

# Interim Report

January – September 2022

“Growth as a result of increased timber prices”

Net sales

**MSEK 5,716**

Operating profit from continuing operations

**MSEK 1,112**

Profit for the period

**MSEK 1,691**

  
**SVEASKOG**

## 1 JULY – 30 SEPTEMBER 2022

- **Net sales increased** by 18 per cent to MSEK 1,733 (1,472). Timber prices increased by an average of 21 per cent, while delivery volumes decreased by four per cent.
- **Operating profit** increased by 11 per cent and amounted to MSEK 269 (243). Higher timber prices have been offset by lower volumes from Sveaskog's own forest as well as increased felling costs. And a better result in nursery operations.
- **Share of profits of associates amounted** to MSEK 118 (245).
- **The reported net change in value** of standing timber amounted to MSEK 107 (113).
- **Profit for the quarter** amounted to MSEK 390 (499), equivalent to SEK 3.29 (4.21) per share.

## 1 JANUARY–30 SEPTEMBER 2022

- **Net sales increased** by 14 per cent to MSEK 5,716 (5,032). Timber prices increased by an average of 15 per cent, while delivery volumes decreased by one per cent.
- **Operating profit** increased by eight per cent and amounted to MSEK 1,112 (1,033). Higher timber prices and lease revenues from wind power have partially been offset by lower volumes from own forest and higher felling costs.
- **Share of profits of associates amounted** to MSEK 602 (500).
- **The reported net change in value** of standing timber amounted to MSEK 320 (414).
- **Profit for the period** amounted to MSEK 1,691 (1,586), equivalent to SEK 14.28 (13.40) per share.

## SIGNIFICANT EVENTS

- At the Extraordinary General Meeting in August, new financial targets were decided.<sup>1</sup>
- At the Extraordinary General Meeting, the amended articles of association concerning the land sale programme were also decided to divest a total of up to 60,000 hectares of unprotected productive forest land.
- Russia's invasion of Ukraine continues to affect Sveaskog through increased costs mainly for felling, but also through increased timber revenues.

<sup>1)</sup> Read more on page 2.

MSEK	3 months, July–Sept			9 months, Jan–Sept			12 months		
	2022	2021	%	2022	2021	%	Oct 2021 – Sept 2022	2021	%
Net sales	1,733	1,472	18%	5,716	5,032	14%	7,604	6,920	10%
Operating profit from continuing operations	269	243	11%	1,112	1,033	8%	1,420	1,341	6%
Share of profit/loss of associates	118	245	-52%	602	500	20%	769	667	15%
Change in value of forest assets	107	113	-5%	320	414	-23%	-290	-196	48%
Operating profit	497	601	-17%	2,059	1,971	4%	1,930	1,842	5%
Profit before tax	461	565	-18%	1,974	1,868	6%	1,815	1,709	6%
Profit for the period	390	499	-22%	1,691	1,586	7%	1,599	1,494	7%
Cash flow from operating activities	38	223	-83%	818	788	4%	1,063	1,033	3%
Earnings per share, SEK	3.29	4.21	-22%	14.28	13.40	7%	13.50	12.62	7%

## KPIs<sup>1</sup>, Group

	9 months, Jan–Sept		12 months	
	2022	2021	Oct 2021 – Sept 2022	2021
Net debt/equity ratio, multiple (target 0.05–0.30)	0.12	0.13	0.12	0.12
Return on adjusted operating capital (excl. deferred tax), % (target <2.5%) <sup>1,2</sup>	5.6	5.5	5.6	5.2
Return on adjusted operating capital excluding equity participation in associates (& deferred tax), % (target <2.5%) <sup>1,2</sup>	3.8	4.1	3.8	3.6
Return on equity, % <sup>2</sup>	2.6	27.3	2.6	2.4
Interest coverage ratio, multiple <sup>2,3</sup>	18.3	12.7	18.3	15.1
Equity ratio, %	68	68	68	68
Net interest-bearing debt, MSEK	7,728	7,665	7,728	7,438
Average number of employees	773	800	773	825
Total delivery volume, thousand m <sup>3</sup> sub	7,778	7,906	10,553	10,682

<sup>1)</sup> Adjusted operating capital excludes the land value and the deferred tax payable on it.

<sup>2)</sup> Rolling 12 months.

<sup>3)</sup> Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses.

# About Sveaskog

Sveaskog, a state-owned company, is the largest forest owner in Sweden. The company owns 14 per cent of Sweden's forests, operates in approximately 170 municipalities and has around 800 employees throughout the country.

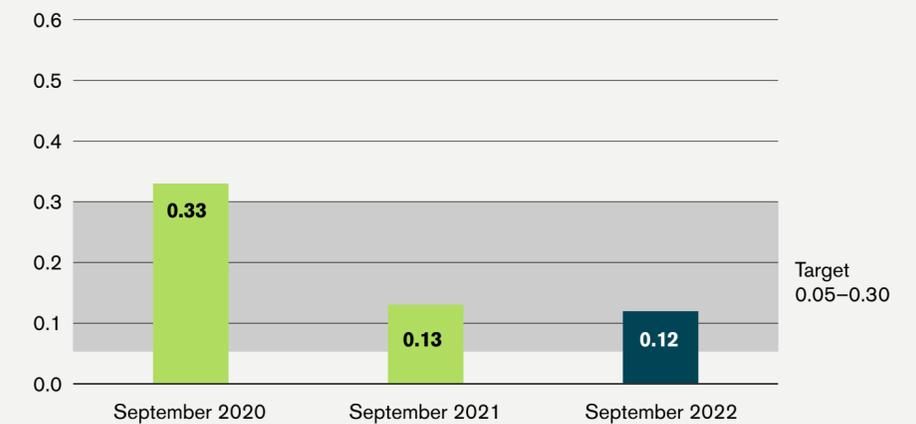
Sveaskog's core business is to manage the forest, and provide timber, pulpwood, wood chips, biofuel, seedlings and forest services. Sveaskog supplements the supply from its own forest with purchases from other forest owners, trading and imports. Our customers are primarily found within the Swedish forest industry, and they export all over the world. In addition, Sveaskog makes land and wind power deals and develops the forest as a place for fishing, hunting and other nature experiences.

Sveaskog shall be a leader in the development of sustainable forestry. This includes deliveries of renewable raw materials to our customers, as well as contributing to both Agenda 2030 and national environmental and climate targets. Sveaskog manages the forest with the ambition of developing economic, ecological and social values. Our forests are certified in accordance with both FSC and PEFC standards, and we require FSC Controlled Wood and Chain of Custody for all timber that we buy from other forest owners. This enables Sveaskog to ensure that all our timber deliveries are responsibly produced.

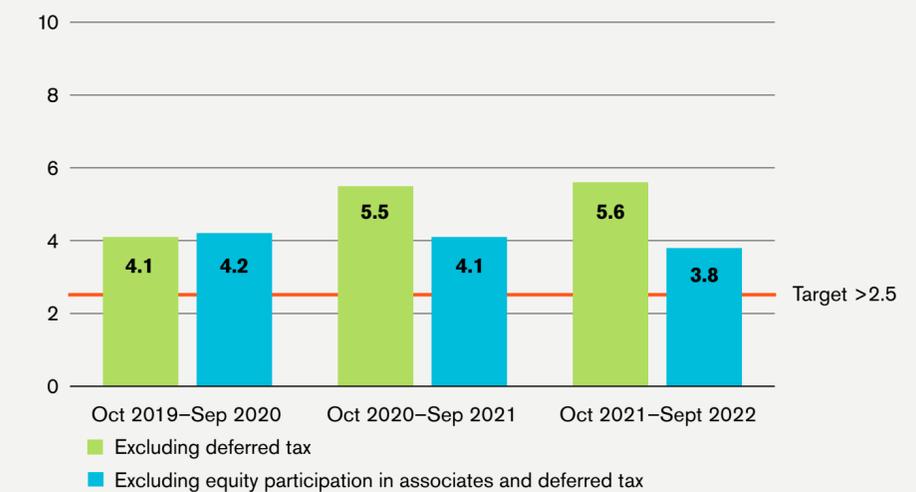


## Sveaskog's financial targets<sup>1</sup>

### Net debt/equity ratio, multiple



### Return on adjusted operating capital, %, rolling



Sveaskog has new financial targets.<sup>1</sup> The adjusted operating capital excludes the land value and the deferred tax due on it.

### Dividend

Sveaskog has new financial targets<sup>1</sup>. Ordinary dividends shall amount to between 70 and 100 per cent of the Group's profit after tax, excluding non-cash changes in value of standing timber and profit participation from associates. In addition, 100 per cent of the dividends received by the company in the previous year from the associated companies.

	2021	2022
Dividend, MSEK	1,300	–
Percentage of basis for dividends, %	88	–

<sup>1)</sup> Sveaskog's new financial targets were decided at an Extraordinary General Meeting on 31 August and are valid from the same date.

## CEO's comments

### **The forest – a key player in the future**

The forestry industry is in the middle of a transition. The balance between different interests and regulations, both nationally and from the EU, leads to new expectations and frameworks that develop forestry. At the same time, we see a development in the market that leads to more dynamics and greater transparency. The competitiveness of Swedish forestry is very high and will continue to increase as digitalisation increases. Technical development drives efficiency improvement, optimisation and improvements in timber flow, which in turn increases the value of our forest holdings. In June, Sveaskog decided to reduce felling levels for the next five years. This is a deliberate investment. Nature conservation measures and investments in value-generating forestry contribute to our ambition of being a leader in sustainable forestry in Sweden. In our industry, sustainability is about having a clear direction and constantly improving by continuously balancing financial, ecological and social goals. The Swedish forest is an important resource in

the green transition, not only for Sweden but also far beyond the country's borders. The resource that the forest represents must therefore be managed and developed in a sustainable and long-term manner.

### **A troubled world will lead to some raw material shortages**

The forecasts indicate a slowdown in global growth, mainly due to high inflation, rising interest rates and growing uncertainty. The slowdown is already visible among Sveaskog's timber customers who announced production reductions after having experienced an increasingly challenging market during the third quarter with lower demand and falling prices for sawn timber, but continued good earnings. However, following the war in Ukraine and the feared energy crisis, some raw material shortages have arisen, countering the declining delivery volumes to the sawmills. Consequently, demand for timber deliveries from Sveaskog remained stable during the quarter. Profitability is also very good for the Nordic pulp and paper industry, which, combined with lower wood availability in the Baltic Sea region, has a positive impact on pulpwood prices.

## “The forest is a key player in the future”

es. The European energy situation has increased interest in biofuels and the majority of co-generation plants and pellet producers in Europe are already using fibre raw materials in production.

### **Improved operating profit**

Despite a troubled world and high inflationary pressure on the cost side, including increased felling costs, the earnings trend is positive, mainly due to the positive market price trend. Operating profit to the end of the third quarter amounted to MSEK 1,112, which is an improvement of eight per cent compared to the previous year.

### Increased timber prices in the north

Sveaskog has increased timber prices in Norrbotten and Västerbotten as of 14 September. The demand for pulpwood is strong and timber prices were also raised, even though the market situation for sawn timber is becoming increasingly challenging. Interest in timber deliveries from Sveaskog remains high and despite challenges in the global sawn timber markets, there is room for a price increase to forest owners.

### Sveaskog is participating in Europe's largest water restoration project

Through a new EU-funded project, the aquatic environments of the Torne River tributaries will be improved on both sides of the border. The County Administrative Board in Norrbotten is managing the project and Sveaskog has an active role in the project, which will start in March 2023 and will last for seven years. It will be the most extensive restoration of aquatic environments in Europe to date. Sveaskog will implement measures in the river's catchment area within the framework of the project. We are also investing our own resources and are land-owners where many of the measures are to be implemented. The project is expected to contribute in the long term to increased employment, increased ecotourism and better fishing opportunities for both anglers and commercial fishermen in the region.

### A clear direction for the future

At Sveaskog's Extraordinary General Meeting in August, new financial targets were adopted. They apply from 31 August 2022 and, together with our forecast for deliveries to the market, the ongoing digitalisation and balancing of various interests, we now have a clear direction for the future; a more varied and value-creating forestry. I would like to thank all of you who are helping to make this possible.

**Erik Brandsma**  
President and CEO

Read more about Sveaskog's new financial targets. Scan the QR code or click here.





## Market situation and wood deliveries

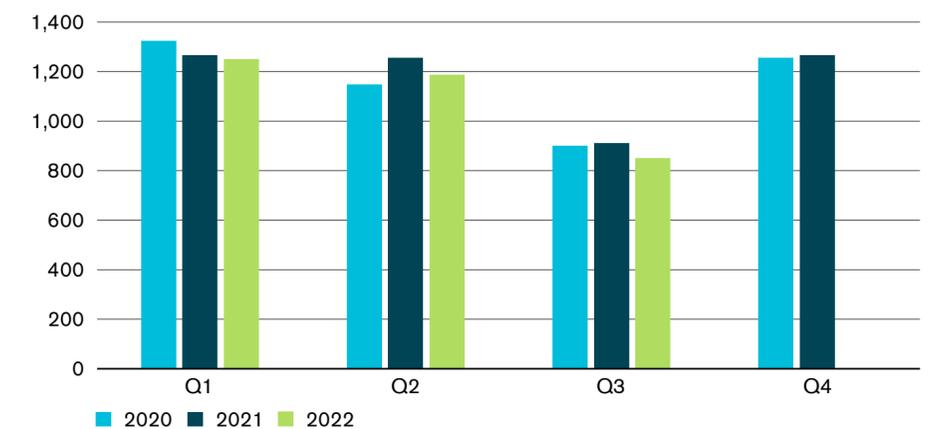
Sveaskog conducts forestry operations and wood raw material trading in Sweden. More than half of the wood raw material sold comes from its own forest, the remaining quantity is purchased from private and institutional forest owners. The main products are sawlogs, pulpwood, bio-fuel and wood chips. The majority of Sveaskog's customers come from the forest industry and the Swedish energy sector. The Swedish forest industry is export-oriented and exports to markets across the world, with the European market being the most important one. As paper and pulp and wood products are traded in the global market, changes in supply, demand and flows in world markets therefore have a significant impact on the Swedish forest industry.

The pulp market has continued to develop strongly even during the third quarter and has recorded price levels well above previous price peaks. The prices of sawn timber are falling as a result of lower activity in the construction industry and generally high levels of inventory of sawn timber in the market, but remain at high levels. In the autumn, most of the buyers of pulpwood adjusted up the market price lists for purchases from private forest owners. Concerns about the availability of fuel raw materials have generally increased further as winter approaches.

### Sawmills

The prices of Swedish timber products fell during the third quarter but remain at historically high levels. European households under pressure from increased costs of living are spending minimally on the DIY market and reduced timber exports to China are two factors that have contributed to the development of the timber markets. Inventories of sawn timber in Sweden are rising and the order situation is deteriorating. In the longer term, the view of sawn timber is positive, mainly driven by increased use of wood in climate-smart construction.

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

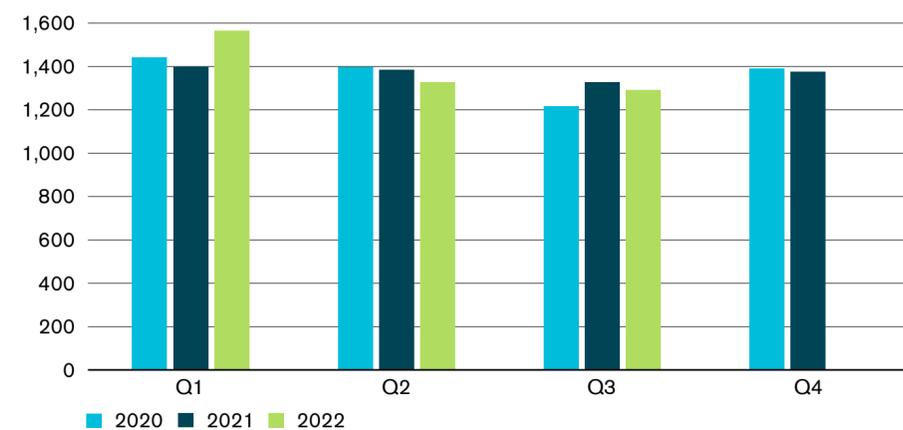


During the third quarter, Sveaskog delivered 851 thousand m<sup>3</sup>sub (912) of sawlogs, which is an increase of seven per cent from the same period last year. For the period October 2021 to September 2022, deliveries amounted to 4,556 thousand m<sup>3</sup>sub (4,692).

### The pulp and paper industry

Demand for pulp continues to be strong, while supply has to some extent been negatively affected by disruptions in supply chains and production. Strong demand and limited supply preserved the positive price trend for pulp during the third quarter as well. Access to wood raw materials was scarce in some geographies and restricted production for a few producers. The pulpwood market has been very strained since the Russian volumes were stopped and a clear sign is that the prices of pulpwood in the Baltic countries have risen and are now being quoted at record levels. Particularly for Sveaskog's customers who use hardwood, where Russian volumes represented a major share of the market, there is great concern about the raw material situation.

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

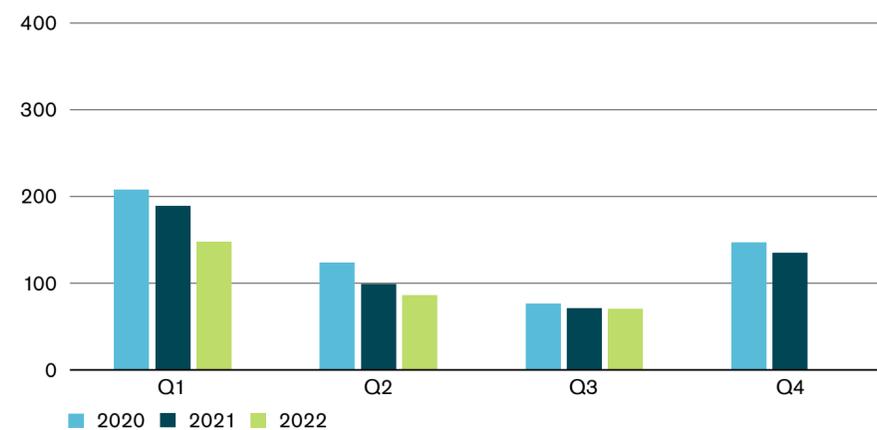


In the third quarter, Sveaskog delivered 1,292 thousand m<sup>3</sup>sub (1,328) of pulpwood and woodchips, which is a decrease of three per cent from the same period last year. For the period October 2021 to September 2022, deliveries totalled 5,558 (5,503) thousand m<sup>3</sup>sub (5,503).

### The biofuel market

The market for forest biofuel, such as GROT (branches and treetops), is regional and local where the transport costs are high and the production costs are relatively low for biofuel. The forest biofuel market is significant in southern and central Sweden but is more limited in northern Sweden. The customers for Sveaskog's biofuels are power and heating plants as well as the energy-producing forest industry. The energy situation in Europe for the upcoming winter is impacting the biofuel market with rising prices and new trade patterns. During the third quarter, Sveaskog feels that the consumption of biofuel generally increased as a result of the majority of co-generation plants having increased electricity production compared to previous years.

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



During the third quarter, Sveaskog delivered 70 thousand m<sup>3</sup>sub (71) of biofuel, which is a decrease of one per cent on the same period last year. For the period October 2021 to September 2022, deliveries amounted to 439 thousand m<sup>3</sup>sub (505).



# Strategic goals for sustainable value creation

Sveaskog wants to be a leader in sustainable forestry with the ambition of spearheading the EU-wide strategy for biodiversity in Sweden. Sveaskog is aiming to make a strong contribution to attainment of Sweden's national environmental objectives, Agenda 2030 and the EU's climate, water and biodiversity targets. In order to achieve this aim, we have developed a long-term focus on sustainable forestry, which will be achieved through specific measures relating to the strategic goals for sustainable value creation: increased growth, increased timber harvesting and increased biodiversity - in both the short and the long term. As part of achieving the strategic goals, Sveaskog last year launched a sustainable forestry programme which focuses on three overarching areas of the forest landscape — the managed forests, the water in the forest, and the high conservation value forests. In order to achieve the strategic objectives, Sveaskog has identified a number of success factors where the sustainable forestry programme exists within the success factors “initiatives relating to forests and forestry” and “increased ecological values of our land holdings”.

## Investments in forests and forestry

### Sustainable forestry programme — The managed forests

#### *Optimal seedling choice for a changing climate*

In September, a new seed cultivation for birch seed was planted in Sävar in Umeå Municipality in order to meet the increased demand for birch. The seed cultivation is being done indoors in greenhouses and is divided into two zones for southern and central Norrland. The plan is for the seed cultivation to start producing birch seed for seedling cultivation in two to four years. The operation is being managed by Skogforsk, the Forestry Research Institute of Sweden. Sveaskog is one of the stakeholders.

#### *Selective-felling forestry<sup>1</sup> in the managed parts of the most visited ecoparks*

During the quarter, Sveaskog planned 23 new non-clear-cut harvests in the Halle and Hunneberg ecoparks in the form of group selection, shelterwood and selective felling, which were also harvested during September. A total of 28 hectares have been harvested in the ecopark. Among other things, a special form of group selection is being tried.

In the Böda ecopark, Sveaskog has planned 30 hectares of new non-clear-

cut harvests, mostly in the form of shelterwood harvesting in pine forest. Several of these will be harvested later this year. In the Omberg ecopark, there has been a group selection harvest on three hectares of spruce forest to be converted to deciduous forest.

#### *Initiatives for improved coexistence with the reindeer industry*

During the quarter, Sveaskog worked on the further development of the digital tool samplanning.se to further facilitate a common landscape planning with the Sami villages that use the land for reindeer grazing. Sveaskog is a partner in the government assignment issued to the Swedish Forest Agency. The assignment aims to strengthen the role of the state in sustainable forestry and to develop alternative cultivation methods that show greater consideration to the availability of reindeer grazing. The assignment is being carried out in collaboration with other state landowners and representatives of the Sami.



<sup>1)</sup> See the Swedish Forest Agency's definition of non-clear-cut forestry. Scan the QR code or click here to read more.



Hiking trail through a group selection harvest at Halleberg in Västergötland. To the left is a recently harvested group selection in the form of a long narrow stretch along the trail.



An example of an extended cleaning at Krokvattenheden north-east of Ekträsk. Here, the Svaipa Sami village uses Sveaskog's land during the winter months. In this forest area, the accessibility of reindeer has been prioritised, at the same time that the forest was prepared for thinning in ten years' time.

**More cleaning and thinning in the reindeer husbandry area**

Cleaning and thinning are important measures to promote the conditions for accessibility and reindeer grazing. The measures are also an important part of the management of young and middle-aged forests as part of favourable forest production. In addition to the regular cleaning of 12,000 hectares (totalling 17,000 hectares in 2022 so far), Sveaskog carried out further increased cleaning of 799 hectares in northern Sweden, including Södra Norrland, in the third quarter.

**Agenda 2030**



**Sweden's environmental quality objectives**



Objective 1. Reduced Climate Impact, Objective 15. A Good Built Environment

**Increased ecological values of land holdings**

**Sustainable forestry programme – The water in the forest**

**100 new wetlands**

In both Norrbotten and Västerbotten, Sveaskog has conducted field excursions with the respective county administrative boards to look at the objects restored last year. The restoration has already had some effect. On the Mellanland nature reserve in Norrbotten, a large number of waders and swarming insects have found the newly created water surface on the marsh and on the rich fen Tuggenliden mire in Västerbotten, species such as the common spotted orchid and the unusual semi-grass species broad-leaved bog-cotton have begun to re-establish themselves in the filled ditches.

In Västerbotten, in collaboration with the County Administrative Board, Sveaskog has restored a smaller wetland within a Natura 2000 area in the Municipality of Norsjö, called Västra Finniden. There, about 200 metres of ditches have been refilled. This is one of the county's best areas for the very rare calypso orchid species and the plan is that the measure will further benefit the species.

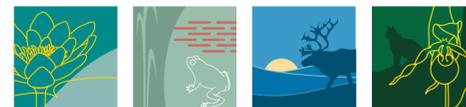
**Restore ten running watercourses**

During the summer, a project group meeting was held within the major EU project Ecostreams for LIFE at Ammerån in Jämtland. Ammerån is one of the watercourses to be addressed within the framework of the project. Restoration work has been carried out in the watercourse. Returning stones to the channel that were removed in the age when floating was done benefits the river pearl mussel and other aquatic organisms. With the help of the County Administrative Board in Västerbotten, restoration work has also begun in Öreälven, where Sveaskog owns water.

**Agenda 2030**



**Sweden's environmental quality objectives**



Objective 8. Flourishing Lakes and Streams, Objective 11. Thriving Wetlands, Objective 14. A Magnificent Mountain Environment, Objective 16. A Rich Diversity of Plant and Animal Life



Tuggenlid mire after restoration. Thanks to the backfilling of the ditch, the water is now left on the mire. Some water collects in pockets in the old ditch, but a lot of nutrient-poor calciferous water is strained down over the marsh and over time will improve the rich fen.

**Sustainable forestry programme – High conservation value forests**

*Extended nature conservation programme*

Nature conservation burning in the Ejheden ecopark  
 In mid-August, for the second year in a row, Sveaskog carried out a controlled nature conservation burning in the Ejheden ecopark in north-eastern Dalarna, covering approximately 120 hectares. The burning was carried out in collaboration with the Swedish Forest Agency, which was responsible for the fire in its capacity as a contractor. Fires are important for forest ecology and create variation in the composition of the landscape. Starting controlled forest fires is an important, tried and tested conservation initiative that Sveaskog regularly uses. The approach favours, for example, wood-dwelling insects, as they depend on the substrates that fire creates. Within the framework of the company’s long-term focus, Sveaskog is increasing investments in nature conservation. Burning is one of the tools used.

**Increased investment in deciduous forests**

Efforts for the white-backed woodpecker  
 In September, Sveaskog conducted excursions together with the County Administrative Board, the Swedish Society for Nature Conservation and the Norrbotten Ornithological Association in the Rosfors and Storklinten ecoparks to inspect the efforts of Sveaskog to create suitable habitats for the white-backed woodpecker. A similar excursion was made in the Forsmark ecopark in June. The white-backed woodpecker is a so-called umbrella species. This means that if the umbrella species, in this case the white-backed woodpecker, thrives and breeds in a landscape, it can be expected that about 200 other threatened species also use the same habitat and also thrive there. The measures now being implemented mean that Sveaskog is restoring contiguous environments with deciduous forest, creating dead wood and harvesting spruce to recreate large areas where the white-backed woodpecker and many other threatened species will thrive.

**Agenda 2030 Sweden’s environmental quality objectives**



Objective 8. Flourishing Lakes and Streams, Objective 11. Thriving Wetlands, Objective 14. A Magnificent Mountain Environment, Objective 16. A Rich Diversity of Plant and Animal Life

**Strong partnerships and collaborations**

**Sveaskog offers gender equality training to all members of the Swedish Association of Forestry Contractors**

Since the autumn of 2019, Sveaskog has offered its contractors online training in gender equality, diversity and inclusion. As of 1 September, we also offer the training to all member companies in the trade association, the Swedish Association of Forestry Contractors (about 700 companies). The training initiative is part of the work to strengthen the attractiveness of Sveaskog, our contractors and ultimately the industry. So far, in addition to our own employees, almost 800 people who are not employed at Sveaskog have attended the training. It is good that this is now spreading to even more through our cooperation with the Swedish Association of Forestry Contractors. The forest industry should be one where everyone can thrive and grow. As Sweden’s largest forest owner, we want to work together with the entrepreneurs on this important issue. Through our cooperation with the Swedish Association of Forestry Contractors, we can support even more entrepreneurs in their efforts to become even more attractive as employers.

**Agenda 2030**



**Sweden’s environmental quality objectives**



Objective 15. A Good Built Environment.



# The Sveaskog Group

## Condensed income statement

MSEK	3 months, July–Sept		9 months, Jan–Sept		12 months	
	2022	2021	2022	2021	Oct 2021 – Sept 2022	2021
Net sales (Note 1)	1,733	1,472	5,716	5,032	7,604	6,920
Other operating income (Note 1)	8	8	63	79	124	140
Raw materials and consumables	-616	-444	-1,875	-1,533	-2,472	-2,130
Change in inventories	44	34	-14	17	70	101
Other external expenses	-733	-665	-2,229	-2,005	-3,168	-2,944
Staff costs	-130	-126	-436	-452	-583	-599
Depreciation	-37	-36	-113	-105	-155	-147
<b>Operating profit from continuing operations</b>	<b>269</b>	<b>243</b>	<b>1,112</b>	<b>1,033</b>	<b>1,420</b>	<b>1,341</b>
Capital gains on property disposals	3	0	25	24	31	30
Share of profit/loss of associates	118	245	602	500	769	667
<b>Operating profit before change in value of forest assets</b>	<b>390</b>	<b>488</b>	<b>1,739</b>	<b>1,557</b>	<b>2,220</b>	<b>2,038</b>
Change in value of forest assets (Note 2)	107	113	320	414	-290	-196
<b>Operating profit</b>	<b>497</b>	<b>601</b>	<b>2,059</b>	<b>1,971</b>	<b>1,930</b>	<b>1,842</b>
Financial items	-36	-36	-85	-103	-115	-133
<b>Profit before tax</b>	<b>461</b>	<b>565</b>	<b>1,974</b>	<b>1,868</b>	<b>1,815</b>	<b>1,709</b>
Tax	-71	-66	-283	-282	-216	-215
<b>Profit/loss for the period/year</b>	<b>390</b>	<b>499</b>	<b>1,691</b>	<b>1,586</b>	<b>1,599</b>	<b>1,494</b>
Earnings per share in SEK before and after dilution	3.29	4.21	14.28	13.40	13.50	12.62
– Calculated on average number of shares, million	118.4	118.4	118.4	118.4	118.4	118.4

## Statement of comprehensive income

MSEK	3 months, July–Sept		9 months, Jan–Sept		12 months	
	2022	2021	2022	2021	Oct 2021 – Sept 2022	2021
<b>Profit/loss for the period/year</b>	<b>390</b>	<b>499</b>	<b>1,691</b>	<b>1,586</b>	<b>1,599</b>	<b>1,494</b>
<b>Other comprehensive income</b>						
<i>Components that will not be reversed in profit or loss</i>						
Change in value in land assets (Note 2)	10	0	12	0	2,969	2,957
Tax on change in value in land assets	-1	-12	-1	-1	-600	-600
Actuarial gains/losses relating to pensions	-	-	-	-	7	7
Tax on actuarial gains/losses	-	-	-	-	-1	-1
<i>Components that may be reversed in profit or loss</i>						
Translation differences	1	0	3	1	3	1
Other comprehensive income from associates	8	0	65	-15	65	-15
Tax on other comprehensive income from associates	-2	0	-14	4	-14	4
Cash flow hedges	12	6	69	24	78	33
Tax attributable to cash flow hedges	-2	-1	-14	-5	-16	-7
<b>Total other comprehensive income for the period/year, net after tax</b>	<b>26</b>	<b>-7</b>	<b>120</b>	<b>8</b>	<b>2,491</b>	<b>2,379</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>416</b>	<b>492</b>	<b>1,811</b>	<b>1,594</b>	<b>4,090</b>	<b>3,873</b>

# The Sveaskog Group

## Comments on the income statement

### 1 July – 30 September 2022

#### Net sales

Net sales increased by 18 per cent to MSEK 1,733 (1,472). Total delivery volumes dropped by four per cent, while prices of wood raw materials increased by 21 per cent on average.

Sales of wood raw materials amounted to 2,214 thousand cubic metres, (m<sup>3</sup>sub) (2,311).

#### Earnings

Operating profit increased by 11 per cent to MSEK 269 (243).

Higher timber prices have been offset by lower volumes from Sveaskog's own forest, as well as increased costs for felling, roads and transport. And a better result in nursery operations.

Capital gains from the sale of property amounted to MSEK 3 (0). Share of profits of associates amounted to MSEK 118 (245). The net change in the reported value of standing timber amounted to MSEK 107 (113). After the change in value of forest assets, the operating profit amounted to MSEK 497 (601). Net financial items in the quarter were MSEK –36 (–36). Profit before tax amounted to MSEK 461 (565). Tax amounted to MSEK –71 (–66). Profit for the quarter decreased to MSEK 390 (499).

### 1 January – 30 September 2022

#### Net sales

Net sales increased by 14 per cent to MSEK 5,716 (5,032). Timber prices increased by an average of 15 per cent, while delivery volumes decreased by one per cent.

Sales of wood raw materials amounted to 7,778 thousand cubic metres (m<sup>3</sup>sub) (7,906).

#### Earnings

Operating profit increased by eight per cent to MSEK 1,112 (1,033). Higher timber prices and lease revenues from wind power have partially been offset by lower volumes from own forest and higher felling, road and transport costs.

Capital gains from property sales were MSEK 25 (24). Share of profits of associates amounted to MSEK 602 (500). The net change in the reported value of standing timber amounted to MSEK 320 (414). After the change in value of forest assets, the operating profit amounted to MSEK 2,059 (1,971). Net financial items during the period were an expense of MSEK 85 (103). Profit before tax amounted to MSEK 1,974 (1,868). Tax amounted to MSEK –283 (–282). Profit for the period increased by seven per cent to MSEK 1,691 (1,586).

## Change in net sales, MSEK

	Q3	Jan–Sept
<b>2021</b>	<b>1,472</b>	<b>5,032</b>
Price, wood raw materials	314	729
Delivery volume, wood raw materials	–68	–51
Concessions, seedlings and other sales	15	6
<b>2022</b>	<b>1,733</b>	<b>5,716</b>

## Change in operating profit from continuing operations, MSEK

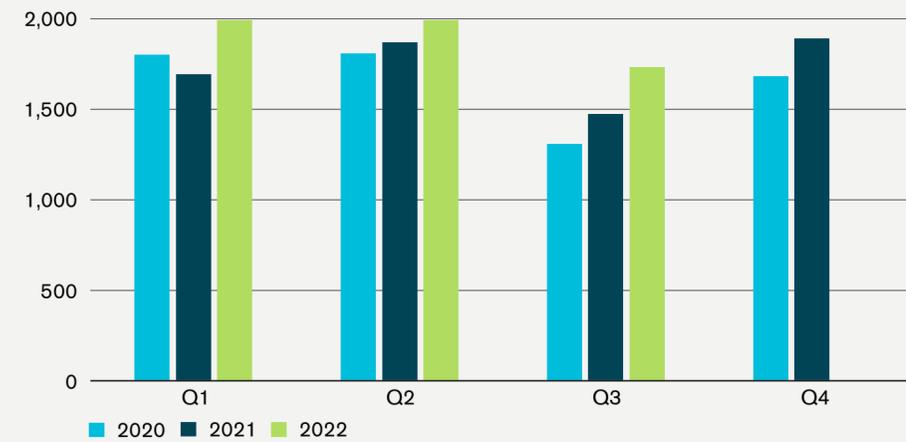
	Q3	Jan–Sept
<b>2021</b>	<b>243</b>	<b>1,033</b>
Price, own wood raw materials	65	233
Volume and change in inventories, own wood raw materials	–51	–99
Unit cost felling	–33	–90
Svenska Skogsplantor	15	3
Earnings from externally procured wood raw materials	20	15
Lease revenues, wind power	2	29
Other property transactions <sup>1</sup>	2	–11
Other	6	–1
<b>2022</b>	<b>269</b>	<b>1,112</b>

1) Other property transactions relate to a combination of:

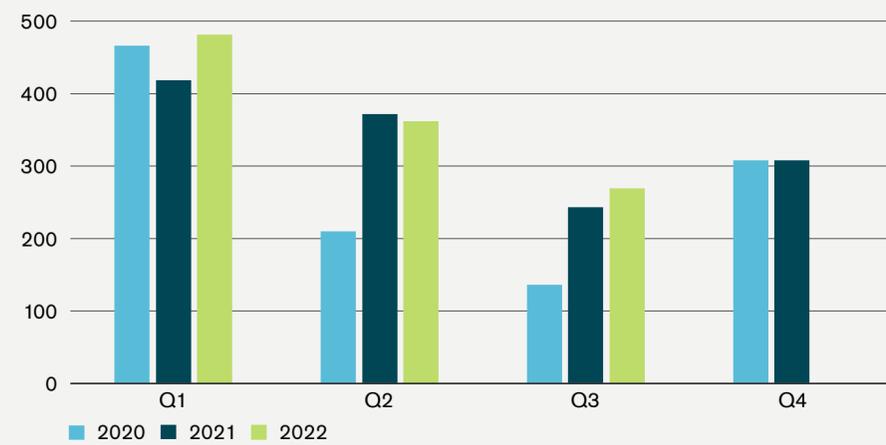
All future concessions	–1	–7
Sale of non-forest land	3	–4
<b>Other property transactions</b>	<b>2</b>	<b>–11</b>

# The Sveaskog Group

Net sales, MSEK



Operating profit from continuing operations, MSEK



# The Sveaskog Group

## Condensed balance sheet

MSEK	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>ASSETS (NOTE 3)</b>			
<b>Non-current assets</b>			
Intangible assets	159	171	165
Right-of-use assets	131	147	153
Forest assets (Note 2, 3)	86,073	83,024	85,430
– of which land assets	38,842	35,728	38,708
– of which biological assets	47,231	47,296	46,722
Other property, plant and equipment	596	599	588
Non-current financial assets, non-interest-bearing	1,725	1,250	1,415
Long-term interest-bearing receivables	5	4	5
<b>Total non-current assets</b>	<b>88,689</b>	<b>85,195</b>	<b>87,756</b>
<b>Current assets</b>			
Inventories	635	602	690
Contract assets	53	26	20
Current receivables etc., non-interest bearing	2,184	1,915	1,801
Cash and cash equivalents	560	937	1,171
<b>Total current assets</b>	<b>3,432</b>	<b>3,480</b>	<b>3,682</b>
<b>TOTAL ASSETS</b>	<b>92,121</b>	<b>88,675</b>	<b>91,438</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>63,027</b>	<b>60,237</b>	<b>62,516</b>
<b>Non-current liabilities (Note 3)</b>			
Interest-bearing liabilities and provisions	5,611	5,867	5,849
Other liabilities and provisions	18,838	18,150	18,729
<b>Total non-current liabilities</b>	<b>24,449</b>	<b>24,017</b>	<b>24,578</b>

MSEK	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>Current liabilities (Note 3)</b>			
Interest-bearing liabilities and provisions	2,682	2,739	2,765
Contract liabilities	0	0	0
Other liabilities and provisions	1,963	1,682	1,579
<b>Total current liabilities</b>	<b>4,645</b>	<b>4,421</b>	<b>4,344</b>
<b>Total liabilities</b>	<b>29,094</b>	<b>28,438</b>	<b>28,922</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>92,121</b>	<b>88,675</b>	<b>91,438</b>

## Condensed statement of changes in equity

MSEK	Jan–Sept 2022	Jan–Sept 2021	Full year 2021
<b>Opening equity, 1 January</b>	<b>62,516</b>	<b>59,493</b>	<b>59,493</b>
Total comprehensive income	1,811	1,594	3,873
Dividend paid according to Annual General Meeting resolution	–1,300	–850	–850
<b>CLOSING EQUITY AT END OF PERIOD/YEAR</b>	<b>63,027</b>	<b>60,237</b>	<b>62,516</b>

# The Sveaskog Group

## Condensed cash flow statement

MSEK	Jan–Sept 2022	Jan–Sept 2021	Full year 2021
<b>Operating activities</b>			
<b>Operating profit</b>	2,059	1,971	1,842
Non-cash items etc.	-1,067	-1,065	-604
Interest received, etc.	3	0	0
Interest paid	-90	-98	-140
Tax paid	-206	-250	-306
<b>Cash flow from operating activities before changes in working capital</b>	699	558	792
Changes in working capital	119	230	241
<b>Cash flow from operating activities</b>	818	788	1,033
<b>Investing activities</b>			
Investment in non-current assets	-254	-164	-230
Investments in shares and participations	0	-6	-6
Dividends from associates	340	24	24
Sale of non-current assets	91	138	185
Sale of shares	2	7	7
Increase in interest-bearing receivables	-	-	-1
<b>Cash flow from investing activities</b>	179	-1	-21
<b>Financing activities</b>			
Dividend paid	-1,300	-850	-850
Borrowings	5,250	4,900	5,950
Repayment of loans	-5,558	-5,131	-6,172
<b>Cash flow from financing activities</b>	-1,608	-1,081	-1,072
<b>CASH FLOW FOR THE PERIOD/YEAR</b>	-611	-294	-60
<b>Cash and cash equivalents at the beginning of the year</b>	1,171	1,231	1,231
<b>Cash and cash equivalents at the end of the period/year</b>	560	937	1,171

## Comments on the balance sheet and cash flow

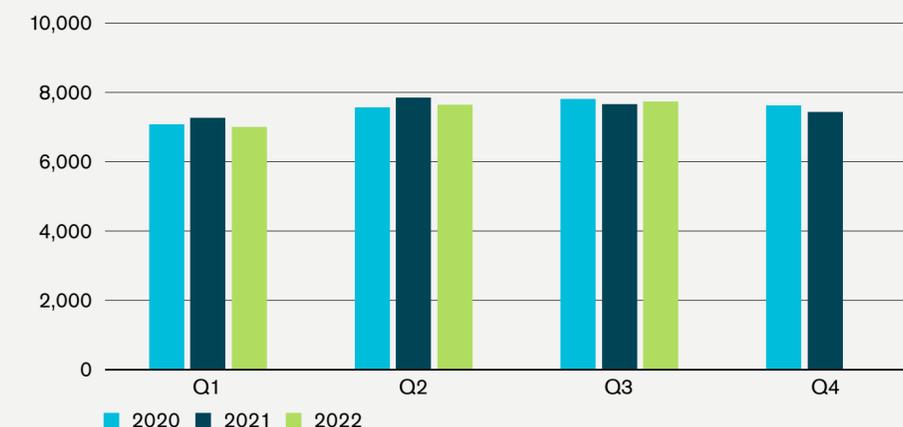
Cash flow from operating activities during the period was MSEK 818 (788). The increase is attributable to increased operating profit. Investments in non-current assets, mainly forest properties and forest machines, amounted to MSEK 254 (164) while investments in shares amounted to MSEK 0 (6). Sales of non-current assets, mainly forest properties, amounted to MSEK 91 (138). Dividends from associates have been received amounting to MSEK 340 (24) and sales of shares amounted to MSEK 2 (7). A dividend of MSEK 1,300 (850) was paid to the owner.

Sveaskog's interest-bearing net debt amounted to MSEK 7,728 (7,665) as of 30 September. At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's Medium Term Note (MTN) programme and a Swedish commercial paper programme. The loan volume under the Swedish commercial paper programme amounted to MSEK 1,500 (1,250), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 30 September was MSEK 5,540 (6,040), of which green bonds accounted for MSEK 4,400 (4,900). The lowest average net fixed interest period during the period was around 25 months (28).

The net debt/equity ratio was 0.12 (0.13).

The interest coverage ratio was 18.3 (12.7) and the gross borrowing cost was 0.95 (1.34) per cent.

### Net interest-bearing debt, MSEK



# Parent Company

## Condensed income statement

MSEK	3 months, July–Sept		9 months, Jan–Sept		12 months	
	2022	2021	2022	2021	Oct 2021 – Sept 2022	2021
Operating income	10	12	32	43	42	53
Operating expenses	-1	-1	-2	-2	-3	-3
<b>Operating profit</b>	9	11	30	41	39	50
Financial items <sup>1</sup>	-48	-52	-137	-216	3,816	3,737
<b>Profit/loss before appropriations and tax</b>	-39	-41	-107	-175	3,855	3,787
Group contributions	-	-	-	-	379	379
Provisions to untaxed reserves	-	-	-	-	-75	-75
<b>Profit before tax</b>	-39	-41	-107	-175	4,159	4,091
Tax	8	8	22	36	-60	-46
<b>PROFIT/LOSS FOR THE PERIOD/YEAR</b>	-31	-33	-85	-139	4,099	4,045

1) In 2021, the parent company received dividends from subsidiaries.

## Condensed balance sheet

MSEK	Jan–Sept 2022	Jan–Sept 2021	Full year 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible non-current assets	38	39	38
<b>Total property, plant and equipment</b>	38	39	38
<b>Non-current financial assets</b>			
Shares in Group companies	24,934	24,934	24,934
Receivables from Group companies, interest-bearing	799	800	800
<b>Total non-current financial assets</b>	25,733	25,734	25,734
<b>Total non-current assets</b>	25,771	25,773	25,772
<b>Current assets</b>			
Current receivables etc., non-interest bearing	113	138	4,450
Receivables from Group companies, interest-bearing	900	1,500	429
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	1,013	1,638	4,879
<b>TOTAL ASSETS</b>	26,784	27,411	30,651
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	15,200	12,401	16,585
<b>Untaxed reserves</b>	232	157	232
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	5,232	5,432	5,432
<b>Total non-current liabilities</b>	5,232	5,432	5,432
<b>Current liabilities</b>			
Liabilities to Group companies, interest-bearing	3,412	6,657	5,653
Other liabilities, interest-bearing	2,953	2,650	2,650
Liabilities to Group companies	1	0	1
Other liabilities and provisions	114	114	98
<b>Total current liabilities</b>	6,120	9,421	8,402
<b>TOTAL EQUITY AND LIABILITIES</b>	26,784	27,411	30,651

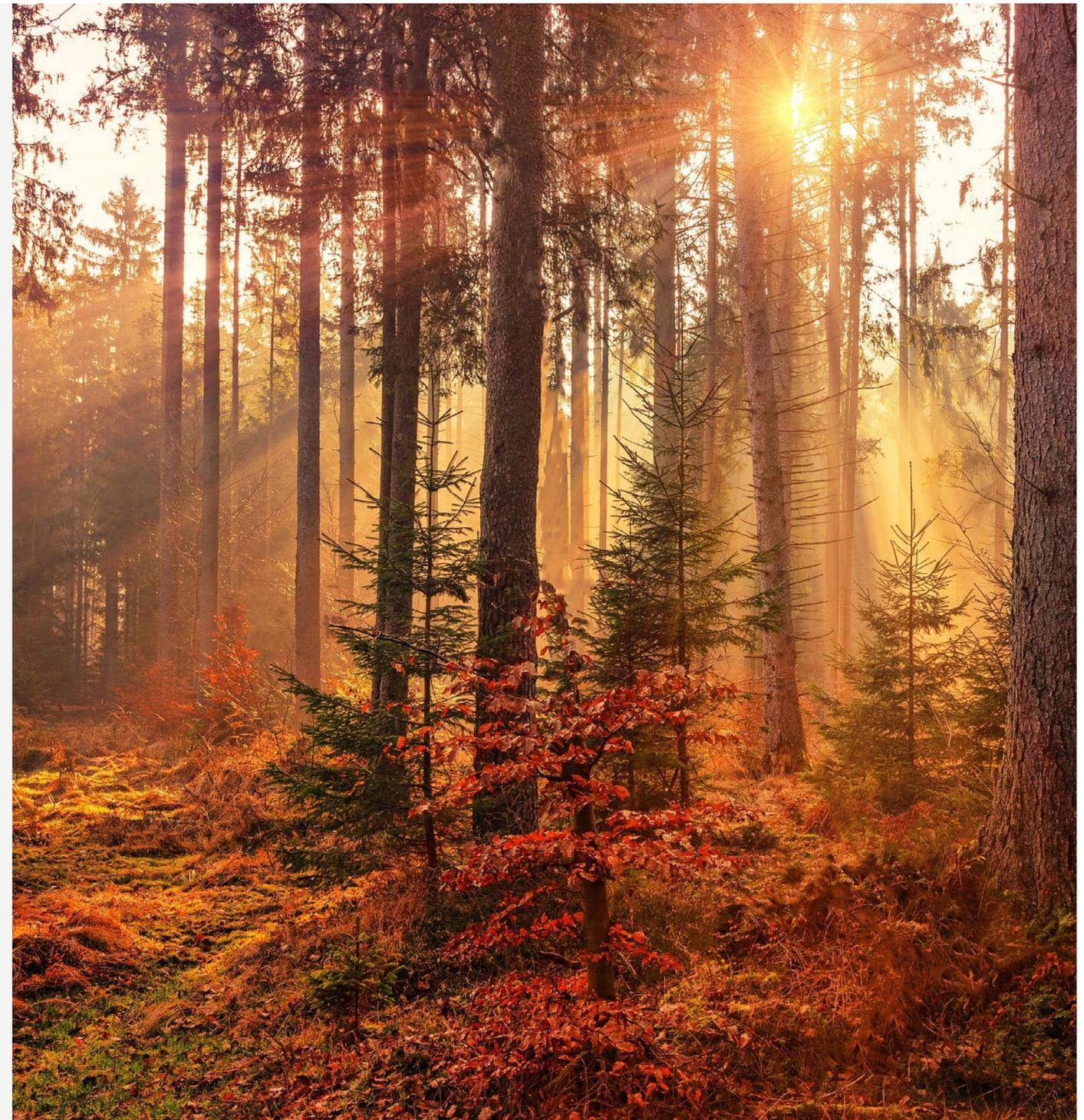
# Parent Company

## Condensed statement of changes in equity

MSEK	Jan–Sept 2022	Jan–Sept 2021	Full year 2021
Opening equity, 1 January	16,585	13,390	13,390
Dividend paid according to Annual General Meeting resolution	-1,300	-850	-850
Profit/loss for the period/year	-85	-139	4,045
<b>CLOSING EQUITY AT END OF PERIOD/YEAR</b>	<b>15,200</b>	<b>12,401</b>	<b>16,585</b>

## Condensed cash flow statement

MSEK	Jan–Sept 2022	Jan–Sept 2021	Full year 2021
Cash flow from operating activities	3,017	7,265	8,269
Cash flow from investing activities	402	14	15
Cash flow from financing activities	-3,419	-7,279	-8,284
<b>CASH FLOW FOR THE PERIOD/YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the year	0	0	0
<b>Cash and cash equivalents at the end of the period/year</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Sveaskog Group and associates

## Setra Group AB



**OWNERSHIP**  
50 per cent of the shares.

**NET SALES (MSEK)**  
**4,969**

**OPERATING PROFIT (MSEK)**  
**1,275**

## SunPine AB



**OWNERSHIP**  
25.1 per cent of the shares.

**NET SALES (MSEK)**  
**2,354**

**OPERATING PROFIT (MSEK)**  
**455**

## ShoreLink AB



**OWNERSHIP**  
24.1 per cent of the shares.

**NET SALES (MSEK)**  
**253**

**OPERATING PROFIT (MSEK)**  
**45**

**SVEASKOG**

## Group

**OWNERSHIP**  
Sveaskog is 100% owned by the Swedish state.

**NET SALES (MSEK)**  
**5,716**

**OPERATING PROFIT (MSEK)**  
**2,059**

## 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 for the period January–September totalled MSEK 32 (43), of which MSEK 2 (13) was accounted for by capital gains from sales of forest land. The loss after financial items amounted to MSEK 107 (175). The parent company's costs consist mainly of interest expenses. The company has no employees. Operating activities are carried out primarily in the subsidiary Sveaskog Förvaltnings AB.

## Setra Group AB

Sveaskog owns 50 per cent of the shares in the wood products company Setra Group AB, which is classified as an associated company. The share of the associate's profit/loss is recognised in the consolidated income statement. Net sales for the period January–September amounted to MSEK 4,969 (4,278). The operating profit amounted to MSEK 1,275 (1,219). The improvement is explained by high sales prices due to a strong market trend. Sveaskog's share of earnings in the company adjusted for intra-Group profits increased by eight per cent to MSEK 505 (469). Sveaskog's share of Setra's other comprehensive income amounted to MSEK 51 (–11).

## SunPine AB

Sveaskog owns 25.1 per cent of the shares of the biorefinery SunPine AB. The share of the associate's profit/loss is recognised in the consolidated income statement. Net sales for the period January–September amounted to MSEK 2,354 (1,524). The operating profit amounted to MSEK 455 (173). The improvement in earnings is primarily an effect of good market development and rising oil prices. Sveaskog's share of the company's profit increased by 162 per cent to MSEK 89 (34).

## ShoreLink AB

Sveaskog owns 24.1 per cent of the shares of the logistics and transport firm ShoreLink AB. The Group's income statement for 2022 reports the share of the associate's profit/loss for the period December 2021 to August 2022, while the figures for the previous year cover the period from December 2020 to September 2021. Net sales for this period amounted to MSEK 253 (240) and the operating profit for the same period amounted to MSEK 45 (3). Sveaskog's share of the company's profit or loss amounted to MSEK 8.5 (–2.6).

# Notes

## ACCOUNTING POLICIES

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. 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.

### Forest assets

Accounting principles for forest assets are described in detail in Sveaskog's Annual Report 2021, Note 14 on pages 86–89. For the third quarter of 2022, see Note 2.

## NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Jan– Sept 2022	Jan– Sept 2021	Oct 2021– Sep 2022	Full year 2021
Sawlogs	2,669	2,421	3,646	3,398
Pulpwood and woodchips	2,374	2,006	3,074	2,706
Biofuel	83	94	123	134
Seedlings	253	267	325	339
Other	157	84	243	170
<b>Total income from contracts with customers</b>	<b>5,536</b>	<b>4,872</b>	<b>7,411</b>	<b>6,747</b>
Of which IFRS 15 in net sales	5,534	4,871	7,406	6,743
Lease income	182	161	198	177
<b>Total net sales</b>	<b>5,716</b>	<b>5,032</b>	<b>7,604</b>	<b>6,920</b>
Of which IFRS 15 in other operating income	2	1	5	4
Capital gains etc.	61	78	119	136
<b>Total other operating income</b>	<b>63</b>	<b>79</b>	<b>124</b>	<b>140</b>
<b>Date of revenue recognition</b>				
Goods and services transferred to customers on a specific date	5,474	4,809	7,298	6,633
Goods and services transferred to customers over time	62	63	113	114

Sveaskog has unfulfilled performance obligations for sales contracts with a term of more than 12 months of MSEK 2,964 (2,861). Sveaskog applies the practical exception of not disclosing the remaining performance obligations for contracts with an original term of no more than one year in accordance with IFRS 15. The obligations consist of contracted deliveries forward in time, mainly for pulpwood but also for biofuel and seedlings, where Sveaskog has undertaken to deliver a certain volume per year. The value of these obligations is somewhat uncertain since the contracts consist of several delivery contracts where the price is renegotiated each year. Of the unsatisfied performance obligations of MSEK 9,297 (4,198) reported for last year, MSEK 2,238 (1,283) referred to January–September 2022.

## NOTE 2 VALUATION OF FOREST ASSETS

The book value of Sveaskog's forest assets as of 30 September 2022 has been calculated at MSEK 86,073 (83,024), of which MSEK 47,231 (47,296) refers to the fair value of the standing timber and MSEK 38,842 (35,728) refers to the cost of the land. The change in the balance sheet since the previous year-end is MSEK 643 (594) and is shown on the following page. The parameters included in the model for calculating the fair value are updated annually.

The forest assets are divided into standing timber and land assets. Standing timber is recognised as a biological asset according to IAS 41 Agriculture and forestry. Land assets are recognised as property, plant and equipment in accordance with IAS 16 Property, plant and equipment.

### Significant judgements and estimates

Until Q3 2020, the market price or other comparable price was not used for forest assets, as there was a degree of uncertainty about the market price for assets of Sveaskog's size as no larger transactions had been performed in the market. A number of major forest land deals now shows that the value of larger forest assets per hectare or per cubic metre of forest generally lie at the same level as for smaller or medium forest assets.

In order to value the forest assets at fair value, the valuation is based on the sales transactions in the areas that Sveaskog owns forest assets. The valuation price consists of a five-year average that is multiplied by Sveaskog's current timber stocks in cubic metres of forest in the different areas.

In order to calculate the fair value of the biological assets – standing timber, the estimated cash flow from future income from timber extractions less felling costs has been discounted to a present value. The calculation is performed for one production cycle which for biological assets Sveaskog estimates amount to an average of 100 years in northern Sweden and 80 years in southern Sweden. Cash flows are calculated on the basis of felling volumes according to Sveaskog's current felling plan and assessment of future price and cost development. Prices are based on a rolling ten-year average (2012–2021). In terms of cost development, the current standard cost (see model assumptions below) is applied. The inflation assumptions in the model are based on estimated future development during the valuation period. Cash flows before tax are discounted using an interest rate of 4.5 per cent (4.5), which is estimated to correspond to the long-term weighted cost of capital for this asset class. Sveaskog's Board of Directors assesses that this interest rate corresponds to the long-term cost of capital for an investment in forest assets and that is not affected by short-term fluctuations in market rates. In total, Sveaskog owns a volume of standing timber amounting to 278 million cubic metres of forest (277), which forms the basis for the valuation of the forest assets. According to cur-

# Notes

## NOTE 2 VALUATION OF FOREST ASSETS, contd.

rent felling estimates, which date from 2018 and are based on a forest optimisation model, felling will amount to approximately 6.3 million m<sup>3</sup>sub per year. This level is estimated to be relatively unchanged until 2033, to then be successively increased to approximately 6.8 million m<sup>3</sup>sub by 2063. The level is then expected to be able to be increased further to 7.2–7.9 million m<sup>3</sup>sub. On 15 June 2022, Sveaskog published a press release that announced a decrease in the future level of felling after new felling calculations; these new calculations will be included in the model for the valuation of the forest assets and included in the model calculations at the turn of 2022/2023. In 2021, approximately 54 per cent (54) of Sveaskog's own forest volume was sold as sawlogs to sawmills and 42 per cent (41) comprised pulpwood which was sold to the pulp and paper industry. Other volumes consisted of, for example, biofuel in the form of rejected branches and treetops, which are primarily used as fuel wood; this volume is not included in the valuation.

The value of forest land consists of the residual of the value of the forest assets and the value of the biological assets – standing timber.

### Model assumptions

#### Forest assets

The valuation price per cubic metre of forest in SEK is based on market prices that are published and compiled by Ludvig & Co. The prices are a five-year average (2016–2020).

Timber stocks per million cubic metres of forest are based on Sveaskog's forest registers and refer to the most recent (October 2021) calculation.

#### Biological assets

Income (timber prices) is based on prices from a ten-year average (2012–2021) and then an estimated development during the valuation period with a nominal price increase of 1.75 per cent (1.75) per year; this estimated development may, however, be adjusted when the company forecasts a deviating development in its long-term business plans.

For the production costs (felling costs), a current normal cost is applied that corresponds to the average of three years (outcome for the current year, the previous year and the budget for the coming year). These costs are based on an estimated development during the valuation years of 2.0 per cent (2.0) per year.

Sveaskog has set aside areas of productive forest land as nature conservation areas. These areas are not included in the value of forest assets.

### Summary of model assumptions – Forest assets

MSEK	30 Sep 2022	30 Sep 2021
<i>Total forest assets</i>		
Valuation price per cubic metre of forest in SEK	5-year average	5-year average
Timber stocks per million cubic metres of forest	Forest registers as of October 2021	Forest registers as of October 2020
<i>Biological asset</i>		
Discount rate	4,50 %	4,50 %
Revenues	10-year average	10-year average
Nominal price increase	1.75% per year	1.75% per year
Costs	Normal cost <sup>1</sup>	Normal cost <sup>1</sup>
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.

Sensitivity analysis based on key measurement parameters and their impact on Sveaskog's standing timber is described in detail in Sveaskog's Annual Report 2021, Note 14 on pages 86–89.

### Total forest assets – biological assets and forest land

MSEK	
<b>Opening value, 1 January 2021</b>	82,430
Change during the year	594
<b>Closing values, 30 September 2021</b>	83,024
Deferred tax attributable to forest assets	17,030
<b>MSEK</b>	
<b>Opening value, 1 January 2022</b>	85,430
Change during the year	643
<b>Closing values, 30 September 2022</b>	86,073
Deferred tax attributable to forest assets	17,667

# Notes

## NOTE 2 VALUATION OF FOREST ASSETS, contd.

### Biological assets

MSEK	
<b>Opening value, 1 January 2021</b>	46,721
Acquisition of standing timber	15
Sales of standing timber	-31
Changes due to felling	-1,046
Changes in fair value	1,637
<b>Closing values, 30 September 2021</b>	47,296
<b>Opening value, 1 January 2022</b>	46,722
Acquisition of standing timber	25
Sales of standing timber	-11
Changes due to felling	-1,047
Changes in fair value	1,542
<b>Closing values, 30 September 2022</b>	47,231

### Forest land

MSEK	
<b>Opening value, 1 January 2021</b>	35,709
Acquisition of forest land	53
Sale of forest land	-34
Change in fair value	0
<b>Closing values, 30 September 2021</b>	35,728
<b>Opening value, 1 January 2022</b>	38,708
Acquisition of forest land	131
Sale of forest land	-9
Change in fair value	12
<b>Closing values, 30 September 2022</b>	38,842

## NOTE 3 FAIR VALUE

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

MSEK	Level 1		Level 2		Level 3	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
<b>ASSETS</b>						
Forest assets						
– Biological assets	–	–	–	–	47,231	46,722
– Forest land	–	–	–	–	38,842	38,708
Derivative instruments	–	–	69	3	–	–
<b>Total assets</b>	0	0	69	3	86,073	85,430
<b>LIABILITIES</b>						
Non-current liabilities	–	–	5,611	,5,849	–	–
Current liabilities	–	–	2,597	2,655	–	–
Derivative instruments	–	–	–	40	–	–
<b>Total liabilities</b>	0	0	7,667	8,306	0	0

### Measurement 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 recognised at market value. 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 2021, 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.

### Measurement techniques used to calculate fair values in Level 3

The valuation technique is shown in Note 2.

### Issues

In January–September 2022, Sveaskog has issued MSEK 4,350 (3,800) under the commercial paper programme and MSEK 500 (1,100) under the MTN programme.

# Other information

## Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Sveaskog's 2021 annual report (pages 48–52). The war in Ukraine and the subsequent sanctions against Russia cause increased fuel and spare parts costs, which increases the cost of felling. Sveaskog has a strong balance sheet and good liquidity. Sveaskog monitors the situation continuously and evaluates the effects. 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

During the year, MSEK 1,300 (850) has been paid as dividends. No other significant changes have occurred in relationships or transactions with related parties since what was described in the 2021 annual report.

The Board of Directors and CEO hereby confirm 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, 28 October 2022  
Sveaskog AB (publ.) (corp. ID no. 556558-0031)

Kerstin Lindberg Göransson  
Chairperson

Anna Belfrage  
Board member

Marie Berglund  
Board member

Leif Ljungqvist  
Board member

Måns Nilsson  
Board member

Elisabet Salander Björklund  
Board member

Sven Wird  
Board member

Kenneth Andersson  
Employee representative

Sara Östh  
Employee representative

Erik Brandsma  
President and CEO

# Review report

To the Board of Directors of Sveaskog AB (publ), Corp. ID no. 556558-0031

## Introduction

We have conducted a review of the condensed interim financial information (the interim report) for Sveaskog AB (publ) as of 30 September 2022 and the nine-month period ending on that date. Responsibility for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on this interim report based on our review.

## Focus and scope of the review

We have performed our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review involves posing questions, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and significantly narrower scope than a full audit conducted in accordance with ISA and generally accepted auditing standards. The review procedures per-

formed in a review do not enable us to obtain a degree of certainty that would make us aware of all important circumstances that would have been identified if an audit had been conducted. The conclusion based on a review therefore does not have the same certainty as a conclusion based on an audit.

## Conclusion

Based on our review, we have not discovered any circumstances that would give us reason to consider that the interim report has not, in all material respects, been prepared, in respect of the Group, in accordance with IAS 34 and the Annual Accounts Act and, in respect of the parent company, in accordance with the Annual Accounts Act.

Stockholm, 28 October 2022

KPMG AB

Joakim Thilstedt  
Authorised Public Accountant



# Quarterly overview for the Sveaskog Group

## Income statements, MSEK

Quarterly overview	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Net sales	1,733	1,991	1,992	1,888	1,472	1,867	1,693	1,681
Other operating income	8	13	42	61	8	33	38	25
Operating expenses	-1,435	-1,604	-1,515	-1,599	-1,201	-1,494	-1,278	-1,364
Depreciation/amortisation and impairment	-37	-38	-38	-42	-36	-34	-35	-34
Operating profit from continuing operations	269	362	481	308	243	372	418	308
Capital gains on property disposals	3	19	3	6	0	21	3	48
Share of profit/loss of associates	118	251	233	167	245	175	80	28
Operating profit before change in value of forest assets	390	632	717	481	488	568	501	384
Change in value of forest assets	107	124	89	-610	113	183	118	12,017
Operating profit	497	756	806	-129	601	751	619	12,401
Net financial income/expense	-36	-25	-24	-30	-36	-32	-35	-42
Profit before tax	461	731	782	-159	565	719	584	12,359
Tax	-71	-99	-113	67	-66	-112	-104	-2,527
<b>Earnings</b>	<b>390</b>	<b>632</b>	<b>669</b>	<b>-92</b>	<b>499</b>	<b>607</b>	<b>480</b>	<b>9,832</b>

## Balance sheets, MSEK

Quarterly overview	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Non-current assets, non-interest-bearing	88,684	88,278	88,130	87,751	85,191	84,783	84,382	84,149
Non-current receivables, interest-bearing	5	5	5	5	4	4	4	5
Inventories	635	573	722	690	602	601	806	708
Current receivables, non-interest-bearing	2,237	1,902	1,879	1,821	1,941	2,026	1,856	1,878
Cash and cash equivalents and interest-bearing receivables	560	1,475	1,416	1,171	937	1,028	1,613	1,231
<b>Total assets</b>	<b>92,121</b>	<b>92,233</b>	<b>92,152</b>	<b>91,438</b>	<b>88,675</b>	<b>88,442</b>	<b>88,661</b>	<b>87,971</b>
Equity	63,027	62,611	63,233	62,516	60,237	59,744	59,976	59,493
Non-interest-bearing liabilities	20,801	20,512	20,490	20,308	19,832	19,823	19,798	19,629
Interest-bearing liabilities	8,293	9,110	8,429	8,614	8,606	8,875	8,887	8,849
<b>Total equity and liabilities</b>	<b>92,121</b>	<b>92,233</b>	<b>92,152</b>	<b>91,438</b>	<b>88,675</b>	<b>88,442</b>	<b>88,661</b>	<b>87,971</b>

## Performance measures

Financial KPIs	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Net debt/equity ratio, multiple <sup>1</sup>	0.12	0.12	0.11	0.12	0.13	0.13	0.12	0.13
Adjusted operating capital (excluding deferred tax), MSEK <sup>1</sup>	39,275	38,917	38,905	38,621	38,975	38,703	38,347	38,266
Return on adjusted operating capital, % <sup>2</sup>	5.6	5.9	5.8	5.2	5.5	4.5	3.6	3.4
Adjusted operating capital excluding equity participation in associates (and deferred tax), MSEK	37,561	37,301	37,251	37,220	37,742	37,715	37,518	37,498
Return on adjusted operating capital excluding associates, % <sup>2</sup>	3.8	3.7	3.8	3.6	4.1	3.8	3.3	3.5
Equity ratio, %	68	68	69	68	68	68	68	68
Return on equity, % <sup>2</sup>	2.6	2.8	2.7	2.4	27.3	26.6	25.8	26.2
Capital turnover rate, operating capital, multiple	0.10	0.11	0.11	0.11	0.09	0.11	0.10	0.14
Interest coverage ratio, multiple <sup>2,3</sup>	18.3	19.5	18.1	15.1	12.7	10.1	7.6	7.6
Operating margin, %	28.7	38.0	40.4	-6.9	40.8	40.2	36.6	737.5
Net interest-bearing debt, MSEK	7,728	7,630	7,008	7,438	7,665	7,843	7,270	7,613
Average interest rate in loan portfolio, %	0.95	0.77	0.63	1.32	1.34	1.36	1.36	1.57
Average net fixed interest period, months	25	26	28	28	28	33	32	31

Other KPIs	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
<i>Investments, MSEK</i>								
Business acquisitions and investments in shares	-	-	-	0	0	5	1	0
Other investments	188	31	35	66	63	48	53	88
<i>Staff</i>								
Number of employees at the end of the period	727	716	713	711	705	709	712	713
Average number of employees	773	806	758	825	800	828	778	827

1) Adjusted operating capital excludes the land value and the deferred tax payable on it.

2) Rolling 12 months.

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

# Alternative KPIs and definitions

The company presents certain financial measures in the interim report that are not defined in accordance with IFRS. The company believes that these measures provide valuable additional information to investors and management, as they enable an evaluation of the company's performance. Since not all companies calculate financial metrics in the same way, these are not always comparable with the metrics used by other companies. These financial measures should therefore not be seen as a substitute for measures defined in accordance with IFRS. The following table presents metrics that are not defined in accordance with IFRS, unless otherwise stated.

## Return on equity

**Definition:** Reported profit after tax expressed as a percentage of average equity. The Group's definition has not been changed since previous periods.

**Comment:** Sveaskog considers that the ratio measures the company's annual return on the capital invested in the business by the owner and thus shows how profitable the company is for its shareholders.

Return on equity	Oct 2021– Sep 2022	Oct 2020– Sep 2021	Full year 2021
Equity OB	60,237	23,499	59,493
Equity CB	62,611	60,237	62,516
Average equity (OB + CB)/2	61,424	41,868	61,005
Profit for the year	1,599	11,418	1,494
Divided by average equity	61,424	41,868	61,005
<b>= Return on equity, %</b>	<b>2.6%</b>	<b>27.3%</b>	<b>2.4%</b>

## Capital turnover rate

**Definition:** Net sales divided by average operating capital.

## Earnings per share (defined in accordance with IFRS)

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

## Operating profit from continuing operations

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

## Operating margin

**Definition:** Operating profit expressed as a percentage of net sales.

## Return on adjusted operating capital

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

**Comment:** Sveaskog believes that the ratio gives a true and fair picture of the company's return excluding financial assets and financing choices.

Return on adjusted operating capital	Oct 2021– Sep 2022	Oct 2020– Sep 2021	Full year 2021
Operating profit before change in value of forest assets	2,220	1,941	2,038
Less capital gains on property disposals	-31	-72	-30
Subtotal	2,189	1,869	2,008
Adjusted operating capital OB	38,975	28,536	38,266
Adjusted operating capital CB	39,275	38,975	38,621
Average adjusted operating capital (OB + CB)/2	39,125	33,756	38,444
Subtotal as above	2,189	1,869	2,008
Divided by average adjusted operating capital	39,125	33,756	38,444
<b>= Return on adjusted operating capital, %</b>	<b>5.6%</b>	<b>5.5%</b>	<b>5.2%</b>

## Return on adjusted operating capital excluding equity participation in associates

**Definition:** Operating profit before change in value of forest assets, excluding capital gains on property sales and equity interests in associates, divided by average adjusted operating capital, excluding equity interests in associates and deferred tax. The Group's definition is new as Sveaskog has new financial targets.

**Comment:** Sveaskog believes the ratio gives a true and fair picture of the company's return excluding financial assets and financing choices.

Return on adjusted operating capital excluding equity participation in associates	Oct 2021 – Sept 2022	Oct 2020 – Sept 2021	Full year 2021
Operating profit before change in value of forest assets	2,220	1,941	2,038
Less capital gains on property disposals	-31	-72	-30
Less equity participation in associates	-769	-528	-667
Subtotal	1,420	1,341	1,341
Adjusted operating capital excl. equity participations in associates OB	37,742	27,810	37,498
Adjusted operating capital excl. equity participations in associates CB	37,561	37,742	37,220
Average adjusted operating capital excl. equity interests in associates (OB + CB)/2	37,652	32,776	37,359
Subtotal as above	1,420	1,341	1,341
Divided by average adjusted operating capital, excluding equity participation in associates	37,652	32,776	37,359
<b>= Return on adjusted operating capital excluding equity participation in associates, %</b>	<b>3.8%</b>	<b>4.1%</b>	<b>3.6%</b>

**Net debt/equity ratio**

**Definition:** Net interest-bearing debt divided by equity, calculated at the end of the period/year. The Group's definition has not changed compared to previous periods.

**Comment:** Net debt/equity ratio is one of the ratios for which Sveaskog already defines financial targets, but the target range has been updated to 0.05–0.30. Sveaskog considers that the ratio reflects the scope for dividends and strategic investments as well as enabling assessments of the Group's ability to fulfil its financial obligations.

Net debt/equity ratio	Sep 2022	Sep 2021	Full year 2021
Net interest-bearing debt	7,728	7,665	7,438
Divided by equity	62,611	60,237	62,516
<b>= Net debt/equity ratio, multiple</b>	<b>0.12</b>	<b>0.13</b>	<b>0.12</b>

**Adjusted operating capital**

**Definition:** Total assets excluding interest-bearing assets, tax assets and assets held for sale and the land value minus non-interest-bearing liabilities and deferred tax liabilities (except the part of the land value), all calculated at the end of the period/year. The key performance indicator is calculated including and excluding equity participation in associates. The Group's definition is new as Sveaskog has new financial targets.

**Comment:** Sveaskog calculates adjusted operating capital for the key ratios return on operating capital and average operating capital.

Adjusted operating capital	Sep 2022	Sep 2021	Full year 2021
Current receivables etc., non-interest bearing	2,184	1,915	1,801
– of which advances to suppliers	250	199	244
– of which tax assets	294	236	101
– of which trade receivables, loans and other receivables	1,640	1,480	1,456
Other current liabilities	1,963	1,682	1,579
– of which tax liabilities	212	239	67
– of which trade and other payables	1,751	1,443	1,512
Balance sheet total	92,121	88,675	91,438
Less interest-bearing assets (cash and cash equivalents)	–560	–937	–1,171
Less interest-bearing receivables (non-current)	–5	–4	–5
Less tax assets	–294	–236	–101
Less other liabilities and provisions (non-current)	–18,838	–18,150	–18,729
Less contract liabilities	0	0	0
Less trade and other payables	–1,751	–1,443	–1,512
<b>= Operating capital, MSEK</b>	<b>70,673</b>	<b>67,905</b>	<b>69,920</b>
Restoration of land value	–38,842	–35,728	–38,708
Deferred tax attributable to land value	7,444	6,798	7,409
<b>= Adjusted operating capital, MSEK</b>	<b>39,275</b>	<b>38,975</b>	<b>38,621</b>
Less equity participation in associates	–1,714	–1,233	–1,401
<b>= Adjusted operating capital excl. equity participations in associates, MSEK</b>	<b>37,561</b>	<b>37,742</b>	<b>37,220</b>

**Net interest-bearing debt**

**Definition:** Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the period/year. The Group's definition has not been changed since previous periods.

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

Net interest-bearing debt	Sep 2022	Sep 2021	Full year 2021
Interest-bearing assets (cash and cash equivalents and non-current receivable)	565	941	1,176
Interest-bearing liabilities and provisions (non-current)	–5,611	–5,867	–5,849
Interest-bearing liabilities (current)	–2,682	–2,739	–2,765
<b>= Net interest-bearing debt, MSEK</b>	<b>–7,728</b>	<b>–7,665</b>	<b>–7,438</b>

**Interest coverage ratio**

**Definition:** Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses. The Group's definition has not been changed since previous periods.

**Comment:** Sveaskog considers that the ratio shows the company's ability to cover its financial expenses (interest, etc.).

Interest coverage ratio	Oct 2021–Sep 2022	Oct 2020–Sep 2021	Full year 2021
Financial items in the income statement	–115	–145	–133
– of which financial income	5	2	0
– of which financial expenses	–120	147	–133
Operating profit before change in value of forest assets	2,220	1,941	2,038
Less capital gains on property disposals	–31	–72	–30
Plus financial income	5	2	0
Subtotal	2,194	1,871	2,008
Divided by financial expenses	120	147	133
<b>= Interest coverage ratio, multiple</b>	<b>18.3</b>	<b>12.7</b>	<b>15.1</b>

**Equity ratio**

**Definition:** Equity divided by total assets, all calculated at the end of the period/year. The Group's definition has not been changed since previous periods.

**Comment:** Sveaskog considers that this performance measure shows how large a share of the company's assets is financed with equity and indicates the company's sensitivity to interest rate fluctuations.

Equity ratio	Sep 2022	Sep 2021	Full year 2021
Equity	62,516	60,237	62,516
Divided by total assets	92,121	88,675	91,438
<b>= Equity ratio, %</b>	<b>68%</b>	<b>68%</b>	<b>68%</b>

# Contact

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Year-end report 2022  
Annual Report and Sustainability Report

27 January 2023  
March 2023

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