

Sveaskog is Sweden's leading forestry company and sells timber, pulpwood, biofuel, seedlings and forestry services. Sveaskog complements the supply from its own forest with purchases from other forest owners, trading and imports. In addition, Sveaskog deals in land and develops the forest as a place for fishing, hunting and other outdoor experiences. The forest and its assets are Sveaskog's core business and sustainable development permeates everything that is done. Sveaskog is affiliated to the FSC® and PEFC™.



While the effects of the coronavirus pandemic on Sveaskog have so far been limited, the restrictions imposed nationally and internationally could have an impact on demand for wood raw materials. To date, Sveaskog's forestry operations have continued without any major disruptions.

Interim report January – June 2020

1 April – 30 June 2020

- Net sales decreased by six per cent to MSEK 1,808 (1,925) due to lower marketprices. Prices of wood raw materials decreased by eight per cent on average, while total delivery volumes were up by two per cent.
- Operating profit decreased by 35 per cent to MSEK 210 (323). The change is mainly attributable to lower prices and a product mix with a lower share of timber. Costs for forest management and nature conservation have increased due to extended investments according to plan.
- The reported net change in value of standing timber was MSEK 154 (159). The change in value had no impact on cash flow.
- Profit for the quarter was MSEK 312 (425), equivalent to SEK 2.64 (3.59) per share.

1 January – 30 June 2020

- Net sales decreased by six per cent to MSEK 3,609 (3,849) due to lower marketprices. Prices of wood raw materials decreased by eight per cent on average, while total delivery volumes were up by one per cent. Revenue from wind power concessions has increased.
- Operating profit decreased by 19 per cent to MSEK 676 (832). Lower prices were partly offset by an increased share of deliveries from own forest. Costs for forest and nature conservation has increased as a result of planned expanded investments. Road costs have increased due to, among other things, difficult weather conditions during the spring. Svenska Skogsplantor's earnings were down due to lower volumes and higher costs.
- The dividend yield, measured over a 12-month period, was 4.3 per cent (5.4).
- The reported net change in value of standing timber was MSEK 307 (272). The change in value had no impact on cash flow.
- Earnings for the first six months totalled MSEK 827 (946), which equates to SEK 6.98 (7.99) per share.
- Sveaskog has so far been able to operate without major disruptions caused by the coronavirus pandemic. The situation is being monitored closely to ensure that the necessary adaptations can be made.

MSEK	3 months, Apr–Jun			6 months, Jan–Jun			12 months		
	2020	2019	%	2020	2019	%	Jul 2020–Jun 2021	Full year 2019	%
Net sales	1,808	1,925	–6%	3,609	3,849	–6%	6,969	7,209	–3%
Operating profit from continuing operations	210	323	–35%	676	832	–19%	1,327	1,483	–11%
Change in value of forest assets	154	159	–3%	307	272	13%	434	399	9%
Operating profit	434	569	–24%	1,117	1,246	–10%	1,964	2,093	–6%
Profit before tax	394	536	–26%	1,046	1,187	–12%	1,822	1,963	–7%
Profit for the period	312	425	–27%	827	946	–13%	1,439	1,558	–8%
Cash flow from operating activities	18	419	–96%	53	738	–93%	423	1,108	–62%
Earnings per share, SEK	2.64	3.59	–26%	6.98	7.99	–13%	12.15	13.16	–8%

Performance measures¹, Group

	Jan–Jun 2020	Jan–Jun 2019	Jul 2020–Jun 2021	Full year 2019
Dividend yield, % ² (target at least 4.5%)	4.3	5.4	4.3	4.9
Net debt/equity ratio, multiple (target 0.3–0.6)	0.32	0.32	0.32	0.30
Return on operating capital, %	6.4	12.4	6.4	6.8
Return on equity, %	6.1	12.7	6.1	6.7
Interest coverage ratio, multiple ²	9.4	11.5	9.4	11.6
Equity ratio, %	57	56	57	57
Net interest-bearing debt, MSEK	7,556	7,420	7,556	7,149
Average number of employees	820	802	820	807
Total delivery volume, thousand m ³ sub	5,641	5,473	10,815	10,648

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

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

CEO's comments

Stable situation despite pandemic

Sveaskog reports an operating profit of MSEK 676 (832) for the first half of 2020, which is lower than in the same period last year. A dip in earnings was expected, as prices of our products declined gradually in 2019, and the trend has continued into 2020. On average, prices were eight per cent lower in the first half of the year compared with the same period in the previous year. Through increased deliveries both on a total basis and from own forest, we still managed to maintain earnings. Total delivery volumes for the first quarter were 5.6 (5.5) million m³sub, of which 3.3 (3.0) million m³sub came from own forest. Net sales were MSEK 3,609 (3,849). The dividend yield was 4.3 (5.4) per cent and the net debt/equity ratio 0.32 (0.32).

The production cutbacks announced in the first quarter by certain sawmills in response to the coronavirus pandemic were offset by strong domestic demand and increased exports to overseas markets. Demand from pulp mills was stable in the first half of the year.

As a result of increasing bark beetle infestations in Central Sweden, there is a growing surplus of especially spruce timber on the market when large volumes have to be harvested for to reduce dispersal and thereby save timber values.

While the effects of the coronavirus pandemic on Sveaskog have so far been limited, the restrictions imposed nationally and internationally could have an impact on demand for wood raw materials. To date, Sveaskog's forestry operations have continued without any major disruptions. Sveaskog adheres to the guidelines issued by the authorities and has changed the way it operates by avoiding travel, enabling employees to work from home and increasing the use of virtual meetings. Sveaskog contributes to the recovery of society by supporting local contractors. We ensure employment for external forest contractors as far as possible. In the event of local production reductions, we let the own felling teams perform alternative tasks.

Sveaskog analyzes the effects of different scenarios as a result of the corona pandemic and has an action plan for each scenario.

Sveaskog adjusts rapidly to manage planting season

Sveaskog, including the Svenska Skogsplantor business area, has a goal of planting 60 million tree seedlings during the May to September period. Half of all seedlings are planted in Norrbotten, Västerbotten and Jämtland. This is a tough task that has required a rapid adjustment for us and our contractors, as the foreign seasonal workers who normally carry out the planting work have not been able to travel to Sweden. Sveaskog and the 45 or so contractors tasked with planting new trees have made major efforts to adjust to the new situation. Priorities have been reassigned and new workers have been recruited in Sweden and the EU, including around 100 new planting workers from the Swedish labour market as well as a large number of school students taking up holiday work.

Sveaskog has issued two new series of green bonds

In April, Sveaskog issued two series of green bonds, raising a total of MSEK 1,700. As usual, the issues attracted strong interest and the bonds were placed with several investors, primarily in Sweden.

A year at the helm

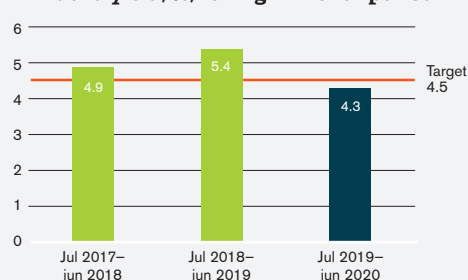
It has now been one year since I took over as CEO of Sveaskog. It is clear to me that Sveaskog plays a key role in the bio-economic value chain. Sveaskog has a very important duty to fulfil in ensuring increased forest growth and thus in providing industry with wood raw material in a sustainable manner while also sustainably increasing biological diversity. It is entirely possible to achieve this in a sustainable forestry framework.

Sveaskog seeks to ensure a safe and sustainable supply of timber that contributes to regional development by creating jobs in the bio-economic value chain, in forestry and in industry.

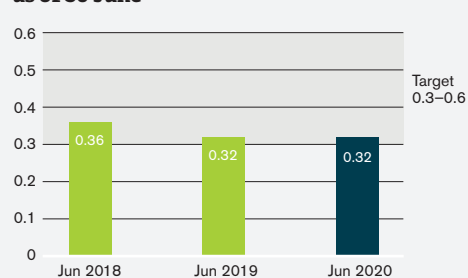


Hannele Arvonen
President and CEO

Dividend yield, %, rolling 12-month period



Net debt/equity ratio, multiple, as of 30 June



Management changes

Kristina Ferenius has been appointed new Chief Financial Officer at Sveaskog. Before joining Sveaskog, she was Vice President and CFO at Specialfastigheter Sverige. She will take up her post in the autumn. The current CFO, Per Matses, will remain at the company as Senior Advisor.

Patrik Karlsson has been appointed new CDO, Chief Digital Officer, at Sveaskog and will take up his post on 17 August 2020. Before joining Sveaskog, he was CIO at Filmstaden. Sveaskog will be further increasing its focus on digitisation, business innovation and the overall value chain and will take a proactive role in this drive. The focus will be on developing and improving the company's core and support processes and on driving the development of Sveaskog's business model towards a more digital and seamless flow, from plant to customer delivery.

Viveka Beckeman, Head of Legal Affairs and Property and Acting Director of Communications, will leave Sveaskog to take up the post of CEO of the Swedish Forest Industries Association.

Group performance

1 April – 30 June 2020

Net sales

Net sales decreased by six per cent to MSEK 1,808 (1,925). Prices of wood raw materials decreased by eight per cent on average, while total delivery volumes were up by two per cent. The sales of wood raw materials amounted to 2.7 (2.6) million cubic metres (m³sub).

Results

Operating profit decreased by 35 per cent to MSEK 210 (323). The change is primarily attributable to lower prices, which were partly due to a changed product mix with a lower share of timber and partly due to higher costs for forest management and nature conservation as a result of increased investment.

Capital gains from property sales were MSEK 58 (68). Share of profits of associates was MSEK 12 (19). The net change in the reported value of standing timber was MSEK 154 (159). After change in value of forest assets, operating profit was MSEK 434 (569).

Financial items in the quarter were MSEK –40 (–33). Profit before tax was MSEK 394 (536). Tax was MSEK –82 (–111). Profit for the quarter decreased by 27 per cent to MSEK 312 (425).

1 January – 30 June 2020

Net sales

Net sales decreased by six per cent to MSEK 3,609 (3,849). Prices of wood raw materials decreased by eight per cent on average, while total delivery volumes were up by one per cent. Revenue from wind power concessions has increased. The sales of wood raw materials amounted to 5.6 (5.5) million cubic metres (m³sub).

Results

Operating profit decreased by 19 per cent to MSEK 676 (832). Lower prices were partly offset by an increased share of deliveries from own forest. The costs for forest and nature conservation have increased as a result of increased investments and the costs of roads, among other things as a result of unfavorable weather conditions.

Svenska Skogsplantor's earnings were down due to lower volumes and higher costs.

Capital gains from property sales were MSEK 109 (80). Share of profits of associates was MSEK 25 (62). The net change in the reported value of standing timber was MSEK 307 (272). After change in value of forest assets, operating profit was MSEK 1,117 (1,246).

Financial items in the quarter were MSEK –71 (–59). Profit before tax was MSEK 1,046 (1,187). Tax was MSEK –219 (–241). Profit for the quarter decreased by 13 per cent to MSEK 827 (946).

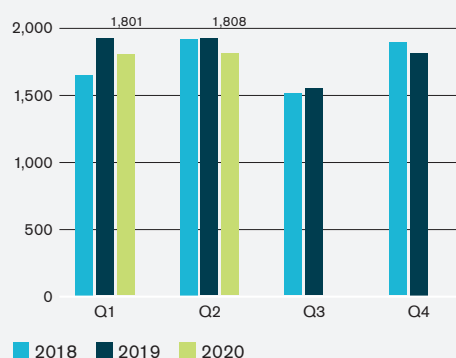
Cash flow, investments and financial position

Cash flow from operating activities for the first half of the year was MSEK 53 (738). The decrease is primarily due to an increase in working capital, partly in the form of trade receivables. Investments in non-current assets, mainly forest properties and forest machines, totalled MSEK 125 (164) while investments in shares were MSEK 7 (5). Sales of non-current assets, mainly forest properties, were MSEK 229 (197). Dividends from associates totalled MSEK 0 (57). A dividend of MSEK 550 (1,100) was paid to the owner. A further dividend of MSEK 550 will be paid in August. As a result of the coronavirus pandemic, the AGM decided to divide the dividend for the year between two payments.

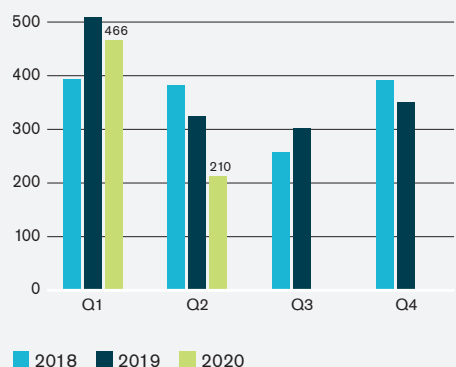
Change in net sales, MSEK

	Q2	Jan–Jun
2019	1,925	3,849
Price, wood raw materials	–157	–296
Delivery volume, wood raw materials	30	23
Concessions, seedlings and other sales	10	33
2020	1,808	3,609

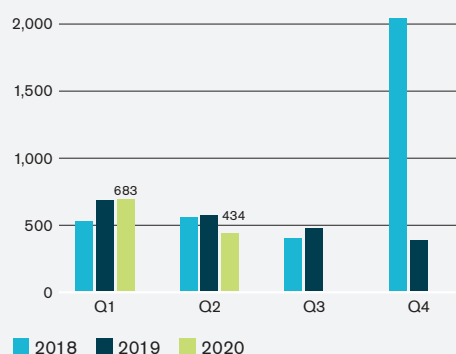
Net sales, MSEK



Operating profit from continuing operations, MSEK



Operating profit, MSEK



Sveaskog's net interest-bearing debt amounted to MSEK 7,556 (7,420) as of 30 June. 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 was MSEK 975 (2,075), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 30 June was MSEK 6,090 (4,990), of which MSEK 4,800 (3,100) refers to green bonds. The lowest average fixed interest period during the year was 31 months (35).

The net debt/equity ratio was 0.32 (0.32).

The interest coverage ratio was 9.4 (11.5) and the gross borrowing cost was 1.59 (1.43) per cent.

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. Sveaskog AB (publ)'s operating income for the first six months was MSEK 92 (8), of which MSEK 85 (0) refers to capital gains. The loss after financial items was MSEK -70 (-138). The parent company's costs consist mainly of interest expenses. The company has no employees.

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 company's profit and loss is recognised in profit or loss in the associate. Net sales for the first six months totalled MSEK 2,203 (2,383). The operating profit was MSEK 59 (117). The decreased profit was mainly due to lower sales prices, which had a negative impact on the gross margin. Sveaskog's share of earnings in the company adjusted for intra-group profits decreased by 52 per cent to MSEK 25 (48). Sveaskog's share of Setra Group's other comprehensive income was MSEK -1 (-9).

SunPine AB

Sveaskog owns 25.1 per cent of the shares of the biorefinery SunPine AB. The share of the associate company's profit and loss is recognised in profit or loss in the associate. Net sales for the first six months totalled MSEK 700 (798). The operating profit was MSEK 5 (78). The reduced profit is due mainly to lower production coupled with a temporary decrease in demand. Sveaskog's share of the company's profit decreased by 98 per cent to MSEK 0.3 (14).

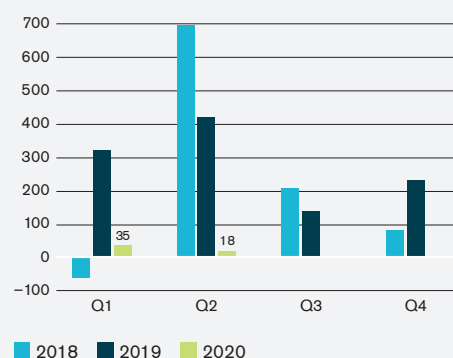
ShoreLink AB

Sveaskog owns 24.1 per cent of the shares of the logistics and transport firm ShoreLink AB. The share of the associate company's profit and loss for the period September 2019 to March 2020 is recognised in the consolidated income statement. Net sales for this period totalled MSEK 165 and the operating loss for the same period was MSEK -0.4. Sveaskog's share of the company's profit or loss was MSEK -0.4 (0).

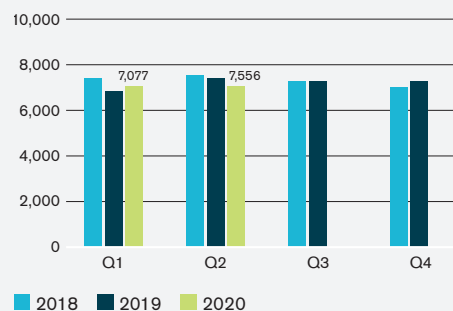
Operating profit from continuing operations

MSEK	Apr-Jun	Jan-Jun
2019	323	832
Price, own wood raw materials	-84	-161
Volume and change in inventories, own wood raw materials	-14	88
Unit cost harvesting	-1	-11
Forest management and nature conservation	-15	-19
Roads	-9	-21
Svenska Skogsplantor	6	-19
Earnings from externally procured wood raw materials	-8	-30
Other property transactions*	9	9
Other	3	8
2020	210	676
*Other property transactions relate to a combination of:		
All future concessions	-2	0
Sale of non-forest land	11	9
Other property transactions	9	9

Cash flow from operating activities per quarter, MSEK



Net interest-bearing debt, MSEK



Market situation and wood deliveries

Sveaskog conducts forestry operations and wood raw material trading in Sweden. More than half of the wood raw material sold comes from its own forest, the remaining quantity is purchased from private and institutional forest owners. The main products are sawlogs, pulpwood, biofuel and wood chips. The majority of Sveaskog's customers come from the forest industry and the Swedish energy sector.

The Swedish forest industry is export-oriented and exports to markets across the world, although the European market is the most important. As paper and pulp and wood products are traded in the global market, changes in supply, demand and flows in world markets therefore have a significant impact on the Swedish forest industry. Following the weakening of the market which led to declining prices of forest products last year, the last six months have seen an improvement in inventories, demand and prices for several forest products. This was most noticeable for market pulp, where prices have increased to over USD 35 since year-end. For paper and cardboard, however, prices fell in the first quarter but then recovered in the second quarter.

Prices of sawn timber have also strengthened slightly since year-end.

With significant exports and trade in currencies such as USD, EUR and GBP, exchange rates have a significant impact on the profitability of the Swedish forest industry. The Swedish krona weakened against USD and EUR in the first quarter but has since strengthened again to roughly where it was at year-end.

Sawmills

The market for sawn wood products is heavily dependent on construction activity, in Sweden and internationally. While over 70 per cent of Sweden's wood products are exported, the domestic market is the single largest market for the country's sawmills. Due to the coronavirus pandemic and the resulting economic situation, construction activity in Europe weakened significantly until mid-year, especially in the second quarter. Construction activity in Sweden also moderated during the period. Exports from Swedish sawmills to the major non-European markets, such as North Africa, the Middle East, China, Japan and the US, have increased. Brisk sales led to a decrease in finished goods inventories at Sweden's sawmills and pushed prices of wood products modestly higher.

Higher prices for wood products, plus five per cent for pine wood products and three per cent for spruce wood products, did not yet translate into higher prices for timber during the period.

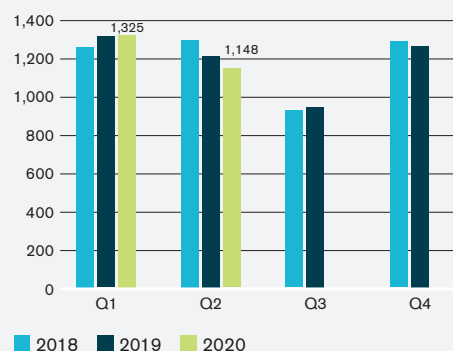
Earlier in the spring, several sawmills, mainly in southern and central Sweden, announced cutbacks in production in response to an expected tougher market situation but these cutbacks proved limited and have now been reversed to a large extent.

In the middle of June, we were informed that Vida was acquiring Berg's Swedish sawmills. The acquisition comprises four mills in Småland. The deal will result in a further consolidation of the sawmill industry in Götaland.

Sveaskog's deliveries

During the second quarter Sveaskog delivered 1,148 (1,214) thousand m³ of sawlogs, which is an increase of five per cent on the same period last year. For the period July 2019 to June 2020, deliveries totalled 4,686 thousand m³ (4,747).

Delivery volume sawlogs, thousand m³sub



The 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. The next largest market is Asia, whose share has increased sharply and where China is becoming an increasingly important market. The price of market pulp (NBSK) in the first half of 2020 strengthened from a level around USD 820 per tonne (PIX) at the beginning of the year to around USD 855 per tonne in June. Further price increases have been announced. For paper and cardboard, the downward movement in prices in the spring is expected to have come to an end as prices stabilised in June. For packaging paper, such as kraftliner and white-top kraftliner, prices have declined by up to three per cent since year-end while prices of graphic paper are down by four to ten per cent depending on the quality.

Sveaskog's deliveries

In the second quarter, Sveaskog delivered 1,395 (1,232) thousand m³sub of pulpwood and woodchips, which is an increase of 13 per cent on the same period last year. For the period July 2019 to June 2020, deliveries totalled 5,538 thousand m³sub (5,390).

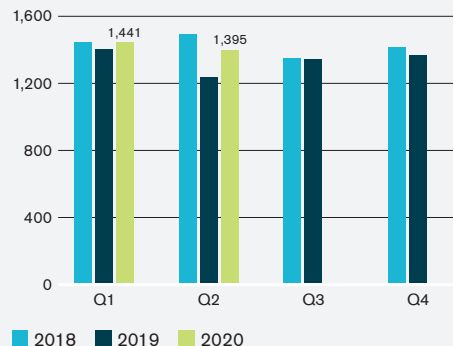
The biofuel market

The forest biofuel market is regional and local, as transport costs are high. The customers are power and heating plants as well as energy-producing forest industry. Due to a relatively mild winter, Sweden's combined heat and power plants did not use the planned volume of biofuel. A continued ample supply of bark beetle-damaged wood, especially in southern and central Sweden, has led to a build-up of stocks of biofuel. The combination of a high supply of bark beetle-damaged wood and high stock levels has had a price-dampening effect, especially in those areas where the supply of damaged wood is greatest.

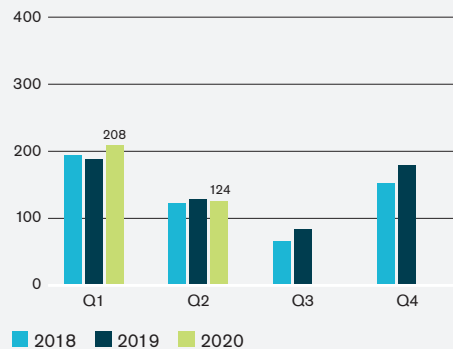
Sveaskog's deliveries

During the second quarter Sveaskog delivered 124 (126) thousand m³sub of biofuel, which is a decrease of two per cent on the same period last year. For the period July 2019 to June 2020, deliveries totalled 591 thousand m³sub (527).

Delivery volume pulpwood and woodchips, thousand m³sub



Delivery volume biofuel, thousand m³sub



Sveaskog's sustainable business activities during the quarter

The most profitable forestry company in the short and long term

Green bond issues

In April, Sveaskog issued two series of green bonds. The first series of bonds, issued through Swedbank, have a maturity of three years and totalled MSEK 1,100, of which MSEK 500 are variable-rate bonds and MSEK 600 bear interest at fixed rates.

The second series of bonds, totalling MSEK 600, have a maturity of five years, bear fixed interest and were issued through SEB. The bonds were issued under a green framework called Green Bond Principles and are designed to encourage investments in projects that promote environmental sustainability. The framework specifies what the financing will be used for, the expected positive environmental effects and how results should be reported. Sveaskog's initiatives to develop sustainable forestry, create climate benefits and promote diversity are very much in line with the Green Bond Principles.

A leader in sustainable forestry

Actions in response to violation of FSC standards

In the second quarter, Sveaskog was found to have committed a serious violation of the FSC® forest management standards. Different felling activities have been carried out in an incorrect manner. Sveaskog itself reported the current cases to the Swedish Forest Agency and the DNV GL certification body. Following Sveaskog's appeal, the certification agency has changed its statement and there are now two minor deviations to remedy. Immediate measures to prevent a repeat occurrence have been taken, including compensation for lost natural values and improvement of a geographic information system. Basically, Sveaskog has a rigorous follow-up system.

Working together to help the white-backed woodpecker

Sveaskog and Järvzoo, a Nordic wilderness park in Järvsö, have initiated a long-term partnership to preserve and help the white-backed woodpecker. The partnership is aimed at increasing the population of this vulnerable species.

The partnership will initially cover financing for the construction of a new public woodpecker facility in the wilderness park. In the longer term, it will also involve restoring the species' natural habitats, including deciduous forest and wetlands, and releasing viable individuals in these suitable nature areas.

Wetland restoration

In early summer, a major new wetland project was opened next to the Åsen nature reserve in the municipality of Åtvidaberg. The project, which has involved recreating wetlands to benefit a larger number of aquatic organisms and insects, is a joint effort by Sveaskog, the County Administrative Board of Östergötland and the Swedish Society for Nature Conservation.

More generally, efforts are underway to recreate wetlands

in the Swedish forest industry. The vegetation in new wetlands dies and decays after 5–10 years. Recreated wetlands can be emptied of water, allowing the vegetation to recover. The water level can then be raised again, introducing new plant material for decomposition.

The first choice for employees and contractors

Coronavirus support package for our contractors

On April 2, Sveaskog launched a package of support measures and tools to reduce the negative business impact of the coronavirus pandemic on Sveaskog's forest and transport contractors.

A key part of the package is downtime compensation, which can be paid under certain conditions if felling or transport activities come to a standstill due to the pandemic. The package also includes support on financial and HR issues as well as a temporary shortening of invoice payment periods and an option to make use of Sveaskog's recruitment channels.

Activities

Investments for increased plant production

Sveaskog's Svenska Skogsplantor business area is investing MSEK 100 in increased seedling production.

Demand for seedlings has been growing for some time. The decisions of the FSC® and PEFC certification bodies banning the use of chemical pesticides against pine weevils have further increased the market's need for mechanically treated seedlings.

In addition, there is a problem in northern Sweden, where young forest has been damaged both by grazing elk and fungal infestations, which will affect regrowth and increase the need to plant new seedlings. In southern Sweden, spruce bark beetle infestations have already resulted in increased requests. A number of investments are therefore being made in the nurseries to increase efficiency and raise production capacity. Investments are being made in upgraded mechanical equipment for sowing, transplanting and seedling packing as well as in new cultivation areas and greenhouses.



Overall objectives and strategies

Sveaskog's vision is to "Lead the way to a sustainable society." This vision is embodied in five overarching objectives and should be achieved by balancing and unifying economically, socially and environmentally sustainable development. We have therefore fully integrated sustainable business into our business strategy and business planning. While the five targets have remained the same for the past five years, the strategic priorities have been developed over time. Targets are measured with indicators that are monitored regularly

The Sveaskog Group

Condensed income statement

MSEK	3 months, Apr–Jun		6 months, Jan–Jun		12 months	
	2020	2019	2020	2019	Jul 2020– Jun 2021	Full year 2019
Net sales (Note 1)	1,808	1,925	3,609	3,849	6,969	7,209
Other operating income (Note 1)	25	16	68	62	115	109
Raw materials and consumables	-505	-587	-1,050	-1,310	-2,054	-2,314
Change in inventories	-152	-123	-89	-89	31	31
Other external costs	-774	-723	-1,481	-1,323	-2,996	-2,838
Personnel costs	-154	-149	-304	-290	-583	-569
Depreciation	-38	-36	-77	-67	-155	-145
Operating profit from continuing operations	210	323	676	832	1,327	1,483
Capital gains on property disposals	58	68	109	80	214	185
Share of profit/loss of associates	12	19	25	62	-11	26
Operating profit before change in value of forest assets	280	410	810	974	1,530	1,694
Change in value of forest assets (Note 2.3)	154	159	307	272	434	399
Operating profit	434	569	1,117	1,246	1,964	2,093
Financial items	-40	-33	-71	-59	-142	-130
Profit before tax	394	536	1,046	1,187	1,822	1,963
Tax	-82	-111	-219	-241	-383	-405
Profit/loss for the period/year	312	425	827	946	1,439	1,558
Earnings per share in SEK before and after dilution	2.64	3.59	6.98	7.99	12.15	13.16
- Calculated on average number of shares, million	118.4	118.4	118.4	118.4	118.4	118.4

Report on comprehensive income

MSEK	3 months, Apr–Jun		6 months, Jan–Jun		12 months	
	2020	2019	2020	2019	Jul 2020– Jun 2021	Full year 2019
Profit/loss for the period/year	312	425	827	946	1,439	1,558
Other comprehensive income						
<i>Components that will not be reversed in profit or loss</i>						
Actuarial gains/losses concerning pensions	-	-	-	-	-25	-25
Tax on actuarial gains/losses	-	-	-	-	5	5
<i>Components that may be reversed in profit or loss</i>						
Exchange differences	-2	1	0	1	0	1
Other comprehensive income from associates	34	2	-1	-11	2	-8
Tax on other comprehensive income from associates	-8	-1	0	2	0	2
Cash flow hedges	-2	-16	-11	-26	10	-5
Tax attributable to cash flow hedges	0	4	2	6	-3	1
Total other comprehensive income for the period/year, net after tax	22	-10	-10	-28	-11	-29
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	334	415	817	918	1,428	1,529

The Sveaskog Group

Condensed balance sheet

MSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS (NOTE 4)			
Non-current assets			
Intangible assets	147	132	136
Right-of-use assets	128	138	129
Property, plant and equipment			
- Forest land (Notes 2, 3)	2,722	2,571	2,723
- Other property, plant and equipment	587	502	537
Biological assets – standing timber (Note 3)	34,134	33,812	33,900
Non-current financial assets, non-interest-bearing	773	781	739
Long-term interest-bearing receivables	4	3	4
Total non-current assets	38,495	37,939	38,168
Current assets			
Inventories	484	516	576
Contract assets	16	19	14
Current receivables, etc., non-interest bearing	2,306	1,889	1,677
Cash and cash equivalents	836	999	1,114
Total current assets	3,642	3,423	3,381
TOTAL ASSETS	42,137	41,362	41,549
EQUITY AND LIABILITIES			
Equity	23,841	22,963	23,574
Non-current liabilities (Note 4)			
Interest-bearing liabilities and provisions	6,324	5,633	5,642
Other liabilities and provisions	8,557	8,435	8,513
Total non-current liabilities	14,881	14,068	14,155
Current liabilities (Note 4)			
Interest-bearing liabilities and provisions	2,072	2,789	2,625
Contract liabilities	2	1	2
Other liabilities and provisions	1,341	1,541	1,193
Total current liabilities	3,415	4,331	3,820
Total liabilities	18,296	18,399	17,975
TOTAL EQUITY AND LIABILITIES	42,137	41,362	41,549

Condensed statement of changes in equity

MSEK	Jan–Jun 2020	Jan–Jun 2019	Full year 2019
Opening equity, 1 January	23,574	23,145	23,145
Total comprehensive income	817	918	1,529
Dividend paid according to Annual General Meeting resolution	–550	–1,100	–1,100
CLOSING EQUITY AT END OF PERIOD/YEAR	23,841	22,963	23,574

The Sveaskog Group

Condensed cash flow statement

MSEK	Jan–Jun 2020	Jan–Jun 2019	Full year 2019
Operating activities			
Operating profit	1,117	1,246	2,093
Non-cash items, etc.	–373	–370	–574
Interest received, etc.	0	3	0
Interest paid	–71	–62	–138
Tax paid	–203	–252	–396
Cash flow from operating activities before changes in working capital	470	565	985
Changes in working capital	–417	173	123
Cash flow from operating activities	53	738	1,108
Investing activities			
Investment in non-current assets	–125	–164	–445
Investment in shares	–7	–5	–5
Dividends from associates	0	57	60
Sale of non-current assets	229	197	407
Change in interest-bearing receivables	0	0	–1
Cash flow from investing activities	97	85	16
Financing activities			
Dividend paid	–550	–1,100	–1,100
Borrowings	6,810	5,400	8,450
Repayment of loans	–6,688	–4,971	–8,207
Cash flow from financing activities	–428	–671	–857
CASH FLOW FOR THE PERIOD/YEAR	–278	152	267
Cash and cash equivalents at the beginning of the year	1,114	847	847
Cash and cash equivalents at the end of the period/year	836	999	1,114

Parent company

Condensed income statement

MSEK	3 months, Apr–Jun		6 months, Jan–Jun		Full year	
	2020	2019	2020	2019	Jul 2019– Jun 2020	Full year 2019
Operating income	34	4	92	8	127	43
Operating expenses	0	-1	-1	-1	-2	-2
Operating profit	34	3	91	7	125	41
Financial items	-81	-74	-161	-145	-316	-300
Profit/loss before appropriations and tax	-47	-71	-70	-138	-191	-259
Group contributions	-	-	-	-	376	376
Provisions to untaxed reserves	-	-	-	-	-70	-70
Profit before tax	-47	-71	-70	-138	115	47
Tax	10	16	15	30	-60	-45
PROFIT/LOSS FOR THE PERIOD/YEAR	-37	-55	-55	-108	55	2

Condensed balance sheet

MSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Non-current assets			
Tangible non-current assets	43	48	46
Total property, plant and equipment	43	48	46
Non-current financial assets			
Shares in Group companies	24,934	24,934	24,934
Receivables from Group companies, interest-bearing	1,200	1,200	1,200
Total non-current financial assets	26,134	26,134	26,134
Total non-current assets	26,177	26,182	26,180
Current assets			
Current receivables, etc., non-interest bearing	178	86	462
Receivables from Group companies, interest-bearing	539	500	500
Cash and cash equivalents	0	0	0
Total current assets	717	586	962
TOTAL ASSETS	26,894	26,768	27,142
EQUITY AND LIABILITIES			
Equity	5,863	6,357	6,467
Untaxed reserves	70	-	70
Non-current liabilities			
Interest-bearing liabilities	5,882	5,183	5,183
Total non-current liabilities	5,882	5,183	5,183
Current liabilities			
Interest-bearing liabilities and provisions	14,986	15,183	15,336
Other liabilities and provisions	93	45	86
Total current liabilities	15,079	15,228	15,422
TOTAL EQUITY AND LIABILITIES	26,894	26,768	27,142

Parent company

Condensed statement of changes in equity

MSEK	Jan–Jun 2020	Jan–Jun 2019	Full year 2019
Opening equity, 1 January	6,467	7,565	7,565
Dividend paid according to Annual General Meeting resolution	–550	–1,100	–1,100
Profit/loss for the period/year	–55	–108	2
CLOSING EQUITY AT END OF PERIOD/YEAR	5,862	6,357	6,467

Condensed cash flow statement

MSEK	Jan–Jun 2020	Jan–Jun 2019	Full year 2019
Cash flow from operating activities	–763	–87	–270
Cash flow from investing activities	588	–5	25
Cash flow from financing activities	175	92	245
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

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. 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.

Note

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Jan–Jun 2020	Jan–Jun 2019	Jul 2020– Jun 2021	Full year 2019
Sawlogs	1,616	1,787	3,126	3,297
Pulpwood and woodchips	1,478	1,476	2,971	2,969
Biofuel	81	87	147	153
Seedlings	194	192	307	305
Other	102	181	226	305
Total revenue from contracts with customers	3,471	3,723	6,777	7,029
Of which IFRS 15 in net sales	3,470	3,721	6,774	7,025
Lease income	139	128	195	184
Total net sales	3,609	3,849	6,969	7,209
Of which IFRS 15 in other operating income	1	2	3	4
Capital gains, etc.	67	60	112	105
Total other operating income	68	62	115	109
Date of revenue recognition				
Goods and services transferred to customers on a specific date	3,407	3,688	6,663	6,944
Goods and services transferred to customers over time	64	35	114	85

Sveaskog has unsatisfied performance obligations for sales contracts with a term of more than 12 months of MSEK 3,911 (4,653). 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 has some uncertainty since the contracts consist of several delivery contracts where the price is renegotiated each year. Of last year's unsatisfied performance obligations of MSEK 4,638, MSEK 608 related to the first half of 2020 and has been recognised as income in the six-month report.

NOTE 2 CHANGE IN VALUE OF FOREST ASSETS

The book value of Sveaskog's forest assets as per 30 June 2020 has been calculated at MSEK 36,856 (36,383), of which MSEK 34,134 (33,812) is the fair value of the standing timber and MSEK 2,722 (2,571) is the acquisition value of the land. The change in the balance sheet since the end of the year amounts to MSEK 233 (261) and is shown in Note 3. The parameters included in the model for calculating the fair value of standing timber are updated annually. There have been no significant changes in the assessments linked to the valuation of biological assets since the 2019 annual report.

Summary of model assumptions

MSEK	30 June 2020	30 June 2019
Discount rate	5.75%	5.75%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.70% 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.

Note

NOTE 3 BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

Standing timber

MSEK	
Fair values	
Opening value 1 January 2019	33,607
Acquisition of standing timber	11
Sales of standing timber	-78
Changes due to harvesting	-654
Changes in fair value	926
Closing value, 30 June 2019	33,812
Opening value, 1 January 2020	33,900
Acquisition of standing timber	1
Sales of standing timber	-74
Changes due to harvesting	-642
Changes in fair value	949
Closing value, 30 June 2020	34,134

Forest land

MSEK	
Cost	
Opening value, 1 January 2019	2,515
Acquisition of forest land	59
Sale of forest land	-3
Closing value, 30 June 2019	2,571
Opening value, 1 January 2020	2,723
Acquisition of forest land	2
Sale of forest land	-3
Closing value, 30 June 2020	2,722

NOTE 4 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 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
ASSETS						
Standing timber					34,134	33,900
Total assets	0	0	0	0	34,134	33,900
LIABILITIES						
Non-current liabilities	0	0	6,062	5,334	0	0
Current liabilities	0	0	1,980	2,528	0	0
Derivative instruments	0	0	69	75	0	0
Total liabilities	0	0	8,111	7,937	0	0

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 2019, 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 15 on page 86 of the 2019 annual report.

Other information

Issues

In the first half of 2020, Sveaskog issued MSEK 4,630 (4,300) under the commercial paper programme and MSEK 1,700 (1,100) under the MTN programme.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Sveaskog's 2019 annual report, pages 44–47. 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 of alternative scenarios. For further information, see page 2. No other signif-

icant 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

No significant events have occurred after the end of the interim period that have not been included in the interim report.

Related-party transactions

In the first half of the year, a dividend of MSEK 550 (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 2019 annual report.

The Board of Directors and CEO hereby confirm that this interim report provides a true and fair overview of the operations of the parent company and the Group, their financial position and performance, as well as a description of the material risks and uncertainties facing the parent company and the Group.

Stockholm, 16 July 2020
Sveaskog AB (publ.) (556558-0031)

Eva Färnstrand
Chairman of the Board

Marie Berglund
Director

Johan Kuylenstierna
Director

Kerstin Lindberg Göransson
Director

Leif Ljungqvist
Director

Annika Nordin Director

Sven Wird
Director

Kenneth Andersson
Employee representative

Sara Östh Employee
representative

Hannele Arvonen
President and CEO

The report has not been audited.

Definitions¹

Return on equity

Reported profit after tax expressed as a percentage of average equity.

Return on operating capital

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

Gross margin

Operating profit before depreciation and share of profits of associate companies expressed as a percentage of net sales.

Dividend yield

Operating profit before change in value of forest assets, excl. capital gains on property sales, divided by average operating capital, excl. deferred tax.

Capital turnover rate

Net sales divided by average operating capital.

Net earnings per share

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

Net debt/equity ratio

Net interest-bearing debt divided by equity.

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 profit from continuing operations

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

Net interest-bearing debt

Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the period/year.

Interest coverage ratio

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

Operating margin

Operating profit expressed as a percentage of net sales.

Equity ratio

Equity divided by total assets, all calculated at the end of the period/year.

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

For questions please contact

Hannele Arvonen, President and CEO
Tel: +46 (0)10-544 99 81, +46 (0)70-618 19 17
Per Matses, Vice President and CFO
Tel: +46 (0)8-655 92 90, +46 (0)70-655 98 20
www.sveaskog.se

Financial calendar

Interim report January – September 2020
Year-end report 2020

26 October 2020
27 January 2021

Sveaskog AB, Stockholm

Torsgatan 4
105 22 Stockholm



Switchboard

+46 (0)771-787 000
For contact with
Sveaskog's employees

Telephone Customer Centre

+46 (0)771-787 100
For questions about
Sveaskog's operations

info@sveaskog.se
www.sveaskog.se

 facebook.com/sveaskog
 twitter.com/sveaskog