

Interim report

January – September 2018



Sveaskog's CEO Per-Olof Wedin visits Ljusdal after the fires. Fantastic efforts by the emergency services, forest company employees, contractors and volunteers, meant that the fires being extinguished and the damage limited. Photo: Peter Häger.

1 July – 30 September 2018

- Net sales, which comprise both deliveries from Sveaskog's own forests and externally procured wood raw material, increased by 17% to SEK 1,509 million (1,294). Prices rose by an average of 13% and total delivery volumes increased by over 3%.
- Operating profit from continuing operations increased by 23% and amounted to SEK 256 million (208). Higher prices and income from sales of non-forest land, were counteracted by a 5% decrease in delivery volumes from Sveaskog's own forests and costs of SEK 25 million related to forest fires.
- The net change in the carrying amount of standing timber amounted to SEK 85 million (54).
- Profit for the quarter increased by 33% and amounted to SEK 292 million (220).
- Earnings per share increased by 33% and amounted to SEK 2.47 (1.86).

1 January – 30 September 2018

- Net sales, which comprise both deliveries from Sveaskog's own forests and externally procured wood raw material, increased by 11% to SEK 5,076 million (4,593). Prices rose by an average of 9% and total delivery volumes increased by 2%.
- Operating profit from continuing operations increased by 11% and amounted to SEK 1,031 million (933). Higher prices were counteracted to some extent by a 6% decrease in delivery volumes from own forests and costs of SEK 30 million related to forest fires.
- Yield, measured over a rolling 12 month-period, amounted to 5.2% (4.6).
- The net change in the carrying amount of standing timber amounted to SEK 206 million (162).
- Profit for the period increased by 59% and amounted to SEK 1,593 million (999). Changed corporate tax rules had a positive earnings impact of SEK 477 million.
- Earnings per share increased by 59% and amounted to SEK 13.45 (8.44).

SEKm	3 months			9 months			12 months		
	Jul-Sep 2018	2017	%	Jan-Sep 2018	2017	%	Oct 2017- Sep 2018	Full year 2017	%
Net sales	1,509	1,294	17	5,076	4,593	11	6,689	6,206	8
Operating profit from continuing operations	256	208	23	1,031	933	11	1,346	1,248	8
Change in value of forest assets	85	54	57	206	162	27	244	200	22
Operating profit	397	313	27	1,468	1,341	9	1,954	1,827	7
Profit before tax	367	281	31	1,398	1,270	10	1,847	1,719	7
Profit for the period	292	220	33	1,593	999	59	1,953	1,359	44
Cash flow from operating activities	206	148	39	840	794	6	849	803	6
Earnings per share, SEK	2.47	1.86	33	13.45	8.44	59	16.49	11.48	44

Performance measures ¹⁾, Group

	Jan-Sep 2018	Jan-Sep 2017	Oct 2017- Sep 2018	Full year 2017
Yield, % ²⁾ (target at least 4.5%)	5.2	4.6	5.2	4.6
Net debt/equity ratio, multiple (target 0.3–0.6)	0.34	0.38	0.34	0.36
Return on operating capital, % ²⁾	6.9	6.2	6.9	6.5
Return on equity, % ²⁾	9.4	6.4	9.4	6.7
Interest cover, multiple ^{2, 3)}	11.2	9.9	11.2	9.8
Equity ratio, %	55	52	55	52
Interest-bearing net debt, SEKm	7,292	7,624	7,292	7,410
Average number of employees	810	821	810	846
Total delivery volumes, thousand m ³ sub	8,140	8,027	10,931	10,817

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

2) Rolling 12 months.

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



CEO's comments

Good result despite hard challenges

Sveaskog's operating profit from continuing operations for the period January–September 2018 amounted to SEK 1,031 million (933), an increase of 11%.

Our market situation remains good with rising prices for our products which had a positive impact on earnings. Difficult production conditions during much of the year, however, had a negative impact on both felling costs and deliveries from our own forests. In most cases, we have fulfilled deliveries to our customers but with a higher proportion of externally procured raw material where the margins are lower than

for our own forests. Net sales totalled SEK 5,076 million (4,593). Sveaskog's total sales of wood raw material in the period January–September amounted to 8.1 million m³sub (8.0) of which 4.6 million m³sub (4.9) from our own forests.

The market situation for our customers is still very strong with high prices for both paper pulp and sawn wood products. The latter is due to a strong construction climate. Our associated company the wood products company Setra Group reports a strong earnings trend and contributed SEK 115 million (38) to our operating profit.

Yield on a rolling 12-month basis amounted to 5.2% (4.6) thereby exceeding the yield target of 4.5%.

Extensive forest fires

During the summer there were a number of forest fires in different locations in Sweden. For Sveaskog the total fire-damaged area was approximately 4,000 hectares. Happily the fires did not result in any personal injuries but the material damage is obviously significant for a number of forest owners. Magnificent efforts by the emergency services, forest company employees, contractors and volunteers meant that the fires could be extinguished and the damage limited. This was an heroic effort carried out by many people. In addition to the loss in timber values, Sveaskog has costs related to the fires in the form of preventive measures which totalled SEK 30 million most of which was charged to the third quarter. Felling of parts of the fire area started in September. The sawlogs are being delivered to Setra's sawmill in Färila which has reconfigured the mill in order to be able to saw fire-damaged timber.

Sveaskog is working in partnership with others in the forest industry to identify measures so that the industry and society will be better equipped ahead of future forest fires.

Increased production combined with major nature consideration

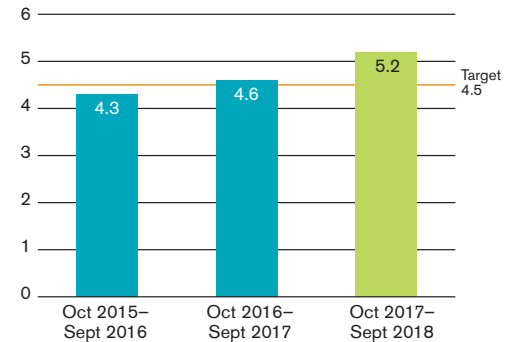
Sveaskog supplies bio-based products to customers which are often world leaders in their sectors. We are working to increase the value of the forest and are using efficient production chains so that our customers can also increase the value of their business.

Sveaskog aims to increase production while working to create substantial bio-diversity. The recipe is greater variation, daring to try new things and not conduct forest management and nature conservation in the same way everywhere. We will make use of the opportunities and tools that we have. Where we have the best production conditions, we will ensure that we put every effort into the forest and where we have the highest conservation values, we will develop them.

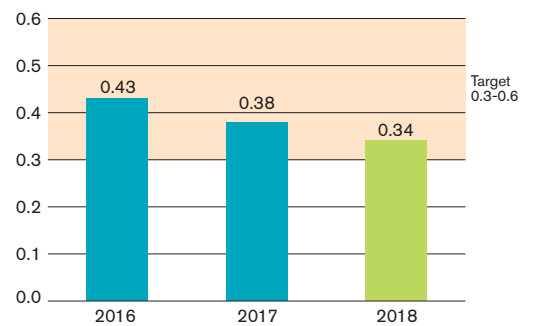
The balance between production and consideration for nature is important. The consideration that Sveaskog shows today will be noticeable in future production forests with a greater variety of old and young trees as well as increased species diversity. The forest we have established over the past 15 years will in future, on average, contain more old, thick trees, more deadwood and more deciduous trees than many nature reserves today.

Per-Olof Wedin, President and CEO.

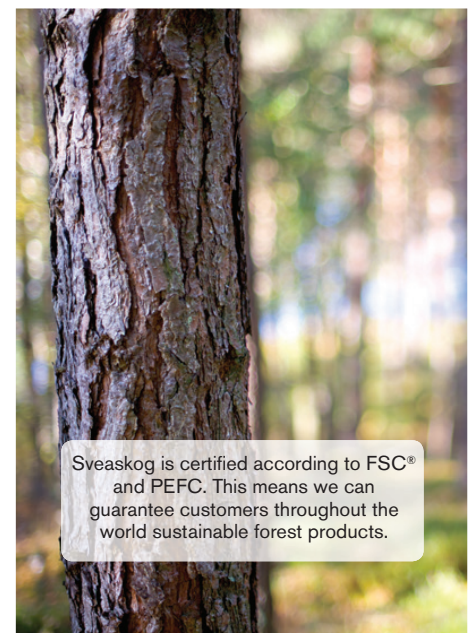
Yield, %, rolling 12 months



Net debt/equity ratio, multiple, 30 September



Sustainability



Sveaskog is certified according to FSC® and PEFC. This means we can guarantee customers throughout the world sustainable forest products.

Group performance

1 JULY – 30 SEPTEMBER 2018

Net sales

Net sales, which comprise both deliveries from Sveaskog's own forests and externally procured wood raw material, increased to SEK 1,509 million (1,294), an increase of 17%. Prices rose by an average of just over 13% and total deliveries increased by over 3% compared with the same period in the previous year. Sales of wood raw material amounted to 2.3 (2.3) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations increased by 23% and amounted to SEK 256 million (208). Higher prices and income from sales of non-forest land were counteracted to some extent by lower delivery volumes from own forests and increased costs related to the forest fires during the summer. The latter mainly comprise costs for fire prevention, fire monitoring and final extinguishing.

Capital gains from property sales amounted to SEK 31 million (47). Share of profits of the associate Setra Group amounted to SEK 25 million (4). The net change in the carrying amount of standing timber was SEK 85 million (54). After change in value of forest assets, operating profit amounted to SEK 397 million (313).

Net financial items for the quarter amounted to SEK –30 million (–32). Profit before tax increased to SEK 367 million (281). Tax for the period amounted to SEK –75 million (–61). Profit for the quarter increased by 33% to SEK 292 million (220).

1 JANUARY – 30 SEPTEMBER 2018

Net sales

Net sales, which comprise both deliveries from Sveaskog's own forests and externally procured wood raw material, increased by 11% to SEK 5,076 million (4,593). Prices rose by an average of 9% and total delivery volumes increased by 2% compared with the corresponding period in the previous year. Sales of wood raw material amounted to 8.1 (8.0) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations increased by 11% and amounted to SEK 1,031 million (933). Higher prices were counteracted to some extent by a 6% decrease in delivery volumes from own forests. The main reasons for this were the extremely snowy winter and the record-dry summer which had a negative impact on felling, soil scarification, planting and our external sales of seedlings and seed. The difficult planting conditions also led to seedlings with a value of SEK 5 million being discarded.

A number of fires raged in our forests during the summer which led to direct additional costs of SEK 30 million attributable to preventive measures, monitoring and final extinguishing. However, the total costs for silviculture and nature conservation were lower.

Capital gains from property sales amounted to SEK 116 million (208). Share of profits of the associate Setra Group amounted to SEK 115 million (38). The net change in the carrying amount of standing timber amounted to SEK 206 million (162). After change in value of forest assets, operating profit amounted to SEK 1,468 million (1,341).

Net financial items for the period amounted to SEK –70 million (–71). Profit before tax increased to SEK 1,398 million (1,270). Tax for the period was positive due to the reduction in corporate tax decided by the Swedish parliament in June which affected deferred tax. Tax for the period amounted to SEK 195 (–271) million, of which SEK 477 million is due to the changed tax rules. Profit for the period increased by 59% to SEK 1,593 million (999).

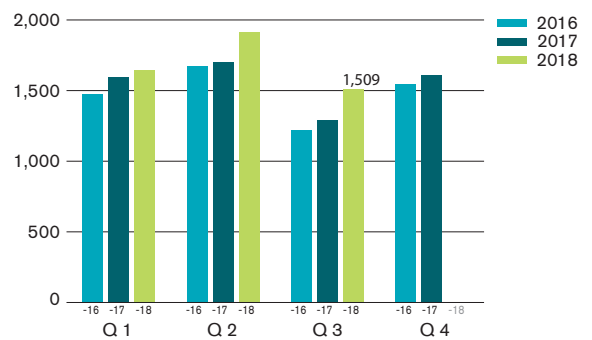
Cash flow, investments and financial position

Cash flow from operating activities for the period January–September amounted to SEK 840 million (794). Investments in property, plant and

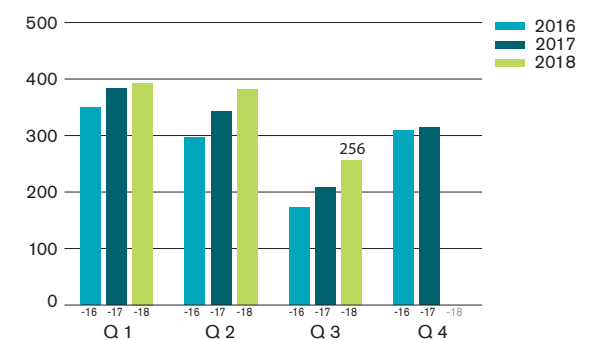
Change, net sales SEKm

	Quarter 3 2018	Jan–Sep 2018
2017	1,294	4,593
Price, wood raw material	161	377
Delivery volumes, wood raw material	22	59
Other	32	47
2018	1,509	5,076

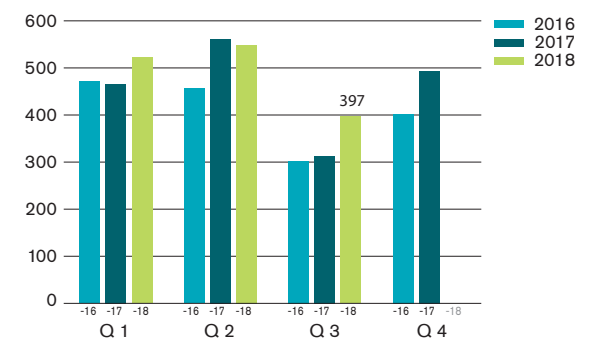
Net sales, SEKm



Operating profit from continuing operations, SEKm



Operating profit, SEKm



equipment amounted to SEK 170 million (174) and investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 284 million (402). Share dividends received totalled SEK 56 million (78) of which SEK 29 million (50) from Setra Group AB and SEK 27 million (28) from other share-holdings.

Sveaskog's interest-bearing net debt at 30 September amounted to SEK 7,292 million (7,624). At the end of the period, the loan portfolio mainly comprised loans issued under Sveaskog's MTN programme as well as a Swedish commercial paper programme. The loan volume under the commercial paper programme, which is refinanced regularly, amounted to SEK 2,160 million (2,710). The outstanding volume under the MTN programme at 30 September was SEK 4,390 million (4,990). The lowest average fixed interest period was 34 months.

Net debt/equity ratio amounted to 0.34 (0.38).

Interest cover amounted to 11.2 (9.9) and the gross borrowing cost was 1.33% (1.29).

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. Operating income for Sveaskog AB (publ.) for the period January–September was SEK 42 million (36), of which capital gains accounted for SEK 31 million (26). Loss after financial items amounted to SEK 154 million (–150). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

Setra Group AB

Sveaskog owns 50% of the shares in the wood products company Setra Group AB which is reported as an associate. Share of profits of associates is recognised in the consolidated income statement. Net sales for the period January–September amounted to SEK 3,325 million (3,027). Operating profit amounted to SEK 237 million (107). The improved earnings are due to higher prices and higher volumes resulting from a favourable market situation. Sveaskog's share of profits of the company adjusted for intra-group profits increased by 203% to SEK 115 million (38). Sveaskog's share of Setra Group's other comprehensive income amounted to SEK 8 million (12).

Market situation and timber deliveries

Sveaskog conducts trading in wood raw material in Sweden and more than half of the material comes from the company's own forests. The main product range is sawlogs, pulpwood and chips, and biofuel. Most of Sveaskog's customers are in Sweden and the majority of these export a large proportion of their products worldwide.

The largest market for Swedish forest industry with regard to paper pulp, paper and sawn wood products is Europe, including Sweden. However, the overall development of global demand for these products is also very important. The business climate has been positive during the first nine months of the year. The favourable growth with high employment and low interest rates is expected to continue. There is still significant stimulation from the Riksbank with weak underlying inflationary pressure.

Within forest industry, market conditions remain very good with very favourable prices, particularly measured in Swedish kronor.

Exchange rate fluctuations continue to have a significant impact on the profitability of Swedish forest industry. The weakening of the Swedish krona which has been taking place for a year is expected to continue.

In 2018, disruptions caused by the weather and resource availability have limited supplies of wood raw material.

SAWMILLS

The market for sawn wood products and therefore for sawlogs mainly depends on construction activity. Sweden is the largest individual market for the sawmills and demand for sawn wood products has been considerable but is falling due to declining construction activity. The price fall for properties has ceased. New construction in the coming year is expected to be

Change, operating profit from continuing operations, SEKm

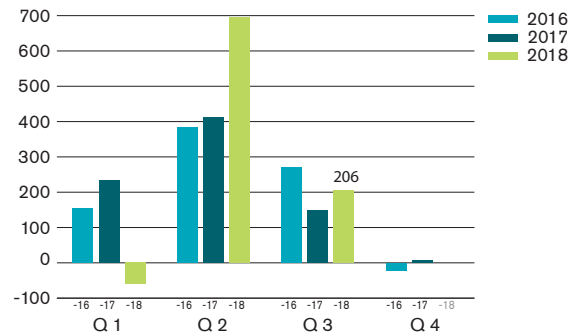
	Quarter 3 2018	Jan–Sep 2018
2017	208	933
Price, own wood raw material	66	174
Volume and change in inventories, own wood raw material	–42	–99
Costs of drought and fires	–25	–30
Silviculture and nature conservation	14	42
Seedling operations	–8	–16
Other property transactions *	29	–14
Other **	14	41
2018	256	1,031

* Other property transactions relate to combined:

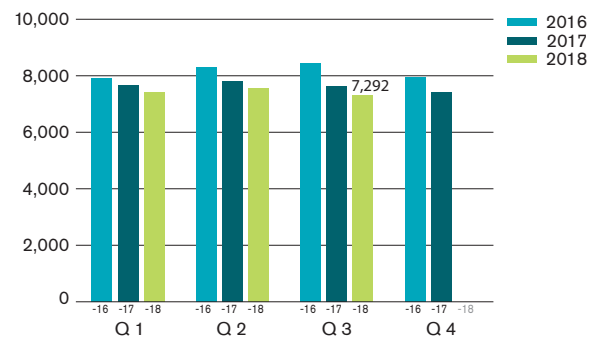
Ecological compensation	0	–13
Permanent tenure, other	1	–3
Sales of non-forest land	28	2
Other property transactions	29	–14

** Relates among other things to trading in externally procured raw material.

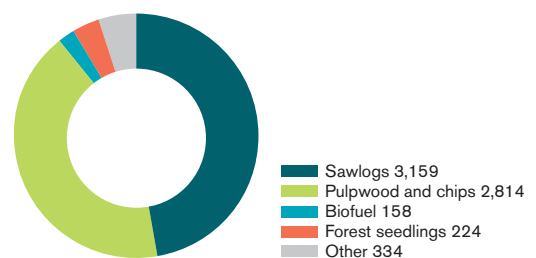
Cash flow from operating activities, per quarter, SEKm



Interest-bearing net debt, SEKm



Sales per product, rolling 12 months, SEKm



clearly lower than in 2018. Viewed over the whole of Europe, the building sector will continue to expand into 2019 at the highest levels since the 2008 financial crisis. In the international market, there is cause for concern in the form of reduced deliveries to China and sharp price falls in North America, disruptions that can spread to the European market. Stocks of finished products at the sawmills are low, however, which means that only minor price adjustments are expected. Profitability for the sawmills is very good.

International competition comes, among others, from Finland, Germany and Russia. Russian volume expansion is focused on China where it is the leading supplier. German and Finnish production is increasing driven by the market situation and good access to sawlogs.

Production in Swedish sawmills is at a high but not record level. In parts of the country the availability of sawlogs is inhibiting production. Stocks of finished goods have risen from the lowest levels in March but remain low. The order situation is expected to remain good and many sawmills anticipate higher production in the fourth quarter. The price of sawlogs is rising.

Sveaskog's deliveries

Sveaskog delivered 928 (932) thousand m³sub of sawlogs in the third quarter, which is in principle an unchanged level compared with the corresponding period last year. For the period October 2017 to September 2018 deliveries totalled 4,694 (4,733) thousand m³sub.

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. Prices rose sharply in 2017 and 2018. The price level exceeded 1,200 USD/tonne during the summer.

Sweden's exports of paper and cartonboard mainly for packaging material are increasing. Demand for newsprint continues to decrease at a rate of about 5% per year. Production capacity is being closed down or converted to products with better market prospects. Taken overall, Swedish paper and cartonboard production has seen a positive trend since 2012 with rising volumes and prices. The price of packaging material has risen very sharply since the turnaround at the beginning of 2017. Graphic products have mainly followed development despite lower volumes. Completed investments in forest industry have raised production capacity. The market for fibre raw material has strengthened significantly in pace with increased consumption and the favourable business climate.

Sveaskog's deliveries

Sveaskog delivered 1,344 (1,286) thousand m³sub of pulpwood and chips in the third quarter which is 4% higher than in the corresponding period last year. For the period October 2017 to September 2018, deliveries totalled 5,699 (5,460) thousand m³sub.

BIOFUEL MARKET

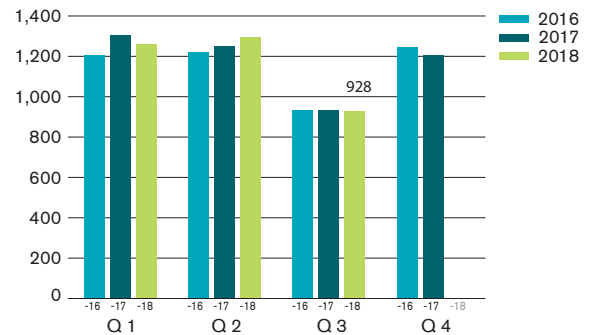
The biofuel market is regional and local due to transport costs. Customers are CHP plants as well as energy-producing forest industry. Demand for biofuel was strong in southern Sweden, more balanced in central Sweden and weak in the northern part of the country. There is considerable competition from other fuels such as waste and recycled wood. More efficient energy production and distribution also have an impact on demand.

Availability of biofuel declined sharply during the period. Production is at a low level and more volume is being converted into fibre raw material. Our current assessment is that sufficient volume is not available in the market. Price levels are rising throughout the entire value chain.

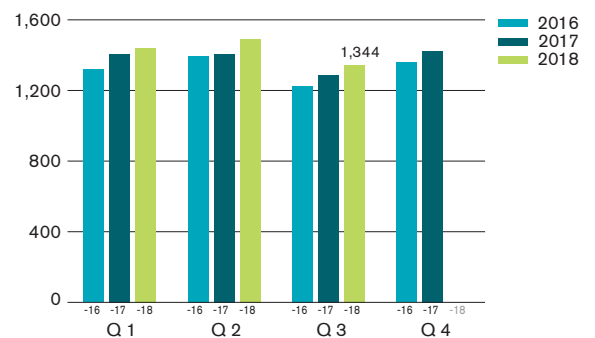
Sveaskog's deliveries

Sveaskog delivered 64 (77) thousand m³sub of biofuel in the third quarter which is 17% lower than in the corresponding period last year. For the period October 2017 to September 2018, deliveries totalled 538 (652) thousand m³sub.

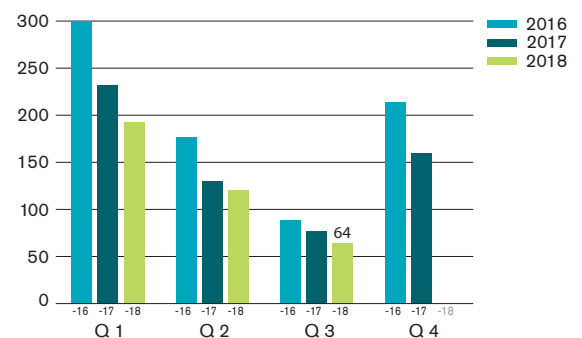
Delivery volume, sawlogs, thousand m³sub



Delivery volume, pulpwood and chips, thousand m³sub



Delivery volume, biofuel, thousand m³sub



Sveaskog Group

Condensed income statement

SEKm	3 months		9 months		12 months	
	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017– Sep 2018	Full year 2017
Net sales (Note 1)	1,509	1,294	5,076	4,593	6,689	6,206
Other operating income (Note 1)	45	13	139	141	203	205
Raw material and consumables	-487	-352	-1,616	-1,260	-2,121	-1,765
Change in inventories	0	21	-110	-113	-44	-47
Other external costs	-665	-628	-1,987	-1,967	-2,715	-2,695
Employee benefit expense	-125	-120	-411	-400	-586	-575
Depreciation	-21	-20	-60	-61	-80	-81
Operating profit from continuing operations	256	208	1,031	933	1,346	1,248
Capital gains from property sales	31	47	116	208	229	321
Share of profits of associates	25	4	115	38	135	58
Operating profit before change in value of forest assets	312	259	1,262	1,179	1,710	1,627
Change in value of forest assets (Note 2, 3)	85	54	206	162	244	200
Operating profit	397	313	1,468	1,341	1,954	1,827
Financial items	-30	-32	-70	-71	-107	-108
Profit before tax	367	281	1,398	1,270	1,847	1,719
Tax	-75	-61	195	-271	106	-360
Profit for the period/year	292	220	1,593	999	1,953	1,359
Earnings per share, SEK, before and after dilution	2.47	1.86	13.45	8.44	16.49	11.48
- calculated on average number of shares, millions	118.4	118.4	118.4	118.4	118.4	118.4

Statement of comprehensive income

SEKm	3 months		9 months		12 months	
	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017– Sep 2018	Full year 2017
Profit for the period/year	292	220	1,593	999	1,953	1,359
Other comprehensive income						
Components that will not be reversed in profit or loss						
Actuarial gains/losses on pensions	-	-	-	-	-4	-4
Tax on actuarial gains/losses	-	-	-	-	1	1
Components that can be reversed in profit or loss						
Other comprehensive income from associate	16	6	10	15	-1	4
Tax attributable to other comprehensive income from associate	-3	-1	-2	-3	0	-1
Exchange differences	-1	0	1	0	2	1
Cash flow hedges	15	10	19	29	26	36
Tax attributable to cash flow hedges	-3	-2	-4	-6	-6	-8
Total other comprehensive income for the period/year, net after tax	24	13	24	35	18	29
Total comprehensive income for the period/year	316	233	1,617	1,034	1,971	1,388

Sveaskog Group

Condensed balance sheet

SEKm	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS (Note 4)			
Non-current assets			
Intangible assets	120	84	93
Property, plant and equipment			
Forest land (Note 2, 3)	2,498	2,451	2,460
Other property, plant and equipment	469	467	458
Biological assets – standing timber (Note 2,3)	32,213	32,081	32,054
Financial assets	588	491	497
Total non-current assets	35,888	35,574	35,562
Current assets			
Inventories	428	460	540
Contract assets	17	20	14
Current receivables, etc., non-interest bearing	1,828	1,611	1,648
Cash and cash equivalents	918	1,772	1,681
Total current assets	3,191	3,863	3,883
TOTAL ASSETS	39,079	39,437	39,445
EQUITY AND LIABILITIES			
Equity	21,386	20,315	20,669
Non-current liabilities (Note 4)			
Interest-bearing liabilities and provisions	5,090	6,025	5,626
Other liabilities and provisions	7,970	8,355	8,421
Total non-current liabilities	13,060	14,380	14,047
Current liabilities (Note 4)			
Interest-bearing liabilities and provisions	3,120	3,372	3,465
Contract liabilities	1	4	2
Other liabilities and provisions	1,512	1,366	1,262
Total current liabilities	4,633	4,742	4,729
TOTAL LIABILITIES	17,693	19,122	18,776
TOTAL EQUITY AND LIABILITIES	39,079	39,437	39,445

Condensed statement of changes in equity

SEKm	Jan–Sep 2018	Jan–Sep 2017	Full year 2017
Opening equity, 1 January	20,669	20,081	20,081
Total comprehensive income	1,617	1,034	1,388
Dividend paid according to Annual General Meeting resolution	–900	–800	–800
Closing equity at the end of the period/year	21,386	20,315	20,669

Sveaskog Group

Condensed statement of cash flows

SEKm	Jan–Sep 2018	Jan–Sep 2017	Full year 2017
Operating activities			
Operating profit	1,468	1,340	1,827
Adjustment for non-cash items, etc.	-429	-445	-644
Interest received	27	28	28
Interest paid	-98	-99	-186
Paid tax	-151	-149	-175
Cash flow from operating activities before change in working capital	817	675	850
Change in working capital	23	119	-47
Cash flow from operating activities	840	794	803
Investing activities			
Investments in property, plant and equipment	-170	-174	-219
Investments in shares	-1	-1	-1
Sale of property, plant and equipment	284	402	647
Dividend from associate	29	50	50
Cash flow from investing activities	142	277	477
Financing activities			
Dividend paid	-900	-800	-800
Borrowings	5,780	9,440	11,600
Repayment of borrowings	-6,625	-9,009	-11,469
Cash flow from financing activities	-1,745	-369	-669
Cash flow for the period/year	-763	702	611
Cash and cash equivalents at the beginning of the year	1,681	1,070	1,070
Cash and cash equivalents at the end of the period/year	918	1,772	1,681

Parent Company

Condensed income statement

SEKm	3 months		9 months		12 months	
	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct 2017– Sep 2018	Full year 2017
Operating income	14	29	42	36	60	53
Operating expenses	-1	-1	-2	-2	-2	-2
Operating profit	13	28	40	34	58	51
Financial items	-68	-62	-194	-184	-261	-251
Profit/loss before tax	-55	-34	-154	-150	-203	-200
Group contribution	-	-	-	-	200	200
Tax	12	7	34	33	1	0
Profit/loss for the period/year*	-43	-27	-120	-117	-2	0

* Same as Total comprehensive income for the period/year.

Condensed balance sheet

SEKm	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	46	50	49
Total property, plant and equipment	46	50	49
Financial assets			
Shares and participations	24,934	24,934	24,934
Receivables from group companies, interest-bearing	1,600	2,250	2,400
Total financial assets	26,534	27,184	27,334
Total non-current assets	26,580	27,234	27,383
Current assets			
Current receivables, etc., non-interest bearing	91	130	292
Receivables from group companies, interest-bearing	400	1,000	10
Cash and cash equivalents	0	0	0
Total current assets	491	1,130	302
TOTAL ASSETS	27,071	28,364	27,685
EQUITY			
Equity	7,445	8,348	8,465
Non-current liabilities			
Interest-bearing non-current liabilities	4,687	5,587	5,187
Total non-current liabilities	4,687	5,587	5,187
Current liabilities			
Interest-bearing liabilities and provisions	14,908	14,398	14,001
Other liabilities and provisions	31	31	32
Total current liabilities	14,939	14,429	14,033
TOTAL EQUITY AND LIABILITIES	27,071	28,364	27,685

Parent Company

Condensed statement of changes in equity

SEKm	Jan–Sep 2018	Jan–Sep 2017	Full year 2017
Opening equity, 1 January	8,465	9,265	9,265
Dividend paid according to Annual General Meeting resolution	–900	–800	–800
Profit/loss for the period/year	–120	–117	0
Closing equity at the end of the period/year	7,445	8,348	8,465

Condensed statement of cash flows

SEKm	Jan–Sep 2018	Jan–Sep 2017	Full year 2017
Cash flow from operating activities	–140	–1,212	–285
Cash flow from investing activities	434	–222	–356
Cash flow from financing activities	–294	1,434	641
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 2018 the company applies IFRS 15 “Revenue from Contracts with Customers” with full retrospective application. This means that revenue is recognised when the customer obtains control of the sold good or service and is able to use and obtain benefit from the good or service. The effect on the company is negligible. See Note 1 for a breakdown of revenue from contracts with customers. See also the Annual Report for 2017 page 71 for a description of the various revenue groups. In addition, with effect from 1 January 2018 the company applies IFRS 9 “Financial Instruments”. IFRS 9 contains new principles for how financial assets are classified and measured, as well as new rules for impairment testing of financial assets. The new standard means that the former “incurred loss method” is replaced by a new “expected loss method”. The effect on the company is negligible and the new classification does not result in any change in measurement method. See also page 68 in the Annual Report for 2017 for a description of the effects of this transition. In other respects, the accounting principles and calculations principles applied in this report for the Parent Company and the Group are unchanged compared with the most recently published 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 1 – REVENUES FROM CONTRACTS WITH CUSTOMERS, SEKm

SEKm	Jan–Sep 2018	Jan–Sep 2017	Oct 2017– Sep 2018	Full year 2017
Sawlogs	2,367	2,218	3,159	3,010
Pulpwood and chips	2,149	1,845	2,814	2,510
Biofuel	109	127	158	176
Forest seedlings	199	195	224	220
Other	132	94	193	155
Total	4,956	4,479	6,548	6,071
<i>of which IFRS 15 in net sales</i>	<i>4,955</i>	<i>4,479</i>	<i>6,544</i>	<i>6,068</i>
<i>leasing revenue</i>	<i>121</i>	<i>114</i>	<i>145</i>	<i>138</i>
Total net sales	5,076	4,593	6,689	6,206
<i>of which IFRS 15 in other operating income</i>	<i>1</i>	<i>0</i>	<i>4</i>	<i>3</i>
<i>capital gains, etc.</i>	<i>138</i>	<i>141</i>	<i>199</i>	<i>202</i>
Total other operating income	139	141	203	205

Date of revenue recognition

Goods and services transferred to customers at a specific date	4,913	4,434	6,497	6,018
Services transferred to customers over time	43	45	51	53

Sveaskog has unfulfilled performance obligations that will not be fulfilled within one year for SEK 1,620 million. The obligations comprise contracted deliveries forward in time, where Sveaskog has undertaken to deliver a specific 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 at 30 September 2018 has been calculated at SEK 34,711 million (34,532), of which SEK 32,213 million (32,081) comprises the fair value of standing timber and SEK 2,498 million (2,451) the cost of land. The change in the balance sheet since year-end 2017 amounts to SEK 197 million (155) and is specified in Note 3. The parameters applied when calculating the fair value of standing timber are updated annually.

NOTE 3 – STANDING TIMBER AND FOREST LAND

Standing timber	SEKm	Forest land	SEKm
<i>Fair value</i>		<i>Cost</i>	
Opening value, 1 January 2017	31,993	Opening value, 1 January 2017	2,384
Acquisition of standing timber	24	Acquisition of forest land	73
Sales of standing timber	-98	Sales of forest land	-6
Changes due to felling	-1,089	Closing value, 30 September 2017	2,451
Changes in fair value	1,251		
Closing value, 30 September 2017	32,081	Opening value, 1 January 2018	2,460
		Acquisition of forest land	42
Opening value, 1 January 2018	32,054	Sales of forest land	-4
Acquisition of standing timber	13	Closing value, 30 September 2018	2,498
Sales of standing timber	-60		
Changes due to felling	-1,092		
Changes in fair value	1,298		
Closing value, 30 September 2018	32,213		

NOTE 4 – FAIR VALUE

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

SEKm	Level 1			Level 2			Level 3		
	30 Sep 2018	30 Sep 2017	Full year 2017	30 Sep 2018	30 Sep 2017	Full year 2017	30 Sep 2018	30 Sep 2017	Full year 2017
<i>Assets</i>									
Standing timber							32,213	32,081	32,054
Total assets	0	0	0	0	0	0	32,213	32,081	32,054
<i>Liabilities</i>									
Non-current liabilities	0	0	0	4,838	5,619	5,345	0	0	0
Current liabilities	0	0	0	3,060	3,311	3,410	0	0	0
Derivative instruments	0	0	0	77	111	106	0	0	0
Total liabilities	0	0	0	8,152	9,041	8,861	0	0	0

Measurement techniques for Level 2 fair value

Current liabilities are measured at book value including accrued interest (amortised cost) which is assessed to provide a good approximation of fair value. Fair value of non-current debt instruments is established using valuation models such as discounting future cash flows to 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. Measurement at 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 measurement. Compared with 2017, no transfers have been made between the different levels in the hierarchy and no significant changes have been made in measurement method, data used or assumptions.

Measurement techniques used for Level 3 fair value

Measurement techniques are specified in Note 15 page 79 of the 2017 Annual Report.

Issues

During 2018 Sveaskog has issued SEK 5,530 million (8,440) under the commercial paper programme and SEK 0 million (1,000) under the MTN programme.

OTHER INFORMATION

Risks and uncertainties

A description of risks, uncertainties and risk management is provided in Sveaskog's 2017 Annual Report on pages 45–47. No other significant changes, in addition to those mentioned in this year-end report, have occurred since publication of the annual report.

Significant events after the closing date

The CEO has announced his upcoming retirement. The Board has started recruitment of a new CEO. Helene Samuelsson took up the position of SVP Communication and Public Affairs in October.

Related-party transactions

In the second quarter a dividend was paid to the owner of SEK 900 million, otherwise no significant changes have occurred in relations or related-party transactions compared with what is described in the 2017 Annual Report.

The Board of Directors and the CEO hereby confirm that this interim report provides a true and fair overview of the Parent Company's and the Group's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and the Group.

Stockholm, 26 October 2018
Sveaskog AB (publ.) (556558-0031)

Eva Färnstrand
Chairman

Thomas Hahn
Board Member

Leif Ljungqvist
Board Member

Annika Nordin
Board Member

Anna-Stina Nordmark Nilsson
Board Member

Sven Wird
Board Member

Kenneth Andersson
Employee representative

Sara Östh
Employee representative

Per-Olof Wedin
President and CEO

Auditor's review

Introduction

We have reviewed the interim report of Sveaskog AB (publ) as of 30 September 2018 and the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted 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 of interim financial information consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted

auditing practices. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 26 October 2018

Deloitte AB

Hans Warén
Authorised Public Accountant

FOR FURTHER INFORMATION, PLEASE CONTACT

Per-Olof Wedin, President and CEO, tel +46 8 655 91 74, +46 761 30 42 01

Per Matses, Deputy CEO and CFO, tel +46 8 655 92 90, +46 706 55 98 20

www.sveaskog.se

FINANCIAL CALENDAR

Year-end report 2018

28 January 2019

Annual Report 2018

March 2019

Interim report January – March 2019

24 April 2019

Definitions ¹⁾

Capital turnover rate

Net sales divided by average operating capital.

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 associates 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

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, share of profits of associates and capital gains from property sales.

Return on equity

Profit after tax expressed as a percentage of average equity.

Return on operating capital

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

Yield

Operating profit before change in value of forest assets excluding capital gains on property sales, 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 appendix. The appendix is published on www.sveaskog.se.

Sveaskog AB, Stockholm
Torsgatan 4, SE-105 22 Stockholm

Telephone switchboard
+46 771 787 000
To contact Sveaskog's employees

Telephone customer centre
+46 771 787 100
For questions about Sveaskog's operations

info@sveaskog.se
www.sveaskog.se

 facebook.com/sveaskog

 twitter.com/sveaskog