

Alternative performance measures

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 measures 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 measures that are not defined in accordance with IFRS, unless otherwise stated.

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 has not been changed since previous periods.

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

	Sep 2020	Sep 2019	Full year 2019
Current receivables etc., non-interest bearing	2,078	1,959	1,677
- of which advance payments to suppliers	196	249	165
- of which tax assets	277	178	34
- of which trade receivables, loans and other receivables	1,605	1,532	1,478
Current: other liabilities	1,421	1,581	1,193
- of which tax liabilities	243	248	47
- of which trade payables and other liabilities	1,178	1,333	1,146
Total assets	42,292	41,706	41,549
Less interest-bearing assets (cash and cash equivalents)	-978	-1,071	-1,114
Less interest-bearing receivables (non-current)	-4	-3	-4
Less tax assets	-277	-178	-34
Less other liabilities and provisions (non-current)	-8,587	-8,465	-8,513
Less contract liabilities	-2	-1	-2
Less trade and other payables	-1,178	-1,333	-1,146
= Operating capital, MSEK	31,266	30,655	30,736

Dividend yield

Definition: Operating profit before change in value of forest assets, excl. capital gains on property sales, divided by average operating capital, excl. deferred tax. The Group's definition has not been changed since previous periods.

Comment: Dividend yield is one of Sveaskog's financial targets. The target is an average dividend yield of at least 4.5 per cent. The target reflects the return on Sveaskog's operating activities excluding the impact of forest valuations and temporary property sales.

	Oct 2019 – Sep 2020	Oct 2018 – Sep 2019	Full year 2019
Operating profit before change in value of forest assets	1,363	1,832	1,694
Less capital gains on property disposals	-202	-216	-185
Subtotal	1,161	1,616	1,509
Operating capital OB	30,655	29,021	30,440
Operating capital CB	31,266	30,655	30,736
Average operating capital (OB + CB)/2	30,961	29,838	30,588
Subtotal as above	1,161	1,616	1,509
Divided by average operating capital	30,961	29,838	30,588
= Dividend yield, %	3.7%	5.4%	4.9%

Alternative performance measures, cont.

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 key ratio net debt/equity ratio.

	Sep 2020	Sep 2019	Full year 2019
Interest-bearing assets (cash and cash equivalents and non-current receivable)	982	1,074	1,118
Interest-bearing liabilities and provisions (non-current)	-6,161	-5,610	-5,642
Interest-bearing liabilities (current)	-2,622	-2,760	-2,625
= Net interest-bearing debt, MSEK	-7,801	-7,296	-7,149

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 been changed since previous periods.

Comment: Net debt/equity ratio is one of the ratios for which Sveaskog defines financial targets. The target is a ratio in the range of 0.3–0.6. 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.

	Sep 2020	Sep 2019	Full year 2019
Net interest-bearing debt	7,801	7,296	7,149
Divided by equity	23,499	23,289	23,574
= Net debt/equity ratio, multiple	0.33	0.31	0.30

Return on operating capital

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

The Group's definition has not been changed since previous periods.

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

	Oct 2019 – Sep 2020	Oct 2018 – Sep 2019	Full year 2019
Operating profit	1,800	3,749	2,093
Divided by average operating capital	30,961	29,838	30,588
= Return on operating capital, %	5.8%	12.6%	6.8%

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.

	Oct 2019 – Sep 2020	Oct 2018 – Sep 2019	Full year 2019
Equity OB	23,289	21,533	23,145
Equity CB	23,499	23,289	23,574
Average equity (OB + CB)/2	23,394	22,411	23,360
Profit for the year	1,307	2,861	1,558
Divided by average equity	23,394	22,411	23,360
= Return on equity, %	5.6%	12.8%	6.7 %

Alternative performance measures, cont.**Interest cover 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.)

	Oct 2019 – Sep 2020	Oct 2018 – Sep 2019	Full year 2019
Financial items in the income statement	-149	-163	-130
- of which financial income	-3	-22	0
- of which financial expenses	-146	-141	-130
Operating profit before change in value of forest assets	1,363	1,832	1,694
Less capital gains on property disposals	-202	-216	-185
Plus financial income	-3	-22	0
Subtotal	1,158	1,594	1,509
Divided by financial expenses	146	141	130
= Interest coverage ratio, multiple	7.9	11.3	11.6

Equity ratio

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

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

	Sep 2020	Sep 2019	Full year 2019
Equity	23,499	23,289	23,574
Divided by total assets	42,292	41,706	41,549
= Equity ratio, %	56%	56%	57%