

Interim report

January – September 2021

Q3

“The market for sawlogs is strong in the third quarter.”



Net sales

MSEK 5,032

(4,916) Jan–Sep previous year

Operating profit from continuing operations

MSEK 1,033

(812) Jan–Sep previous year

Profit for the period

MSEK 1,586

(1,035) Jan–Sep previous year

SIGNIFICANT EVENTS

- › The market situation for the Swedish sawmill operations continues to develop strongly, with Sveaskog being an important supplier of wood raw materials.
- › Profit for the period increased by SEK 291 million, with the increase in earnings from associated companies having a major impact, primarily from Setra Group by SEK 231 million.

SIGNIFICANT EVENTS AFTER THE QUARTER

- › The Board has appointed Erik Bransma as the new President and CEO. He will take up his position on 15 January 2022.

1 JULY – 30 SEPTEMBER 2021

› **Net sales** increased by 13 per cent to MSEK 1,472 (1,307). Total delivery volumes increased by five per cent and the prices of wood raw materials increased by eight per cent on average.

› **Operating profit** increased by 79 per cent to MSEK 243 (136). The increased profit is primarily due to a new method for valuing forest assets. The new method means that costs for reforestation, MSEK 75, from this year are recognised under change in value of forest assets. Despite the new method, the underlying profit is somewhat higher than in the previous year, despite increased nature conservation costs. (See more on pages 10 and 11).

› **The reported net change in value** of standing timber amounted to MSEK 113 (157).

› **Profit for the quarter** amounted to MSEK 499 (208), equivalent to SEK 4.21 (1.76) per share.

1 JANUARY – 30 SEPTEMBER 2021

› **Net sales** increased by two per cent to MSEK 5,032 (4,916). Total delivery volumes were almost unchanged and prices of forest raw materials increased by an average of two per cent.

› **Operating profit** increased by 27 per cent to MSEK 1,033 (812). The increased profit is primarily due to a new method for valuing forest assets. The new method means that costs for reforestation, MSEK 202, from this year are recognised under change in value of forest assets. Despite the new method, the profit is somewhat risen than in the previous year, despite increased nature conservation costs. (See more on pages 10 and 11).

› **The reported net change in value** of standing timber amounted to MSEK 414 (464).

› **Profit for the period** amounted to MSEK 1,586 (1,035), equivalent to SEK 13.40 (8.74) per share.

MSEK	3 months, Jul–Sep			9 months, Jan–Sep			12 months		
	2021	2020	%	2021	2020	%	Oct 2020–Sep 2021	2020	%
Net sales	1,472	1,307	13%	5,032	4,916	2%	6,713	6,597	2%
Operating profit from continuing operations	243	136	79%	1,033	812	27%	1,341	1,120	20%
Change in value of forest assets	113	157	–28%	414	464	–11%	12,431	12,481	0%
Operating profit	601	303	98%	1,971	1,420	39%	14,372	13,821	4%
Profit before tax	565	263	115%	1,868	1,309	43%	14,227	13,668	4%
Profit for the period	499	208	140%	1,586	1,035	53%	11,418	10,867	5%
Cash flow from operating activities	223	322	–31%	788	375	110%	1,036	623	66%
Earnings per share, SEK	4.21	1.76	139%	13.40	8.74	53%	96.44	91.78	5%

KPIs¹, Group

	9 months, Jan–Sep		12 months	
	2021	2020	Oct 2020–Sep 2021	2020
Dividend yield, % (target at least 4.5%) ^{1, 2}	3.8	3.7	3.8	2.4
Net debt/equity ratio, multiple (target 0.3–0.6) ¹	0.13	0.33	0.13	0.13
Return on operating capital, % ²	29.0	5.8	29.0	28.2
Return on equity, % ²	27.3	5.6	27.3	26.2
Interest coverage ratio, multiple ^{2, 3}	12.7	7.9	12.7	7.6
Equity ratio, %	68	56	68	68
Net interest-bearing debt, MSEK	7,665	7,801	7,665	7,613
Average number of employees	800	801	800	827
Total delivery volume, thousand m ³ sub	7,906	7,834	10,701	10,629

1) The lower dividend yield and net debt/equity ratio for the quarter are primarily due to a new accounting method for valuing forest assets.

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.

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 over 800 employees around the country.

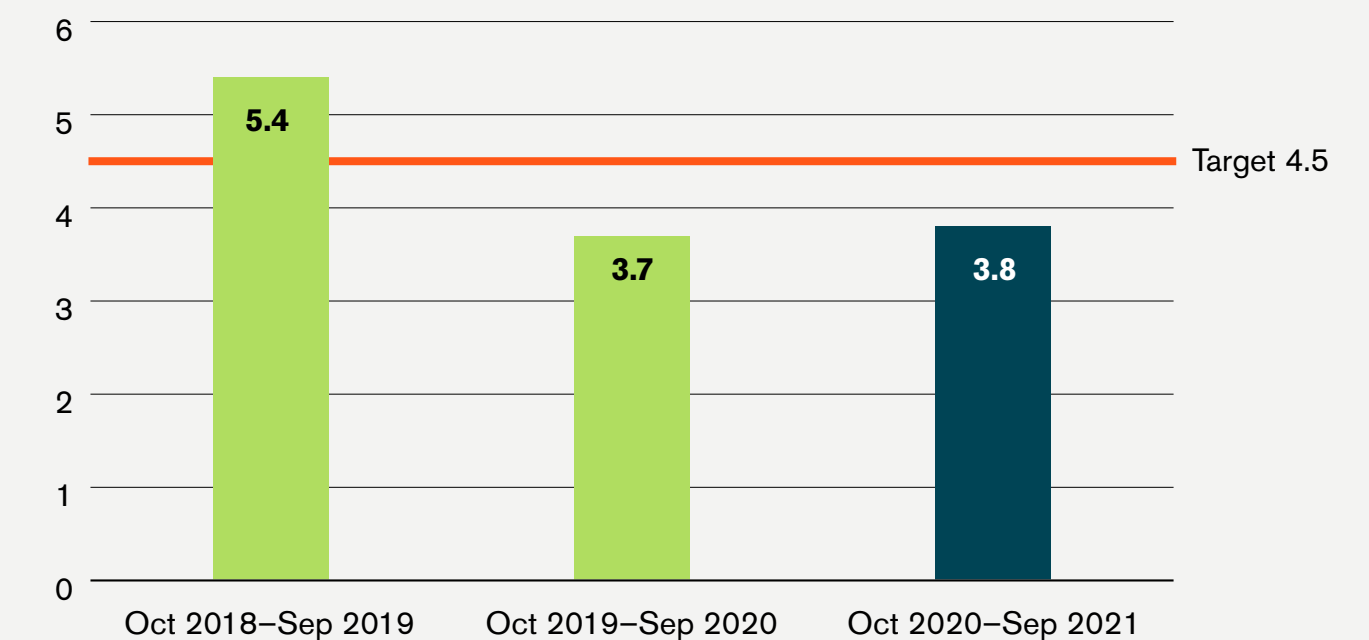
Sveaskog's core business is to manage the forest and provide timber, pulpwood, wood chips, biofuel, seedlings and forest services. Sveaskog supplements the supply from its own forest with purchases from other forest owners, trading and imports. Our customers are primarily found within the Swedish forest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

Sveaskog shall be a leader in the development of sustainable forestry. This involves, among other things, sustainable and secure deliveries of renewable raw materials to our customers, and contributing to both Agenda 2030 and to national environmental and climate goals. Sveaskog manages the forest with the ambition of developing economic, ecological and social values. Our forests are certified according to both FSC and PEFC standard, and we require certification for all timber that we buy from other forest owners. This enables Sveaskog to ensure that all our timber deliveries are responsibly produced.

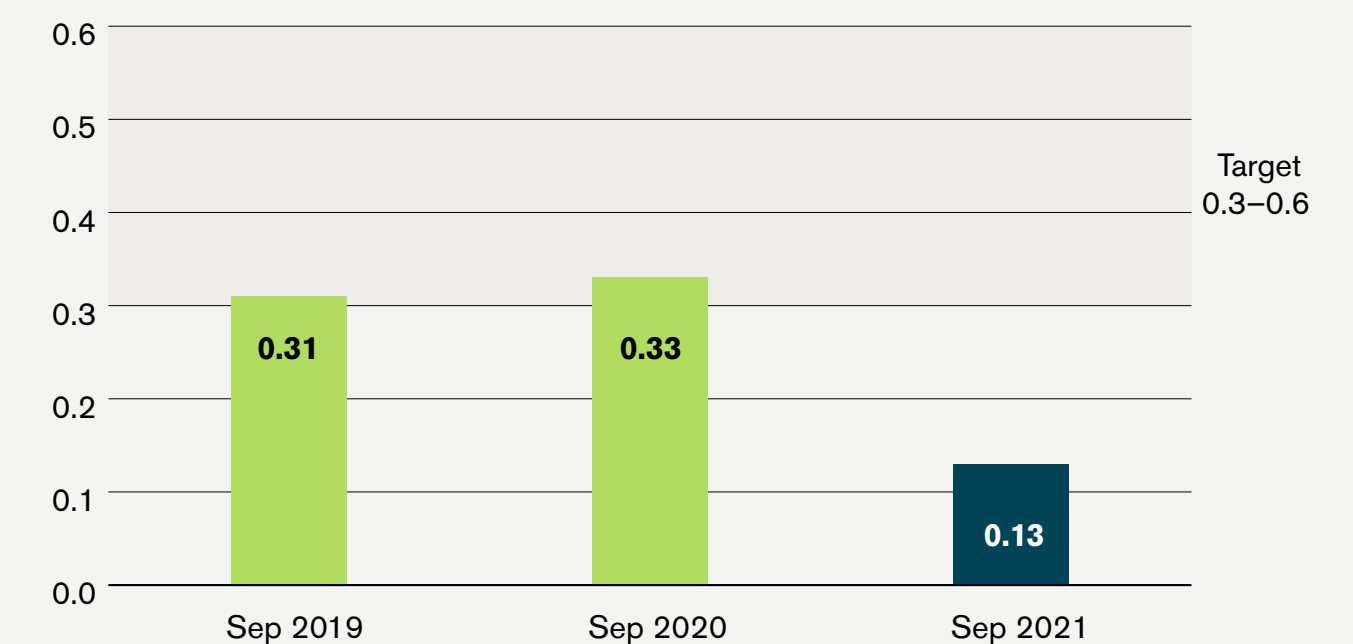


Sveaskog's financial targets

Dividend yield, %, rolling 12-month period



Net debt/equity ratio at 30 September, multiple



The lower dividend yield and net debt/equity ratio are explained primarily by changes in the accounting method for the valuation of forest assets.

Dividend

According to current financial targets, ordinary dividends shall correspond in the long term to 65–90 per cent of the Group's profit after tax excluding changes in value of standing timber with no impact on cash flow. Dividends are paid provided that the capital structure target (net debt/equity ratio) after dividends falls within the target range and taking into account the Group's strategy and investment needs.

	2018	2019	2020
Dividend, MSEK	1,100	1,100	850
Percentage of basis for dividends, %	82	88	89

CEO's comments

Timber prices continue to rise

Our operating profit during the first nine months of the year amounted to MSEK 1,033 (812); the increased profit is primarily due to a new method for valuing forest assets. The new method means that costs for reforestation, MSEK 202, from this year are recognised under change in value of forest assets. Despite the new method, the profit is somewhat higher than in the previous year. The average price of timber deliveries from Sveaskog's own forest is four per cent higher than the corresponding period last year; the timber prices are higher while the pulpwood prices are lower. Higher prices from own forest have been offset by increased costs for forest and nature conservation and felling. Our deliveries during the first nine months of the year amounted to 7.9 million m³sub. This is one per cent higher than the corresponding period last year, which amounted to 7.8 million m³sub.

Market situation still strong

The market situation remains good for our customers in the Swedish forest industry. Sawmills are heading for a record year due to high prices for sawn timber, although there has been a trend break in the last quarter with price drops in some markets, albeit from high levels. The production level is high and there has been some build-up of the

sawmills' stock levels. Pulpwood prices are fairly stable. In the raw material market, there is plenty of timber and there are strong flows of timber while felling activity is high.

A clear example of the good market situation is the performance of Setra Group AB (Setra), of which Sveaskog is a half-owner. Operating profit for Setra for the first nine months amounted to SEK 1,219 million, up from SEK 56 million the year before. Sveaskog's share in Setra's profit amounted to SEK 469 million (19) and is recognised in Sveaskog's consolidated income statement under the item share of profit/loss from associates.

Development of sustainable forestry

In April, Sveaskog's Board of Directors decided on a sustainable forestry programme where we want to combine safe timber delivery

with large-scale efforts to increase biodiversity. Work on the programme continued during the quarter, and we are carrying out and planning for activities intended to increase biodiversity and strengthen resilience to climate impact in forests and on forest land. Find out more about our programme and what we have done during this quarter regarding the managed forests, the water in the forest and the high conservation value forests on pages 7–8.

Coexistence between forestry and the reindeer industry is important

During the quarter, questions were raised about our consultations with the reindeer industry. In the event of felling and other forest management activities in Sámi territory, adjustments are made for the reindeer industry. This is followed up by authorities and in annual audits

“The market for sawlogs
continues to develop strongly”

by the certification body FSC. In Sweden, there are regulations, clear requirements and procedures to ensure this. Sveaskog follows these for all fellings.

Since all forest land in Northern Sweden is considered to be within Sámi territory, consultation and dialogue with the reindeer industry is extremely important. The reindeer industry and forestry are needed. We are mutually dependent on good cooperation.

In our sustainable forestry programme, we also highlight how we can develop collaboration with the reindeer industry. This includes increased cleaning and thinning in reindeer grazing areas.

SVT Science's series about the forest

In September, SVT Science broadcast a series called Slaget om Skogen (The Battle of the Forest) that drew attention to our sustainable forestry programme. Subsequently, we were asked many questions about the alleged felling of young forest. SVT's statements in the programme are incorrect, and we have responded to these misstatements to the series editors and on our website and social media. Read more at: [Comment on alleged felling of young forest](#) (sveaskog.se).

The debate needs to be forward-looking about the forest and Swedish forestry and become more focused on the challenges we face

and the decisions and measures that need to be made for today's and future forestry. We need to find a way and establish a dialogue between perspectives on setting areas aside and on cultivating areas. Forestry is facing big changes, and Sveaskog is at the heart of this.

Back to the office

Society has started to open up more and more after the COVID pandemic. This also applies to us at Sveaskog, and we face the same challenge as the rest of society. It remains to be seen what changes will be permanent, but for us as a company, with operations in several of Sweden's municipalities, digital meetings will continue to be an important part of our everyday lives. I feel proud that we have been able to operate during this period without much impact.

**Per Matses,
President and CEO**



Market situation and wood deliveries

The market situation remains good for the Swedish forest industry. However, there has been a trend break during the quarter. In some markets, there have been price reductions for finished goods, but from very high levels. Prices for finished goods in the paper and pulp industry are fairly stable. There is a lot of timber in the raw material market due to very high felling activity.

Sawmills

The third quarter will probably be the strongest quarter in 2021 as deliveries are taking place at record levels at previously set prices. Most sawmill companies will make record profits, and this has resulted in an increased willingness to invest in sawmills.

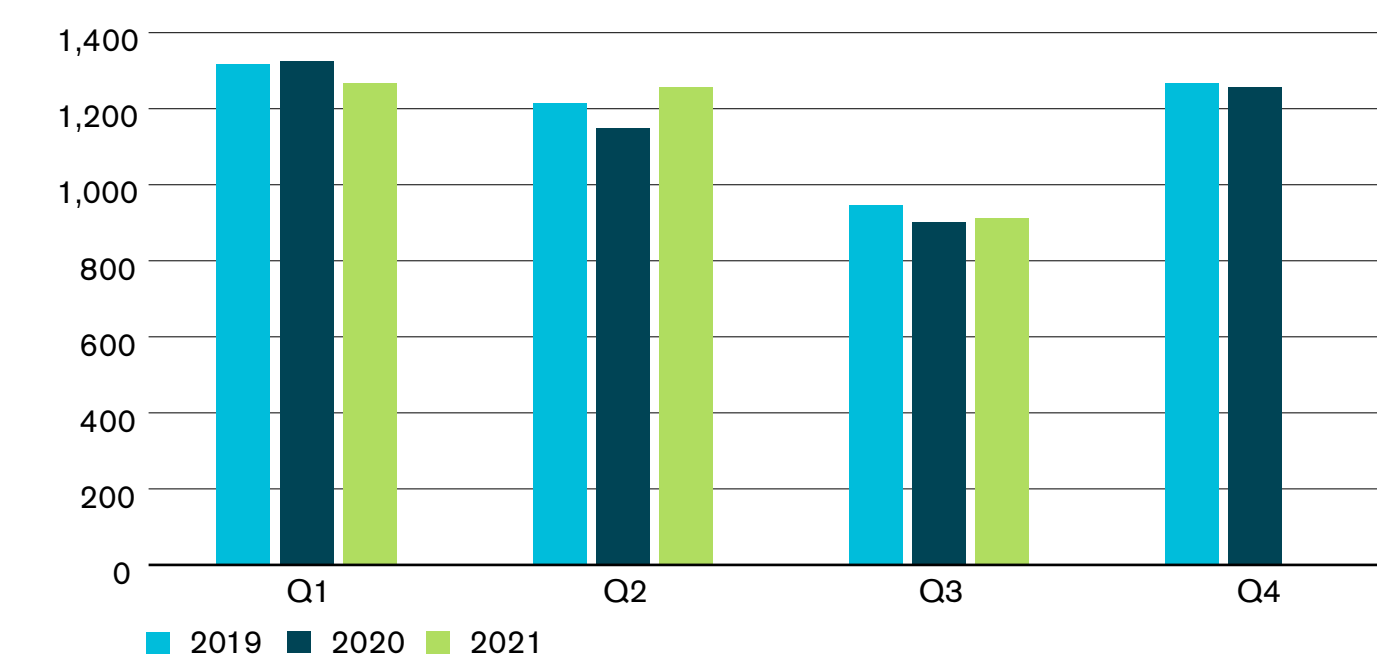
There was a trend break during the quarter: the DIY market clearly slowed over the summer, probably due to high prices for all types of products in the construction trade. In the US market, prices have fallen from record price levels to more normal levels, and in other important markets there have also been adjustments, albeit more modest than in the US. Stocks of finished goods at sawmills are rising and business for future deliveries in the fourth quarter has taken place at slightly lower prices, but average prices for finished goods are still very high. The situation in the sawmills' finished goods markets is tentative as the major wholesalers expect the price to fall further. Most of the sawmills now believe in unchanged or lower prices in the next three months (source: Swedish Forest industries Federation).

There is plenty of timber in the raw material market. There are very strong flows of all types of timber, and the felling activity is high. Despite increasing stocks of finished goods, sawmills continue to produce based

on maximum capacity in order to take advantage the good market situation for as long as it persists. However, stocks have been low and it will take a while for full stocks to become a problem, even if we see an increase.

The biggest challenge for sawmills in the past has been insufficient sales opportunities for sawdust. That situation has quickly changed for the better through a higher electricity price and thus higher demand for chips and pellets for the energy sector's electricity production.

Delivery volume, sawlogs, thousand m³sub



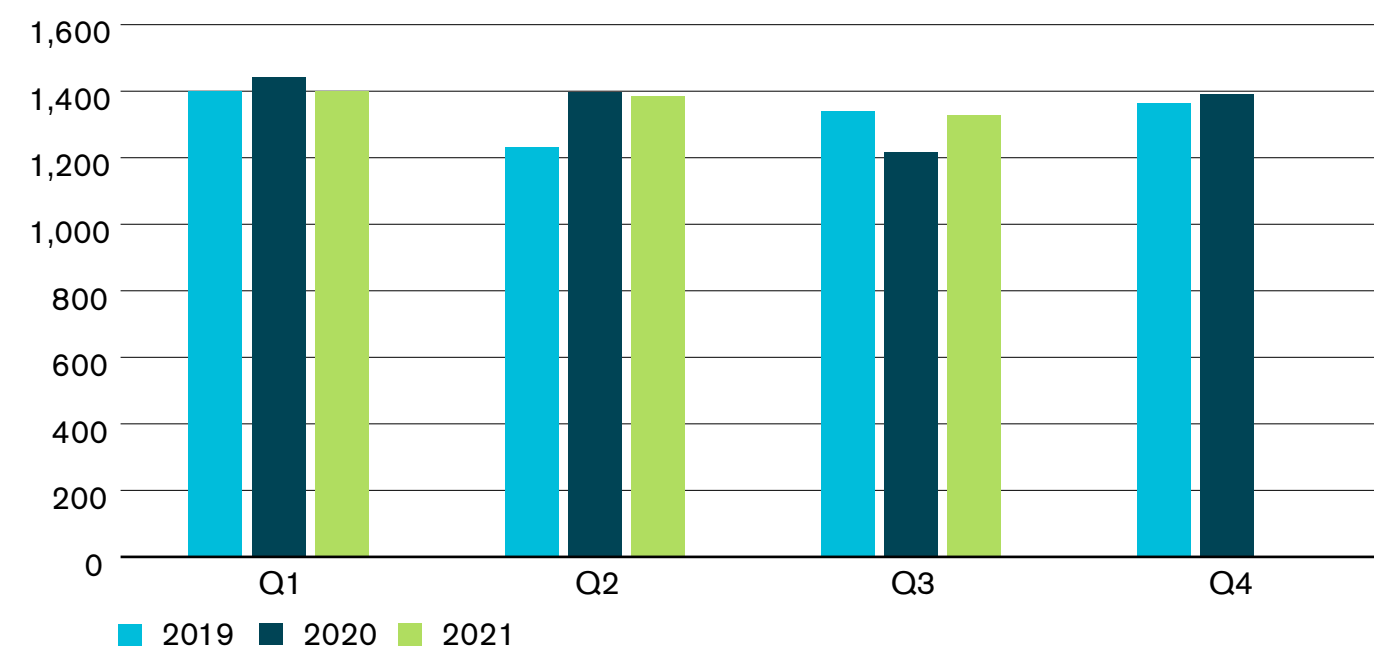
During the third quarter, Sveaskog delivered 912 thousand m³sub (900) of sawlogs, an increase of one per cent on the same period last year. For the period October 2020 to September 2021, deliveries totalled 4,692 thousand m³sub (4,640).

The pulp and paper industry

The fibre industry's finished product prices have been stable and high during the quarter. Several mills have experienced production disruptions during the quarter. The worst affected is the BillerudKorsnäs mill in Gävle, which experienced problems with water ingress in connection with the heavy rainfall in August, which resulted in downtime of several weeks. There were also several maintenance stoppages during the third quarter, and several are scheduled for the fourth quarter. All in all, this means that stocks of pulpwood are increasing both at the mills and on the road.

On 30 September, Stora Enso permanently closed its mill in Kvarnsveden (Borlänge), and a few weeks before that, the mill in Veitsiluoto in Northern Finland was also closed. Raw material consumption has been 800,000 m³sub per year in Kvarnsveden and approx. 2 million m³sub per year in Veitsiluoto.

Delivery volume, pulpwood and woodchips, thousand m³sub



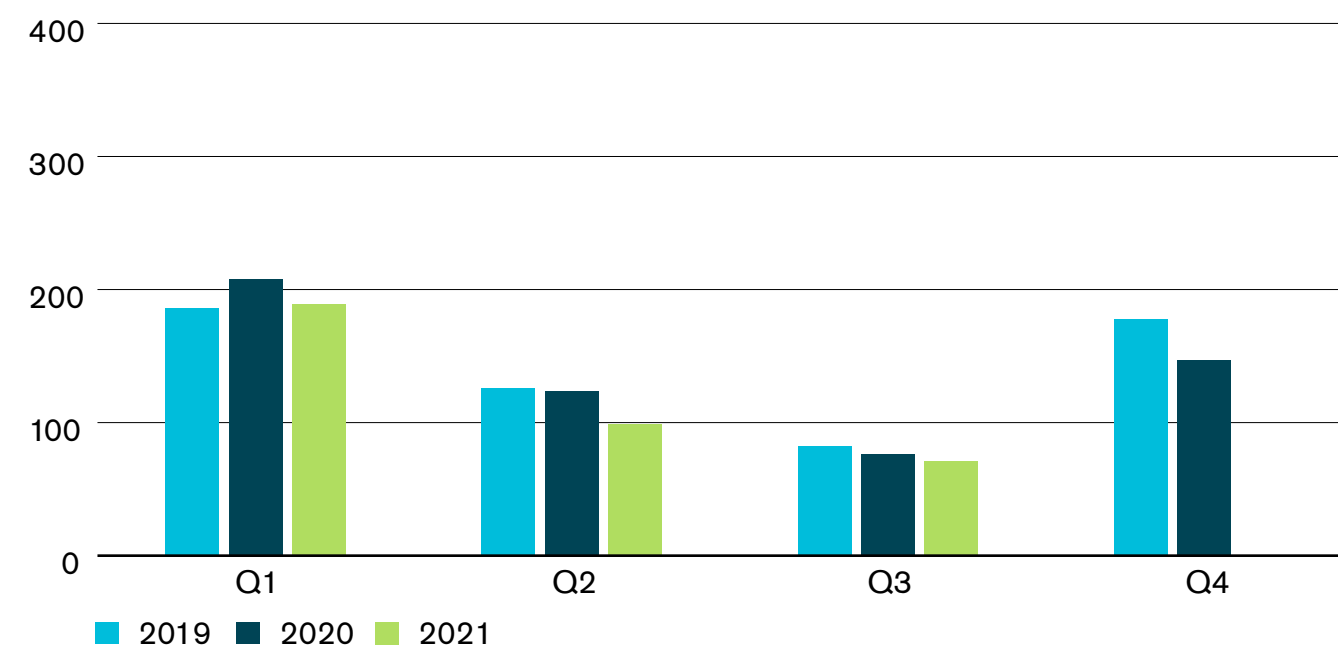
In the third quarter, Sveaskog delivered 1,328 (1,217) thousand m³sub of pulpwood and woodchips, which is an increase of nine per cent on the same period last year. For the period October 2020 to September 2021, deliveries totalled 5,503 thousand m³sub (5,417).

The biofuel market

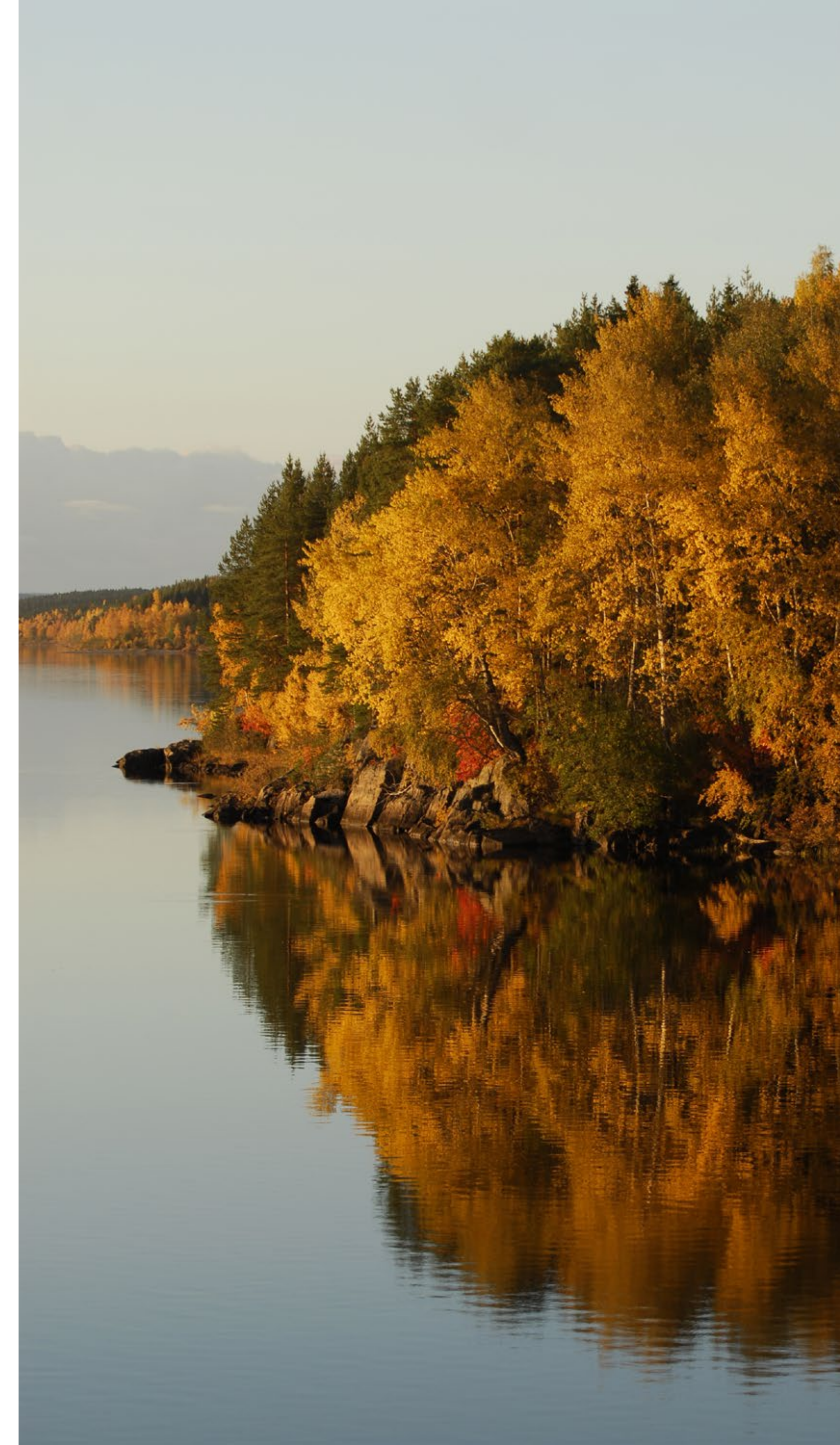
Due to high electricity prices, cogeneration plants have significantly increased their production of electricity, which has led to an increased demand for sawmill by-products and forest fuel compared to the first half of the year. Electricity prices are now at levels that make it interesting for energy companies with cogeneration plants to produce electricity while holding off on district heating that is not yet needed.

In addition to increased deliveries to electricity producers that use wood fuel, consumption is low during the third quarter as the need for district heating is low this early in the heating season. Sveaskog has established stable business for timber damaged by bark beetles, with it largely ending up at mills and sawmills instead of diluting the biofuel market with fuel wood volume.

Delivery volume biofuel, thousand m³sub



During the third quarter, Sveaskog delivered 71 (76) thousand m³sub of biofuel, which is a decrease of seven per cent on the same period last year. For the period October 2020 to September 2021, deliveries totalled 505 thousand m³sub (586).



Sveaskog's sustainable forestry programme

Sveaskog wants to be a leader in sustainable forestry with the ambition of spearheading in Sweden the EU-wide strategy for biodiversity. Sveaskog wants to contribute in a meaningful way to achieving the Swedish environmental goals, the Paris Agreement and the EU's climate goals.

A warmer climate entails an increased risk of damage to the forest due to storms, droughts and fires, which in turn entails a risk of increased insect infestations. Several species of ungulates that migrate further north are another example of the effects of a changing climate. To tackle climate change, Sveaskog is developing its forestry and strengthening biodiversity.

Sveaskog's long-term direction represents an increased focus on sustainable forestry. We are working on specific measures to adapt forests to climate change, secure timber deliveries and increase biodiversity – in the short and long term.

As a first phase, Sveaskog has launched a sustainable forestry programme that focuses on three main areas of the forest landscape: the managed forests, the water in the forest and the high conservation value forests. In this way, Sveaskog will continue to supply raw materials while contributing to national environmental goals, Agenda 2030 and EU climate and biodiversity goals, all according to the state's ownership policy.

Sustainable forestry programme



The managed forests

- Optimal plant choice for a changing climate
- New programme for functional ecology considerations
- Continuous cover forestry in the managed parts of the most visited ecoparks
- Initiatives for improved coexistence with the reindeer husbandry industry
- More cleaning and thinning in the reindeer husbandry area
- Limited continuous cover forestry in some areas and locations based on landscape impact



The water in the forest

- Wetland program: 100 new wetlands
- Restore 10 running watercourses



High conservation value forests

- Harmonisation with national and EU objectives
- Extended nature conservation programme
- Increased investment in deciduous forests
- Continuity forests in Northwest Sweden

Read more on our website www.sveaskog.com

Sveaskog and sustainable forestry

– Activities during the quarter

Sveaskog has a long-term strategy to assume a leading position in the field of sustainable forestry, with the following main strategic targets: increased forest growth, increased biodiversity and increased timber harvest. These are targets that contribute to sustainable development, both nationally and internationally. Below are examples of measures from the program for sustainable forestry.

The managed forests

Seed plantation for more leaves

During the third quarter, Sveaskog started planning the construction of seed plantations for birch and Siberian larch as well as new, more specialised seed plantations for pine and spruce. This is work that will continue for many years.

Selective methods taken into use in Ecoparks

During the quarter, we carried out selective felling during regeneration felling in the Halle-Hunneberg and Böda ecoparks, and planned for selective felling in the Raslängen and Omberg ecoparks.

More cleaning and thinning in reindeer areas

During the quarter, in Lycksele and Sorsele municipality and in Åkroken and Varjisåvattnet in Älvsbyn Municipality, we carried out increased cleaning of approx. 470 hectares in reindeer herding areas which facilitates the movement of the reindeer and benefits the reindeer grazing.

Increased competence

We have strengthened the organisation with a forest management specialist with a focus on selective methods. The assignment is, among other things, to map appropriate methods by forest type and evaluate previous and ongoing experiments with continuous cover forestry together with SLU (the Swedish University of Agricultural Sciences).



The water in the forest

Efforts to help the freshwater pearl mussel

Sveaskog is investing in restoring watercourses with the aim of strengthening the resilience of forest land to ongoing climate change and contributing to increased biodiversity. Sveaskog is also part of the EU's six-year water project LIFE Revives, which focuses on improving the habitats of freshwater pearl mussels and has during the quarter initiated further measures to contribute to achieving the national environmental goal of living lakes and watercourses in Sweden's forests.

Restorations wetlands started

During the third quarter, restoration measures were started in Malingsbo (Bergslagen) and Knämyran (Norrbotten). These measures have to do with stopping the drain so that the water level is raised in surrounding soil. The water should take longer to flow through the soils instead of draining quickly through the system of trenches.

Strengthened organisation

Sveaskog has also strengthened the organisation in this area with two environmental and nature conservation specialists who will work with measures linked to water.



High conservation value forests

More deciduous forest for the white-backed woodpecker

During the quarter, Sveaskog implemented several conservation management measures throughout the country. One example is Forsmark Ecopark, which is about 80 hectares with the primary aim of increasing the proportion of deciduous forest to help white-backed woodpeckers. If the white-backed woodpecker thrives in the landscape, many other species also thrive. Work is being done in collaboration with the Swedish Society for Nature Conservation within the project "Vitrygg" (White Back).

Active nature conservation

In Götaland, manual measures have been implemented using chainsaws, axes, gas burners, etc. The purpose was to mimic the impact that natural disturbances would have had on dead and dying firewood. Dying wood means that trees have been damaged and are expected to die slowly, which gives them different properties than in a fast process. It gives resin-soaked wood or that rot fungi can enter the living tree. Both of these processes provide better conditions for a number of endangered species.

The Sveaskog Group

Condensed income statement

MSEK	3 months, Jul-Sep		9 months, Jan-Sep		12 months	
	2021	2020	2021	2020	Oct 2020– Sep 2021	2020
Net sales (Note 1)	1,472	1,307	5,032	4,916	6,713	6,597
Other operating income (Note 1)	8	8	79	76	104	101
Raw materials and consumables	-444	-387	-1,533	-1,437	-2,072	-1,976
Change in inventories	34	52	17	-37	182	128
Other external costs	-665	-671	-2,005	-2,152	-2,843	-2,990
Personnel costs	-126	-135	-452	-439	-604	-591
Depreciation	-36	-38	-105	-115	-139	-149
Operating profit from continuing operations	243	136	1,033	812	1,341	1,120
Capital gains on property disposals	0	6	24	115	72	163
Share of profit/loss of associates	245	4	500	29	528	57
Operating profit before change in value of forest assets	488	146	1,557	956	1,941	1,340
Change in value of forest assets (Note 2)	113	157	414	464	12,431	12,481
Operating profit	601	303	1,971	1,420	14,372	13,821
Financial items	-36	-40	-103	-111	-145	-153
Profit before tax	565	263	1,868	1,309	14,227	13,668
Tax	-66	-55	-282	-274	-2,809	-2,801
Profit/loss for the period/year	499	208	1,586	1,035	11,418	10,867
Earnings per share in SEK before and after dilution	4.21	1.76	13.40	8.74	96.44	91.78
– 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, Jul-Sep		9 months, Jan-Sep		12 months	
	2021	2020	2021	2020	Oct 2020– Sep 2021	2020
Profit/loss for the period/year	499	208	1,586	1,035	11,418	10,867
Other comprehensive income						
<i>Components that will not be reversed in profit or loss</i>						
Change in value in land assets (Note 2)	0	-	0	-	32,949	32,949
Tax on change in value in land assets	-12	-	-1	-	-6,798	-6,797
Actuarial gains/losses relating to pensions	-	-	-	-	-10	-10
Tax on actuarial gains/losses	-	-	-	-	2	2
<i>Components that may be reversed in profit or loss</i>						
Currency differences	0	0	1	0	-1	-2
Other comprehensive income from associates	0	-3	-15	-4	3	14
Tax on other comprehensive income from associates	0	1	4	1	0	-3
Cash flow hedges	6	2	24	-9	32	-1
Tax attributable to cash flow hedges	-1	0	-5	2	-7	0
Total other comprehensive income for the period/year, net after tax	-7	0	8	-10	26,170	26,152
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	492	208	1,594	1,025	37,588	37,019

The Sveaskog Group

Comments on the income statement

1 July – 30 September 2021

Net sales

Net sales increased by 13 per cent to MSEK 1,472 (1,307). Total delivery volumes increased by five per cent while the prices of wood raw materials increased by eight per cent on average. The sales of wood raw materials amounted to 2,311 thousand cubic metres, (m³sub) (2,193).

Earnings

Operating profit increased by 79 per cent to MSEK 243 (136). The change is primarily attributable to a new method for valuing forest assets that was introduced at the end of the year. The new method means that costs for reforestation, MSEK 75, from this year are recognised under change in value of forest assets and are an adaptation of the accounting standard that other large forest companies apply. Despite the new method, profit is slightly higher than in the previous year. Higher prices from own forest have been offset by increased costs for forest and nature conservation and felling (see more on page 11).

Capital gains from property sales were MSEK 0 (6). Share of profits of associates amounted to MSEK 245 (4). The net change in the reported value of standing timber amounted to MSEK 113 (157). After the change in value of forest assets, operating profit amounted to MSEK 601 (303). Financial items in the quarter were net MSEK -36 (-40). Profit before tax amounted to MSEK 565 (263). Tax amounted to MSEK -66 (-55). Profit for the quarter increased by 140 per cent to MSEK 499 (208).

1 January – 30 September 2021

Net sales

Net sales increased by two per cent to MSEK 5,032 (4,916). Total delivery volumes were almost unchanged while prices of forest raw materials increased by an average of two per cent. The sales of wood raw materials amounted to 7,906 thousand cubic metres, (m³sub) (7,834).

Earnings

Operating profit increased by 27 per cent to MSEK 1,033 (812). The improvement is primarily due to a new accounting method for valuing forest assets introduced at the end of the year. The new method means that costs for reforestation, MSEK 202, from this year are recognised under change in value of forest assets. Despite the new method, the profit is somewhat higher than in the previous year. Higher prices from own forest have been offset by increased costs for forest and nature conservation and felling (see more on page 11).

Capital gains from property sales were MSEK 24 (115). Share of profits of associates amounted to MSEK 500 (29). The net change in the reported value of standing timber amounted to MSEK 414 (464). After the change in value of forest assets, operating profit amounted to MSEK 1,971 (1,420). Financial items during the period were MSEK -103 (-111). Profit before tax amounted to MSEK 1,868 (1,309). Tax amounted to MSEK -282 (-274). Profit for the period increased by 53 per cent to MSEK 1,586 (1,035).

The Sveaskog Group

Change in net sales, MSEK

	Q3	Jan-Sep
2020	1,307	4,916
Price, wood raw materials	102	95
Delivery volume, wood raw materials	77	40
Concessions, seedlings and other sales	-14	-19
2021	1,472	5,032

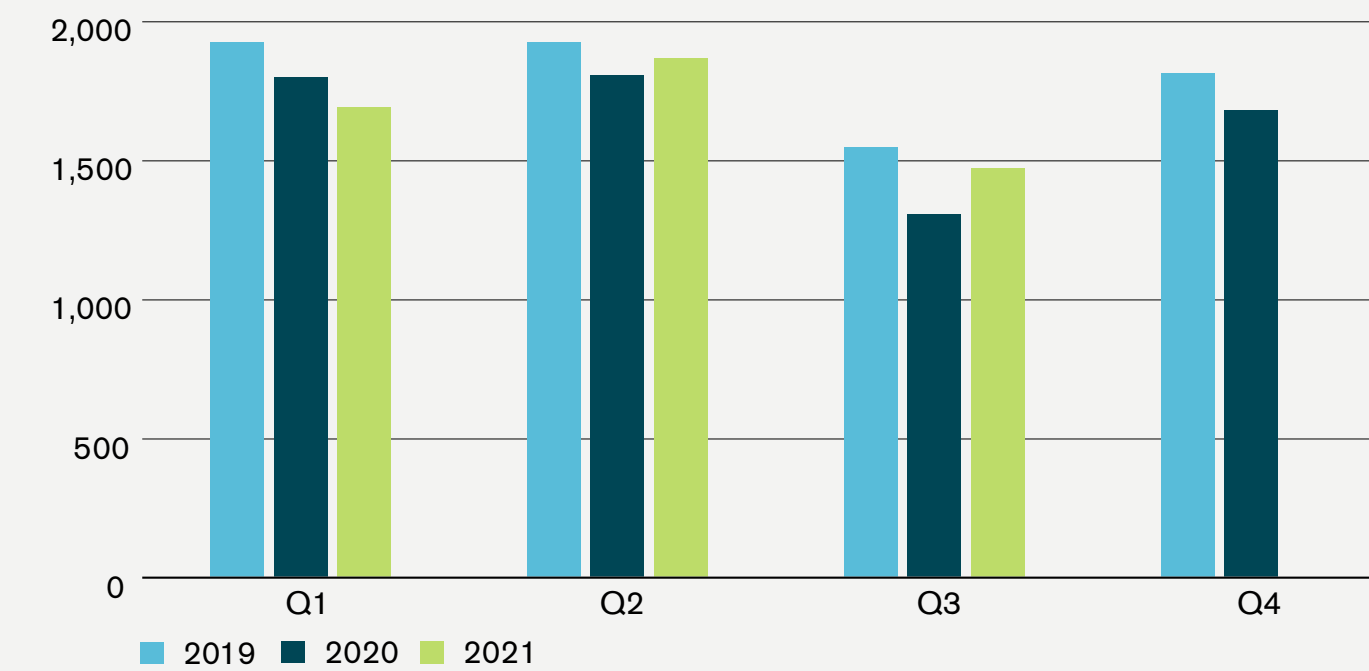
Change in operating profit from continuing operations, MSEK

	Q3	Jan-Sep
2020	136	812
Price, own wood raw materials	64	84
Volume and change in inventories, own wood raw materials	-5	-10
Unit cost felling	-19	-22
Forest management and nature conservation	-7	-28
Svenska Skogsplantor	-16	-9
Earnings from externally procured wood raw materials	5	-6
Other property transactions ¹	-1	-14
Reclassification of reforestation costs	75	202
Other	11	24
2021	243	1,033

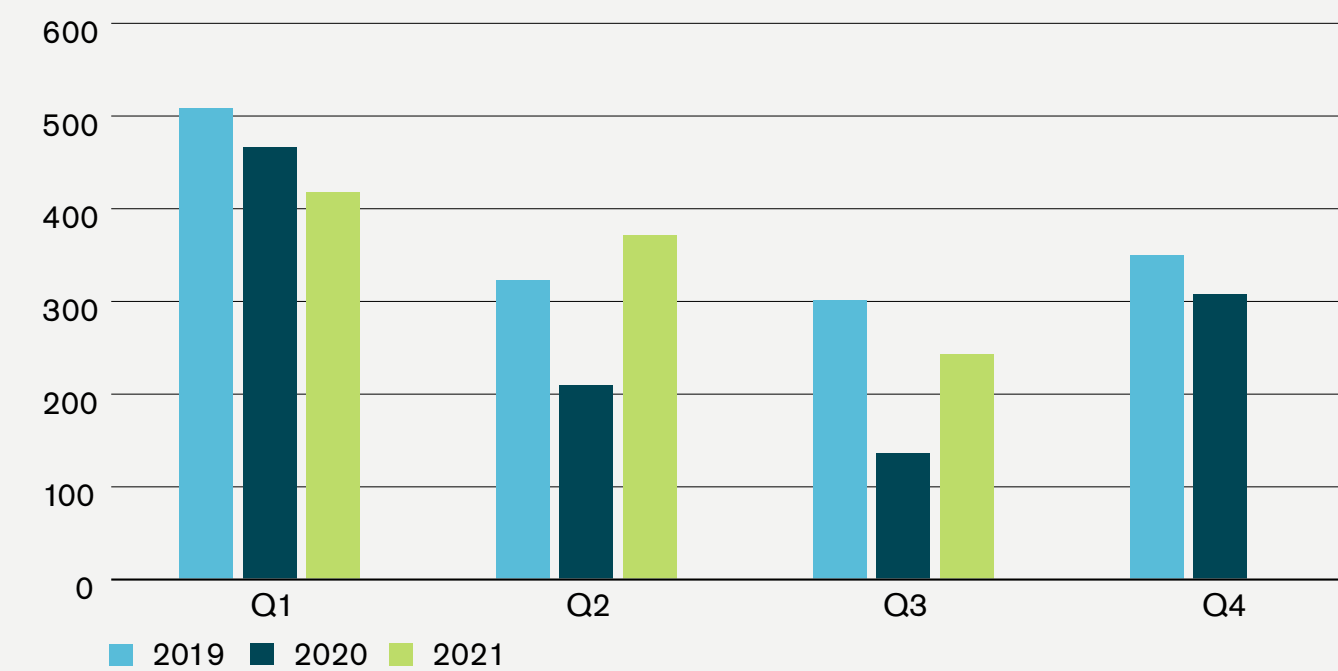
1) Other property transactions relate to a combination of:

All future concessions	-1	-4
Sale of non-forest land	0	-10
Other property transactions	-1	-14

Net sales, MSEK



Operating profit from continuing operations, MSEK



The Sveaskog Group

Condensed balance sheet

MSEK	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS (NOTE 3)			
Non-current assets			
Intangible assets	171	152	164
Right-of-use assets	147	121	163
Forest assets (Note 2, 3)	83,024	37,020	82,430
– of which land assets	35,728	2,731	35,709
– of which biological assets	47,296	34,289	46,721
Other property, plant and equipment	599	593	597
Non-current financial assets, non-interest-bearing	1,250	762	795
Long-term interest-bearing receivables	4	4	5
Total non-current assets	85,195	38,652	84,154
Current assets			
Inventories	602	563	708
Contract assets	26	21	14
Current receivables etc., non-interest bearing	1,915	2,078	1,864
Cash and cash equivalents	937	978	1,231
Total current assets	3,480	3,640	3,817
TOTAL ASSETS	88,675	42,292	87,971
EQUITY AND LIABILITIES			
Equity	60,237	23,499	59,493
Non-current liabilities (Note 3)			
Interest-bearing liabilities and provisions	5,867	6,161	6,213
Other liabilities and provisions	18,150	8,587	18,086
Total non-current liabilities	24,017	14,748	24,299

MSEK	30 Sep 2021	30 Sep 2020	31 Dec 2020
Current liabilities (Note 3)			
Interest-bearing liabilities and provisions	2,739	2,622	2,636
Contract liabilities	0	2	1
Other liabilities and provisions	1,682	1,421	1,542
Total current liabilities	4,421	4,045	4,179
Total liabilities	28,438	18,793	28,478
TOTAL EQUITY AND LIABILITIES	88,675	42,292	87,971

Condensed statement of changes in equity

MSEK	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Opening equity, 1 January	59,493	23,574	23,574
Total comprehensive income	1,594	1,025	37,019
Dividend paid according to Annual General Meeting resolution	–850	–1,100	–1,100
CLOSING EQUITY AT END OF PERIOD/YEAR	60,237	23,499	59,493

The Sveaskog Group

Condensed cash flow statement

MSEK	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Operating activities			
Operating profit	1,971	1,420	13,821
Non-cash items etc.	-1,065	-535	-12,653
Interest received, etc.	0	0	2
Interest paid	-98	-111	-138
Tax paid	-250	-245	-163
Cash flow from operating activities before changes in working capital	558	529	869
Changes in working capital	230	-154	-246
Cash flow from operating activities	788	375	623
Investing activities			
Investment in non-current assets	-164	-176	-264
Investment in shares	-6	-7	-7
Dividends from associates	24	13	12
Sale of non-current assets	138	248	331
Sale of shares	7	0	0
Cash flow from investing activities	-1	78	72
Financing activities			
Dividend paid	-850	-1,100	-1,100
Borrowings	4,900	8,185	9,285
Repayment of loans	-5,131	-7,674	-8,763
Cash flow from financing activities	-1,081	-589	-578
CASH FLOW FOR THE PERIOD/YEAR	-294	-136	117
Cash and cash equivalents at the beginning of the year	1,231	1,114	1,114
Cash and cash equivalents at the end of the period/year	937	978	1,231

Comments on the balance sheet and cash flow

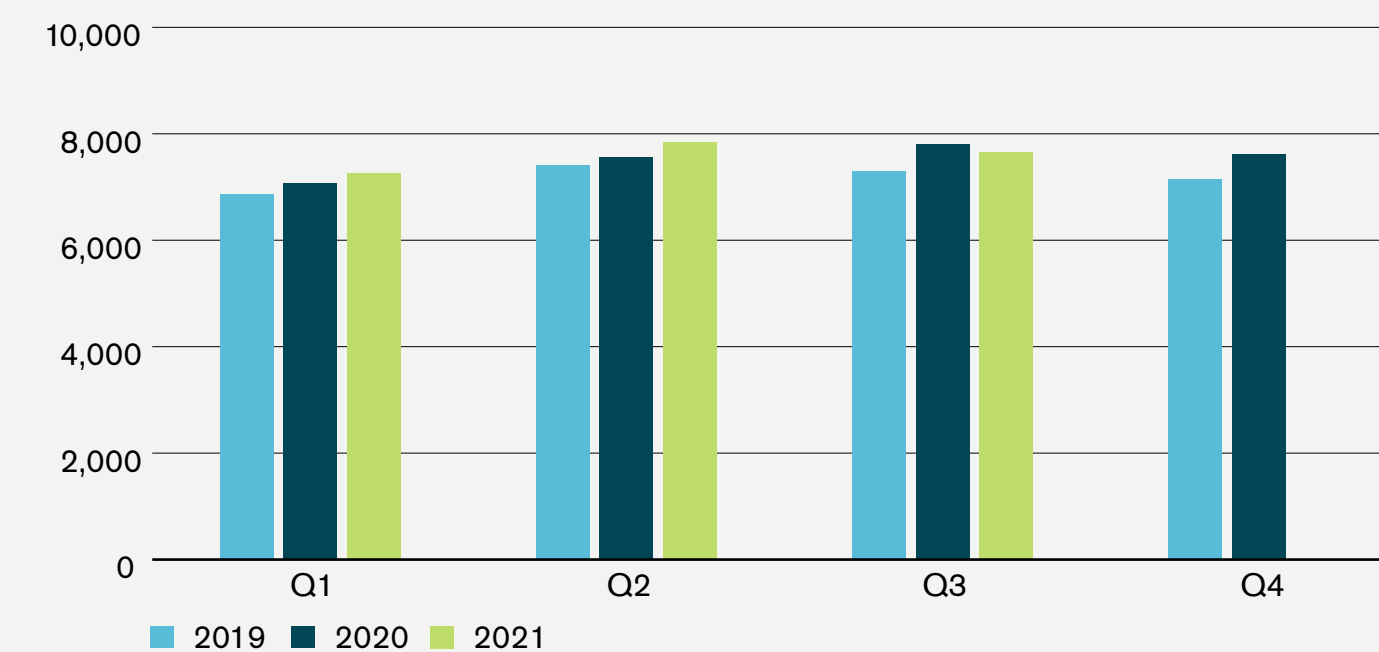
Cash flow from operating activities during the period was MSEK 788 (375). The increase is mainly attributable to reduced working capital. Investments in non-current assets, mainly forest properties and forest machines, amounted to MSEK 164 (176) while investments in shares amounted to MSEK 6 (7). Sales of non-current assets, mainly forest properties, were MSEK 138 (248). Dividends from associates have been received amounting to MSEK 24 (13) and sales of shares amounting to MSEK 7 (0). A dividend of MSEK 850 (1,100) was paid to the owner.

Sveaskog's interest-bearing net debt amounted to MSEK 7,665 (7,801) as of 30 September. At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's MTN programme and a Swedish commercial paper programme. The loan volume under the Swedish commercial paper programme amounted to MSEK 1,250 (1,375), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 30 September was MSEK 6,040 (6,090), of which MSEK 4,900 (4,800) refers to green bonds. The lowest average net fixed interest period during the period was 28 months (31).

The net debt/equity ratio was 0.13 (0.33).

The interest coverage ratio was 12.7 (7.9) and the gross borrowing cost was 1.34 (1.60) per cent.

Net interest-bearing debt, MSEK



Quarterly overview for the Sveaskog Group

Income statements, MSEK

Quarterly overview	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Net sales	1,472	1,867	1,693	1,681	1,307	1,808	1,801	1,813
Other operating income	8	33	38	25	8	25	43	35
Operating expenses	-1,201	-1,494	-1,278	-1,364	-1,141	-1,585	-1,339	-1,458
Depreciation/amortisation and impairment	-36	-34	-35	-34	-38	-38	-39	-40
Operating profit from continuing operations	243	372	418	308	136	210	466	350
Capital gains on property disposals	0	21	3	48	6	58	51	87
Share of profit/loss of associates	245	175	80	28	4	12	13	-30
Operating profit before change in value of forest assets	488	568	501	384	146	280	530	407
Change in value of forest assets	113	183	118	12,017	157	154	153	-27
Operating profit	601	751	619	12,401	303	434	683	380
Net financial income/expense	-36	-32	-35	-42	-40	-40	-31	-38
Profit before tax	565	719	584	12,359	263	394	652	342
Tax	-66	-112	-104	-2,527	-55	-82	-137	-70
Earnings	499	607	480	9,832	208	312	515	272

Balance sheets, MSEK

Quarterly overview	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Non-current assets, non-interest-bearing	85,191	84,783	84,382	84,149	38,648	38,491	38,304	38,164
Non-current receivables, interest-bearing	4	4	4	5	4	4	4	4
Inventories	602	601	806	708	563	484	664	576
Current receivables, non-interest bearing	1,941	2,026	1,856	1,878	2,099	2,322	2,075	1,691
Cash and cash equivalents and interest-bearing receivables	937	1,028	1,613	1,231	978	836	1,092	1,114
Total assets	88,675	88,442	88,661	87,971	42,292	42,137	42,139	41,549
Equity	60,237	59,744	59,976	59,493	23,499	23,841	24,057	23,574
Non-interest-bearing liabilities	19,832	19,823	19,798	19,629	10,010	9,900	9,909	9,708
Interest-bearing liabilities	8,606	8,875	8,887	8,849	8,783	8,396	8,173	8,267
Total equity and liabilities	88,675	88,442	88,661	87,971	42,292	42,137	42,139	41,549

KPIs

Financial KPIs	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Dividend yield, % ^{1,2}	3.8	3.1	2.4	2.4	3.7	4.3	4.7	4.9
Net debt/equity ratio, multiple ¹	0.13	0.13	0.12	0.13	0.33	0.32	0.29	0.30
Equity ratio, %	68	68	68	68	56	57	57	57
Operating capital, MSEK	67,878	67,620	67,277	67,178	31,267	31,381	31,100	30,736
Return on equity, % ²	27.3	26.6	25.8	26.2	5.6	6.1	6.5	6.7
Return on operating capital, % ²	29.0	28.4	28.0	28.2	5.8	6.4	6.8	6.8
Capital turnover rate, operating capital, multiple	0.09	0.11	0.10	0.14	0.17	0.23	0.24	0.24
Interest coverage ratio, multiple ^{2,3}	12.7	10.1	7.6	7.6	7.9	9.4	10.6	11.6
Operating margin, %	40.8	40.2	36.6	737.5	23.2	24.0	37.9	20.9
Net interest-bearing debt, MSEK	7,665	7,843	7,270	7,613	7,801	7,556	7,077	7,149
Average interest rate in loan portfolio, %	1.34	1.36	1.36	1.57	1.60	1.59	1.61	1.39
Average net fixed interest period, months	28	33	32	31	33	37	36	36

Other KPIs	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
<i>Investments, MSEK</i>								
Business acquisitions and investments in shares	0	5	1	0	0	0	7	0
Other investments	63	48	53	88	51	72	52	219
<i>Staff</i>								
Number of employees at the end of the period	705	709	712	713	705	699	689	682
Average number of employees	800	828	778	827	801	820	791	807

1) The lower dividend yield and net debt/equity ratio from 2020 Q4 and later are primarily due to a new accounting method for valuing forest assets.

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.

Parent company

Condensed income statement

MSEK	3 months, Jul-Sep		9 months, Jan-Sep		12 months	
	2021	2020	2021	2020	Oct 2020– Sep 2021	2020
Operating income	12	4	43	96	48	101
Operating expenses	-1	-1	-2	-2	-3	-3
Operating profit	11	3	41	94	45	98
Financial items ¹	-52	-86	-216	-247	7,700	7,669
Profit/loss before appropriations and tax	-41	-83	-175	-153	7,745	7,767
Group contributions	-	-	-	-	399	399
Provisions to untaxed reserves	-	-	-	-	-87	-87
Profit before tax	-41	-83	-175	-153	8,057	8,079
Tax	8	18	36	33	-53	-56
PROFIT/LOSS FOR THE PERIOD/YEAR	-33	-65	-139	-120	8,004	8,023

1) In 2020, the parent company received dividends from subsidiaries.

Condensed balance sheet

MSEK	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Non-current assets			
Tangible non-current assets	39	43	40
Total property, plant and equipment	39	43	40
Non-current financial assets			
Shares in Group companies	24,934	24,934	24,934
Receivables from Group companies, interest-bearing	800	1,200	1,200
Total non-current financial assets	25,734	26,134	26,134
Total non-current assets	25,773	26,177	26,174
Current assets			
Current receivables etc., non-interest bearing	138	214	8,604
Receivables from Group companies, interest-bearing	1,500	520	489
Cash and cash equivalents	0	0	0
Total current assets	1,638	734	9,093
TOTAL ASSETS	27,411	26,911	35,267
EQUITY AND LIABILITIES			
Equity	12,401	5,247	13,390
Untaxed reserves	157	70	157
Non-current liabilities			
Interest-bearing non-current liabilities	5,432	5,732	5,732
Total non-current liabilities	5,432	5,732	5,732
Current liabilities			
Interest-bearing liabilities and provisions	9,307	15,761	15,836
Other liabilities and provisions	114	101	152
Total current liabilities	9,421	15,862	15,988
TOTAL EQUITY AND LIABILITIES	27,411	26,911	35,267

Parent company

Condensed statement of changes in equity

MSEK	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Opening equity, 1 January	13,390	6,467	6,467
Dividend paid according to Annual General Meeting resolution	-850	-1,100	-1,100
Profit/loss for the period/year	-139	-120	8,023
CLOSING EQUITY AT END OF PERIOD/YEAR	12,401	5,247	13,390

Condensed cash flow statement

MSEK	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Cash flow from operating activities	7,265	-838	-916
Cash flow from investing activities	14	588	591
Cash flow from financing activities	-7,279	250	325
CASH FLOW FOR THE PERIOD/YEAR	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

Sveaskog Group and associates

Setra Group AB



OWNERSHIP
50 per cent of the shares.

NET SALES (MSEK)
4,278

OPERATING PROFIT (MSEK)
1,219

SunPine AB



OWNERSHIP
25.1 per cent of the shares.

NET SALES (MSEK)
1,524

OPERATING PROFIT (MSEK)
173

ShoreLink AB



OWNERSHIP
24.1 per cent of the shares.

NET SALES (MSEK)
240

OPERATING PROFIT (MSEK)
3

SVEASKOG

Group

OWNERSHIP
Sveaskog is 100% owned by the Swedish state.

NET SALES (MSEK)
5,032

OPERATING PROFIT (MSEK)
1,971

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 43 (96), of which MSEK 13 (85) was accounted for by capital gains from sales of forest land. The loss after financial items amounted to MSEK –175 (–153). 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 4,278 (3,043). The operating profit amounted to MSEK 1,219 (56). 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 2,468 per cent to MSEK 469 (19). Sveaskog's share of Setra Group's other comprehensive income amounted to MSEK –11 (–3).

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 1,524 (993). The operating profit amounted to MSEK 173 (28). The profit improvement is primarily an effect of increased production through expanded capacity. Sveaskog's share of the company's profit increased by 680 per cent to MSEK 34 (5).

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 2021 reports the share of the associate's profit/loss for the period September 2020 up to and including September 2021, while the figures for the previous year cover the period from September 2019 – August 2020. Net sales for this period amounted to MSEK 240 (310) and the operating loss for the same period amounted to MSEK 3 (28). Sveaskog's share of the company's profit or loss amounted to MSEK –2.6 (5.3).

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 has been prepared in accordance with the Swedish Annual Accounts Act, which is in accordance with the provisions 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 2020, Note 14 on pages 77–80. For Q3 2021, see Note 2.

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Jan–Sep 2021	Jan–Sep 2020	Oct 2020– Sep 2021	Full year 2020
Sawlogs	2,421	2,207	3,230	3,016
Pulpwood and woodchips	2,006	2,019	2,780	2,793
Biofuel	94	99	135	140
Seedlings	267	254	314	301
Other	84	188	66	170
Total revenue from contracts with customers	4,872	4,767	6,525	6,420
Of which IFRS 15 in net sales	4,871	4,765	6,521	6,415
Lease income	161	151	192	182
Total net sales	5,032	4,916	6,713	6,597
Of which IFRS 15 in other operating income	1	2	4	5
Capital gains etc.	78	74	100	96
Total other operating income	79	76	104	101
Date of revenue recognition				
Goods and services transferred to customers on a specific date	4,809	4,675	6,436	6,302
Goods and services transferred to customers over time	63	92	89	118

Sveaskog has unsatisfied performance obligations for sales contracts with a term of more than 12 months of MSEK 2,861 (3,579). 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 4,198 (4,638) reported for last year, MSEK 1,283 (932) referred to January–September 2021.

NOTE 2 VALUATION OF FOREST ASSETS

The book value of Sveaskog's forest assets as of 30 September 2021 has been calculated at MSEK 83,024 (37,020), of which MSEK 47,296 (34,289) refers to the fair value of the standing timber and MSEK 35,728 (2,731) refers to the cost of the land (for the 2020 cost). The change in the balance sheet since the previous year is MSEK 594 (397) and is shown below. 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

Up to and including the third quarter of 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 (2011–2020). 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 percent (5.75), which is estimated to correspond to the long-term weighted cost of capital for this asset class. In the judgement of Sveaskog's Board of Directors, this interest rate should correspond to the long-term cost of capital for an investment

Notes

NOTE 2 VALUATION OF FOREST ASSETS, contd.

in forest assets and not be affected by short-term fluctuations in market rates.

In total Sveaskog owns a volume of standing timber amounting to 277 million cubic metres of forest (239), which forms the basis for the valuation of the forest assets. According to current felling estimates, which date from 2018 and are based on a forest optimisation model, felling will amount to approximately 6.3 million m³sub (6.3) per year. This level is estimated to be relatively unchanged until 2033, to then be successively increased to approximately 6.8 million m³sub by 2063. The level is then expected to be increased further to 7.2–7.9 million m³sub. In 2020, approximately 54 per cent (56) of Sveaskog's own forest volume was sold as sawlogs to sawmills and 41 per cent (40) 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 tree tops, 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 (formerly LRF Konsult). The prices are a five-year average (2015–2019).

Timber stocks per million cubic metres of forest are based on Sveaskog's forest registers and refer to the most recent (October 2020) calculation.

Biological assets

Income (timber prices) is based on prices from a ten-year average (2011–2020) 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 – Standing timber

MSEK	30 Sep 2021	30 Sep 2020
Valuation price per cubic metre of forest in SEK	5-year average	
Timber stocks per million cubic metres of forest	Forest registers as at October 2020	
Discount rate	4.50%	5.75%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.75% per year
Costs	Normal cost ¹⁾	Normal cost ¹⁾
Nominal cost increase	2.00% per year	2.00% per year

1) Normal cost = outcome for the current year and the previous year as well as budget for the coming year.

Sensitivity analysis based on key measurement parameters and their impact on Sveaskog's forest assets is described in detail in Sveaskog's annual report for 2020 (note 14, pages 77–80).

Forest assets

MSEK	
Opening value, 1 January 2020	36,623
Change during the year	397
Closing values, 30 September 2020	37,020
Deferred tax attributable to forest assets	7,551
MSEK	
Opening value, 1 January 2021	82,430
Change during the year	594
Closing values, 30 September 2021	83,024
Deferred tax attributable to forest assets	17,030

Notes

NOTE 2 VALUATION OF FOREST ASSETS, contd.

Biological assets

MSEK	
Fair values	
Opening value, 1 January 2020	33,900
Acquisition of standing timber	3
Sales of standing timber	-78
Changes due to harvesting	-963
Changes in fair value	1,427
Closing values, 30 September 2020	34,289
Opening value, 1 January 2021	
Acquisition of standing timber	15
Sales of standing timber	-31
Changes due to felling	-1,046
Changes in fair value	1,637
Closing values, 30 September 2021	47,296

Forest land

MSEK	
2020 cost/2021 fair value	
Opening value, 1 January 2020	2,723
Acquisition of forest land	11
Sale of forest land	-3
Closing balance 30 September 2020 (cost)	2,731
Opening value, 1 January 2021	
Acquisition of forest land	53
Sale of forest land	-34
Change in fair value	0
Closing values, 30 September 2021	35,728

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 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
ASSETS						
Forest assets						
– Biological assets	–	–	–	–	47,296	46,721
– Forest land	–	–	–	–	35,728	35,709
Derivative instruments	–	–	3	1	–	–
Total assets	–	–	3	1	83,024	82,430
LIABILITIES						
Non-current liabilities	–	–	5,440	5,970	–	–
Current liabilities	–	–	2,650	2,566	–	–
Derivative instruments	–	–	39	73	–	–
Total liabilities	–	–	8,129	8,609	–	–

Valuation 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 or as hedge accounting. The measurement of the fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for the measurement. Compared with the annual financial statements for 2020, no transfers have been made between the different levels in the hierarchy and no significant changes have been made to the measurement method, data used or assumptions.

Valuation techniques used to calculate fair values in Level 3

The valuation technique is shown in Note 2.

Other information

Issues

In January–September 2021, Sveaskog has issued MSEK 3,800 (6,005) under the commercial paper programme and MSEK 1,100 (1,700) under the MTN programme.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Sveaskog's 2020 annual report (pages 40–43). The ongoing coronavirus pandemic is having a major impact on the global economy. 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 interim report, have occurred since the publication of the annual report.

Significant events after the closing date

The Board of Directors has appointed Erik Brandsma as President and CEO of Sveaskog. He will take up his position on 15 January 2022. No other significant events have occurred after the closing date.

Related-party transactions

During the period, a dividend of MSEK 850 (1,100) was paid to the owner. No other significant changes have occurred in relationships or transactions with related parties since what was described in the 2020 annual report.

The report has been audited.

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, 26 October 2021 Sveaskog AB (publ.) (556558-0031)

Eva Färnstrand
Chairman of the Board

Marie Berglund
Director

Johan Kuylenstierna
Board member

Kerstin Lindberg Göransson
Director

Christina Lindbäck
Director

Leif Ljungqvist
Director

Elisabet Salander Björklund
Director

Sven Wird
Director

Kenneth Andersson
Employee representative

Sara Östh
Employee representative

Per Matses
President and CEO

Auditor's review report

Introduction

We have reviewed the interim report of Sveaskog AB (publ) for the period 1 January to 30 September 2021. Responsibility for preparing 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 taken 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, 26 October 2021

Deloitte AB

Hans Warén



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 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.

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 2020–Sep 2021	Oct 2019 – Sep 2020	Full year 2020
Return on equity			
Equity OB	23,499	23,289	23,574
Equity CB	60,237	23,499	59,493
Average equity (OB + CB)/2	41,868	23,394	41,534
Profit for the year	11,418	1,307	10,867
Divided by average equity	41,868	23,394	41,534
= Return on equity, %	27.3%	5.6%	26.2%

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 2020–Sep 2021	Oct 2019 – Sep 2020	Full year 2020
Return on operating capital			
Operating profit	14,372	1,800	13,821
Divided by average operating capital	49,586	30,961	48,957
= Return on operating capital, %	29.0%	5.8%	28.2%

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 2020–Sep 2021	Oct 2019 – Sep 2020	Full year 2020
Dividend yield			
Operating profit before change in value of forest assets	1,941	1,363	1,340
Less capital gains on property disposals	-72	-202	-163
Subtotal	1,869	1,161	1,177
Operating capital OB	31,266	30,655	30,736
Operating capital CB	67,905	31,266	67,178
Average operating capital (OB + CB)/2	49,586	30,961	48,957
Subtotal as above	1,869	1,161	1,177
Divided by average operating capital	49,586	30,961	48,957
= Dividend yield, %	3.8%	3.7%	2.4%

The lower dividend yield and net debt/equity ratio are primarily due to a new accounting method for valuing forest assets.

Capital turnover rate

Definition: Net sales divided by average operating capital.

Earnings per share (defined in accordance with IFRS)

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

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 2021	Sep 2020	Full year 2020
Net debt/equity ratio			
Net interest-bearing debt	7,665	7,801	7,613
Divided by equity	60,237	23,499	59,493
= Net debt/equity ratio, multiple	0.13	0.33	0.13

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 key ratios return on operating capital and average operating capital.

Operating capital	Sep 2021	Sep 2020	Full year 2020
Current receivables etc., non-interest bearing	1,915	2,078	1,864
– of which advances to suppliers	199	196	187
– of which tax assets	236	277	38
– of which trade receivables, loans and other receivables	1,480	1,605	1,639
Other current liabilities	1,682	1,421	1,542
– of which tax liabilities	239	243	110
– of which trade and other payables	1,443	1,178	1,432
Balance sheet total	88,675	42,292	87,971
Less interest-bearing assets (cash and cash equivalents)	-937	-978	-1,231
Less interest-bearing receivables (non-current)	-4	-4	-5
Less tax assets	-236	-277	-38
Less other liabilities and provisions (non-current)	-18,150	-8,587	-18,086
Less contract liabilities	0	-2	-1
Less trade and other payables	-1,443	-1,178	-1,432
= Operating capital, MSEK	67,905	31,266	67,178

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.

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 2021	Sep 2020	Full year 2020
Interest-bearing assets (cash and cash equivalents and non-current receivable)	941	982	1,236
Interest-bearing liabilities and provisions (non-current)	-5,867	-6,161	-6,213
Interest-bearing liabilities (current)	-2,739	-2,622	-2,636
= Net interest-bearing debt, MSEK	-7,665	-7,801	-7,613

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 2020–Sep 2021	Oct 2019 – Sep 2020	Full year 2020
Financial items in the income statement	-145	-149	-153
– of which financial income	2	-3	2
– of which financial expenses	-147	-146	-155
Operating profit before change in value of forest assets	1,941	1,363	1,340
Less capital gains on property disposals	-72	-202	-163
Plus financial income	2	-3	2
Subtotal	1,871	1,158	1,179
Divided by financial expenses	147	146	155
= Interest coverage ratio, multiple	12.7	7.9	7.6

Operating margin

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

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 2021	Sep 2020	Full year 2020
Equity	60,237	23,499	59,493
Divided by total assets	88,675	42,292	87,971
= Equity ratio, %	68%	56%	68%

Contact

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Financial calendar

Year-end report 2021	27 January 2022
Annual Report and Sustainability Report	March 2022

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