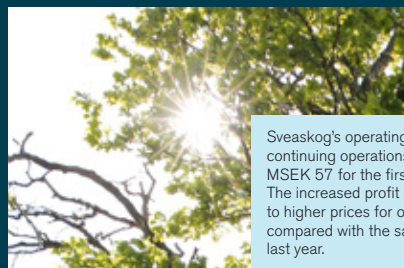


Sveaskog is Sweden's leading forestry company and sells timber, pulpwood, biofuel, seedlings and forestry services. Sveaskog complements the supply from its own forest with purchases from other forest owners, trading and imports. In addition, Sveaskog deals in land and develops the forest as a place for fishing, hunting and other outdoor experiences. The forest and its assets are Sveaskog's core business and sustainable development permeates everything that is done. Sveaskog is affiliated to the FSC® and PEFC™.



Sveaskog's operating profit from continuing operations increased to MSEK 57 for the first six months. The increased profit is mainly due to higher prices for our products compared with the same period last year.

Interim report January – June 2019

1 Apr – 30 Jun 2019

- Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, totalled MSEK 1,925 (1,918). Prices increased by nine percent on average and total delivery volumes were down by ten percent. Deliveries of seedlings have increased.
- Operating profit decreased by 15 percent to MSEK 323 (382). The positive effect of higher prices has been counteracted by lower volumes. Costs for harvesting and forest management have increased. Income from other property transactions is also down. The increased sales of seedlings have affected the result positively.
- The reported change in value of standing timber amounted to MSEK 159 (58), the change in value had no impact on cash-flows.
- Profit for the quarter was MSEK 425 (914), equivalent to SEK 3.59 (7.72) per share. The decrease is largely attributable to changes in tax rules in 2018, that had a positive impact on the result with MSEK 477 last year. The effect was of a non-recurring nature and had no impact on cash flow.

1 January – 30 June 2019

- Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, increased by eight percent to MSEK 3,849 (3,567). Prices increased by ten percent on average, while total delivery volumes were down by three percent. Deliveries of seedlings have increased.
- Operating profit increased by seven percent to MSEK 832 (775). Higher prices have to some extent been counteracted by lower volumes. Costs for harvesting and forest management have increased, mainly as a result of planned measures, but also as an effect of increased competition for logging resources in combination with harvesting of storm- and insect-damaged forest. Income from other property transactions is also down.
- The dividend yield, measured over a rolling 12 months period, amounted to 5.4 percent (4.9).
- The reported change in value of standing timber amounted to MSEK 272 (121), the change in value had no impact on cash-flows.
- Profit for the six-month period decreased by 27 percent to MSEK 946 (1,301), equivalent to SEK 7.99 (10.99) per share. The decrease is largely attributable to changes in tax rules in 2018, that had a positive impact on the result with MSEK 477 last year. The effect was of a non-recurring nature and had no impact on cash flow.

MSEK	3 months, Apr–Jun			6 months, Jan–Jun			12 months		
	2019	2018	%	2019	2018	%	Jul 2018 – Jun 2019	Full year 2018	%
Net sales	1,925	1,918	0%	3,849	3,567	8%	7,253	6,971	4%
Operating profit from continuing operations	323	382	-15%	832	775	7%	1,479	1,422	4%
Change in value of forest assets	159	58	174%	272	121	125%	1,848	1,697	9%
Operating profit	569	549	4%	1,246	1,071	16%	3,679	3,504	5%
Profit before tax	536	545	-2%	1,187	1,031	15%	3,519	3,363	5%
Profit for the period	425	914	-54%	946	1,301	-27%	2,813	3,168	-11%
Cash flow from operating activities	418	694	-40%	737	634	16%	1,026	923	11%
Earnings per share, SEK	3.59	7.72	-53%	7.99	10.99	-27%	23.76	26.76	-11%

Performance measures¹, Group

	Jan–Jun 2019	Jan–Jun 2018	Jul 2018 – Jun 2019	Full year 2018
Dividend yield, % ² (target at least 4.5%)	5.4	4.9	5.4	5.4
Net debt/equity ratio, multiple (target 0.3–0.6)	0.32	0.36	0.32	0.30
Return on operating capital, % ²	12.4	6.6	12.4	12.0
Return on equity, % ²	12.7	9.0	12.7	14.4
Interest cover ratio, multiple ^{2,3}	11.5	10.6	11.5	11.0
Equity ratio, %	55	54	55	57
Interest-bearing net debt, MSEK	7,423	7,549	7,423	7,014
Average number of employees	802	835	802	840
Total delivery volume, thousand m ³ sub	2,573	2,910	10,665	10,995

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 annex. The annex is published on www.sveaskog.se. From 2019, leasing agreements are reported in accordance with IFRS 16. Comparative figures have not been calculated.

2) Rolling 12 months

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

CEO's comments

A good result despite lower market situation

Sveaskog's operating profit from continuing operations amounted to MSEK 832 (775) for the first six months.

The increased profit was mainly due to higher prices for our products in relation to the corresponding period last year, which has improved the margins for both the deliveries from our own forest and externally procured forest raw materials. Delivery volumes are down, however, both in overall terms and from own forest, which is due to a lower demand. Costs for forest management and nature conservation have increased due to planned measures while the cost increases in harvesting are due to increased competition for harvesting resources as well as harvesting of storm- and insect-damaged forest.

The dividend yield was 5.4 per cent (4.9). This is above the target of 4.5 per cent.

Net sales amounted to MSEK 3,849 (3,567). In total, Sveaskog's sales of wood raw materials during the period amounted to 5.5 million m³sub (5.8) of which 3.0 million m³sub (3.2) was from its own forest.

The market situation saw a high level of activity last year but a clear slowdown became apparent this year, especially in the second quarter. The slowdown has been particularly pronounced in the pulp, paper and cardboard segments. Prices of sawn timber are still relatively high and the exchange rate is favourable. Swedish sawmills have therefore continued to produce, despite a build-up in inventories. An increased supply of spruce sawn timber as a result of spruce bark beetle outbreaks has led to increased competition and downward pressure on prices of spruce sawn timber.

Sveaskog completes third green bond issue

In April, Sveaskog completed its third green bond issue, raising MSEK 1,100. The issue attracted strong interest and the bonds were placed with 19 investors from Sweden, Norway, Finland and Denmark. This is a recognition from the financial market on our business and increases our sustainable profile.

Spruce bark beetles wreak economic havoc

After the hot and dry summer in 2018, large areas of forest are under threat from spruce bark beetles. In southern Sweden our company is taking extensive measures to control the infestation by identifying and harvesting infested forest areas and managing swarming. We have also initiated a partnership with IT firm Sogeti and have developed a solution that will allow us to monitor, visualise and prevent the spread of spruce bark beetles. The solution involves using artificial intelligence, satellite imagery and advanced algorithms to produce detailed maps which visualise the spread of spruce bark beetles through the forest. It is hoped that the solution will be made generally available through the Swedish Forest Agency's data environments in time for this autumn's bark beetle control activities.

New at work

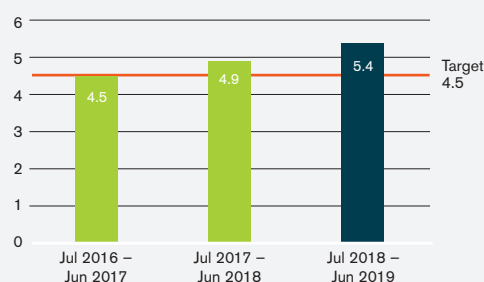
It has been just over two weeks since I took over as CEO of Sveaskog and this is my first report.

It is clear to me that Sveaskog is standing on a very solid foundation and has valuable assets in several areas, not least in our customer base. It is an honour to help continue developing Sveaskog at a time when forests are becoming increasingly important in all aspects of sustainable development.

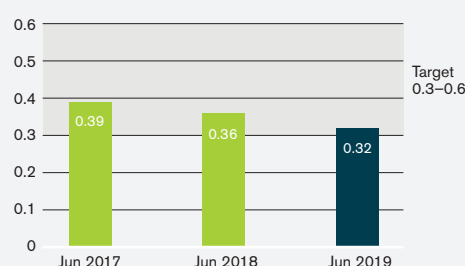


Hannele Arvonen
President and CEO

Dividend yield, %, rolling 12 months period



Net debt/equity ratio, multiple, as of 30 June



Group development

1 April – 30 June 2019

Net sales

Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, increased to MSEK 1,925 (1,918). Prices increased by nine percent on average and total delivery volumes were down by ten percent. The sales of wood raw materials amounted to 5.5 (5.8) million cubic metres (m³sub). Deliveries of seedlings have increased.

Earnings

Operating profit decreased by 15 percent to MSEK 323 (382). The positive effect of higher prices has been counteracted by lower volumes. Costs for harvesting and forest management have increased. Income from other property transactions is also down. The increased sales of seedlings have affected the result positively.

Capital gains from property sales amounted to MSEK 68 (55). Share of profits in associate companies amounted to MSEK 19 (54). The net change in the reported value of standing timber amounted to MSEK 159 (58). After change in value of forest assets, operating profit amounted to MSEK 569 (549).

Financial items in the quarter amounted to MSEK -33 (-4). The decrease is due to the fact that a dividend from SunPine was reported as financial income in 2018. Profit before tax increased to MSEK 536 (545). Tax for the period amounted to MSEK -111 (-369). Profit for the quarter decreased by 54 percent to MSEK 425 (914). Following the June 2018 Parliament decision to change Sweden's corporate tax rate, Sveaskog's deferred tax liability was restated at the new tax rate of 20.6 per cent in the second quarter of 2018. The new tax rules have had a positive impact in 2018 of MSEK 477.

1 January – 30 June 2019

Net sales

Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, increased by eight percent to MSEK 3,849 (3,567). Prices increased by ten percent on average, while total delivery volumes were down by three percent compared with the same period last year. The sales of wood raw materials amounted to 5.5 (5.8) million cubic metres (m³sub). Deliveries of seedlings have increased.

Earnings

Operating profit increased by seven percent to MSEK 832 (775). Higher prices are partly offset by lower volumes from own forest. Costs for harvesting and forest management have increased. Income from other property transactions is also down.

The introduction of IFRS 16 Leases as of 1 January 2019 has had a positive impact on earnings of MSEK 2. 2018 annual figures have not been recalculated.

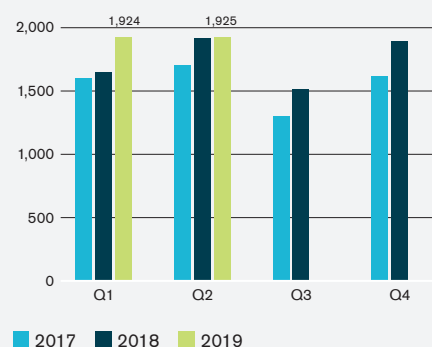
Capital gains from property sales amounted to MSEK 80 (85). Share of profits in associate companies amounted to MSEK 62 (90). The net change in the reported value of standing timber amounted to MSEK 272 (121). After change in value of forest assets, operating profit amounted to MSEK 1,246 (1,071).

Financial items amounted to MSEK -59 (-40). Profit before tax increased to MSEK 1,187 (1,031). Tax for the period amounted to MSEK -241 (-270). Profit for the quarter decreased by 27 percent to MSEK 946 (1,301). Tax for the period in the first half of 2018 was positive, which was due to the lowering of the corporate tax rate following the vote in the Swedish parliament in June 2018. Of the total amount, MSEK 477 is due to the changed tax rules.

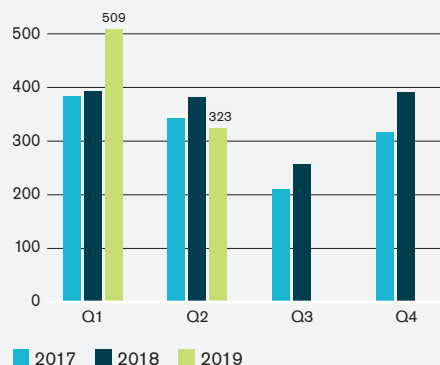
Change in net sales, MSEK

	Q2	Jan–Jun 2019
2018	1,918	3,567
Price, wood raw materials	123	309
Delivery volume, wood raw materials	-116	-27
2019	1,925	3,849

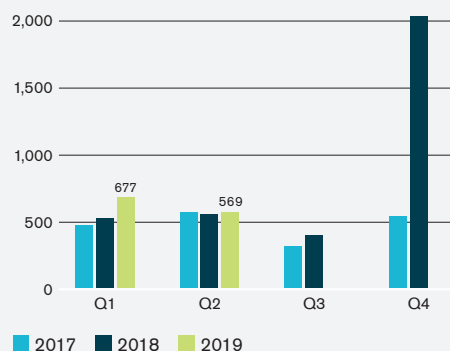
Net sales, MSEK



Operating profit from continuing operations, MSEK



Operating profit, MSEK



Cash flow, investments and financial position

Cash flow from operating activities for the January to June period amounted to MSEK 738 (634). The change is mainly due to a reduction in working capital. Investments in non-current assets amounted to MSEK 164 (119) and investments in shares totalled MSEK 5 (1). Sales of non-current assets, mainly forest properties, amounted to MSEK 197 (194). Dividends from associates totalled MSEK 57 (29).

Sveaskog's interest-bearing net debt amounted to MSEK 7,423 (7,549) as of 30 June. At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's MTN programme and a Swedish commercial paper programme. The loan volume under the Swedish commercial paper programme amounted to MSEK 2,075 (2,310), which is refinanced on an ongoing basis. Under the MTN programme, the outstanding volume as of March 30, is MSEK 4,990 (4,390), of which green bonds accounted for MSEK 3,100 (2,000). The lowest average fixed interest period during the period was 35 months (34).

The net debt/equity ratio amounted to 0.32 (0.36). The interest cover ratio amounted to 11.5 (10.6) and the gross borrowing cost was 1.43 percent (1.24).

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. Sveaskog AB (publ)'s operating income for the first six months was MSEK 8 (28), of which MSEK 0 (21) refers to capital gains. The loss after financial items was MSEK -138 (-99). The parent company's costs consist mainly of interest expenses. The company has no employees.

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 associated company's profit and loss is reported in the profit statement. Net sales for the period January–June amounted to MSEK 2,383 (2,359). Operating profit amounted to MSEK 117 (233). The decreased profit was mainly due to lower sales prices coupled with higher commodity prices, which had a negative impact on the gross margin. The figure includes non-recurring expenses of MSEK -18 attributable to the sale of the processing business in Skutskär. Sveaskog's share of earnings in the company adjusted for intra-group profits decreased by 47 percent to MSEK 48 (90). Sveaskog's share of Setra Group's other comprehensive income amounted to MSEK -9 (-5).

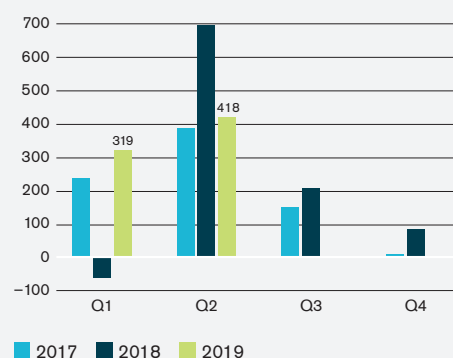
SunPine AB

Sveaskog owns 25.1 percent of the shares in the biorefinery SunPine AB, which is classified since the fourth quarter as an associated company. The share of the associated company's profit and loss is reported in the profit statement. Net sales for the period January–June amounted to MSEK 798 (701). Operating profit amounted to MSEK 78 (136). The reduced profit is due to lower production coupled with a temporary decrease in demand. Sveaskog's share of earnings in the company amounted to MSEK 14 (0).

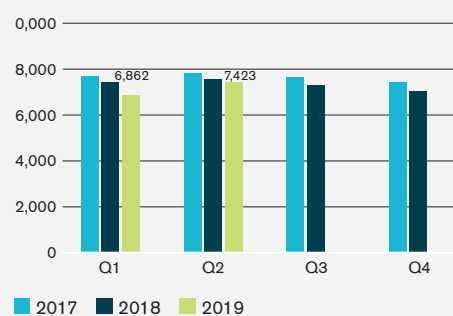
Operating profit from continuing operations

MSEK	Q2	Jan-Jun 2019
2018	382	775
Price, own wood raw materials	59	141
Volume and change in inventories, own wood raw materials	-42	-53
Unit cost harvesting	-18	-11
Forest management and nature conservation	-15	-23
Svenska Skogsplantor	20	29
Earnings from externally procured wood raw materials	1	22
Other property transactions*	-30	-18
Effect of the introduction of IFRS 16	0	2
Other	-34	-32
2019	323	832
*Other property transactions relate to a combination of:		
All future concessions	-10	-6
Sale of non-forest land	-20	-12
Other property transactions	-30	-18

Cash flow from operating activities per quarter, MSEK



Interest-bearing net debt, MSEK



Market situation and wood deliveries

Sveaskog conducts forestry operations and wood raw material trading in Sweden. More than half of the wood raw material sold comes from its own forest, the remaining quantity is purchased from private and institutional forest owners. The main products are sawlogs, pulpwood, biofuel and wood chips. The majority of Sveaskog's customers are in Sweden and in the forest industry and the energy sector. The Swedish forest industry is export-oriented and delivers to markets all over the world.

The largest market for the Swedish forest industry in terms of pulp, paper and sawn timber is Europe including Sweden. However, the overall development of global demand for these products is also very important to the Swedish forest industry. The market for forest industry products was very good in 2018 but a clear slowdown in demand resulting in downward price pressures has become increasingly apparent in the first half of 2019. Production in excess of demand has led to an increase in inventories. Prices of sawn timber are still relatively high and the exchange rate is favourable. Swedish sawmills have therefore continued to produce, despite a build-up in inventories. An increased supply of spruce sawn timber from central European producers as a result of spruce bark beetle outbreaks has led to increased competition of spruce sawn timber.

With significant exports and trade in currencies such as USD, EUR and GBP, exchange rates have a significant impact on the profitability of the Swedish forest industry. The Swedish krona weakened against USD and EUR in the first half of 2019.

The supply of wood raw material was good during the period. As a result of ravages by the European spruce bark beetle, mainly in the southern half of the country, the supply of spruce sawlogs, pulpwood and biofuel is expected to increase, while the flow of pine ranges is expected to be impaired.

Sawmills

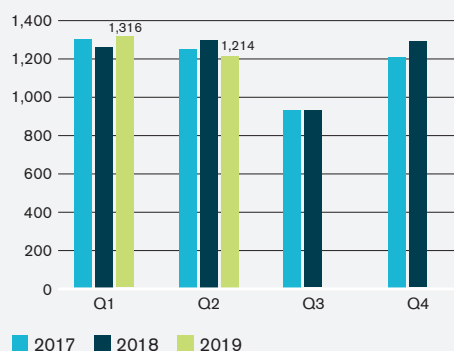
Over 70 percent of Sweden's timber production is exported but the country is the single largest market for sawmills and demand for sawn timber has been good, but is decreasing due to declining construction activity. New construction in Sweden this year is expected to be lower than in 2018. The same applies throughout Europe. In overseas markets, deliveries from the Swedish forest industry to China and the US have decreased. Finished goods inventories at the Swedish sawmills have grown and production remains high. The profitability of the sawmills remains high, however, thanks to historically high prices and a favourable exchange rates.

The price of sawlogs declined in the second quarter of the year, mainly in southern and central Sweden. This was due to storm damage and bark beetle attacks, which have increased the supply of spruce timber. For pine timber, prices have been more stable.

Sveaskog's deliveries

During the second quarter Sveaskog delivered 1,214 (1,298) thousand m³sub of sawlogs, which is six percent less than in the same period last year. For the period July 2018 to June 2019, deliveries totalled 4,747 thousand m³sub (4,698).

Delivery volume sawlogs, thousand m³sub



The 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. The next largest export market is Asia, whose share has increased sharply. After reaching record levels in summer 2018, the price of market pulp (NBSK) has fallen by over USD 200 per tonne but is still listed around USD 1,000 per tonne (PIX).

Swedish paper and cardboard production has been expanding as a result of new investment and/or capacity increases.

Continued announced and planned capacity increases in Sweden as well as Finland are leading to increased competition for wood.

Sveaskog's deliveries

During the second quarter Sveaskog delivered 1,232 (1,492) thousand m³sub of pulpwood and woodchips, which is 17 percent less than in the same period last year. For the period July 2018 to June 2019, deliveries totalled 5,390 thousand m³sub (5,641).

The biofuel market

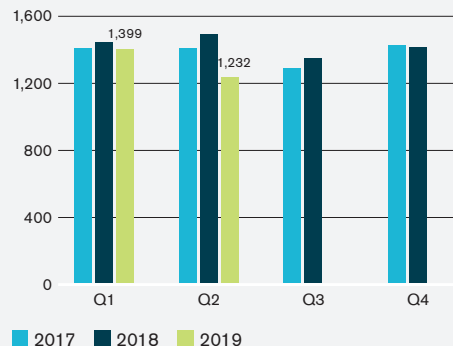
The biofuel market is regional and local, as transport costs account for a large portion of the total cost for this product range. The customers are power and heating plants as well as energy-producing forest industry. Demand for biofuel has been strong in southern Sweden for some time, more balanced in the middle of the country and weak in the northern part. Competition remains considerable, although not growing, from other fuels such as garbage and waste wood. More efficient energy production and distribution also has an impact on the demand for the biofuel range.

The supply of biofuel in many localities was inadequate during the season due to a delay between production and delivery, which meant that there was not enough biofuel in the market to meet demand. This led to an increase in imports and rising prices. Reduced supply of waste wood, coming changes to classification rules for pulpwood and growing international demand from Denmark as well as other countries are pushing up demand for domestic wood fuels.

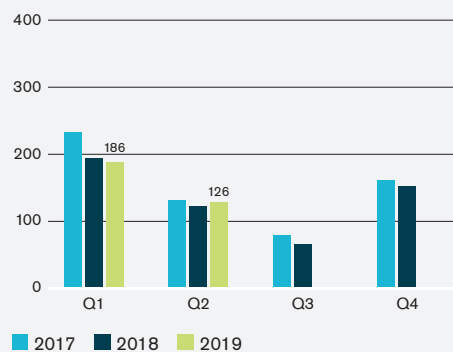
Sveaskog's deliveries

During the second quarter Sveaskog delivered 126 (120) thousand m³sub of biofuel, which is an increase of five percent on the same period last year. For the period July 2018 to June 2019, deliveries totalled 527 thousand m³sub (550).

Delivery volume pulpwood and woodchips, thousand m³sub



Delivery volume biofuel, thousand m³sub



Sveaskog's sustainable business activities during the quarter

Sveaskog's vision is to lead the way to a sustainable society. This vision is embodied in five overarching objectives 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 five targets have been in force for several years now, but the strategic priorities have been progressively developed. The targets are measured with indicators that are followed up regularly and below are examples of activities during the second quarter of the year.

The most profitable forestry company in the short and long term

During the three-month period, Sveaskog completed its third issue of green bonds. The green bonds, worth MSEK 1,100, have a maturity of five and a half years. The bonds are issued under a green framework called Green Bond Principles and are designed to encourage investments in projects that promote environmental sustainability. The framework specifies what the financing will be used for, the expected positive environmental effects and how results should be reported. Sveaskog's initiatives to develop sustainable forestry, create climate benefits and promote diversity are very much in line with the Green Bond Principles.

A leader in innovation and efficiency

During the three-month period, Sveaskog became a joint owner 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.

The first choice for employees and contractors (employeehip)

In the second quarter, Sveaskog's "We are Sveaskog" employee survey was conducted, which includes questions about leadership and the work environment and is designed to identify any instances of negative discrimination. In the last-mentioned area Sveaskog has a zero tolerance policy. The survey showed a continued high level of engagement, with a response rate of 90 per cent (91% in 2017).

This is an indication of active employeeship, showing that Sveaskog's employees really want to, can and dare to express their views. Identified strengths include the fact an even larger number of employees have taken part in performance reviews as well as continued high scores on goals, responsibilities, authority and other points. Areas with room for improvement include stress and "recovery between intensive periods of work".

Sveaskog are involved in "Chance in a Lifetime" mentorship programme, which serves as a bridge between the Swedish labour market and skilled workers with a foreign background.

A leader in sustainable forestry

In the second quarter, Sveaskog launched a nationwide advertising campaign centred on its ecoparks in order to expand its communication on the company's nature conservation efforts, increase confidence in Sveaskog.

Multidimensional value creation

Sveaskog's efforts to move towards integrated sustainability reporting using the IP&L approach was highlighted during Biobase, a major conference on the circular bioeconomy that brought together politicians, business leaders and researchers in Piteå in June.

Activities

In the second quarter, Sveaskog took additional measures to ensure access to the strategically important supply of spruce seed through preventive treatment against infestations in plantations.

Svenska Skogsplanter is investing in heating with biofuel. The investment covers all nurseries and will reduce annual emissions of fossil carbon dioxide by 1,800 tonnes using the 48 new biofuel boilers.

Overall objectives and strategies

Sveaskog's vision is to "Lead the way to a sustainable society". Sveaskog has embodied its vision in five overarching objectives, and it 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 five targets have been in force for several years now, but the strategic priorities have been progressively developed. Targets are measured with indicators that are monitored regularly.



The Sveaskog Group

Condensed income statement

MSEK	3 months, Apr–Jun		6 months, Jan–Jun		12 months	
	2019	2018	2019	2018	Jul 2018 – Jun 2019	Full year 2018
Net sales (Note 1)	1,925	1,918	3,849	3,567	7,253	6,971
Other operating income (Note 1)	16	59	62	94	128	160
Raw materials and consumables	-587	-536	-1,310	-1,129	-2,472	-2,291
Change in inventories	-123	-158	-89	-110	38	17
Other external costs	-723	-732	-1,323	-1,322	-2,796	-2,795
Personnel costs	-149	-150	-290	-286	-559	-555
Depreciation	-36	-19	-67	-39	-113	-85
Operating profit from continuing operations	323	382	832	775	1,479	1,422
Capital gains on property sales	68	55	80	85	229	234
Share of profit/loss in associated companies	19	54	62	90	123	151
Operating profit before change in value of forest assets	410	491	974	950	1,831	1,807
Change in value of forest assets (Note 2.3)	159	58	272	121	1,848	1,697
Operating profit	569	549	1,246	1,071	3,679	3,504
Financial items	-33	-4	-59	-40	-160	-141
Profit before tax	536	545	1,187	1,031	3,519	3,363
Tax	-111	369	-241	270	-706	-195
Profit/loss for the period/year	425	914	946	1,301	2,813	3,168
Earnings per share in SEK before and after dilution	3.59	7.72	7.99	10.99	23.76	26.76
- Calculated on average number of shares, million	118.4	118.4	118.4	118.4	118.4	118.4

Report on comprehensive income

MSEK	3 months, Apr–Jun		6 months, Jan–Jun		12 months	
	2019	2018	2019	2018	Jul 2018 – Jun 2019	Full year 2018
Profit/loss for the period/year	425	914	946	1,301	2,813	3,168
Other comprehensive income						
<i>Components that will not be reversed in profit or loss</i>						
Actuarial gains/losses concerning pensions	-	-	-	-	-4	-4
Tax on actuarial gains/losses	-	-	-	-	1	1
<i>Components that may be reversed in profit or loss</i>						
Currency differences	1	1	1	2	0	1
Other comprehensive income from associate companies	2	6	-11	-6	17	22
Tax on other comprehensive income from associate companies	-1	-2	2	1	-3	-4
Cash flow hedges	-16	-2	-26	4	-17	13
Tax attributable to cash flow hedges	4	0	6	-1	4	-3
Total other comprehensive income for the period/year, net after tax	-10	3	-28	0	-2	26
Total comprehensive income for the period/year	415	917	918	1,301	2,811	3,194

The Sveaskog Group

Condensed balance sheet

MSEK	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS (NOTE 4)			
Non-current assets			
Non-current assets	132	114	124
Right of use assets	138	-	-
Tangible non-current assets			
- Forest land (Notes 2, 3)	2,571	2,486	2,515
- Other tangible non-current assets	502	466	479
Biological assets – standing timber (Note 3)	33,812	32,138	33,607
Financial non-current assets	749	700	741
Total non-current assets	37,904	35,904	37,466
Current assets			
Stock	516	409	570
Contract assets	19	13	22
Current receivables, etc., non-interest bearing	1,889	1,776	1,846
Cash and cash equivalents	999	823	847
Total current assets	3,423	3,021	3,285
Total assets	41,327	38,925	40,751
EQUITY AND LIABILITIES			
Equity	22,928	21,217	23,110
Non-current liabilities (Note 4)			
Interest-bearing liabilities and provisions	5,633	5,102	5,088
Other liabilities and provisions	8,435	7,955	8,382
Total non-current liabilities	14,068	13,057	13,470
Current liabilities (Note 4)			
Interest-bearing liabilities and provisions	2,789	3,270	2,773
Contract liabilities	1	1	1
Other liabilities and provisions	1,541	1,380	1,397
Total current liabilities	4,331	4,651	4,171
Total liabilities	18,399	17,708	17,641
Total equity and liabilities	41,327	38,925	40,751

Condensed statement of changes in equity

MSEK	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Opening equity, 1 January	23,110	20,816	20,816
Total comprehensive income	918	1,301	3,194
Dividend paid according to Annual General Meeting resolution	-1,100	-900	-900
Closing equity at the end of the year	22,928	21,217	23,110

The Sveaskog Group

Condensed cash flow statement

MSEK	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Operating activities			
Operating profit	1,246	1,071	3,504
Items that have no impact on cash flow etc.	-370	-290	-2,086
Interest received	3	27	2
Interest paid	-62	-67	-144
Tax paid	-252	-102	-181
Cash flow from operating activities before changes in working capital	565	639	1,095
Change in working capital	173	-5	-172
Cash flow from operating activities	738	634	923
Investment activities			
Investment in non-current assets	-164	-119	-237
Investment in shares	-5	-1	-1
Dividends from associated companies	57	29	54
Sale of non-current assets	197	194	516
Sale of shares	0	0	0
Cash flow from investment activities	85	103	332
Financing activities			
Dividend paid	-1,100	-900	-900
Borrowings	5,400	4,570	7,990
Amortisation of loans	-4,971	-5,265	-9,179
Cash flow from financing activities	-671	-1,595	-2,089
Cash flow for the period/year	152	-858	-834
Cash and cash equivalents at the beginning of the year	847	1,681	1,681
Cash and cash equivalents at the end of the period/year	999	823	847

Parent company

Condensed income statement

MSEK	3 months, Apr–Jun		6 months, Jan–Jun		Full year	
	2019	2018	2019	2018	Jul 2018 – Jun 2019	Full year 2018
Operating income	4	25	8	28	63	83
Operating expenses	-1	-1	-1	-1	-2	-3
Operating profit	3	24	7	27	61	80
Financial items	-74	-65	-145	-126	-281	-262
Profit before tax	-71	-41	-138	-99	-220	-182
Appropriations	-	-	-	-	182	182
Tax	16	9	30	22	8	0
Profit/loss for the period/year	-55	-32	-108	-77	-30	0

Condensed balance sheet

MSEK	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Tangible non-current assets	48	47	43
Total tangible non-current assets	48	47	43
Financial non-current assets			
Shares in Group companies	24,934	24,934	24,934
Receivables from Group companies, interest-bearing	1,200	1,900	1,700
Total financial non-current assets	26,134	26,834	26,634
Total non-current assets	26,182	26,881	26,677
Current assets			
Current receivables, etc., non-interest bearing	86	112	275
Receivables from group companies, interest-bearing	500	0	0
Cash and cash equivalents	0	0	0
Total current assets	586	112	275
Total assets	26,768	26,993	26,952
EQUITY AND LIABILITIES			
Equity	6,357	7,488	7,565
Non-current liabilities			
Interest-bearing liabilities	5,183	4,687	4,687
Total non-current liabilities	5,183	4,687	4,687
Current liabilities			
Interest-bearing liabilities and provisions	15,183	14,788	14,669
Other liabilities and provisions	45	30	31
Total current liabilities	15,228	14,818	14,700
Total equity and liabilities	26,768	26,993	26,952

Parent company

Condensed statement of changes in equity

MSEK	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Opening equity, 1 January	7,565	8,465	8,465
Dividend paid according to Annual General Meeting resolution	-1,100	-900	-900
Profit/loss for the period/year	-108	-77	0
Closing equity at end of period/year	6,357	7,488	7,565

Condensed cash flow statement

MSEK	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Cash flow from operating activities	-87	-109	-242
Cash flow from investment activities	-5	522	774
Cash flow from financing activities	92	-412	-532
Total cash flow	0	0	0
Cash and cash equivalents at the beginning of the year	0	0	0
Cash and cash equivalents at the end of the period/year	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 2019 the company applies IFRS 16 "Leases". Sveaskog has opted for the simplified transitional method whereby, on the first day of application, the right of use is set at an amount

equivalent to the leasing liability. The right of use on the first day of application amounts to MSEK 132. See also page 82 of the annual report for 2018 for a description of the transition from IAS 17 to IFRS 16. Moreover, the parent company's and the Group's accounting principles and calculation principles for the report are unchanged from the most recent 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 MSEK unless otherwise indicated. Figures in parentheses refer to the corresponding period in the previous year.

Note

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Jan–Jun 2019	Jan–Jun 2018	Jul 2018 – Jun 2019	Full year 2018
Sawlogs	1,787	1,715	3,355	3,283
Pulpwood and woodchips	1,476	1,431	2,969	2,924
Biofuel	87	91	149	153
Seedlings	192	143	282	233
Other	181	80	335	234
Total revenue from contracts with customers	3,723	3,460	7,090	6,827
Of which IFRS 15 in net sales	3,721	3,459	7,086	6,824
Leasing revenue	128	108	167	147
Total net sales	3,849	3,567	7,253	6,971
of which IFRS 15 in other operating income	2	1	4	3
Capital gains, etc.	60	93	124	157
Total other operating income	62	94	128	160
Date of revenue recognition				
Goods and services transferred to customers on a specific date	3,688	3,446	7,013	6,771
Goods and services transferred to customers over time	35	14	77	56

Sveaskog has unfulfilled performance obligations that will not be fulfilled within one year of MSEK 4,653 (5,290). 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.

NOTE 2 CHANGE IN VALUE OF FOREST ASSETS

The book value of Sveaskog's forest assets as per 30 June 2019 has been calculated at MSEK 36,383 (34,624), of which MSEK 33,812 (32,138) is the fair value of the standing timber and MSEK 2,571 (2,486) is the acquisition value of the land. The change in the balance sheet since the end of the year amounts to MSEK 261 (110) and is shown in Note 3. There have been no significant changes in the assessments linked to the valuation of biological assets since the 2018 annual report.

Summary of model assumptions

MSEK	Jun 2019	Jun 2018
Discount rate	5.75%	5.95%
Revenues	10 year average	10 year average
Nominal price increase	1.70% per year	1.50% per year
Costs	Normal cost ¹⁾	Normal cost ¹⁾
Nominal cost increase	2.00% per year	2.00% per year

1) Normal cost = outcome for the current year and the previous year as well as budget for the coming year.

In connection with the closing of the accounts on 31 December 2018, the discount rate has been reduced by 0.2 percentage points to 5.75% with an increase in the annual price increase of 0.2 percentage points to 1.70%, which has had a positive effect on the fair value of the standing timber. At the same time, the costs in the valuation model have been analysed and adjusted, which has had a negative impact on the fair value.

Note

NOTE 3 BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

Standing timber

MSEK	
Fair values	
Opening value 1 January 2018	32,054
Acquisition of standing timber	11
Sales of standing timber	-48
Changes due to harvesting	-728
Changes in fair value	849
Closing value, 30 June 2018	32,138
Opening value, 1 January 2019	33,607
Acquisition of standing timber	11
Sales of standing timber	-78
Changes due to harvesting	-654
Changes in fair value	926
Closing value, 30 June 2019	33,812

Forest land

MSEK	
Acquisition value	
Opening value, 1 January 2018	2,460
Acquisition of forest land	30
Sale of forest land	-4
Closing value, 30 June 2018	2,486
Opening value, 1 January 2019	2,515
Acquisition of forest land	59
Sale of forest land	-3
Closing value, 30 June 2019	2,571

NOTE 4 FAIR VALUE VALUATION

MSEK	Level 1		Level 2		Level 3	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
ASSETS						
Standing timber					33,812	32,138
Total assets	0	0	0	0	33,812	32,138
LIABILITIES						
Non-current liabilities	0	0	5,390	4,861	0	0
Current liabilities	0	0	2,679	3,210	0	0
Derivative instruments	0	0	89	81	0	0
Total liabilities	0	0	8,158	8,152	0	0

Valuation techniques used to calculate fair values in Level 2

Current liabilities (classification at acquisition date) 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 liabilities (classification at acquisition date) is established using valuation models such as discounting future cash flows at 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. The 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 the measurement. Compared with 2018, no transfers have been made between the different levels in the hierarchy and no significant changes have been made to the measurement method, data used or assumptions.

Valuation techniques used to calculate fair values in Level 3

The valuation technique is shown in Note 15 on page 96 of the 2018 annual report.

Other information

Issues

During 2019, Sveaskog has issued MSEK 4,300 (4,570) under the commercial paper programme and MSEK 1,100 (0) under the MTN programme.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Sveaskog's 2018 annual report, pages 58-61. No other significant changes, in addition to those mentioned in this year-end report, have occurred since the publication of the annual report.

Significant events after the closing date

No significant events have occurred after the closing date.

Related-party transactions

No significant changes have occurred in relationships or transactions with related parties since what was described in the 2018 annual report.

The Board and CEO hereby confirms that this interim report provides a true and fair overview of the operations of the parent company and the Group, their financial position and performance, as well as a description of the material risks and uncertainties facing the parent company and the Group.

Stockholm, 16 July 2019
Sveaskog AB (publ.) (556558-0031)

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

The report has not been audited.

Definitions¹

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, excluding deferred tax.

Gross margin

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

Dividend yield

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

Capital turnover rate

Net sales divided by average operating capital.

Net earnings per share

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

Net debt/equity ratio

Interest-bearing net debt divided by equity.

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 profit from continuing operations

Operating profit before change in value of forest assets, profit/loss in associated companies and capital gains from property sales.

Interest-bearing net debt

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

Interest cover 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.

Equity ratio

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

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 annex. The annex is published on www.sveaskog.se.

For questions please contact

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Dates for future reports

Interim report January – September 2019	23 October 2019
Year-end report 2019	27 January 2020

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