

Alternative performance measures

The company presents some financial performance measures in the year-end report which are not defined according to IFRS. The company is of the opinion that these measures provide valuable complementary information to investors and the company's management since they facilitate an evaluation of the company's performance. Since not all companies calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

Performance measures not defined according to IFRS, unless otherwise stated, are presented in the tables below.

Operating capital

Definition: Total assets excluding interest-bearing assets, tax assets and assets held for sale minus non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the year. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog calculates operating capital for the performance measures return on operating capital and average operating capital.

	Full year 2017	Full year 2016
Current receivables, etc., non-interest bearing	1,662	1,520
Of which advance payments to suppliers	168	136
Of which tax assets	1	8
Of which accounts receivable, loans and other receivables	1,493	1,376
Current, other liabilities	1,264	1,162
Of which tax liabilities	91	2
Of which accounts payable and other liabilities	1,173	1,160
Total assets	39,445	38,594
Minus interest-bearing assets (cash and cash equivalents)	-1,681	-1,070
Minus tax assets	-1	-8
Minus other liabilities and provisions (non-current)	-8,421	-8,344
Minus accounts payable and other liabilities	-1,173	-1,160
Operating capital	28,169	28,012

Yield

Definition: Operating profit before change in value of forest assets excluding capital gains on property sales, divided by average operating capital, excluding deferred tax. The Group's definition is unchanged compared with previous periods.

Comments: Yield is one of Sveaskog's financial targets. The target is that an average yield of at least 4.5%. This target reflects return on Sveaskog's operations without impact from forest asset valuations and incidental property sales.

	Full year 2017	Full year 2016
Operating profit before change in value of forest assets	1,627	1,312
Minus capital gains on property sales	-321	-131
Subtotal	1,306	1,181
Operating capital, opening balance	28,012	27,804
Operating capital, closing balance	28,169	28,012
Average operating capital (OB + CB)/2	28,091	27,908
Subtotal from above	1,306	1,181
Divided by average operating capital	28,091	27,908
= Yield in %	4.6%	4.2%

Interest-bearing net debt

Definition: Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the year. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog calculates interest-bearing net debt for the performance measure net debt/equity ratio.

	Full year 2017	Full year 2016
Interest-bearing assets (cash and cash equivalents)	1,681	1,070
Interest-bearing liabilities and provisions (non-current)	-5,626	-5,666
Interest-bearing liabilities (current)	-3,465	-3,341
Interest-bearing net debt	-7,410	-7,937

Net debt/equity ratio

Definition: Interest-bearing net debt divided by equity. The Group's definition is unchanged compared with previous periods.

Comments: Net debt/equity ratio is one of Sveaskog's financial targets. The target is a net debt/equity ratio of 0.3–0.6. Sveaskog is of the opinion that this performance measure reflects the possibility for dividends and implementation of strategic investments as well as assessing the Group's ability to meet its financial commitments.

	Full year 2017	Full year 2016
Interest-bearing net debt	7,410	7,937
Divided by equity	20,669	20,081
= Net debt/equity ratio, multiple	0.36	0.40

Return on operating capital

Definition: Operating profit divided by average operating capital, excluding deferred tax. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this measure shows the company's return in a fair manner independent of financial assets and financing options.

	Full year 2017	Full year 2016
Operating profit	1,827	1,631
Divided by average operating capital	28,091	27,908
= Return on operating capital in %	6.5%	5.8%

Return on equity

Definition: Profit after tax expressed as a percentage of average equity. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this performance measure reflects the company's return during the year on the capital the owner has invested in operations and therefore shows how profitable the company is for its shareholder.

	Full year 2017	Full year 2016
Equity, opening balance	20,081	19,709
Equity, closing balance	20,669	20,081
Average equity (OB + CB)/2	20,375	19,895
Profit for the year	1,359	1,190
Divided by average equity	20,375	19,895
= Return on equity in %	6.7%	6.0%

Interest cover

Definition: Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this performance measure states the company's ability to meet its financial expenses (interest, etc.).

	Full year 2017	Full year 2016
Financial items in income statement	-108	-174
Of which financial income	28	15
Of which financial expenses	-136	-189
Operating profit before change in value of forest assets	1,634	1,312
Minus capital gains on property sales	-321	-131
Plus financial income	28	15
Subtotal	1,341	1,196
Subtotal above	1,341	1,196
Divided by financial expenses	136	189
= Interest cover, multiple	9.8	6.3

Equity ratio

Definition: Equity divided by total assets, all calculated at the end of the year. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this performance measure states the size of the assets financed by equity and indicates the company's sensitivity to interest-rate fluctuations.

	Full year 2017	Full year 2016
Equity	20,669	20,081
Divided by total assets	39,445	38,594
= Equity in %	52%	52%