects the possibility for dividends and implementation of strategic investments as well as assessing the Group's ability to meet its financial commitments.

|  | 2017        | 2016        |
|--|-------------|-------------|
| Interest-bearing net debt                | 7,410       | 7,937       |
| Divided by equity                        | 20,669      | 20,081      |
| <b>= Net debt/equity ratio, multiple</b> | <b>0.36</b> | <b>0.40</b> |

## Return on operating capital

**Definition:** Operating profit divided by average operating capital, excluding deferred tax. The Group's definition is unchanged compared with previous periods.

**Comments:** Sveaskog is of the opinion that this measure shows the company's return in a fair manner independent of financial assets and financing options.

|   | 2017        | 2016        |
|---|-------------|-------------|
| Operating profit                          | 1,827       | 1,631       |
| Divided by average operating capital      | 28,091      | 27,908      |
| <b>= Return on operating capital in %</b> | <b>6.5%</b> | <b>5.8%</b> |

## Return on equity

**Definition:** Profit after tax expressed as a percentage of average equity. The Group's definition is unchanged compared with previous periods.

**Comments:** Sveaskog is of the opinion that this performance measure reflects the company's return during the year on the capital the owner has invested in operations and therefore shows how profitable the company is for its shareholder.

|                                | 2017        | 2016        |
|--------------------------------|-------------|-------------|
| Equity, opening balance        | 20,081      | 19,709      |
| Equity, closing balance        | 20,669      | 20,081      |
| Average equity (OB + CB)/2     | 20,375      | 19,895      |
| Profit for the year            | 1,359       | 1,190       |
| Divided by average equity      | 20,375      | 19,895      |
| <b>= Return on equity in %</b> | <b>6.7%</b> | <b>6.0%</b> |

## Interest cover

**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 is unchanged compared with previous periods.

**Comments:** Sveaskog is of the opinion that this performance measure states the company's ability to meet its financial expenses (interest, etc.).

|  | 2017       | 2016       |
|--|------------|------------|
| Financial items in income statement                      | -108       | -174       |
| Of which financial income                                | 28         | 15         |
| Of which financial expenses                              | -136       | -189       |
| Operating profit before change in value of forest assets | 1,627      | 1,312      |
| Minus capital gains on property sales                    | -321       | -131       |
| Plus financial income                                    | 28         | 15         |
| Subtotal   | 1,334      | 1,196      |
| Subtotal above   | 1,334      | 1,196      |
| Divided by financial expenses                            | 136        | 189        |
| <b>= Interest cover, multiple</b>                        | <b>9.8</b> | <b>6.3</b> |

## Equity ratio

**Definition:** Equity divided by total assets, all calculated at the end of the year. The Group's definition is unchanged compared with previous periods.

**Comments:** Sveaskog is of the opinion that this performance measure states the size of the assets financed by equity and indicates the company's sensitivity to interest-rate fluctuations.

|                         | 2017       | 2016       |
|-------------------------|------------|------------|
| Equity                  | 20,669     | 20,081     |
| Divided by total assets | 39,445     | 38,594     |
| <b>= Equity in %</b>    | <b>52%</b> | <b>52%</b> |



# Glossary

## 2030 Agenda

On 25 September 2015 the UN General Assembly adopted the resolution 2030 Agenda for Sustainable Development. The Agenda means that all 193 member states are committed to working to achieve a socially, environmentally and economically sustainable world by the year 2030. The Agenda has 17 goals and 169 targets.

## AEO

Authorised Economic Operator. AEO is an EU-wide quality assurance of a company's customs procedures.

## Biodiversity

Diversity of everything living in all habitats and ecological processes of which they are a part. Includes diversity within and between species and in ecosystems.

## Biotope

A region uniform in its environmental conditions and in its population of animals and plants for which it is the habitat.

## CFO

Chief Financial Officer.

## Cleaning

Caring for a stand by thinning out the forest and leaving the removed trunks.

## Commercial paper programme

A borrowing commitment used by companies for short-term funding.

## Compensation land

Land which is surrendered to a private individual or to the state for nature conservation purposes.

## Contractor

A person or a company that carries out work on a contract basis, for example a builder.

## COP21

Between 30 November and 11 December 2015 the international community met in Paris for COP21, the 21st yearly session of the Conference of the Parties to the 1992 UN Framework Convention on Climate Change. At the meeting the states agreed on a new global climate agreement to take effect from 2020.

## COSO

Committee of Sponsoring Organizations of the Treadway Commission. COSO is a framework for evaluating a company's internal control over its financial reporting.

## Dead wood

Wood which is left in a clear-felled area as consideration for nature.

## Ecological compensation

Compensation for lost or damaged conservation values by, for example, creating new or

restoring existing conservation values in other areas.

## Ecopark

A large, contiguous forest landscape with high conservation values and nature conservation ambitions. Sveaskog has established 37 ecoparks around Sweden.

## Ecosystem services

Services provided by nature on which humans are directly dependent, for example pollination by bees and water purification in wetlands.

## Edge zone

A line of forest which is left primarily along waterways and lake shores to benefit aquatic insects and fish.

## FSC®

Forest Stewardship Council. An international organisation which promotes environmentally appropriate, socially responsible and economically viable management of the world's forests.

## Global Reporting Initiative (GRI)

GRI is an independent foundation within the United Nations. GRI publishes standardised international guidelines for sustainability reporting. The intention is to create homogeneity and comparability between sustainability reports to make it easier to evaluate and compare companies from social, environmental and economic perspectives.

## Hectare, ha

One hectare is 10,000 m<sup>2</sup>. 1 km<sup>2</sup> corresponds to 100 hectares.

## High conservation value forests

Forests that have been set aside within the framework of Sveaskog's target of 20% nature conservation land. High conservation value forests are, for example, key biotopes and conservation value areas or have good potential to develop such conservation values.

## High conservation value trees

Trees which are left to develop naturally. Often thick or old.

## HVO diesel

HVO stands for Hydrogenated Vegetable Oil. It is a renewable vehicle fuel component which can be blended with or replace diesel.

## ISO

International Organization for Standardization. An international standards body that works with industrial and commercial standardisation.

## Key biotope

An area of forest with high conservation values where the

presence of (biotope-dependent) red-listed species can be expected. These forests are often old and have the character of natural forests.

## m<sup>3</sup>sub

Volume measurement for timber. Means solid cubic metres under bark. Measures the actual volume of wood without bark. Common measurement unit for pulpwood.

## Marking (for cross-cutting)

Preparing timber, cutting a trunk into logs.

## Mosaic felling

Filling with heightened consideration that is spread over an area.

## MTN programme

MTN is an acronym for Medium Term Note. It is a continuous bond that is normally due for repayment within five to ten years of issue. MTN bonds are often issued within the framework of a MTN programme with the aim of providing the issuer with an continuous source of finance without the need to prepare extensive legal documentation from scratch.

## Nanocellulose

Nanocellulose is extracted from wood fibre. It is exceptionally strong and is a renewable material.

## PEFC

Programme for the Endorsement of Forest Certification Schemes. An international organisation which works for certification of forests and recognition of different certification programmes.

## Productive forest land

Forest land which produces at least 1 m<sup>3</sup>fo/ha/year on average.

## Protective zone

Strip at the edge of a field that is not worked. The aim is to prevent runoff of nutrients and weed killers for example to watercourses or depressions in the ground.

## Raw pine oil

A by-product from the production of paper pulp. Called raw pine oil regardless of which tree species the raw material consists of.

## Red-listed species

Species whose long-term survival is uncertain, sometimes due to forestry. Classified according to international threatened species categories in a red list.

## Re-zoning

Re-zoning means that the entire property structure is divided into larger contiguous areas. The aim is to create more practical forest and

agricultural parcels by exchanging land between properties.

## SE seedlings

Propagation method called somatic embryogenesis. A technology based on seeds. From a single seed it is possible to raise many identical copies of a tree with desired properties in the same way as with cuttings.

## Seed plantation

A seed plantation produces seeds with known hardness, high growth and other attributes that are desirable for forest cultivation.

## Seed processing unit

Svenska Skogsplanter has a seed processing station in Lagan which produces forest seed for all parts of Sweden. The raw material, cones, comes from seed plantations covering 1,000 hectares.

## Selective felling

A collective name for silviculture systems, methods and activities which means the forest is managed so that the land is never as bare as when clear felled.

## Sensitive biotopes

Assessment of what constitutes a sensitive biotope is done by aggregating conservation values in the area.

## Stand

An area which has a consistent environment for plants.

## Sustainability/sustainable development

Sustainable development is about long-term retention of ecosystems' production capacity and reducing negative effects on nature and human health. Sustainability has three dimensions: social, ecological and economic.

## Thinning

Caring for a stand by thinning out the forest and making use of the trunks removed as pulpwood and possibly sawlogs.

## UN Global Compact

A UN initiative to encourage companies to adopt sustainable business routines. The Global Compact has ten principles in the areas human rights, labour, environment and anti-corruption.

## Whistle-blower function

The possibility for a person to anonymously report irregularities or misconduct within the organisation.

# Financial calendar 2018

Interim report January – March 2018  
Interim report January – June 2018  
Interim report January – September 2018

23 April 2018  
17 July 2018  
26 October 2018

## Financial reports

Sveaskog's annual reports and interim reports are available at [www.sveaskog.se](http://www.sveaskog.se)  
Printed information can be ordered from:

- [www.sveaskog.se](http://www.sveaskog.se)
- E-mail [info@sveaskog.se](mailto:info@sveaskog.se)
- Telephone +46 771 787 000
- Letter to Sveaskog, HR and Communications, Torsgatan 4, SE-105 22 Stockholm

## Questions

If you have any questions about Sveaskog and our operations, you are welcome to contact our communications department by e-mail [info@sveaskog.se](mailto:info@sveaskog.se) or telephone +46 771 787 000.

If you have any questions about our sustainability work, you are welcome to contact our Sustainability Manager Lena Sammeli-Johansson by e-mail [lena.sammeli@sveaskog.se](mailto:lena.sammeli@sveaskog.se) or telephone +46 582 68 69 75.

If you have any questions about our financial reports, you are welcome to contact our Head of Group Finance, Treasury & Risk Management Anders Jakobsson by e-mail [anders.jakobsson@sveaskog.se](mailto:anders.jakobsson@sveaskog.se) or telephone +46 8 655 91 94.

## Annual General Meeting 2018

Sveaskog's Annual General Meeting will be held on 23 April 2018 at 13.00 at IVA, Grev Turegatan 16, Stockholm. The Annual General Meeting is open to the public. Members of the Swedish Parliament have a special right to attend and to ask questions. Members of Parliament and the public who wish to attend the AGM can notify this to:

- [www.sveaskog.se/arsstamman](http://www.sveaskog.se/arsstamman)
- E-mail [kundcenter@sveaskog.se](mailto:kundcenter@sveaskog.se)
- Telephone +46 771 787 100

Notifications of attendance should reach Sveaskog no later than one week prior to the Annual General Meeting.

Sveaskog HR and Communications has produced our annual report and sustainability report in collaboration with Ahnlund Ateljé.

#### Photographers

Ulla-Carin Ekblom (front cover), Shutterstock-Peyker (inside front cover), Shutterstock-Sparrow-hawk (page 1), Ulla-Carin Ekblom (2), Pernilla Widén (3), Ben GT Nyberg (4), Patrik Svedberg (6), Leif Öster (6, 7), Shutterstock-FloridaStock (8), Thomas Adolfsén (8), Lina Alriksson (8), Jonas Ljungdahl (9), Folkhem (9), Shutterstock-Oleg Doroshin (9), Ulla-Carin Ekblom (9), Mats Samuelsson (10), Jimmy Pettersson (10), Bengt Alm (10), Leif Öster (11), Leif Nilbrink (12), Thomas Olsson (14), Alexander von Sydow (15), Shutterstock-Guryanov Andrey (16), Patrick Degerman (16), Shutterstock-Piotr Wawrzyniuk (19), Ulla-Carin Ekblom (21), Alexander von Sydow (21, 23), Ola Jennersten (23), Madeleine Magnusson (24), Carl Lundberg (25), Kurt Rohde (26), Maria Edblad (27), Shutterstock-Conrado (27), Esbjörn Wahlberg (28), Ulla-Carin Ekblom (29), Katrin Hellström (30), Jan Lindkvist (31), Bengt Alm (32), Maria Nordlund (32), Shutterstock-1000 Words (36), Setra Group (37), Shutterstock-Andrei Mayatnik (38), Shutterstock-Mark Agnor (39), Magnus Eklund (39), Fortum (40), Mats Samuelsson (41), Anna Hållams (42), Per Wichmann (42), Carl Johan Erikson (43), Shutterstock-Jokerpro (46–47), Lars Ardarve (48), Stig-Göran Nilsson (49), Pernilla Widén (55), Fredrik Persson (56, 58).



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