

## Alternative performance measures

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

### Operating capital

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

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

|   | Full year 2018 | Full year 2017 |
|---|----------------|----------------|
| Current receivables etc., non interest-bearing              | 1,846          | 1,648          |
| - of which advance payments to suppliers                    | 219            | 168            |
| - of which tax assets                                       | 1              | 1              |
| - of which accounts receivable, loans and other receivables | 1,626          | 1,479          |
| Current: other liabilities                                  | 1,397          | 1,262          |
| - of which tax liabilities                                  | 156            | 91             |
| - of which accounts payable and other liabilities           | 1,241          | 1,171          |
| Total assets  | 40,751         | 39,592         |
| Minus interest-bearing assets (cash and cash equivalents)   | -847           | -1,681         |
| Minus tax assets  | -1             | -1             |
| Minus other liabilities and provisions (non-current)        | -8,382         | -8,421         |
| Minus contract liabilities                                  | -1             | -2             |
| Minus accounts payable and other liabilities                | -1,241         | -1,171         |
| <b>Operating capital</b>                                    | <b>30,279</b>  | <b>28,316</b>  |

### Yield

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

*Comment:* Yield is one of Sveaskog's financial targets. The target is an average yield of at least 4.5%.

The target reflects the return on Sveaskog's operating activities without the impact of forest asset valuation and incidental property sales.

|  | Full year 2018 | Full year 2017 |
|--|----------------|----------------|
| Operating profit before change in value of forest assets | 1,807          | 1,677          |
| Minus capital gains on property sales                    | -234           | -321           |
| <b>Subtotal</b>  | <b>1,573</b>   | <b>1,356</b>   |
| Operating capital, opening balance                       | 28,316         | 28,134         |
| Operating capital, closing balance                       | 30,779         | 28,316         |
| Average operating capital (OB + CB)/2                    | 29,298         | 28,225         |
| <b>Subtotal from above</b>                               | <b>1,573</b>   | <b>1,356</b>   |
| Divided by average operating capital                     | 29,298         | 28,225         |
| <b>= YIELD IN %</b>                                      | <b>5.4%</b>    | <b>4.8%</b>    |

## Alternative performance measures, contd

### Interest-bearing net debt

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

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

|   | Full year 2018 | Full year 2017 |
|---|----------------|----------------|
| Interest-bearing assets (cash and cash equivalents)       | 847            | 1,681          |
| Interest-bearing liabilities and provisions (non-current) | -5,088         | -5,626         |
| Interest-bearing liabilities (current)                    | -2,773         | -3,465         |
| <b>Interest-bearing net debt</b>                          | <b>-7,014</b>  | <b>-7,410</b>  |

### Net debt/equity ratio

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

*Comment:* Net debt/equity ratio is one of Sveaskog's financial targets. The target is a net debt/equity ratio in the range 0.3–0.6.

Sveaskog considers that this performance measure reflects the possibility for dividends and implementation of strategic investments as well as assessing the Group's ability to meet its financial commitments.

|  | Full year 2018 | Full year 2017 |
|--|----------------|----------------|
| Interest-bearing net debt                | 7,014          | 7,410          |
| Divided by equity                        | 23,110         | 20,816         |
| <b>= Net debt/equity ratio, multiple</b> | <b>0.30</b>    | <b>0.36</b>    |

### Return on operating capital

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

The Group's definition is unchanged compared with previous periods.

*Comment:* Sveaskog considers that this measure shows the company's return in a fair manner independent of financial assets and financing options.

|   | Full year 2018 | Full year 2017 |
|---|----------------|----------------|
| Operating profit                          | 3,504          | 1,877          |
| Divided by average operating capital      | 29,298         | 28,225         |
| <b>= Return on operating capital in %</b> | <b>12.0%</b>   | <b>6.6%</b>    |

### Return on equity

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

*Comment:* Sveaskog considers that this performance measure reflects the company's return during the year on the capital the owner has invested in the business, and therefor shows how profitable the company is for its shareholders.

|                                | Full year 2018 | Full year 2017 |
|--------------------------------|----------------|----------------|
| Equity, opening balance        | 20,816         | 20,203         |
| Equity, closing balance        | 23,110         | 20,816         |
| Average equity (OB + CB)/2     | 21,963         | 20,510         |
| Profit for the year            | 3,168          | 1,384          |
| Divided by average equity      | 21,963         | 20,510         |
| <b>= Return on equity in %</b> | <b>14.4%</b>   | <b>6.7%</b>    |

## Alternative performance measures, contd

### Interest cover

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

*Comment:* Sveaskog considers that this performance measure indicates the company's ability to meet its financial expenses (interest etc).

|  | Full year 2018 | Full year 2017 |
|--|----------------|----------------|
| Financial items in the income statement                  | -141           | -133           |
| - of which financial income                              | 2              | 3              |
| - of which financial expenses                            | -143           | -136           |
| Operating profit before change in value of forest assets | 1,807          | 1,677          |
| Minus capital gains on property sales                    | -234           | -321           |
| Plus financial income                                    | 2              | 3              |
| Subtotal   | 1,575          | 1,359          |
| Divided by financial expenses                            | 143            | 136            |
| <b>= Interest cover, multiple</b>                        | <b>11.0</b>    | <b>10.0</b>    |

### Equity/assets ratio

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

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

|                                   | Full year 2018 | Full year 2017 |
|-----------------------------------|----------------|----------------|
| Equity                            | 23,110         | 20,816         |
| Divided by total assets           | 40,751         | 39,592         |
| <b>= Equity/assets ratio in %</b> | <b>57%</b>     | <b>53%</b>     |