

Annual Report
and Sustainability
Report

2019



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SVEASKOG

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The Annual Report comprises pages 12–13, 18–21, 30–102.
The Sustainability Report comprises pages 14–17, 22–27, 34–35, 107–113.

Sweden's largest forest owner

Sveaskog is owned by the Swedish state and is Sweden's largest forest owner with 14% of Sweden's forest land. We have operations in around 170 municipalities and in 2019 we employed an average of 807 employees. We want to set an example and lead the way to a sustainable society. Sveaskog manages the forest in a way that reinforces climate benefit, biodiversity and social and economic values. At the same time, forestry must be profitable and competitive. We achieve this through active, profitable and responsible management of forests and land in order to continuously create and increase growth, abundant nature and increased value for future generations.

Business at a glance

100 %

owned by the state



Sweden's largest forest owner



807 employees

37

ecoparks



Owns 14% of forest land in Sweden

7,209

SEK million net sales

The forest and the assets it contains are our core business. The focus is on silviculture, sales of products from the forest and development of the forest's other values, such as concessions for hunting, fishing and nature experiences. Sveaskog's business activities also include land transactions. Our principal products are sawlogs, pulpwood and wood chips and biofuel. The majority of Sveaskog's customers are in Sweden and in the forest industry. The Swedish forest industry is export-oriented and delivers to customers all over the world. To meet customer demand for different qualities and volumes, Sveaskog supplies raw material from its own forests and from other forest owners in Sweden and abroad.

Our business activities are organised in two geographical market areas as well as Svenska Skogsplantor and other businesses. These are managed and supported by central staff functions. The market areas are divided based on our forest assets, customer structure and trade flows.

- North comprises Norrbotten, Västerbotten and the northern parts of Jämtland and Västernorrland. The office for the market area is located in Piteå.
- South comprises the southern parts of Jämtland and Västernorrland, Gävleborg, Dalarna, Värmland, Västmanland, Uppsala, Stockholm, Södermanland, Östergötland, Västra Götaland, Jönköping, Kronoberg, Kalmar, Blekinge, Skåne and Halland. The office for the market area is located in Örebro.
- Svenska Skogsplantor produces and sells forest plants. Svenska Skogsplantor has five nurseries spread throughout Sweden and also offers protection against pine weevil and game, regrowth packages, ground preparation and planting.
- Other business activities include leases, Hjälmare Canal and Mörrums Kronolaxfiske salmon fishery.
- Our central staff functions: Forestry, CFO, Communications and Public Affairs, HR, Legal Affairs and Property, and Business Development and Innovation.

Read more about our activities during the year on pages 30-41.

2019 at a glance

Jan

Januariavtalet (January agreement) government deal is presented. Several of the points within the so-called 73-point programme relate to forests.

Storm Alfrida felled more than half a million cubic metres of forest; hardest hit were forest owners in Uppland. Following intensive work to save the timber, shipments of storm timber from the port of Harg began to customers in Sweden, Germany and Finland.

Feb

Premiere for this year's salmon fishing in Mörrum. Hunting and fishing are an important part of operations on our land and we own Mörrums Kronolaxfiske salmon fishery, which is Sweden's leading sport fishing spot.

Svenska Skogsplanter ceases all chemical control of pine weevils. This is a symbolically significant step, which was taken against the background of the development of Conniflex for completely chemical-free treatment.

Mar

Thanks to the good results achieved by Sveaskog in 2018, the Annual General Meeting resolves that Sveaskog distribute MSEK 1,100 to its owner, the Swedish government.

The spruce bark beetle causes damage costing large amounts. Sveaskog launches new technology that facilitates mapping of the spread of the spruce bark beetle by satellite.

Sveaskog issues its third green bond.

Minister for Enterprise, Ibrahim Baylan, visits Sveaskog in Umeå: "Forests create jobs and are part of the solution to achieve freedom from fossil fuels. Sustainable and active forestry gives us unique opportunities to make the transition to a fossil-free society with more bio-based fuels and products."

Apr

Sveaskog becomes a shareholder in SunCarbon AB, which has developed a technology for producing lignin oil from pulp mill black liquor. The lignin oil can then be refined for renewable diesel and petrol.

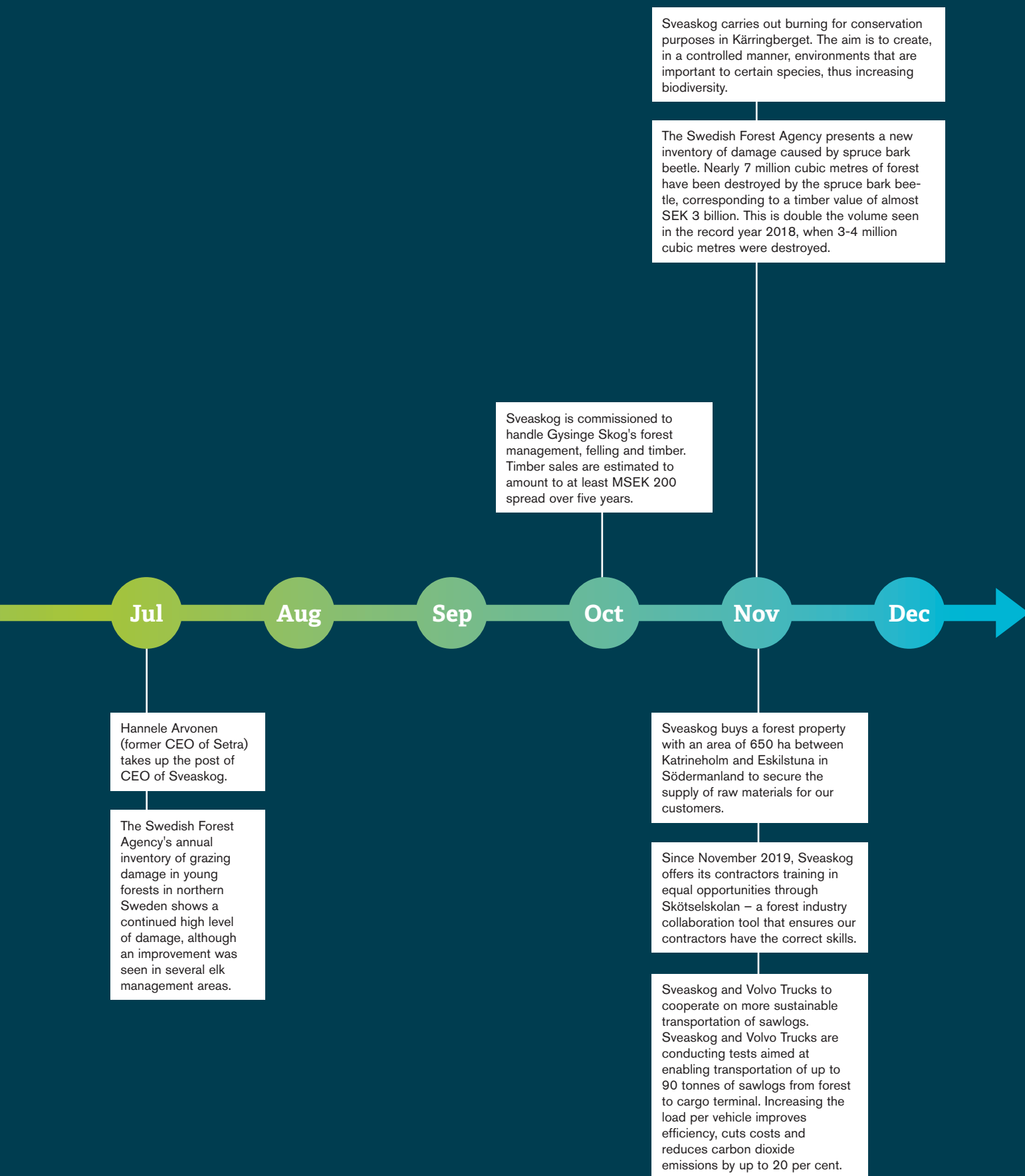
Sveaskog enters into cooperation with the Scouts in order to map hiking trails in ecoparks using new technology. Sveaskog's 37 ecoparks are located all over Sweden and are great places for recreation.

May

A winner is selected in Sveaskog's "Precision Hunt" competition for forestry machine teams, which focuses on the measurement precision of forestry machines, that is, tree harvesters. Around 230 forestry machine teams from around Sweden participated in the competition and the winner was Granvikslaget in Sveaskog's profit area Södra Bergslagen. The objective of the competition was to increase focus on the quality of our felling and especially on the measurement accuracy of the machines used in felling in our The sale of several properties in Jokkmokk municipality is completed. The deal is part of the land sales programme aimed at strengthening private agriculture and forestry and covers approximately 6,000 ha, one of the larger forest land transactions during the year.

Jun

Sveaskog wins the silver award for its app Arboreal in SkogsElmia Innovation Award 2019. Arboreal measures the height of trees in a simpler and more efficient way.



Goals and outcomes 2019

Sveaskog measures and monitors its internal sustainable business goals on a regular basis, using a number of indicators. The outcomes of the indicators are key components of the annual review of the business plan and strategies. Below is a summary of the targets, indicators, outcomes over the last five years and targets for the end of the business planning period. For the CO₂ emissions indicator, the final year is 2020.

The most profitable forestry company in the short and long term (See page 20 for more information)

Indicators	Measurement	Outcome 2015	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Target 2022
Dividend yield of at least 4.5% per year	Dividend yield	4.7	4.2	4.8	5.4	4.9	>4.5
Confidence in Sveaskog	Confidence index ¹	78	78	78	74	74	80

Customers' foremost and most knowledgeable partner (To read more, see page 21)

Indicators	Measurement	Outcome 2015	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Target 2022
Satisfied customers ²	Customer satisfaction index sawmill customers		72		73		80
	Customer satisfaction index pulpwood customers		64		63		70
	Customer satisfaction index biofuel customers		69		67		70

First choice for employees and satisfied contractors and suppliers

Indicators	Measurement	Outcome 2015	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Target 2022
Good leadership and employeeship and satisfied contractors ²	Motivated employee index	70		68		64	75
	Leader index	73		70		71	75
	Contractor satisfaction index felling		72				73
	Contractor satisfaction index forest management		76		66		76
	Contractor satisfaction index facility				66		
	Contractor satisfaction index logistics				79		
Supplier satisfaction index ²	Supplier satisfaction index		71		70		70
Minimum 30% women by 2021	Proportion of women, %	21	22	24	24	26	30
Proportion of employees with non-Swedish background, %			3.3	2.9	3.1	3.9	5

A leader in innovation and efficiency (To read more, see page 21)

Indicators	Measurement	Outcome 2015	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Target 2022
Increased efficiency, change ³ , %	Total productivity	+1.3	-2.5	+6.7	+2.2	-1.0	>2.0

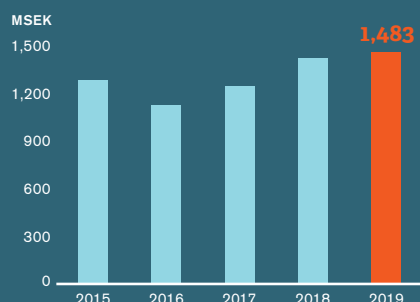
Leader in sustainable forestry (To read more, see page 21)

Indicators	Measurement	Outcome 2015	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Target 2020
Carbon dioxide emissions should be reduced by at least 30% between 2010 and 2020 ⁴	CO ₂ emissions in tonnes/delivered thousand m ³ sub	13.6	11.8	10.3	10.5	11.5	10.0
Environmental considerations are taken into account in forestry without major impact	Environmental consideration index	94	95	95	98	98	99

- 1) The confidence index is an aggregate of employees' confidence in Sveaskog's sustainable forestry and customer, contractor and supplier satisfaction. The employee engagement survey together with the customer, contractor and supplier satisfaction surveys are carried out by external companies on behalf of Sveaskog.
- 2) Measurement takes place every two years.
- 3) For measurement, operating profit from continuing operations has been adjusted for non-recurring items.
- 4) In 2010, CO₂ emissions amounted to 14.9 tonnes/delivered thousand m³sub.

Performance measures

Operating profit from continuing operations 5 years



Performance measures – owner's requirements

Dividend yield, % (owner target at least 4.5%)	4.9 (5.4)
Net debt/equity ratio, multiple (owner target 0.3–0.6)	0.30 (0.30)
Dividend, MSEK (owner target 65–90%)	1,100 (1,100)

Other performance measures

Return on operating capital, %	6.8 (12.0)
Return on equity, %	6.7 (14.4)
Interest coverage ratio, multiple	11.6 (11.0)
Equity ratio, %	57 (57)
Net interest-bearing liabilities, MSEK	7,149 (7,014)
Average number of employees	807 (840)
Total delivery volume, thousand m³sub	10,648 (10,995)

Forestry in figures

Sveaskog's forest assets

	2017	2018	2019
Total land area, million ha	4.01	3.95	3.90
Of which productive forest land, million ha	3.11	3.07	3.05
Carrying amount according to IAS 41, MSEK	34,514	36,122	36,623
Taxable value, MSEK	58,461	58,309	58,294
All deliveries, thousand m³sub	10,817	10,995	10,648
Deliveries from own forest, thousand m³sub	6,463	6,177	6,127
Field purchases, thousand m³sub	1,375	1,739	1,701
Central purchases and imports, thousand m³sub	2,979	3,079	2,819
Timber extraction as a proportion of growth on managed land, %	72	70	69

Breakdown of tree species on Sveaskog's land

Market area North



Pine 70.4%
Spruce 20.4%
Broad-leaved 9.2%

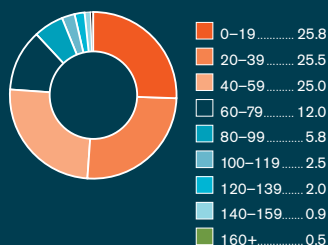
Market area South



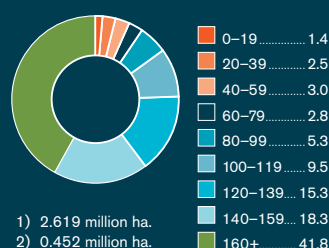
Pine 54.9%
Spruce 36.4%
Broad-leaved 8.7%

Age class distribution of Sveaskog's forest land

Managed area¹, %

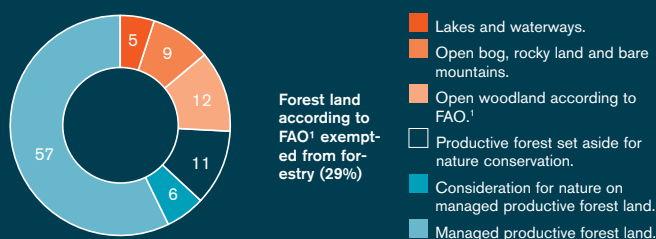


Unmanaged area², %



Nature in Sveaskog

Sveaskog's land consists of different parts. The following diagram describes the size of the different parts and how much is excluded from forestry. (In many contexts, Sveaskog states that it sets aside 20% for nature conservation. That is 20% of all productive forest land below the mountains and montane forests. This diagram comprises all land).



1) FAO: Food and Agricultural Organisation, United Nations.



Hannele Arvonen
President and CEO.

CEO'S COMMENTS

Forests becoming increasingly important for sustainable development

2019 was a good year for Sveaskog. Demand for both sawlogs and pulpwood was high, but we also saw a clear slowdown in economic activity in 2019. Despite this, the market for our products and services was good. The damage caused in the year by, among other things, spruce bark beetle attacks hit us and other forest owners hard and this is likely to continue in 2020.

It is a great privilege for me to lead Sveaskog, a company that has such an important part to play in the overall forest value chain. I have worked in the forest sector for 30 years, primarily in industry. Now I have the opportunity to continue to work with these issues but from a new perspective, at an earlier stage of the value chain. I joined Sveaskog in July 2019 and after having got to know Sveaskog from within, I feel great pride and commitment about how we conduct our business with regard to all aspects of sustainability.

Large customer focus

We actively seek to understand our customers and how they work, which is a critical success factor in developing our offering and safeguarding our long-term competitiveness.

There are several examples of this. One example is our work in the wake of the dramatic storm Alfrida, which damaged around one million cubic metres of timber. Much of the affected forest was located far from large sawmills with the capacity to receive the timber. Instead, we recommissioned the nearby port of Harg and thanks to our rapid action we were able to quickly dispose of our timber and that of our colleagues.

During the year we also signed an agreement with Gysinge Skog on performing services throughout the forest value chain. A third example is the "Precision Hunt" competition, in which around 230 felling teams from all over Sweden participated. The aim of the competition was to optimise the measurement precision of forestry machines and thus contribute to improved quality for our customers.

The market for our customers in the forest industry slowed down markedly over the year, albeit from high levels. This was most noticeable in the case of paper pulp, where the price of market pulp has fallen sharply, but this also applies to sawn timber. However, the favourable krona exchange rate has meant that Swedish sawmills have continued to maintain a high production rate, but together with a decrease in demand due to market conditions and increased competition from central European competitors, inventories have increased to record levels.

A problem for us in the year has been the multi-damaged forests, which suffered attacks of various kinds and from different directions, both spruce bark beetles, fungal damage and grazing damage. The threat posed by spruce bark beetles to our own forests and those of others has prompted a major reassessment of priorities throughout the industry, including Sveaskog.

One group that is important to Sveaskog is our contractors. As a major player in the timber market, it is important that we also take social responsibility. The large fires of recent years have been a cause of concern for our entrepreneurs, who are often small business owners. Sveaskog has taken on board the concerns and has decided to assume greater responsibility than has been customary in the industry up to now. I am proud of this.

Record financial results

Despite many challenges, Sveaskog's operating profit from continuing operations for 2019 amounted to MSEK 1,483 (1,422), an increase of just over 4% compared with 2018. We delivered record results for the second year running. The improvement on the year before is to a large extent due to higher prices for our products, which improved our margins. Good and stable operating profits coupled with a strong capital structure enable Sveaskog to distribute stable dividends to its owner, the Swedish government. The Board of Directors will propose to the Annual General Meeting a dividend of SEK 1.1 billion.

Sustainability throughout the business

The importance of forests for sustainable development and the climate issue is becoming increasingly critical. Standing timber binds carbon dioxide, but the forest also contributes in other ways, with our raw material being used for other products such as bottles, propellant and cosmetics.

Sustainability permeates everything we do and our ambitions are high. Sveaskog is actively working to achieve the goals of the 2030 Agenda and although we are working indirectly on all goals, we are currently focusing on goals 9, 11 and 12, which deal with sustainable industry, cities and communities and sustainable consumption.

A warmer climate increases the risk of fungal attack in nurseries. In a partnership between Svenska Skogsplanter business area and the Swedish University of Agricultural Sciences (SLU), research projects are underway to find alternatives to chemical control methods in order to prevent an increase in damage from fungal attack in the future. In 2019, we also decided to stop chemical control of pine weevils altogether. The decision applies to all deliveries with effect from spring

2020 and the decision was taken because we are able to offer an adequate alternative through Conniflex, which is an environmentally friendly protection that uses sand and glue to stop the beetle.

Dialogue with stakeholders

One of the major debates in Swedish forestry is the balance between different interests. For us as a state-owned company, it is important to set an example, both in nature conservation and by delivering a raw material of the highest quality in respect of the green transition. I say that we have been successful in managing this balancing act, but of course we can always do better. During the autumn we therefore conducted a comprehensive stakeholder dialogue around our sustainability work to find out more about what stakeholders think about the way we manage our sustainability work, with a focus on how we can successfully balance all economic, social and environmental interests. Looking at who the survey was sent to, you also understand how many stakeholders Sveaskog has: Sami villages, parliamentary parties, municipalities, nature tourism companies, researchers at universities, hunting and fishing organisations, other landowners, investors, nature conservation organisations and not least our customers and customers' customers. One in two respondents thought we were quite good or very good at achieving a balance between economic, social and environmental interests. In 2020, we will take a closer look at various measures in line with the areas highlighted by our stakeholders.

Our employees make a fantastic contribution

In 2020, we will also continue to work on our strategy, which includes asking ourselves what role we as a company should play in the future. One important issue is the supply of skills and how we manage to recruit new employees with the right skills around the country.

I am proud that Sveaskog is an important part of the overall value chain that is generating climate-smart products and growth in the bio-economy and thus contributing to the effort to respond to climate change. An important task for us is to determine how to use and manage our forests in the best way and contribute to climate transition. We want to be a leader in using and developing the role of the forest in the circular bio-economy. Our aim is to increase growth while fulfilling society's and our own environmental and sustainability goals for the forest.

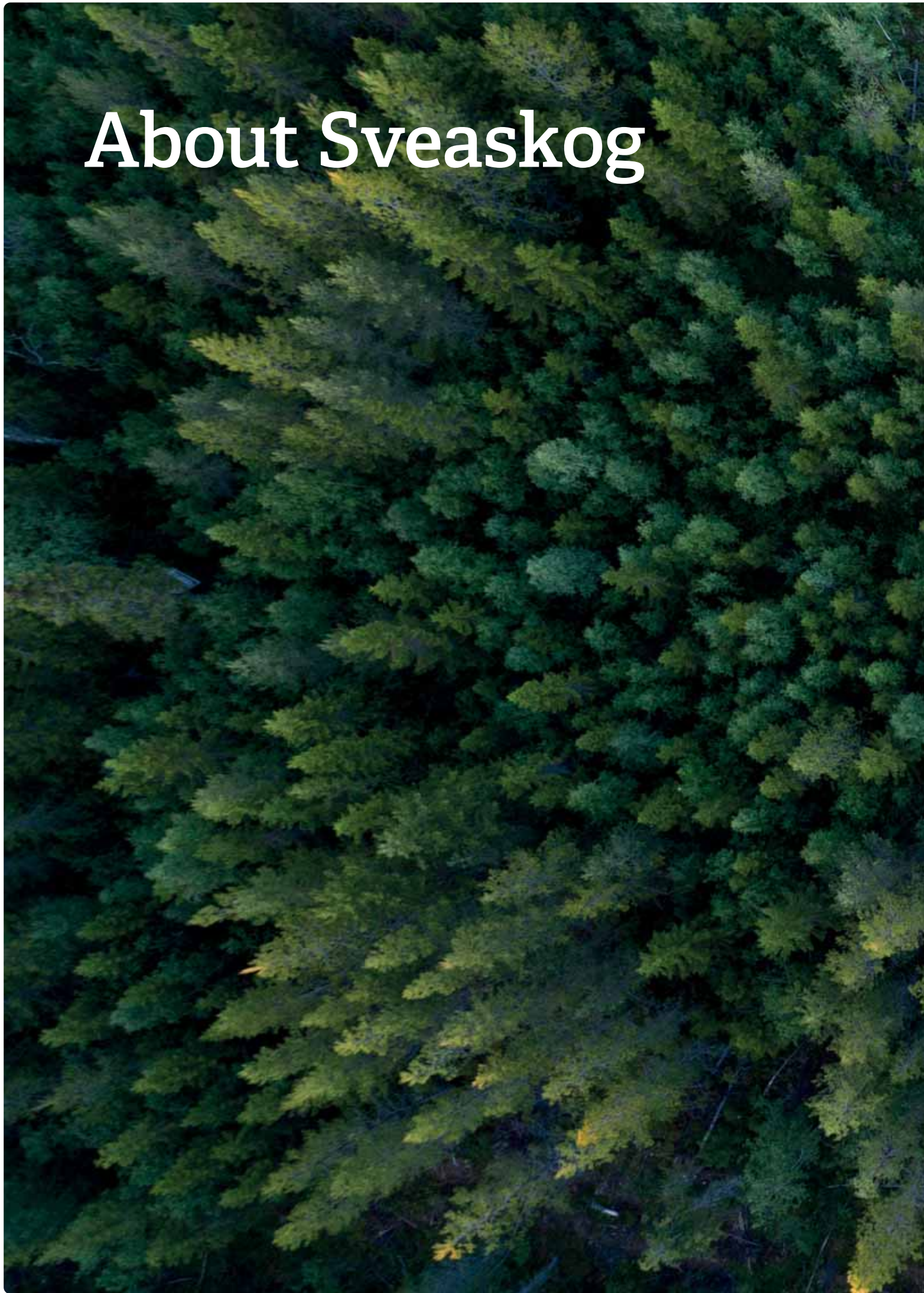
I am very much looking forward to our work in 2020 and would like to end by thanking you for the warm welcome I have received in my new role. An extra big thank you to all our employees who support the company and who deliver so much value every day. It is entirely thanks to their fine efforts every day that we can fulfil our mission and our goals.

Stockholm, March 2020



Hannele Arvonen
President and CEO

About Sveaskog





Trends and business environment

Green transition, wood as a material and bioeconomy

The Swedish forest has an important role to play in Sweden's transition towards a fossil-free society. For example, a wooden house can continue to bind the carbon that trees once absorbed for a long time. Additionally, residues from the forest and forest industry can be processed into raw materials and products that replace fossil-based products in everything from fuel to plastics and clothing. The potential is great, but even if the raw material is renewable, it is not infinite and a wise use of resources is imperative. Sveaskog is actively working on optimising the use of wood raw material in all stages of the business, but also to develop new uses for waste products from the forest.

Gender equality and diversity

A clear majority of those working in the forestry industry are men. Even though the proportion of women in the forestry industry and in training has increased, the industry is still grappling with remnants of an old-fashioned and outdated culture. The forest companies, including Sveaskog, are taking this very seriously and have introduced mandatory training involving discussion and reflection on norms and jargon, both at management level and for employees, and clear procedures for how individual cases should be handled and what the penalties might be. Gender equality and diversity are critical success factors for the industry in order to attract the right workforce today and in the future.

Biodiversity

In 2019, IPBES – the UN Intergovernmental Science-Policy Platform for Biodiversity and Ecosystem Services was published. The report indicates that between half a million and one million species of animals and plants could be threatened with extinction globally. The situation in some parts of the world is acute and action must be taken urgently. Although there are endangered species in Sweden, including lynx, long-legged frog and sea eagle, the situation is quite different in Sweden. We see that biodiversity in many areas is increasing, not least with regard to certain bird species. This is positive, but we should always strive to become better. The process of combining profitable forestry with the preservation of high conservation values and biodiversity is a critical success factor for us.



Digitisation and innovation

In forestry, too, digitisation is enabling completely new ways of working. An overview of the entire value chain from the forest to the customer and the end consumer results in increased and improved use of forest resources. We use the latest available technology, including drones, to study pest damage in forests, apps to measure stands, and X-ray methods to optimise the quality of end products for our customers. Technological development helps to optimise resource utilisation of our raw materials, and is therefore also an important factor in sustainability work.

World economy

The forest industry supplies goods to both Europe and the rest of the world. Changes in the world economy and geopolitical developments have a major impact on the Swedish forest industry and thus also on Sveaskog. In 2019, the international economy slowed down and the market situation of our customers deteriorated during the year. Regardless of market conditions, Sveaskog continued to focus on customer satisfaction, along with efficiency in our processes.

CO₂

Tailwind for wind power

We grant concessions for our land for sustainable electricity production using wind power. A large number of wind farms have come on stream in the last year and there are now 400 plants in operation on our land. Electricity production from the plants amounts to more than 3 TWh per year. Expansion is expected to continue at a high rate also in the coming years. In 2019, our wind power leases generated income of MSEK 65.

Climate change

Climate change as a result of emissions is one of the most important issues of our time and sustainable management of forests is a key factor in combating the greenhouse effect. Standing timber fulfils an important function through their carbon dioxide absorption and as Sweden's largest forest owner, Sveaskog has a responsibility to harness and develop the climate benefits of forests and forestry.

Skills supply and forest knowledge

Urbanisation means that forest knowledge in Swedish society is in danger of diminishing. A general challenge for the forest industry in the future is the relocation from the rural areas, which may mean that it will be more difficult to find employees where the forest is located.

Our ambition is to create a variety of jobs and associated offices where our forests are located, which in the case of Sveaskog also includes sparsely populated parts of northern Sweden. In 2019, we opened an office in Boden as part of our strategy to expand our local presence.

Transparency and dialogue – Partnership and cooperation

The forest touches and engages us. In 2019 we saw growing interest in the forest from different directions. There are many views and opinions on how and for what purpose the forest should be managed and used. Starting a constructive discussion on climate is an important issue for everyone involved in forest issues. At Sveaskog we maintain a very active dialogue with our stakeholders. In 2019, 276 formal consultations were carried out and we also conducted a large stakeholder dialogue with more than 200 stakeholders.

Recreation and health

It goes without saying that forests are important for many people's recreation. International research shows that proximity to nature and the ability to move around in nature may even be more important than previously thought, both in terms of physical and mental health. The extensive road network that Sveaskog is building to reach the forest where we work also creates a public benefit from a public health perspective by making more and more forests accessible. Sveaskog is Sweden's largest private road maintenance body with a road network of 43,000 km.

Stakeholders and materiality assessment

A company at the centre of society

The forest touches and engages us and Sveaskog's forestry affects many different groups. This applies to both forestry and nature conservation and how the work affects other industries, including reindeer husbandry and nature tourism and, of course, how felling affects biodiversity. The fact that we are a large landowner also affects several other stakeholders, including municipalities and sports clubs, as well as hunters and fishermen who are active on Sveaskog's land.

We therefore have an ongoing dialogue with our primary stakeholders and meet with them several times a year. In 2019, we had 276 formal meetings with Sami villages, county administrative boards, the Swedish Forest Agency

and other authorities (in 2018 the number was 267). In addition, there are meetings with customers, civil society and interest groups, representatives of the local community, including landowners and small businesses, and of course our owner, the state, but also the various political parties, locally as well as nationally.

Major stakeholder dialogue 2019

In 2019, our ambition was to expand the dialogue even further and we therefore conducted a large survey comprising a questionnaire for 247 stakeholders at the end of the year. The response rate was high, nearly 40%. This suggests a high level of engagement, which is appreciated by us. Six out of ten stakeholders take a positive view of Sveaskog and two out of ten are negatively disposed. One in two stakeholders believes that Sveaskog is good at balancing eco-

nomic, social and environmentally sustainable development and one in two thinks that Sveaskog is good at conducting an open and constructive dialogue with the interest group the stakeholder represents.

According to stakeholders, our most important areas are: "Role model in sustainable forestry", "More biodiversity" and "Research and development in the forest sector", which corresponds well with our own ambitions.

When we ask two opposing questions: "In which of the following areas do you think Sveaskog is a role model in the industry in terms of sustainable development?" and "Which of the following areas do you think are important for Sveaskog to work on to promote sustainable development?", we see a gap in several areas. There is a disparity between stakeholders' views on what we should be doing and how they perceive what we are actually doing. For example, 7% of stakeholders consider Sveaskog to be a role model in biodiversity, while 47% believe that it is important for us to work specifically on this area in order to achieve sustainable development. In order to create greater understanding of what we do, it is important that we report this in a clearer way.

Materiality assessment

Every year, Sveaskog performs a materiality assessment which lists the most important issues from a sustainability perspective. These are the sustainability issues that have the greatest impact on Sveaskog, but also issues that Sveaskog as a company is able to influence. In addition to the survey responses, stakeholders' views are based on a number of index measurements with in-depth questions addressed to different groups: employees, customers and local organisations. The views of stakeholders are then compiled and the various issues discussed in Sveaskog's internal sustainability council and in Sveaskog's Group management.

The areas with the highest overall ranking in the resulting assessment are: *More biodiversity and raw*

” According to stakeholders, our most important areas are: "Role model in sustainable forestry", "More biodiversity" and "Research and development in the forest sector".

Consultation

Those who plan our felling also conduct consultations and dialogue meetings on consideration for nature and we have clear guidelines on how to take outdoor activities and recreation into consideration in felling. Therefore, separate dialogues are being conducted with relevant stakeholders, such as municipalities, private individuals, non-profit associations such as community associations, nature conservation organisations, sports clubs or nature tourism entrepreneurs.

After identifying the relevant parties, we inform them about planned actions and invite them to meet with us for discussion. When a number of stakeholders are involved, we refer to it as consultation. In order to ensure that the outcome corresponds to what was agreed by us and our stakeholders, the person who conducted the dialogue is responsible for the design of planning and follow-up of execution. Possible measures to give more consideration to forests for outdoor activities and rest areas may include selective felling methods, mosaic felling, different types of screens, shared felling on time and avoiding ground preparation in sensitive areas, especially with regard to outdoor activities.



material for sustainable transition. This refers to harnessing of the climate benefits of the forest and protection of biodiversity, as well as the possibilities of wood raw materials being used as a substitute for materials from fossil sources. Research and development of renewable energy systems and bio-based materials and the importance thereof is highlighted by both customers and representatives of industry and education.

Climate issues such as increased carbon sequestration, carbon storage and climate adaptation are very pressing issues for most stakeholder groups, which also reflects the importance of the climate challenge in society and public debate. Other major issues concern social aspects such as working environment and health, as well as gender equality and diversity where Sveaskog is expected to set an

example. Contributing to a living countryside by providing jobs is of course important for our contractors, who also want to see a focus on skills issues. This includes the importance of game management in relation to local hunting teams to deal with elk grazing damage.

During the year, Sveaskog also began to step up efforts to find ways to measure biodiversity, an issue raised by environmental organisations and also by customers and industry. Sveaskog's felling also has an impact on areas that are important for the reindeer industry. Both forestry and the reindeer industry will remain active on the same land in the future and therefore a functioning coexistence is of great importance. Great value is placed on this area by both the reindeer industry and representatives from environmental organisations and the local community.

Materiality assessment, aggregate level



The forest – a fantastic resource



Hiking

Fishing

Hunting

Forest baths

Birdwatching

Skiing



Mushroom picking

Bottles

Bottles made from recycled paper are already a reality today.

Packaging

Plastic food packaging is a major environmental villain. Intensive development work is underway to replace plastic packaging with climate-smart alternatives based on wood.

Bulletproof vests

Nanocellulose is a material derived from the forest and is as strong as kevlar, that is, five times stronger than steel. Nanocellulose can be turned into bicycle helmets, bulletproof vests and car chassis.

Clothes

Clothes have been made from forest fibres for a long time, but now there is technology to produce soft, recyclable fabric made of wood.

Batteries

Swedish researchers are currently looking at how lignin can store electricity. Lignin accounts for around a quarter of the content of a tree.

Fuel

Pine oil-based diesel is mixed into fossil-based fuels to reduce carbon dioxide emissions.

Furniture

Wood is one of the most widely used materials in furniture manufacturing.

Tools

Axes and other tools have been partly made of wood since ancient times – and many are still being made from it.

Heating oil

Crude pine oil can be used as a substitute for fossil heating oil as fuel in boilers.

Cosmetics

Make up from the forest – yes, really! Today some make up products use moisturising agents from the forest.

Wood

One of most important uses of the tree. Wood becomes doors, windows, kitchen cabinets, bookshelves, cottages, patios... and many other things that we humans use, indoors and out.

Wrap

Plastic-like biomaterials already exist, but intensive research is being carried out on developing biomaterials from the forest. In the future, there will be degradable plastic wrap made from materials from trees.

Toilet paper

Wood provides pulp, which in turn is made into toilet paper, among other things.

Chips

Cellulose chips from pulpwood are used in the production of paper-making pulp.

Firewood

An open fire has provided warmth, light and cooking facilities since time immemorial.

Toys

Toys are not just plastic. Many toys are still made of wood.

Batteries

Swedish researchers are currently looking at how lignin can store electricity. Lignin accounts for around a quarter of the content of a tree.

Newspapers

Magazines and newspapers are made from paper pulp, which in turn comes from trees.

Climate-smart houses

Wood for houses is a large and important area of use as it offers a good indoor climate and is climate-smart.

3D material

Nanocellulose made from tree branches and tops can be used as a bio-based material for 3D printing of degradable products.

Fish pellets

It is now possible to extract protein from the branches and tops of trees and this can then become climate-friendly fish food.

Packaging

The pulp from trees is turned into a number of important paper products, including packaging for industry and for private individuals.

Musical instruments

Violins, cello and double bass are some of the instruments that are made of wood.

Matches

Aspen is used for making matches.

Chemicals

The chemical compounds found in trees can be used in products such as paints, varnish and glue. They can also improve the anticorrosive properties of paints and prolong the shelf life of food or detergents.

Translucent wood

Swedish researchers have recently invented a translucent wood material that can be used in the manufacture of solar cells and building panels.

Artificial grass pitches

Tree branches and tops are processed for use in artificial grass pitches and bioplastics.

Medicines

There are many chemical compounds in the trees' cellulose that can be used as constituent parts in the manufacture of medications and care materials.

Picnics



Kayaking

Ecotourism

Camping

Running

Walking



Berry picking

From seedling to climate-smart buildings

Sveaskog is Sweden's largest forest owner with around 14% of the productive forest land in Sweden. Our most important mission is to manage the and tend to the forest for a sustainable future.

Ground preparation

Before planting, the soil is usually prepared through ground preparation.

Regeneration

Pine and spruce are the dominant tree species, but in some cases we also plant broad-leaved trees. Planting is the most common method of regeneration, but seed sowing or natural regeneration is also used to some extent. For every tree fell, three new plants are planted. A pine plant in the north grows at around half the rate of plants in southern Sweden.

Wood raw material in the green transition

Because of its many areas of use and development, renewable wood raw material is an important piece of the puzzle in the green transition to a circular bioeconomy.

Chemical-free plant protection

Svenska Skogsplantor, a business area within Sveaskog, is Sweden's largest supplier of plants to forest owners. In addition to plant production, Svenska Skogsplantor has developed the chemical-free pine weevil plant protection Conniflex, which consists of sand and water-based glue.

FSC-certified forestry

All our forest is FSC® certified - a guarantee that we manage our forests responsibly. We also require all our suppliers to comply with transparency and traceability requirements. FSC® is an independent international organisation for certification of responsible forestry. The aim is for forests to be managed responsibly, both environmentally, socially and economically.
FSC®-C008344

Cleaning

Cleaning is an important silvicultural measure which improves the quality and value of the forest. Efficient cleaning is used to control the development of forest stands and create space for optimal development of the best stems.

Thinning

Thinning is the most important action that can be performed in the forest. By removing weak and damaged trees in order to promote growth of stems of good quality, a valuable stand is created.

14% of forest

Sveaskog owns 14% of the productive forest in Sweden, or around 3 million hectares. Every year, we regenerate or thin 40,000-50,000 hectares. At the same time, the growth of our forests are at a faster rate than we fell because regeneration exceeds extractions.

Innovation

Products from the forest can replace plastics and fossil fuels. Sveaskog is involved in developing fuels of the future through the companies SunPine and SunCarbon. In 2019, our associate Setra set up a plant for pyrolysis oil, which is a basis for biofuels.



Community builders

We are present where the forest is and create jobs for the rural areas. In addition to jobs, we create important infrastructure. We are Sweden's largest road management company with more than 40,000 km of road. We also make a significant contribution to welfare – in 2019, more than SEK 1.1 billion was returned to the state.

Regeneration felling

Regeneration felling, felling or final felling are the measures in forestry that generate the greatest income.

Gentle forestry

In our forestry we take into consideration conservation values, outdoor activities and cultural environments. In 2019 these considerations were 98 per cent successful – the same high level as in 2018.

Home to game

It is important to have a game stock that is in balance with availability of feed in order to keep grazing damage to pine plants at an acceptable level. Sveaskog sells hunting and fishing licenses and leases hunting grounds to hunting teams worth around SEK 80 million per year.



Customer focus

Forest is a raw material that takes its time. This means our responsibility to our customers must also be long-term and sustainable. Sveaskog works together with a number of Sweden's largest wood and pulp industries to guarantee that they will receive a constant and long-term flow of raw material - both from the company's own forests and via purchases from smaller, private forest owners.

Ecoparks

Sveaskog owns and manages 37 ecoparks - from Raslängen's beech forests in the borders between Blekinge and Skåne to Naakaavaara's unspoilt wilderness between Pajala and Kiruna. Together they cover 175,000 hectares. Some ecoparks are completely set aside for nature conservation, but in others we undertake sustainable forestry; however, never on more than 50% of the land.

Climate-smart houses

As the population increases, so does demand for wood raw material - by 2025, approximately 250,000 new homes need to be built. Our annual forest growth corresponds to approximately 275,000 wooden houses.



Sveaskog has many committed stakeholders and their views on which areas are most important to Sveaskog in terms of promoting sustainable development differ from one stakeholder to another. This is what the stakeholders have to say:

” Customer:
Sveaskog should reinforce the message that active management of the forest not only enables absorption of CO₂, but also provides an opportunity to produce products that can replace products that are currently based on fossil raw materials.”

” Think tanks:
Take responsibility for biodiversity and the climate issue, and let this guide you when you engage in public debate.”

” Sami villages:
Sveaskog must take responsibility for the conditions of the Sami reindeer industry and respect traditional knowledge in land use. In particular, land use in coexistence is something that the company should focus on.”

“As a state-owned forestry company, extra consideration should be given to long-term sustainable forestry and more consideration given to the local population in sparsely populated areas and Sami reindeer industry.”

” Other state-owned companies:
Sveaskog must illustrate the values of the forest, both as raw material and as living forest, and protect them.”

” Investors:
You must not make mistakes, you must always perform better than expected and you must take concrete action.”

” Politicians:
Sveaskog must promote sustainable development by being part of the climate change transition, both through timber production and by safeguarding biodiversity.”

” Contractor:
Sveaskog must try to get the younger generation interested in forestry. Contractors like us need to have access to labour willing to work for us.”

” Nature conservation organisation:
Openness and transparency towards stakeholders and the general public is important. Sveaskog must be at the forefront of alternative forms of forestry in matters relating to consideration for nature and green infrastructure.”

“Forest utilisation must take place within the boundaries of nature. In concrete terms, this means that objectives relating to biodiversity, ecosystem services (e.g. carbon absorption) must set boundaries for forestry systems and their application.”

” Supplier:
Take active measures to stop game grazing damage”
“An important issue to consider is: What and how will we replant in the future in view of climate change.”

” Research/Universities:
Sveaskog should focus on production issues in forestry, but also set aside areas for nature conservation purposes.”

“Increased participation in the discussion on production versus the environment. The company should act in a way that shows how to balance the two issues. Be a good example.”

We listen to our stakeholders

Every stakeholder is important to Sveaskog and we have a responsibility towards everyone. But sometimes opinions diverge; for example, whether we should make more or less use of the forest, and also about how forest management should be carried out. Opinions also differ on which issues are most important for Sveaskog's. Recurring comments are that Sveaskog should set an example in sustainable forestry, safeguard the supply of raw materials to contribute to sustainable transition and work for the preservation of biodiversity. These are

issues highlighted by most stakeholder groups. The Sami villages highlight the importance of working with the rights of indigenous peoples and coexistence on the land. An important task for Sveaskog is to contribute to a good balance between utilisation and conservation. In addition to all stakeholders agreeing that Sveaskog should be a role model, they also consider active and transparent communication to be important. Several stakeholder groups also focus on the issue of gender equality.

Sample activities and initiatives:

Research and development and raw material for the renewable transition

- A number of projects are underway relating to renewable transition, such as SunCarbon, which is looking to make fuel from the residue lignin.
- Climate-adapted forestry is a multi-layered issue; in addition to safeguarding raw material for sustainable transition, it is also a matter of using the forest in as climate-smart a way as possible, minimising damage from e.g. spruce bark beetles, as well as dealing with the issue of: "What does a changing climate mean for forestry".

Gender equality and diversity

- Measures relating to gender equality and diversity are an important issue for society and, not least, a relevant and critical success factor for the forest industry. Sveaskog is expanding and now intensifying its collaboration with universities and colleges and other external stakeholders. Gender equality in industry and the workplace is a prerequisite for remaining an attractive employer.

Coexistence with others on our land linked to the rights of indigenous peoples

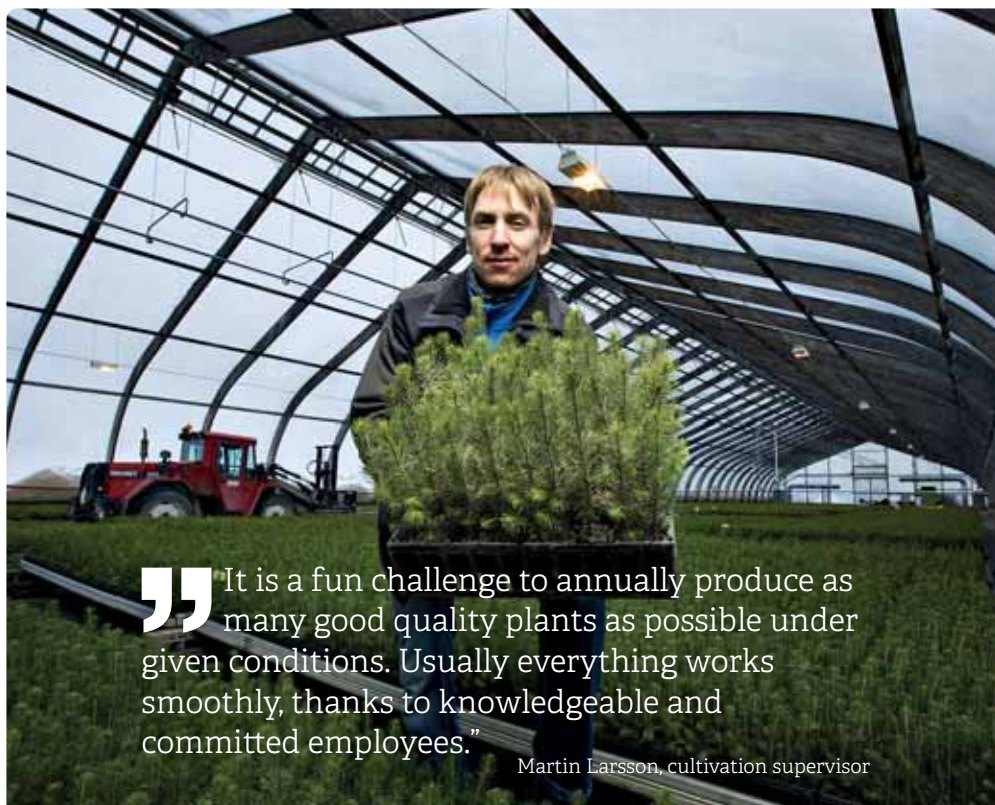
- We conduct around 300 consultations a year, of which around 150 are with the reindeer industry. Those that are most productive are the consultations carried out in the field. We must steer development towards more consultations involving dialogue and follow-up in the field.

Biodiversity and illustration of forest values – both as raw material and as living forest – and safeguarding of these values, in order to maximise sustainable value creation today and in the long term.

- We use a model called IP&L, which means that we measure the company's values and impact in these areas: financial, social, human and natural capital. In 2020, we will develop the model by working with researchers and environmental organisations to develop a step to measure biodiversity too.
- In 2020, we will commence cooperation with Järvzoo Animal Park and the Swedish Environmental Protection Agency on a project focusing on the white-backed woodpecker. The objective is to contribute to the breeding and resettlement of white-backed woodpeckers. The white-backed woodpecker is a so-called umbrella species; by taking measures for its conservation, other sensitive species are also protected.

Openness and transparency

- We must work to ensure that dialogue replaces debate and polarisation by actively seeking relationships that generate insight, knowledge and commitment. We must also take communicative measures to increase knowledge and understanding of our activities and work.



“It is a fun challenge to annually produce as many good quality plants as possible under given conditions. Usually everything works smoothly, thanks to knowledgeable and committed employees.”

Martin Larsson, cultivation supervisor



Menna Gilbertsson, legal adviser.
"There are few workplaces that offer the breadth of legal tasks that Sveaskog does. Legal review of beaver dam one day, contract negotiations worth millions of Swedish krona the next. I have so much fun almost all the time!"



Leif Risberg, timber buyer.
"Working with the team to create added value for property owners makes the work varied and a lot of fun!"

Many different professional roles at Sveaskog

In 2019, we had 807 employees and there are many different types of occupations at Sveaskog. The different categories also illustrate modern forestry and the ambitious nature conservation work Sveaskog is performing.

The jobs range from more traditional forestry occupations to employees who work with the latest technology and various support functions such as legal affairs, communications and HR. On these pages you will meet some of the employees at Sveaskog.



Ida-Maria Rigoll, Site Manager at Mörrum Kronolaxfiske salmon fishery.
"What is most fun about my job as site manager in Mörrum is the variety of the work. Managing a watercourse which is also a major visitor destination is a constant balancing act. However, to be able to work with something that means so much to so many people is a bonus."



“Hunting and fishing are a big and important part of many people's lives, identity and our common history. In my job, I make this possible through concessions for our land and waterways. The challenge lies in managing game to secure future sustainable forestry.”

Anna-Maria Rautio, Hunting and Big Game Manager



Anna Malmqvist, Account Manager. "I have the privilege of meeting our customers. The fun part is developing our cooperation together with customers so that we both can improve."



“We have a certain amount of freedom to solve any problems that arise ourselves, within set boundaries, which makes the work an interesting challenge.”

Sören Ekenberg and
Bengt Ekenberg, machine operators



“I am fortunate that I am able to work with something that I am passionate about, the nature conservation issues are many and varied, and I also get to work with colleagues all over the country. I do everything from GIS analyses to coordinating investment projects. It really is the case that no two days are the same.”

Malin Norderman, Nature Conservation Specialist



“As area manager in Vindeln, I am one of four people responsible for the management of Sveaskog's holdings within TEAM Vindeln's borders. A large part of the work involves felling planning in the field. The rest of the work consists of everything that makes it possible for us to be able to utilise our forests in the long term. This involves everything from Sami consultations to breaking ground for new roads.”

Erik Thelberg, Area Manager

Strategic direction

Sveaskog's vision is to "Lead the way to a sustainable society." This vision is embodied in five overarching goals and should be achieved by balancing and unifying economically, socially and environmentally sustainable development. Sveaskog has therefore fully integrated sustainable business into its business strategy and business plan development.



The most profitable forestry company in the short and long term

Sveaskog sells sawlogs, pulpwood and biofuel to customers throughout the country and designs and plans products and deliveries based on customers' needs. Volumes from own forests, prices of products and efficiency of operations and administration are the most important factors in terms of profitability. Good profitability creates scope for continuing to develop the business. The further processing of forest assets through purchases and sales, as well as exchanges of forest land, is another means of safeguarding good, long-term value development.

Increase growth and volume of timber extractions from our own forests

Work is underway in the company on a broad effort to increase growth in the forest. The measures include improvements and development of forest management and the use of processed forest plants. Efforts to reduce damage such as elk grazing damage and spruce bark beetle infestations are also important for growth.

Increase other revenue

Increased use of both wood and woodland contributes to a larger business in the long term. Sveaskog is therefore participating in various projects and activities aimed at creating new uses for raw

materials from the forest and for forest land. Biofuels from forest industry residues are an important development area that is significant for the green transition.

Results

Sveaskog delivered record results for the second year running. A declining but still good good market situation has led to high prices for Sveaskog's products.



The first choice for employees and contractors

Sveaskog is actively working to attract new employees with new skills and the company wants to be an attractive employer. Motivated and committed employees with the relevant skills are a prerequisite for operating a successful business.

Good contractors are a critical success factor. In order to be able to attract the most committed and knowledgeable contractors, our goal is for contractors to regard Sveaskog as their first choice.

Develop leadership and employeeship

Forestry is a future industry. Sveaskog provides many different jobs throughout Sweden and is continuously working on developing both employeeship and leadership. Gender equality and increased diversity are areas that are important for being able to secure skills supply and continue to develop our operations. A challenge for the forestry industry in the future is urbanisation, which may make it more difficult to recruit in certain locations.

Customers' foremost and most knowledgeable partner

Satisfied and profitable customers are a very important factor for Sveaskog's profitability and a prerequisite for value creation in sustainable business. Sveaskog is therefore keen to have long-term business relationships and be a secure supplier.

Efforts to develop customer relations form part of our day-to-day work and among other things involve the employees developing the business and business model together with customers.

The right quantity and quality

Sveaskog carries out felling in more than 10,000 locations every year, and wood of different tree species, quality, length and diameter is matched to the right customer. In order to meet customers' needs, Sveaskog can also supplement the raw material from its own forest with purchases from other forest owners in Sweden or abroad. The most important thing for customers is deliveries of the right quantity and quality at the right time at the right price.



Results

The most recent customer survey was conducted in 2018 and showed high and stable Customer Satisfaction Index values. The values were higher for sawmill customers than for pulpwood and biofuel customers respectively. Delivery quality and the availability and skills of Sveaskog's account managers were specifically mentioned.

A leader in innovation and efficiency

Innovation and development work focuses on projects that will increase production and productivity in forestry, reduce environmental impact or create new uses for wood raw materials and forest land.

Innovation is central to safeguarding Sveaskog's sustainable development and the company is involved in innovation efforts in different parts of the business in order to update existing products and services and develop new ones. In many cases, this is taking place in collaboration with other parties, such as researchers, customers or other stakeholders.

Another important part of the development work is to make better use of the entire value of timber. Preparation of sawlogs has changed from being standardised to now being customised according to each customer's requirements, which increases value added.

Increase production efficiency and administrative efficiency

Digitisation and new technology are important if all parts of the business are to be developed, and tools for cost-effectiveness. Digital technologies are used in many different contexts, for example to improve planning of forest management and also in conjunction with other new technologies to map pest attacks. Sveaskog is also working together with its contractors to develop their activities. In Svenska Skogsplanter, the focus is on increasing production volume and expanding the business to the rest of the Nordic region.



Results

In order to evaluate the overall efficiency improvements, the change in operating profit/loss from continuing operations across two years is measured, per unit of volume and at fixed prices. The target is an improvement of at least two per cent per year. In 2019, the target was not met, mainly due to increased investments in the field of forest management.

A leader in sustainable forestry

Sveaskog's definition of sustainable forestry is "active, profitable and responsible utilisation of forests and forest land in a way that continuously creates growth, diversity and increased value for generations".

The goal of being a leader in sustainable forestry means that silviculture must optimise forest growth while simultaneously ensuring biodiversity and other environmental and social values. Sveaskog's nature conservation work comprises everything from landscape planning to trees and clumps of trees. The measures involve both leaving areas untouched but especially important are active measures to increase conservation values. Sveaskog sets aside approximately 20% of productive forest land below the montane forest boundary for nature conservation purposes.

In order to be able to work and create value, both Sveaskog and the forest industry need to enjoy a high level of trust among the public, customers and employees. The company is therefore actively involved in society and participates in industry initiatives that are aimed at ensuring that the public feels confident that forests are being managed responsibly and for the pub-

lic good. Good ethics is a prerequisite for building trust and a strong brand. Sveaskog's ambition is to be a leader in sustainable forestry and the company has historically been among the fore-runners in several different areas linked to the environment and sustainability. Read more about this on the timeline on pages 4-5.



Results

Sveaskog measures its impact on the environment annually in connection with felling. This includes measurement of driving damage, nature conservation trees and environmental consideration areas. The target is to manage 99% without much impact on the environment. In 2019, Sveaskog succeeded in attaining 98% (98).

Results

In terms of the goal of achieving a more balanced gender distribution where at least 30% of the company's workforce comprises women, things are moving in the right direction, albeit relatively slowly. This is due to low staff turnover because many people stay with the company for a long time. The Leadership Index improved, while the Motivated Employee Index declined in the latest survey. Through strong focus on leadership development and employee-ship, we are taking measures to achieve high and stable values. The Contractor Index was last measured in a survey in 2018, when it showed a decline. We interpreted the decline as being due to the underlying problem of our contractors to recruit and retain staff, and the need for stable business conditions. Sveaskog is continuously working on developing dialogue and cooperation, including the introduction in 2019 of a new contractor strategy aimed at safeguarding good access to contractors and good conditions for their business activities.

1



Forest and climate

The Swedish forest is important for Sweden to achieve the goal of becoming the world's first fossil-free welfare country. As the forest grows, it contributes to large sequestration of carbon dioxide. Forest products can be used to replace fossil resources and thus reduce climate impact. When we build with wood, the carbon is stored in society for several decades. Sveaskog wants to be a leader in harnessing and developing the forest's climate benefit.

Sweden's forests grow and absorb more carbon dioxide than they emit. This is why the forest is a carbon sink. Since the early 20th century, stocks of standing timber in the Swedish forests have doubled, while extraction of wood raw material has also doubled. There are different perceptions in society about the climate benefits of managed and virgin forest respectively. Our opinion is that active silviculture measures carried out at the right time allow Sveaskog to safeguard high growth and thus high carbon dioxide absorption. Because felling carried out by Sveaskog is significantly outweighed by annual growth, this means that carbon stocks in standing timber are constantly increasing. In 2019, carbon stocks in Sveaskog's forests increased by an amount corresponding to 6 million tonnes of carbon dioxide.

In managed forests, an additional factor must be taken into account in the carbon balance – harvesting of trees. By extracting part of net growth as wood raw material, some of the forest's carbon stocks are transferred into the community in the form of various forest products. For example, a wooden house can continue to bind the carbon that trees once absorbed for more than a hundred years. When wood raw material is used to replace fossil resources, a substitution effect also occurs. This occurs, for example, when paper packaging replaces plastic, metal or glass, when bio-

fuels replace fossil diesel and when wood frames replace building materials such as concrete and steel. The wood raw material that Sveaskog has harvested during the year from its own forests has thus contributed to almost 4¹ million tonnes of carbon dioxide from fossil sources being stored for a long time instead of being released into the atmosphere.

1. Lundmark, et al., 2014

New climate goals

The forestry industry is dependent on heavy transport where there are usually no alternatives to lorries. Transport accounts for half of the CO₂ emissions generated by Sveaskog. Every year, 290,000 lorry journeys are made, equivalent to two laps around the world every day. Reducing climate impact is therefore a top priority for Sveaskog and we therefore use fuels with a large mix of renewable fuels, streamlined transport logistics, and we also participate in experiments with lorries that can carry larger volumes, which means fewer journeys and lower emissions. We are replacing oil boilers with pellet boilers in Svenska Skogsplanter's greenhouses. The target is to reduce CO₂ emissions by 30% by 2020 compared with 2010. We have also started working on setting even more ambitious climate targets by 2030. By year-end 2019, we had achieved a reduction of 23%.

Biodiversity

Sveaskog's ambition is to increase biodiversity while simultaneously increasing growth in the forest.

Forestry has an impact on biodiversity, but it has not been possible to make a monetary assessment of biodiversity within the framework of the Integrated Profit and Loss analysis. We have now started working on developing a model to measure and follow up biodiversity that has a relevant and scientific basis. This will

give us a reference point for how biodiversity develops and is impacted by our actions going forward.

This work will also provide us with a nuanced picture of the state of the forest environment on our land, giving us a starting point for monitoring.

Biodiversity is also an area that several of our stakeholders have highlighted as a priority issue for Sveaskog.

2030 Agenda

Sveaskog's activities and value creation contribute to the 17 sustainability goals of the UN 2030 Agenda for Sustainable Development. According to the government's action plan for the 2030 Agenda, Sweden should be a leader in the implementation of the agenda with a transition both at home and in the global system. Sveaskog is taking active measures to achieve these goals and although we work indirectly on all goals, we have identified some goals where our contribution will be most relevant. Sveaskog has also carried out an analysis of the company's value creation and the added value generated by the business and forest assets.

Five goals where Sveaskog has strong strategies



Goal 5: Achieve gender equality and the empowerment of all women and girls

With increased gender equality and diversity, the recruitment base is broadened and future skills provision improved. Relevant target 5.5. "Ensure full participation of women in leadership and decision-making". See pages 34-35 for more information about our work on gender equality and diversity.



Goal 7: Sustainable energy for all

Sveaskog produces biofuel that provides renewable energy from the forest, grants concessions for renewable electricity generation in the form of wind power and is an active contributor to the production of pine oil-based diesel, which is a component of renewable diesel. Relevant target 7.2. "Increase the share of renewable energy in the world". See page 31 for more information about our Biofuel range.



Goal 8: Decent work and economic growth

Sveaskog's activities contribute to a living countryside and economic growth outside the big cities. The skills of contractors are important for Sveaskog's ability to create efficient processes and satisfied customers. Relevant target 8.8. "Protect labour rights and promote a safe and secure working environment for all". See page 39 for more information about our work on a new contractor strategy.



Goal 13: Combat climate change

The forest absorbs carbon dioxide, and standing timber absorbs most of it. Sveaskog is actively working to reduce dependence on fossil energy sources and has set goals and action plans to reduce its own carbon dioxide emissions. Relevant target 13.2. "Integrate climate change measures into policy and plan-

ning". See page 22 for more information about the forest and climate.



Goal 15: Ecosystems and biodiversity

Sveaskog's goal is to combine profitable forestry with ambitious nature conservation work to reduce the negative impact of forestry on ecosystems. Relevant target 15.2. "Promote sustainable forest forestry, halt deforestation and restore degraded forests". See pages 26-27 for more information about our nature conservation work.

Three important goals to which Sveaskog is contributing



Goal 9: Sustainable industry, innovation and infrastructure

Sveaskog's priority is to participate in research and development in order to contribute to new innovative solutions based on wood raw material to phase out the use of fossil oil and reduce carbon dioxide emissions. See pages 40-41 for more information about our work on innovation and development.



Goal 11: Sustainable cities and communities

The development towards building with wood is progressing rapidly and it is possible to build both larger and higher. We have identified partnerships in wood construction as a potential focus area for the development of a sustainable value chain. See page 30 for more information about our sawlogs range.



Goal 12: Responsible consumption and production

Sveaskog's analysis of multidimensional value creation provides insights into negative and positive impacts from the business, and acts as a tool for further streamlined timber production with higher positive impact and increased climate benefit. See pages 24-25 for more information about our methods for measuring all forest values.

Combining business and sustainability benefits

Sveaskog has large opportunities for combining sustainability benefits with business benefits because our business involves built-in double value creation. Thanks to the forest's positive ability to capture carbon dioxide and because the products created by customers from our raw material are renewable, we contribute to sustainable development and the green transition of society. Thanks to this value creation, Sveaskog is in a position to develop its business strategy into an even more sustainable business strategy.

All the values of the forest in a sustainable

Hidden added value in the value chain

In a value chain from forest to customer, values are created in the company's own operations, and the company's sales generate a financial gain. But through forest ownership and forest management, other values are also created. Sveaskog uses the IP&L method, see fact box below, to measure and account for hidden values that exist but which have not previously been measured, such as recreation. Sveaskog's standing timber also binds large amounts of carbon dioxide and has a regulatory effect on the water cycle.

Our core business is to carry out forestry and trading in wood raw material. This generates direct values in our own business (see foldout), a net profit, but also indirect added value – previously hidden values that we were aware of but were unable to measure in figures.

In 2018, Sveaskog launched calculations of these previously hidden values which showed generated added value of approximately SEK 12 billion per year.

Social capital

Our network of forest roads makes forests accessible to the public – for recreation and outdoor activities. Our forest roads also facilitate rapid action in emergencies, for example, fire-fighting – a great value for society. Social capital includes the value of hunting, fishing, berry picking and recreation on our land.

Natural capital – water management

Forests have a very important role to play in the water cycle through precipitation uptake, the water-holding properties of the forest ground and the contribution to groundwater. We have valued this in the IP&L model.

Natural capital – biological diversity

Biological diversity is not yet factored into the calculation. During the year, we started work on developing indicators for measuring and following up on our biological diversity work.

Natural capital – Carbon sequestration

Our standing timber binds carbon dioxide and products from wood raw material can be used to replace materials from fossil sources. In this way, the forest is used as an important piece of the puzzle in the climate challenge.

The more the forest grows, the greater the carbon dioxide uptake. Carbon dioxide sequestration over time is therefore greatest in managed forests. In older forests, the absorption of carbon dioxide and the climate benefits are reduced, at the same time as old forest represents an unreliable carbon stock because it is vulnerable to, for example, pest attacks or fires. The value of carbon dioxide sequestration is calculated within IP&L in accordance with internationally accepted models.

Human capital

Sveaskog generates values for its employees in the form of e.g. education, skills development, wellness and pension provisions; values that belong to the individual and are not visible in the income statement.

Financial capital

In addition to the company's dividend to the owner – the state – Sveaskog contributes to GDP through taxes, interest and salaries to employees.

Fact box on the calculation of all values of the forest

The <IP&L>™ evaluation model involves holistic and integrated evaluation in monetary terms of the company's impact and value creation through four different types of capital. The model was developed by the internationally renowned sustainability economist Pavan Sukhdev and his team GIST Advisory. The four types of capital are Financial, Social, Human and Natural Capital, and the result is an illustration of the company's overall positive and negative impact. The values are based on data from 2016 in addition to financial capital, which is the figure for 2019.

The methodology, IP&L™, highlights the company's value added in terms of ecosystem services and public benefit, in addition to the economic value of timber production.

It comprises the company's various types of impact and contributions in areas related to climate and water as well as land use and social values.

The calculation also includes negative impacts such as the greenhouse gas emissions generated by the operations. The analysis is described in further detail in Note S2. The value of biodiversity has not been evaluated within the framework of IP&L – during the year we started work on measuring and evaluating our nature conservation work with regard to biodiversity.

value chain

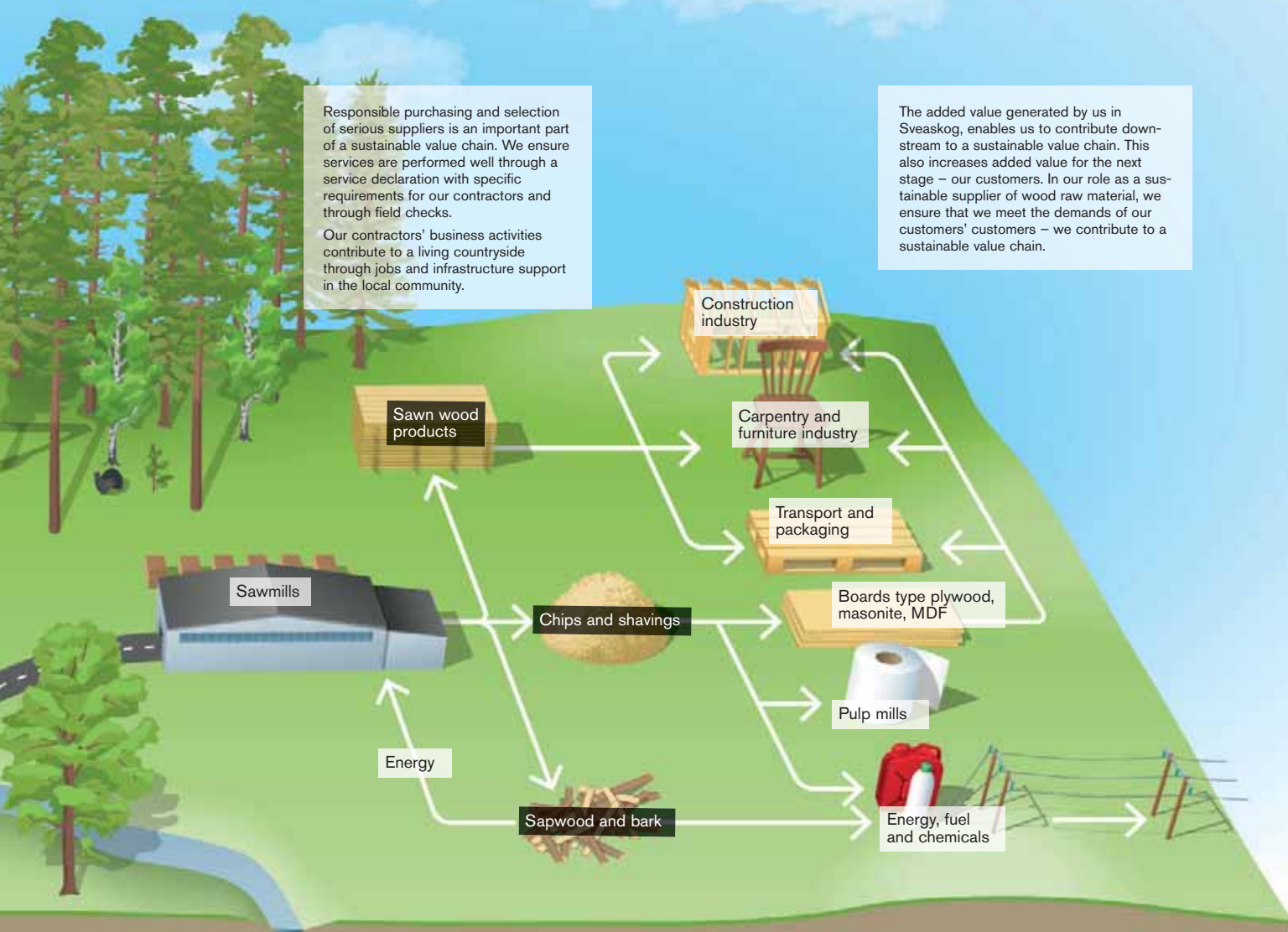
The financial values of the value chain

The things that create value through forestry create value for customers and society. The renewable raw material from the forest is processed by our customers. Primarily sawlogs, which are the most valuable part of the tree. Other parts of the tree are used in the pulp and paper industry, while residues from forestry and from the forest industry are further processed into biofuels, chemicals and new innovative materials and uses, see pages 16-17 (outside of foldout). The whole tree is thus used for different purposes. In this way, we contribute to strengthening the sustainability of the value chain, from raw material to end consumer.

Responsible purchasing and selection of serious suppliers is an important part of a sustainable value chain. We ensure services are performed well through a service declaration with specific requirements for our contractors and through field checks.

Our contractors' business activities contribute to a living countryside through jobs and infrastructure support in the local community.

The added value generated by us in Sveaskog, enables us to contribute downstream to a sustainable value chain. This also increases added value for the next stage – our customers. In our role as a sustainable supplier of wood raw material, we ensure that we meet the demands of our customers' customers – we contribute to a sustainable value chain.



Multidimensional value creation, net¹



1) The financial capital figure is for 2019, for other capital the figures are from 2016.

We have high ambitions for nature conservation

Sveaskog combines profitable forestry with the preservation of high conservation values. Already in 2002, we decided to make long-term nature conservation set-asides corresponding to 20% of the productive forest land. In our nature conservation work we use three different strategies with different geographical scales: Ecoparks, High Conservation Value Forests and Consideration for nature in the productive forest. On these pages we describe the various tools.

Environmental consideration areas left behind in productive forests

Every year we perform felling in several thousand locations around Sweden. In all cases, conservation value inventories are made before felling in order to take necessary consideration measures to preserve threatened environments and species and these inventories are available on sveaskog.se since 2018. The purpose of these is to find ecologically important structures and elements. It is relatively common for the inventory to show that there are small areas with high conservation values in the forest. In these cases, Sveaskog ensures that the substrates required by the species are present both within set-aside areas and within the environmental consideration areas left untouched during felling. These areas might include small forest areas containing dead wood, old, thick trees or waterways. In this way, sustainable forestry and valuable structures, substrates and environments can exist together in the same forest also in the future.

Bogs and other so-called impediments are not utilised at all.

Whenever we carry out felling or cleaning, we leave behind important environments for plants and animals. These areas may include biotopes requiring consideration, edge zones along water and bogs or individual trees, tree stands and high stumps.

Set-aside 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 all over the country. In the north, most of the high conservation value forests are left to develop freely, while in the southern part of the country, they are often managed in order to recreate or reinforce conservation values. Sveaskog sets aside forest with the highest conservation values as high conservation value forests. If new forest suitable for conservation is discovered, for example during inventory before felling, this forest is exchanged for land with lower conservation values in order to always improve the quality of the set-aside forests. A further 50,000 hectares of high conservation value forests have been set aside on our land above the boundary for montane forests. Management of Sveaskog's montane forests is carried out in accordance with FSC® regulations.



Sveaskog has 37 ecoparks with an average size of about 5,000 hectares. In total, they cover 174,000 hectares. The ecoparks can be found all around Sweden, from thickly foliated beech forests by Lake Råslängen in the border areas between Blekinge and Skåne to Naakajärvi's vast old spruce forests between Pajala and Kiruna.

Ecoparks

Ecoparks are large, contiguous forest landscapes with high conservation values and nature conservation ambitions. They combine extensive protection of large areas with restoration of conservation values and forestry with an adapted approach to consideration for nature. We want to use ecoparks to create a new nature conservation tool that combines utilisation with conservation. Relatively few species depend on the entire landscape being excluded from wood production, but there are species that depend on landscapes with a high proportion of high conservation value forests, which is the case in ecoparks.

In the ecoparks we combine forestry with nature conservation to both preserve and develop high conservation values. The work is carried out according to management plans that we develop in consultation

with authorities, non-profit organisations, the reindeer industry and others.

Ecoparks also include some of the country's most important outdoor areas for nature experiences and recreation, and several nature tourism companies also have operations in the ecoparks. Sveaskog wants to provide more opportunities for experiencing nature and is therefore working on developing information about and accessibility to the ecoparks. In 2019, we carried out an active campaign to attract more visitors to our ecoparks. We have also entered into cooperation with the Scouts to give more people the chance to experience and get to know nature. Among other things, several of our ecoparks will be mapped and documented on the internet.

Examples of restoration measures in ecoparks



Thirty-year-old spruce plantation immediately before measures are implemented.



Same area after measures are implemented. Parts of the ecopark's natural values, in this case linked to aspen, have been preserved.



Example of measures: Burning for nature conservation purposes.



Example of measures: Wetland restoration with dam that leaves forest submerged.

Financial year 2019





FINANCIAL YEAR JUST ENDED

Our customers

Wide range of sawlogs

Sveaskog offers a wide range of sawlogs in order to satisfy customers requirements. The requirements relate to different volumes, tree species, qualities and dimensions. Sales can range from standard deliveries to complex, customised orders. In order to meet customers' needs, Sveaskog can supplement the timber from its own forests with externally purchased volumes. The trend is towards increased specialisation in the sawmills, which requires Sveaskog to constantly improve delivery precision. The work involves using new digital technology to carry out forest inventories in order to ensure that the right product from the tree is received by the right customer. Sveaskog is working consistently to improve its

entire production and supply chain. This requires a good dialogue and cooperation not only with customers and the company's own internal working groups, but also with contractors and transport companies. We are also working on adapting the dimensions and qualities of the timber according to customer requirements.

Sveaskog supplies more than half of the sawmills in Sweden, which produce more than 10,000 m³ per year. There are a total of around 130 such sawmills and around 70 of them are Sveaskog's customers. The sawmills vary from privately owned family businesses to global conglomerates based in Sweden. They, in turn, supply mainly the construction and furniture industry in Sweden and abroad. The four largest export countries for Swedish sawn wood products are the UK, Egypt, Norway and Germany.

ANETTE WAARA

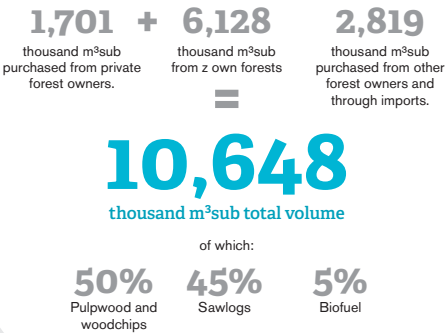
“Market Area North accounts for a large proportion of the raw material supply to many of our customers. Our delivery reliability is therefore often crucial for customers' production. After a period of some instability in the spring of 2019, we have increased our focus on production management and secure deliveries in the value chain. This work has yielded very good results and we now feel both secure and proud of our capacity to deliver to our sawlogs and pulpwood customers. Stable and well-planned deliveries are important for the competitiveness of our customers and appreciated by them. We have also worked purposefully to enhance the preparation of our products. Another area which Market Area North focused on in 2019 involved increasing our ability to make forecasts. Because we have large forest holdings in the north, we want to know even more about what other assets our forests contain in the short and long term and how we can pair this knowledge with the needs of our customers.”

Anette Waara,
Head of Market Area North

Performance in 2019

The market for sawn wood products is heavily dependent on construction activity. Prices of sawn wood products also declined in the reporting year. Since peaking in the third quarter of the previous year, prices fell by around 15%. Deliveries of sawlogs in 2019 amounted to 4,743 thousand m³sub (4,776).

Total deliveries of wood raw material¹



1) Figure for 2019.

High quality pulpwood

Pulpwood consists of parts of the tree that cannot be used by the sawmills due to dimension, quality or tree species, and is produced in both thinning and final felling. We offer pulpwood from both our own forests and acquired through purchases from other forest owners and import. The offering is also supplemented with sawmill chips from our own sawmill customers. We have around 20 pulpwood customers in Sweden. Our customers manufacture paper pulp, paper and board that are exported or used in Sweden. The exported paper pulp is used for packaging and printing paper. The pulp is also used in hygiene products such as nappies, household paper and toilet paper. Pulpwood from Swedish forests has qualities that make it particularly good for packaging with high requirements, such as cartons for milk and juice. Sveaskog's strength is its long experience of working with pulpwood customers and the focus in recent years on developing goods logistics together with customers. Sveaskog also has the advantage of being able to offer a wide range of fresh pulpwood and sawmill chips.

Performance in 2019

Global demand and deliveries of paper pulp are increasing. The price of market pulp (NBSK) fell by over 30% during the year, however. Paper and cardboard prices also continued to weaken during the year. Deliveries of pulpwood and wood chips in 2019 amounted to 5,333 thousand m³sub (5,691).

EVA KARLSSON BERG

“The thing that stands out and that I think is worth mentioning in respect of Market Area South, is that we have established an export business with customers in both Finland and Germany. The reason and starting point for this was the storm Alfrida, which brought down large volumes in eastern Uppland in early January 2019. We needed to find market outlets because local customers were unable to accept all the timber. In addition to sawlogs to Finland and Germany, larger quantities of pulpwood have also been delivered by boat to customers along the Norrland coast, and in total we have shipped out over 120,000 cubic metres of sawlogs from the port of Harg in Uppland. This corresponds to around 30 fully loaded boats. As a result of establishing new business contacts, we have also found a market abroad for timber damaged by the spruce bark beetle, which we deliver by boat from the port of Köping in Mälaren. The forest is increasingly often affected by different types of damage and this results in timber in such large volumes or of qualities that our customers in Sweden are not able to receive. In order to increase the spread of risk, the importance of having established customer contacts outside Sweden has increased and we took a major step forward in this regard in 2019.”

Eva Karlsson Berg,
Head of Market Area South

Biofuel replaces fossil fuels

Sveaskog's biofuel comprises branches and tree tops. Biofuel is good from an environmental point of view because the amount of carbon dioxide emitted during combustion is the same as the amount absorbed by the trees while growing, so no net supply of carbon dioxide takes place, as is the case in the combustion of fuels based on fossil raw materials. Biofuel harvesting is a natural part of sustainable forestry and is carried out taking into consideration environmental and cultural factors, partly on the basis of FSC® certification. Due to expensive transport costs, the biofuel market is regional and local, and Sveaskog's customers comprise power and heating plants, as well as the energy-producing forest industry in Sweden. Sveaskog has around 50 customers, mainly heating plants, combined heating and power plants and paper and pulp mills.

Performance in 2019

The biofuel market was affected by a number of changes during the year. New sorting rules for pulpwood have resulted in a reclassification of energy wood, which is now being used in the pulp and paper industry instead. Imports of waste wood and waste fuels have also been limited by increased domestic consumption in the countries that export to Sweden. The end result is that both demand for and prices of biofuels have increased. Deliveries of biofuel in 2019 amounted to 571 thousand m³sub (527).

Svenska Skogsplantor

Svenska Skogsplantor offers regeneration services: planting, ground preparation, forest seed, processed plants, protective treatments and growth controls. The growth and quality of regeneration is critical in order to meet increasing demand for raw material. The key to increased supply lies in processed seed material, processed plants and well-adapted cultivation techniques. Much has happened in the past year due to rapid pace of automation in production. In 2019, Svenska Skogsplantor launched major investments and environmental initiatives, including the transition from oil to biofuel in its greenhouses, and this work will be completed in 2020. Interesting projects that were started and which will continue in 2020 include the development of the planting machine Plantma X, a new distribution collaboration with a logistics company.

Performance in 2019

Sales from sales of forest plants increased and amounted to SEK 410 million (318) in 2019). Operating profits from continuing operations also increased and amounted to SEK 33 million (4).

PETER MELIN

“The boom in forestry resulted in increased sales volumes, and thus a historically good result for Svenska Skogsplantor in 2019. Demand for plants treated with Conniflex is increased, as did processed plant material. Economic activity and the very good year for cones meant that the seed department also reported a good result. In 2019, we signed a couple of new, major supply agreements, giving us the opportunity to take responsibility for the majority of the regeneration work. This, in turn, has led us to strengthening the organisation on the marketing side, and we are now equipped to be able to take the next step in developing our forest management services.”

Peter Melin, Head of Profit Area South, Svenska Skogsplantor





Continuing strong interest in hunting on Sveaskog's land

Thanks to our large holdings of land, Sveaskog sells hunting and fishing rights. This makes forests available for both recreation and economic activities, including nature tourism companies. But other private players in the energy and telecom industry also use Sveaskog's land for power lines, power stations and telecommunications masts.

At the end of 2019, there were 7,404 leases (7,550) and other rights of use on Sveaskog's land. The majority comprised hunting and fishing concessions and the number of hunting concessions totalled 3,130 (3,102). In total, about 25,000 hunters hunt on Sveaskog's land. Sveaskog also has an ambition to develop hunting in Sweden. This is being implemented through measures such as the popular short-term hunt and through the project "The first hunting team". This is a complement to the Hunter's exam and involves Sveaskog forming a hunting team on our own land. The hunting team offers places to new hunters, especially young people, who have no natural connection to any other hunting team. The hunt is carried out with experienced hunt leaders and focuses on practical implementation, how to utilise the felled animal and ethics in hunting.

"Sveaskog wants this initiative to give more new hunters an opportunity to join a hunting team and start hunting, while simultaneously contributing to the creation of a responsible and well-trained body of hunters," said

Ola Söderdahl, Head of Commercial Communication at Sveaskog.

Sveaskog also owns large quantities of fishing waters, which are made available to the public and tourists through fishing licences. Sveaskog's most popular fishing spot is Mörrums Kronolaxfiske salmon fishery, which is an important part of the local economy. Every year, fishermen from all over the world are attracted to Mörrum for its famous salmon and sea trout fishing. In total, the facility receives around 250,000 visitors annually. The year 2019 was recognised as the Year of the Salmon as an international initiative to provide information about and increase interest in measures and research into the long-term sustainable use of salmon habitats worldwide. In connection with this, Mörrums Kronolaxfiske, in cooperation with the Swedish Maritime and Water Authority, implemented a project aimed at increasing the knowledge of children and young people and conducted outdoor lessons at the Mörrum River for students from Norrevång School in Karlshamn municipality.

"We already have cooperation in place with Blekinge Folk High School's fishing conservation pathway, which means that we engage with students in a broad age range, from middle school up to adulthood," said Ida-Maria Rigoll, Site Manager at Mörrums Kronolaxfiske.

EMPLOYEES

Active employeeship, working environment and inclusion in focus

In 2019, Sveaskog focused on active employeeship. This took the form of an employeeship training course, "Active employeeship in Sveaskog", that every manager implemented together with their employees. Working environment is an important focus area for Sveaskog and we are continuously working on introducing improvements in terms of a systematic approach and the quality of measures taken. Sveaskog takes an active and systematic approach to its work on equality, diversity and inclusion and in the year just ended this resulted in measures such as a training course for contractors.

During the year, work continued on the employeeship and leadership principles "We want to do right by each other". All employees participated in training in active employeeship. This work will continue with new training modules every quarter over the next few years. This is a way of strengthening Sveaskog's culture and the way employees approach each other. The basic idea is that through our actions and communication, all employees together contribute to Sveaskog achieving its goals. By taking responsibility for the working group constantly working a little smarter, I can contribute to the goals being achieved. It is as employees that we create relationships, ensure that we have a working environment where we do right by each other, improve and develop the business through our commitment, our ability to act and our innovative thinking, both in our own workplace, where we spend most of our time, and in Sveaskog as a company.

In 2019, training for managers to put Sveaskog's leadership principles into practice also continued, giving participants an opportunity to practise the principles with the goal of becoming more confident role models and leaders. The principles are also used in

performance appraisals and salary discussions, leadership programmes and in connection with recruitment and feedback.

Occupational safety and health issues in focus

Occupational safety and health issues are high priorities on the company's agenda. Working environment is also an increasingly important parameter when it comes to being an attractive employer.

Sickness absence increased from 2.5% in 2015 to 3.0% in 2019. This compares with the public sector, where absenteeism was around 2.6% in 2018, which is slightly below the level for Sveaskog. In Sveaskog, sickness absence has increased most among women.

Sveaskog is taking active measures to increase reporting of incidents and work injuries. The number of reported occupational injuries among the company's own employees increased from 3.5/1,000 man-years in 2015 to 9.1/1,000 man-years in 2019. The increase in the number of accidents is, of course, a serious matter. However, an analysis has been carried out which shows that the increase is primarily due to an increase in reporting of accidents that occur, and not an increase in the number of accidents.

Sickness absence

	2015	2016	2017	2018	2019
Sickness absence, total, %	2.5	2.7	3.1	3.0	3.0
Sickness absence women, %	3.4	3.2	4.2	4.7	5.1
Sickness absence men, %	2.2	2.6	2.7	2.5	2.3
Long-term sickness absence, % of total sickness absence	34.5	45.6	50	47.5	47.4
Long-term healthy, % ¹	36.1	35.2	33	32.9	32.6
Reported occupational injuries ² /1,000 man-years	3.5	5.9	8.3	11.9	9.1
Total days absent (working days) due to occupational injuries ³	14	41	116	245	98
Sickness absence due to occupational injuries, %	0.008	0.02	0.07	0.15	0.06

1) Proportion of employees employed for at least three years with no sickness absence in the last two years. Employees of SIA Sveaskog Baltfor are not included.

2) Occupational injuries: accidents, travel accidents, occupational diseases which at the time of reporting are expected to lead to absence. Minor injuries at first aid level are also included. Contractors' occupational injuries are not included in these figures. Occupational injuries are recorded in the SKIA tool. SKIA is the forest industry's information system on working environment provided to the industry by AFA insurance. Any occupational injuries in Baltfor are not recorded in SKIA and are therefore not included in the calculation. However, the average number of employees includes employees in Baltfor. Accidents by region are not reported, but follow-up takes place in the local safety committees in each market area. There were no fatal accidents during the year.

3) All days of absence on planned working days commencing two days after accident. Employees of Baltfor are not included.

Sveaskog is continuing to take active measures to increase use of the IA app, which employees themselves can use to report accidents, incidents and hazards. Through the app the company will receive more hazard reports, which could lead to preventive measures. The most common incidents are slips and trips in the field and incidents linked to driving.

In 2019, the focus on occupational safety and health training continued as part of efforts to strengthen competence in the field of occupational safety and health, especially with regard to stress and how best to handle a high workload.

Employee survey an important tool

In 2019, Sveaskog conducted its employee survey, which is carried out every two years. The survey had a high response rate, with as many as 90% of employees participating. The leadership is strong and employees remain proud of working at Sveaskog. One development area is the need to continue to take measures to reduce stress and allow time for recovery. In their work on processing the results of the survey, the managers review their unit and leadership reports with their employees and also work together with employees to identify strengths and development areas that will require further measures. Each manager informs their line manager of the work carried out, and the line manager, in turn, compiles the results and reports feedback to the CEO in connection with business follow-up meetings.

Sveaskog takes various different approaches to governance of occupational safety and health and personnel issues. The basis for governance is the Code of Conduct adopted by the Board of Directors. The company also has an equal treatment plan that has been established by the CEO. Occupational safety and health measures are monitored in safety committees at local and central level.

Active measures on gender equality, diversity and inclusion

In 2019, Sveaskog entered into partnership with the Mitt Liv (Chance of a Lifetime) mentorship programme, which serves as a bridge between the Swedish labour market and skilled workers with a foreign background. Twelve employees at Sveaskog have acted as mentors and in different ways supported mentees with a foreign background and academic degree on their way to a job that corresponds to their skills. Because it is important that Sveaskog's future leaders have diversity skills, the mentoring program is



part of the Talent Programme. The Talent Programme lasts a year and forms part of skills provision, which involves identifying, developing and retaining good employees who make a particularly effective contribution to the company's competitiveness and success. The Mitt Liv programme has also implemented workshops and training in prejudice, norms and inclusion for the Group management.

In the autumn, Sveaskog launched an online training course in gender equality, diversity and inclusion as an offering to its contractors. The training is aimed at ensuring that the knowledge acquired can be used in our efforts to build a more inclusive workplace. Contractors rarely have access to the same resources as Sveaskog to engage with these issues and by offering this training course, Sveaskog is able to support its contractors in their efforts to become more attractive as employers for more people. All employees have completed the training and since 2016, it is included in the induction for new employees.

Since 2013, the proportion of women who are permanently employed at Sveaskog has increased from 19% to 26% and in the market areas (forestry positions) the proportion of women has more than doubled. The proportion of women among Sveaskog's managers is 30%, and in the Group management the proportion is 60%. The 2019 Employee Engagement Survey showed that the proportion of women who believe that women and men are treated equally in Sveaskog has increased from 53% to 75% since 2013.

Breakdown by gender, employees

%	2015	2016	2017	2018	2019
Women ¹	21	21.6	24	24.3	26.1
Men ¹	79	78.4	76	75.7	73.9
Women/men on the Board ²	67/33	57/43	50/50	60/40	57/43
Women/men in Group management	45/55	40/60	40/60	44/56	64/36
Female managers	24	24	27	31	30

1) Average number of employees.

2) Elected by the Annual General Meeting.

The years of birth of members of the Board and members of the Group management are shown in the presentations on pages 56-59.

Record earnings for the second year running

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

THE IMPROVEMENT ON THE year before is to a large extent due to higher prices for our products. Prices were up by four per cent on the previous year, which improved our margins. Unlike 2018, which saw a steady increase in prices, prices decreased gradually in 2019. Total delivery volumes for the full year were down, mainly for externally procured wood raw material. The cost of forest management has increased as a result of planned measures while felling costs have risen as a result of increased competition for resources combined with the harvesting of forest damaged by storms and the spruce bark beetle.

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

Net sales

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

Earnings

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

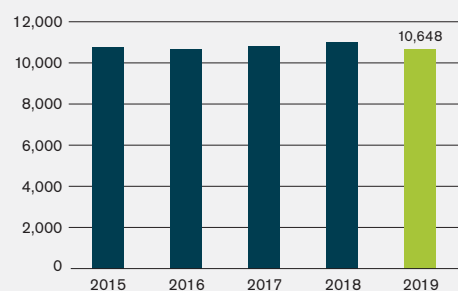
impact while costs for forest management and harvesting have increased. The introduction of IFRS 16 Leases with effect from 1 January 2019 had impacted net financial income by MSEK -1. 2018 annual figures have not been recalculated. Capital gains from property sales were MSEK 185 (234). Share of profit of associates totalled MSEK 26 (156), with the decrease mainly due to lower prices of sawn wood products. The net change in the reported value of standing timber was MSEK 399 (1,697). The high figure for the previous year is largely attributable to a changed discount rate in last year's calculation. After change in value of forest assets, operating profit was MSEK 2,093 (3,509). Net financial items were MSEK -130 (-143). Profit before tax decreased to MSEK 1,963 (3,366). Tax for the year was MSEK -405 (195). The relatively low tax expense in 2018 is due to a reduction in the corporate tax rate following a decision by the Swedish Parliament in June 2018, which had a positive impact of MSEK 505 on the tax expense for 2018. Profit for the previous year's decreased by 51 per cent to MSEK 1,558 (3,171). The decrease is largely due to a smaller increase in the value of standing timber and last year's changed tax rules. The effects were of a non-recurring nature and had no impact on cash flow.

Cash flow, investments and financial position

Cash flow from operating activities for the year was MSEK 1,108 (921). Investments in non-current assets, mainly forest properties and forest machines, totalled MSEK 445 (237) while investments in shares were MSEK 5 (1). Sales of non-current

Total delivery volume

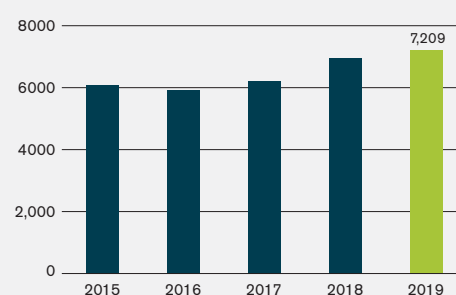
thousand m³sub



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

Net sales

MSEK



Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, increased by three per cent to MSEK 7,209 (6,971).

Condensed income statement

MSEK	2019	2018
Net sales	7,209	6,971
Operating profit from continuing operations	1,483	1,422
Capital gains on property sales	185	234
Share of profit/loss of associates	26	156
Operating profit before change in value of forest assets	1,694	1,812
Change in value of forest assets	399	1,697
Operating profit	2,093	3,509
Net financial income/expense	-130	-143
Profit before tax	1,963	3,366
Tax	-405	-195
Profit for the year	1,558	3,171

Condensed cash flow statement

MSEK	2019	2018
Cash flow from operating activities before changes in working capital	985	1,093
Cash flow from operating activities	1,108	921
Cash flow from investing activities	16	334
Cash flow from financing activities	-857	-2,089
Cash flow for the year	267	-834

assets, mainly forest properties, were MSEK 407 (516). The Group received dividends of MSEK 60 (56), of which MSEK 57 (29) from Setra Group, MSEK 0 (25) from SunPine AB and MSEK 3 (2) from ShoreLink AB. Sveaskog's net interest-bearing debt at 31 December was MSEK 7,149 (7,014). Net interest-bearing debt at 31 December 2019 includes MSEK 124 (0) in lease liabilities in accordance with IFRS 16. At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's MTN (Medium Term Note) programme and a Swedish commercial paper programme. The loan volume under the Swedish commercial paper programme

Change in operating profit from continuing operations

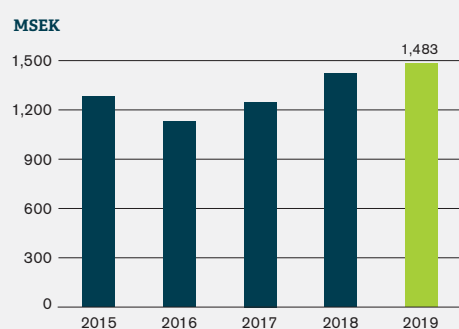
MSEK	
2018	1,422
Price, own wood raw materials	127
Volume and change in inventories, own wood raw materials	-24
Unit cost harvesting	-24
Forest management and nature conservation	-39
Svenska Skogsplanter	33
Earnings from externally procured wood raw materials	5
Other property transactions ¹	-26
Other	9
2019	1,483

1) Other property transactions relate to a combination of:

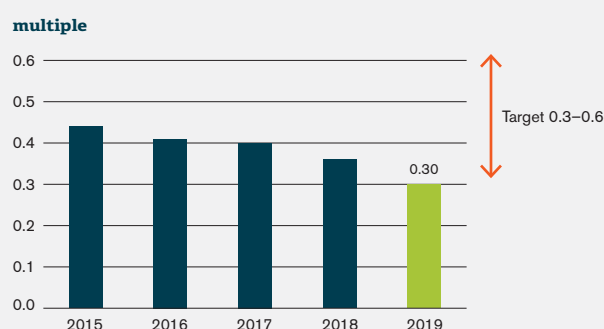
All future concessions	13
Sale of non-forest land	-39
Other property transactions	-26

Change in net sales

MSEK	Full year 2018
2018	6,971
Price, wood raw materials	283
Delivery volume, wood raw materials	-103
Concessions, etc.	58
2019	7,209

Operating profit from continuing operations

Operating profit from continuing operations increased by four per cent to MSEK 1,483 (1,422). Higher timber prices have to some extent been counteracted by lower delivery volumes.

Net debt/equity ratio

The target was established by the 2014 Annual General Meeting. The target is for the net debt/equity ratio to be in the range 0.3–0.6. This metric indicates the amount of net interest-bearing liabilities in the company in relation to equity.

was MSEK 1,925 (2,210), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 31 December was MSEK 4,990 (4,390), of which MSEK 3,100 (2,000) refers to green bonds. The lowest average fixed interest period during the year was 35 months (34). The net debt/equity ratio was 0.30 (0.30). The interest coverage ratio was 11.6 (11.0) and the gross borrowing cost was 1.39 per cent (1.34).

Setra Group AB

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

SunCarbon

Sveaskog owns 33% of SunCarbon AB, which has developed a technology for producing lignin oil from pulp mill black liquor. Lignin is a renewable waste product from cellulose production at pulp mills that can replace products based on fossil raw materials. For example, it can be used in the production of renewable diesel and petrol.

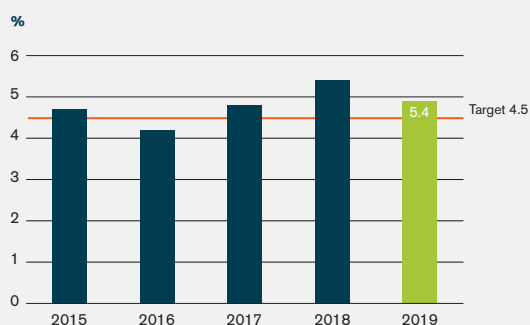
SunPine AB

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

ShoreLink AB

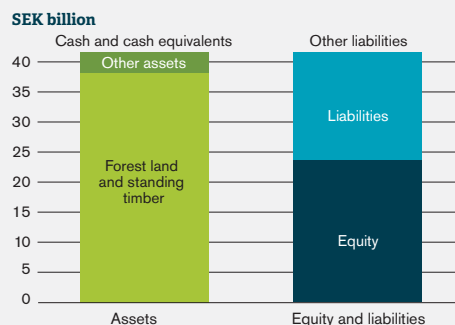
Sveaskog owns 24.1 per cent of the shares of the logistics and transport firm ShoreLink AB, which has been classified as an associate since the fourth quarter of 2019. The share of the associate company's profit and loss is recognised in profit or loss in the associate. Net sales for January – August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

Dividend yield



The target was established by the 2014 Annual General Meeting. The dividend yield is to average a minimum of 4.5% per year. The dividend yield shows the return on operating capital, excluding capital gains on property sales and changes in forest value.

Assets, equity and liabilities



■ Operating capital

Most of the assets consist of standing timber, which is valued according to International Financial Reporting Standards, IFRS.



New contractor strategy secures future operations

Sveaskog has adopted a new contractor strategy. The aim is for this to create the conditions necessary for a viable and sustainable contractor market in which Sveaskog is the contractors' first choice of client.



Mattias Forsberg,
Production Manager,
Market Area South

Access to contractors and their performance are important for Sveaskog and our ability to achieve established productivity, cost and quality targets. The majority of Sveaskog's felling and forest management assignments are currently carried out by around 300 forest contractors. In felling, contractors account for around 75% of the work and in forest management for almost 100%.

"We have seen an unfortunate development in the industry in recent years, which manifests itself in, among other things, difficulties in recruiting machine operators and contractors who no longer want to invest. Sveaskog takes these challenges very seriously. We have therefore developed a contractor strategy that has resulted in a number of measures," said Mattias Forsberg, Production Manager in Sveaskog's Market Area South.

"The goal is to offer our contractors the best conditions on the market, so that Sveaskog becomes the contractors' first-choice professional client.

Among other things, we have adjusted the distribution of risk between us and contractors so that a larger part of the external risks, such as extreme weather conditions, are managed by Sveaskog. For

example, after consultation we will take over the risk of possible damage due to fire, and we have introduced downtime compensation for longer production stops due to increased fire risk," said Mattias Forsberg, adding:

"We have also found that the introduction of young and relatively untested drivers is associated with large business risk for contractors. We have therefore introduced recruitment support that covers part of the production loss that normally occurs. In this way, we want to revitalise our group of contractors and enable contractors to have the confidence to hire staff and develop their business.

The development of activities in several other important areas has gradually begun. For example, we have launched a training course in gender equality, diversity and inclusion that is offered to our contractors through the Skötselskolan online training tool and which is intended to strengthen their, and ultimately the industry's, attractiveness as employers.

The forest should be an industry where everyone can thrive and grow, and profitable contractors are a prerequisite for Sveaskog to be a successful company – now and in the future."



Green technology based on the forest. Linnéa Kollberg at Suncarbon, which has developed a technology for producing lignin oil from pulp mill black liquor.

Innovation and development

Sveaskog undertakes active innovation efforts as part of its objective to develop the company's operations. The aim of these efforts is to increase profitability and value, minimise our environmental impact and create value for both customers and wider society. Not least, innovation efforts involve using as much as possible of the wood raw material, optimising resource utilisation and value. Another aspect of this work is to take advantage of the possibilities offered by the forest in the transition towards a fossil-free society, for example, through new opportunities for using residues from the pulp industry. Sveaskog's innovation efforts mainly take the form of projects, implemented in collaboration with other stakeholders in academia, institutions and industry, and often result in new investments in forestry, machinery, digital technology or industrial processes and products. By virtue of its size and resources, but also because of its employees' skills, Sveaskog is an important partner in R&D and therefore participates in many research and innovation forums in Sweden, where the forest performs an important function.

Forest production and working environment

Demand for forest raw materials is increasing and we need to increase both growth and productivity in the forest. Efforts to develop forest machines that can increase productivity and reduce climate

and environmental impact in the forest are therefore important for the entire industry. Sveaskog's development of a new tracked forestry tractor that is now in a pilot phase is an example of these efforts. It is also important to develop our employees' working environment; crane tip control enables operators to use a joystick to determine the direction of movement of the crane tip, which reduces the operator's workload. Sveaskog's new app Arboreal means it is now possible to measure the height of trees in a simple and convenient way using a phone camera.

Forest management – from seed to machine

Svenska Skogsplanter is taking active measures to boost growth and reduce chemical use and environmental impact in its forest regeneration work. The measures include the development of improved plant material through new solutions for fertilising plants with arginine, which is long-acting and therefore causes much less nitrogen leakage to soil and waterways. Svenska Skogsplanter has developed and launched Multipro och Conniflex, which offer chemical-free protection against spruce bark beetles and have been a great success both commercially and in terms of environmental benefit. Svenska Skogsplanter is currently carrying out operational testing of an automated planting machine, which, if everything goes to plan, will enter commercial use in 2020.

Forest management also includes various forms of damage control; not least the onward march of the spruce bark beetle caused great damage to forestry in 2019. Digitisation offers new solutions involving the use of AI, satellite imagery and advanced algorithms to produce detailed maps which visualise the advance of spruce bark beetles through the forest. The spread of the spruce bark beetle can now be followed by satellite thanks to the power of innovation of Sveaskog's employees.

One area of increased interest is the design of alternative silviculture methods and adaptation of forestry to specific environments and conditions. Sveaskog provides various experimental parks for these purposes; within our Ecoparks, too, various pilot projects are underway.

Innovation creates new valuable products

Our ambition is to use every fibre of every tree we fell to facilitate continued sustainable forestry in the future and an internationally competitive forest industry that contributes to a bio-based economy. In order to create new uses for wood, Sveaskog concentrates its efforts on three areas: wood products, green fuels and chemicals, as well as wood-based materials from forest and industrial residues. Our work in these areas encompasses research and development as well as the application of existing technologies and knowledge, albeit in new forms. Our work in these areas is largely based on collaboration with academia, institutions and companies and customers, and takes the form of projects in which we develop concepts and solutions, before taking the next step of introducing these solutions in opera-

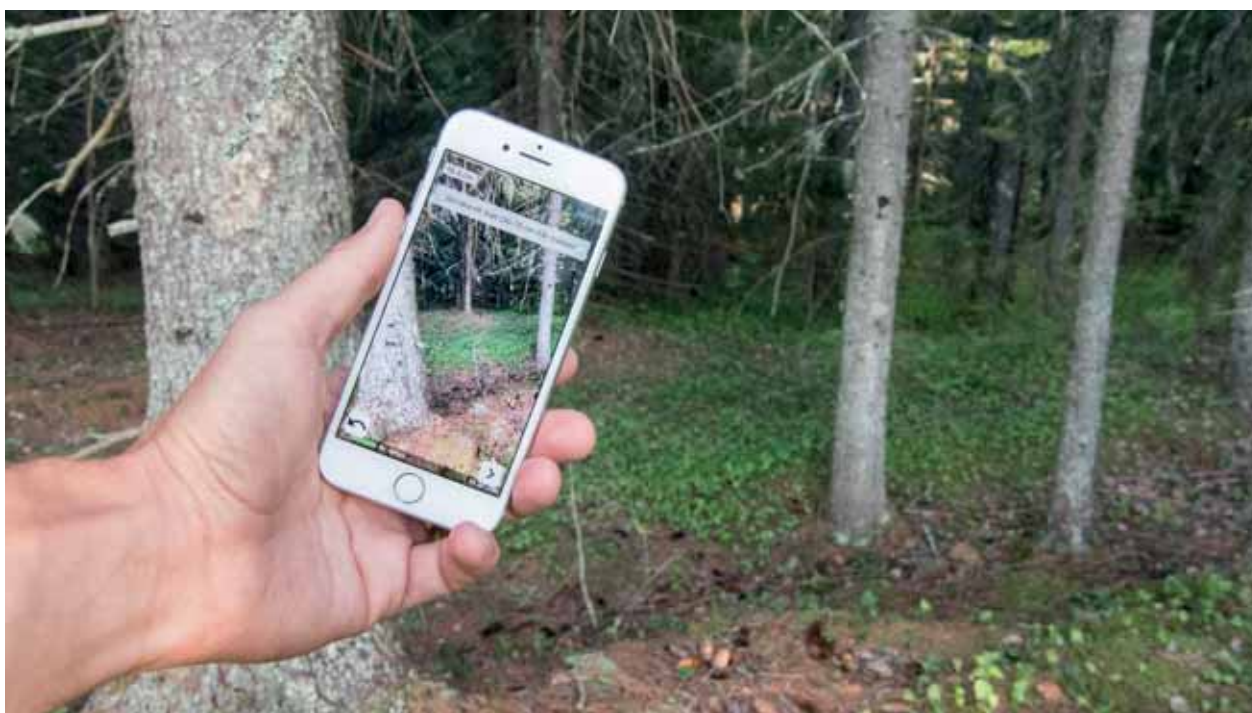


An example of cross-industry cooperation is the collaboration between Sveaskog and Volvo Trucks. Sveaskog and Volvo Trucks are conducting tests aimed at enabling transportation of up to 90 tonnes of sawlogs from forest to cargo terminal. Increasing the load per vehicle improves efficiency, cuts costs and reduces carbon dioxide emissions by up to 20 per cent.

tions. One example of this is a project which, based on digitised stand and felling information, enables us to adapt the sawlogs output to a sawmill's specific product requirements in order to increase the benefit to the sawmill in terms of both volume and value.

We have completed a comprehensive reorganisation of our IT support in the wood chain, developed new technical solutions and changed our way of working for more efficient and detailed information flow.

We also devote a great deal of effort to finding new and more valuable uses for forest and industrial residues: branches and tree tops from the forest and lignin and pine oil from the pulp industry's black liquor, which offer an alternative to fossil fuel in processes and products.



In the past, forest owners used manual altimeters with angle gauges and tape measures or expensive laser meters to measure the height of trees. But Arboreal's smart innovation "Arboreal - Tree Height", which is based on the same technology as Pokemon Go, makes this task both faster, easier and more accurate.

Risk Analysis and Corporate Governance





Risk and sensitivity analysis

An important aspect of creating long-term value is to understand and be able to manage the risks in the business. The entire company is included in the risk inventory that forms part of annual business planning. Significant risks are documented in the system for business monitoring and planning.

Sveaskog's deliveries from its own forests are high and even. This means that Sveaskog's direct financial risks are limited. However, there are other risks that Sveaskog systematically takes stock of. Sveaskog is exposed to financial, legal, market, operational, public opinion and social risks. Forests are also exposed to biological risks, as well as weather and climate risks.

The large amount of felling caused by storm damage in recent years has highlighted the weather and climate risks. However, Sveaskog's forest holdings are spread across the country, which evens out weather and biological risks. The forests are also insured against major additional costs.

Sveaskog is working on developing new products and businesses such as biofuels and ecosystem services. The company is also increasing revenue from the forest by granting concessions for

hunting, fishing, nature tourism and wind power. These efforts result in a broader revenue base, but may also involve risks, such as conflicts of interest or undesirable impact on our lands.

Responsibility

Sveaskog's Board of Directors is responsible for ensuring that the company manages risks correctly and that established principles for financial reporting and internal control are complied with. The CEO has overall operational responsibility and has delegated management of the risk management process to the CFO. Operational responsibility lies with the profit centres and functions and is followed up at management level.

Risk management process in Sveaskog

Risk management is an integral part of the company's annual business planning and includes both profit centres and

functions. The company's significant risks are identified, reported and aggregated in the company's business monitoring and planning system.

Reporting includes a description of the risk and management and who is responsible. Measurement of risk is



Management of significant risks

Biological risks

A. Spruce bark beetle

Pest insect which has grown in number in the north of Sweden and the control area has been expanded. In southern Sweden, spruce bark beetle attacks are substantial after hot and dry summers.

Management:

- Rapid processing of storm-felled timber and standing trees with fresh infestations.

B. Shortage of spruce seed

The problems with spruce cone rust continue. Flowering has been absent for several years, but 2019 was a good year for flowering. A shortage of processed seed in Norrland can lead to growth losses.

Management:

- Collection of stand seed and/or external purchases. Research and development.

C. Root rot

The value of standing timber decreases, trees die.

Management:

- Prevent infestation by treating stumps against fungal spores during felling.

D. New pests take hold

For example, if the nun moth or mountain pine beetle or other serious pests take hold in the country, this could result in great destruction.

Management:

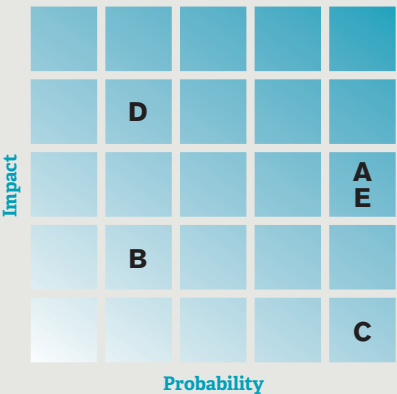
- Monitoring.

E. Game grazing damage

Game which graze on trees and plants reduce forest growth. Game grazing damage is a fact and the annual cost of damage on Sveaskog's land amounts to hundreds of millions of Swedish krona. An increase of 10% would have a large impact on operating profit.

Management:

- Hunting, measures to increase access to feed, increased knowledge of game populations.



made from a five-year perspective and aims to describe the impact that the described risk may have on the company's strategic objectives according to the current business plan. Probability is assessed on a five-point scale where the lowest level (1) means that it is unlikely to occur during the period and the highest level (5) means that it is expected to occur during the period.

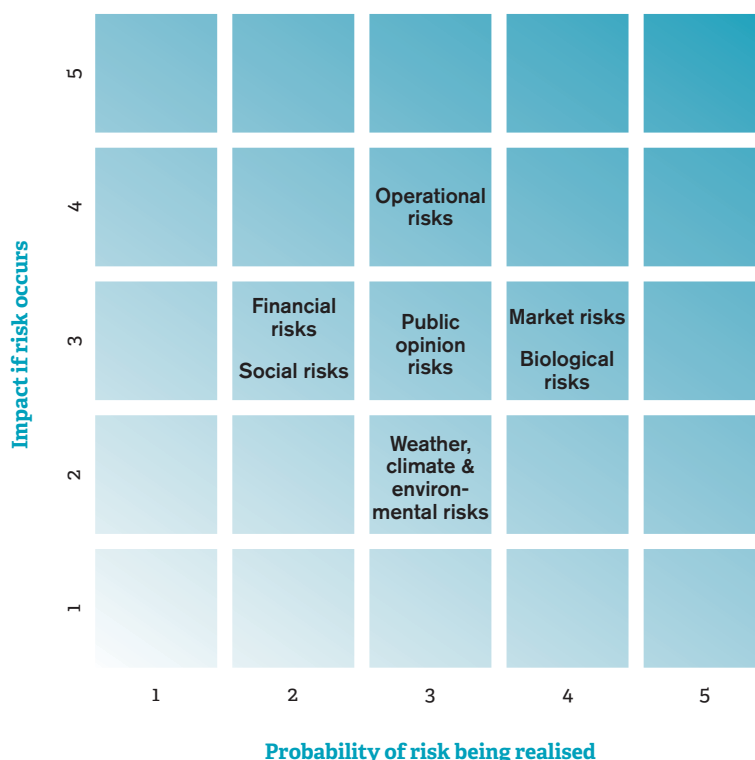
Impact is assessed on a five-point scale where the lowest level (1) means that it will have a negligible negative impact and the highest level (5) means that it will have a very large negative impact on Sveaskog's goal attainment.

The outcome of this assessment gives the total risk score illustrated in the risk matrix above and on the next few pages.

The identified risks are measured and prioritised on the basis of the overall risk score. The risk manager is responsible for identifying improvement measures and assessing these on the basis of effect and how time-consuming and cost-intensive the measure is. These are implemented according to prioritisation and availability of resources. Following implementation of such measures, an evaluation is carried out to assess if the measure was sufficient to manage the intended risk.

This reports how Sveaskog manages its most significant risks.

Identification of significant risks



Financial risks

A. Financial risk

Assets are partly financed through external loans. This entails a risk if a large borrowing requirement arises in a strained credit market situation.

Management:

- A well diversified loan portfolio of lenders and investors with good flexibility and competitive pricing as well as stable cash flows.

B. Interest rate risk

The risk that Sveaskog will be exposed to an unfavourable interest rate situation with a large loan portfolio.

Management:

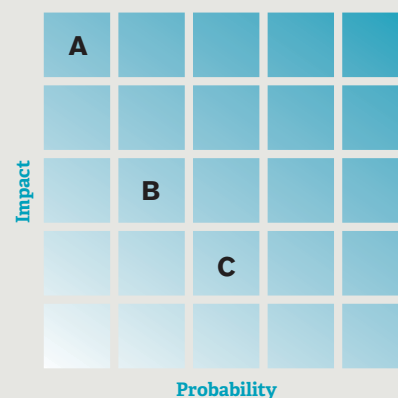
- Sveaskog's policy is that the average fixed-interest term of the loan portfolio should be 12-48 months.

C. Credit risk

That a counterparty is unable to fulfil its obligations. A decline in economic activity involves an increased risk of credit losses.

Management:

- The finance policy regulates maximum credit exposure in the investment portfolio. With regard to commercial credit exposure, with the exception of a few major customers, customers are covered by credit insurance.
- Regular meetings of the Credit Committee and information to the Board of Directors.



Management of significant risks, cont.

Operational and legal risks

A. Loss of FSC® certification

Reduced quality of silviculture and al consideration for nature measures, together with shortcomings in social responsibility measures and follow-up, may cause Sveaskog to lose FSC® certification, which would have a significant impact on the wood business.

Management:

- Documented procedures and work processes in all parts of the business.
- Internal and external audits and training for continuous improvement efforts

B. Impact on forestry of political decisions

National and EU directives (e.g. directives on renewable resources and the climate impact of land use), interpretations from authorities and their impact on forestry.

Management:

- Follow, participate in and influence the debate.
- Monitor the interpretations made.

C. Access to labour and contractors

We are currently seeing a reduction in access to labour and increased competition from the industry and other industries, which means that it has become increasingly difficult both to recruit our own staff and to hire contractors, mainly relating to felling, transport and ground preparation.

Management:

- Profiling of Sveaskog as an attractive employer.
- Cooperation with training programmes.
- To promote a functioning supplier market with healthy competition.
- Increased diversity and gender equality activities.

D. Nature conservation and high conservation value forests

Sveaskog has chosen to set aside 20% of its productive forest land as nature conservation areas. Half of this area (10%) is set aside for nature conservation forests. Excessive set-aside of nature conservation forests leads to a reduced supply of wood raw material to industry and reduced results for Sveaskog.

Management:

- Continuous measurement to ensure that the 10% set aside are areas with the highest conservation values.
- Procedures to ensure that forests with lower conservation values remain as productive forest.

E. Information security risks

Administrative/organisational information security risks:

- Inadequate procedures, incorrect documentation and incorrect division of responsibilities when processing Sveaskog's information.
- Leaks, destruction or unauthorised manipulation of personal data.

Management:

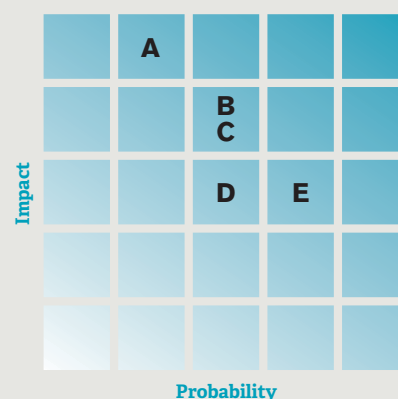
- Uniform and well thought-out procedures for correct processing of personal data in files and systems.

Technical/physical IT security risks:

- Interruptions, information leaks, hacking, virus attacks, sabotage and IT-related blackmail.

Management:

- Introduction of an Information Security Management System, appointing information owners for the information in Sveaskog's system.
- Participation in information security activities.
- Administrative, technical and physical levels of security based on risk analysis.
- Monitoring to detect and address information security incidents.
- Information and training.



Weather, climate and environmental risks

A. Climate change

Climate change can increase the risk of storms, changes in precipitation, forest fires, deteriorating driving conditions and changes in vegetation boundaries.

Management:

- Cleaning and thinning adapted to habitat.
- Specially adapted forestry methods in case of fire risk and hazardous conditions.
- Work involving processed seed and plant material.
- Insurance.

B. Storm felling

A significant storm results in direct economic loss through reduced operating profit and reduced value of forest assets. Cleaning up results in direct economic loss through reduced operating profit, reduced value of forest assets, cleaning up puts a strain on the organisation, damage caused by spruce bark beetle.

Management:

- Silviculture measures that reduce the risks: thinning, planting, increased proportion of broad-leaved trees, final felling at economic maturity.
- Good crisis organisation and logistics. Capacity to move felling resources to storm-felled area.
- Insurance against damage.

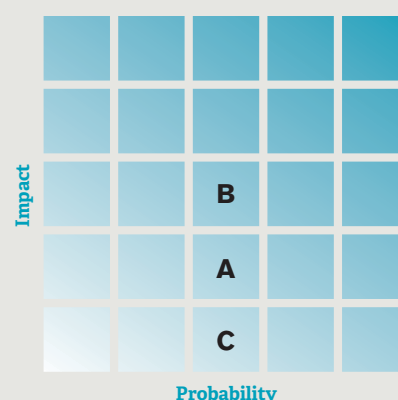
C. Contaminated land

Liability for contaminated land from any previous pollutants.

Management:

- Mapping, strategy and plan of action for management of ongoing operations and any subsequent treatment.

In 2005, storm Gudrun caused gross damage worth around MSEK 730. Based on today's insurance cover, similar damage would affect operating profit from continuing operations by around MSEK 246. Sveaskog's insurance cover is described in more detail in Note 26.



Management of significant risks, cont.

Market risks

A. Sawmill industry

Intermittent poor profitability results in sawmill closures and credit losses for Sveaskog. Restructuring may result in fewer customers in the local area for Sveaskog's forest holdings. Changes in the international markets may affect demand for products from the pulp and paper industry.

Management:

- Active customer selection and credit insurance.
- Priority given to cooperation with customers who have long-term survival and profitability potential.
- Prioritise product development and innovation.

B. Pulp and paper industry

A few, dominant companies means a lack of competition and few alternative business and marketing opportunities. Changes in the international markets may affect demand for products from the pulp and paper industry.

Management:

- Increase market and customer capital.
- More efficient logistics and increased exports.
- Prioritise product development and innovation.

C. Energy sector

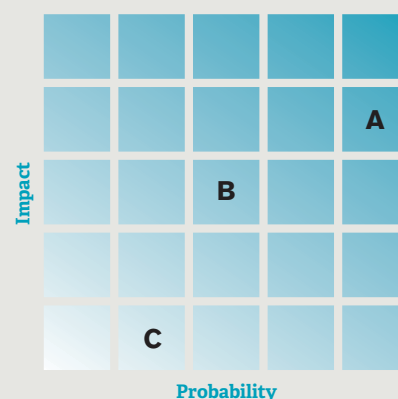
Increased competition from substitutes and low energy prices result in limited market outlets. Closure of companies and customers in Sveaskog's traditional markets.

Management:

- Be an efficient supplier with developed customer-oriented business concepts that achieve added value and increased profitability for the parties.
- Prioritise product development and innovation.

A 10% change in the average price of wood raw material from our own forests impacts operating profit from continuing operations by around MSEK 300.

A 10% change in average delivery volume from our own forests impacts operating profit from continuing operations by around MSEK 200.



Social risks

A. Imported wood of undesirable origin

Purchasing from other countries may involve risks linked to illegal logging, 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.

B. Contractors

Contractors who fail to fulfil commitments may constitute a risk linked to working environment, health, safety and labour law.

Management:

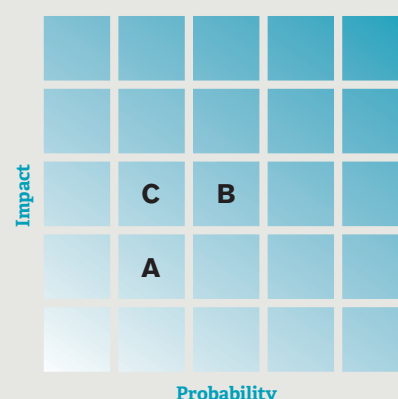
- Code of Conduct, guidelines for procurement of contractors, service declarations and follow-up and control of compliance reduce risks.

C. Corruption

Unclear guidelines and procedures lead to a risk of bribery and corruption.

Management:

- Continuous training and dialogue, Code of Conduct, clear guidelines, internal control, possibility to report suspected violations anonymously.



Public opinion risks

A. Public opinion about the forest

Public opinion on the use of the forest which involves restrictions on forestry can affect profitability and the value of forest land.

Management:

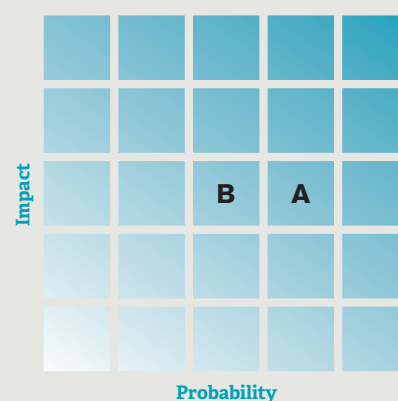
- Active participation in the forest debate.
- Cooperation with other parties and players.
- Local presence and dialogue.

B. Reduced confidence

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

Management:

- Code of Conduct, internal procedures, active information measures and continuous dialogue with stakeholders.



Appropriation of profits

The Board of Directors proposes to the Annual General Meeting that the dividend for 2019 be MSEK 1,100 (1,100), corresponding to SEK 9.29 (9.29) per share.

Proposed appropriation of profits, SEK

Profits available to the Annual General Meeting:

SEK	
Retained earnings	6,323,283,375
Profit for the year	2,363,835
Total	6,325,647,210

The Board of Directors proposes that the profit be distributed as follows:

SEK	
Dividend to shareholder	1,100,000,000
Carried forward to the following year	5,225,647,210
Total	6,325,647,210

Board of Directors' statement in accordance with the Swedish Companies Act Chapter 18 Section 4

Following the Board's proposal for a dividend, the Board of Directors of Sveaskog AB (publ) hereby makes the following statement.

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 the value of own forests after tax. A dividend is paid provided that the capital structure target after the dividend falls within the target range and taking into account implementation of the Group's strategic and investment requirements.

The Board of Directors proposes to the Annual General Meeting that the total dividend for 2019 be SEK 1,100,000,000, corresponding to SEK 9.29 per share. The dividend, which comprises 88% of the dividend base, is proposed to take the form of a cash dividend.

Provided that the Annual General Meeting 2020 resolves in accordance with the Board's proposal for appropriation of profits, SEK 5,225,647,210 will be carried forward to a new account. Full coverage exists for the company's restricted equity after the proposed distribution of profits.

The nature and scope of the company's operations are set out in the Articles of Association and the published Annual Report. The operations carried out 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 does not differ from that otherwise occurring in the industry. The Board of Directors' opinion is that after the proposed distribution of profit, the company will have a sufficient restricted equity in relation to the size of the business.

The Board of Directors has taken into account the company's and the Group's consolidation needs through a comprehensive assessment of the company's and the Group's financial position and ability to meet their 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 0.30. 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 compromise the company's ability to make any necessary investments. The company has financial resources to cope with 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 fulfil its obligations in the short and long term.

The Board of Directors has taken into account the position of the company and the Group in other respects. The Board of Directors has therefore taken into account all known circumstances that may 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 needs and liquidity. Among the circumstances taken into account by the Board of Directors can be noted such events and circumstances as the company has disclosed in the Directors' Report, including those relating to dates after the financial year 2019.

With reference to the above, the Board of Directors 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 needs, liquidity and position in general of the company and the Group.

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 other applicable Swedish and foreign laws 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 Swedish government's 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 of Directors and auditors, which means that Sveaskog has not appointed a Nomination Committee.
- With regard to the independence of Board members in relation to the state as a major shareholder, this not reported because the Code in this respect focuses on companies with a diverse ownership.
- The date and location of the Annual General Meeting shall be stated on the company's website not later than in connection with the interim report for the third quarter. Sveaskog has chosen to comply with Nasdaq Stockholm's regulations for issuers and therefore provides details of the scheduled date for the Annual General Meeting in the year-end report.

Mission

According to the state's ownership policy, companies owned by the state must take a long-term approach, be efficient and profitable and be given the capacity to develop. The companies should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence.

According to its Articles of Association, Sveaskog shall own and manage real and personal property and conduct forestry operations and forest industry as well as related activities. Its core business shall comprise forestry. Sveaskog shall also be an independent operator without major interests of its own as an end user of wood raw materials. The company may also conduct related activities if these contribute to increased returns for the company. According to a special parliamentary assignment, the company shall contribute to strengthening private agriculture and forestry by selling land in sparsely populated areas to private individuals. Sale of land shall be carried out until 10% of the land area owned by Sveaskog at the time of its foundation in 2002 has been divested. At year-end, 33,583 hectares remained available for sale. 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) took place on 24 April 2019 in Stockholm. The 2020 Annual General Meeting will be held on 24 April. See page 121 for more information about the 2020 Annual General Meeting.

According to the State ownership policy and guidelines for companies with state ownership and the Articles of Association, Members of Parliament have the right 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 set out a different nomination process than that prescribed in the Code in respect of the Board of Directors 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 of the general meetings. Nominations of members of the Board are presented in the notice of the Annual General Meeting and on Sveaskog's website.

The Government Offices of Sweden are also responsible for the election of auditors and that a decision on this is taken at the Annual General Meeting. A proposal for election of auditors is presented in the notice of the Annual General Meeting and on Sveaskog's website. Auditors are appointed for a term 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 of Directors shall be responsible for the company's organisation and administration of the company's affairs. According to the Articles of Association, the Board of Directors 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 adviser is the secretary to the Board of Directors.

Composition of the Board of Directors

In connection with the 2019 Annual General Meeting, members Anna-Stina Nordmark Nilsson and Thomas Hahn resigned. Eva Färnstrand, Sven Wird, Annika Nordin and Leif Ljungqvist were re-elected at the Annual General Meeting. Kerstin Lindberg Göransson, Marie Berglund and Johan Kuylenstierna were elected as new members, meaning that after the Annual General Meeting the Board comprises four women and three men. The Board also includes two employee representatives with two deputies. Eva Färnstrand was also re-elected as chairman.

Work of the Board of Directors

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 fulfils its obligations. According to the formal work plan, the Board shall normally hold eight meetings per year, in addition to the board meeting following election in connection with the Annual General Meeting. The formal work plan stipulates which issues are to be dealt with at each meeting and which specific issues should be submitted to the Board. According to the formal work plan, the Chairman shall, on behalf of the Board of Directors, consult with representatives of the owner on matters of crucial importance for Sveaskog. The formal work plan also contains details of the Chairman's role on the Board of Directors and on the division of roles and responsibilities between the Board of Directors and the CEO. The Board continuously evaluates the CEO's work, and also evaluates the

work of the Board on an annual basis. At least once a year, the work of the CEO shall be evaluated without any member of the Group management being present.

In 2019, the Board held eleven meetings. In addition to addressing standing items on the agenda, the Board has focused on the issues of insect infestation and other damage to forests, Sveaskog's nature conservation work, the relationship with the reindeer industry and other stakeholders, investments primarily in plant operations and measurement of standing timber. The Board of Directors has also decided on a number of acquisitions and disposals of properties.

The Board of Directors has recruited a new CEO, who took up the post on 1 July 2019.

Board committees

The Board committees prepares issues ahead of a decision by the Board. Guidelines for the work of the committees can be found in the Board's formal work plan. In addition, there are specific instructions for the Property and Audit Committees. The issues dealt with by the committees are minuted and reported at the next Board meeting.

Remuneration Committee

Prepares issues related to remuneration and terms of employment of senior executives. The Remuneration Committee consists of Eva Färnstrand (Chairman), Marie Berglund and Leif Ljungqvist.

Property Committee

Prepares issues relating to property acquisitions, management and disposals. The Property Committee consists of Sven Wird (Chairman), Annika Nordin, Johan Kuylenstierna and Sara Östh.

Audit Committee

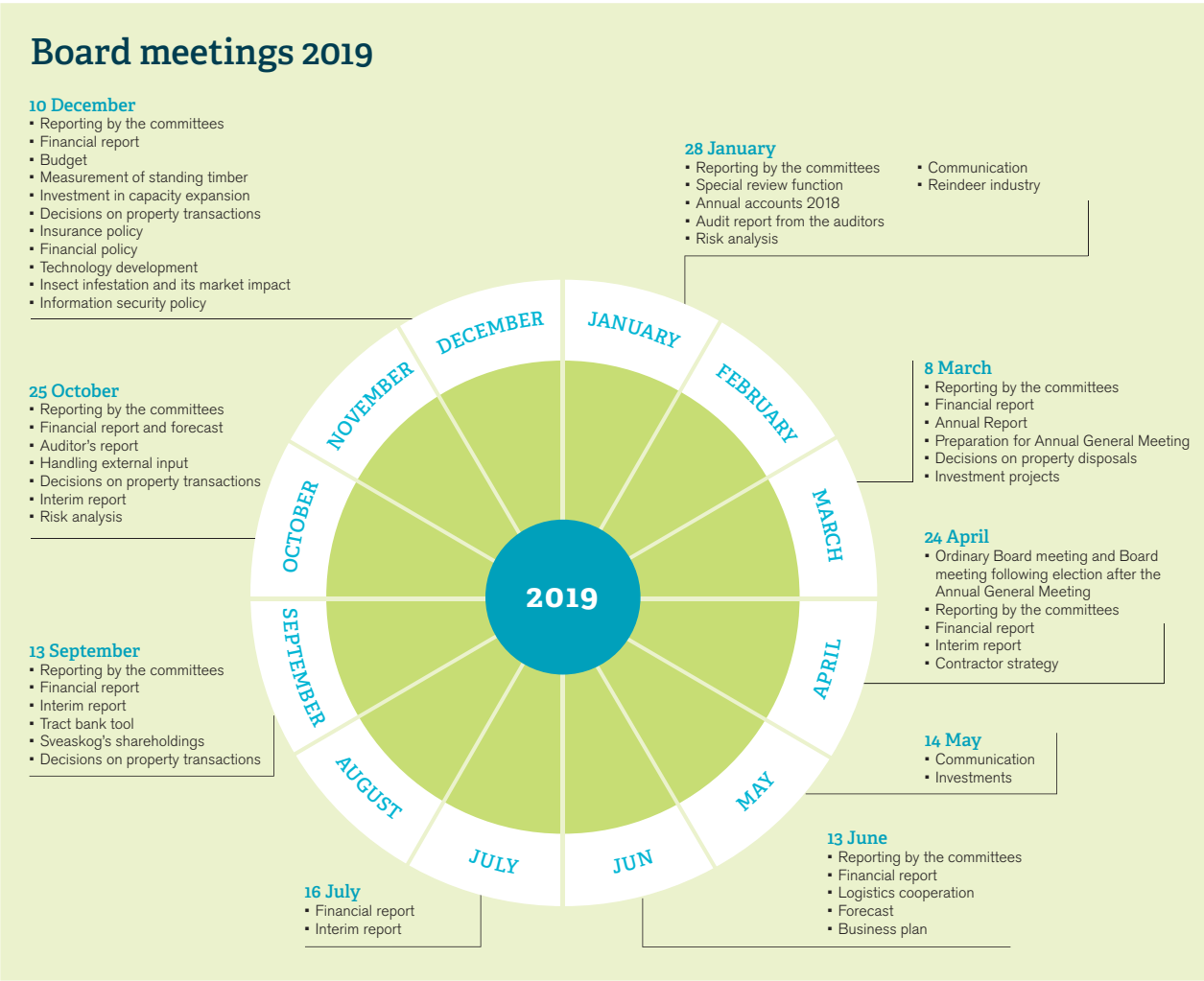
Responsibilities include preparing the Board's work on quality assurance of the company's financial reporting, regular meetings with the company's auditors in order to be informed of the direction, scope and results of audits and to discuss coordination between the external auditors and internal control activities and approach to the company's risks. The Audit Committee consists of Kerstin Lindberg Göransson (Chairman), Leif Ljungqvist, Eva Färnstrand and Kenneth Andersson.

Principles for remuneration of the Board of Directors

Fees to the Board are determined by the Annual General Meeting as are fees to members of the Board committees. In 2019, remuneration of the Board of Directors totalled SEK 1,504,999. The Board of Directors does not participate in any bonus or incentive programme. Employee representatives and the Board member employed by the Government Offices of Sweden do not receive a fee.

Corporate structure

Sveaskog's operations are organised in two geographical market areas and Svenska Skogsplantor. The division into market areas is based on forest holdings, customer structure and trade flows. The market areas have customer, production and delivery



responsibility for the wood raw material. Concessions (with the exception of hunting concessions) and property transactions are handled centrally within the Legal Affairs and Property function. Operating activities are supported by group-wide functions.

Sveaskog also owns shares in companies where there is no consolidation relationship. The holding in the wood products company Setra Group AB (publ) is the largest holding, followed by Sunpine AB.

CEO and Group Management

Sveaskog's CEO is responsible for the ongoing management of the company in accordance with the Board's instructions. The CEO gives presentations at Board meetings. The CEO's responsibilities include ongoing business issues and contacts with the company's Chairman and external stakeholders. The CEO also leads the work of the Group management. The Group management comprises six women and four men. The CEO's assistant is co-opted to the Group management. During the year, the company's CEO left the company and a new CEO took over the post. During the spring, a new HR manager joined the company but resigned shortly thereafter. A new HR manager was subsequently recruited and has taken up the post. The business area manager for Svenska Skogsplanter has left his position and an acting manager has been appointed.

Systems for internal control and risk management in financial reporting

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

Framework for internal control

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

Control environment

The Board of Directors has overall responsibility for maintaining an effective system for internal control and risk management. The Board has appointed the Audit Committee to prepare 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 of the company have corresponding responsibilities within their respective areas.

The most significant parts of the control environment relating to financial reporting are dealt with in the governing documents concerning accounting and financial reporting and in the financial manual published on Sveaskog's employee intranet.

Risk assessment and control structures

The Board of Directors is responsible for ensuring that the company manages its risks correctly and that adopted policies for financial reporting and internal control are complied with. Identified risks in connection with 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, income and expenses or discrepancies in disclosure requirements.

These issues are prepared by the Audit Committee for 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 are mainly attributable to measurement of standing timber, accruals and the IT systems that support the business.

Information and communication

The company's information and communication channels are designed to promote completeness and accuracy of 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's regulations.

Monitoring

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

Special review function

It is the Board's opinion that Sveaskog's significant risks and risk areas are covered by the risk management process applied by the company. Responsibility for risk inventories and management of the risk management processes has been delegated to the CFO unit by the CEO. The CFO unit is also responsible for a number of central controls combined with local follow-up. However, operational responsibility rests with the market areas

Mission

According to the state's ownership policy, companies owned by the state must take a long-term approach, be efficient and profitable and be given the capacity to develop. In order to promote long-term sustainable value growth in state owned companies, sustainable business is integrated into corporate governance. This means that the companies should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence.

According to its Articles of Association, Sveaskog shall own and manage real and personal property and conduct forestry operations and forest industry as well as related activities. Its core business shall comprise forestry. Sveaskog shall also be an independent operator without major interests of its own as an end user of wood raw materials.

As part of efforts to improve the efficiency of operations, Sveaskog must also strive to adapt the structure of forest

holdings to its customer structure through the purchase, exchange and sale of forest land. According to a parliamentary decision, sales of land shall be carried out until 10% of the land area owned by Sveaskog at the time of its foundation in 2002 has been divested.

Sales shall be conducted on market terms and aimed at strengthening private forestry. Because the aim is not to reduce Sveaskog's land holdings, the mission does not preclude Sveaskog from simultaneously purchasing land. Total area 19,889 ha (of which 12,148 productive forest land). In 2019, 19,889 ha of land were sold (18,681). A total of 402,559 hectares, or 9.23%, have been sold in 2,284 transactions since the land sales programme started. No reversals were reported in the Land Sales Programme in 2019.

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



and other operating areas. The Board of Directors considers 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 function and IT function.

Audit

The task of the auditors is to examine, on behalf of shareholders, the company's annual accounting and accounting records as well as the administration by the Board of Directors and the CEO. A limited assurance engagement is performed in respect of the company's Sustainability Report. The Board communicates with the auditors through the Audit Committee and also through auditors being present at Board meetings at which issues ahead of the annual accounts and annual report are discussed. At least once a year, the auditors meet with the Board of Directors without the CEO or any other member of the Group management being present. The auditors participated in nine of the Audit Committee's 10 meetings.

Remuneration of auditors is described in Note 6.

Sustainable business

Sveaskog takes an integrated approach to sustainability throughout the organisation. Sveaskog's overall goals for sustainable business are broken down into strategies and business objectives that are followed up regularly. The work is supported

by a number of policies and guidelines which are available on Sveaskog's intranet and website.

Monitoring of sustainability work is performed on an ongoing basis both internally and externally. The Board of Directors issues the Sustainability Report and the Audit Committee does prepares the work on 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 is takes the form of self evaluation and internal audits. Non-conformances are reported in the business management system. Follow-ups of framework agreements with external suppliers take place annually.

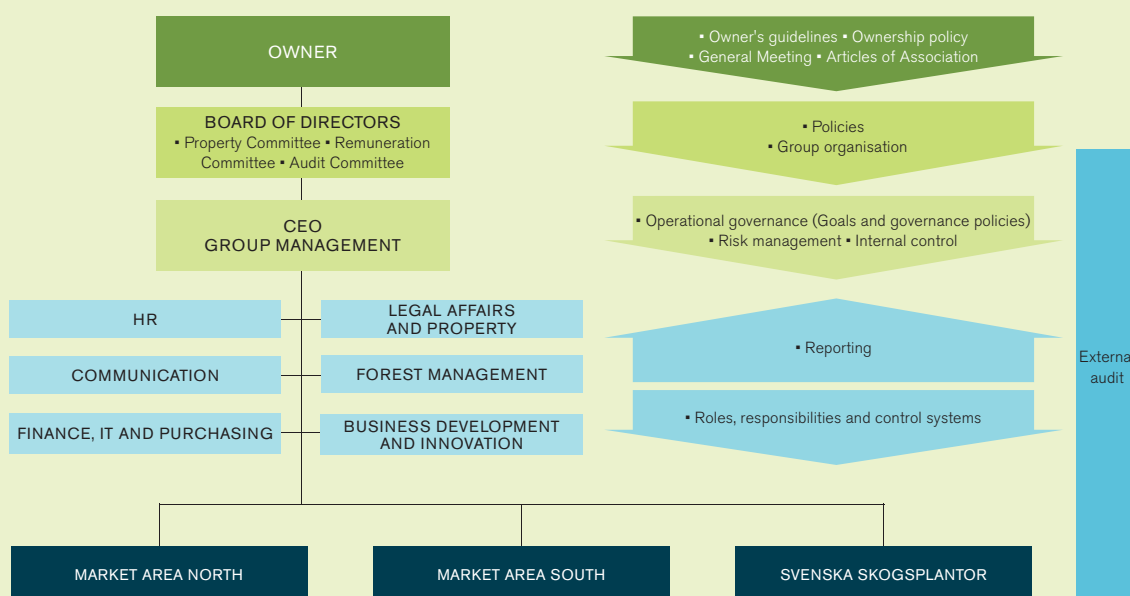
The external audit consists of the auditors examining the annual financial statements and the Sustainability Report. In addition, an internal audit in accordance with ISO 14001 is carried out of the integrated business management system. An external audit of FSC® certification is performed and regular surveys are conducted for customers, employees, contractors and suppliers and of the brand.

These provide the tools for creating an understanding of the impact of operations from a stakeholder perspective and offer support for monitoring of international frameworks such as national environmental objectives and the 2030 Agenda.

Board attendance and remuneration 2019

	Attendance Board Meetings	Attendance Remuneration Committee	Attendance Property Committee	Attendance Audit Committee	Remuneration, SEK	
					Board of Directors	Committee
Board members						
Eva Färnstrand	11/11	1/1	–	6/6	465,000	23,333
Marie Berglund	8/8	–	–	–	123,333	6,667
Johan Kuylenstierna	7/8	–	3/3	–	123,333	26,667
Kerstin Lindberg Göransson	6/8	–	–	6/6	123,333	26,667
Leif Ljungqvist	11/11	1/1	–	8/10	–	–
Annika Nordin	11/11	–	5/5	–	183,333	40,000
Sven Wird	11/11	–	5/5	–	183,333	40,000
Anna Stina Nordmark Nilsson	3/3	–	–	4/4	60,000	13,333
Thomas Hahn	3/3	–	–	4/4	60,000	6,667
Employee representatives						
Sara Östh	10/11	–	5/5	–	–	–
Kenneth Andersson	10/11	–	–	9/10	–	–
Lars Djerf (deputy)	7/11	–	–	–	–	–
Thomas Esbjörnsson (deputy)	7/11	–	–	–	–	–

Organisation and governance



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 are:

- Customer focus
- Innovation
- Simplicity
- Transparency

The values comprise:

- How Sveaskog conducts business
- Employees must be professional and understand customer needs, take initiative and be innovative.
- How employees should act as employees and colleagues
- Employees should be guided 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 who concludes agreements 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 day-to-day operations. The Code of Conduct must be read in connection with new recruitment, performance appraisals, procurement, operational follow-ups, etc. The Code of Conduct must be appended to business and cooperation agreements.

In order to ensure compliance with the Code of Conduct, there is a separate reporting system for deviations or infringements. This whistle-blower function is available through the website and provides guaranteed anonymity. The function is

external, which means that the information is processed and investigated by an external party. No reports were received via the whistle-blower function in 2019.

Under the guidance of lawyers and HR specialists, regular meetings are held in the different profit areas where questions concerning the Code of Conduct, guidelines for entertainment and other ethical issues are discussed.

To find out more:

The State's governance policy

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

Sveaskog's Articles of Association

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

Sveaskog's Code of Conduct

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

The Swedish Companies Act

www.regeringen.se

The Swedish Corporate Governance Code

www.bolagsstyrning.se/

Nasdaq Stockholm's Rules for Issuers

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



Eva Färnstrand,
Chairman of the Board.

MESSAGE FROM THE CHAIRMAN

Sveaskog manages the forest in a sustainable and transparent manner

As Sweden's largest forest owner, how we manage and utilise our forest is of great importance. The foundations of the forest that we see today were laid by generations before us and our forest management will affect generations after us. We therefore strive to have an open and constructive discussion with the world around us about the methods that create the most value, both for our customers, but of course also for wider society, including biodiversity. We want our forests to be accessible to everyone and have therefore worked extra hard during the year to open up our ecoparks. In the ecoparks we combine forestry with nature conservation in order to both preserve and develop high conservation values. In the ecoparks there are today many nature tourism companies which use our forests as their base and we would like to see more.

We strive to increase quality in both production and nature conservation, and we want to increase both the value of wood and conservation values. Forests are an important part of the transition to a sustainable society, after all. Our work on measuring all the values of the forest is part of this approach and we try to put figures on carbon sequestration and ecosystem services, among other things. We want to show the positive things that we do, but also obtain supporting information for reducing negative impacts. During the year we also embarked on a project together with researchers and nature conservation organisations on how we can evaluate biodiversity so that we can follow up the measures we take, as well as the consequences.

Our business is at the early stage of the forest value chain and we work hard to adapt our production to the next stage of the chain, that is, our customers and their customers. Our new CEO, Hannele Arvonen, who joined us from the position of CEO of Setra, is recruited from the customer side and her knowledge of the forest value chain is valuable. It is particularly important to continue to develop and refine the wood mechanical industry, both from a

financial and a climate perspective. We are proud of our holding in Setra and of the other customers we get to deliver to and we strive to learn more about their terms and delivery parameters.

In recent years, the climate issue has played an increasingly central role in public debate. For us, however, it has always been in focus and through our operations we can show that we contribute to long-term sequestration of carbon dioxide. Another effect of climate change are new threats, including species that have not previously existed to the same extent in our latitudes. However, thanks to our forestry methods and our location in the North, here in Sweden we have not been hit as hard by the ravages of the spruce bark beetle as forest owners in Central Europe. One development that is constantly gaining ground is new digital technology and how it can be used in forestry. Thanks to good knowledge and effective methods, we can use satellite photos and drones to search for and then remove infected trees.

In the work performed by the Board, I would like to highlight the recruitment of our CEO and several development projects, such as refining of lignin for use as a renewable and climate-smart alternative to fossil fuels. We also worked on developing the dialogue with our stakeholders regarding nature conservation and how to develop the business with respect to the entire value chain.

Finally, I would like to thank all the employees at Sveaskog for the work they do every day on caring for and refining our forests. Few business activities mean this much to our society and have such a great future!

Stockholm, March 2020

A handwritten signature in black ink that reads "Eva Färnstrand".

Eva Färnstrand
Chairman of the Board



Board of Directors



Eva Färnstrand

Chairman of the Board

MSc in Engineering. Born in 1951. Elected in 2008 and Chairman since 2017. Chairman of the Remuneration Committee and member of the Audit Committee.

Other assignments: Member of the Royal Swedish Academy of Engineering Sciences (IVA). Chairman of Infranord AB and C-Green Technology AB. Chariman of Forsen AB.

Previous experience: Plant Manager at Södra Cell Mönsterås, CEO of Tidningstryckarna AB, Business Area Manager at SCA. Chairman of Profilgruppen AB and Inlandsinnovation AB. Board member of e.g. Saminvest AB, Indutrade AB, Domsjö fabriker AB, Södra Cell AB, Handelsbanken regionbank Stockholm City and Schibsted Tryck AS.



Marie Berglund

Director

MSc in Biology. Born in 1958. Elected in 2019. Member of the Remuneration Committee.

Other assignments: Raw Material Manager and Sustainability Coordinator at NCC Industry AB. Board member of Boliden AB, BalticSea 2020 Foundation and the Advisory Council of the County Administrative Board of Västernorrland.

Previous experience: Previously held position of external CEO of Bioendev AB, Environmental Manager at Botniabanan AB and Group Ecologist and Environmental Audit Leader in Mo och Domsjö AB. Chairman of Eurocon Consulting AB and MIS Environmental and Sustainability Auditors in Sweden. Board member of e.g. Swedish Forest Agency, The Bothnian Sea Water Delegation, the Swedish World Wildlife Fund WWF, Enetjärn Natur AB and the Delegation for the Promotion of Environmentally Friendly Technology.



Johan Kuylenstierna

Director

Ph. Lic. Physical Geography. Born in 1965. Elected in 2019. Member of the Property Committee.

Other assignments: Adjunct professor and honorary doctorate at Stockholm University. Deputy Chairman of the Climate Policy Council. Member of the Rectors' Council for Sustainable Development at Stockholm University, Board member WWF Sweden, Board member University of Gothenburg, Board member Ecogain AB, Board member Axfoundation, Owner Modulator AB, Member of the Research Policy Advisory Committee to the Swedish Government.

Previous experience: Member of the Royal Swedish Academy of Forestry and Agriculture. Board member Smarta Samtal Foundation. Former CEO of Stockholm Environment Institute. Has also worked at the United Nations in New York, Geneva and Rome.



Sven Wird

Director

MSc in Engineering. Born in 1951. Elected in 2016. Member of the Property Committee.

Other assignments: Chairman of Nordiska Virkesbörsen AB. Board member of 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. Formerly Chairman of the Board of SunPine AB and Board member of Innventia AB, SP Technical Research Institute of Sweden and Melodea Ltd.



Kenneth Andersson

Director

Machine operator. Born in 1969. Elected in 2017.

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



Sara Östh

Director

MSc Forestry. Forest management leader. Born in 1983. Elected in 2018.

Employee representative. Member of the Property Committee.



Kerstin Lindberg Göransson

Director

MSc Business and Economics. Born in 1956. Elected in 2019.

Chairman of the Audit Committee.

Other assignments: CEO of Akademiska Hus AB since 2011. Board member of Hemnet Group AB. Formerly Airport Director Stockholm-Arlanda Airport and CFO and Deputy CEO of Scandic Group.

Previous experience: Chairman of Svensk Bilprovning AB and K2 National Knowledge Centre for Public Transport and former member of the Third Swedish National Pension Fund, Jernhusen AB, Strömma Sjöfarts och Turism AB, Grand Hotel AB, OEM AB and Swegon AB.



Leif Ljungqvist

Director

MSc Business and Economics. Born in 1971. Elected in 2016. Member of the Remuneration and Audit Committees.

Other assignments: Company Managers and Deputy Director of the Ministry of Enterprise and Innovation's corporate governance unit. Samhall AB and Teracom AB.

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



Annika Nordin

Director

PhD Forestry Born in 1968. Elected in 2016. Member of the Property Committee.

Other assignments: Professor of Forest Ecophysiology, Swedish University of Agricultural Sciences. Programme leader for the Future Forests research programme. Member of the Royal Swedish Academy of Forestry and Agriculture, the Kungliga Skytteanska Samfundet Society 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 Berzelii Centre for Forest Biotechnology and member of the Environmental Research Advisory Board.



Lars Djerf

Deputy member of the Board

Machine operator. Born in 1968. Elected in 2013.

Employee representative appointed by the Swedish Forest and Wood Trade Union.



Thomas Esbjörnsson

Deputy member of the Board

Logistician. Born in 1962. Elected in 2015.

Employee representative.

Auditor

The auditor is audit firm Deloitte AB with Hans Warén, born 1964, as Auditor in charge.

Deloitte AB's address is
Rehngatan 11,
SE-113 79 Stockholm.

Management



Hannele Arvonen

President and CEO

MSc in Forestry and BA International Relations. Born: 1966. Employed in 2019. Assumed current position in 2019.

Previous experience: President and CEO of Setra Group. Leading positions at Iggesund Paperboard, Holmen Paper, Metsä Board, Metso Paper and Norrskog.

Other assignments: Member of the Royal Swedish Academy of Engineering Sciences.



Per Matses

Deputy CEO, CFO

Born in 1958. Employed since 2010. Assumed current position in 2010.

Previous experience: Deputy CEO, CFO and Administrative Director at Apoteket AB, Finance Director at Postgirot Bank AB and Finance Director at Posten AB.

Other assignments: Chairman of Sveaskog Försäkrings AB and Hjälmare Kanal AB. Board member of Setra Group AB, SJ AB and Praktikertjänst AB.



Nina Arkeberg

PA to the CEO, co-opted member of Group Management

MSc Business Administration & Management. Born 1967. Employed in 2011. Assumed current position in 2011.

Previous experience: PA to CEO of Svevia and PA to CEO of Stora Enso Grycksbo Bruk.



Anders Nilsson

Acting Head of Svenska Skogsplanter

MSc Business and Economics. Born in 1965. Employed since 2000. Assumed current position in 2019.

Previous experience: CFO and Chief Controller of Sveaskog, CFO of AssiDomän Karlsborg AB, Group Controller at Dynapac AB.

Other assignments: Chairman of the Board, Sveaskog Baltfor.



Helene Samuelsson

Head of Communications and Public Affairs

BA App Science Chemistry – Queensland University of Technology, Marketing and PR – Berghs School of Communications. Born in 1965. Employed since 2018. Started in 2018 and left in February 2020.

Previous experience: Head of Communications & Public Affairs at Preem AB and Marketing Manager Preem AB.



Marie Stålnacke

Head of HR

BSc Human Resource Management. Born in 1966. Employed since 2019. Assumed current position in 2019.

Previous experience: Leading positions at Stora Enso with responsibility for HR, communication, working environment and safety. HR Manager at Lantmäteriet with responsibility for HR, research and external issues.

Other assignments: Board member Sveaskog Baltfor.



Viveka Beckeman

Head of Legal Affairs and Property

LLM. Born in 1971. Employed in 2012. Assumed current position in 2012.

Previous experience: Legal adviser at Aditro Holding AB, lawyer at Advokatfirman Vinge, Clerk at Svea Court of Appeal and law clerk at Helsingborg District Court.

Other assignments: Board member of Sveaskog Försäkrings AB, Chairman of SunPine AB.



Eva Karlsson Berg

Head of Market Area South

MSc in Engineering. Born in 1959. Employed since 2015. Assumed current position in 2015.

Previous experience: Leading positions within Stora Enso. Chairman of the Swedish Association of Pulp and Paper Engineers (SPCI).

Other assignments: Board member of University of Gävle.



Fredrik Klang

Head of Forestry

MSc, PhD in Forestry. Born in 1970. Employed since 2000. Assumed current position in 2018.

Previous experience: Head of Market Area South. Regional Manager and Head of Production for Götaland, District Manager, Head of Silviculture, AssiDomän Forestry, SLU, SCA Strömsund.

Other assignments: Board member of Sveaskog Försäkrings AB. Board member, chairman of Arboreal AB.



Anette Waara

Head of Market Area North

MSc Forestry. Born in 1969. Employed since 2002. Assumed current position in 2016.

Previous experience: Head of Production, Market Area Västerbotten, Head of Västerbotten profit area.



Jan Wintzell

Head of Business Development & Innovation

MSc Forestry. Born in 1961. Employed since 2013. Assumed current position in 2013. Chairman of SunCarbon.

Previous experience: Among other things, senior positions at Pöyry Management Consulting.

Sustainability Report

Sveaskog publishes a Sustainability Report in accordance with the Swedish Annual Accounts Act 6:11 which is integrated into the Annual Report. The Sustainability Report comprises Sveaskog AB and its subsidiaries.

According to the Swedish Annual Accounts Act, the Sustainability Report must include business model, policy, policy outcome, significant risks, risk management and performance indicators. The table shows where in the Annual Report the various areas can be found.

Area	Disclosure requirements	Environment	Staff	Social conditions	Human rights	Anti-corruption
Business model	The Sustainability Report must describe the company's business model	Sveaskog's business model is described on pages 24-25: Sveaskog's sustainable value chain				
Policy	The Sustainability Report must describe the policy applied by the Company in respect of these issues, including the audit procedures that have been implemented	This is described on pages 22 (energy) and 26-27 (environment)	Working environment and gender equality, pages 23, 34-35	Decent work, page 23, new contractor strategy, page 39	Human rights and anti-corruption, page 34-35, Corporate Governance Report, pages 49-53 and Code of Conduct sveaskog.se	Human rights and anti-corruption, page 34-35, Corporate Governance Report, pages 49-53 and Code of Conduct sveaskog.se
Policy outcomes	The Sustainability Report must describe the outcomes of the policy	This is described on pages 22 (energy) and 26-27 (environment)	Working environment and gender equality, pages 23, 34-35	Creating a sustainable value chain, pages 23, 39	Human rights and anti-corruption, page 34-35, Corporate Governance Report, pages 49-53 and Code of Conduct sveaskog.se	Human rights and anti-corruption, page 34-35, Corporate Governance Report, pages 49-53 and Code of Conduct sveaskog.se
Significant risks	The Sustainability Report shall describe the significant risks which relate to these issues and are linked to the Company's activities, including, where relevant, the Company's business relationships, products or services that are likely to have negative consequences	Risk and sensitivity analysis, weather, climate and environmental risks, page 46	Risk and sensitivity analysis, operational and legal risks, page 46	Risk and sensitivity analysis, social risks, pages 44-47	Risk and sensitivity analysis, social risks, page 47	Risk and sensitivity analysis, social risks, page 47
Risk management	The Sustainability Report must describe how the Company manages the risks	Risk and sensitivity analysis, weather, climate and environmental risks, page 46	Risk and sensitivity analysis, operational and legal risks, page 46	Risk and sensitivity analysis, social risks, page 47	Risk and sensitivity analysis, social risks, page 47	Risk and sensitivity analysis, social risks, page 47
Performance indicators ¹	The Sustainability Report must describe key performance indicators relevant to the business	Biodiversity and nature conservation, pages 26-27	Sickness absence and occupational injuries, page 34	Evaluation of contractors, page 39	Values and anti-discriminatory practice, pages 49-53	Values and anti-discriminatory practice, pages 49-53

1) A summary of all indicators can be found on page 6.

Five year summary¹

	2019	2018	2017	2016	2015
Income statements, MSEK					
Net sales	7,209	6,971	6,206	5,922	6,078
Other operating income	109	160	205	171	105
Operating expenses	-5,690	-5,624	-5,082	-4,885	-4,819
Depreciation/amortisation and impairment	-145	-85	-81	-80	-84
Operating profit from continuing operations	1,483	1,422	1,248	1,128	1,280
Capital gains on property disposals	185	234	321	131	78
Share of profit/loss of associates	26	156	108	53	10
Operating profit before change in value of forest assets	1,694	1,812	1,677	1,312	1,368
Change in value of forest assets	399	1,697	200	319	1,432
Operating profit	2,093	3,509	1,877	1,631	2,800
Net financial income/expense	-130	-143	-133	-174	-214
Profit before tax	1,963	3,366	1,744	1,457	2,586
Tax	-405	-195	-360	-267	-569
Profit for the year	1,558	3,171	1,384	1,190	2,017
Statement of comprehensive income for the year, MSEK					
Profit for the year	1,558	3,171	1,384	1,190	2,017
Total other comprehensive income after tax	-29	26	29	-18	34
Total comprehensive income for the year	1,529	3,197	1,413	1,172	2,051
Balance sheet, MSEK					
Non-current assets, non-interest-bearing	38,164	37,498	35,704	35,415	35,080
Non-current receivables, interest-bearing	4	3	5	7	8
Inventories	576	570	540	582	669
Current receivables, non-interest bearing	1,691	1,868	1,662	1,520	1,407
Cash and cash equivalents and interest-bearing receivables	1,114	847	1,681	1,070	1,135
Total assets	41,549	40,786	39,592	38,594	38,299
Equity	23,574	23,145	20,816	20,081	19,714
Non-interest-bearing liabilities	9,708	9,776	9,685	9,506	9,361
Interest-bearing liabilities	8,267	7,865	9,091	9,007	9,224
Total equity and liabilities	41,549	40,786	39,592	38,594	38,299
Operating capital	30,736	30,314	28,316	28,012	27,809
Cash flow					
Cash flow from operating activities	1,108	921	778	789	909
Cash flow from investing activities	16	334	502	122	-62
Cash flow from financing activities	-857	-2,089	-669	-976	-1,057
Cash flow for the year	267	-834	611	-65	-210
Net interest-bearing debt	7,149	7,014	7,410	7,937	8,089
Performance measures					
Return on equity, %	6.7	14.4	6.7	6.0	10.6
Dividend yield, %	4.9	5.4	4.8	4.2	4.7
Equity ratio, %	57	57	53	52	51
Return on operating capital, %	6.8	12.0	6.6	5.8	10.3
Net debt/equity ratio, multiple	0.30	0.30	0.36	0.40	0.41
Capital turnover rate, multiple	0.24	0.24	0.22	0.21	0.22
Interest coverage ratio, multiple	11.6	11.0	10.0	6.3	6.2
Gross margin, %	31	49	30	28	47
Operating margin, %	29	50	30	28	46
Dividend					
Total approved dividend, MSEK ²	1,100 ²	1,100	900	800	800
Investments, MSEK					
Business acquisitions and investments in shares	5	1	1	1	1
Other investments	445	237	219	183	329
Staff					
Number of employees	682	682	685	674	688
Average number of employees	807	840	846	844	851
Expensed salaries and other remuneration, MSEK	385	379	386	373	368

1) Sveaskog has chosen to present the Company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA). See pages 115–117.

2) The figure for 2019 is the proposed dividend.

Consolidated income statement

MSEK	Note	2019	2018
Net sales	Note 4, 7	7,209	6,971
Other operating income	Note 5	109	160
Raw materials and consumables		-2,314	-2,291
Change in inventories		31	17
Other external costs	Note 6, 7	-2,838	-2,795
Personnel costs	Note 8	-569	-555
Depreciation/amortisation and impairment	Note 7, 9	-145	-85
Operating profit from continuing operations		1,483	1,422
Capital gains on property disposals	Note 15	185	234
Share of profit/loss of associates	Note 16	26	156
Operating profit before change in value of forest assets		1,694	1,812
Change in value of forest assets	Note 15	399	1,697
Operating profit		2,093	3,509
Financial expenses	Note 10	-130	-143
Net financial income/expense		-130	-143
Profit before tax		1,963	3,366
Tax	Note 11	-405	-195
Profit for the year		1,558	3,171
Earnings per share			
- undiluted, SEK		13.16	26.78
- diluted, SEK		13.16	26.78

Statement of comprehensive income

MSEK	2019	2018
Profit for the year	1,558	3,171
Other comprehensive income		
Components that will not be reversed in profit or loss		
Actuarial gains/losses relating to pensions	-25	-4
Tax on actuarial gains/losses	5	1
Components that may be reversed in profit or loss		
Exchange differences	1	1
Other comprehensive income from associates	-8	22
Tax on other comprehensive income from associates	2	-4
Cash flow hedges	-5	13
Tax attributable to cash flow hedges	1	-3
Total other comprehensive income for the year, net after tax	-29	26
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,529	3,197

Consolidated balance sheet

MSEK	Note	31 Dec 2019	31 Dec 2018	1 Jan 2018
ASSETS				
Non-current assets				
Intangible assets	Note 13	136	124	93
Right of use assets	Note 7	129	–	–
Property, plant and equipment	Note 14			
–Forest land	Note 15	2,723	2,515	2,460
–Other property, plant and equipment		537	479	458
Biological assets – standing timber	Note 15	33,900	33,607	32,054
Non-current financial assets				
–Interests in associates	Note 16	712	752	634
–Other securities held as non-current assets	Note 16	16	11	24
–Non-current receivables	Note 17	4	3	5
Deferred tax assets	Note 11	11	10	13
Total non-current assets		38,168	37,501	35,741
Current assets				
Stock	Note 18	576	570	540
Contract assets		14	22	14
Advance payments to suppliers		165	219	168
Tax assets		34	1	1
Trade receivables, loan receivables and other receivables	Note 19	1,478	1,626	1,479
Cash and cash equivalents	Note 21	1,114	847	1,681
Total current assets		3,381	3,285	3,883
TOTAL ASSETS		41,549	40,786	39,624
EQUITY AND LIABILITIES				
Equity				
Share capital	Note 20	118	118	118
Reserves		–35	–27	–56
Retained earnings		23,491	23,054	20,786
Total equity		23,574	23,145	20,848
Non-current liabilities				
Interest-bearing non-current liabilities	Note 21, 26	5,253	4,688	5,187
Provisions for pensions	Note 22	376	384	418
Other provisions for pensions and similar obligations	Note 22	13	20	26
Non-current liabilities		6	6	6
Other provisions	Note 24	153	165	150
Deferred tax liabilities	Note 11	8,354	8,207	8,260
Total non-current liabilities		14,155	13,470	14,047
Current liabilities				
Current interest-bearing liabilities and provisions	Note 21, 22, 26	2,625	2,773	3,465
Contract liabilities		2	1	2
Tax liabilities		47	156	91
Trade payables, other liabilities and provisions	Note 23, 24	1,146	1,241	1,171
Total current liabilities		3,820	4,171	4,729
Total liabilities		17,975	17,641	18,776
TOTAL EQUITY AND LIABILITIES		41,549	40,786	39,624

Consolidated statement of changes in equity

Equity attributable to the Parent Company's shareholders

MSEK	Share capital	Hedging reserve	Translation reserve	Retained earnings	Total
Closing equity 31 December 2017	118	-45	-11	20,754	20,816
ShoreLink reclassified as associate in opening balance 2018	-	-	-	32	32
Adjusted opening equity 1 January 2018	118	-45	-11	20,786	20,848
Comprehensive income					
Profit for the year	-	-	-	3,171	3,171
Other comprehensive income					
Actuarial gains/losses relating to pensions	-	-	-	-4	-4
Tax on actuarial gains/losses	-	-	-	1	1
Other comprehensive income from associates	-	17	5	0	22
Tax on other comprehensive income from associates	-	-4	0	0	-4
Cash flow hedges	-	13	-	-	13
Tax attributable to cash flow hedges	-	-3	-	-	-3
Translation differences relating to translation of foreign operations	-	-	1	-	1
Total comprehensive income	-	23	6	3,168	3,197
Dividend paid according to Annual General Meeting resolution 23 April 2018	-	-	-	-900	-900
Closing equity 31 December 2018	118	-22	-5	23,054	23,145
Comprehensive income					
Profit for the year	-	-	-	1,558	1,558
Other comprehensive income					
Actuarial gains/losses relating to pensions	-	-	-	-25	-25
Tax on actuarial gains/losses	-	-	-	5	5
Other comprehensive income from associates	-	-7	1	-2	-8
Tax on other comprehensive income from associates	-	1	-	1	2
Cash flow hedges	-	-5	-	-	-5
Tax attributable to cash flow hedges	-	1	-	-	1
Translation differences relating to translation of foreign operations	-	-	1	-	1
Total comprehensive income	-	-10	2	1,537	1,529
Dividend paid according to Annual General Meeting resolution 24 April 2019	-	-	-	-1,100	-1,100
CLOSING EQUITY 31 DECEMBER 2019	118	-32	-3	23,491	23,574

Consolidated cash flow statement

MSEK	Note	2019	2018
Operating activities			
Operating profit		2,093	3,509
Non-cash items	Note 12	-574	-2,091
Interest received, etc.		0	0
Interest paid		-138	-144
Tax paid		-396	-181
Cash flow from operating activities before changes in working capital		985	1,093
Change in working capital:			
- Operating receivables		206	-207
- Inventories		3	-38
- Operating liabilities, etc.		-86	73
Cash flow from operating activities		1,108	921
Investing activities			
Investments in non-current assets		-445	-237
Investments in shares		-5	-1
Dividends from associates		60	56
Sale of non-current assets		407	516
Change in interest-bearing receivables		-1	-
Cash flow from investing activities		16	334
Financing activities			
Change in equity:			
- Dividend		-1,100	-900
Change in interest-bearing liabilities:			
- Borrowings		8,450	7,990
- Repayment of loans		-8,207	-9,179
Cash flow from financing activities		-857	-2,089
CASH FLOW FOR THE YEAR		267	-834
Cash and cash equivalents at the beginning of the year	Note 21	847	1,681
Cash and cash equivalents at the end of the year	Note 21	1,114	847

Parent Company's income statement

MSEK	Note	2019	2018
Operating income			
Net sales	Note 4, 7	14	14
Other operating income	Note 5	29	69
		43	83
Operating expenses			
Other external costs	Note 6, 7	0	-1
Personnel costs	Note 8	-2	-2
Depreciation/amortisation according to plan	Note 9	0	0
Total expenses		-2	-3
Operating profit		41	80
Profit/loss from financial items	Note 10		
Other financial income		19	16
Other financial expense		-319	-278
Net financial income/expense		-300	-262
Profit/loss before appropriations and tax		-259	-182
Group contributions received		376	182
Provisions to untaxed reserves		-70	-
Profit before tax		47	0
Tax	Note 11	-45	0
PROFIT FOR THE YEAR¹		2	0
Proposed dividend per share, SEK (2018 approved dividend per share)		9.29	9.29

¹Same as Total comprehensive income for the year.

Parent Company's balance sheet

MSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>	Note 14		
Forest properties		34	30
Buildings, other land and land improvements		12	13
Total property, plant and equipment		46	43
<i>Non-current financial assets</i>			
Shares and participations	Note 16	24,934	24,934
Receivables from Group companies, interest-bearing	Note 3, 17	1,200	1,700
Total financial non-current assets		26,134	26,634
Total non-current assets		26,180	26,677
Current assets			
<i>Current receivables</i>			
Receivables from Group companies	Note 3, 17, 19	389	184
Tax assets		0	0
Other receivables	Note 19	73	91
Receivables from Group companies, interest-bearing	Note 3, 19	500	–
Cash at bank and in hand	Note 21	0	0
Total current assets		962	275
TOTAL ASSETS		27,142	26,952
EQUITY, PROVISIONS AND LIABILITIES			
Equity	Note 20		
<i>Restricted equity</i>			
Share capital		118	118
Statutory reserve		24	24
Total restricted equity		142	142
<i>Unrestricted equity</i>			
Retained earnings		6,323	7,423
Profit for the year		2	0
Total unrestricted equity		6,325	7,423
Total equity		6,467	7,565
Untaxed reserves			
Tax allocation reserve		70	–
Total untaxed reserves		70	0
Non-current liabilities			
Interest-bearing non-current liabilities	Note 21	5,183	4,687
Total non-current liabilities		5,183	4,687
Current liabilities			
Liabilities to Group companies, interest-bearing	Note 3, 21	12,811	11,957
Other liabilities, interest-bearing	Note 21	2,525	2,712
Liabilities to Group companies	Note 3, 23	1	0
Tax liabilities		45	–
Other liabilities	Note 23	40	31
Total current liabilities		15,422	14,700
TOTAL EQUITY AND LIABILITIES		27,142	26,952

For information about the Group's pledged assets and contingent liabilities, see Note 25.

Parent Company's statement of changes in equity

MSEK	Share capital ¹	Statutory reserve	Unrestricted equity	Total
Equity 31 December 2017	118	24	8,323	8,465
Dividend paid according to decision by Annual General Meeting 24 April 2019	–	–	–900	–900
Profit for the year	–	–	0	0
Equity 31 December 2018	118	24	7,423	7,565
Dividend paid according to decision by Annual General Meeting 24 April 2019	–	–	–1,100	–1,100
Profit for the year	–	–	2	2
Equity 31 December 2019	118	24	6,325	6,467

1) Number of shares amounts to 118,373,034 Class A shares.
Also see Note 20 Equity.

Cash flow statement, Parent Company

MSEK	Note	2019	2018
Operating activities			
Operating profit		41	80
Non-cash items	Note 12	–28	–68
Interest and dividends received		18	16
Interest paid		–315	–278
Tax paid		0	0
Cash flow from operating activities before changes in working capital		–284	–250
<i>Change in working capital</i>			
Operating receivables		9	8
Operating liabilities		5	0
Cash flow from operating activities		–270	–242
Investing activities			
Investments in non-current assets		–25	0
Sale of non-current assets		50	74
Decrease in interest-bearing receivables		0	1,000
Increase in interest-bearing receivables		0	–300
Cash flow from investing activities		25	774
Financing activities			
Dividend paid		–1,100	–900
Group contributions received		182	200
Borrowings		8,450	7,990
Repayment of loans		–7,287	–7,822
Cash flow from financing activities		245	–532
CASH FLOW FOR THE YEAR		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

NOTE 1 Accounting policies

General information

Sveaskog AB (publ) and its subsidiaries (the Sveaskog Group) sell sawlogs, pulpwood and biofuel. Just over half of net sales come from the Group's own forests and the rest from externally acquired wood raw materials. The Group's own forests comprise forests that are 100 percent located in Sweden.

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

In connection with the Board meeting held on 9 March 2020, the Board of Directors of Sveaskog AB (publ) decided to approve the 2019 financial statements for publication. The approved financial statements comprise the income statements, balance sheets, statements of changes in equity and cash flow statements, together with accompanying notes, submitted by the Sveaskog Group and the Parent Company.

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations from the IFRS Interpretations Committee, as adopted 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 has been applied.

Annual accounts

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, according to which the Parent Company is required to apply all IFRS and interpretations adopted by the EU in the annual accounts of the legal entity as far as is possible within the framework of the Swedish Annual Accounts Act and taking into account the link between accounting and taxation. The recommendation sets out the exceptions from and additions to IFRS that must be implemented.

The Parent Company applies the same accounting policies as the Group except in the cases shown below under section "Parent Company's accounting policies". The differences in accounting policies that exist between the Parent Company and the Group are due to limitations relating to the ability to apply IFRS in the Parent Company as a result of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and taxation legislation.

Measurement basis

Assets and liabilities are recognised at historical cost, apart from certain financial assets, liabilities and biological assets, which are measured at fair value.

Judgements and estimates in the financial statements

Preparation of the financial statements in accordance with IFRS requires management to make judgements and estimates, as well as to make assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors that are considered to be reasonable under the circumstances. The results of these estimates and assumptions are used to assess the carrying amounts of assets and liabilities that are not otherwise clear from other sources. The actual outcome may differ from these estimates and judgements.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognised 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.

Judgements which have a significant impact on the financial statements and estimates made and which may result in significant adjustments to the following year's financial statements are described in more detail in the relevant notes.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. The Group's accounting policies have been consistently applied in reporting and consolidation of subsidiaries.

Change in classification in accounting policies and disclosures

ShoreLink

With effect from 2019, Sveaskog accounts for ShoreLink as an associate according to the equity method. ShoreLink was previously recognised as other entity. The comparative year has been restated and the financial statements include a third balance sheet with a restated opening balance as at 1 January 2018.

Effect of reclassification of ShoreLink

Income statement, MSEK	2018	
Share of profit/loss of associates	5	
Operating profit	5	
Financial income	-2	
Profit before tax	3	
Profit for the year	3	
Earnings per share		
- undiluted, SEK	0.02	
- diluted, SEK	0.02	

Balance sheet, MSEK	31 Dec 2018	01 Jan 2018
Investments in associates	38	35
Other securities held as non-current assets	-3	-3
Total non-current assets	35	32
Total assets	35	32
Retained earnings	35	32
Total equity	35	32
TOTAL EQUITY AND LIABILITIES	35	32

New and revised standards applied by the Group with effect from 1 January 2019

IFRS 16 Leases

Sveaskog applies IFRS 16 Leases with effect from 1 January 2019. This standard replaces IAS 17 Leases, including IFRIC 4 and SIC 27. For lessees, IFRS 16 means that virtually all leases must be accounted for in the balance sheet. Right-of-use assets and liabilities are measured at the present value of future lease payments. Depreciation of right-of-use assets and interest expenses are recognised in the income statement. The Group has applied all rules relating to transition relief.

Right-of-use assets are recognised separately from other assets in the consolidated balance sheet. Right-of-use assets are recognised at cost less amortisation/depreciation and any impairment and adjusted for any remeasurement of the lease liability. The lease liability is recognised in the consolidated balance sheet in interest-bearing non-current and current liabilities. The lease liability is recognised at amortised cost less lease payments made. The lease liability is remeasured in connec-

IFRS 16 Leases**NOTE 1 Accounting policies, cont.**

tion with changes in, for example, the lease term, guaranteed residual values and any changes in lease payments.

Short leases (12 months or less) and leases where the underlying asset is of low value do not need to be recorded in the balance sheet. These are recognised in operating profit/loss in the same way as previous operating leases. For lessors, IFRS 16 does not involve any changes in the rules.

To see the effects on Sveaskog, see Note 7 Leases.

Amendments to IFRS 9 Financial Instruments:**Right to early redemption with negative compensation**

The amendment to IFRS 9 clarifies that even where there is a right to early redemption of loans involving negative compensation, it is possible for the lender to recognise the financial asset at amortised cost. Sveaskog has applied this amendment, but this has not had an effect on the financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that the exemption in IFRS 9 is applicable only to investments recognised according to the equity method. An entity shall apply IFRS 9, including the requirement for impairment of non-current receivables, to joint ventures and associates. Sveaskog has applied this amendment, but this has not had an effect on the financial statements.

Improvements to IFRS 2015-2017

Improvements have been made to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. Sveaskog has applied these amendments, but they have not had any impact on the financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 Employee Benefits mean that if a plan amendment, curtailment or settlement takes place in respect of a defined benefit pension plan, the entity shall determine and account for the service cost during the current period, and the net interest for the period after the remeasurement using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements relating to the asset ceiling. Sveaskog has applied this amendment, but this has not had an effect on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies how to apply the accounting and measurement rules in IAS 12 Income Taxes when there is uncertainty about the treatment of income taxes. These rules shall apply to the determination of taxable profit (and loss), tax bases, unused tax losses, unused tax credits and tax rates. Sveaskog has applied these amendments, but they have not had any impact on the financial statements.

New standards and interpretations not yet effective**Amendments to References to the Conceptual Framework in IFRS Standards**

Applies to annual reporting periods beginning 1 January 2020.

Amendment to IFRS 3 Business Combinations:**Definition of a Business**

The purpose of the amendment is to clarify the definition of a business combination. The amendments introduce an optional concentration test that allows for a simplified assessment of whether an acquired set of activities and assets is an acquisition of a business or asset. The test means that if substantially all of the fair value of the gross assets acquired can be attributed to an asset, or a group of similar assets, the acquisition does not constitute a business acquisition, but an asset acquisition. The amendments must be applied to all acquisitions of a business or assets that occur on or after 1 January 2020. The amendment is not expected to have a material impact on Sveaskog.

Amendments to IAS 1 and IAS 8: Definition of materiality

Applies to annual reporting periods beginning 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7:**Interest Rate Benchmark Reform**

The amendment is a response to the ongoing reforms of benchmark rates that include future replacement of commonly used benchmark rates (e.g. STIBOR, EURIBOR, LIBOR) with alternative, risk-free, benchmark rates. IASB has provided relief to the hedge accounting requirements so that companies that apply hedge accounting may assume that the benchmark rate for the hedged item will correspond to the benchmark rate for hedging instruments in the future. The Company has chosen to early adopt the amendments; this amendment will not have an impact on the financial statements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts. The new standard aims to create a uniform approach to accounting for all types of insurance contracts, a higher degree of transparency of the earnings of insurance undertakings and increased comparability between companies and countries. Applies to annual reporting periods beginning 1 January 2022. The effects of the amendment have not yet been evaluated by Sveaskog.

Performance measures**Operating profit from continuing operations**

Operating profit from continuing operations is the operating profit/loss before change in value of forest assets, share of profit/loss of associates and capital gains from property disposals. Operating profit from continuing operations is the result of the Group's core operating activities, the vast majority of which comprise the forest operations, including purchases and sales of sawlogs, pulpwood, wood chips and biofuel.

Operating profit before change in value of forest assets

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

Associates

Associates are recognised in the consolidated income statement outside operating profit from continuing operations because they do not form part of the Group's core operating activities.

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 segments, which consist of a single segment named Forest Operations. Forest Operations is the Group's collective segment for purchases and sales of sawlogs, pulpwood, wood chips and biofuels and the operations are recognised internally as one segment.

Principles of consolidation**Transactions to be eliminated on 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 full when preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent that the ownership interest in the entity is eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

Functional currency and date

The functional currency is the Swedish krona, which is also the reporting currency. This means that the financial statements are presented in Swedish krona. All amounts, unless otherwise stated, are rounded to the nearest million SEK (MSEK). The amounts within parentheses refer to the previous year. Items relating to the income statement refer to the period 1 January – 31 December and items relating to the balance sheet refer to 31 December.

NOTE 1 Accounting policies, cont.**Foreign currency****Transactions in foreign currency**

Transactions in foreign currency are translated into the functional currency using the exchange rates at the date of the transactions. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rates at the balance sheet date. Exchange differences arising from the translations are recognised in the income statement, partly in operating profit and partly in net financial items depending on the nature of the underlying transactions. Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rate at the time of the transaction.

The functional currency is the currency of the primary economic environments in which the companies involved operate. The companies in the Group are the Parent Company and subsidiaries. The functional currency is the Swedish krona, which is also the reporting currency.

Receivables and liabilities in foreign currency

Changes in the value of operating receivables and liabilities are recognised in operating profit, while changes in the value of financial receivables and liabilities are recognised in net financial items.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other consolidated overvaluations and undervaluations, are translated into Swedish krona at the exchange rates at the balance sheet date. Income and expenses in foreign operations are translated into Swedish krona at average exchange rates that are an approximation of the rates prevailing on each transaction date. Translation differences arising from currency translation of foreign operations are recognised in other comprehensive income and in equity as a translation reserve.

Impairment

If it is not possible to determine largely independent cash flows for an individual asset, for the purposes of impairment testing, assets shall be grouped at the lowest level for which there are separately identifiable cash flows (so-called cash-generating unit). A cash-generating unit is the smallest group of assets for which it is possible to determine cash flows that are largely independent of other assets or groups of assets. An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. An impairment loss is recognised in the income statement.

Impairment of assets attributable to a cash-generating unit is first recognised against goodwill. Thereafter, impairment losses are allocated to other assets included in the unit on a pro rata basis.

Determining the recoverable amount

Assets with a short maturity are not discounted.

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

Reversal of impairment losses

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

Impairment losses on other assets are reversed if there has been a change in the assumptions used to determine the recoverable amount.

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

PARENT COMPANY**Parent Company's accounting policies**

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2. According to RFR 2, the Parent Company is required to apply all IFRS and interpretations adopted by the EU in the annual accounts of the legal entity as far as is possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation sets out the exceptions from and additions to IFRS that must be implemented. The differences between the accounting policies of the Group and the Parent Company are shown below.

The Parent Company's accounting policies below have been applied consistently to all periods presented in the Parent Company's financial statements. In accordance with the relief rules in RFR 2, IFRS 9 is not applied in the Parent Company.

Due to the relationship between accounting and taxation, the rules in IFRS 16 do not need to be applied in a legal entity. The Parent Company implements this exemption from application of IFRS 16. The Parent Company has no leases.

Taxes

As a responsible social stakeholder, Sveaskog strives to pay the right amount of tax, in the right country and at the right time, based on the activities carried out within the Group. Our decisions are based on a commercial approach to tax expense in the companies that form part of the Sveaskog Group and we manage tax as an expense in the business. In cases where legislation and/or rules are unclear, Sveaskog shall act responsibly, transparently and from a long-term perspective in order to minimise the risk of the wrong amount of tax being paid. Find out more about Sveaskog's taxes in Note 11.

The Parent Company recognises untaxed reserves including deferred tax liability. However, in the consolidated financial statements, untaxed reserves are divided into 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 recognises group contributions in appropriations according to the alternative method.

NOTE 2 Information about the Parent Company

Sveaskog AB (publ), Corporate Identity Number 556558-0031, is a Swedish limited company whose registered office is in Kalix, Sweden. As at 31 December 2019, the company was wholly owned by the Swedish state. The address of Sveaskog's head office is:

SE-105 22 STOCKHOLM
Visiting address: Torsgatan 4

Sveaskog AB (publ), owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing.

NOTE 3 Related party transactions**ACCOUNTING PRINCIPLES**

Transactions with related parties take place on market terms. Related parties are companies in which Sveaskog is able to exercise a controlling or significant influence with regard to operational and financial decisions. Related parties also includes those companies and natural persons who are able to exercise a controlling or significant influence over Sveaskog's financial and operational decisions. Related party transactions also include defined benefit and defined contribution pension plans.

NOTE 3 Related-party transactions, cont.**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, public authorities and state-owned enterprises on commercial terms in competition with other suppliers.

Similarly, Sveaskog AB and its Group companies purchase products and services from public authorities and state-owned enterprises at market prices and on commercial terms. Individually, neither the state, government agencies nor state-owned enterprises account for a significant proportion of the Sveaskog Group's net sales or profit/loss. In 2019, property transactions with the Swedish Environmental Protection Agency amounted to MSEK 30 (7.7). The disposals took place at market prices. There are no pledged assets or contingent liabilities.

Sveaskog AB's transactions with subsidiaries

No internal property transactions took place in 2019 and 2018.

Sveaskog AB's invoicing to subsidiaries amounted to MSEK 14 (14) in 2019. No purchases were made from subsidiaries. Dividends from Sveaskog Förvaltnings AB and interest income from and interest expenses to Group companies are described in Note 10 Financial income and expense.

With regard to Sveaskog AB's receivables from and liabilities to subsidiaries, see Note 17 Non-current receivables, Note 19 Trade receivables, loan receivables and other receivables, Note 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments and Note 23 Non-interest-bearing liabilities. Details of shares in Group companies are disclosed in Note 16 Shares and participations.

Sveaskog AB has issued guarantees for pensions to FPG for Sveaskog Förvaltnings AB. There are no other pledged assets or contingent liabilities.

Transactions with associates

Transactions with associates refer to Setra Group AB. Sveaskog Förvaltnings AB owns 50% of the shares and votes in Setra Group AB.

Sales to Setra Group account for 15% (17) of the Group's total net sales. Purchases from Setra Group mainly comprise 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. Sveaskog Förvaltnings AB has one more associate, SunPine AB, in which it holds 25.1% of the shares and votes. There were no transactions with Sunpine AB in 2019 or 2018, neither purchases nor sales. With effect from 2019, ShoreLink AB, in which Sveaskog holds 24.07% of the shares and votes, is also accounted for as an associate. Purchases of loading, unloading and timber transport services in the reporting period amounted to MSEK 11 (19). The comparative year 2018 has been restated.

Related-party transactions

Sveaskog has no pledged assets or contingent liabilities in respect of senior executives/Board of Directors.

For information on remuneration of senior executives and Board members, see Note 8.

Transactions with senior executives

There were no transactions or receivables/liabilities from Sveaskog to senior executives/Board of Directors.

For information on remuneration of senior executives and Board members, see Note 8.

NOTE 4 Revenue breakdown**ACCOUNTING POLICIES**

Sveaskog applies IFRS 15 Revenue from Contracts with Customers. Revenue is 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.

Sawlogs

Revenue from the sale of sawlogs comprise sawlogs of spruce, pine and various hardwoods such as beech, oak and birch. Sales can range from standard deliveries to complex, customised orders. To meet customer demand, Sveaskog supplements the timber from its own forests with externally purchased timber or by swapping timber with other forest owners. The customer obtains control of the timber when it is delivered to industry and measured. Invoicing and revenue recognition takes place in the same month as measurement.

Pulpwood and woodchips

Revenue from the sale of pulpwood and wood chips includes a wide range from the Group's own forests, imports and purchases from other forest owners. These products are sold to the paper and pulp industry. The customer obtains control of the pulpwood and wood chips when they are delivered to industry and measured. Invoicing and revenue recognition takes place in the same month as measurement.

Biofuel

Revenue from the sale of biofuel include rejected branches and tree tops as well as low-grade trees and fuelwood. The biofuel comes from cleaning, thinning and regeneration harvesting in Sveaskog's own forests and from purchases from other forest owners. Revenue is recognised when the biofuel is delivered to the customer.

Svenska Skogsplantor

Seeds and forest plants are produced and sold within the framework of the Svenska Skogsplantor brand. Svenska Skogsplantor also offers silviculture services such as ground preparation and planting to external customers. Revenue is recognised when seedlings or seeds are delivered to the customer or when planting or ground preparation has been carried out.

Other

Other revenue from contracts with customers include silviculture assignments, elk culling fees, fishing licenses, lockage, etc. Revenue is recognised when the services have been performed.

Concessions (revenue from leases)

Revenue from concessions mainly comprise hunting and fishing concessions. Other concessions include rental objects and leases for e.g. agriculture, peatlands, gravel pits and rock quarries, as well as wind power and telecom equipment.

Related-party transactions MSEK	Group		Parent company	
	2019	2018	2019	2018
Related party disposals, subsidiaries	–	–	14	14
Related party acquisitions, subsidiaries	–	–	–	–
Receivables from related parties, Group companies	–	–	2,089	1,884
Liabilities to related parties, Group companies	–	–	12,812	11,957
Related party disposals, associates	1,072	1,209	–	–
Related party acquisitions, associates	55	68	–	–
Receivables from related parties, associates	88	113	–	–
Liabilities to related parties, associates	8	7	–	–

NOTE 4 Revenue breakdown, cont.**Net sales by principal goods and services**

MSEK	Group		Parent company	
	2019	2018	2019	2018
Sawlogs	3,297	3,283	–	–
Pulpwood and woodchips	2,969	2,924	–	–
Biofuel	153	153	–	–
Seedlings	305	233	–	–
Other	305	234	–	–
Total revenue from contracts with customers	7,029	6,827	0	0
Of which IFRS 15 in net sales	7,025	6,824	–	–
Lease income	184	147	14	14
Total net sales	7,209	6,971	14	14
Of which IFRS 15 in other operating income	4	3	–	–
Capital gains, etc.	105	157	29	69
Total other operating income	109	160	29	69
Date of revenue recognition				
Goods and services transferred to customers on a specific date	6,944	6,771	–	–
Services transferred to customers over time	85	56	–	–

Sveaskog has agreed, unsatisfied performance obligations that will not be met within one year of MSEK 4,483 (4,638), of which MSEK 1,216 (973) is expected to be earned in the next year, MSEK 2,645 (2,990) within 2-5 years and MSEK 622 (675) in the following years. The commitments consist of contracted deliveries forward in time, where Sveaskog has undertaken to deliver a certain volume per year. The value of these obligations has some uncertainty since the contracts consist of several delivery contracts where the price is renegotiated each year. Of the unsatisfied performance obligations of MSEK 4,638 reported for 2018, MSEK 986 were attributable to 2019. In the reporting period, MSEK 973 was recognised as revenue.

Net sales by geographic market

The Group's net sales are 96% (97) attributable to Sweden. The Parent Company's net sales are wholly attributable to Sweden.

MSEK	Group		Parent company	
	2019	2018	2019	2018
Revenue by geographic market				
<i>Net sales</i>				
Sweden	6,886	6,746	14	14
Finland	113	55	–	–
Norway	11	9	–	–
Latvia	6	7	–	–
Poland	151	122	–	–
Germany	30	20	–	–
Denmark	0	11	–	–
France	9	0	–	–
Other countries	3	1	–	–
Total	7,209	6,971	14	14

Information on major customers

The Group has three (3) customers, each of which accounts for more than 10% of sales. Sales to these customers amounted to MSEK 1,080 (1,209), MSEK 957 (1,033) and MSEK 744 (785) respectively.

NOTE 5 Other operating income**ACCOUNTING POLICIES****State subsidies**

A government grant attributable to a biological asset is recognised as revenue when the terms and conditions are met. Grants are recognised in the income statement through systematic allocation in the same manner and over the same periods as the expenses for which the grants are intended as compensation. Government grants related to assets are recognised in the balance sheet as deferred income and allocated over the useful life of the asset. Compensation for road grants of MSEK 24 (23) and nature conservation initiatives MSEK 7 (4) were recognised as income in the income statement. Road grants are of two types: for annual operations (summer and winter maintenance) and for special operations (road improvements). There are no unfulfilled conditions that could result in repayment.

Sveaskog does not expect any significant reductions in state subsidies in the next few years. For the rural areas programme "environmental values in the forest", applications are prioritised according to the highest conservation and cultural value.

Road grants are paid to road maintenance organisations for areas where there are permanent residents more than 1 km from a public road. The maintenance grant is calculated as a flat rate and amounts to approximately 50-70% of Sveaskog's maintenance costs for the roads eligible for subsidies. The grants received are used each year. Every road for which a grant has been provided can be monitored using the project number both at Sveaskog and the Swedish Transport Administration, which is the main grant provider.

Insurance compensation

Sveaskog's forest holdings are insured against additional costs caused by storms and fire. No external insurance compensation was received for this type of damage in 2019, nor in 2018.

MSEK	Group		Parent company	
	2019	2018	2019	2018
Capital gains on sales of machinery, equipment and properties	41	91	28	68
Insurance compensation	1	0	–	–
Encroachment compensation	25	11	–	–
Subsidies	31	28	–	–
Licensing revenue and royalties	4	3	–	–
Other operating income	7	27	1	1
Total	109	160	29	69

NOTE 6 Other external costs

Of other external costs, 72% (73) comprise compensation to contractors within Forest Operations, as well as freight and transportation.

Fees and reimbursement of expenses to auditors

MSEK	Group		Parent company	
	2019	2018	2019	2018
Deloitte AB				
Audit assignment	3	2	–	–
Tax advisory services	0	0	–	–
Other services	0	0	–	–
Total				
Audit assignment	3	2	–	–
Audit activities other than the audit assignment	0	0	–	–
Tax advisory services	0	0	–	–
Other services	0	0	–	–
Total	3	2	–	–

The audit assignment is the examination of the Annual Report and financial statements and the administration by the Board of Directors and the CEO, other tasks that it is incumbent on the company's auditors to perform, as well as advice or other assistance resulting from observations made in connection with such examination or the performance of such other tasks. Any other work undertaken is included in other audit activities.

NOTE 7 Leases**Group as lessee****ACCOUNTING POLICIES**

Sveaskog applies IFRS 16 Leasing, the simplified transition approach and applies option two (C8(b)(ii)) to the measurement of the right-of-use asset. The transition to IFRS 16 has been implemented centrally and the organisation has been required to submit its leases. An excel-based tool has been purchased for the management of leases. For accounting policies for the comparative year 2018, see the Annual Report for 2018.

The Group assesses whether the contract is, or contains, a lease when the contract is concluded. The Group recognises a right-of-use asset and associated lease liability for all leases in which the Group is the lessee, except for short-term leases (contracts classified as leases with a lease term of 12 months or less) and leases of low value (such as office equipment). For these leases, the Group recognises lease payments as a cost on a straight-line basis over the lease term unless another systematic approach is more representative of when the economic benefits of the leased assets are obtained by the Group.

The lease liability is initially valued at the present value of the lease payments not paid at the commencement date, discounted using the implicit interest rate of the lease, if this interest rate can be readily determined. If this interest rate cannot be readily determined, the Group uses the incremental borrowing rate. The Group's incremental borrowing rate is determined on the basis of a yield curve based on bonds issued in SEK by companies with a similar credit rating. The curve is produced by the information service Refinitiv and is used to determine the interest rate for each maturity.

Lease payments included in the measurement of the lease liability include:

NOTE 7 Leases, cont.

- Fixed payments (including in-substance fixed payments, less any incentives paid when the lease was concluded).
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.
- Amounts expected to be payable by the lessee (or a related party or third party who is financially capable of discharging the obligations under the agreement) according to residual value guarantees.
- The exercise price of purchase options if the lessee is reasonably certain to exercise those options.
- Penalties payable for terminating the lease, if the lease term reflects that the lessee will exercise an option to terminate the lease.

The lease liability is recognised in interest-bearing current and non-current liabilities in the Group's statement of financial position and is described in Note 21.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method), and by reducing the carrying amount to reflect lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) if either:

- The lease term changes or the assessment of an option to purchase the underlying asset changes, in which case the lease liability has to be remeasured by discounting the revised lease payments using a revised discount rate.
- Lease payments change as a result of changes in an index or rate, or if there is a change in the amounts expected to be payable under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in the variable rate, in which case a revised discount rate must be used).
- A modification of the lease which is not recognised as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets comprise the total of the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. Subsequently, they are measured at cost less any accumulated depreciation and impairment losses.

Where the Group is required to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition under the terms and conditions of the lease, a provision is recognised and measured according to IAS 37, unless these costs are incurred in connection with the production of goods.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the Group or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset shall be depreciated over the useful life of the underlying asset. Depreciation starts at the lease commencement date.

Right-of-use assets are recognised as a separate item in the Group's statement of financial position.

The Group applies IAS 36 to determine whether the right-of-use asset is impaired and recognises any identified impairment loss as described in Note 1 under Impairment losses and in Note 14 Property, Plant and Equipment.

Variable lease payments that do not depend on an index or a rate shall not be included in the measurement of the lease liability or right-of-use asset. These payments are recognised as an expense in the

NOTE 7 Leases, cont.

period in which the event or relationship that gives rise to these payments occurs and are included in Other external costs in profit or loss.

As a practical solution, IFRS 16 permits lessees not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The Group has elected not to use this practical solution.

Bridging the gap between IAS17 and IFRS16

	MSEK
Operating lease commitments as at 31 Dec 2018	140
Less: Short-term leases	-8
Less: Leases of low value assets	0
Lease liability 1 January 2019	132
Less prepayment	-6
Net	126

Comparative figures according to IAS17

MSEK	Group 2018	Parent company 2018
Costs for the year for operating leases	54	-
Minimum lease payments	86	-
Maturity for non-cancellable operating leases		
- Within one year	48	-
- Between one and five years	38	-
- Longer than five years	0	-
Total	86	0

Sveaskog is a lessee of:

- Office premises, warehouses, storage rooms, garages
- Forest machines, trucks and cars
- Land for plant terminals, seed plantations, fishing rights, parking, etc.
- Office equipment, alarms, etc.

Right-of-use assets

MSEK	Right-of-use asset land	Right-of-use asset building	Right-of-use asset machinery & equipment	Total right-of-use assets
Group				
Opening balance, 1 January 2019	7	93	32	132
New leases	1	16	17	34
Terminated leases	-	0	-1	-1
Remeasurements	0	8	10	18
Depreciation for the year	-1	-42	-11	-54
Closing balance, 31 December 2019	7	75	47	129

NOTE 7 Leases, cont.**Lease liability**

MSEK	Lease liability
Group	
Opening balance, 1 January 2019	126
New leases	34
Repayments and terminations	-55
Remeasurements	18
Interest payable on maturity	1
Closing balance, 31 December 2019	124
of which current	53
of which non-current	71

Maturity analysis for other financial liabilities, see Note 26.
Reconciliation of financial liabilities to cash flow, see note 21.

IFRS 16 impact on income statement

MSEK	2019
Group	
Depreciation of right-of-use assets	-54
Interest expenses for lease liabilities	-1
Deferred tax	0
Impact on net profit/loss	-55
Variable lease payments relating to the above leases but not included above	3
Short-term leases, lease expense 2019	9
Leases of low value assets, lease expense 2019	4
Total cash flow of leases	70

NOTE 7 Leases, cont.**Type of lease**

	Lease term	Extension options	Index clauses	Variable lease payments	Residual value guarantees	Notice period (before the end of the lease)
Office premises	1-5 years	Usually	Usually	Yes, property tax	No	3-12 months
Plant terminal	2-10 years	Usually	Usually	No	No	6-12 months
Stock	6 years	Yes	Yes	Yes, property tax	Yes	12 months
Garages and car parks	1-5 years	Usually	Usually	No	No	1-12 months
Production machinery and trucks	2-6 years	Yes, for production machines	Yes, or linked to interest rate index	No	No	3 months for production machines
Land and water for plantations, fishing waters and leasehold	2-50 years	Yes	Yes	No	No	12-24 months
Office equipment, including alarms, video equipment and room booking screens	3-5 years	Yes, for alarms	One lease linked to interest rate index	No	No	10 months for alarms
Cars	2-5 years	No	No	Yes, vehicle tax	Yes	N/A

Extension options have been included if it has been deemed reasonably certain that they will be exercised. The weighted average incremental borrowing rate was 0.68% (0.65% as at 1 January 2019). The Parent Company does not have any leases.

A review is underway regarding the office premises in Stockholm, which is the largest lease for rental premises. A new lease may be concluded in 2023.

Group as lessor**ACCOUNTING POLICIES**

Leases for which Sveaskog is the lessor are classified as finance or operating leases. When the terms and conditions of the lease substantially transfer all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. All Sveaskog's leases are operating leases.

Rental income from operating leases is recognised on a straight-line basis over the current lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Sveaskog enters into leases as a lessor in respect of:

- Hunting and fishing concessions.
- Leases for housing and holiday homes, and farm tenancies and licences.
- Other land concessions such as wind power and mobile phone masts.
- Gravel pits, peatlands and rock quarries.

Lease income

	Group		Parent company	
MSEK	2019	2018	2019	2018
Group				
Income from leases for the year	184	147	14	14
Maturity of existing leases				
Within one year	168	143	14	14
Between one and five years	212	152	–	–
Longer than five years	807	807	–	–
Total	1,187	1,102	14	14

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

Contracts for agricultural leases, residential tenancies, etc. and concessions with tenancy rights (mainly holiday homes) have varying lease terms, but concessions involving housing usually have long lease terms or indefinite leases associated with some form of protection of tenancy rights.

The Group has revenue from infrastructure leases for wind turbines, communication masts and other capital-intensive facilities. In particular, leases for wind power are concluded for long lease terms, 25 years or more. The Group issues concessions for rights of use to rock quarries, gravel pits and peatlands. In most cases, concessions are linked to existing extraction licenses and may have a maturity of up to 25 years.

NOTE 8 Staff costs, average number of employees and sickness absence**ACCOUNTING POLICIES****Employee benefits****Pension obligations**

Sveaskog has pension obligations under pension plans arising from collective agreements and as a result of obligations according to the incorporation agreement concluded with the government. Pension plans are either defined contribution or defined benefit plans and include vested and non-vested pension obligations. Pension plans for employees who are active members are financed primarily through premium payments to an insurance company.

Defined contribution plans

Obligations primarily relate to obligations to employees linked to the SAF-LO Collectively Agreed Pension and the ITP1 (new ITP) occupational pension. Obligations relating to contributions to defined contribution plans are recognised as an expense in the income statement as 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 to provide pension insurance, there is no obligation to pay additional premiums.

Defined benefit plans

Under defined benefit plans, the amount of pension is determined on the basis of factors such as salary, length of service and age.

Obligations primarily relate to obligations relating to employees linked to the ITP2 (old ITP) occupational pension and obligations relating to pensions and annuities taken over from the state in connection with incorporation (see Note 22 Provisions for pensions).

The obligations under ITP2 are secured through premium payments to Alecta. According to a statement issued by the Swedish Financial Reporting Board (UFR 10), an ITP plan secured through insurance with Alecta shall be classified as a multi-employer defined benefit plan. The Group has not had access to sufficient information to enable it to account for the Group's share of the defined benefit obligations and the plan assets and costs associated with the plan. The plan is therefore recognised as a defined contribution plan, which means that the premiums paid are recognised as an expense. Estimated contributions to the plan for the next reporting period amount to MSEK 12 (12). Alecta's surplus can be distributed to policyholders and/or the insured persons. Alecta's capital adequacy target is that 140% of the market value of assets shall be achieved in relation to pension insurance obligations. Alecta's capital adequacy amounted to 148% (142), compared with obligations as at 31 December 2018. Sveaskog's share of the total number of active members in the plan was 0.07% (0.07), corresponding to 292 (296) active members. Net obligations in respect of other defined benefit plans are calculated separately for each plan based on company-specific actuarial assumptions. These include assessments of future salary adjustments, inflation rate, mortality, attrition and changes in income base amounts; obligations are discounted to a present value. The discount rate is determined on the basis of the market rate on mortgage bonds.

The measurements were performed by a qualified external actuary.

If the benefits in a plan improve, the proportion of the increased benefit attributable to employees' service in previous periods 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 immediately recognised in the income statement.

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

Termination benefits

A provision is recognised in connection with termination of employment only if the company is demonstrably obliged to terminate an employment before the normal date or when termination benefits are offered to encourage voluntary redundancy. In cases where employment is terminated by the company, a detailed plan is drawn up containing as a minimum the workplace, positions and number of persons concerned, as well as the benefits for each personnel category or position and the schedule for implementation of the plan.

Salaries and other remuneration and social security expenses

MSEK	Group		Parent company	
	2019	2018	2019	2018
Salaries and other remuneration	385	379	2	2
Contractual pensions for CEO	2	2	–	–
Contractual pensions, others ¹	45	39	–	–
Other social security costs	137	135	–	–
Total	569	555	2	2
Capitalised pension obligations to the CEO and Deputy CEO	–	–	–	–

1) Also see Note 22, Provisions for pensions.

Of the costs of contractual pensions, MSEK 15 (12) refers to defined benefit plans and MSEK 32 (29) defined contribution plans.

Salaries and other remuneration by country

MSEK	2019		2018	
	Board, CEO, Deputy CEO	Other employees	Board, CEO, Deputy CEO	Other employees
Parent company				
Sweden	2	–	1	–
Subsidiaries				
Sweden	7	366	7	360
- of which bonus	–	–	–	–
Latvia	1	9	1	10
Finland	–	0	–	0
Lithuania	–	–	–	–
Total, subsidiaries	8	375	8	370
TOTAL	10	375	9	370

Average number of employees by country

	2019		2019	2018
	Women	Men	Total	Total
Parent company				
Subsidiaries				
Sweden	190	582	772	805
Latvia	6	28	34	34
Finland	–	1	1	1
Total, subsidiaries	196	611	807	840
TOTAL	196	611	807	840

Gender breakdown in Board and Group Management

Group	2019		2018	
	Women	Men	Women	Men
Board members				
- Elected by the Annual General Meeting	4	3	3	3
- Employee representatives	1	1	1	1
- Employee representatives, deputies	–	2	–	2
CEO	1	–	–	1
Other Group Management	5	4	4	4
Total	11	10	8	11

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

NOTE 8 Staff costs, average number of employees and sickness absence, cont.**Parent company**

	2019		2018	
	Women	Men	Women	Men
Board members				
- Elected by the Annual General Meeting	4	3	3	3
- Employee representatives	1	1	1	1
- Employee representatives, deputies	–	2	–	2
CEO	1	–	–	1
Total	6	6	4	7

Subsidiaries (operating)

	2019		2018	
	Women	Men	Women	Men
Board members				
- Elected by the Annual General Meeting	6	9	5	12
- Employee representatives	1	1	1	1
- Employee representatives, deputies	–	2	–	2
CEO	1	–	–	1
Total	8	12	6	16

Information on employee absence due to sickness, Group

	2019	2018
Total sickness absence as a percentage of employees' total normal working hours		
Men	2.6	2.7
Women	4.9	4.5
Total	3.2	3.2
Days of sickness absence as a percentage of total sickness absence		
Continuous period of 60 days or more	42	31
< 60 days	58	69
Total	100	100
Breakdown by age of employees absent due to sickness, as a percentage		
29 years and under	3.5	2.3
30–49 years	3.2	3.7
50 years and over	3.1	2.9
TOTAL	3.2	3.2
Number of long-term healthy people as a percentage of average number of permanent employees ¹	32.6	32.8

1) Persons employed for at least three years who have not been absent due to sickness in the last two years

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

The Chairman of the Board and other Board members elected by the Annual General Meeting are paid fees in accordance with a decision by the Annual General Meeting. Sveaskog follows government guidelines regarding remuneration of senior executives. Remuneration of the CEO is decided by the Board of Directors and remuneration of the rest of the Group Management by the CEO following consultation with the Remuneration Committee. Remuneration issues are prepared by the Remuneration Committee, which consists of Eva Färnstrand, Marie Berglund and Leif Ljungqvist.

Remuneration and other benefits during the year, Board of Directors

2019, SEK	Board fees	Commit-tee fees	Total
Eva Färnstrand, Chairman of the Board	465,000	23,333	488,333
Annika Nordin	183,333	40,000	223,333
Sven Wird	183,333	40,000	223,333
Leif Ljungqvist	0	0	0
Marie Berglund, from 24 April 2019	123,333	6,667	130,000
Johan Kuylenstierna from 24 April 2019	123,333	26,667	150,000
Kerstin Lindberg Göransson from 24 April 2019	123,333	26,667	150,000
Thomas Hahn, until 24 April 2019	60,000	6,667	66,667
Anna-Stina Nordmark-Nilsson, until 24 April 2019	60,000	13,333	73,333
Total	1,321,665	183,334	1,504,999
2018, SEK	Board fees	Commit-tee fees	Total
Eva Färnstrand, Chairman of the Board ¹	453,333	10,000	463,333
Thomas Hahn	178,333	20,000	198,333
Annika Nordin ¹	178,333	40,000	218,333
Anna-Stina Nordmark-Nilsson ¹	178,333	40,000	218,333
Sven Wird ¹	178,333	40,000	218,333
Leif Ljungqvist	0	0	0
Total	1,166,667	150,000	1,316,667

1) Part of the fees were invoiced to companies owned by the Group. Markups were made for social security expenses. The arrangement is cost neutral for Sveaskog.

The Board of Directors also includes employee representatives. They do not receive fees.

NOTE 8 Staff costs, average number of employees and sickness absence, cont.**Remuneration and benefits during the year, Group Management and other senior executives**

2019, SEK	Salaries and remuneration	Taxable b	Pension expense ¹	Total
Group Management				
Hannele Arvonen, CEO (from 1 July 2019)	2,133,600	20,671	609,174	2,763,445
Per-Olof Wedin, CEO (until 30 June 2019)	2,221,862	46,455	665,270	2,933,587
Per Matses, Deputy CEO, CFO	2,585,581	25,056	607,655	3,218,292
Anette Waara, Head of Market Area North	1,582,560	53,256	531,607	2,167,423
Eva Karlsson Berg, Head of Market Area South	1,743,915	6,504	684,345	2,434,764
Fredrik Klang, Head of Staff, Forestry	1,592,888	41,109	481,945	2,115,942
Viveka Beckeman, Chief Legal Officer	1,487,746	6,504	366,271	1,860,521
Helene Samuelsson, Head of Communications and Public Affairs	1,491,006	54,204	692,216	2,237,426
Jan Wintzell, Head of Business Development	1,383,817	41,844	427,990	1,853,651
Marie Stålnacke, HR Manager (from 1 October 2019)	346,939	19,420	101,252	467,611
Anders Nilsson, Acting Business Area Manager, Svenska Skogsplantor (from 2 December 2019)	111,437	3,000	26,597	141,034
Roger S Johansson, Business Area Manager, Svenska Skogsplantor (until 30 November 2019)	1,306,103	34,575	375,351	1,716,029
Henrik Dider, HR Manager (11 November 2019 - 12 July 2019)	526,586	20,936	172,200	719,722
Other senior executives				
Guntars Zvejvalnieks, CEO SIA Sveaskog Baltfor (EUR) ²	99,161			99,161
SEK	1,039,115			1,039,115
TOTAL (SEK)	19,553,155	373,534	5,741,871	25,668,560
2018, SEK				
Group Management				
Per-Olof Wedin, CEO	4,476,937	78,137	1,232,760	5,787,834
Per Matses, Deputy CEO, CFO, Acting HR Manager	2,374,349	36,885	640,016	3,051,250
Anette Waara, Head of Market Area North	1,455,094	50,045	546,298	2,051,437
Eva Karlsson Berg, Head of Market Area South	1,649,016	3,641	600,270	2,252,927
Roger S Johansson, Business Area Manager, Svenska Skogsplantor	1,387,195	34,445	391,270	1,812,910
Fredrik Klang, Head of Staff, Forestry	1,511,675	35,993	454,392	2,002,060
Viveka Beckeman, Chief Legal Officer	1,391,395	3,641	343,856	1,738,892
Helene Samuelsson, Head of Communications and Public Affairs (from 15 October 2018)	307,243	11,540	116,759	435,542
Jan Wintzell, Head of Business Development	1,369,062	38,537	421,965	1,829,564
Tommy Nilsson, Head of Staff, Forestry (until 31 January 2018)	131,695	516	36,268	168,479
Inger Thorén Emilsson, HR and Communications Manager (until 17 August 2018)	882,235	1,018	366,248	1,249,501
Other senior executives				
Guntars Zvejvalnieks, CEO SIA Sveaskog Baltfor (EUR) ²	79,013			79,013
SEK	809,552			809,552
TOTAL (SEK)	17,745,448	294,398	5,150,102	23,189,948

¹Pension premiums paid during the year or during the specified period.²EUR, exchange rate as at 31 December 2019 EUR/SEK 10,4791 (10,2458).**Senior executives**

Remuneration of the CEO, other members of the Group management and other senior executives consists of basic salary, company car or annual card for public transport and pension. The Group does not offer incentive programmes or variable remuneration.

CEO

Hannele Arvonen

Pension

The retirement age is 65. In addition to pension benefits under national pension insurance (national pension), occupational pension benefits are payable, which means that the company annually pays

the equivalent of 25% of monthly salary to a pension plan including disability insurance; survivor's pension and waiver of premium.

Termination and severance pay

In the event of termination by the company, a notice period of six months applies. In the event of termination by Hannele Arvonen, the notice period is six months. In the event of termination by the company, severance pay amounting to 12 months' salary is payable. Pay during the notice period and severance pay are offset against other income. Severance pay does not include entitlement to pension or holiday pay.

Deputy CEO

Per Matses

NOTE 8 Staff costs, average number of employees and sickness absence, cont.

Pension

The retirement age is 65. In addition to pension benefits under national pension insurance (national pension), occupational pension benefits are payable according to the ITP 1 occupational pension plan in force at any given time.

Termination and severance pay

In the event of termination by the company, a notice period of six months applies. In the event of termination by Per Matses, the notice period is six months. In the event of termination by the company, severance pay amounting to 18 months' salary is payable. Pay during the notice period and severance pay are offset against other income. Severance pay does not include entitlement to pension or holiday pay.

Other members of the Group management and the CEO of the subsidiary in Latvia

Pension

A pension equivalent to the ITP occupational plan is payable from the age of 65. For high earners, premiums are paid as in a traditional ITP occupational pension plan. For the CEO of the subsidiary in Latvia, pension terms according to Latvian law apply.

Termination and severance pay

In the event of termination by the company, a notice period of six months applies. In the event of termination by the staff, the notice period is 3-6 months. A senior executive who is temporarily appointed to Group management has a 12-month notice period on the part of the company. In the event of termination by the company, severance pay amounting to 9-18 months' salary is payable.

Pay during the notice period and severance pay are offset against other income. Severance pay does not include entitlement to pension or holiday pay. One of the senior executives is not entitled to severance pay. For this person, no settlement applies.

NOTE 9 Depreciation/amortisation according to plan and impairment

MSEK	Group		Parent company	
	2019	2018	2019	2018
Depreciation/amortisation according to plan				
Intangible assets				
Capitalised expenditure on systems development, etc.	13	3	–	–
Right of use assets				
Right-of-use assets (see Note 7)	54	–	–	–
Property, plant and equipment				
Buildings	4	4	0	0
Land improvements	0	2	–	–
Machinery and equipment	76	74	–	–
Total depreciation/amortisation	147	83	0	0
MSEK	Group		Parent company	
	2019	2018	2019	2018
Impairment				
Property, plant and equipment				
Machinery and equipment	–2	2	–	–
Total depreciation/amortisation	–2	2	–	–
Total Depreciation/amortisation according to plan and impairment	145	85	0	0

NOTE 10 Financial income and expense

ACCOUNTING POLICIES

Financial income and expense

Financial income and expense comprise interest income on bank deposits, receivables and fixed-income securities, dividend income, interest expenses on loans, unrealised and realised gains on financial investments and derivative instruments used in the financial operations as well as exchange differences.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is the interest rate that results in the present value of all future payments received and made during the fixed rate period equal to the carrying amount of the receivable or liability. Interest income includes the accrued amounts of transaction costs and any discounts, premiums and other differences between the original value of a receivable and the amount received on maturity.

Dividend income is recognised when the right to receive payment has been established.

The Parent Company recognises Group contributions in appropriations according to the alternative rule in RFR 2 Accounting for legal entities.

Group, MSEK	2019	2018
Financial income		
Interest income	0	0
Total	0	0
Financial expenses		
Interest expense, pensions	–5	–6
Interest expense, other	–113	–107
Impairment loss	0	–14
Other financial expense	–14	–15
Currency differences	2	–1
Total	–130	–143
TOTAL	–130	–143

The financial part of the expenses for own pension liabilities has been calculated using an interest rate of 0.77% (1.30).

Parent Company, MSEK	2019	2018
Other financial income		
Interest income, other Group companies	19	16
Total	19	16
Other financial expense		
Interest expense, other Group companies	–223	–201
Interest expense, other	–84	–65
Other financial expense	–12	–12
Total	–319	–278
TOTAL	–300	–262

NOTE 11 Taxes

ACCOUNTING POLICIES

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the related tax effects are recognised in other comprehensive income and equity respectively. Current tax is tax payable or receivable in respect of the current year, applying the tax rates decided or substantively decided at the balance sheet date. This also includes adjustment of current tax attributable to previous periods.

NOTE 11 Taxes, cont.

Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between the carrying amounts and the tax bases of assets and liabilities. The following temporary differences are not taken into account: temporary differences arising from initial recognition of goodwill, temporary differences arising from initial recognition of assets and liabilities that are not business combinations and at the time of the transaction did not affect either the recognised or taxable profit/loss, as well as temporary differences attributable to shares or participations in subsidiaries and associates that are not expected to be reversed in the foreseeable future. The valuation of deferred tax is based on how carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated using the tax rates and tax rules that have been decided or substantively decided at the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent that it is probable that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered probable that they will be utilised.

Significant judgements and estimates

The valuation of deferred tax is based on how carrying amounts of assets or liabilities are expected to be realised. For Sveaskog, this means that the deferred tax liability also depends on the model assumptions made in the calculation of the biological asset.

Profit after financial items

MSEK	2019	2018
Sweden	1,950	3,359
Other countries	13	7
TOTAL	1,963	3,366

Tax expense (-) / tax income (+)

MSEK	Group		Parent company	
	2019	2018	2019	2018
Current tax				
Tax expense (-)/tax income (+) for the period	-253	-241	-45	-
Adjustment of tax expense attributable to previous years	0	-5	-	-
Total	-253	-246	-45	-
Deferred tax				
Deferred tax income (+)/tax expense (-) in respect of temporary differences	-152	51	-	-
Total	152	51	-	-
TOTAL	-405	-195	-45	-

Tax expense (-)/tax income (+) by country

MSEK	Group		Parent company	
	2019	2018	2019	2018
Sweden	-253	-246	-45	-
Other countries	0	0	-	-
Total	-253	-246	-45	-

Difference between nominal and effective tax rate

Group, MSEK	Group		Parent company	
	2019	2018	2019	2018
Swedish income tax rate	-21.4	-22.0	-21.4	-22.0
Tax effect attributable to previous years	0.0	-0.1	-	-
Tax effect of share of profit/loss in associates recognised net after tax	0.3	1.0	-	-
Tax effect due to non-deductible expenses and non-taxable income	0.5	0.2	-73.6	-
Effect of tax rate change ¹	0	15.1	-	-
Effective tax rate according to income statement	-20.6	-5.8	-95.0	-22.0

1) The Swedish Parliament has decided to reduce the corporate income tax in Sweden. The reduction is implemented in two stages. From 22% to 21.4% from 1 January 2019 and then to 20.6% as of 1 January 2021.

Tax items recognised in other comprehensive income

MSEK	Group		Parent company	
	2019	2018	2019	2018
Tax attributable to items recognised in other comprehensive income	6	-2	-	-
Current tax in Group contributions provided (-)/received (+)	-	-	-	-
TOTAL	6	-2	-	-

Deferred tax liabilities and tax assets 1

Group, MSEK	2019	2018
Deferred tax liability		
Biological assets, forest land, other land and buildings	7,468	7,351
Other non-current assets	26	26
Inventories	24	22
Silvicultural liability	91	84
Provision for employee benefits	-1	4
Tax allocation reserve	421	378
Replacement reserve for land	75	97
Other untaxed reserves	253	251
TOTAL	8,357	8,213
Deferred tax asset		
Financial instruments	10	9
Reserves	0	0
Provisions	4	7
TOTAL	14	16
Total net deferred tax liability (+)/ deferred tax asset (-)	8,343	8,197
Recognised as		
- Deferred tax asset	11	10
- Deferred tax liability ¹	8,354	8,207
Net deferred tax liability	8,343	8,197

1) All changes in deferred tax have been recognised in comprehensive income, of which MSEK 6 (-2) in other comprehensive income.

NOTE 11 Taxes, cont.**Breakdown of deferred tax liabilities and tax assets:**

Group, MSEK	2019	2018
Deferred tax assets		
Deferred tax assets to be utilised after more than 12 months	11	10
Deferred tax assets to be utilised within 12 months	–	–
Deferred tax liability		
Deferred tax liabilities to be paid after more than 12 months	8,354	8,207
Deferred tax liabilities to be paid after more than 12 months	–	–
Deferred tax liabilities (net)	–8,343	–8,197

NOTE 12 Non-cash items

MSEK	Group		Parent company	
	2019	2018	2019	2018
Depreciation/amortisation	145	85	0	0
Capital gains/losses	–39	–91	–28	–68
Capital gains on property disposals	–185	–234	–	–
Share of profit/loss of associates	–26	–156	–	–
Change in value of forest assets	–399	–1,697	–	–
Other	–70	2	–	–
TOTAL	–574	–2,091	–28	–68

NOTE 13 Intangible assets, Group**ACCOUNTING POLICIES****Other intangible assets**

Other intangible assets acquired or generated internally are recognised at cost less accumulated amortisation (see below) and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is recognised as an asset in the balance sheet only when it increases the future economic benefits of the specific asset to which it relates. All other expenditure is recognised as an expense as it arises.

Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets. Amortisable intangible assets are amortised from the date they are available for use. The estimated useful lives are:

NOTE 13 Intangible assets, Group, cont.

Intangible assets	Estimated useful lives	Amortisation rates
Acquired and internally generated		
Capitalised expenditure on systems development, etc.	5-10 years	10-20%
Capitalised expenditure on systems development, etc.		
MSEK		
Cost		
Opening balance, 1 January 2018		140
Investments		34
Closing balance, 31 December 2018		174
Accumulated revaluations		
Opening balance, 1 January 2018		4
Closing balance, 31 December 2018		4
Accumulated amortisation according to plan		
Opening balance, 1 January 2018		–20
Depreciation for the year		–3
Closing balance, 31 December 2018		–23
Accumulated impairment		
Opening balance, 1 January 2018		–31
Closing balance, 31 December 2018		–31
Closing residual values according to plan 31 December 2018		124
Cost		
Opening balance, 1 January 2019		174
Investments		25
Closing balance, 31 December 2019		199
Accumulated revaluations		
Opening balance, 1 January 2019		4
Closing balance, 31 December 2019		4
Accumulated amortisation according to plan		
Opening balance, 1 January 2019		–23
Depreciation for the year		–13
Closing balance, 31 December 2019		–36
Accumulated impairment		
Opening balance, 1 January 2019		–31
Closing balance, 31 December 2019		–31
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2018		136

NOTE 14 Property, plant and equipment**ACCOUNTING POLICIES****Assets owned by the Group**

Property, plant and equipment are recognised as assets in the balance sheet if it is probable that the future economic benefits will flow to the company and the costs of the assets can be reliably measured.

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price as well as costs directly attributable to the asset in order to bring it to the location and condition necessary for it to be used in accordance with the purpose of the acquisition. Examples of directly attributable costs are costs of delivery and handling, installation, regis-

NOTE 14 Property, plant and equipment, cont.

tration of title, consulting services and legal services. Accounting policies for impairment are shown in Note 1.

The cost of self-constructed items of property, plant and equipment includes materials costs, employee benefit expenses, other manufacturing expenses that are considered to be directly attributable to the item of property, plant and equipment.

Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised from the balance sheet on disposal or when no future economic benefits are expected from the use or disposal of the asset. The gain or loss arising on disposal of an asset is the difference between the selling price and the carrying amount of the asset less direct selling expenses. Gains and losses are recognised 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 flow to the company and the cost can be reliably measured. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

A decisive factor in the assessment of whether subsequent expenditure should be added to cost is whether the expenditure relates to the replacement of identified components, or parts thereof, in which case such expenditure is capitalised. In cases where a new component is created, the expenditure is also added to cost. Any undepreciated carrying amounts of replaced components, or parts of components, are disposed of and carried as an expense in connection with the replacement. Repairs are carried as an expense as they occur.

Borrowing costs

Borrowing costs such as interest and other costs incurred that are directly attributable to the purchase, construction or production of a qualifying asset are part of the cost of the asset. Other borrowing costs are carried as an expense.

Depreciation principles

Cost is depreciated to the 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 are used as the basis for depreciation.

Property, plant and equipment

	Estimated useful lives	Depreciation rates
Industrial buildings	20–25 years	4–5%
Residential and office buildings	33–50 years	2–3%
Land improvements	20 years	5%
Vehicles and other machinery and equipment	3–6 years	16.5–33%
Machinery and other technical equipment	5–20 years	5–20%

Assessment of the residual value and useful life of an asset is performed annually. An impairment loss is recognised for an asset if the carrying amount of the asset exceeds the estimated recoverable amount.

NOTE 14 Property, plant and equipment, cont.**Other property, plant and equipment**

Group, MSEK	Forest land	Buildings, other land and land improvements	Machinery and equipment	Construction in progress and prepayments	Total other property, plant and equipment
Cost					
Opening balance, 1 January 2018	2,460	512	804	2	1,318
Investments	62	4	87	34	125
From construction in progress and prepayments, etc.	–	0	2	–2	–
Sales and disposals	–7	–11	–118	–	–129
Translation differences, etc.	0	0	1	0	1
Closing balance, 31 December 2018	2,515	505	776	34	1,315
Accumulated depreciation according to plan					
Opening balance, 1 January 2018	–	–323	–530	–	–853
Sales and disposals	–	1	104	–	105
Depreciation for the year	–	–6	–74	–	–80
Translation differences, etc.	–	0	0	–	–
Closing balance, 31 December 2018	–	–328	–500	–	–828
Accumulated impairment					
Opening balance, 1 January 2018	–	–3	–3	–	–6
Impairment losses for the year	–	–	–2	–	–2
Closing balance, 31 December 2018	–	–3	–5	–	–8
Closing residual values according to plan 31 December 2018	2,515	174	271	34	479
Cost					
Opening balance, 1 January 2019	2,515	505	776	34	1,315
Investments	213	16	90	62	168
From construction in progress and prepayments, etc.	–	4	27	–31	–
Sales and disposals	–5	–9	–89	–	–98
Translation differences, etc.	–	0	1	0	1
Closing balance, 31 December 2019	2,723	516	805	65	1,386
Accumulated depreciation according to plan					
Opening balance, 1 January 2019	–	–328	–500	–	–828
Sales and disposals	–	1	64	–	65
Depreciation for the year	–	–4	–76	–	–80
Translation differences, etc.	–	0	0	–	–
Closing balance, 31 December 2019	–	–331	–512	–	–843
Accumulated impairment					
Opening balance, 1 January 2019	–	–3	–5	–	–8
Impairment losses for the year	–	–	2	–	2
Closing balance, 31 December 2019	–	–3	–3	–	–6
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2019	2,723	182	290	65	537

NOTE 14 Property, plant and equipment, cont.

Parent Company, MSEK	Forest properties	Buildings, other land and land improvements
Cost		
Opening balance, 1 January 2018	34	20
Sales and disposals	-4	-3
Closing balance, 31 December 2018	30	17
Accumulated depreciation according to plan		
Opening balance, 1 January 2018	-	-5
Sales and disposals	-	1
Depreciation for the year	-	0
Closing balance, 31 December 2018	-	-4
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2018	30	13
Cost		
Opening balance, 1 January 2019	30	17
Investments	6	0
Sales and disposals	-2	-1
Closing balance, 31 December 2019	34	16
Accumulated depreciation according to plan		
Opening balance, 1 January 2019	-	-4
Sales and disposals	-	0
Depreciation for the year	-	0
Closing balance, 31 December 2019	-	-4
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2019	34	12

Tax assessment values for Swedish properties

MSEK	Group		Parent company	
	2019	2018	2019	2018
Biological asset	57,668	57,708	699	706
Other land	536	514	27	31
Buildings	90	87	9	10
Total	58,294	58,309	735	747
Recognised in the balance sheet:				
Forest land	2,723	2,515	34	30
Standing timber	33,900	33,607	-	-
Total	36,623	36,122	34	30

NOTE 15 Biological assets, standing timber and forest land**ACCOUNTING POLICIES****Biological assets – standing timber**

According to IFRS, forest assets must be divided into standing timber, which is recognised in accordance with IAS 41, and land, which is recognised as property, plant and equipment. Forest land is recognised at cost. IAS 41 means that standing timber is measured and recognised at each reporting date at level three of the fair value hierarchy. Changes in fair value are recognised in the income statement. The quoted price in an active market provides the best basis for measurement of the fair value of the asset. In the absence of market prices or other comparable value, the biological assets shall be measured at the present value of future cash flows from the assets. Sveaskog's assessment is that there is no functioning market for standing timber of the order of magnitude corresponding to Sveaskog's holdings and therefore there is a lack of relevant market prices (*). The fair value has therefore been calculated as a value determined on an earnings basis, where the cash flow from future income from timber extraction less felling costs, etc. has been discounted to a present value.

These calculations include future timber extractions corresponding to a forest growth cycle (60-120 years depending on geographical location). The timber extractions are based on Sveaskog's felling and forestry plans.

Sveaskog has set aside large areas of productive forest land as nature conservation areas. The value of standing timber in the nature conservation areas is not included in the value determined on an earnings basis. Other value of the forest land in the form of e.g. hunting income and other lease income is not included in the value determined on an earnings basis.

Provision for deferred tax is calculated in accordance with IAS 12 on the full value of the biological asset according to IAS 41. Deferred tax is calculated on the difference between the carrying amount of the properties and their tax base. The carrying amount of the properties comprises the value of standing timber, the value of woodland (see Note 14) and other property values (see Note 14).

* Sveaskog follows the development of possible amendments to IAS 41 among other Swedish forest-owning companies which prepare their financial statements in accordance with IFRS.

Significant judgements and estimates

Sveaskog's judgement is that an active market does not exist, and neither, therefore, relevant market prices for standing timber for holdings the size of those of Sveaskog, and as a result, the fair value has been calculated as a value determined on an earnings basis (*).

The estimated cash flow from future income from timber extractions less felling costs has been discounted to a present value.

In the Sveaskog Group, forest assets are recognised divided into

Timber prices**10-year index – nominal and average, SEK per m³sub**

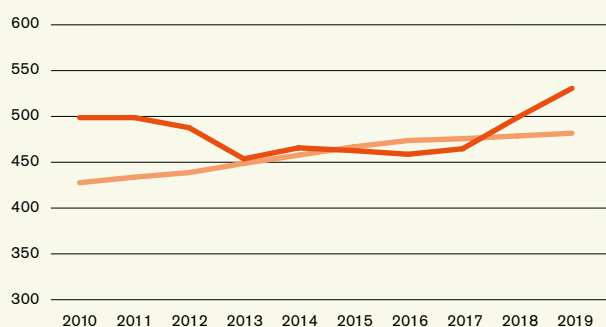
2019 average index price = SEK 481 per m³sub

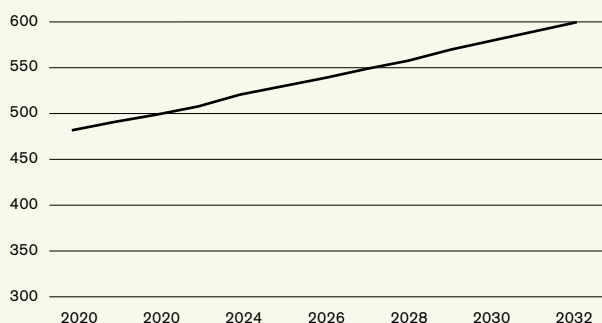
2018 average index price = SEK 478 per m³sub

Price at the reporting date 2019 = SEK 530 per m³sub

Price at the reporting date 2018 = SEK 498 per m³sub

— 10-year index - nominal annual prices.
— 10-year average 2010–2019



NOTE 15 Biological assets, standing timber and forest land, cont.**Future price trend, SEK per m³sub**

standing timber, which is recognised as a biological asset at fair value (IAS 41), and forest land, which is recognised at cost. Sveaskog has made the assessment that there is a lack of relevant market prices that can be used to measure the value of forest assets of Sveaskog's size. Sveaskog's measurement is therefore performed by calculating the present value of future expected cash flows from standing timber. Fair value measurement is performed on the basis of level three of the fair value hierarchy (see Note 26). Cash flows are calculated for the next 100 years, which is considered to be the forest felling cycle. Cash flows are calculated on the basis of felling volumes according to Sveaskog's current felling plan and assessments of future price and cost development. Prices are based on a rolling ten-year average (2010-2019). In terms of cost development, the current standard cost (see model assumptions below) is applied. Inflation assumptions in the model are based on estimated development in the years 2020 to 2120. Cash flows before tax are discounted using an interest rate of 5.75 percent (5.75), which is estimated to correspond to the long-term weighted cost of capital (WACC) for this asset class. In Sveaskog's Board of Directors' judgement, this interest 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 rates.

In total, Sveaskog owns 3.05 million hectares (3.07) of productive woodland with a volume of standing timber of 309 million m³fo (307), of which 239 m³fo (239) on managed land. According to current felling estimates, which date from 2018 and are based on a forest optimisation model, felling will amount to approximately 6.3 million m³sub (6.3) per year. This level is expected to remain relatively unchanged until 2033. Thereafter, it is expected to increase gradually to just over 6.8 million m³sub by 2063, before increasing further to 7.2-7.9 million m³sub by 2120. In 2019, approximately 56% (56) of volume was sold as sawlogs to sawmills was sold and 40% (41) comprised pulpwood sold to the pulp and paper industry. Other volume consisted of, for example, biofuel in the form of rejected branches and tree tops, which are primarily used as fuel wood; this volume is not included in the measurement.

Timber stocks, timber extractions and timber growth, Group

	2019	2018
Timber stocks¹, million m³fo	239	239
Net growth¹, million m³fo	11.0	11.0
Timber extraction from own forests, million m³ sub	6.10	6.20

1) Managed land. 1 m³fo corresponds to approx. 0.82 m³ sub.

Model assumptions

Revenue (timber prices) is based on prices based from a 10-year average (2010-2019) and thereafter on estimated development in the years 2020-2120 with a nominal price increase of 1.75% (1.70) per year.

In 2019, Sveaskog adjusted the annual price increase from 1.7% to 1.75%.

A standard cost is applied to production costs (felling costs). The standard annual cost corresponds to the average of three years (outcome for the current year, previous year and budget for the coming year).

These costs are based on an estimated development in the years 2020-2120 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 of model assumptions¹

	2019	2018
Discount rate	5.75%	5.75%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.70% per year
Costs	Standard cost¹	Standard cost¹
Nominal cost increase	2.00% per year	2.00% per year

1) Standard cost = outcome for the current year and previous year and budget for the coming year.

MSEK**Standing timber****Standing timber****Cost**

Opening balance, 1 January 2018	32,054
Acquisition of standing timber	16
Sale of standing timber	-160
Changes due to harvesting	-1,229
Changes in fair value	2,926
Closing balance, 31 December 2018	33,607

Opening balance, 1 January 2019	33,607
Acquisition of standing timber	39
Sale of standing timber	-145
Changes due to harvesting	-1,211
Changes in fair value	1,610
Closing balance, 31 December 2019	33,900

Forest land

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

Sensitivity analysis based on key measurement parameters and their impact on Sveaskog's standing timber**Discount rate**

A decrease in the discount rate by 0.5 percentage points will increase the value of standing timber by MSEK 4,300 (4,200). An increase in the discount rate by 0.5 percentage points will reduce the value of standing timber by MSEK 3,500 (3,400).

Revenue (wood prices)

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

NOTE 15 Biological assets, standing timber and forest land, cont.

increase in the annual price increase by 0.5 percentage points will increase the value of standing timber by MSEK 11,000 (10,700).

Costs (felling, silviculture, road and joint costs)

An increase in the annual price increase by 0.5 percentage points will decrease the value of standing timber by MSEK 6,700 (6,500). A decrease in the annual price increase by 0.5 percentage points will increase the value of standing timber by MSEK 5,400 (5,200).

NOTE 16 Shares and participations

ACCOUNTING POLICIES

Subsidiaries

Subsidiaries are companies in which the Parent Company Sveaskog AB has a controlling interest. An investor has a controlling interest in an investee when it is exposed to or entitled to variable returns from its involvement in the investee and is able to influence returns through its controlling interest in the investee.

Subsidiaries are recognised according to the acquisition method. According to this method, acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The consolidated cost is determined through an acquisition analysis in connection with the business combination. The analysis establishes the cost of the participations or business, as well as the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities. The difference between the cost of the shares in subsidiaries and the fair value of acquired assets and assumed liabilities and contingent liabilities comprises consolidated goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement. Transaction costs are recognised in the income statement.

The financial statements of the subsidiary are included in the consolidated financial statements from the date of acquisition to the date on which the controlling interest ceases.

Associates

Associates are companies in which the Group has a significant influence, but not a controlling influence, over operational and financial governance, usually through participating interests of between 20% and 50% of the voting rights. Exceptions may exist if the Group does not exercise a significant influence and does not intend to exercise a significant influence. From the date the significant influence is obtained, participations in associates are recognised according to the equity method in the consolidated financial statements. According to the equity method, the consolidated carrying amount of the shares in the associates corresponds to the Group's share in the associates' equity and consolidated goodwill as well as any residual consolidated overvaluations/undervaluations. In the Group's income statement, the Group's share in the associates' net profit/loss after tax and minority interests is recognised as "Share of profit/loss of associates" and also adjusted for any depreciation/amortisation, impairment or resolution of overvaluation/undervaluation of acquired assets or liabilities. Dividends received from the associate reduce the carrying amount of the investment. The Group consolidates its share of associates' other comprehensive income in the Statement of Comprehensive Income.

Any difference at acquisition between the cost of the holding and the investor's share of the 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 consolidated carrying amount of the participating interest, the value of the participating interest is reduced to zero. Losses are also offset against unsecured long-term financial interests that, in an economic sense, form part of the invest-

NOTE 16 Shares and participations, cont.

or's net investment in the associate. Where the share in the losses of an associate equals or exceeds its holding in the associate, additional losses are not recognised unless guarantees have been provided to cover losses incurred by the associate. The equity method is applied until the date when significant influence ceases.

ShoreLink

Sveaskog owns 24.07% of ShoreLink and with effect from this year, ShoreLink is accounted for as an associate according to the equity method. Previously, the holding was accounted for as other company. The comparative year and the opening balance for 2018 have been restated.

Group, MSEK	Associates ¹	Other securities held as non-current assets
Closing balance, 31 December 2017	599	27
Adjustment for accounting for ShoreLink as an associate	35	-3
Opening balance, 1 January 2018	634	24
Investments	-	1
Disposals	-	0
Impairment	-	-14
Dividend	-56	-
Share in profit/loss of associates ²⁾	156	-
Share of other comprehensive income of associates	18	-
Closing balance, 31 December 2018	752	11
Opening balance, 1 January 2019	752	11
Investments	-	5
Impairment	-	0
Dividend	-60	-
Share in profit/loss of associates ²⁾	26	-
Share of other comprehensive income of associates	-6	-
Closing balance, 31 December 2019	712	16

1) The holdings in Setra Group, SunPine and ShoreLink are reported according to the equity method. Participating interests in other associates are measured at cost. The equity method of accounting has not been applied to these holdings because of their negligible significance.

2) Share of profit/loss after tax of associates for 2019 (2018) and change in the internal revenue reserve in respect of Setra.

Breakdown of income, profit/loss, assets and liabilities of associate Setra Group

MSEK	2019	2018
<i>Setra Group</i>		
According to the company's accounts:		
Net sales	4,264	4,480
Profit/loss after tax	-10	230
Profit/loss from continuing operations	-10	287
Other comprehensive income	-12	35
Comprehensive income for the period	-22	265
Non-current assets	986	985
Current assets	1,938	1,938
Equity	1,580	1,580
Non-current liabilities	540	526
Current liabilities	804	817

NOTE 16 Shares and participations, cont.**Breakdown of income, profit/loss, assets and liabilities of associate SunPine**

MSEK	2019	2018
<i>SunPine</i>		
According to the company's accounts:		
Net sales	1,436	1,458
Profit/loss after tax	78	179
Profit/loss from continuing operations	78	179
Comprehensive income for the period	78	179
Non-current assets	517	354
Current assets	462	671
Equity	573	553
Untaxed reserves	179	90
Non-current provisions	23	13
Current liabilities	204	369

Breakdown of income, profit/loss, assets and liabilities of associate ShoreLink

MSEK	2019	2018
<i>ShoreLink</i>		
According to the company's accounts:		
Net sales	215	307
Profit/loss after tax	24	22
Profit/loss from continuing operations	24	22
Comprehensive income for the period	24	22
Non-current assets	119	123
Current assets	134	105
Equity	172	160
Non-current provisions	12	12
Current liabilities	69	56

Parent Company

MSEK	2019	2018
Cost		
Opening cost	24,934	24,934
Closing cost	24,934	24,934

NOTE 16 Shares and participations, cont.**Breakdown of shares and participations and other securities held as non-current assets**

	Corp. ID No.	Registered office/ country	Number of shares	Participating interest % ¹		Equity MSEK, 31 Dec 2019	Profit/loss for the year, MSEK 2019	Carrying amount MSEK, 31 Dec	
				2019	2018			2019	2018
Sveaskog AB	556558-0031								
<i>Direct holdings in Group companies</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	22,839	1,344	24,931	24,931
Total directly owned Group companies								24,934	24,934
<i>Indirect holdings in Group companies</i>									
MPH Skydd AB ²⁾	556852-1339	Stockholm	–	–	100	–	–	–	–
SIA Sveaskog Baltfor	40003293038	Riga, Latvia	2,500	100	100	33	13	–	–
Sveaskog Försäkringsaktiebolag	516401-8466	Stockholm	500,000	100	100	50	0	–	–
Sveaskog Timber AB	556000-1074	Stockholm	90,000	100	100	261	0	–	–
Group's holdings in associates									
<i>Parent Company's indirect holdings</i>									
Setra Group AB	556034-8483	Stockholm	25,761,671	50	50	1,580	–10	434	497
Shorelink AB	556053-7168	Piteå	18,775	24.1	24.1	172	24	41	38
SunPine AB	556682-9122	Piteå	16,685	25.1	25.1	573	78	237	217
Total associates								712	752
Group's other securities held as non-current assets									
<i>Parent Company's indirect holdings</i>									
Arboreal AB	559171-8548	Umeå	12,450	24.9	24.9	–	–	0	0
Arevo AB	556995-8423	Umeå	26	1.08	1.08	–	–	1	1
EkoNord Invest AB	556769-8625	Krokum	7,143	14.3	14.3	–	–	9	9
Swe Tree Technologies AB	556573-9587	Umeå	430,987	14.0	13.8	–	–	0	0
Torsta AB	556892-2420	Krokum	200	5.0	5.0	–	–	0	0
SunCarbon AB	556972-7315	Lomma	600	33.3	–	–	–	5	–
Svensk Skogskommunikation AB	559031-9231	Stockholm	33,334	33.3	25.0	–	–	0	0
Other holdings								1	1
Total of Group's other securities held as non-current assets								16	11
TOTAL OF GROUP'S INVESTMENTS IN ASSOCIATES AND OTHER SECURITIES HELD AS NON-CURRENT ASSETS								728	763

- 1) The voting interest corresponds to the equity interest in respect of all participations.
2) Ceased to exist due to the merger with Sveaskog Förvaltnings AB on 2 December 2019.

A complete statutory breakdown of the holdings of Group companies can be found in the Annual Report submitted to the Swedish Companies Registration Office.

This breakdown can be found at www.sveaskog.se.

NOTE 17 Non-current receivables

MSEK	Group		Parent company	
	2019	2018	2019	2018
Interest-bearing non-current receivables				
Receivables from Group companies	–	–	1,200	1,700
Other non-current receivables	4	3	–	–
Total	4	3	1,200	1,700
Non-interest-bearing non-current receivables				
Other non-current receivables	–	–	–	–
Total	–	–	–	–
TOTAL	4	3	1,200	1,700

NOTE 18 Inventories**ACCOUNTING POLICIES**

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 estimated costs of completion and costs associated with the sale.

The cost of processed wood is fair value less estimated selling costs at the time of felling in accordance with the accounting policy for biological assets.

Cost of inventories is calculated by applying the first in, first out method (FIFO) and includes expenses incurred during the acquisition of the inventory assets and their transport to their current location and condition. Cost includes a reasonable share of indirect costs based on normal capacity utilisation.

NOTE 18 Inventories, cont.

Group, MSEK	2019	2018
Felling rights	6	16
Accrued felling costs for felling rights	86	99
Consumables	17	16
Work in progress ¹	139	127
Finished goods ¹	328	312
TOTAL	576	570

1) Work in progress refers to seedlings, other plants and seed. Finished goods refer to timber stocks, rejected branches and tree tops by the roadside, fuel at terminals and cuttings.

NOTE 19 Trade receivables, loans and other receivables**ACCOUNTING POLICIES**

Trade receivables are classified in the category financial assets measured at amortised cost according to IAS 9. Trade receivables are initially valued at fair value and subsequently at amortised cost using the effective interest method. The expected maturity of trade receivables is short, and the value is recognised at the nominal amount without discounting.

In accordance with IFRS 9, an assessment is made of expected credit losses on loan receivables and other receivables using a 3-stage model. In stage 1, a provision corresponding to expected credit losses within the next 12 months is recognised. In stage 2, an assessment is made whether credit risk has increased significantly since initial recognition but where there is no objective evidence of impairment at the reporting date. In stage 3 there has been an incurred loss event or impairment loss by an amount corresponding to lifetime expected credit losses.

For trade receivables, a simplified approach can be applied, whereby the Group directly reports expected credit losses for the remaining maturity of the asset. A provision matrix may be used for this. In the provision matrix, historical losses are adjusted for forward-looking factors. These forward-looking factors are based on the estimated overall creditworthiness of the customer portfolio and forecasts for GDP in the financial year and subsequent years. Impairment losses on trade receivables are recognised in operating expenses.

NOTE 19 Trade receivables, loan receivables and other receivables, cont.

MSEK	Group		Parent company	
	2019	2018	2019	2018
Trade receivables and loan receivables				
Trade receivables	1,024	1,199	–	–
Provision for doubtful trade receivables	0	–1	–	–
Receivables from associates	88	113	–	–
Receivables from Group companies, interest-bearing	–	–	–	–
Receivables from other Group companies	–	–	389	184
Total	1,112	1,311	389	184
Other receivables				
Prepaid expenses	53	37	9	7
Accrued income	13	13	–	–
Other current receivables	300	259	64	84
Total	366	309	73	91
TOTAL TRADE RECEIVABLES, LOAN RECEIVABLES AND OTHER RECEIVABLES	1,478	1,620	462	275
Of which financial	1,388	1,547	453	268

See Note 26 for age analysis and information on receivables past due but not impaired.

NOTE 20 Equity**ACCOUNTING POLICIES**

Equity in the Group comprises share capital, reserves and earnings (including profit for the year). Equity in the Parent Company comprises share capital, reserves, retained earnings and profit for the year.

Dividends to shareholders are recognised as a liability to shareholders only when the dividend has been approved by the Annual General Meeting.

Group**Share capital**

The number of shares amounts to 118,373,034 Class A shares with a quotient value of SEK 1.

Reserves

Reserves comprise hedging reserve and translation reserve.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of a cash flow instrument attributable to hedging transactions that have not yet been completed.

Translation reserve

The translation reserve includes all exchange differences arising from the translation of financial statements from foreign operations that have prepared their financial statements in the currency used in the primary economic environment in which each entity operates (functional currency) to SEK. The Parent Company and the Group present their financial statements in Swedish krona.

NOTE 20 Equity, cont.**Earned profit**

Earned profit in the Group consists of profit for the year and earned profit in the previous year after any dividend.

The Board of Directors proposes a dividend. The amount of dividend is decided by the Annual General Meeting.

Parent company**Unrestricted equity**

Retained earnings in the Parent Company consists of profit for the year and retained earnings in the previous year after any dividend.

The Board of Directors proposes a dividend. The amount of dividend is decided by the Annual General Meeting.

Proposed appropriation of profits, SEK

Profits available to the Annual General Meeting:

SEK	
Retained earnings	6,323,283,375
Profit for the year	2,363,835
Total	6,325,647,210

The Board of Directors proposes that the profit be distributed as follows:

SEK	
Dividend to shareholder	1,100,000,000
Carried forward to the following year	5,225,647,210
Total	6,325,647,210

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments**ACCOUNTING POLICIES****Cash and cash equivalents**

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, trade receivables, shares, loan receivables, fixed income instruments and derivative instruments. Equity and liabilities include trade payables, derivative instruments, non-current and current other liabilities and non-current and current interest-bearing liabilities.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual provisions 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 there is a contractual obligation to pay, even if the invoice has not yet been received. A financial asset is derecognised from the balance sheet when the rights under the contract are realised, expire or the company loses control of them. The same applies to part of a financial asset. At each reporting date, the company assesses whether there are objective indications of impairment of a financial asset or group of financial assets.

A financial liability is derecognised from the balance sheet when the obligation under the contract is discharged or otherwise extinguished. The same applies to part of a financial liability. Acquisitions and disposals of financial assets are recognised on the trade date, which is the date on which the company undertakes to acquire or dispose of the asset.

Financial instruments are initially recognised at cost corresponding to the fair value of the instrument through profit or loss plus transaction costs for all financial instruments except those belonging to the category financial asset recognised at fair value through profit or loss. Subsequent recognition depends on classification as set out below.

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.**Classification and measurement****Financial assets measured at amortised cost**

This category comprises receivables which arise when the company provides money, goods and services directly to the borrower and which are not intended for trading. 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. For further information, see cash and cash equivalents below and Note 19 Trade receivables, loan receivables and other receivables.

Financial assets at fair value through profit or loss

This category consists of other securities held as non-current assets and interest-bearing non-current receivables. These are measured at fair value with changes in value recognised in the income statement except when hedge accounting is applied. When hedge accounting is applied, the change in value is recognised in other comprehensive income. For further information, see derivatives and cash flow hedges below and Note 16 Shares and participations.

Financial liabilities measured at amortised cost

Amortised cost is determined on the basis of the effective interest rate calculated on the date the liability was assumed. This means that overvaluations and undervaluations are accrued over the maturity of the liability. For further information, see interest-bearing liabilities below and Note 23 Non-interest-bearing liabilities.

Derivatives at fair value through profit or loss and derivatives used for hedging purposes.

See derivatives and cash flow hedges below. Liabilities and derivatives are level 2 of the fair value hierarchy. For details of the different levels, see Note 26 Financial risks.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, as well as short-term investments. Cash and cash equivalents are included in the general impairment model. The low credit risk exemption applies to cash and cash equivalents.

Cash at bank and in hand consist of bank balances and investments that are readily converted to cash, the latter with maturities at the acquisition date of not more than three months. The carrying amount, amortised cost, is considered to be a good approximation of fair value because a discount based on current market rates is not expected to lead to significant differences.

Short-term investments consist of commercial paper or short-term bonds according to established counterparty regulations (see Note 26). The investments have a maximum maturity of 12 months from the acquisition date and are recognised at amortised cost. Fair value is determined using the discounted cash flow method. The discount rate is the yield payable on securities with a similar credit value at the reporting date.

Interest-bearing liabilities

Interest-bearing liabilities consist of financing from the banking system via bilateral loan agreements and financing from the capital market via commercial paper and bonds. Liabilities are recognised at amortised cost. The carrying amount including accrued interest is considered to be a good approximation of the fair value of short-term debt instruments. The fair value of non-current debt instruments is determined using the discounted cash flow method. The discount rate is based on current market rates for securities with credit value, according to Sveaskog, for the respective remaining maturities. When variable rate are specified, the most recent variable rate based on Stibor three months was used for each loan as at 31 December 2019.

Derivative instruments and cash flow hedges

Derivative instruments include forward contracts and swaps that can be used to cover the risk of exchange rate fluctuations and exposure to interest rate risk. Currently, Sveaskog does not hedge exchange rate risks relating to net income. Interest swaps are used to hedge interest rate risk.

To determine the fair value of derivatives, the discounted cash flow method is used. The discount rate is a market-based swap rate that is converted into a yield curve and zero coupon curve.

If hedge accounting is applied and the criteria for effectiveness are met, changes in the value of derivatives are recognised in the statement of comprehensive income. In hedge accounting, any excess inefficient portion is recognised in the same way as changes in the value of derivatives that do not apply hedge accounting, see below. In order to meet the requirements for hedge accounting, there must be an une-

quivocal link to the hedged item and the hedge must effectively protect the hedged item. Hedge accounting is in compliance with IAS39.

If hedge accounting is not applied, or if the conditions for hedge accounting are no longer met, the changes in the value of derivatives are recognised as income and expenses in net financial items. Accrued interest is recognised as interest income and interest expense regardless of whether the derivative is hedged or not. Gains and losses on hedges are recognised in the income statement at the same time as gains and losses for the hedged items. All of the Group's derivatives are covered by ISDA agreements, which allows for offsetting of assets and liabilities against the same counterparty in a credit event. Offsetting of assets and liabilities is not applied in these financial statements. The table *Consequence of offsetting right in hedging strategies* shows this offsetting right.

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.

Group, MSEK financial instruments	Financial assets at amortised cost		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		Financial liabilities at amortised cost		Derivatives at fair value through profit or loss		Derivatives used for hedging purposes		Carrying amount		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Interest-bearing assets and liabilities																
<i>Interest-bearing non-current assets</i>																
Interest rate derivatives (nom. amount MSEK 100)	-	-	-	-	-	-	-	-	3	-	-	-	3	-	3	-
Interest-bearing other non-current receivables	-	-	-	-	4	3	-	-	-	-	-	-	4	3	4	3
Total	-	-	-	-	4	3	-	-	3	-	-	-	7	3	7	3
<i>Cash and cash equivalents</i>																
Cash at bank and in hand	463	387	-	-	-	-	-	-	-	-	-	-	463	387	463	387
Short-term investments	651	460	-	-	-	-	-	-	-	-	-	-	651	460	650	460
Total	1,114	847	-	-	-	-	-	-	-	-	-	-	1,114	847	1,113	847
Total interest-bearing assets	1,114	847	-	-	4	3	-	-	3	-	-	-	1,121	850	1,120	850
<i>Interest-bearing non-current liabilities</i>																
MTN (Ceiling MSEK 8,000)	-	-	-	-	-	-	4,382	3,888	-	-	-	-	4,382	3,888	4,533	4,041
Bank facilities (Ceiling 4,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond	-	-	-	-	-	-	800	800	-	-	-	-	800	800	801	801
Interest rate derivatives (nom. amount MSEK 1,200)	-	-	-	-	-	-	-	-	-	9	72	70	72	79	72	79
Lease liability, non-current element (see Note 7)	-	-	-	-	-	-	71	76	-	-	-	-	71	76	71	76
Total	-	-	-	-	-	-	5,253	4,764	-	9	72	70	5,325	4,843	5,477	4,997
<i>Interest-bearing current liabilities</i>																
Commercial paper programme (Ceiling MSEK 5,000)	-	-	-	-	-	-	1,925	2,212	-	-	-	-	1,925	2,212	1,925	2,212
MTN (Ceiling MSEK 8,000)	-	-	-	-	-	-	600	500	-	-	-	-	600	500	604	500
Bank facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate derivatives (nom. Amount MSEK 500)	-	-	-	-	-	-	-	-	-	-	3	-	3	-	3	-
Utilised bank overdraft facility and overnight deposits	-	-	-	-	-	-	-	12	-	-	-	-	-	12	-	-
Lease liability, current element (see Note 7)	-	-	-	-	-	-	53	50	-	-	-	-	53	50	53	50
Total	-	-	-	-	-	-	2,578	2,774	-	-	3	-	2,581	2,774	2,585	2,762
Total interest-bearing liabilities	-	-	-	-	-	-	7,831	7,538	-	9	75	70	7,906	7,617	8,062	7,759
Non-interest-bearing financial instruments																
<i>Non-current non-interest-bearing assets</i>																
Other securities held as non-current assets (Details Note 16 Share and Participations)	-	-	-	-	16	11	-	-	-	-	-	-	16	11	16	11
Total	-	-	-	-	16	11	-	-	-	-	-	-	16	11	16	11
<i>Current non-interest-bearing assets</i>																
Trade receivables and other receivables	1,388	1,547	-	-	-	-	-	-	-	-	-	-	1,388	1,547	1,388	1,547
Total	1,388	1,547	-	-	-	-	-	-	-	-	-	-	1,388	1,547	1,388	1,547
Total non-interest-bearing assets	1,388	1,547	-	-	16	11	-	-	-	-	-	-	1,404	1,558	1,404	1,558
<i>Non-current non-interest-bearing liabilities</i>																
Non-current non-interest-bearing liabilities	-	-	-	-	-	-	6	6	-	-	-	-	6	6	6	6
Total	-	-	-	-	-	-	6	6	-	-	-	-	6	6	6	6

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.

Group, MSEK financial instruments	Financial assets at amortised cost		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		Financial liabilities at amortised cost		Derivatives at fair value through profit or loss		Derivatives used for hedging purposes		Carrying amount		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>Current non-interest-bearing liabilities</i>																
Trade payables	-	-	-	-	-	-	853	902	-	-	-	-	853	902	853	902
Other current liabilities excl. derivatives	-	-	-	-	-	-	78	107	-	-	-	-	78	107	78	107
Total	-	-	-	-	-	-	931	1,009	-	-	-	-	931	1,009	931	1,009
Total non-interest-bearing liabilities	-	-	-	-	-	-	937	1,015	-	-	-	-	937	1,015	937	1,015
TOTAL FINANCIAL INSTRUMENTS	2,502	2,394	-	-	20	14	-8,768	-8,553	3	-9	-75	-70	-6,318	-6,224	-6,475	-6,366

Reconciliation of liabilities attributable to financing activities, Group

MSEK	2017	Cash flow	Non-cash flow events			2018	Adoption of IFRS 16	OB 2019
			Acquisitions	Exchange rate fluctuations	Changes in fair value			
<i>Financial liabilities</i>								
Interest-bearing non-current liabilities	5,187	-499	-	-	-	4,688	76	4,764
<i>of which lease liabilities</i>	-	-	-	-	-	-	76	76
Interest-bearing current liabilities	3,412	-689	-	-	-	2,723	50	2,773
<i>of which lease liabilities</i>	-	-	-	-	-	-	50	50
Total liabilities attributable to financing activities	8,599	-1,188	0	0	0	7,411	126	7,537

MSEK	2018	Cash flow	Non-cash flow events			Non-cash flow change in lease liabilities	2019
			Acquisitions	Exchange rate fluctuations	Changes in fair value		
<i>Financial liabilities</i>							
Interest-bearing non-current liabilities	4,764	438	-	-	-	51	5,253
<i>of which lease liabilities</i>	76	-56	-	-	-	51	71
Interest-bearing current liabilities	2,773	-195	-	-	-	-	2,578
<i>of which lease liabilities</i>	50	3	-	-	-	-	53
Total liabilities attributable to financing activities	7,537	243	0	0	0	51	7,831

Interest rate terms Group at 31 December 2019

Nominal values MSEK	Currency	Excluding interest rate derivatives		Including interest rate derivatives	
		Nominal amount	Interest rate %	Nominal amount	Interest rate %
<i>Interest-bearing assets</i>					
Short-term investments	SEK	650	0.05		
Cash at bank and in hand	SEK	457	-0.3		
<i>Interest-bearing liabilities</i>					
0 - 1 years	SEK	4,655	0.7	3,355	0.47
1 - 2 years	SEK	850	1.86	850	1.86
2 - 3 years	SEK	450	1.1	850	2.63
3 - 4 years	SEK	120	2.3	420	1.7
4 - 5 years	SEK	1,240	1.39	1,340	1.5
5 years -	SEK	400	4.25	900	3.08

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.**Consequence of offsetting right in hedging strategies 31 December 2019**

Nominal values MSEK	Amounts recognised in the balance sheet
<i>Assets</i>	
Derivative instruments	3
<i>Liabilities</i>	
Derivative instruments	75
Offset amount	3
TOTAL AFTER OFFSET	72

Parent Company, MSEK	Financial assets at amortised cost		Financial liabilities at amortised cost		Carrying amount	
	2019	2018	2019	2018	2019	2018
Interest-bearing assets and liabilities						
<i>Non-current interest-bearing assets</i>						
Receivables from Group companies	1,200	1,700	–	–	1,200	1,700
Total	1,200	1,700	–	–	1,200	1,700
<i>Current interest-bearing assets</i>						
Receivables from Group companies	500	–	–	–	500	–
Total	500	–	–	–	500	–
Total interest-bearing assets	1,700	1,700	–	–	1,700	1,700
<i>Non-current interest-bearing liabilities</i>						
MTN	–	–	4,383	3,887	4,383	3,887
Bank facilities	–	–	–	–	–	–
Bonds	–	–	800	800	800	800
Total	–	–	5,183	4,687	5,183	4,687
<i>Current interest-bearing liabilities</i>						
Commercial paper programme	–	–	1,925	2,212	1,925	2,212
MTN	–	–	600	500	600	500
Bank facilities	–	–	–	–	–	–
Bonds	–	–	–	–	–	–
Liabilities to Group companies	–	–	12,811	11,957	12,811	11,957
Total	–	–	15,336	14,669	15,336	14,669
Total interest-bearing liabilities	–	–	20,519	19,356	20,519	19,356
Non-interest-bearing financial instruments						
<i>Current non-interest-bearing assets</i>						
Receivables from other Group companies	389	184	–	–	389	184
Other receivables	64	84	–	–	64	84
Total non-interest-bearing assets	453	268	–	–	453	268
<i>Current non-interest-bearing liabilities</i>						
Liabilities to Group companies	–	–	–	–	–	–
Other current liabilities	–	–	–	–	–	–
Total non-interest-bearing liabilities	–	–	–	–	–	–
Total financial instruments	2,153	1,968	–20,519	–19,356	–18,366	–17,388

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.**Reconciliation of liabilities attributable to financing activities, Parent Company**

MSEK	2017	Cash flow	Non-cash flow events			2018
			Acquisitions	Exchange rate fluctuations	Changes in fair value	
Financial liabilities						
Interest-bearing non-current liabilities	5,187	−500	−	−	−	4,687
Interest-bearing current liabilities	14,001	668	−	−	−	14,669
Total liabilities attributable to financing activities	19,188	168	0	0	0	19,356

MSEK	2018	Cash flow	Non-cash flow events			2019
			Acquisitions	Exchange rate fluctuations	Changes in fair value	
Financial liabilities						
Interest-bearing non-current liabilities	4,687	496	–	–	–	5,183
Interest-bearing current liabilities	14,669	667	–	–	–	15,336
Total liabilities attributable to financing activities	19,356	1,163	0	0	0	20,519

NOTE 22 Provisions for pensions**Defined contribution plans**

Obligations primarily relate to obligations to employees linked to the SAF-LO Collective Pension but also obligations to employees linked to the ITP 1 occupational pension plan. Obligations relating to payments to defined contribution plans are recognised as an expense in the income statement when they arise.

Defined benefit plans

The obligations mainly relate to obligations to employees linked to the ITP 2 occupational pension plan and obligations relating to pensions and annuities taken over from the state in connection with the so-called incorporation agreement under which Sveaskog Förvaltnings AB took over Domänverket's (Swedish Forest Administration) operations and assets with effect from 1 July 1992, and corresponding obligations taken over from the state in connection with Svenska Skogsplanter AB' takeover of the operations and assets of the Swedish Forest Agency on 1 July 1994. The latter obligations are now also included in Sveaskog Förvaltnings AB. In addition, there are some temporary obligations incurred in connection with rationalisation and restructuring of the business operations.

The Group's recognised provisions for pensions correspond to the present value of these pension obligations, except ITP 2.

The obligations in the balance sheet essentially relate to obligations taken over from the state in connection with the takeover of operations and associated matters after the takeover dates. The obligations also include non-vested obligations in respect of some employees who transferred in connection with the takeover in 1992 and certain additional pension obligations that are not yet tax deductible. The recognised amount includes a provision to cover some deficits in obligations taken over from the state. The risks associated with the defined benefit pension plans are:

- Interest rate risk: lower interest rates and thus reduced discount rate increase the liability.
- Inflation risk: higher inflation increases the liability.
- Life expectancy: the longer the persons covered by the plan live, the larger the obligation.
- Wage increase risk means that liabilities increase in line with wage increases, but Sveaskog has no new vesting in defined benefit plans that are not ITP2.

For financial risks, see Note 26.

The pension liability is measured according to IAS 19. Actuarial gains and losses as a result of experiential adjustments and amendments 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 future cash flows using the interest rate of mortgage bonds with the same maturity as the pension liability.

Collectively agreed vested pension rights relating to defined benefit pension plans that are currently being earned are financed through premium payments to Alecta. Alecta is capitalised on a collective basis, which provides a buffer for insurance obligations against fluctuations in return on capital and insurance risks. For employees with defined-benefit pension plans administered by Alecta (ITP plan) and who are not included in the high earners solution, the premiums for 2019 amounted to MSEK 16 (17). Also see Note 8 personnel costs, average number of employees and sickness absence regarding reporting of Alecta.

Provisions for non-vested pension obligations are calculated as if vesting occurs continuously even if the obligation to the creditor will arise only when the pension becomes payable.

The following tables provide an overview of items linked to the pension liabilities that are treated as defined-benefit and vested obligations and which are included in the net cost of the benefits recognised in the consolidated income statement.

NOTE 22 Provisions for pensions, cont.

Group, MSEK	2019	2018
<i>Carrying amount of defined benefit pension plans</i>		
Present value of obligations	431	450
Recognised provisions for pensions and other provisions for pensions and similar obligations	431	450
<i>Changes in recognised pension provisions in 2019 and 2018 respectively</i>		
Provisions 1 Jan 2019 and 1 Jan 2018 respectively	450	492
Actuarial gains/losses due to changed financial assumptions	18	2
Actuarial gains/losses due to experiential amendments	8	2
Benefits paid	-49	-51
Other changes	4	5
Recognised provisions for pensions and other provisions for pensions and similar obligations	431	450
<i>Net cost of benefits from defined benefit pension plans</i>		
Operating expense	10	11
Interest components in increase for the year of present value of pension obligations	5	6
Actuarial gains/losses due to changed financial assumptions	18	2
Actuarial gains/losses due to experiential amendments	8	2
Recognised pension expense	41	21
<i>Expected maturities of pension provisions</i>		
Within one year (Included in Interest-bearing current liabilities and provisions)	47	49
Beyond one year (Included in Provisions for pensions and Other provisions for pensions and similar obligations)	384	401
Total	431	450
	31 Dec 2019	31 Dec 2018
%		
Discount factor	0.77	1.30
Inflation index for consumer prices	2.0	2.0
Income inflation	3.0	3.0
Future salary increases	3.0	3.0
Mortality assumption	DUS14	DUS14

Sensitivity analysis discount rate

A 1% increase in the discount rate means a decrease in the liability of MSEK 32 (33).

A 1% decrease in the discount rate means an increase in the liability of MSEK 46 (44).

Sensitivity analysis inflation

A 0.5% increase in inflation means an increase in the liability of MSEK 22 (19).

A 0.5% decrease in inflation means a decrease in the liability of MSEK 17 (17).

Sensitivity analysis mortality/life expectancy

An increase in life expectancy of one year means an increase in the liability of MSEK 33 (29).

Reduced life expectancy of one year means a decrease in the liability of MSEK 26 (25).

The expected average duration of the present value of obligations as at 31 December 2019 was 7.96 years (7.79).

The discount rate is determined on the basis of the market rate on mortgage bonds. Adjustment is made for any difference between real

and nominal government bonds. In this way, we can maintain the inflation assumption at Riksbanken's long-term inflation target. No adjustment was needed in the financial year as inflation was around Riksbanken's long-term inflation target.

The items Other provisions for pensions and similar obligations also includes endowment insurance worth MSEK 4 (3).

NOTE 23 Non-interest-bearing liabilities**ACCOUNTING POLICIES**

Trade payables are classified in the category financial liabilities at amortised cost. Trade liabilities are initially valued at fair value and subsequently at amortised cost using the effective interest method. However, the expected maturity of trade liabilities is short and therefore recognition is at the nominal amount without discounting.

Trade payables, etc.

MSEK	Group		Parent company	
	2019	2018	2019	2018
<i>Current liabilities</i>				
Trade payables	845	895	–	–
Liabilities to associates	8	7	–	–
Liabilities to Group companies	–	–	0	0
Total	853	902	0	0

Other liabilities

MSEK	Group		Parent company	
	2019	2018	2019	2018
Derivative liabilities	72	79	–	–
Deferred income	26	30	–	–
Accrued expenses, etc.	115	111	34	30
Other current liabilities	61	95	6	1
Total	274	315	40	31
Total trade payables and other liabilities	1,127	1,217	40	31
Of which financial (excl. derivatives)	931	1,009	0	0

NOTE 24 Other provisions**ACCOUNTING POLICIES**

A provision is recognised in the balance sheet when an existing legal or constructive obligation exists as a result of a past event, and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision for resource adaptation

A provision for restructuring is recognised when a detailed and formal restructuring plan is established and the restructuring has either begun 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 constructive obligation exists as a result of a past event that leads to an outflow of financial resources.

NOTE 24 Other provisions, cont.**Onerous contract**

A provision for an onerous contract is recognised when the expected benefits from a contract are lower than the unavoidable costs of fulfilling the obligations under the contract.

Significant judgements and estimates**Environment**

Ongoing investigations and evaluations are carried out of suspected and existing environmental pollution on Sveaskog's land.

Other provisions

MSEK	Opening balance 1 Jan 2018	Reversed provisions	New provisions	Utilisation	Closing balance 31 Dec 2018	Of which current	Of which non-current
<i>Group</i>							
Provisions for resource adaptation	29	-12	10	-12	15	13	2
Provision for archive costs, historical impediments and roads and bridges	136	-5	29	-15	145	8	137
Environmental provisions	23	-	2	-1	24	2	22
Onerous contracts and other provisions	1	-	14	-10	5	1	4
Total	189	-17	55	-38	189	24	165

MSEK	Opening balance 1 Jan 2019	Reversed provisions	New provisions	Utilisation	Closing balance 31 Dec 2019	Of which current	Of which non-current
<i>Group</i>							
Provisions for resource adaptation	15	-2	6	-13	6	6	0
Provision for archive costs, historical impediments and roads and bridges	145	-	1	-8	138	9	129
Environmental provisions	24	-	5	-3	26	2	24
Onerous contracts and other provisions	5	-	16	-19	2	2	0
Total	189	-2	28	-43	172	19	153

Provisions for resource adaptation

Provisions to reserve for resource adaptation in Sveaskog Förvaltnings AB refer to reorganisations in 2018 and 2019.

Provision for archive costs

In accordance with the incorporation agreement from 1992 between the state and Domän AB (now Sveaskog Förvaltnings AB, SFAB), SFAB shall be responsible for archive costs, so-called safe storage fees, relating to Domänverket's (Swedish Forest Administration) documents. The documents are archived at the National Archives of Sweden. The undertaking is in perpetuity.

Provision for historical impediments

The provision for historical impediments refers to the costs of resolving unapproved reforestation.

Provision for roads and bridges

The provision refers to a legal obligation to maintain substandard roads, bridges and dams.

Reconciliation of certain balance sheet items in the balance sheet, Group

		Group	
MSEK		2019	2018
MTN, non-current element	Note 21	4,382	3,888
Bonds, non-current element	Note 21	800	800
Lease liabilities, non-current element	Notes 7 and 21	71	76
Interest-bearing non-current liabilities		5,253	4,764
Non-current element of other provisions	Note 24 above	153	165
Other provisions (non-current)		153	165
Commercial paper	Note 21	1,925	2,212
MTN, current element	Note 21	600	500
Bonds, current element	Note 21	-	-
Utilised bank overdraft facility and overnight deposits	Note 21	0	12
Lease liabilities, current element	Notes 7 and 21	53	50
Current element of provisions for pensions	Note 22	47	49
Current interest-bearing liabilities and provisions		2,625	2,823
Current element of other provisions	Note 24 above	19	24
Trade payables and other liabilities	Note 23	1,127	1,217
Trade payables, other liabilities and provisions (current)		1,146	1,241

NOTE 25 Pledged assets and contingent liabilities**ACCOUNTING POLICIES**

A contingent liability refers to a possible obligation as a result of past events whose existence will be confirmed only by one or more uncertain future events which are not wholly within the control of the company, or an obligation arising from past events but not recognised as a liability or provision because the possibility of an outflow of resources to settle the obligation is considered unlikely, or the amount of the obligation cannot be estimated sufficiently reliably.

MSEK	Group		Parent company	
	2019	2018	2019	2018
<i>Pledged assets</i>				
Bank balances	0	0	–	–
Total	0	0	–	–
<i>Contingent liabilities</i>				
Guarantees for Biometria	20	20	–	–
Guarantees, other	1	1	–	–
Guarantees for Group companies	–	–	418	454
Total	21	21	418	454

Capital call

In 2008, the Board of Directors of Sveaskog decided to participate in the formation of EkoNord Invest AB and to contribute a total amount of MSEK 20. This amount was to be provided in stages in the form of drawdown from a capital call facility by EkoNord Invest AB. As at the balance sheet date, MSEK 16 (16) had been paid to EkoNord Invest AB.

In December 2019, the Board of Directors of Sveaskog decided to subscribe to a new issue in SunCarbon in 2020 in the amount of MSEK 5.5.

NOTE 26 Financial risks, cont.**ACCOUNTING POLICIES****Financial policy**

The Board of Directors of Sveaskog has adopted a financial policy that governs 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 to the Deputy CEO/CFO and on to the Head of Finance, who, in addition to operational responsibility, is responsible for ensuring that the finance function reports to management and the Board of Directors on a monthly basis.

Financial risks refer to changes in the Group's results and cash flow as result of changes in exchange rates, interest rates, refinancing requirements and credit risks. Responsibility for reducing financial risks and carrying out current financial transactions is centralised in a group-wide finance function. The overall aim of the finance function is to ensure cost-effective financing and to minimise negative effects on the Group's results that may arise from price changes in interest rate and foreign exchange markets.

Of the various financial risks to which an entity may be exposed – financial risk, interest rate risk, credit risk/counterparty risk and currency risk – financial risk, interest rate risk and credit risk are clearly the dominant risks for Sveaskog. The currency risk is relatively small.

Sveaskog, which is a forest owner and forest management company, finances around 19% (18) of its assets through external loans. For this reason, it is considered very important to minimise both the financial risk and interest rate risk in this borrowing. In addition, the Group strives not to be dependent on individual sources of financing and to be restrictive in its assessment of counterparties in its investments of surplus liquidity.

NOTE 26 Financial risks, cont.

In order to achieve efficient management of the Group's liquidity, Sveaskog uses so-called Group accounts.

Financial risk

Financial risk is the risk of a major borrowing requirement arising in a strained credit market situation.

In order to ensure that the Group has access to external financing at all times, the finance department must ensure that confirmed bank credit lines are available. In terms of volume, these must 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 is not functioning.

Lenders must comprise different sources of financing to avoid too great a dependence on an individual loan market. The Sveaskog Group's external borrowing facilities consist of a mix of bank loans and market loans – commercial paper and bonds. This means the Group is not dependent on a single source of financing. Sveaskog has not pledged any collateral for these loans. Instead, the loan agreements include a so-called negative pledge clause, which means that no company within the Group may or is able to pledge collateral for loans or other business transactions.

The current loan portfolio consists of commercial paper and bonds. Commercial paper are short-term in nature, with maturities of a maximum of 12 months, while the long-term outstanding bonds have maturities of between one and 23 years. Bilateral bank loan agreements have an average remaining maturity of 2.2 years (2.2).

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. Maturities within the next 12 months must not exceed 20% of total loans excluding commercial paper. Above one year, maturities must be spread as evenly as possible. At year-end 2019, 10% of total loans excluding commercial paper had maturities within the next 12 months.

Commercial paper borrowing amounted to MSEK 1,925 (2,210), which is refinanced on a rolling basis. Borrowing under the MTN programme as at 31 December amounted to MSEK 4,990 (4,390).

Sveaskog's net financial liabilities at year-end amounted to MSEK 7,149 (7,014) and their maturity structure is shown in the table Liquidity risk, maturity for financial liabilities Group.

Interest rate risk

For the Group, interest rate risk is the risk that cash flows due to financial instruments vary as a result of changes in market rates. The Group is exposed to interest rate risk; the speed with which a trend-related change in interest rates impacts results depends on the fixed-rate period of loans and investments. How interest rate exposure is to be managed is set out in the Group's financial policy and the finance function is responsible for compliance with the policy.

The finance policy stipulates that the Group's loan portfolio shall have an average fixed-rate period of not less than 12 months but not exceeding 48 months. The average fixed interest rate on net liabilities at 31 December 2019 was 36.2 months (34.6) and the gross borrowing cost was 1.39 per cent (1.34).

Interest rate risk is managed through a balanced mix of variable and fixed interest rates on financing and, where necessary, interest rate swaps. The main purpose of interest rate swaps is to try to achieve an optimal level of fixed interest rates at any given time for the Sveaskog Group, taking into account the economic climate, interest rates, the Group's own income statement and balance sheet and the size of the loan portfolio. The risk must be continuously monitored and measures taken as necessary.

Long-term loans with variable rates use Stibor 3 months as the reference rate; it is changes in this interest rate component that are hedged using the interest rate swaps entered into by the Group. As at 31 December 2019, Sveaskog had interest rate swaps with a notional value of MSEK 1,800 (2,800), of which MSEK 1,700 (1,700) was hedged. All swap contracts mean that the Group receives variable interest rates while paying a fixed interest rate over the life of the swap.

NOTE 26 Financial risks, cont.

The swaps may be used for hedge accounting if they are effective in managing the risk they are intended to manage. To measure how effective these interest rate swaps are in hedging exposure, the change in the value of the swap is measured against the value of the loan since the contract date. This is done by discounting the assessed cash flows. This measurement does not include the effect of a change in the credit rating of any of the parties to the contract.

The interest rate swaps used in hedge accounting are entered into at the same reference rate and maturities as the loans and have a hedge ratio of 100%. The whole change in value of these swaps is therefore recognised in other comprehensive income in accordance with the accounting policies. If hedge accounting had not been applied, the entire annual change in other comprehensive income would have affected the Group's results for 2019 through net financial income/expense.

The table below shows the fixed interest rate of these swaps, their maturity and how hedge accounting has affected the results and balance sheet through recognition in other comprehensive income instead of profit and loss and net financial income/expense.

Impact of hedge accounting on results and balance sheet

Maturity	Notional value	Fixed interest component	Total change in value	Change in value for the year
TOTAL	1,700	1.056	-50	-5
0 - 1 years	500	0.01		
1 - 2 years				
2 - 3 years	400	2.50		
3 - 4 years	300	0.62		
4 - 5 years	100	1.97		
5 years -	400	1.02		

Credit risk/counterparty risk

Credit risk is the risk that a counterparty in a financial transaction is unable to meet its obligations. Financial risk management involves exposure to credit risks. For Sveaskog, these arise partly in connection with investments of cash and cash equivalents, but above all in connection with counterparty risks in relation to banks when purchasing derivative instruments. In order to be able to enter into derivative transactions with banks, Sveaskog Förvaltnings AB has concluded so-called ISDA agreements with interested parties. The financial policy contains a special counterparty regulation setting out maximum credit exposure to different counterparties. This regulation is strict and specifies the minimum credit ratings that must apply to selected counterparties according to Standard & Poor's and Moody's rating scales. The credit rating applied to Swedish counterparty risks of up to one year is Sweden's Nordic Credit Rating's highest rating, K1, while for risks in excess of one year, counterparties shall have a long rating equivalent 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 involving Swedish counterparties. No credit losses were incurred on financial transactions in 2019.

Another type of credit risk is receivables from commercial customers. The Group's two largest customers each account for more than 10% percent of sales and together account for 28% (32) of total sales. Credit insurance is managed according to the Group's insurance policy, but is not applied to larger customers. Instead, an internal credit analysis is carried out, which is followed up on an ongoing basis. As at 31 December 2019, outstanding receivables in respect of the two largest customers corresponded to 42% (35) of the Group's total trade receivables at that date.

As at 31 December 2019, satisfactory trade receivables amounted to MSEK 995 (1,086).

As at 31 December 2019, trade receivables amounting to MSEK 117 (227) were past due, but not considered to be impaired.

The past due receivables related to a number of customers who had

no previous history of payment difficulties. As at mid-January 2020, MSEK 10 (2) was still outstanding.

As at 31 December 2019, trade receivables covered by credit insurance or bank guarantees amounted to MSEK 446 (514) out of a total of MSEK 1,024 (1,199). Total exposure to counterparty risks corresponds to the value of the corresponding assets in the balance sheet.

Capital management

The Group's objective regarding its capital structure is to safeguard the Group's ability to continue operations so that it is able to continue to generate returns for its shareholder and benefit for other stakeholders and to maintain an optimal capital structure to keep down the costs of capital.

In order to maintain or adjust the capital structure, the Group may change the dividend paid to the shareholder, repay capital to the owner, issue new shares or sell assets to reduce liabilities.

The 2014 Annual General Meeting decided on new financial targets for the Sveaskog Group, which mean, among other things, that the Group must maintain a net debt/equity ratio of between 30% and 60%. This financial target is calculated as net interest-bearing liabilities divided by equity, calculated at the end of the period/year. Net interest-bearing liabilities is calculated as total borrowings (comprising the items interest-bearing current liabilities, interest-bearing non-current liabilities and pension liabilities in the Group's balance sheet) less cash and cash equivalents. Total capital is calculated as equity in the Group's balance sheet plus net liabilities. The equity ratio as at 31 December in 2019 and 2018 was as follows:

MSEK	Group	
	2019	2018
Total borrowings (Note 21, 22)	8,267	7,861
Less: Non-current interest-bearing receivable (Note 21)	-4	0
Cash and cash equivalents (Note 21)	-1,114	-847
Net liabilities	7,149	7,014
Total equity	23,574	23,145
Total capital	30,723	30,159
Net debt/equity ratio	30%	30%

Age analysis past due trade receivables, gross

MSEK	Group	
	2019	2018
Less than 1 month	116	225
1 to 3 months	0	1
3 months and longer	1	1
	117	227

Doubtful trade receivables, change during the year

MSEK	Group	
	2019	2018
OB provision for doubtful trade receivables	-1	-1
Added during the year	-2	-2
Settled/received during the year	2	2
CB Provision for doubtful trade receivables	-1	-1

Currency risk

Sveaskog has limited currency exposure. All assets are located in Sweden and only a small proportion of costs are in foreign currency. Currently, currency hedging is not applied to commercial flows.

NOTE 26 Financial risks, cont.**Sensitivity analysis**

In order to manage interest rate risk, the Group has in recent years issued bonds with longer maturities than before in order to reduce the impact of short-term interest rate fluctuations on the Group's earnings. However, in the long term, lasting changes in interest rates will have an impact on the consolidated results.

As at 31 December 2019, it is estimated that a general increase in interest rates by one percentage point would reduce the Group's profit before tax by approximately MSEK 79 (75) without taking into account cash flow hedging. Taking cash flow hedging into account, which as a result of hedge accounting does not affect the income statement, profit before tax is reduced by around MSEK 62 (58). A general increase in interest rates of one percentage point would have an adverse effect on equity of SEK 62 million (59).

Fair value measurement**Securities**

Fair value is based on quoted market prices at the balance sheet date.

Derivative instruments

The discounted cash flow valuation method is used to determine rates for interest rate swaps. The interest rate used is the market-based interest rate for interest rate swaps at the balance sheet date which is used to plot a yield curve and then converted into a zero coupon curve.

Quoted prices (unadjusted) on active markets for identical assets or liabilities available to the entity at the measurement date.

Level 1	For financial instruments for which quoted market prices are available, current prices are used for fair value measurement.
Level 2	Observable data for assets or liabilities other than quoted prices included in level 1, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices). Derivatives in level 2 consist of interest rate swaps and are used for both trading and hedging purposes. Measurement of the fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for measurement.
Level 3	Inputs for the asset or liability that are not based on observable market data (i.e. unobservable data). See Note 15 for information about fair value measurement.

The following table shows the Group's assets and liabilities measured at fair value as at 31 December 2019 and 2018:

MSEK	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
Financial assets at fair value through profit or loss						
Derivative instruments			3	0		
Standing timber					33,900	33,607
Total assets	0	0	3	0	33,900	33,607
Liabilities						
Non-current liabilities			5,334	4,842		
Current liabilities			2,528	2,712		
Derivative instruments	0	0	75	79	0	0
Total liabilities	0	0	7,937	7,633	0	0

The table above shows the fair value of swap contracts to which hedge accounting has been applied. The Group also has swap contracts that are not hedged and where the change in value is recognised in the income statement. These swaps have a notional value of MSEK 100 and as at 31 December 2019 a fair value of MSEK 3.

Valuation techniques used to measure fair values in Level 2

Current liabilities are measured at book value including accrued interest which is assessed to provide a good approximation of the fair value. The fair value of non-current debt instruments is determined using measurement models such as discounted future cash flows at listed market rates for the respective maturities. Derivatives in level 2 consist of interest rate swaps 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 the measurement. Compared with 2018, no transfers took place between the different levels in the hierarchy and no significant changes were made to the measurement method, the inputs used or assumptions.

Valuation techniques used to measure fair values in Level 3

The valuation technique is shown in Note 15 on page 85.

Issues

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

NOTE 26 Financial risks, cont.**Liquidity risk****Maturity for financial liabilities Group (including future interest flows)**

MSEK	Between 0-3 months		Between 4-12 months		Between 12-24 months		Between 24-60 months		More than 60 months	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Borrowings (excluding liabilities relating to financial leases)	2,559	2,227	56	551	1,235	663	3,396	3,170	1,013	1,257
Derivative instruments	28	7	-8	21	15	26	29	49	9	26
Lease liabilities according to IFRS 16 (*)	14	11	39	39	30	36	36	37	5	3
Trade payables and other liabilities	895	956	7	23	15	12	13	16	1	2
Financial guarantee contracts	-	-	77	78	-	-	-	-	-	-

(*) Lease liability figures according to IFRS 16 for the comparative year refer to 1 January 2019.

In order to secure the extension of Sveaskog's short-term liabilities in the event of increased capital shortage, Sveaskog has contracted credit facilities. These credit facilities amounted to MSEK 4,200 (4,200) as at 31 December 2019. The financial policy also specifies the proportion of the loan portfolio that may mature within 12 months. At present, a maximum of 20% may mature within 12 months.

Insurance policy

The Board of Directors of Sveaskog has adopted an insurance policy that set outs how the Group's risk management should be designed and conducted. This policy is evaluated once a year. The CEO has delegated responsibility for implementation of the policy directives to the Head of Finance via the Deputy CEO/CFO.

The biological asset, standing timber, is Sveaskog's largest asset,

but also the asset that is judged to be exposed to the single largest static risk. In the event of damage, it may temporarily cause significant costs for the Group, which could have a major impact on the Group's financial position. Considerable attention has therefore been paid to ensuring that the Group has forest insurance that covers the additional costs that may arise in connection with major damage to standing timber in the form of, for example, storm or fire. To help design appropriate protection and risk coverage, the Sveaskog Group owns a so-called captive, Sveaskog Försäkrings AB. Through this captive, the Group transfers the risk of damage on to the direct insurance and reinsurance markets. The Group currently has coverage for standing timber covering cost increases of up to MSEK 2,000. The amount is partly based on experience from the storms in recent years and partly on simulations carried out together with external insurance experts.

NOTE 27 Significant events after the reporting period

Helene Samuelsson, Head of Communication and Public Affairs, left her position in February 2020. Acting Head from and including 24 February 2020 is Viveka Beckeman.

Assurance and signing of the financial statements

The undersigned certify that the consolidated financial statements and annual accounts have been prepared in accordance with International Financial Reporting Standards IFRS, as adopted by the EU, and generally accepted accounting principles and give a true and fair view of the financial position and results of the Group and Company, and that the Group's and Company's Directors' Report provides a true and fair view of the development of the Group's and Company's operations,

financial position and results and describe the principal risks and uncertainties faced by the companies in the Group. The undersigned also submit Sveaskog's Sustainability Report for 2019. The Sustainability Report describes Sveaskog's sustainability work and has been prepared in accordance with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative.

Sveaskog AB (publ) (556558-0031)
Stockholm, 9 March 2020.

Eva Färnstrand
Chairman of the Board

Marie Berglund
Director

Johan Kuylenstierna
Director

Kerstin Lindberg Göransson
Director

Leif Ljungqvist
Director

Annika Nordin
Director

Sven Wird
Director

Kenneth Andersson
Employee representative

Sara Östh
Employee representative

Hannele Arvonen
President and CEO

Our Auditor's report regarding the Company's annual accounts and consolidated financial statements were submitted on 9 March 2020.

Deloitte AB

Hans Warén
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Sveaskog AB (publ) Corporate Identity Number 556558-0031

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annual accounts and consolidated financial statements of Sveaskog AB (publ) for the financial year 1 January 2019 - 31 December 2019. The Company's annual accounts and consolidated financial statements are included on pages 12-13, 18-21 and 30-102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the Parent Company's financial position as at 31 December 2019 and its financial performance and cash flows for the year then ended according to the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the Group's financial position as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' 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 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 Regulation (537/2014/EU).

Basis for opinion

We performed our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are described in more detail 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, to the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1. have been provided to the audited company or, where applicable, 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 audit opinion.

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 for the current period. These matters were addressed in the context of our audit of, and in forming our opinion on, 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 accounts for 82% of the Group's assets and is therefore the most significant asset in terms of quantity. The Group's bal-

ance sheet reported forest assets amounting to SEK 33,900 million as at 31 December 2019.

Sveaskog has made the judgement that there is a lack of relevant market prices that can be used to measure the value of forest assets of Sveaskog's size. Sveaskog's measurement is therefore performed by calculating the present value of future expected cash flows from standing timber. Measurement of standing timber places high demands on Sveaskog's measurement process and measurement models, given that it is based on assessment of future cash flows over 100 years. The measurement 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. Because yield models are based on very long periods of time, small changes can have a major impact on measurement.

See Note 15 for a more detailed description of how the company applies IAS 41 and the judgements made.

Our audit included, but was not limited to, the following audit procedures:

- Mapping of the measurement process and evaluation and verification of the appropriateness of implemented key controls in relation to documented guidelines
- Evaluation of the reasonableness of the assumptions underlying the company's measurement 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 producing inputs
- Verification of inputs in the measurement model through random sampling
- Examination of relevant notes to the financial statements
- Our valuation specialists have examined 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. Every day, a large number of felling assignments are carried out on own account and for other forest owners, and deliveries are made continuously to end customers. Strict requirements therefore apply to support systems to ensure correct handling in terms of measurement of volumes, reconciliation of delivery data and pricing based on contracted prices.

See Note 4 for a description of the revenue recognition principles. Our audit included, but was not limited to, the following audit measures:

- Mapping of significant transaction flows for revenue and critical business systems and evaluation of whether the company's key controls to manage the risk of errors in financial reporting are appropriately designed and implemented
- Our IT auditors have specifically examined general IT controls regarding permissions and management of changes in the system environment
- Examination of the company's revenue recognition procedure with focus on (1) inputs in timber administration systems, (2) completeness of transmission between or data extraction from systems and (3) examination of accounting documents and reconciliation with actual invoicing
- Random sampling of revenue transactions for verification that these

were priced according to current customer agreements and that revenue was recognised in the period in which Sveaskog discharged its obligations

- Implementation of register analysis for examination of the completeness of the flow from the timber administration system and recognition in the financial statements
- Analytical review of reported revenue on a monthly basis and development of revenue and margins at segment level to identify significant fluctuations for further investigation.

Information other than the annual report and consolidated financial statements

This document also contains information other than the annual accounts and consolidated financial statements and is contained on the pages that do not include the annual accounts, the sustainability report or the corporate governance report. 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 to consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this review, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, based on the work performed concerning this information, we 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 Swedish 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 may affect the ability to continue as a going concern and use the going concern basis of accounting. However, the going concern basis of accounting is not applied if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibilities

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 submit an audit report that includes our opinion. 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 accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the Auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion

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) for the financial year 1 January 2019 - 31 December 2019 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 Directors' Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under these standards are described in more detail 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 audit opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profits or loss. When proposing a dividend, this includes assessment of whether the dividend is justified considering the requirements that the company's and the Group's nature of business, scope 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 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, asset management and the company's financial affairs are otherwise 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 things take any measures necessary to ensure that the company's accounting is carried out in accordance with legislation and asset management is managed in a reassuring manner.

Auditor's Responsibilities

Our objective concerning the audit of the administration, and therefore our opinion on discharge from liability, is to obtain audit evidence in order to achieve reasonable assurance as to whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which may result in the company incurring liability for damages, or
- in any other way has acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposal for appropriations of the company's profit or loss, and therefore our opinion on this, is to achieve reasonable assurance as to whether the proposal is consistent with the Swedish Companies Act.

A further description of our responsibility for the audit of the administration can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the Auditor's report.

Deloitte AB was appointed auditor of Sveaskog AB (publ) by the Annual General Meeting on 24 April 2019 and has been the company's auditor since 23 April 2015.

AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report on pages 49-53 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act. Our examination was 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 point 2-6 of the Swedish 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 Swedish Annual Accounts Act.

Stockholm, 9 March 2020
Deloitte AB

Hans Warén
Authorised Public Accountant

Notes to the Sustainability Report

NOTE S1 About the Sustainability Report

Sveaskog has prepared a Sustainability Report for the period 1 January - 31 December in accordance with Global Reporting Initiative (GRI) Standards for sustainability reporting. The Sustainability Report comprises pages 14-17, 22-27, 107-113 and has been reviewed by the auditing firm Deloitte AB.

The signing of the Annual Report and Sustainability Report 2019 by the Board of Directors and the Auditors' report are presented on page 100 and page 101 respectively.

Sveaskog has reported on value added generated annually in the company from a multidimensional sustainability perspective in monetary terms. The model and method used are called <Integrated Profit and Loss>TM and are described in more detail in Note S2.

Application of GRI Standards

GRI is a collaborating body of the United Nations Environment Programme. The organisation has produced global guidelines for how companies should report issues that fall under the concept sustainable development. See www.globalreporting.org for a complete presentation of GRI Standards.

Sveaskog applies GRI Standards application level Core in its reporting. A transition from the fourth version (GRI G4) took place in 2017. Sveaskog recognises achieved results for the reporting period in the context of commitments, strategies and sustainability management. The aim is to present, measure and take responsibility towards stakeholders, both within and outside the company, for what has been achieved in the work on sustainable business practice.

GRI Standards is implemented in the internal work on sustainability issues and the information in the disclosures meets GRI criteria for Universal Standards. All disclosures in accordance with GRI Universal Standards are published in a GRI index on our website www.sveaskog.se.

Process for GRI Standards

Sveaskog's aim is to provide a comprehensive account of sustainability work which clearly identifies both negative and positive business impacts. Our commitments through certification and various memberships, including FSC® and Global Compact, are of great importance for our sustainability work.

To help us identify the issues where Sveaskog as a company has the largest impact, and which are most important to the company's external and internal stakeholders, the work is based on a materiality assessment processed in the Sustainability Council. First, all GRI Standards have been assessed for their significance to the sustainability aspects that Sveaskog has identified as material and where the impact is greatest, within or outside the company. Based on the identified aspects, the different aspects have been assessed by the Sustainability Council for inclusion in reporting.

Boundaries

The information comprises the entire Sveaskog Group, unless otherwise stated. The Group includes the wholly owned subsidiary Sveaskog Baltfor SIA. The sawmill group Setra Group AB is 50% owned by Sveaskog AB and is not included in the Sustainability Report other than the share of the financial results of Setra Group AB that impacts Sveaskog Förvaltnings AB's results. Sveaskog has two members on Setra Group AB's Board of Directors and thus has an impact on Setra's sustainability work.

Global Compact

Sveaskog has supported the UN Global Compact initiative since 2005, and thereby takes a clear stance on issues relating to human rights, labour, environmental responsibility, the right to form trade unions and anti-corruption. The Global Compact is derived from the Universal Declaration of Human Rights, the Precautionary Principle of the Rio Declaration on Environment and Development, which means that Sveaskog commits to working proactively to minimise environmental risks throughout the company, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD's principles and guidelines for the responsible business conduct of multinational companies. For more information about Global Compact, see www.globalcompact.org. Sveaskog is taking measures to ensure these principles are reflected in the business in practice. A "Communication on Progress" reported is submitted annually to the Global Compact, together with a presentation of GRI indicators that link to the principles.

NOTE S2 Multidimensional value creation – Integrated Profit and Loss

The <IP&L>TM evaluation model involves holistic and integrated evaluation in monetary terms of the company's impact and value creation through four different types of capital. The model was developed by the internationally renowned sustainability economist Pavan Sukhdev and his team GIST Advisory. The four types of capital are Financial, Social, Human and Natural Capital, and the result is an illustration of the company's overall positive and negative impact. The values are based on data from 2016, aside from financial capital, which is updated with data from 2019.

We have chosen to work using this model, which has high scientific relevance; other models may exist that do not produce an identical outcome.

All the data produced is associated with some uncertainty. This is due to scientific uncertainty concerning measurement methods, but also to the uncertainty of the data to which the measurement methods are applied. In particular, this concerns measurement of indirect envi-

ronmental and social impacts where Sveaskog relies on available business data, data provided by external parties and information, assumptions and qualified estimates produced by GIST Advisory in connection with the establishment of Sveaskog's IP&L. There is also uncertainty about Sveaskog's share of the effects presented, which are based on assumptions from Sveaskog.

It should be noted that this is a first step towards reporting according to this model with the boundaries and assumptions required for implementation. The model can and should be refined over time.

The methodology, IP<M, highlights the company's value added in terms of ecosystem services and public benefit, in addition to the economic value of timber production. It comprises the company's various types of impact and contributions in areas related to climate and water as well as land use and social values. The calculation also includes negative impacts such as the business's greenhouse gas emissions.

An illustration of the evaluation model is shown on pages 24-25.

NOTE S2 Multidimensional value creation – Integrated Profit and Loss, cont.

Capital	Examples included		Examples not included	Sample reference
	Positive impact	Negative impact		
Financial Capital	Taxes Interest Depreciation		Contribution to GDP at contractor level	
Social capital	Recreation		Working environment at contractor level	(Fredman 2013, Friluftsliv i förändring)
	Hunting, fishing, berry picking			Engelman, Marc, Carl-Johan Lagerkvist, and Ing-Marie Gren. 2016. <i>Hunting value of wild boar in Sweden: A choice experiment</i> .
	Road construction accessibility	Environmental impact of road construction		Carfax. 2017. Total length of the road network in Sweden in 2015, https://www.statista.com/statistics/449993/sweden-length-of-road-network-by-road-type
Human capital	Training Wage trend Pensions	Health impact of air pollution	Health and safety of contractors	
Natural capital	Carbon dioxide capture and storage	Emissions of greenhouse gases	Impact on biodiversity	Carbon dioxide capture and storage UN climate panel, (IPCC 2006); Interagency Working Group on Social Cost of Greenhouse Gases, United States Government. 2016.
		Water regulation	Ground impact of felling	(Zhang Biao 2010, Water conservation in forest ecosystems); EEA. 2015. <i>Values from water retention potential of forests</i> .

A brief report of the analysis is published on Sveaskog's website

<https://www.sveaskog.se/globalassets/hallbarhet/public-session---integrated-profit-loss-ipl.pdf>

The full list of references can be found at sveaskog.se

NOTE S3 GRI disclosures, where impact occurs and examples of initiatives in 2019 that increased or reduced impact

Examples of initiatives that have increased or reduced impact for the most significant aspects of sustainability are given below, together with information on where the impact mainly occurs. The complete GRI Index can be found at www.sveaskog.se.

	Examples of initiatives in 2019 that increased or reduced impact	Sustainability aspect	Where impact mainly occurs
Confidence	Networking meetings with state-owned companies, dialogues with nature conservation organisations, consultations with Sami villages and meetings in local communities. Conservation value assessment in connection with logging notification posted online. Campaign to highlight our ecoparks, A new contractor strategy for improved cooperation with contractors	Supplier assessments with regard to the environment, employee rights, human rights and social impact.	Within and outside the company
Financial performance	Higher prices, improved results in the Svenska Skogsplanter business area	Financial performance.	Within and outside the company
Climate impact	Shared ownership of SunCarbon, which produces renewable lignin oil, cooperation with Volvo on heavy goods vehicles, fuel procurement that allows for extra mix of environmental fuel.	Energy, Emissions, Financial performance	Outside the company
Customer satisfaction	"Precision Hunt" competition for forestry machine teams for increased value creation in measurement and quality. New logistics solutions after storm Alfrida	Labelling of products and services.	Within the company
Biodiversity	Recreation of natural shore zones along the Mörrum River and burning for nature conservation purposes in Västerbotten, Conservation value assessment in connection with felling notification posted online.	Biodiversity Transparency	Within and outside the company
Gender equality, diversity and skills supply	Support for contractors in the form of training in gender equality, diversity and inclusion, cooperation with the Scouts on diversity and inclusion, cooperation with the Mitt Liv (Chance of a Lifetime) mentoring programme for people with foreign background and an academic degree, Svenska Skogsplanter ceases chemical control of pine weevils.	Employment, Occupational health and safety, Skills development, Diversity and gender equality.	Within and outside the company

NOTE S4 Stakeholder dialogues

Sveaskog conducts structured and documented dialogues with stakeholders. This overview shows the issues covered in dialogue with ten key stakeholders, the action taken by Sveaskog in these areas and dialogue opportunities.

	Issues 2019	What action is Sveaskog taking?	Dialogue opportunities in 2019
Customers	Product quality, prices, efficient logistics, renewable vehicle fuels, technology development, FSC® and traceability, sustainability, reliability, long-term relationships, climate issues.	FSC® certification, market prices, Code of Conduct, measuring delivery precision, participating in the development of new fossil-free fuels, traceability of wood.	Business discussions, forest days, collaboration on sustainability reporting, online survey.
Owner	Meeting financial targets, sustainable business, work with human rights, stakeholder dialogues and confidence in Sveaskog, 2030 Agenda.	Initiatives to meet financial targets, goals and strategies for sustainable business, clearer reporting of and processes around the work on the 2030 Agenda, accounting for multidimensional value creation.	Annual General Meeting, Board meetings, dialogue with the Chairman of the Board, the Swedish Government Offices and Members of Parliament, networking meetings with state-owned companies, online survey.
Lending institutions, lenders	Economic development, financial stability, sustainable business, new business opportunities.	Financial targets, financial policy, prioritising long-term business relationships and customers with profitability potential, green bond issues.	Online survey, business discussions, information meetings.
Employees	Skills development and livelihood, confidence, gender equality, employee ownership and leadership, working environment and health and organisation.	Internal training, internal mobility, active recruitment, working environment efforts, and development of the organisation.	Employee discussions, cooperation with trades unions, workplace meetings, employee engagement survey VIS.
Contractors	Well-developed and long-term partnerships, renewable energy, sustainable forestry, contractual and remuneration issues, training and working environment, skills supply and the attractiveness of the forest industry, traceability and certification.	Long-term partnerships, partner contractor, cooperation projects, information and evaluations, Code of Conduct, service statement, requirement for framework suppliers to comply with the UN Global Compact, PEFC certification requirements, daily inspections of transport licences, etc, Swedish Tax Agency checks, new contractor strategy.	Business discussions, follow-up, field inspections, in-depth checks of around ten contractors.
Timber suppliers	Ability to pay, long-term partnerships, market prices, renewable energy, quality of felling assignments, skills supply, sustainable forestry, information about Sveaskog's operations, technology development.	Good liquidity, market prices, FSC® planning for felling assignments, involvement in the development of new, fossil-free fuels, information activities.	FSC® cooperation, forest days, business discussions.
Tourism companies, hunters, fishermen, etc.	Granting land concessions, lease prices, forest and land for outdoor activities, impact of forestry on outdoor activities, grazing damage.	Leases, investments in outdoor recreation areas and ecoparks, roads and signs, maps and information on the website.	Elk management meetings, hunt leaders meetings, consultations, business discussions, continued development of short-term hunting and increased number of destinations, online survey.
Reindeer industry	Rights of indigenous peoples, considerate forestry measures and concessions that do not affect winter grazing of reindeer – coexistence with others on our land.	Formalised consultations, better information for maps, land use development projects.	Consultations on forestry measures in Sami villages, cooperation within FSC in Sweden, online survey.
Authorities	Swedish Forestry Act, national environmental objectives, inventory of key biotopes.	Annual audits, business management systems, follow-up of targets and performance measures.	Consultations on ecoparks.
Nature conservation organisations	Biodiversity, nature conservation, openness and transparency.	Targets for sustainable business, environmental goals, FSC® membership, nature conservation strategy, development of model for measuring and monitoring biodiversity, cooperation with Järv zoo.	Excursions, correspondence, dialogue meetings in Almedalen, consultations and dialogue meetings in local communities, online survey.

NOTE S5 Environment and nature conservation

Sveaskog's nature conservation set-asides may 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 target of 20% applies to forests below the montane forest region. This is achieved in three different ways: ecoparks, high conservation value forests and so-called areas of consideration for nature which are left untouched in productive forests.

The ecoparks comprise a total of 140,000 hectares of productive woodland below the montane forest region, of which 80,000 hectares are set aside as high conservation value forests. The montane forest

region includes an additional 34,000 hectares of ecoparks, all of which are set aside as nature conservation areas.

With the present approach, consideration for nature areas in productive forests will in the long term amount to 220,000 hectares. Of this area, 51,000 hectares have so far been left untouched as consideration for nature areas in connection with felling. The remaining 169,000 hectares will be added in future planning for felling.

In the montane forests, Sveaskog has set aside around 80,000 hectares for nature conservation, of which 30,000 hectares are located in ecoparks.

Nature conservation areas below the montane forest region:

Definition	Status 31 December 2018	Size	Third party measurement	Cooperation
Ecoparks	37 ecoparks have been created. Ecopark agreements with the Swedish Forest Agency are in place for all of these ecoparks	80,000 hectares	Swedish Forest Agency, County Administrative Boards	50-year agreements with the Swedish Forest Agency and annual management meetings
High conservation value forests	Reported on www.sveaskog.se All are continuously quality assured in the field.		Swedish Forest Agency, County Administrative Boards	Forest Agency County Administrative Boards
Consideration for nature in productive forests	Control monitoring of Environmental considerations (99% target)	220,000 hectares 51,000 hectares 169,000 hectares	Swedish Forest Agency monitoring, FSC® audit	Methodology development with Swedish Forest Agency
- Of which Consideration for nature in felling				
- Of which Consideration for nature in future planning for felling				
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 2018	Size	Third party measurement	Cooperation
Sveaskog's montane forest region boundary is based on the Swedish Forestry Act and FSC®	Nature reserves and ecoparks have been created and quality assurance of high conservation value forests is underway	80,000 hectares	Swedish Forest Agency, The 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		

NOTE S6 Environmental data

	2015	2016	2017	2018	2019
Production					
All deliveries, thousand m ³ sub	10,748	10,684	10,817	10,995	10,648
Deliveries from own forest, thousand m ³ sub	6,570	6,459	6,463	6,177	6,128
Supplies of biofuel, thousand m ³ sub	868	780	599	527	571
Energy consumption					
Non-renewable fuels, TJ	1,519	1,374	1,535	1,611	1,334
Renewable fuels, TJ	233	243	209	199	380
Indirect energy consumption, MWh	9,136	8,528	8,191	8,335	8,091
Emissions to air¹					
Fossil CO ₂ , thousand tonnes	146	126	112 ⁵	115	122 ⁵
Of which direct emissions, thousand tonnes	14	13	9 ⁵	10	11
Of which indirect emissions, Scope 2, thousand tonnes	0.052	0.049	0.042	0.042	0.085
Of which indirect emissions, Scope 3, thousand tonnes ³	132	113	105	105	111
Land					
Total land area, million ha	4	4	4	4	3.9
Of which productive forest land, million ha	3.1	3.1	3.1	3.1	3.0
Proportion of total growth that is unfelled, % ⁴	36	36	34	37	38

- 1) Sveaskog reports the greenhouse gas carbon dioxide and complies with the GHG Protocol guidelines (Greenhouse Gas Protocol). Calculations of CO₂ emissions are based on ISO14001:2004, 14040:2004 and GWP according to IPCC 2007 and 2013.
- 2) With effect from 2014, reporting includes both production and distribution of fuel in emission calculations, which means that carbon dioxide emissions increased.
- 3) Scope 3 includes felling, transport by road, sea and rail, road construction, silviculture and business travel.
- 4) Including unmanaged forests.
- 5) Values for 2017 have been corrected due to refined measurement methods. A corresponding adjustment has not been made for 2014-2016.
- 6) Plant transport CO₂ emissions of approx. 300 tonnes have been factored in for 2019.

Employee data

Refers to the entire Sveaskog Group unless otherwise stated. All employees accounted for have employment contracts with the Group. Because the number of contractors hired varies during the year, these are not included in the audit.

NOTE S7 Number of employees

	2015	2016	2017	2018	2019
Permanent employees	688	674	685	682	682
Average number of employees, including temporary employees ¹	851	844	846	840	807
Number of permanent blue-collar workers	282	240	234	229	216
Number of permanent salaried employees	406	434	451	453	467
Proportion of part-time /permanent employees, %	1.3	1.5	3.4	2.1	1.9
Proportion of full-time /permanent employees, %	98.7	98.5	96.6	97.9	98.1
Number of managers with reporting staff	96	95	92	77	79
Average age, years	48	47	47	47	45
Employees in different age groups					
-29	92	95	101	90	51
30-49	336	344	347	352	319
50-	423	407	398	398	313
Proportion recruited internally, %	64	70	68	72	51
Proportion of employees with non-Swedish background, %		3.3	2.9	3.1	3.9

1) Total hours worked/1,650.

The number of full-time and part-time employees is not reported for temporary employees. The majority of temporary employees work full-time. A proportion of temporary employees are employed on zero-hours contracts, which means that they work a number of hours as needed. At times the hours worked correspond to full time working and at other times they work less.

NOTE S8 Number of permanent employees by market area

	2015	2016	2017	2018	2019
North ¹	215	180	221	244	243
Central ^{1/2}	247	250	241	-	-
South ^{1/2}	141	158	134	339	339
Stockholm ³	55	56	57	59	59
Latvia/Lithuania	29	29	31	39	41
Finland	1	1	1	1	1

- 1) Including employees in staff functions stationed in the respective market areas.
- 2) The Market areas South and Central merged in 2018 to form the new Market area South.
- 3) Stationed at the head office in Stockholm.

NOTE S9 Employee breakdown

	2015	2016	2017	2018	2019
Women, % ¹	21	21.6	24	24.3	26.1
Men, % ¹	79	78.4	76	75.7	73.9
Women	67	57	50	60	57
/men on the Board, % ²	/33	/43	/50	/40	/43
Women/men in Group management, %	45	40	40	44	64
	/55	/60	/60	/56	/36
Female managers, %	24	24	27	31 ³	30

1) Average number of employees.

2) Elected by the Annual General Meeting.

3) Refers to Sweden

The years of birth of members of the Board and members of the Group management are shown in the presentations on pages 56-59.

NOTE S10 Relationship between men's and women's salaries

	2015	2016	2017	2018	2019
Blue-collar workers	23	19	20	20	20
Women/men, number	/241	/203	/196	/187	/171
Women's median salary in relation to men's, %	87	85	85	85	86
Salaried employees	115	128	137	147	151
Women/men, number	/279	/294	/300	/288	/299
Women's median salary in relation to men's, %	97	97	96	95	99

The comparison above does not take into account the fact that different requirements apply to different positions, and only provides an overview of the salary structure by contract area. Salary information and the number of employees refer to permanent employees in Sweden (excluding foreign subsidiaries).

NOTE S11 Employee turnover

		2015	2016	2017	2018	2019	
Total, %		5.5	7.0	7.7	10.6	11.7	
Women/men	By age group		By market area				
Joined	Left	Joined	Left		Joined	Left	
29/56	20/60	–30	21	10	North	34	32
		30–50	52	34	South ¹	35	40
		50–	12	36	Stockholm	11	6
					Baltfor	4	2
					Finland	0	0

1) The Market areas South and Central merged in 2018 to form the new Market area South.

NOTE S12 Proportion of employees receiving regular performance and career development appraisals

The employee performance appraisal is a strong and effective tool in terms of adherence to Sveaskog's vision and goals, because it provides an opportunity to communicate goals, plans and goal attainment. These appraisals also enable managers to identify employees' training needs in their position as well as any ambitions for further development.

Sveaskog's goal is that all permanent employees should have at least one performance appraisal in a 12-month period and that the appraisal should be of high quality. In order to create opportunities for good quality, all managers are offered training in employee performance appraisals. Supporting documents and checklists are available to assist in conducting appraisals.

According to the most recent employee engagement survey VIS 2019, performance appraisals had been conducted with a total of 90% of all permanent employees in the preceding 12 months.

NOTE S13 Sickness absence

	2015	2016	2017	2018	2019
Sickness absence, total, %	2.5	2.7	3.1	3.0	3.0
Sickness absence women, %	3.4	3.2	4.2	4.7	5.1
Sickness absence men, %	2.2	2.6	2.7	2.5	2.3
Long-term sickness absence, % of total sickness absence	34.5	45.6	50	47.5	47.4
Long-term healthy, % ¹	36.1	35.2	33	32.9	32.6
Reported occupational injuries ² / 1,000 man-years	3.5	5.9	8.3	13.1	9.1
Total days absent (working days) due to occupational injuries ³	14	41	116	245	98
Sickness absence due to occupational injuries, %	0.008	0.02	0.07	0.15	0.06

1) Proportion of employees employed for at least three years with no sickness absence in the last two years. Employees of SIA Sveaskog Baltfor are not included.

2) Occupational injuries: accidents, travel accidents, occupational diseases which at the time of reporting are expected to lead to absence. Minor injuries at first aid level are also included. Contractors' occupational injuries are not included in these figures. Occupational injuries are recorded in the SKIA tool. SKIA is the forest industry's information system on working environment provided to the industry by AFA insurance. Any occupational injuries in Baltfor are not recorded in SKIA and are therefore not included in the calculation. However, the average number of employees includes employees in Baltfor. Accidents by region are not reported, but follow-up takes place in the local safety committees in each market area. There were no fatal accidents during the year.

3) All days of absence on planned working days commencing two days after accident. Employees of Baltfor are not included.

NOTE S14 Average number of hours of training per employee and year by employee category¹

	2015	2016	2017	2018	2019
Number of training hours, blue-collar workers, average	52	48	43	39	57
Number of training hours, salaried employees, average	35	31	39	29	41
Key ratio training hours/employees, days	5.4	4.9	5.1	4.2	6.0
Key ratio training hours/employees, hours	43	39	41	33	48

1) Average number of employees.

NOTE S15 Proportion of workforce covered by collective agreements

In Sweden, 100% of employees are covered by collective agreements. Employees of the subsidiary SIA Sveaskog Baltfor, whose registered office is in Riga, Latvia, are not covered by collective agreements. The proportion of the Group's employees covered by collective agreements is 96%.

NOTE S16 Incidence of victimisation

Our Code of Conduct and Employee Policy clarify our position on discrimination. We must show each other respect and there is no place for discrimination in our workplaces. Sveaskog does not tolerate any form of victimisation. Victimisation is action directed at one or more employees in an offensive manner and which may lead to ill health or the victim being excluded from the community of the workplace.

Employees are required to comply with the Code of Conduct and managers are responsible for compliance with the Code in daily activities. Employees or stakeholders who believe that Sveaskog is in violation of the Code of Conduct can report this. These breaches can be reported to the Chief Legal Adviser or the HR Manager as well as via a whistle-blower function on Sveaskog's website.

We must intervene in cases of victimisation, taking strong action according to legislation and Sveaskog's internal guidelines. To prevent discrimination, we have specific measures in place, for instance guidelines for recruitment and guidelines against victimisation.

One case of victimisation was reported in 2019. An investigation into the incident has been carried out.

The employee engagement survey 2019 showed that the proportion of employees who felt that they have been subjected to some form of victimisation by an internal colleague/manager had increased from 6% to 8% since 2017. This is something that is followed up in the employee engagement survey, which is carried out every two years.

NOTE S17 Certification

Sveaskog has been awarded the following certifications:

FSC® forest management certification for own forests and Group
 FSC® Chain of Custody certification
 PEFC® Chain of Custody certification
 PEFC Forest Management certification Group
 ISO 14001
 AEO certification for customs simplifications/security and safety
 Sveaskog's FSC license number is FSC-C008344

NOTE S18 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 customers of Sveaskog when purchasing pulpwood or seedlings. The same companies can also be suppliers when Sveaskog purchases wood raw material to meet customer demand.

NOTE S19 Post-issuance report under the green bond framework

For more information, see the separate report Post-issuance report Sveaskog's green bonds at www.sveaskog.se

In 2017, Sveaskog established its framework for green financing and in 2019 green bonds worth SEK 1,100 million were issued. No further issue took place in 2018.

Entire Sveaskog	Project category according to framework	2019 Total costs incurred (SEK thousand) allocated to the green bond	2018 Total costs incurred (SEK thousand) allocated to the green bond
	Sustainable forestry	924,950	0
	Research and development	8,000	0
	Acquisition of property	167,050	0
	Total green bond issue	1,100,000	0

Auditor's Limited Assurance Report on Sveaskog AB's (publ) Sustainability Report and Statement on the Statutory Sustainability Report

To Sveaskog AB (publ), Corporate Identity Number 556558-0031

Introduction

We have been engaged by the Board of Directors of Sveaskog AB (publ) to undertake a limited assurance engagement of Sveaskog AB's Sustainability Report for 2019. The company has defined the scope of the Sustainability Report on page 2 of this document, and the Statutory Sustainability Report is defined on page 60.

Responsibilities of the Board of Directors and management

The Board of Directors and management are responsible for the preparation of the Sustainability Report, including the Statutory Sustainability Report, in accordance with the applicable criteria and the Swedish Annual Accounts Act respectively. The criteria are defined on page 107 in the Sustainability Report, and consist of the parts of the Sustainability Reporting Standards published by Global Reporting Initiative (GRI) that are applicable to the Sustainability Report, as well as the company's own established accounting and measurement principles. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free material misstatements, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the Statutory Sustainability Report. Our engagement is limited to reported historical information and does not include forward-looking information.

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 enquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We conducted our review of the Statutory Sustainability Report in accordance with FAR's recommendation RevR

12 Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and review according to RevR have a different focus and are substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit 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 in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified had a reasonable assurance engagement been performed. The stated conclusion based on a limited assurance engagement and review in accordance with RevR 12 therefore does not have the same level of assurance as a stated conclusion based on a reasonable assurance engagement.

Our procedures are based on the criteria defined by the Board of Directors and management as described above. We consider these criteria to be 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 in all material respects, the Sustainability Report has not been prepared in accordance with the criteria defined above by the Board of Directors and management.

A Statutory Sustainability Report has been prepared.

Stockholm, 9 March 2020
Deloitte AB

Hans Warén
Authorised Public Accountant

Lennart Nordqvist
Specialist member of FAR

Alternative performance measures

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

Operating capital

Definition: Total assets excluding interest-bearing assets, tax assets and assets held for sale minus non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the year. The Group's definition has not been changed since previous periods.

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

	Full year 2019	OB 1 Jan 2019 IFRS 16 applied	Full year 2018
Current receivables etc., non-interest bearing	1,677	1,840	1,846
- of which advance payments to suppliers	165	219	219
- of which tax assets	34	1	1
- of which trade receivables, loans and other receivables	1,478	1,620	1,626
Current: other liabilities	1,193	1,397	1,397
- of which tax liabilities	47	156	156
- of which trade payables and other liabilities	1,146	1,241	1,241
Total assets	41,549	40,912	40,786
Less interest-bearing assets (cash and cash equivalents)	-1,114	-847	-847
Less interest-bearing receivables (non-current)	-4	-	-
Less tax assets	-34	-1	-1
Less other liabilities and provisions (non-current)	-8,513	-8,382	-8,382
Less contract liabilities	-2	-1	-1
Less trade and other payables	-1,146	-1,241	-1,241
= Operating capital, MSEK	30,736	30,440	30,314

Dividend 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 has not been changed since previous periods.

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

	Full year 2019	Full year 2018
Operating profit before change in value of forest assets	1,694	1,812
Less capital gains on property disposals	-185	-234
Subtotal	1,509	1,578
Operating capital OB	30,440	28,316
Operating capital CB	30,736	30,314
Average operating capital (OB + CB)/2	30,588	29,315
Subtotal as above	1,509	1,578
Divided by average operating capital	30,588	29,315
= DIVIDEND YIELD, %	4.9%	5.4%

Alternative performance measures, cont.

Net interest-bearing debt

Definition: Interest-bearing liabilities less interest-bearing assets, all calculated at the end of the year. The Group's definition has not been changed since previous periods.

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

	Full year 2019	OB 1 Jan 2019 IFRS 16 applied	Full year 2018
Interest-bearing assets (cash and cash equivalents and non-current receivable)	1,118	847	847
Interest-bearing liabilities and provisions (non-current)	-5,642	-5,164	-5,088
Interest-bearing liabilities (current)	-2,625	-2,823	-2,773
= Net interest-bearing debt, MSEK	-7,149	-7,140	-7,014

Net debt/equity ratio

Definition: Net interest-bearing debt divided by equity. The Group's definition has not been changed since previous periods.

Comment: Net debt/equity ratio is one of the ratios for which Sveaskog defines financial targets. The target is a ratio in the range of 0.3–0.6.

Sveaskog considers that the ratio reflects the scope for dividends and strategic investments as well as enabling assessments of the Group's ability to fulfil its financial obligations.

	Full year 2019	Full year 2018
Net interest-bearing debt	7,149	7,014
Divided by equity	23,574	23,145
= Net debt/equity ratio, multiple	0.30	0.30

Return on operating capital

Definition: Operating profit divided by average operating capital, excluding deferred tax. The Group's definition has not been changed since previous periods.

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

	Full year 2019	Full year 2018
Operating profit	2,093	3,509
Divided by average operating capital	30,588	29,331
= Return on operating capital, %	6.8%	12.0%

Return on equity

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

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

	Full year 2019	Full year 2018
Equity OB	23,145	20,848
Equity CB	23,574	23,145
Average equity (OB + CB)/2	23,360	21,997
Profit for the year	1,558	3,171
Divided by average equity	23,360	21,997
= Return on equity, %	6.7 %	14.4%

Alternative performance measures, cont.

Interest coverage ratio

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

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

	Full year 2019	Full year 2018
Financial items in the income statement	-130	-143
- of which financial income	0	0
- of which financial expenses	-130	-143
Operating profit before change in value of forest assets	1,694	1,812
Less capital gains on property disposals	-185	-234
Plus financial income	0	0
Subtotal	1,509	1,578
Divided by financial expenses	130	143
= Interest coverage ratio, multiple	11.6	11.0

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.

Comment: Sveaskog considers that the performance measure shows how large a share of the company's assets is financed with equity and indicates the company's sensitivity to interest rate fluctuations.

	Full year 2019	Full year 2018
Equity	23,574	23,145
Divided by total assets	41,549	40,786
= Equity ratio, %	57%	57%

Glossary

2030 Agenda

On 25 September 2015, the UN General Assembly adopted the resolution 2030 Agenda for Sustainable Development. This agenda means that all 193 member states have committed to working to achieve a socially, environmentally and economically sustainable world by the year 2030. The agenda contains 17 goals and 169 targets.

AEO

Acronym of Authorised Economic Operator. AEO is an EU-wide quality assurance of a company's customs procedures.

Biodiversity

Variety of all living things in all environments and ecological processes of which they are part. This includes diversity in and between species and in ecosystems.

Biotope

A region of relatively uniform environmental conditions, occupied by a given plant community and its associated animal community.

Biotores requiring consideration

An assessment of what is a biotope requiring consideration is made by weighing up the conservation values of the area.

CFO

Acronym of Chief Financial Officer. Finance Director (in Sweden).

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 financing purposes.

Compensation land

Land which is surrendered to a private individual or to the state for nature conservation purposes.

Contractor

A person or company that performs work on a contract basis, such as a construction company.

COP21

Between 30 November and 11 December 2015, the countries of the world met in Paris for COP21, the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. At the meeting, the countries agreed on a new global climate agreement to take effect from 2020.

COSO

Acronym of Committee of Sponsoring Organizations of the Treadway Commission. COSO is a framework for evaluating a company's internal control over financial reporting.

Dead wood

Wood which is left in clearings as environmental consideration.

Ecological compensation

Compensation for lost or damaged conservation values by, for example, recreating or restoring conservation values in other areas.

Ecopark

A large, contiguous forest landscape with high conservation values and nature conservation ambitions. Sveaskog has established 37 ecoparks.

Ecosystem services

Services provided by nature on which humans are directly dependent, such as pollination by bees and water purification in wetlands.

Edge zones

A line of forest which is left mainly along waterways and lake shores to benefit aquatic insects and fish.

FSC®

Acronym of Forest Stewardship Council. An international organisation which promotes environmentally appropriate, socially beneficial 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 aim is to create consistency and comparability between sustainability reports in order to make it easier to assess and compare companies from a social, environmental and financial perspective.

Hectare, ha

One hectare is 10,000 m². One km² corresponds to 100 hectares.

High conservation value forests

Forests that have been set aside within the framework of Sveaskog's target of a nature conservation area of 20%. High conservation value forests have high conservation values (key biotopes or forests with potential to become high conservation value forests) 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 fuel component that can be mixed with or replace diesel.

ISO

Acronym of International Organization for Standardization. An international standards body that promotes industrial and commercial standardisation.

Key biotope

Area of forest with high conservation values where red-listed species (biotope-dependent) are expected to be present. These forests are often old and have the character of natural forests.

M³sub

Volume unit for timber. Refers to solid cubic metres under bark. Measures the actual volume of wood without bark in cubic metres. Common measurement unit for pulpwood.

Marking (for cross-cutting)

Preparing timber, cutting a stem into logs.

Mosaic felling

Felling with heightened consideration that is spread over an area.

MTN programme

MTN is an acronym of Medium Term Note. It is a bond offered on a continuous basis that normally matures within five to ten years of issue. MTN bonds are often issued within the framework of an MTN programme whose purpose is to provide the issuer with a continuous source of finance without the need to draw up comprehensive legal documentation from scratch.

Nanocellulose

Nanocellulose is extracted from wood fibres. It is an exceptionally strong and renewable material.

PEFC

Acronym of Programme for the Endorsement of Forest Certification Schemes. An international organisation which promotes certification of forests and recognition of various certification programs.

Productive forest land

Forest land that produces at least 1 m³ fo/ha/year on average.

Protective zone

Strip at the edge of a field that is not managed. The aim is to prevent run-off of nutrients and weed killers 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.

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.

Red-listed species

Species whose long-term survival is uncertain due to forestry, for example. Classified according to international threatened species categories in a so-called red list.

Seed plantation

A seed plantation produces seeds with known hardiness, high growth and other properties desirable for forest cultivation.

Seed processing unit

Svenska Skogsplantor has a seed processing unit in Lagan which produces forest seed for all parts of Sweden. The raw material, the cones, comes from seed plantations comprising 1,000 ha.

Selective felling

A collective name for management systems, methods and measures whereby the forest is managed so that the land never becomes as bare as in clear felling.

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 desirable properties, in the same way as with cuttings.

Stand

An area that has a consistent habitat for plants.

Sustainability/sustainable development

Sustainable development is about maintaining the productive capacity of ecosystems in the long term and reducing the negative impact 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 removed trunks as pulpwood and possibly sawlogs.

UN Global Compact

A UN initiative to encourage companies to adopt sustainable business practices. The Global Compact has ten principles in the areas human rights, labour, environment and corruption.

Whistle-blower function

The possibility for a person to anonymously report irregularities or misconduct within the organisation.

Definitions

Return on equity

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

Return on operating capital

Operating profit divided by average operating capital.

Gross margin

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

Dividend yield

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

Capital turnover rate

Net sales divided by average operating capital.

Net earnings per share

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

Operating capital

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

Operating profit from continuing operations

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

Net interest-bearing debt

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

Interest coverage ratio

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

Operating margin

Operating profit expressed as a percentage of net sales.

Debt/equity ratio

Net interest-bearing debt divided by equity.

Equity ratio

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

Financial calendar 2020

Interim report January – March and Annual General Meeting	24 April 2020
Interim report January – June	16 July 2020
Interim report January – September	26 October 2020

Financial reports

Sveaskog's annual report and interim reports are available at www.sveaskog.se
Printed information can be ordered from:

- www.sveaskog.se
- Email info@sveaskog.se
- Telephone +46 (0)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, please contact our communications department by email info@sveaskog.se or call +46 (0)771 787 000.

If you have any questions about our sustainability work, please contact our Sustainability Manager, Lena Sammeli-Johansson, by email lena.sammeli@sveaskog.se or call +46 70 53 04 653.

If you have any questions about our financial reports, please contact our Head of Finance, Anders Jakobsson, by email anders.jakobsson@sveaskog.se or call +46 8 655 91 94.

2020 Annual General Meeting

Sveaskog's Annual General Meeting will take place on Friday 24 April 2020 at 11:00 at IVA, Grev Turegatan 16, Stockholm. The Annual General Meeting is open to the public. Members of Parliament have a special right to attend and ask questions. Members of Parliament and members of the public who wish to attend the Annual General Meeting may confirm attendance to:

- www.sveaskog.se/arsstamman
- Email: kundcenter@sveaskog.se
- Telephone 0771-787 100

The notification should be received by Sveaskog not later than one week prior to the Annual General Meeting.



Sveaskog Communications and Finance has produced the Annual Report and Sustainability Report in collaboration with Forever Sustainable and Chimney.

Photos:

Angelica Zander (front cover), Jarkko Sirkiä/Maaseudun Tulevaisuus (page 8), Getty (pages 10–11), TT/Rickard Söderström (pages 12–13), Alexander Von Sydow (page 15) Getty (pages 16–17), Samir Soudah, Menna Gilbertson, Bengt Alm, Niklas Kämpargård, Malin Grönborg, Mats Samuelsson, Lennart Käck/Lulebild (pages 18) Stefan Silberblad, Patrick Degerman (page 19), Leif Öster (page 22), TT/Rickard Söderström (pages 24–25), Henrik Risberg, Sveaskog (page 26), Stefan Toterud (page 27), Kurt Rodhe, Niklas Kämpargård (page 27) Getty (pages 28–29) Inger Thorén Emilsson (page 32), Hans Berggren (page 33), Patrick Degerman (page 35), Lennart Käck/Lulebild, Bengt Alm (page 39), Martin Olson (page 40), Anders Westergren (page 41), Arboreal Trädhöjd (page 41), Carl-Robert Jonzon (pages 42–43), Emil Nordin (page 52), Fredrik Persson (page 54), Lennart Käck/Lulebild (page 55), Jan Danielsson (pages 56–59) and Tom Jägestedt (page 123). Foldout: Angelica Zander.

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