

# Interim report

## January – June 2018



Despite a decrease in total housing production in Sweden compared with the previous year, the building sector viewed across Europe continues to expand. Photo: Shutterstock.

### 1 April – 30 June 2018

- Net sales, which comprise both deliveries from Sveaskog's own forests and externally procured wood raw material, increased by 13% to SEK 1,918 million (1,702). Prices rose by an average of 8% and total delivery volumes increased by 4%.
- Operating profit from continuing operations increased by 12% and amounted to SEK 382 million (342). The improved earnings are mainly an effect of higher prices.
- The net change in the carrying amount of standing timber amounted to SEK 58 million (72).
- Profit for the quarter increased by 108% and amounted to SEK 914 million (440). New corporate tax rules resulted in lower deferred tax and therefore a lower tax expense which improved earnings by SEK 477 million. This is a non-recurring effect and does not affect cash flow.
- Earnings per share increased by 108% and amounted to SEK 7.72 (3.72).

### 1 January – 30 June 2018

- Net sales, which comprise both deliveries from Sveaskog's own forests and externally procured wood raw material, increased by 8% to SEK 3,567 million (3,299). Prices increased by an average of 7% and total delivery volumes increased by 1%.
- Operating profit from continuing operations increased by 7% and amounted to SEK 775 million (725). Higher prices were offset to some extent by a 7% decrease in delivery volumes from own forests.
- Sveaskog's associated company Setra Group increased its operating profit to SEK 233 million (90). Sveaskog's share of this result increased to SEK 90 million (34).
- Yield, measured over a rolling 12 month-period, amounted to 5.0% (4.5).
- The net change in the carrying amount of standing timber amounted to SEK 121 million (108).
- Profit for the first six months of 2018 increased by 67% and amounted to SEK 1,301 million (779). Changed corporate tax rules resulted in a positive earnings impact of SEK 477 million.
- Earnings per share increased by 67% and amounted to SEK 10.99 (658).

MSEK	3 months			6 months			12 months		
	April–June		%	Jan–June		%	July 2017–June 2018		Full year 2017
2018	2017	2018		2017	2018		2017		
Net sales	1,918	1,702	13	3,567	3,299	8	6,474	6,206	4
Operating profit from continuing operations	382	342	12	775	725	7	1,298	1,248	4
Change in value of forest assets	58	72	-19	121	108	12	213	200	7
Operating profit	549	562	-2	1,071	1,028	4	1,870	1,827	2
Profit before tax	545	558	-2	1,031	989	4	1,761	1,719	2
Profit for the period	914	440	108	1,301	779	67	1,881	1,359	38
Cash flow from operating activities	694	411	69	634	646	-2	791	803	-1
Earnings per share, SEK	7.72	3.72	108	10.99	6.58	67	15.89	11.48	38

### Performance measures<sup>1)</sup>, Group

	Jan–June 2018	Jan–June 2017	July 2017–June 2018	Full year 2017
Yield, % <sup>2)</sup> (target at least 4.5%)	5.0	4.5	5.0	4.6
Net debt/equity ratio, multiple (target 0.3–0.6)	0.36	0.39	0.36	0.36
Return on operating capital, % <sup>2)</sup>	6.6	6.2	6.6	6.5
Return on equity, % <sup>2)</sup>	9.1	6.4	9.1	6.7
Interest cover, multiple <sup>2,3)</sup>	10.6	8.7	10.6	9.8
Equity ratio, %	54	52	54	52
Interest-bearing net debt, SEKm	7,549	7,802	7,549	7,410
Average number of employees	835	854	835	846
Total delivery volumes, thousand m <sup>3</sup> sub	5,804	5,732	10,890	10,817

1) Sveaskog has chosen to present the company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA) in a separate appendix. The appendix is published on [www.sveaskog.se](http://www.sveaskog.se).

2) Rolling 12 months.

3) Operating profit before change in value of forest assets minus capital gains on property sales plus financial income divided by financial expenses.

Sveaskog is Sweden's leading forest company and sells sawlogs, pulpwood, biofuel, forest seedlings and silvicultural services. Sveaskog complements supplies from its own forests with purchases from other forest owners, exchanges and imports. Sveaskog also works with land transactions and develops the forest as a venue for fishing, hunting and other nature-based experiences. The forest and its assets are Sveaskog's core business and sustainable development permeates every aspect of Sveaskog's activities. Sveaskog is affiliated with FSC® and PEFC™.


  
SVEASKOG



## CEO's comments

### Good result in a strong market situation

Sveaskog's operating profit from continuing operations in the first half of 2018 amounted to SEK 775 million (725). Our market situation remains good with rising prices for our products which had a positive impact on earnings. Production conditions, however, were difficult in the first half. An extremely snowy winter made felling conditions difficult and a very short spring was followed by a drought which had a negative impact on felling, soil scarification, planting and our external sales of seedlings and seed. By combining deliveries from our own forests with timber procured externally, we have been able, however, to

select the most easily accessible felling areas with a low risk of fire. We have mostly managed to meet deliveries to our customers although with a higher proportion of externally purchased wood raw material where the margins are lower than for deliveries from our own forests. Net sales totalled SEK 3,567 million (3,299). Sveaskog's total sales of wood raw material in the first half of the year amounted to 5.8 million m<sup>3</sup>sub (5.7) of which 3.2 million m<sup>3</sup>sub (3.4) from our own forests.

The market situation for our customers remains very strong with high prices for both paper pulp and sawn wood products. The latter is due to a strong construction climate. Despite a decrease in total housing production in Sweden compared with the previous year, the building sector viewed across Europe continues to expand. Sawmills show a continued willingness to invest in both capacity and increased processing. Our associated company Setra Group reports a strong earnings trend and has contributed SEK 90 million (34) to our operating profit.

Yield amounted to 5.0% (4.5) thereby exceeding the yield target of 4.5%.

### Increased focus on renewable fuel

Sveaskog's associated company Setra, together with Preem, is examining the feasibility of setting up a joint facility for the production of pyrolysis oil, a renewable raw material for bio vehicle fuel. SunPine, a company partly owned by Sveaskog together with among others Preem and Södra, decided during the spring to invest in an additional plant for the production of the successful tall diesel. Our renewable raw material and our involvement in Setra and SunPine mean that Sveaskog plays a key role in the transition to a fossil-free society.

### Planned conservation burning in ecoparks

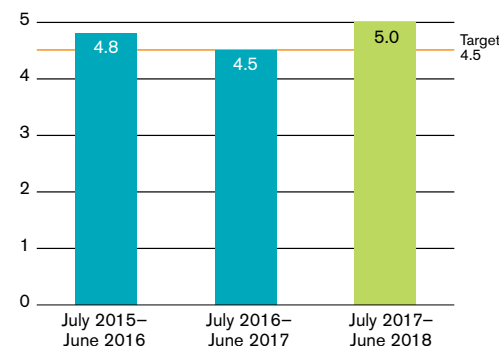
In May, Sveaskog carried out what was perhaps Sweden's biggest-ever conservation burning in the Ejheden Ecopark in the municipality of Rättvik. Controlled conservation burning is a significant component of Sveaskog's nature conservation work. A large number of plants, insects, birds and animals benefit from the open and highly deciduous forest environment created after a fire. Safety is given top priority when conducting conservation burning.

### Increased transparency in assessment of conservation values

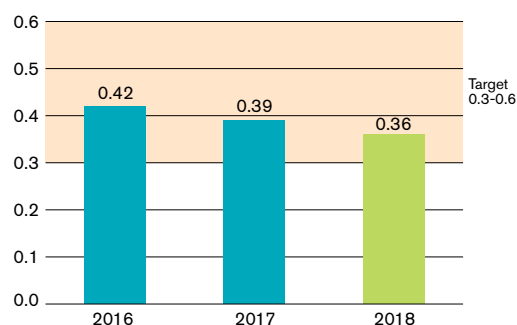
Sveaskog wants to show the way towards a sustainable society and combines profitable forest management with the protection of high conservation values. Before planning regeneration felling or thinning old forests, we perform an assessment of conservation values to enable us to know and be able to describe the conservation values that exist in our forests and how we should treat them. The purpose of conservation value assessments is to enable us to decide whether a forest should be used for forestry or set aside for nature conservation. The assessments also help us to identify general considerations and to prioritise between different nature conservation activities. Our conservation value assessments are always included with our felling notifications to the Swedish Forest Agency. In response to increased interest in our conservation value assessments, we are increasing transparency. As a first step, our conservation value assessments in the county of Västerbotten have been available on our website since 1 June.

Per-Olof Wedin, President and CEO

Yield, %, rolling 12 months



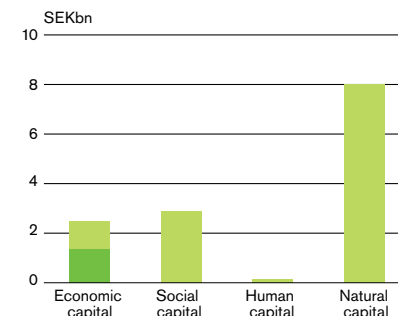
Net debt/equity ratio, multiple, 30 June



## Sustainability

### Multi-dimensional value creation

Sveaskog has initiated a programme to make visible the values created in its operations but which are not reflected in the income statement. This work has taken place in cooperation with the internationally recognised environmental economist Pavan Sukhdev. The IP&L™ method, identifies the company's added value in the form of ecosystem services and human benefits in addition to the economic value of timber production.



The diagram shows the annual values Sveaskog creates according to the IP&L™ method. Economic capital shows Sveaskog's added value where the dark green shows Sveaskog's net profit according to the income statement. Social capital includes the value of recreation, hunting, fishing and road networks on Sveaskog's land. Human capital relates to employee development and natural capital CO<sub>2</sub> binding and the impact of the forest on water cycles.

## Group performance

1 APRIL – 30 JUNE 2018

### Net sales

Net sales rose to SEK 1,918 million (1,702), an increase of 13%. Prices increased by an average of 8% and total delivery volumes increased by 4% compared with the corresponding period in the previous year. Sales of wood raw material amounted to 2.9 (2.8) million cubic metres (m<sup>3</sup>sub).

### Earnings

Operating profit from continuing operations increased by 12% and amounted to SEK 382 million (342). The improvement in earnings is mainly an effect of higher prices. Difficult soil scarification and planting conditions led to a lower level of silvicultural activity. This had a negative effect on external sales of seeds and seedlings.

Capital gains from property sales relating to forest land amounted to SEK 55 million (126). Share of profits of the associate Setra Group amounted to SEK 54 million (22). The net change in the carrying amount of standing timber amounted to SEK 58 million (72). After change in value of forest assets, operating profit amounted to SEK 549 million (562).

Net financial items for the quarter amounted to SEK –4 million (–4). Profit before tax decreased to SEK 545 million (558). Tax for the period was positive due to the reduction in corporate tax decided by the Swedish parliament in June. Tax for the period has been calculated with 22% on current taxable profit. As a result of the decision on changed corporate taxation, the deferred tax liability has been recalculated at the new tax rate of 20.6%. Tax for the period amounted to SEK 369 million (–118). The effect of the new tax rules is SEK 477 million. Profit for the quarter increased by 108% to SEK 914 million (440).

1 JANUARY – 30 JUNE 2018

### Net sales

Net sales, which comprise both deliveries from Sveaskog's own forests and externally procured wood raw material, increased by 8% to SEK 3,567 million (3,299). Prices increased by an average of 7% and total delivery volumes increased by 1% compared with the corresponding period last year. Sales of wood raw material amounted to 5.8 (5.7) million cubic metres (m<sup>3</sup>sub).

### Earnings

Operating profit from continuing operations increased by 7% och amounted to SEK 775 million (725). Higher prices were offset to some extent by a 7% decrease in delivery volumes from own forests. The main cause was the extremely snowy winter and record-dry early summer which had a negative impact on felling, soil scarification, planting and external sales of seedlings and seed. This has led to a delivery mix with a lower proportion of deliveries from own forests. On an annual basis, the delivery mix is expected to normalise.

Capital gains from property sales relating to forest land amounted to SEK 85 million (161). Share of profits of the associate Setra Group amounted to SEK 90 million (34). The net change in the carrying amount of standing timber amounted to SEK 121 million (108). After change in value of forest assets, operating profit amounted to SEK 1,071 million (1,028).

Net financial items in the first half of the year amounted to SEK –40 million (–39). Profit before tax increased to SEK 1,031 million (989). Tax for the period was positive due to the reduction in corporate tax decided by the Swedish parliament in June. Tax for the period amounted to SEK 270 (–210). The effects of the new tax rules is SEK 477 million. Profit for the period increased by 67% to SEK 1,301 million (779).

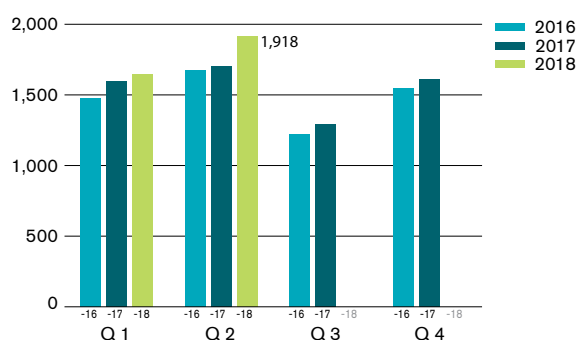
### Cash flow, investments and financial position

Cash flow from operating activities for the period January–June amounted to SEK 634 million (646). Investments in property, plant and equipment amounted to SEK 119 million (103) and investments in shares amounted to

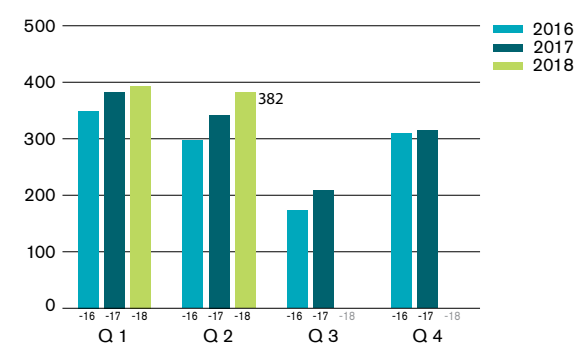
### Change, net sales, SEKm

	Quarter 2	Jan–Jun 2018
<b>2017</b>	<b>1,702</b>	<b>3,299</b>
Price, wood raw material	126	215
Delivery volumes, wood raw material	64	37
Other	26	16
<b>2018</b>	<b>1,918</b>	<b>3,567</b>

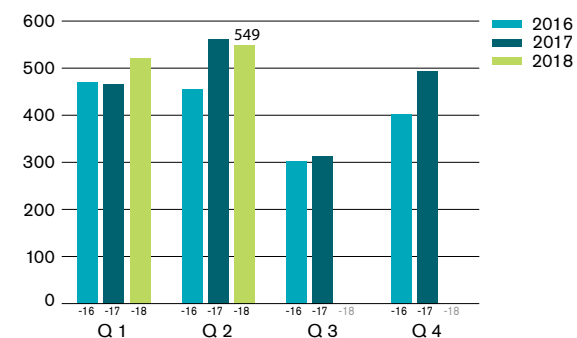
### Net sales, SEKm



### Operating profit from continuing operations, SEKm



### Operating profit, SEKm



SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 194 million (316). Share dividends received totalled SEK 56 million (78) of which SEK 29 million (50) from Setra Group AB and SEK 27 million (28) from other shareholdings.

Sveaskog's interest-bearing net debt at 30 June amounted to SEK 7,549 million (7 802). At the end of the period, the loan portfolio mainly comprised loans issued under Sveaskog's MTN programme as well as a Swedish commercial paper programme. The loan volume under the commercial paper programme, which is refinanced regularly, amounted to SEK 2,310 million (3,060). The outstanding volume under the MTN programme at 30 June was SEK 4,390 million (3,990). The lowest average fixed interest period was 34 months.

Net debt/equity ratio amounted to 0.36 (0.39).

Interest cover amounted to 10.6 (8.7) and the gross borrowing cost was 1.24% (1.31).

### Parent Company

Sveaskog AB (publ.), 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing. Operating income for Sveaskog AB (publ.) for the first half of 2018 was SEK 28 million (7), of which capital gains accounted for SEK 21 million (1). Loss after financial items amounted to SEK 99 million (-116). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

### Setra Group AB

Sveaskog owns 50% of the shares in the wood products company Setra Group AB which is reported as an associate. Share of profits of associates is recognised in the consolidated income statement. Net sales for the period January–June amounted to SEK 2,359 million (2,082). Operating profit amounted to SEK 233 million (90). The improved earnings are due to higher prices and higher volumes resulting from a favourable market situation. Sveaskog's share of profits of the company adjusted for intra-group profits increased by 165% to SEK 90 million (34). Sveaskog's share of Setra Group's other comprehensive income amounted to SEK -5 million (-9).

## Market situation and timber deliveries

Sveaskog conducts trading in wood raw material in Sweden and more than half of the material comes from the company's own forests. The main product range is sawlogs, pulpwood and chips, and biofuel. Most of Sveaskog's customers are in Sweden and the majority of these export a large proportion of their products worldwide.

The largest market for Swedish forest industry with regard to paper pulp, paper and sawn wood products is Europe, including Sweden. However, the development of global demand for these products is also very important. The business climate is good. The favourable growth with high employment and low interest rates in Europe is expected to continue in the short term. In Sweden, there is significant stimulation from the Riksbank with weak underlying inflationary pressure.

Exchange rate fluctuations continue to have a significant impact on the profitability of Swedish forest industry. The weakening of the Swedish krona, which has been taking place since September 2017, provides a significant boost to the industry's profitability. The krona is expected to recover slightly during the autumn.

### SAWMILLS

The market for sawn wood products and therefore for sawlogs mainly depends on construction activity. Sweden is the largest individual market for the sawmills and demand for sawn wood products is considerable due a high level of activity in the construction sector. Production in Sweden measured in number of homes is now decreasing significantly compared with 2017 but remains at a high level in a longer perspective. Viewed over

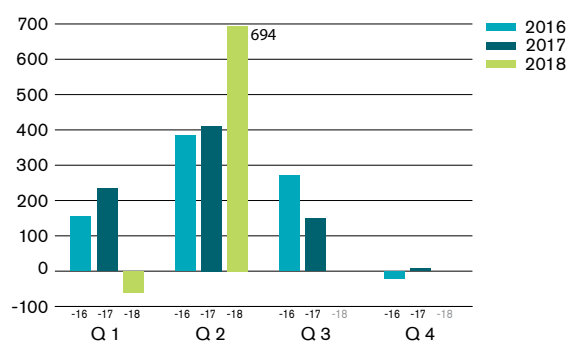
### Change, operating profit from continuing operations, SEKm

	Quarter 2	Jan–Jun 2018
<b>2017</b>	<b>342</b>	<b>725</b>
Price, own wood raw material	72	108
Volume and change in inventories, own wood raw material	-12	-58
Seeding operations	-5	-9
Silviculture and nature conservation	23	28
Other property transactions *	-26	-42
Other	-12	23
<b>2018</b>	<b>382</b>	<b>775</b>

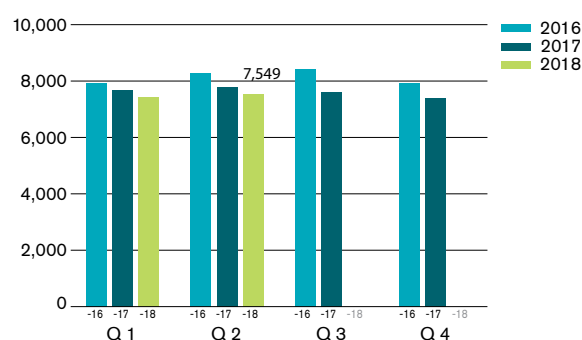
\* Other property transactions related to combined:

Ecological compensation	-	-13
Permanent tenure, other	-	-3
Sales of non-forest land	-26	-26
<b>Other property transactions</b>	<b>-26</b>	<b>-42</b>

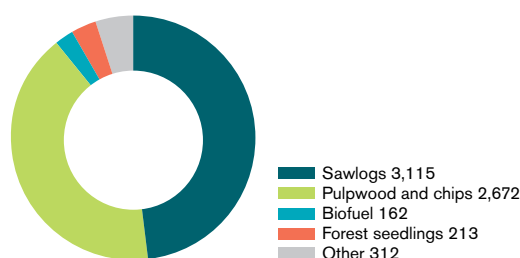
### Cash flow from operating activities per quarter, SEKm



### Interest-bearing net debt, SEKm



### Sales per product, rolling 12 months, SEKm



the whole of Europe, the building sector continues to expand in 2018. Deliveries to North Africa and the Middle East are at high levels while deliveries to the US and east Asia are increasing. Taken together, this ensures a continued very favourable situation for Swedish sawmills. The willingness of sawmills to invest in both capacity and processing remains high.

International competition comes, among others, from Finland, Germany and Russia. Russian volume expansion is focused on China where it is the leading supplier today. We are now seeing an expansion of both German and Finnish production driven by the market situation and good access to sawlogs.

Production in Swedish sawmills is at a high but not record level. The stock of finished products has seen a falling trend for just over three years and is at very low levels considering the season. The order book weakened somewhat during the period due to reduced Swedish construction. Demand for sawlogs is high and prices are rising throughout the country. Many sawmills wish to further increase their production.

**Sveaskog's deliveries**

Sveaskog delivered 1,298 (1,251) thousand m<sup>3</sup>sub of sawlogs in the second quarter, which is 4% higher than in the corresponding period last year. For the period July 2017 to June 2018 deliveries totalled 4,698 (4,735) thousand m<sup>3</sup>sub.

**PULP AND PAPER INDUSTRY**

Global demand and deliveries of paper pulp are increasing. Of the volumes not used directly in Sweden for paper production, most is exported to Europe followed by Asia which accounts for a sharply increasing share. Prices have risen since the beginning of 2017. A price level of 1,200 USD/tonne was noted in May and the price is expected to increase despite additional capacity during the year.

Sweden's exports of paper and cartonboard mainly for packaging material are increasing. Demand for newsprint continues to decrease at a rate of about 5% per year. Production capacity is being closed down or converted to products with better market prospects. Taken overall, Swedish paper and cartonboard production has seen a positive trend since 2012 with rising volumes and prices. The price of packaging material has risen sharply since the beginning of 2018. Prices for graphic products have also increased despite lower volumes.

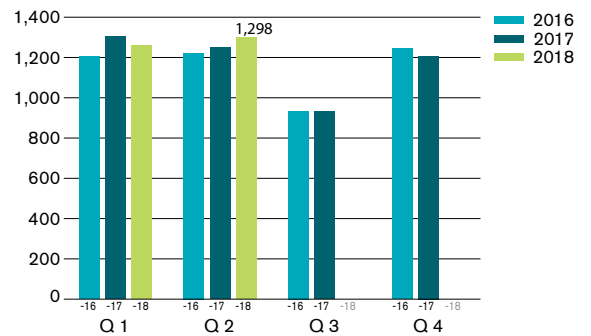
Completed investments in forest industry have raised production capacity and additional capacity will be put into operation during 2018.

Despite the high level of activity in the sawmills, pulpwood availability has weakened in the last six months. This was caused partly by the industry's increased production and partly by disruptions in delivery capacity most recently due to the drought and increased risk of fire which have restricted felling opportunities. The price of pulpwood is rising throughout the country and is expected to contribute to increased supplies from the forest in the coming quarter.

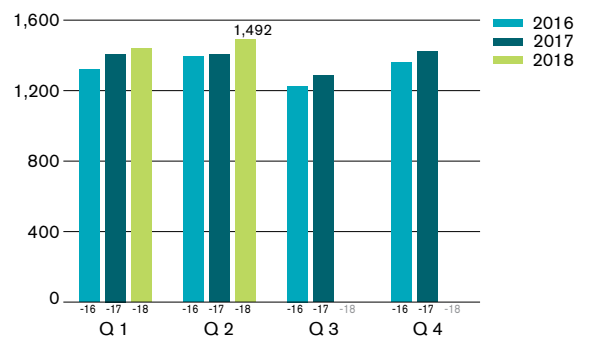
**Sveaskog's deliveries**

Sveaskog delivered 1,492 (1,407) thousand m<sup>3</sup>sub of pulpwood and chips in the second quarter which is 6% higher than in the corresponding period last year. For the period July 2017 to June 2018 deliveries totalled 5,641 (5,400) thousand m<sup>3</sup>sub.

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



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





**BIOFUEL MARKET**

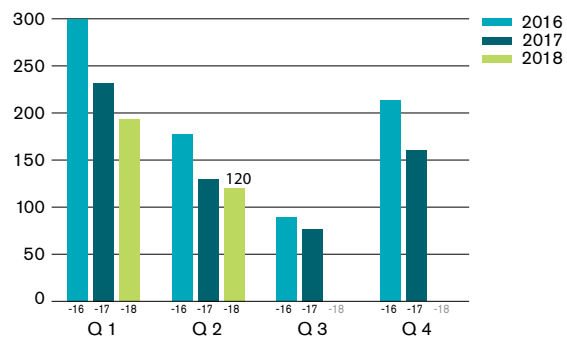
The biofuel market is regional and local due to transport costs. Customers are CHP plants as well as energy-producing forest industry. Demand for biofuel was strong in southern Sweden, more balanced in central Sweden and weak in the northern part of the country. There is considerable competition from other fuels such as waste and recycled wood. More efficient energy production and distribution also have an impact on demand.

Availability of biofuel declined sharply during the period. Production is at a low level and a large proportion of volume is converted into fibre raw material. Prices are rising.

**Sveaskog's deliveries**

Sveaskog delivered 120 (130) thousand m<sup>3</sup>sub of biofuel in the second quarter which is 8% lower than in the corresponding period last year. Deliveries for the period July 2017 to June 2018 totalled 550 (665) thousand m<sup>3</sup>sub.

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



# Sveaskog Group

## Condensed income statement

SEK m	3 months		6 months		12 months	
	Apr–June 2018	Apr–June 2017	Jan–June 2018	Jan–June 2017	July 2017– June 2018	Full year 2017
Net sales (Note 1)	1,918	1,702	3,567	3,299	6,474	6,206
Other operating income	59	79	94	128	171	205
Raw material and consumables	-536	-411	-1,129	-908	-1,986	-1,765
Change in inventories	-158	-166	-110	-134	-23	-47
Other external costs	-732	-699	-1,322	-1,339	-2,678	-2,695
Employee benefit expense	-150	-143	-286	-280	-581	-575
Depreciation	-19	-20	-39	-41	-79	-81
<b>Operating profit from continuing operations</b>	<b>382</b>	<b>342</b>	<b>775</b>	<b>725</b>	<b>1,298</b>	<b>1,248</b>
Capital gains from property sales	55	126	85	161	245	321
Share of profits of associates	54	22	90	34	114	58
<b>Operating profit before change in value of forest assets</b>	<b>491</b>	<b>490</b>	<b>950</b>	<b>920</b>	<b>1,657</b>	<b>1,627</b>
Change in value of forest assets (Note 2, 3)	58	72	121	108	213	200
<b>Operating profit</b>	<b>549</b>	<b>562</b>	<b>1,071</b>	<b>1,028</b>	<b>1,870</b>	<b>1,827</b>
Financial items	-4	-4	-40	-39	-109	-108
<b>Profit before tax</b>	<b>545</b>	<b>558</b>	<b>1,031</b>	<b>989</b>	<b>1,761</b>	<b>1,719</b>
Tax	369	-118	270	-210	120	-360
<b>Profit for the period/year</b>	<b>914</b>	<b>440</b>	<b>1,301</b>	<b>779</b>	<b>1,881</b>	<b>1,359</b>
Earnings per share, SEK, before and after dilution	772	372	10.99	6.58	15.89	11.48
- calculated on average number of shares, millions	118.4	118.4	118.4	118.4	118.4	118.4

## Statement of comprehensive income

SEK m	3 months		6 months		12 months	
	Apr–June 2018	Apr–June 2017	Jan–June 2018	Jan–June 2017	July 2017– June 2018	Full year 2017
<b>Profit for the period/year</b>	<b>914</b>	<b>440</b>	<b>1 301</b>	<b>779</b>	<b>1,881</b>	<b>1,359</b>
<b>Other comprehensive income</b>						
Components that will not be reversed in profit or loss						
Actuarial gains/losses on pensions	-	-	-	-	-4	-4
Tax on actuarial gains/losses	-	-	-	-	1	1
Components that can be reversed in profit or loss						
Other comprehensive income from associate	6	6	-6	8	-10	4
Tax attributable to other comprehensive income from associate	-2	-1	1	-1	1	-1
Exchange differences	1	0	2	0	3	1
Cash flow hedges	-2	9	4	19	21	36
Tax attributable to cash flow hedges	0	-2	-1	-4	-5	-8
<b>Total other comprehensive income for the period/year, net after tax</b>	<b>3</b>	<b>12</b>	<b>0</b>	<b>22</b>	<b>7</b>	<b>29</b>
<b>Total comprehensive income for the period/year</b>	<b>917</b>	<b>452</b>	<b>1,301</b>	<b>801</b>	<b>1,888</b>	<b>1,388</b>

# Sveaskog Group

## Condensed balance sheet

SEKm	30 June 2018	30 June 2017	31 Dec 2017
<b>ASSETS</b> (Note 4)			
<b>Non-current assets</b>			
Intangible assets	114	77	93
Property, plant and equipment			
Forest land (Note 2, 3)	2,486	2,414	2,460
Other property, plant and equipment	466	473	458
Biological assets – standing timber (Note 2, 3)	32,138	32,044	32,054
Financial assets	553	485	497
<b>Total non-current assets</b>	<b>35,757</b>	<b>35,493</b>	<b>35,562</b>
<b>Current assets</b>			
Inventories	409	453	540
Contract assets	1,304	1,089	1,080
Other current receivables, etc., non-interest bearing	485	522	582
Cash and cash equivalents	823	959	1,681
<b>Total current assets</b>	<b>3,021</b>	<b>3,023</b>	<b>3,883</b>
<b>TOTAL ASSETS</b>	<b>38,778</b>	<b>38,516</b>	<b>39,445</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>21,070</b>	<b>20,082</b>	<b>20,669</b>
<b>Non-current liabilities</b> (Note 4)			
Interest-bearing liabilities and provisions	5,102	5,039	5,626
Other liabilities and provisions	7,955	8,347	8,421
<b>Total non-current liabilities</b>	<b>13,057</b>	<b>13,386</b>	<b>14,047</b>
<b>Current liabilities</b> (Note 4)			
Interest-bearing liabilities and provisions	3,270	3,722	3,465
Contract liabilities	1	0	2
Other liabilities and provisions	1,380	1,326	1,262
<b>Total current liabilities</b>	<b>4,651</b>	<b>5,048</b>	<b>4,729</b>
<b>TOTAL LIABILITIES</b>	<b>17,708</b>	<b>18,434</b>	<b>18,776</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>38,778</b>	<b>38,516</b>	<b>39,445</b>

## Statement of changes in equity

SEKm	Jan–June 2018	Jan–June 2017	Full year 2017
<b>Opening equity, 1 January</b>	<b>20,669</b>	<b>20,081</b>	<b>20,081</b>
Total comprehensive income	1,301	801	1,388
Dividend paid according to Annual General Meeting resolution	–900	–800	–800
<b>Closing equity at the end of the period/year</b>	<b>21,070</b>	<b>20,082</b>	<b>20,669</b>



# Sveaskog Group

## Condensed statement of cash flows

SEKm	Jan–June 2018	Jan–June 2017	Full year 2017
<b>Operating activities</b>			
Operating profit	1,071	1,027	1,827
Adjustment for non-cash items, etc.	–290	–313	–644
Interest received and dividends	27	28	28
Interest paid	–67	–67	–186
Paid tax	–102	–100	–175
<b>Cash flow from operating activities before change in working capital</b>	639	575	850
Change in working capital	–5	71	–47
<b>Cash flow from operating activities</b>	634	646	803
<b>Investing activities</b>			
Investments in property, plant and equipment	–119	–103	–219
Investments in shares	–1	–1	–1
Sale of property, plant and equipment	194	316	647
Dividend from associate	29	50	50
<b>Cash flow from investing activities</b>	103	262	477
<b>Financing activities</b>			
Dividend paid	–900	–800	–800
Borrowings	4,570	6,080	11,600
Repayment of borrowings	–5,265	–6,299	–11,469
<b>Cash flow from financing activities</b>	–1,595	–1,019	–669
<b>Cash flow for the period/year</b>	–858	–111	611
<b>Cash and cash equivalents at the beginning of the year</b>	1,681	1,070	1,070
<b>Cash and cash equivalents at the end of the period/year</b>	823	959	1,681

# Parent Company

## Condensed income statement

SEKm	3 months		6 months		12 months	
	Apr–June 2018	Apr–June 2017	Jan–June 2018	Jan–June 2017	July 2017– June 2018	Full year 2017
Operating income	25	4	28	7	74	53
Operating expenses	-1	-1	-1	-1	-2	-2
<b>Operating profit</b>	24	3	27	6	72	51
Financial items	-65	-60	-126	-122	-255	-251
<b>Profit/loss before tax</b>	-41	-57	-99	-116	-183	-200
Group contribution	-	-	-	-	200	200
Tax	9	13	22	26	-4	0
<b>Profit/loss for the period/year *</b>	-32	-44	-77	-90	13	0

\* Same as Total comprehensive income for the period/year.

## Condensed balance sheet

SEKm	30 June 2018	30 June 2017	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	47	51	49
<b>Total property, plant and equipment</b>	47	51	49
<b>Financial assets</b>			
Shares and participations	24,934	24,934	24,934
Receivables from group companies, interest-bearing	1,900	2,050	2,400
<b>Total financial assets</b>	26,834	26,984	27,334
<b>Total non-current assets</b>	26,881	27,035	27,383
<b>Current assets</b>			
Current receivables, etc., non-interest bearing	112	90	292
Receivables from group companies, interest-bearing	0	0	10
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	112	90	302
<b>TOTAL ASSETS</b>	26,993	27,125	27,685
<b>EQUITY</b>			
<b>Equity</b>	7,488	8,375	8,465
<b>Non-current liabilities</b>			
Interest-bearing liabilities	4,687	4,587	5,187
<b>Total non-current liabilities</b>	4,687	4,587	5,187
<b>Current liabilities</b>			
Interest-bearing liabilities and provisions	14,788	14,138	14,001
Other liabilities and provisions	30	25	32
<b>Total current liabilities</b>	14,818	14,163	14,033
<b>TOTAL EQUITY AND LIABILITIES</b>	26,993	27,125	27,685

## Parent Company

### Statement of changes in equity

SEKm	Jan–June 2018	Jan–June 2017	Full year 2017
<b>Opening equity, 1 January</b>	8,465	9,265	9,265
Dividend paid according to Annual General Meeting resolution	–900	–800	–800
Profit/loss for the period/year	–77	–90	0
<b>Closing equity at the end of the period/year</b>	<b>7,488</b>	<b>8,375</b>	<b>8,465</b>

### Condensed statement of cash flows

SEKm	Jan–June 2018	Jan–June 2017	Full year 2017
<b>Cash flow from operating activities</b>	–109	–126	–285
<b>Cash flow from investing activities</b>	522	–49	–356
<b>Cash flow from financing activities</b>	–412	175	641
<b>Total cash flow</b>	0	0	0
<b>Cash and cash equivalents at the beginning of the year</b>	0	0	0
<b>Cash and cash equivalents at the end of the period/year</b>	0	0	0

### ACCOUNTING PRINCIPLES

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim report. For the Parent Company the interim report is prepared in accordance with the Annual Accounts Act, which is in accordance with the regulations in RFR 2 Accounting for Legal Entities.

With effect from 1 January 2018 the company applies IFRS 15 “Revenue from Contracts with Customers” with full retrospective application. This means that 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. The effect on the company is negligible. See Note 1 for a breakdown of revenue from contracts with customers. See also the Annual Report for 2017 page 71 for a description of the various revenue groups. In addition, with effect from 1 January 2018 the company applies IFRS 9 “Financial Instruments”. IFRS 9 contains new principles for how financial assets are classified and measured, as well as new rules for impairment testing of financial assets. The new standard means that the former “incurred loss method” is replaced by a new “expected loss method”. The effect on the company is negligible and the new classification does not result in any change in measurement method. See also page 68 in the Annual Report for 2017 for a description of the effects of this transition. In other respects, the accounting principles and calculations principles applied in this report for the Parent Company and the Group are unchanged compared with the most recently published annual report. New or revised IFRSs and interpretations from IFRIC have not

had any effect on the earnings or financial position of the Group or the Parent Company.

Amounts are stated in SEK million unless otherwise indicated. Figures in parentheses refer to the corresponding period in the previous year.

### NOTE 1 – REVENUE FROM CONTRACTS WITH CUSTOMERS, SEKM

SEKm	Jan–Jun 2018	Jan–Jun 2017	Jul 2017– Jun 2018	Full year 2017
Sawlogs	1,715	1,610	3,115	3,010
Pulpwood and chips	1,431	1,269	2,672	2,510
Biofuel	91	105	162	176
Forest seedlings	143	150	213	220
Other	80	67	168	155
Total	3,460	3,201	6,330	6,071
- of which net sales	3,459	3,201	6,326	6,068
- of which other operating income	1	0	4	3

#### Date of revenue recognition

	Jan–Jun 2018	Jan–Jun 2017	Jul 2017– Jun 2018	Full year 2017
Goods and services transferred to customers at a specific date	3,446	3,174	6,290	6,018
Services transferred to customers over time	14	27	40	53

Sveaskog has unfulfilled performance obligations that will not be fulfilled within one year for SEK 1,690 million. The obligations comprise contracted deliveries forward in time, where Sveaskog has undertaken to deliver a specific 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.

**NOTE 2 – CHANGE IN VALUE OF FOREST ASSETS**

The book value of Sveaskog's forest assets at 30 June 2018 has been calculated at SEK 34,624 million (58), of which SEK 32,138 million (32,044) comprises the fair value of standing timber and SEK 2,486 million (2,414) an identified cost for land. The change in the balance sheet since year-end 2017 amounts to SEK 110 million (81) and is specified in Note 3. The parameters applied when calculating the market value of standing timber are updated annually.

**NOTE 3 – STANDING TIMBER AND FOREST LAND**

<b>Standing timber</b>	SEKm	<b>Forest land</b>	SEKm
<i>Cost</i>		<i>Cost</i>	
Opening value, 1 January 2017	31,993	Opening value, 1 January 2017	2,384
Acquisition of standing timber	15	Acquisition of forest land	36
Sales of standing timber	-72	Sales of forest land	-6
Changes due to felling	-726	Closing value, 30 June 2017	2,414
Changes in fair value	834		
Closing value, 30 June 2017	32,044	Opening value, 1 January 2018	2,460
		Acquisition of forest land	30
Opening value, 1 January 2018	32,054	Sales of forest land	-4
Acquisition of standing timber	11	Closing value, 30 June 2018	2,486
Sales of standing timber	-48		
Changes due to felling	-728		
Changes in fair value	849		
Closing value, 30 June 2018	32,138		

**NOTE 4 – FAIR VALUE**

The table below shows the Group's assets, liabilities and derivatives measured at fair value:

	Level 1		Level 2		Level 3	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
SEKm						
<i>Assets</i>						
Standing timber					32,138	32,044
Total assets	0	0	0	0	32,138	32,044
<i>Liabilities</i>						
Non-current liabilities	0	0	4,861	4,613	0	0
Current liabilities	0	0	3,210	3,661	0	0
Derivative instruments	0	0	81	108	0	0
Total liabilities	0	0	8,152	8,382	0	0

**Measurement techniques for Level 2 fair value**

Current liabilities are measured at book value including accrued interest which is assessed to provide a good approximation of fair value. Fair value of non-current debt instruments is established using valuation models such as discounting future cash flows to listed market interest rates for the respective term. Derivatives in level 2 consist of interest rate swaps and are recognised at market value or as hedge accounting. Measurement at fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for measurement. Compared with 2017, no transfers have been made between the different levels in the hierarchy and no significant changes have been made in measurement method, data used or assumptions.

**Measurement techniques used for Level 3 fair value**

Measurement techniques are specified in Note 15 page 79 of the 2017 Annual Report.

**Issues**

During 2018 Sveaskog has issued SEK 4,570 million (6,080) under the commercial paper programme and SEK 0 million (0) under the MTN programme.

## OTHER INFORMATION

### Risks and uncertainties

A description of risks, uncertainties and risk management is provided in Sveaskog's 2017 Annual Report on pages 45–47. No other significant changes, in addition to those mentioned in this year-end report, have occurred since publication of the annual report.

### Significant events after the closing date

No significant events have occurred after the closing date.

### Related-party transactions

In the second quarter a dividend was paid to the owner of SEK 900 million, otherwise no significant changes have occurred in relations or related-party transactions compared with what is described in the 2017 Annual Report.

The Board of Directors and the CEO hereby confirm that this interim report provides a true and fair overview of the Parent Company's and the Group's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and the Group.

Stockholm, 17 July 2018  
Sveaskog AB (publ.) (556558-0031)

Eva Färnstrand  
*Chairman*

Thomas Hahn  
*Board Member*

Leif Ljungqvist  
*Board Member*

Annika Nordin  
*Board Member*

Anna-Stina Nordmark Nilsson  
*Board Member*

Sven Wird  
*Board Member*

Kenneth Andersson  
*Employee Representative*

Sara Östh  
*Employee Representative*

Per-Olof Wedin  
*President and CEO*

The report has not been reviewed by the company's auditors.

### FOR FURTHER INFORMATION, PLEASE CONTACT

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### FINANCIAL CALENDAR

Interim report January – September 2018

26 October 2018

Year-end report 2018

January 2019

## Definitions <sup>1)</sup>

### Capital turnover rate

Net sales divided by average operating capital.

### Equity ratio

Equity divided by total assets, all calculated at the end of the period/year.

### Gross margin

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

### Interest-bearing net debt

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

### Interest cover

Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses.

### Net debt/equity ratio

Interest-bearing net debt divided by equity.

### Net earnings per share

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

### Operating capital

Total assets excluding interest-bearing assets, tax assets and assets held for sale minus non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the period/year.

### Operating margin

Operating profit expressed as a percentage of net sales.

### Operating profit from continuing operations

Operating profit before change in value of forest assets, share of profits of associates and capital gains from property sales.

### Return on equity

Profit after tax expressed as a percentage of average equity.

### Return on operating capital

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

### Yield

Operating profit before change in value of forest assets excluding capital gains on property sales, divided by average operating capital, excluding deferred tax.


1) Sveaskog has chosen to present the company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA) in a separate appendix. The appendix is published on [www.sveaskog.se](http://www.sveaskog.se).

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