

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™.



A good market situation has led to higher prices for our products in relation to the corresponding period last year, which has increased the margins for both deliveries from own forest and for externally procured raw materials.

Interim report January – March 2019

1 January – 31 March 2019

- Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, increased by 17 percent to SEK 1,924 million (1,649). Prices increased by 11 percent on average, while the total delivery volumes remained largely unchanged. The remainder of the increase is due to income from concessions, seedlings and other sales.
- Operating profit increased by 30 percent and amounted to SEK 509 million (393). The profit improvement is largely an effect of higher prices.
- The dividend yield, measured over a rolling 12 months period, amounted to 5.7 percent (4.7).
- The reported change in value of standing timber amounted to SEK 113 million (63), the change in value has no impact on cash-flows.
- Profit for the quarter increased by 35 percent and amounted to SEK 521 million (387), equivalent to SEK 4.40 (3.27) per share.

SEKm	3 months, Jan – March			12 months		
	2019	2018	%	1 Apr 2018 – 31 March 2019	Full year 2018	%
Net sales	1,924	1,649	17%	7,246	6,971	4%
Operating profit from continuing operations	509	393	30%	1,538	1,422	8%
Change in value of forest assets	113	63	79%	1,747	1,697	3%
Operating profit	677	522	30%	3,659	3,504	4%
Profit before tax	651	486	34%	3,528	3,363	5%
Profit for the period	521	387	35%	3,302	3,168	4%
Cash flow from operating activities	319	-60	n/a	1,302	923	41%
Earnings per share, SEK	4.40	3.27	35%	27.89	26.76	4%

Performance measures¹, Group

	3 months, Jan – March		12 months	
	2019	2018	1 Apr 2018 – 31 March 2019	Full year 2018
Dividend yield, % ² (target at least 4.5%)	5.7	4.7	5.7	5.4
Net debt/equity ratio, multiple (target 0.3 – 0.6)	0.29	0.35	0.29	0.30
Return on operating capital, % ²	12.3	6.6	12.3	12.0
Return on equity, % ²	14.7	6.8	14.7	14.4
Interest cover ratio, multiple ^{2, 3}	12.7	10.0	12.7	11.0
Equity ratio, %	57	54	57	57
Interest-bearing net debt, SEKm	6,862	7,427	6,862	7,014
Average number of employees	767	810	767	840
Total delivery volume, thousand m ³ sub	2,901	2,894	11,002	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 continued good market situation despite some economic slowdown

Sveaskog's operating profit from continuing operations amounted to SEK 509 million (393) for the first quarter.

A good market situation has led 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. So far this year, harvesting conditions have been more favourable than last year, which was very snowy. This has resulted in lower harvesting costs. The dividend yield amounted to 5.7 percent (4.7), compared with the target of 4.5 percent.

Net sales amounted to SEK 1,924 million (1,649). In total, Sveaskog's sales of wood raw materials during the quarter amounted to 2.9 million m³ (2.9) of which 1.5 million m³ (1.5) was from its own forest.

The market situation for our customers remains strong, with relatively high prices for both pulp and sawn timber. A slight slowdown in the economic activity for sawn timber can be seen as a result of reduced construction activity. However, the decrease is from high levels.

Investments in the Swedish forest industry continue, which is encouraging for Sveaskog as a raw material supplier. During the first quarter, SCA, one of Sveaskog's major customers, opened its new pulp mill in Östrand.

Forestry policy

In January, the Government presented the Januariöverenskommelsen (January agreement), which consists of a 73-point programme. Forestry policy is mentioned in several of these points and they concern Sveaskog directly or indirectly. It remains to be seen exactly when and how they will be implemented.

End of chemical pine weevil treatment

Sveaskog through Svenska Skogsplantor has decided to stop treating seedlings with chemical pesticides against pine weevil in their own nurseries. The decision applies to all deliveries from spring 2020. Instead, we will be able to offer Conniflex as an excellent alternative that provides protection throughout the most critical attack period. The protection consists of sand and a water-based glue that protects the stem of the plant.

The pursuit of precision – value creation at several levels

Sveaskog's customers value high quality wood raw materials. The right quality increases the value both for them and for us as a supplier. To further improve quality, Sveaskog has initiated a competition – Precisionsjakten (the pursuit of precision) – in which around 230 machine teams participate. The aim is to improve the measurement accuracy of forest machines, which is an important precondition for achieving the best possible quality when harvesting. The competition ends at the beginning of May.

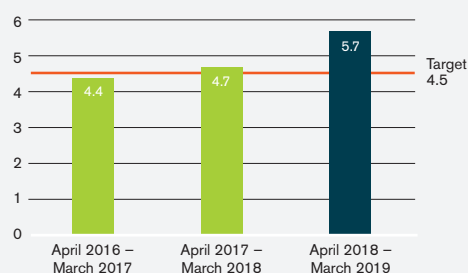
Increased dividend

Sveaskog's dividend target is that in the long-term ordinary dividends should correspond to 65–90 percent of the Group's profit after tax, excluding changes to the value of standing timber that have no impact on cash flows. The Board's proposal to the Annual General Meeting on April 24 is a dividend of SEK 1,100 million (900), which corresponds to 85 percent of the dividend base. I am very proud of the last year's good results which make this dividend possible.

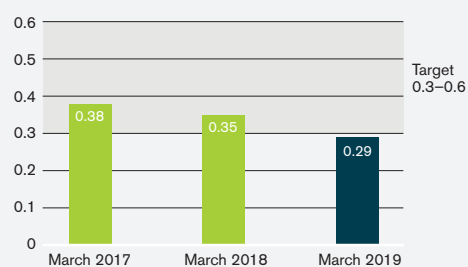


Per-Olof Wedin
President and CEO

Dividend yield, %, rolling 12 months period



Net debt/equity ratio, multiple, as of 31 March



Group development

1 January – 31 March 2019

Net sales

Net sales, which comprise both deliveries from our own forest and externally procured wood raw materials, increased by 17 percent to SEK 1,924 million (1,649). Prices increased by 11 percent on average, while the total delivery volumes remained largely unchanged. The remainder of the increase is due to income from concessions, seedlings and other sales, mainly from the subsidiary company Sveaskog Baltfor. The sales of wood raw materials amounted to 2.9 (2.9) million cubic metres (m³sub).

Earnings

Operating profit increased by 30 percent and amounted to SEK 509 million (391). The improvement in profits is primarily an effect of higher prices, which has improved the margins for both deliveries from our own forest and externally procured wood raw materials. The effect of the introduction of IFRS 16 leasing as of 1 January 1, 2019 has had an impact of only SEK 2 million on earnings 2018 annual figures have not been recalculated.

Capital gains from property sales amounted to SEK 12 million (30). Share of profits in associate companies amounted to SEK 43 million (36). The net change in the reported value of standing timber amounted to SEK 113 million (63). After change in value of forest assets, operating profit amounted to SEK 677 million (522).

Financial items in the quarter amounted to SEK –26 million (–36). Profit before tax increased to SEK 651 million (486). Tax for the period amounted to SEK –130 million (–99). Profit for the quarter increased by 35 percent to SEK 521 million (387).

Cash flow, investments and financial position

Cash flow from operating activities during the first quarter amounted to SEK 319 million (–60). The change is mainly due to increased operating profit and a temporary increase in working capital during the first quarter of 2018 due to calendar effects. Investments in non-current assets amounted to SEK 84 million (30). Sales of non-current assets, mainly forest properties, amounted to SEK 48 million (61).

Sveaskog's interest-bearing net debt amounted to SEK 6,862 million (7,427) as of 31 March 2015. 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 SEK 2,225 million (2,410), which is refinanced on an ongoing basis. Under the MTN programme, the outstanding volume as of March 31, is SEK 4,390 million (4,390). The lowest average fixed interest period during the quarter was 35 months.

The net debt/equity ratio amounted to 0.29 (0.35).

The interest cover ratio amounted to 12.7 (10.0) and the gross borrowing cost was 1.30 percent (1.30).

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. For Sveaskog AB (publ.), operating income during the first quarter was SEK 4 million (3). Profit after financial items amounted to SEK –67 million (–58). 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 reported 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 – March amounted to SEK 1,128 million (1,130). Operating profit amounted to SEK 83 million (92). Sveaskog's share of earnings in the company adjusted for intra-group profits decreased by six percent to SEK 34 million (36). Sveaskog's share of Setra Group's other comprehensive income amounted to SEK –10 million (–9).

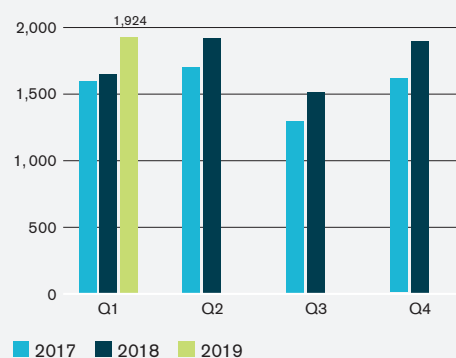
SunPine AB

Sveaskog owns 25.1 percent of the shares in the biorefinery SunPine AB, which since the fourth quarter of 2018 is reported 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 – March amounted to SEK 417 million (342). Operating profit amounted to SEK 49 million (80). Sveaskog's share of earnings in the company amounted to SEK 9 million.

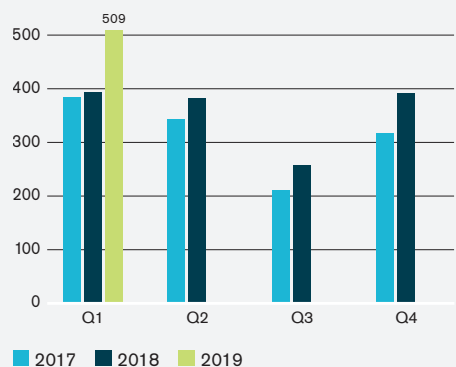
Change in net sales, SEKm

	Q1
2018	1,649
Price, wood raw materials	177
Delivery volume, wood raw materials	4
Concessions, seedlings and other sales	94
2019	1,924

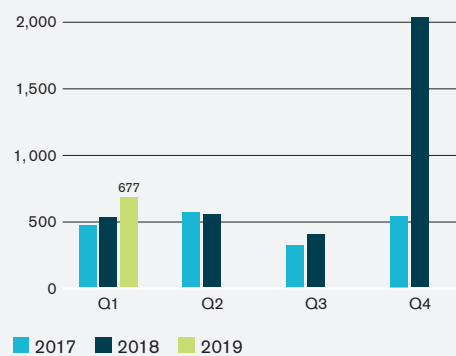
Net sales, SEKm



Operating profit from continuing operations, SEKm



Operating profit, SEKm



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 economic situation for the forest industry's products was very good last year, but now there are signs of a slowdown that has primarily had an effect on prices and led to increased industrial inventories. Despite this slowdown, demand is still relatively good and prices are favourable for forest products, not least when measured in Swedish kronor.

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. A slight weakening of the Swedish kronor against these currencies occurred during the first quarter of 2019.

The availability of wood raw materials and harvesting and transport resources has been good during the period and overall stock levels are at a good level in the forest industries. In the light of ravages by the European spruce bark beetle, mainly in the southern half of the country, the spruce based supply of sawlogs, pulpwood and biofuel is expected to increase, while the flow of pine is expected to be impaired.

Sawmills

Sweden 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 2019 is expected to be lower than during 2018. Viewed over the whole of Europe, the construction sector will continue to be at the highest levels since the financial crisis, although a weakening can be expected compared to last year. In export markets, the Swedish sawmill industry has seen reduced deliveries to China and the US where increased competition and volatile price developments have been contributing factors. Finished goods inventories at the Swedish sawmills have grown and production remains high, which for the near future will have a negative effect on the price of timber. The assessment in the sawmill industry is that timber prices will continue to fall.

The price of sawlogs during the first quarter of the year has been stagnant with a slowdown mainly in southern Sweden as a result of European spruce bark beetle attacks that have led to an increase in damaged spruce timber on the market. For pine timber, the price may be strengthened as a result of reduced supply.

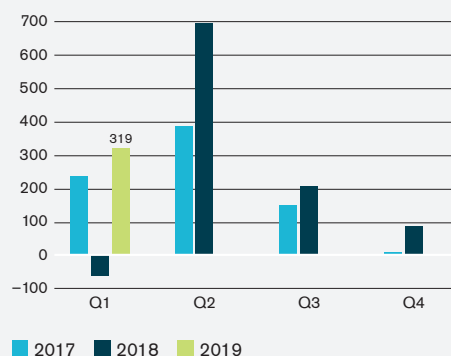
Sveaskog's deliveries

During the first quarter Sveaskog delivered 1,316 (1,260) thousand m³sub of sawlogs, which is four percent higher compared to the same period last year. For the period April 2018 to March 2019, the deliveries amounted to 4,832 (4,650).

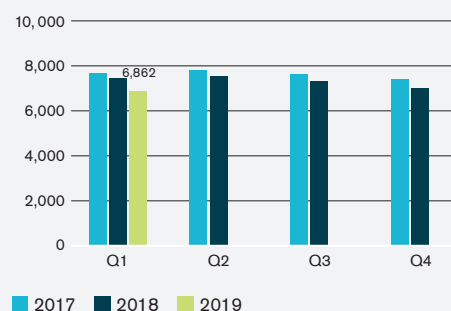
Operating profit from continuing operations

SEKm	Q1
2018	393
Price, own wood raw materials	85
Volume and change in inventories, own wood raw materials	-13
Silviculture and nature conservation	-8
Svenska Skogsplantor	10
Earnings from externally procured wood raw materials	21
Other property transactions ¹	12
Effect of the introduction of IFRS 16 (Leasing)	2
Other	7
2019	509
1) Other property transactions relate to a combination of:	
All future concessions	4
Sale of non-forest land	8
Other property deals	12

Cash flow from operating activities per quarter, SEKm



Interest-bearing net debt, SEKm



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. The price for market pulp (NBSK) has since the record levels in the summer of 2018 fallen by over USD 100 per ton but is still priced at over USD 1,100 per ton, which is a very high level.

Swedish paper and cardboard production continues to develop positively with new investments and/or additional capacity planned for this year and coming years. Prices for packaging and the graphic range reached record levels in 2018. However, prices for packaging products have weakened by about 5 to 10 percent since the peak of 2018 while the price of graphic paper has continued to strengthen.

In line with the growing production of paper and pulp, the market for pulpwood and woodchips has strengthened. The price for pulpwood and woodchips has risen slightly during the period.

Sveaskog's deliveries

During the first quarter Sveaskog delivered 1,399 (1,441) thousand m³sub of pulpwood and woodchips, which is three percent lower compared to the same period last year. For the period April 2018 to March 2019, the deliveries amounted to 5,649 (5,557).

Biofuel market

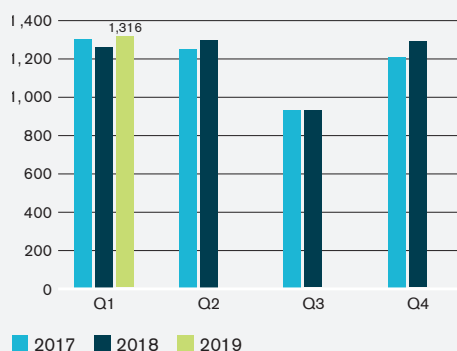
The biofuel market is regional and local as the transport costs are high for biofuels. The customers are power and heating plants as well as energy-producing forest industry. The demand for biofuel has been strong in southern Sweden, more balanced in the middle of the country and weak in the northern 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.

During the season, the availability of biofuels has been deficient in many places, which has led to an inadequate volume to meet demand, which in turn drives increased imports and rising prices. Price levels continue to rise throughout the value chain.

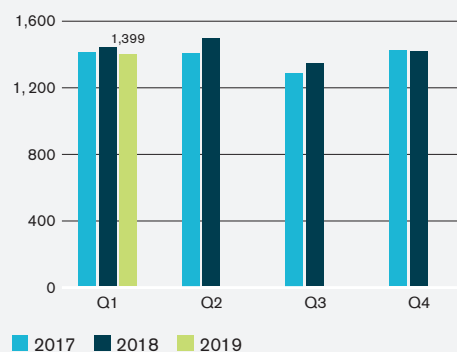
Sveaskog's deliveries

During the first quarter Sveaskog delivered 186 (193) thousand m³sub of biofuel, which is four percent lower compared to the same period last year. For the period April 2018 to March 2019, the deliveries amounted to 520 (560).

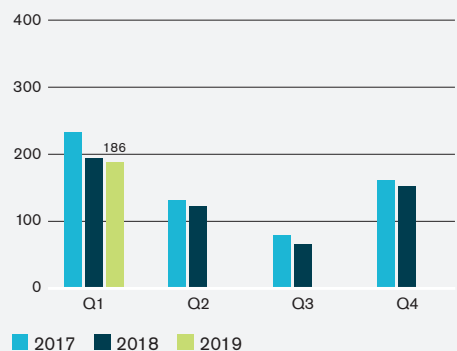
Delivery volume sawlogs, thousand m³sub



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 first quarter of the year.

Active employeeship

At the beginning of the year, Sveaskog's managers underwent training in active employeeship. As a next step in developing employeeship in Sveaskog, during 2019 all employees will undergo similar training under the direction of their immediate manager.

Sustainable forestry

During the first quarter, Sveaskog presented the results of the 2018 reference inventory, which was carried out by the Swedish Forest Agency. Sveaskog's goal when the inventories began six years ago, was that 99% of forestry should be conducted without major impact. For 2018, the result was 98 percent, which is the highest so far. The survey takes into consideration is the extent to which areas with ecological qualities are not harvested, the same also applies to edge

zones alongside lakes and watercourses. The survey also takes into consideration cultural remains such as charcoal pits and clearance cairns as well as the avoidance of vehicle damage and the correct crossing of watercourses.

Based on the 73-point programme presented by the Government and partners in January and the debate on currently topical forest issues, great focus has been placed on extensive communication about the company's ambitious nature conservation work.

Multidimensional value creation

Through the forest ownership and the use of the forest, other values are created in addition to the net profit. Sveaskog uses the IP&L⁴ method which was launched in 2018. During the first quarter of the year, Sveaskog has initiated internal work and started a dialogue with external parties on how biodiversity can be measured and evaluated within the framework of multidimensional value creation. Preparations for implementation in the strategy and business plan work and the preparation of parameters for regular follow-up have been initiated.

Activities

Sveaskog has decided to stop using chemical pesticides against pine weevil in their own nurseries. It is an important milestone for forestry in the pursuit of insecticide-free rejuvenation. All pine weevil treatment is now done with the mechanical protection Conniflex.

4) The model used by Sveaskog is called Integrated Profit and Loss™, developed by Gist Advisory. Further information about the model can be found in Note H2, Page 120 of the 2019 annual report.

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

SEKm	3 months, Jan – March		12 months	
	2019	2018	1 Apr 2018 – 31 March 2019	Full year 2018
Net sales (Note 1)	1,924	1,649	7,246	6,971
Other operating income (Note 1)	46	35	171	160
Raw materials and consumables	-723	-593	-2,421	-2,291
Change in inventories	34	48	3	17
Other external costs	-600	-590	-2,805	-2,795
Personnel costs	-141	-136	-560	-555
Depreciation	-31	-20	-96	-85
Operating profit from continuing operations	509	393	1,538	1,422
Capital gains on property sales	12	30	216	234
Share of profit/loss in associated companies	43	36	158	151
Operating profit before change in value of forest assets	564	459	1,912	1,807
Change in value of forest assets (Note 2.3)	113	63	1,747	1,697
Operating profit	677	522	3,659	3,504
Financial items	-26	-36	-131	-141
Profit before tax	651	486	3,528	3,363
Tax	-130	-99	-226	-195
Profit/loss for the period/year	521	387	3,302	3,168
Earnings per share in SEK before and after dilution	4.40	3.27	27.89	26.76
- Calculated on average number of shares, million	118.4	118.4	118.4	118.4

Report on comprehensive income

SEKm	3 months, Jan – March		12 months	
	2019	2018	1 Apr 2018 – 31 March 2019	Full year 2018
Profit/loss for the period/year	521	387	3,302	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	0	1	0	1
Other comprehensive income from associate companies	-13	-9	21	22
Tax on other comprehensive income from associate companies	3	0	-4	-4
Cash flow hedges	-10	6	-3	13
Tax attributable to cash flow hedges	2	-1	0	-3
Total other comprehensive income for the period/year, net after tax	-18	-3	11	26
Total comprehensive income for the period/year	503	384	3,313	3,194

The Sveaskog Group

Condensed balance sheet

SEKm	31 March 2019	31 March 2018	31 Dec 2018
ASSETS (Note 4)			
Non-current assets			
Non-current assets	128	104	124
Right of use assets	138	-	-
Tangible non-current assets			
-Forest land (Notes 2, 3)	2,554	2,460	2,515
- Other tangible non-current assets	477	451	479
Biological assets – standing timber (Note 3)	33,718	32,100	33,607
Financial non-current assets	776	670	741
Total non-current assets	37,791	35,785	37,466
Current assets			
Stock	647	609	570
Contract assets	14	18	22
Current receivables, etc., non-interest bearing	1,847	1,927	1,846
Cash and cash equivalents	1,119	1,256	847
Total current assets	3,627	3,810	3,285
Total assets	41,418	39,595	40,751
EQUITY AND LIABILITIES			
Equity	23,613	21,200	23,110
Non-current liabilities (Note 4)			
Interest-bearing liabilities and provisions	4,553	5,615	5,088
Other liabilities and provisions	8,424	8,446	8,382
Total non-current liabilities	12,977	14,061	13,470
Current liabilities (Note 4)			
Interest-bearing liabilities and provisions	3,428	3,068	2,773
Contract liabilities	1	1	1
Other liabilities and provisions	1,399	1,265	1,397
Total current liabilities	4,828	4,334	4,171
Total liabilities	17,805	18,395	17,641
Total equity and liabilities	41,418	39,595	40,751

Condensed statement of changes in equity

SEKm	Jan-March 2019	Jan-March 2018	Full year 2018
Opening equity, 1 January	23,110	20,816	20,816
Total comprehensive income	503	384	3,194
Dividend paid according to Annual General Meeting resolution	0	0	-900
Closing equity at the end of the period/year	23,613	21,200	23,110

The Sveaskog Group

Condensed cash flow statement

SEKm	Jan-March 2019	Jan-March 2018	Full year 2018
Operating activities			
Operating profit	677	522	3,504
Items that have no impact on cash flow etc.	-171	-146	-2,086
Interest received	0	0	2
Interest paid	-26	-36	-144
Tax paid	-170	-50	-181
Cash flow from operating activities before changes in working capital	310	290	1,095
Change in working capital	9	-350	-172
Cash flow from operating activities	319	-60	923
Investment activities			
Investment in non-current assets	-84	-30	-237
Investment in shares	0	-	-1
Dividends from associated companies	-	-	54
Sale of non-current assets	48	61	516
Sale of shares	-	-	0
Cash flow from investment activities	-36	31	332
Financing activities			
Dividend paid	-	-	-900
Borrowings	2,225	2,360	7,990
Amortisation of loans	-2,236	-2,756	-9,179
Cash flow from financing activities	-11	-396	-2,089
Cash flow for the period/year	272	-425	-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	1,119	1,256	847

Parent company

Condensed income statement

SEKm	3 months, Jan – March		Full year	
	2019	2018	1 Apr 2018 – 31 March 2019	Full year 2018
Operating income	4	3	84	83
Operating expenses	-1	0	-4	-3
Operating profit	3	3	80	80
Financial items	-70	-61	-271	-262
Profit before tax	-67	-58	-191	-182
Appropriations	0	0	182	182
Tax	14	13	1	0
Profit/loss for the period/year	-53	-45	-8	0

Condensed balance sheet

SEKm	31 March 2019	31 March 2018	31 Dec 2018
ASSETS			
Non-current assets			
Tangible non-current assets	43	49	43
Total tangible non-current assets	43	49	43
Financial non-current assets			
Shares in Group companies	24,934	24,934	24,934
Receivables from group companies, interest-bearing	1,200	1,800	1,700
Total financial non-current assets	26,134	26,734	26,634
Total non-current assets	26,177	26,783	26,677
Current assets			
Current receivables, etc., non-interest bearing	81	281	275
Receivables from group companies, interest-bearing	500	10	0
Cash and cash equivalents	0	0	0
Total current assets	581	291	275
Total assets	26,758	27,074	26,952
EQUITY AND LIABILITIES			
Equity	7,512	8,420	7,565
Non-current liabilities			
Interest-bearing non-current liabilities	4,087	5,187	4,687
Total non-current liabilities	4,087	5,187	4,687
Current liabilities			
Interest-bearing liabilities and provisions	15,131	13,450	14,669
Other liabilities and provisions	28	17	31
Total current liabilities	15,159	13,467	14,700
Total equity and liabilities	26,758	27,074	26,952

Parent company

Condensed statement of changes in equity

SEKm	Jan-March 2019	Jan-March 2018	Full year 2018
Opening equity, 1 January	7,565	8,465	8,465
Dividend paid according to Annual General Meeting resolution	–	–	-900
Profit/loss for the period/year	-53	-45	0
Closing equity at end of period/year	7,512	8,420	7,565

Condensed cash flow statement

SEKm	Jan-March 2019	Jan-March 2018	Full year 2018
Cash flow from operating activities	-43	-249	-242
Cash flow from investment activities	0	600	774
Cash flow from financing activities	43	-351	-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 applica-

tion amounts to SEK 132 million. See page 82 of the 2018 Annual Report for detailed accounting principles regarding IFRS 16, preliminary effects of the introduction and the bridge between IAS 17 and 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 SEK million unless otherwise indicated. Figures in parentheses refer to the corresponding period in the previous year.

Note

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

SEKm	Q1 2019	Q1 2018	1 Apr 2018 – 31 March 2019	Full year 2018
Sawlogs	932	836	3,379	3,283
Pulpwood and woodchips	781	697	3,008	2,924
Biofuel	55	54	154	153
Seedlings	14	8	239	233
Other	108	30	312	234
Total revenue from contracts with customers	1,890	1,625	7,092	6,827
Of which IFRS 15 in net sales	1,888	1,624	7,088	6,824
Leasing revenue	36	25	158	147
Total net sales	1,924	1,649	7,246	6,971
of which IFRS 15 in other operating income	2	1	4	3
Capital gains, etc.	44	34	167	157
Total other operating income	46	35	171	160
Date of revenue recognition				
Goods and services transferred to customers on a specific date	1,887	1,622	7,036	6,771
Goods and services transferred to customers over time	3	3	56	56

Sveaskog has unfulfilled performance obligations that will not be fulfilled within one year of SEK 4,395 million (1,760). 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 31 March 2019 has been calculated at SEK 36,272 million (34,560), of which SEK 33,718 million (32,100) is the estimated fair value of the standing timber and SEK 2,554 million (2,460) is the acquisition value of the land. The change in the balance sheet since the end of the year amounts to SEK 150 million (46) 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

SEKm	Q1 2019	Q1 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 December 31, 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

SEKm	
Fair values	
Opening value 1 January 2018	32,054
Acquisition of standing timber	1
Sales of standing timber	-18
Changes due to harvesting	-364
Changes in fair value	427
Closing value, 31 March 2018	32,100
Opening value, 1 January 2019	33,607
Acquisition of standing timber	7
Sales of standing timber	-9
Changes due to harvesting	-327
Changes in fair value	440
Closing value, 31 March 2018	33,718

Forest land

SEKm	
Acquisition value	
Opening value 1 January 2017	2,460
Acquisition of forest land	2
Sale of forest land	-2
Closing value, 31 March 2018	2,460
Opening value, 1 January 2019	2,515
Acquisition of forest land	40
Sale of forest land	-1
Closing value, 31 March 2018	2,554

NOTE 4 FAIR VALUE VALUATION

SEKm	Level 1		Level 2		Level 3	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
ASSETS						
Standing timber					33,718	32,100
Total assets	0	0	0	0	33,718	32,100
LIABILITIES						
Non-current liabilities	0	0	4,235	5,345	0	0
Current liabilities	0	0	2,225	3,410	0	0
Derivative instruments	0	0	64	66	0	0
Total liabilities	0	0	6,524	8,821	0	0

Valuation techniques used to calculate fair values in Level 2

Current liabilities are measured at book value including accrued interest which is assessed to provide a good approximation of the fair value. The fair value of non-current debt instruments (throughout the term) 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.

Issues

During 2019, Sveaskog has issued SEK 2,225 million (2,160) under the commercial paper programme and SEK 0 million (0) under the MTN programme.

Other information

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

Hannele Arvonen has been appointed as the new CEO of Sveaskog. She most recent appointment was in the wood industry company Setra Group. Hannele Arvonen has previously worked at Iggesund Paperboard, Holmen Paper, Metsä Board, Metso Paper and Norr-

skog. Hannele Arvonen will take up her position at Sveaskog in September 2019. She succeeds Per-Olof Wedin, who has been CEO of Sveaskog since 2011, and will retire.

Head of HR Henrik Dider has announced that he will leave Sveaskog to take up a position with another employer.

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 CEO hereby confirms that this year-end 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, 24 April 2019
Sveaskog AB (publ.) (556558-0031)

Per-Olof Wedin
President and CEO

The report has not been audited.

Definitions¹

Capital turnover rate

Net sales divided by average operating capital.

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.

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 associate companies 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 ratio

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, profit/loss in associated companies and capital gains from property sales.

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.

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.

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Dates for future reports

Interim report January – June 2019	12 July 2019
Interim report January – September 2019	23 October 2019
Year-end report 2019	January 2020