

Interim report

January – March 2021

Q1

“Continued good market outlook with increased prices for sawlogs, but lower prices for pulpwood.”



Net sales

MSEK 1,693

(1,801) MSEK Q1 last year

Operating profit from continuing operations

MSEK 418

(466) MSEK Q1 last year

Profit for the quarter

MSEK 480

(515) MSEK Q1 last year

SIGNIFICANT EVENTS

- The market situation continued to be very good for the Swedish forest industry, where Sveaskog is an important supplier of wood raw materials.
- Decision to leave the Swedish Forest initiative, the background is that we want to communicate our own direction based on our core business, forestry.
- New long-term focus adopted by the Board with targets for growth, timber harvest and biodiversity.
- Continuing pandemic has limited impact on our operations and our profit.

1 JANUARY – 31 MARCH 2021

- **Net sales** decreased by six per cent to MSEK 1,693 (1,801). Total delivery volumes were down by six nine per cent, while average prices of wood raw materials remained unchanged.
- **The operating profit** decreased by ten per cent to MSEK 418 (466). The reduced profit is due to lower delivery volumes.
- **The reported net change in value** of standing timber was MSEK 118 (153).
- **Profit for the quarter** was MSEK 480 (515), equivalent to SEK 4.05 (4.35) per share.

MSEK	3 months, Jan – March			12 months		
	2021	2020	%	Apr 2020 – Mar 2021	2020	%
Net sales	1,693	1,801	-6%	6,489	6,597	-2%
Operating profit from continuing operations	418	466	-10%	1,072	1,120	-4%
Change in value of forest assets	118	153	-23%	12,446	12,481	0%
Operating profit	619	683	-9%	13,757	13,821	0%
Profit before tax	584	652	-10%	13,600	13,668	0%
Profit for the period	480	515	-7%	10,832	10,867	0%
Cash flow from operating activities	348	35	891%	936	623	50%
Earnings per share, SEK	4.05	4.35	-7%	91.48	91.78	0%

Performance measures¹, Group

	3 months, Jan – March		12 months	
	2021	2020	Apr 2020 – Mar 2021	2020
Dividend yield, % (target at least 4.5%) ¹	2.4	4.7	2.4	2.4
Net debt/equity ratio, multiple (target 0.3–0.6) ¹	0.12	0.29	0.12	0.13
Return on operating capital, %	28.0	6.8	28.0	28.2
Return on equity, %	25.8	6.5	25.8	26.2
Interest coverage ratio, multiple ²	7.6	10.6	7.6	7.6
Equity ratio, %	68	57	68	68
Net interest-bearing debt, MSEK	7,270	7,077	7,270	7,613
Average number of employees	778	791	778	827
Total delivery volume, thousand m ³ sub	2,810	2,974	2,810	10,629

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

2) 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.

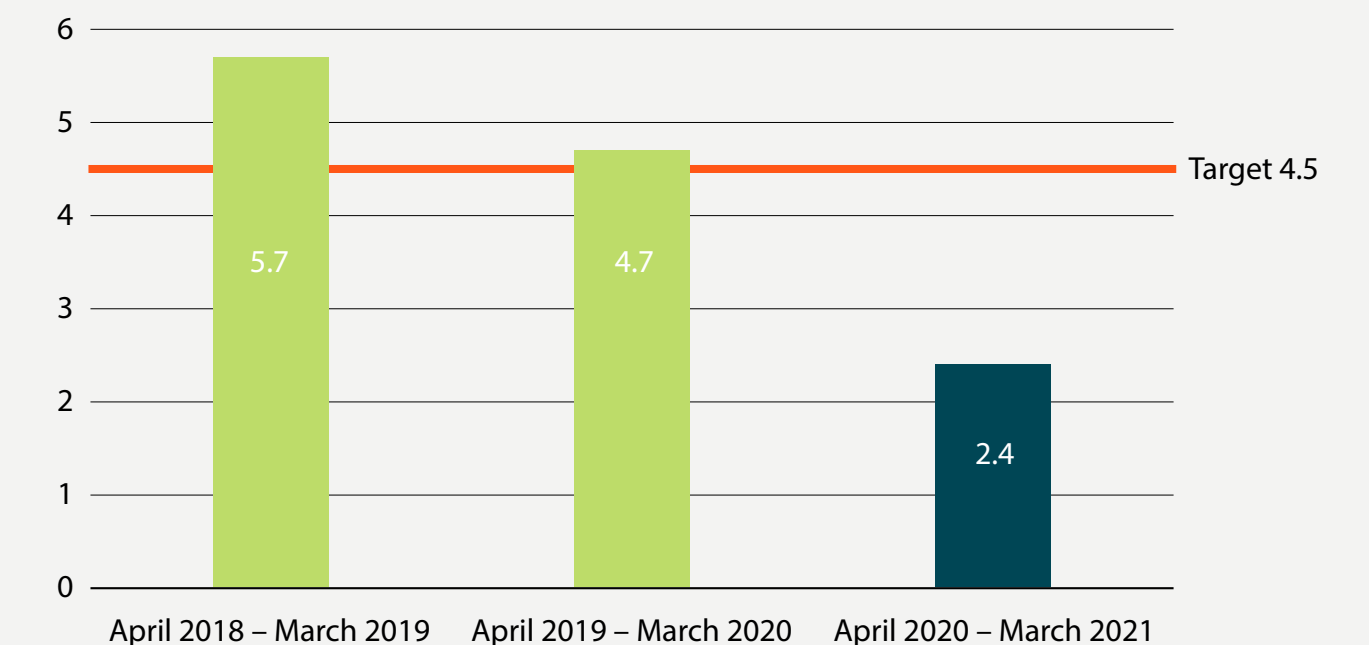
Sveaskog's core business is utilisation of the forest, and we supply timber, pulpwood, wood chips, biofuel, seedlings and forest services. Sveaskog supplements the supply from its own forest with purchases from other forest owners, trading and imports. Our customers are primarily found within the Swedish 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 an ambition to develop economic, ecological and social values. Our forests are certified according to both FSC® and PEFC™ standards, and we require certification for all timber we buy from other forest owners. Thus, Sveaskog can ensure that all our timber deliveries are responsibly produced.

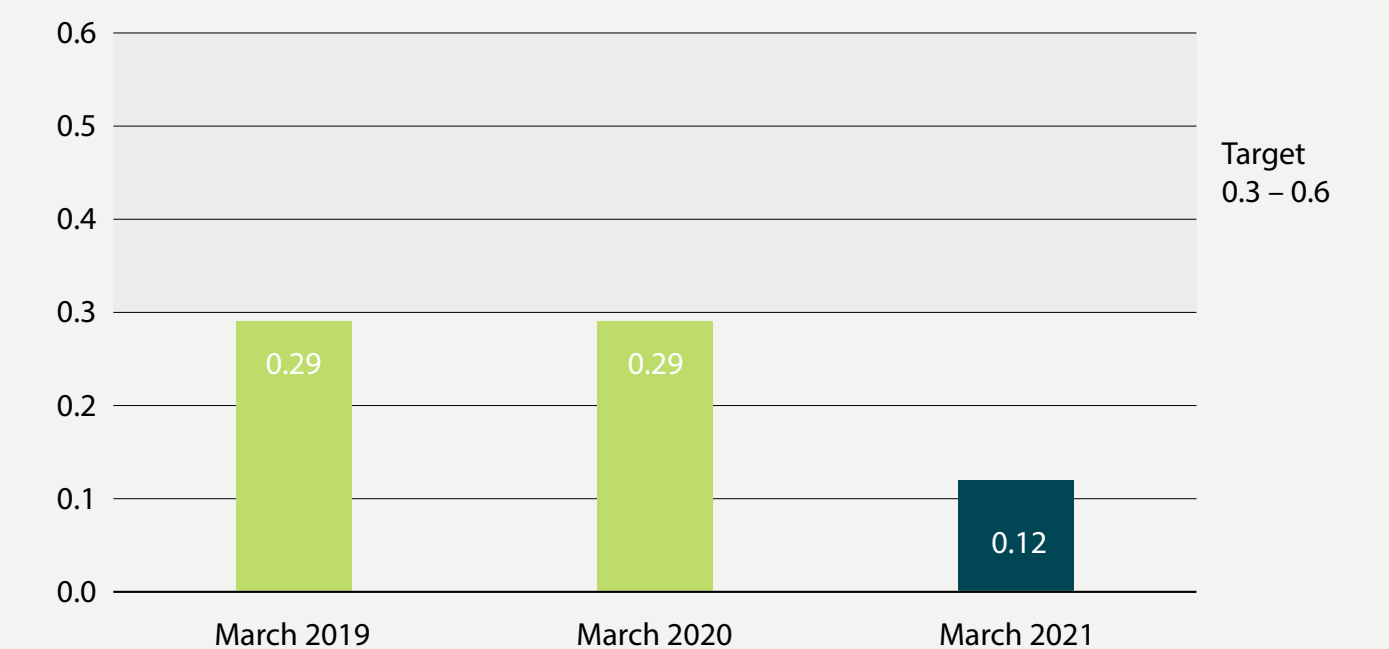


Sveaskog's financial targets

Dividend yield, %, rolling 12-month period



Net debt/equity ratio, multiple, as of 31 March



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

As part of its financial targets, Sveaskog aims to pay a regular dividend representing 65–90 per cent of consolidated earnings after tax excluding non-cash changes in the value of standing timber before tax. Dividends are paid provided that the Group's capital structure target (net debt/equity ratio) after the dividend falls within the target range, and taking account of the Group's strategy and investment needs.

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

1) Proposal to the AGM 2021.

CEO's comments

Lower profits due to lower delivery volumes

Our operating profit totalled MSEK 418 (466), with the lower delivery volumes during the quarter being the main reason for the decrease. Our deliveries in the first quarter totalled 2,810,000 m³sub. This is six per cent lower than deliveries for the corresponding period last year, which totalled 2,974,000 m³sub. The lower volume is mainly due to difficult harvesting conditions with snow and cold weather, and at the end of the quarter the warm weather also affected the load-bearing capacity of the road network, which has limited delivery capacity. Despite lower deliveries in the first quarter, it is estimated that for the full year we will deliver in line with the previous year.

Continued strong market

The market situation is very good for the Swedish forest industry, and especially for sawmills, where strong demand resulted in reduced stock levels of finished goods and rising timber prices. There is strong demand for sawlogs, while large stocks of pulpwood in the industry are creating a surplus situation in terms of pulpwood. Compared to the previous year, we have increased prices for sawlogs, while pulpwood prices are lower.

Long-term focus agreed

At the beginning of the year, Sveaskog's Board of Directors made a decision on the company's long-term focus. We will make a positional

shift by taking measures to increase growth in the forest and thereby in the long term also the possibility of increased timber extraction. At the same time, we are increasing our measures for biodiversity and climate adaptation.

We are leaving the Swedish Forest initiative

We have decided to leave the Swedish Forest initiative when the current agreement expires in June 2022. This decision is based on our new long-term focus and the fact that we will be prioritising communication initiatives based on our own core business, forestry.

Sveaskog in the media

We have recently been portrayed in the media as a company that does not pay much attention to climate, nature or society. This is, of course, not a view that we share. The debate on the forest is moving up the

agenda. I believe this is a good thing. For a country like Sweden, where as much as 70 per cent of the country's surface area consists of forest land, the forest serves many functions for both society and individuals. Furthermore, the forest is important to deal with the climate challenge. The forest provides and brings benefits – and, like cities and agricultural land, it must be adapted to be able to cope with the warmer climate that is on the way.

I have noted, however, that some criticism has increasingly become less nuanced. Forestry is clearly facing challenges. And constructive criticism is a good thing, but the criticism needs to be fact-based, accurate and target us as a company and not those employees who do a major, important job every day. We look forward to a continued respectful and constructive dialogue about forests and forest land.

“Good market outlook with increased prices for sawlogs, but lower prices for pulpwood.”

Large growth investment to meet increased demand for seedlings

Our Svenska Skogsplantor business area is investing MSEK 12 in the Kilåmon nursery near Sollefteå. These are investments to make it possible to increase capacity in order to meet the higher demand for seedlings, not least an increased need within our own forest business, where a large area is being rejuvenated with seedlings instead of sowing to achieve faster regrowth. Sveaskog's total deliveries are approximately 140 million seedlings per year, of which Kilåmon's capacity after this investment will total approximately 55 million seedlings.

Collaboration to improve forestry through digitalisation

One important part of the future of forestry is digitalisation, where AI will be an enabler in our industry. To lead the way, we have initiated a collaboration with one of the leading developers of AI for forestry, the company CollectiveCrunch. The aim of this collaboration is to collect data from our forests in the AI tool in order to improve forest inventories and provide us with a better basis for planning forest measures. I am convinced that with improved knowledge of AI, we can also improve our processes and deliver a better raw material to our customers.

Mörrums Kronolaxfiske fishery wins tourism award and contract

On 27 March, it was time for one of the surest signs of spring in southern Sweden, the first day of salmon fishing in the Mörrumsån riv-

er, owned by Sveaskog. Earlier this year, Mörrums Kronolaxfiske won Region Blekinge's tourism prize at Blekinge's own business gala, which has been highlighting good examples in the region since 1995. With 10,000 fishing days and 250,000 visitors every year, it is one of Blekinge's biggest and most popular tourist destinations.

Mörrums Kronolaxfiske has also won an important contract from the Swedish Anglers Association to carry out water conservation and restoration work in the Mörrumsån river. This work will be carried out over the next few years, and I am delighted that we can help to boost biodiversity in this way.

The coronavirus pandemic affects the way we work

For a little over a year, we have had to deal with the coronavirus pandemic. Last spring we faced major uncertainties and made plans for a number of scenarios. It is a fact that the pandemic has lasted longer than anyone could have foreseen and has resulted in many people working in new ways. Those of us who can continue to work primarily from home. In general things have gone well, although many of us miss meeting in ways other than digitally. Our core business – supplying wood raw materials to our customers – is going well and, as already mentioned, our customers are experiencing a very good market situation.

**Per Matses,
President and CEO**





Market situation and wood deliveries

The Swedish forest industry is export-oriented and exports to markets across the world, with the European market being the most important one. 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 slowdown in the market for forest products at the beginning of last year as a result of the coronavirus pandemic, demand has gradually strengthened, resulting in rising prices. The positive trend has been most clearly evident in sawn timber, where strong demand in export markets in the second half of last year resulted in a sharp fall in stock levels and sharply rising prices, mainly for spruce wood products, a trend that also continued in the first quarter of this year. Demand for printing and writing paper in the European market has continued to weaken, driving structural change in this part of the industry.

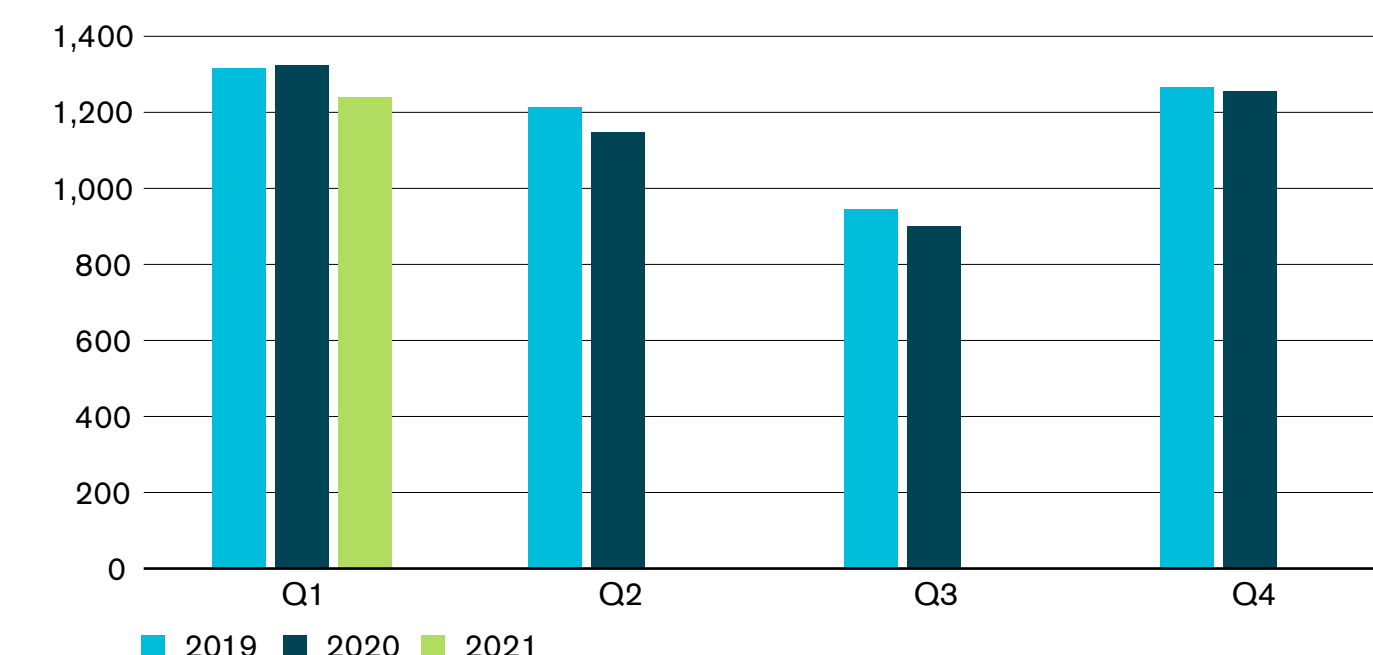
However, the improved price trend for products in large parts of the paper and pulp sector has not yet had an impact on the pulpwood price, as the good availability of pulpwood and wood chips in the market is having a dampening effect on price. The situation is the opposite for timber, with very strong demand.

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. Despite the coronavirus pandemic, construction activity, as well as the renovation, refurbishment and extension market in many markets that are important for Swedish sawmills, such as the UK and the US, have performed strongly. This

has contributed to strong demand for wood products, while supply has been limited and stock levels have been falling in many global markets. Some production restrictions at Swedish sawmills last year and strong demand have meant that finished goods inventories at Swedish sawmills are the lowest they have been in 20 years, which caused timber prices to rise sharply, especially for spruce wood products. The increase in timber exports from Swedish sawmills to the US, where timber prices are now at an all-time high, has further contributed to the increase in the price of timber products. Good sales and production in Swedish sawmills have created strong demand for timber, which has resulted in price increases for timber since the turn of the year.

Delivery volume sawlogs, thousand m³fub

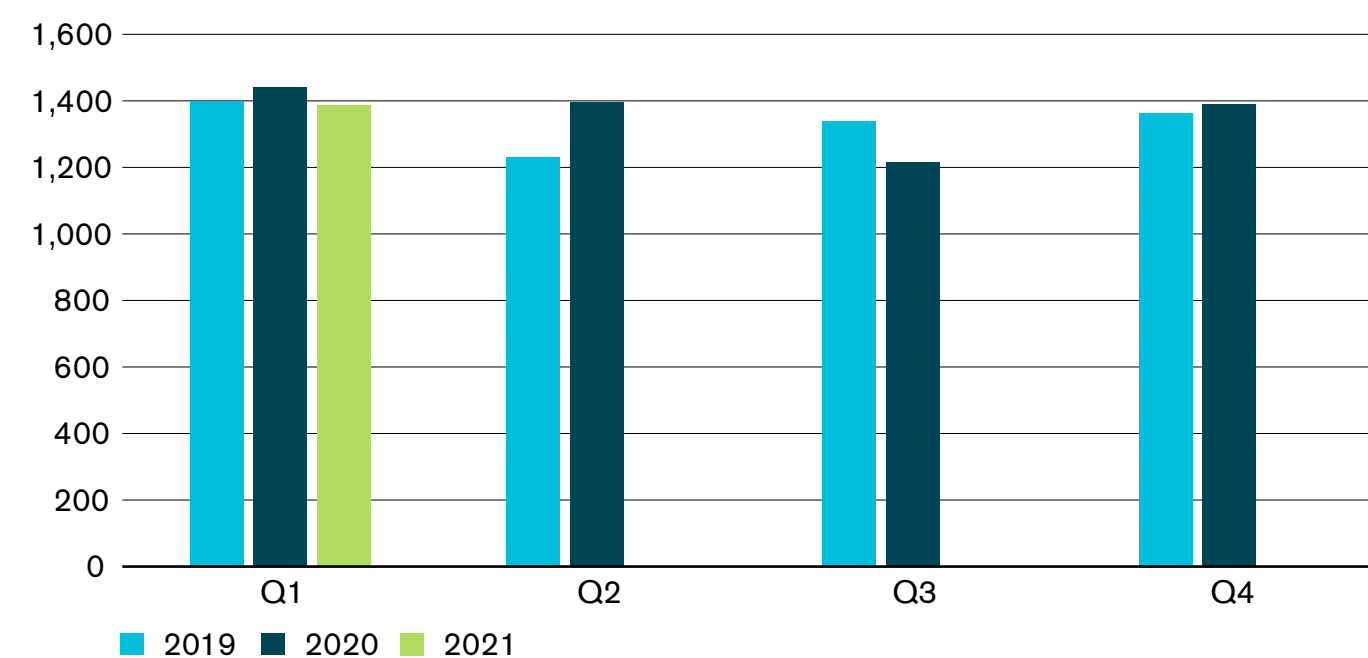


During the first quarter, Sveaskog delivered 1,240,000 m³sub (1,325,000) of sawlogs, a fall of six per cent on the same period last year. For the period April 2020 to March 2021, deliveries totalled 4,545,000 m³sub (4,752,000).

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 biggest market is Asia, with a strong increase in the share to China, which occupies the position as the single biggest market for Swedish exports of market pulp. Growing demand and reduced producer stocks since the turn of the year have resulted in sharp price increases for market pulp. There has been strong demand for packaging paper. For printing and writing paper, the market continued to weaken in the first quarter of the year, with newspaper prices falling. The Swedish paper and pulp industry continues to have high but decreasing stocks of pulpwood, as well as a good supply of wood chips, which means that the price of pulpwood remains stable.

Delivery volume pulpwood and woodchips, thousand m³sub



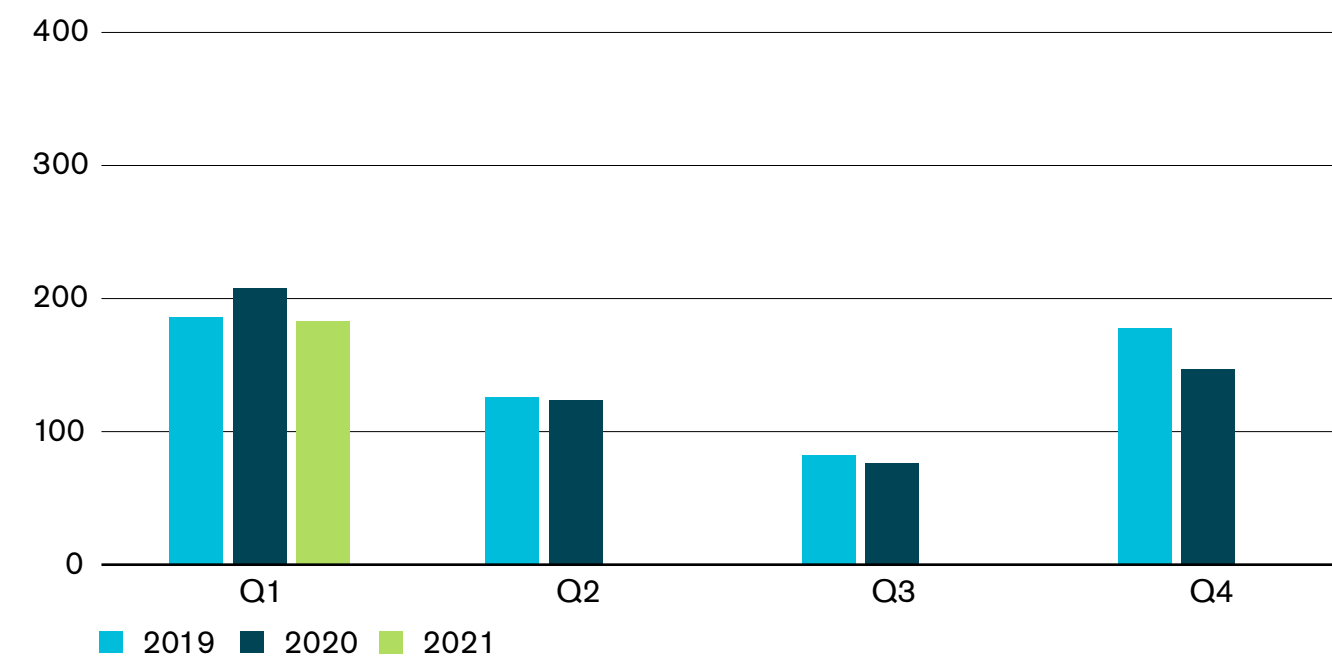
In the first quarter, Sveaskog delivered 1,388,000 m³sub (1,441,000) of pulpwood and woodchips, which is a decrease of four per cent on the same period last year. For the period April 2020 to March 2021, deliveries totalled 5,391,000 m³sub (5,375,000).

The biofuel market

The forest biofuel market for is regional and local, as transport costs make up a large part of the product cost, which hampers large-scale trade nationally and internationally. The forest biofuel market is significant in southern and central Sweden, but is more limited in northern Sweden. The customers are CHP plants as well as energy-producing forest industry.

A relatively mild winter has meant that CHP plants continue to have high stocks of biofuel, both in industrial premises and at terminals. The continued supply of bark beetle-damaged wood and high stock levels has had a dampening effect on deliveries and prices.

Delivery volume biofuel, thousand m³sub



During the first quarter, Sveaskog delivered 183,000 m³sub (208,000) of biofuel, a fall of twelve per cent on the same period last year. For the period April 2020 to March 2021, deliveries totalled 530,000 m³sub (594,000).





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 overall strategic targets: increased forest growth, increased biodiversity and increased timber harvest. These are targets that contribute to sustainable development, both nationally and internationally.

Wetland restoration

Starting in 2021, Sveaskog, together with the Swedish Society for Nature Conservation's project "Wetlands & Water" and the County Administrative Board, has been working to identify damaged wetlands. The project is located in Örebro County, where the land is owned by Sveaskog and the project is being managed by the Swedish Society for Nature Conservation. There has been an increase in land drainage as a result of irrigation for agriculture and forestry. Restoration is now taking place by raising the thresholds of the bog. This is work that will ultimately create benefits for both the Baltic Sea and Lake Vänern. It also benefits the climate by stopping the bog from emitting greenhouse gases.

Investment in Svenska Skogsplantor

Sveaskog's Svenska Skogsplantor business area is investing MSEK 12 in the Kilåmon nursery near Sollefteå. This increases capacity to meet the increased demand for seedlings.

Work began in February and is expected to be fully completed by mid-June. Among other things, a new washing system is being installed, an important environmental initiative that contributes to better hygiene, which means lower amounts of crop protection products are needed against weeds and fungal attacks. The washing system also involves recirculating the process water, which is purified and recycled, which results in less water consumption.



New chemical handling system

A new system for improved chemical handling is being introduced in Svenska Skogsplantor. The system is called EcoOnline, is web-based and will be taken into use in the spring, with training starting in March. The main aim is to reduce the use of hazardous chemicals. The new system will result in a uniform structure and work methods, and also provides support for risk assessments to help when using a specific product.

Diversity and inclusion

Sveaskog is now taking the next step in its work to become a more inclusive workplace.

If Sveaskog is to achieve its targets of a more even gender distribution, a larger proportion of employees with a foreign background and an inclusive culture, tools are needed. Another step was taken in February with the development of a Diversity toolbox that is available to all employees. The aim is to increase our knowledge of norms and inclusion. This initiative will be followed up in 2021 with a digital training course.



The Sveaskog Group

Condensed income statement

MSEK	3 months, Jan – March		12 months	
	2021	2020	Apr 2020 – Mar 2021	2020
Net sales (Note 1)	1,693	1,801	6,489	6,597
Other operating income (Note 1)	38	43	96	101
Raw materials and consumables	-538	-545	-1,969	-1,976
Change in inventories	68	63	133	128
Other external costs	-651	-707	-2,934	-2,990
Personnel costs	-157	-150	-598	-591
Depreciation	-35	-39	-145	-149
Operating profit from continuing operations	418	466	1,072	1,120
Capital gains on property disposals	3	51	115	163
Share of profit/loss of associates	80	13	124	57
Operating profit before change in value of forest assets	501	530	1,311	1,340
Change in value of forest assets (Note 2)	118	153	12,446	12,481
Operating profit	619	683	13,757	13,821
Financial items	-35	-31	-157	-153
Profit before tax	584	652	13,600	13,668
Tax	-104	-137	-2,768	-2,801
Profit/loss for the period/year	480	515	10,832	10,867
Earnings per share in SEK before and after dilution	4.05	4.35	91.48	91.78
– Calculated on average number of shares, million	118.4	118.4	118.4	118.4

Report on comprehensive income

MSEK	3 months, Jan – March		12 months	
	2021	2020	Apr 2020 – Mar 2021	2020
Profit/loss for the period/year	480	515	10,832	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	–	32,949	32,949
Tax on change in value in land assets	11	–	-6,786	-6,797
Actuarial gains/losses relating to pensions	–	0	-10	-10
Tax on actuarial gains/losses	–	0	2	2
<i>Components that may be reversed in profit or loss</i>				
Exchange differences	1	2	-3	-2
Other comprehensive income from associates	-25	-35	24	14
Tax on other comprehensive income from associates	6	8	-5	-3
Cash flow hedges	13	-9	21	-1
Tax attributable to cash flow hedges	-3	2	-5	0
Total other comprehensive income for the period/year, net after tax	3	-32	26,187	26,152
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	483	483	37,019	37,019

Comments on the income statement

Net sales

Net sales decreased by six per cent to MSEK 1,693 (1,801). Total delivery volumes decreased by six per cent. Prices of wood raw materials remained unchanged on average.

The sales of wood raw materials totalled 2.8 million cubic metres, m3sub (3.0).

Earnings

The operating profit decreased by 10 per cent to MSEK 418 (466). The decrease in earnings is explained primarily by lower delivery volumes from both own forest and externally sourced raw material.

Capital gains from property sales were MSEK 3 (51). Share of profits of associates was MSEK 80 (13). Change in the value of forest assets increased by MSEK 118 (153).

Financial items in the quarter were net MSEK -35 (-31). Profit before tax was MSEK 584 (652). Tax totalled MSEK -104 (-137). Profit for the quarter decreased by seven per cent to MSEK 480 (515).

The Sveaskog Group

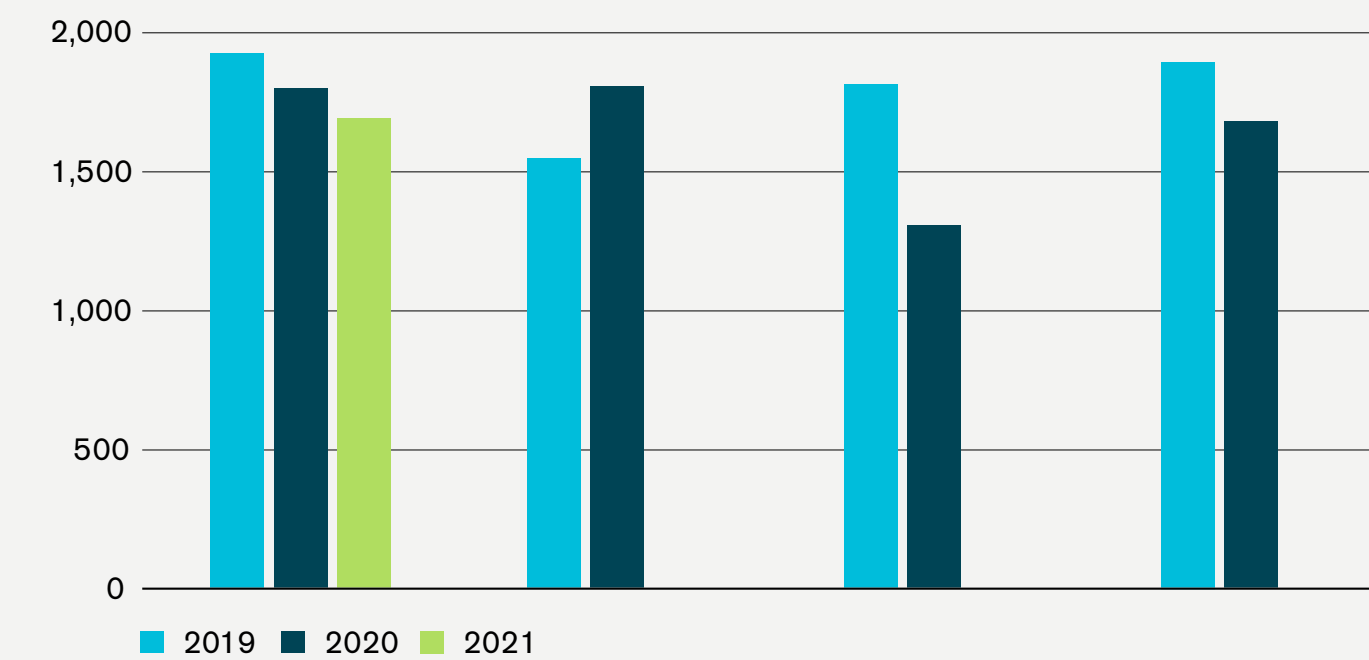
Change in net sales, MSEK

	Jan-Mar
2020	1,801
Price, wood raw materials	-8
Delivery volume, wood raw materials	-89
Concessions, seedlings and other sales	-11
2021	1,693

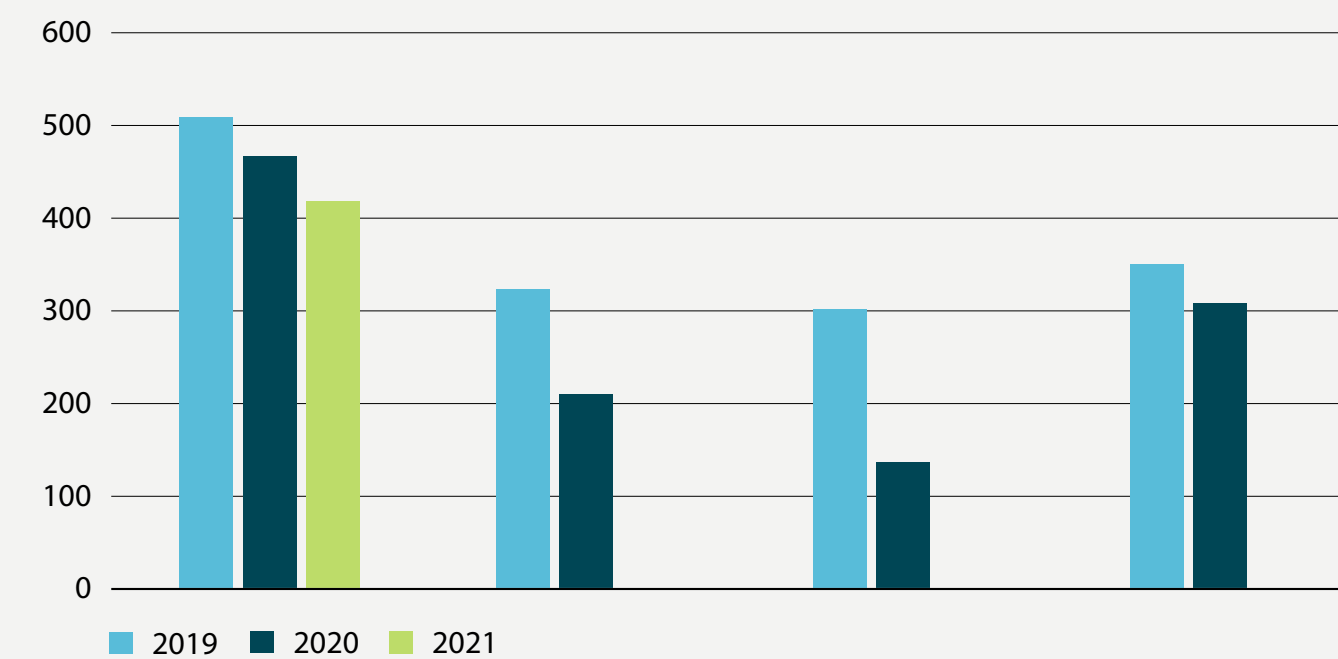
Change in operating profit from continuing operations, MSEK

	Jan-Mar
2020	466
Price, own wood raw materials	-3
Volume and change in inventories, own wood raw materials	-62
Unit cost harvesting	5
Svenska Skogsplantor	7
Earnings from externally procured wood raw materials	-2
Other property transactions ¹	-13
Other	20
2021	418
1) Other property transactions relate to a combination of:	
All future concessions	-5
Sale of non-forest land	-8
Other property transactions	-13

Net sales, MSEK



Operating profit from continuing operations, MSEK



The Sveaskog Group

Condensed balance sheet

MSEK	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS (NOTE 3)			
Non-current assets			
Intangible assets	170	140	164
Right-of-use assets	158	131	163
Forest assets (Note 2, 3)	82,615	36,741	82,430
- of which land assets	35,716	2,722	35,709
- of which biological assets	46,899	34,019	46,721
Other property, plant and equipment	588	557	597
Non-current financial assets, non-interest-bearing	851	735	795
Long-term interest-bearing receivables	4	4	5
Total non-current assets	84,386	38,308	84,154
Current assets			
Inventories	806	664	708
Contract assets	19	19	14
Current receivables, etc., non-interest bearing	1,837	2,056	1,864
Cash and cash equivalents	1,613	1,092	1,231
Total current assets	4,275	3,831	3,817
TOTAL ASSETS	88,661	42,139	87,971
EQUITY AND LIABILITIES			
Equity			
Equity	59,976	24,057	59,493
Non-current liabilities (Note 3)			
Interest-bearing liabilities and provisions	6,899	5,634	6,213
Other liabilities and provisions	18,169	8,558	18,086
Total non-current liabilities	25,068	14,192	24,299

MSEK	31 Mar 2021	31 Mar 2020	31 Dec 2020
Current liabilities (Note 3)			
Interest-bearing liabilities and provisions	1,988	2,539	2,636
Contract liabilities	0	5	1
Other liabilities and provisions	1,629	1,346	1,542
Total current liabilities	3,617	3,890	4,179
Total liabilities	28,685	18,082	28,478
TOTAL EQUITY AND LIABILITIES	88,661	42,139	87,971

Condensed statement of changes in equity

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Opening equity, 1 January	59,493	23,574	23,574
Total comprehensive income	383	483	37,019
Dividend paid according to Annual General Meeting resolution	-	-	-1,100
CLOSING EQUITY AT END OF PERIOD/YEAR	59,976	24,057	59,493

The Sveaskog Group

Condensed cash flow statement

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Operating activities			
Operating profit	619	683	13,821
Non-cash items, etc.	-199	-208	-12,653
Interest received, etc.	0	0	2
Interest paid	-34	-31	-138
Tax paid	-107	-141	-163
Cash flow from operating activities before changes in working capital	279	303	869
Changes in working capital	69	-268	-246
Cash flow from operating activities	348	35	623
Investing activities			
Investment in non-current assets	-53	-52	-264
Investment in shares	-1	-7	-7
Dividends from associates	0	0	12
Sale of non-current assets	44	103	331
Change in interest-bearing receivables	2	0	0
Cash flow from investing activities	-8	44	72
Financing activities			
Dividend paid	-	-	-1,100
Borrowings	2,450	3,035	9,285
Repayment of loans	-2,408	-3,136	-8,763
Cash flow from financing activities	42	-101	-578
CASH FLOW FOR THE PERIOD/YEAR	382	-22	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	1,613	1,092	1,231

Comments on balance sheet and cash flow

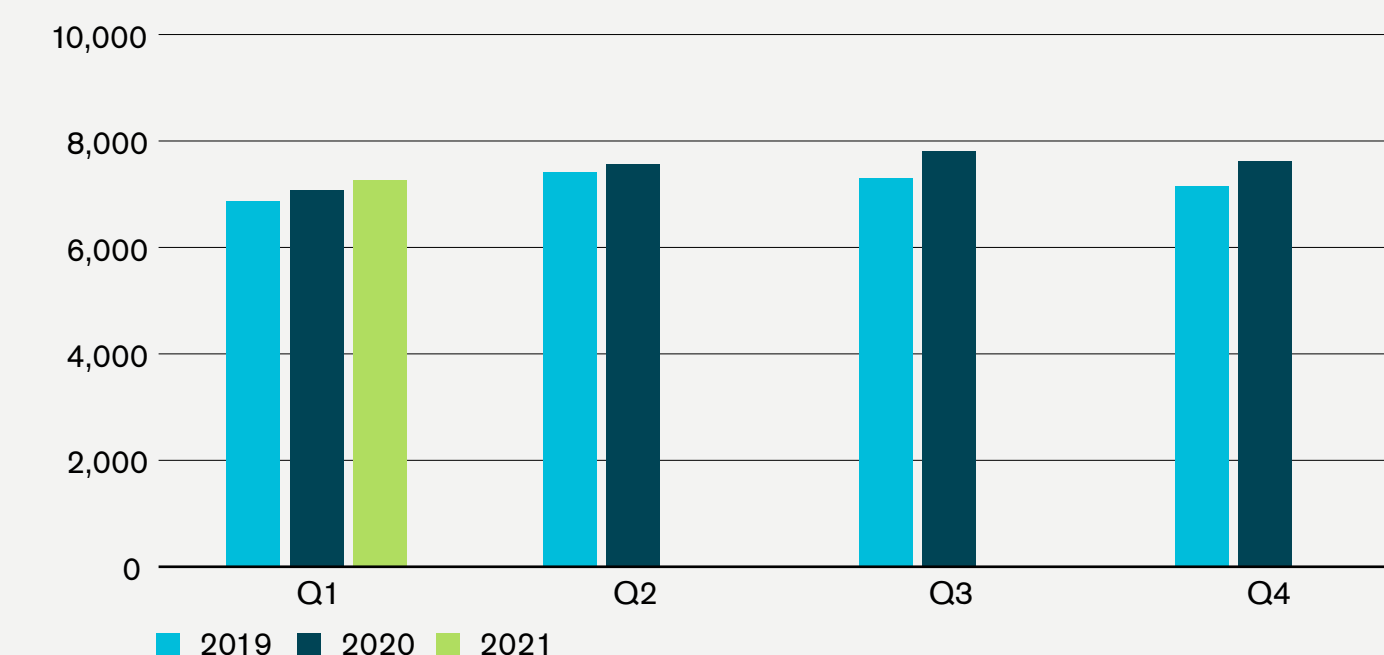
Cash flow from operating activities for the period was MSEK 348 (35). The increase is primarily due to reduced working capital partly in the form of lower trade receivables. Investments in non-current assets, mainly forest properties and forest machines, totalled MSEK 53 (52) while investments in shares were MSEK 1 (7). Sales of non-current assets, mainly forest properties, were MSEK 44 (103).

Sveaskog's net interest-bearing debt amounted to MSEK 7,270 (7,077) at 31 March. 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 1,350 (2,235), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 31 March was MSEK 6,190 (4,390), of which MSEK 4,900 (3,100) refers to green bonds. The lowest average fixed interest period during the quarter was 28 months (33).

The net debt/equity ratio was 0.12 (0.29).

The interest coverage ratio was 7.6 (10.6) and the gross borrowing cost was 1.36 (1.61) per cent.

Net interest-bearing debt, MSEK



Parent company

Condensed income statement

MSEK	3 months, Jan – March		12 months	
	2021	2020	Apr 2020 – Mar 2021	2020
Operating income	18	58	61	101
Operating expenses	-1	-1	-3	-3
Operating profit	17	57	58	98
Financial items	-83	-80	7,666	7,669 ¹⁾
Profit/loss before appropriations and tax	-66	-23	7,724	7,767
Group contributions	-	-	399	399
Provisions to untaxed reserves	-	-	-87	-87
Profit before tax	-66	-23	8,036	8,079
Tax	14	5	-47	-56
PROFIT/LOSS FOR THE PERIOD/YEAR	-52	-18	7,989	8,023

1) The Parent Company received anticipated dividend from subsidiaries in 2020.

Condensed balance sheet

MSEK	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS			
Non-current assets			
Tangible non-current assets	39	45	40
Total property, plant and equipment	39	45	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	26,179	26,174
Current assets			
Current receivables, etc., non-interest bearing	8,242	166	8,604
Receivables from Group companies, interest-bearing	1,500	-	489
Cash and cash equivalents	0	0	0
Total current assets	9,742	166	9,093
TOTAL ASSETS	35,515	26,345	35,267
EQUITY AND LIABILITIES			
Equity	13,338	6,449	13,390
Untaxed reserves	157	70	157
Non-current liabilities			
Interest-bearing non-current liabilities	6,432	5,183	5,732
Total non-current liabilities	6,432	5,183	5,732
Current liabilities			
Interest-bearing liabilities and provisions	15,453	14,568	15,836
Other liabilities and provisions	135	75	152
Total current liabilities	15,588	14,643	15,988
TOTAL EQUITY AND LIABILITIES	35,515	26,345	35,267

Parent company

Condensed statement of changes in equity

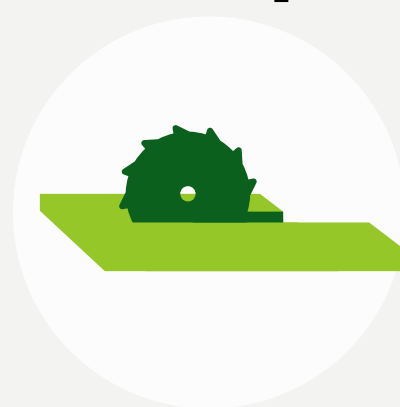
MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Opening equity, 1 January	13,390	6,467	6,467
Dividend paid according to Annual General Meeting resolution	-	-	-1,100
Profit/loss for the period/year	-52	-18	8,023
CLOSING EQUITY AT END OF PERIOD/YEAR	13,338	6,449	13,390

Condensed cash flow statement

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Cash flow from operating activities	-724	-163	-916
Cash flow from investing activities	8	555	591
Cash flow from financing activities	716	-392	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

The Sveaskog Group and associated companies

Setra Group AB



OWNERSHIP
50 per cent of the shares.

NET SALES (MSEK)
1,185

OPERATING PROFIT (MSEK)
177

SunPine AB



OWNERSHIP
25.1 per cent of the shares.

NET SALES (MSEK)
488

OPERATING PROFIT (MSEK)
85

ShoreLink AB



OWNERSHIP
24.1 per cent of the shares.

NET SALES (MSEK)
62

OPERATING PROFIT (MSEK)
-11

SVEASKOG

Group

OWNERSHIP
Sveaskog is 100% owned by the Swedish state.

NET SALES (MSEK)
1,693

OPERATING PROFIT (MSEK)
619

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–December totalled MSEK 18 (58), of which MSEK 7 (54) was accounted for by capital gains from sales of forest land. The loss after financial items was MSEK –66 (–23). 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 company's profit and loss is recognised in the consolidated income statement. Net sales for the period January – March totalled MSEK 1,185 (1,094). The operating profit was MSEK 177 (12). The improvement is explained by high sales prices due to strong market developments and positive currency effects. Sveaskog's share of the company's profit or loss adjusted for intercompany profits increased to MSEK 65 (5). Sveaskog's share of Setra Group's other comprehensive income was MSEK –19 (–27).

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 the consolidated income statement. Net sales for the period January – March totalled MSEK 488 (404). The operating profit was MSEK 85 (33). The profit improvement is primarily an effect of increased production through expanded capacity. Sveaskog's share of the company's profit increased by 258 per cent to MSEK 17 (7).

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 company's profit and loss for the period September 2020 up to and including February 2021, while the figures for the previous year cover the period from September 2019 – December 2019. Net sales for this period totalled MSEK 62 (102) and the operating loss for the same period was MSEK –11 (5). Sveaskog's share of the company's profit or loss was MSEK –2 (1).

Notes

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.

Forest assets

Accounting principles for forest assets are described in detail in Sveaskog's Annual Report 2020, Note 14 on pages 77-80. For Q1 2021, see Note 2.

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Jan-Mar 2021	Jan-Mar 2020	Apr 2020 – Mar 2021	Full year 2020
Sawlogs	854	872	2,998	3,016
Pulpwood and woodchips	682	763	2,712	2,793
Biofuel	53	52	141	140
Seedlings	9	11	299	301
Other	39	48	161	170
Total revenue from contracts with customers	1,637	1,746	6,311	6,420
Of which IFRS 15 in net sales	1,636	1,745	6,306	6,415
Lease income	57	56	183	182
Total net sales	1,693	1,801	6,489	6,597
Of which IFRS 15 in other operating income	1	1	5	5
Capital gains, etc.	37	42	91	96
Total other operating income	38	43	96	101
Date of revenue recognition				
Goods and services transferred to customers on a specific date	1,633	1,734	6,202	6,303
Goods and services transferred to customers over time	4	12	110	118

Sveaskog has unsatisfied performance obligations for sales contracts with a term of more than 12 months of MSEK 3,680 (4,167). 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 15.121. 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 the unsatisfied performance obligations of MSEK 4,198 (4,638) reported for last year, MSEK 402 (284) referred to January–March 2021.

NOTE 2 VALUATION OF FOREST ASSETS

The book value of Sveaskog's forest assets as of 31 March 2021 has been calculated at MSEK 82,615 (36,741), of which MSEK 46,899 (34,019) refers to the fair value of the standing timber and MSEK 35,716 (2,722) refers to the cost of the land. The change in the balance sheet since the end of the year amounts to MSEK 185 (118) 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 and is updated quarterly. The change in value is recognised in the income statement. Land assets are recognised as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment, and are updated in connection with the calculation of the total value of forest assets and in connection with the purchase and sale of land. The change in value is recognised in other comprehensive income.

Significant judgements and estimates

Until Q3 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 metres 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 as of Q4 2020 is based on the sales transactions in the areas where 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 estimat-

Notes

NOTE 2 VALUATION OF FOREST ASSETS, contd.

ed 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 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 per year. This level is estimated to remain relatively unchanged until 2033, after which it can be gradually increased to approximately 6.8 million m³sub by 2063. It is then expected that the level can be increased further to 7.2–7.9 million m³sub. In 2020, approximately 54 per cent (56) of the volume, own forest, 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 refers 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 percent (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

MSEK	31 March 2021	31 March 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 standing timber are described in detail in Sveaskog's Annual Report 2020, Note 14 on pages 77-80.

Forest assets – Biological assets – standing timber and forest land

MSEK	
Fair values	
Opening value, 1 January 2020	36,623
Change during the year	118
Closing value, 31 March 2020	36,741
Deferred tax attributable to forest assets	7,492
MSEK	
Fair values	
Opening value, 1 January 2021	82,430
Change during the year	185
Closing value, 31 March 2021	82,615
Deferred tax attributable to forest assets	16,945

Notes

NOTE 2 VALUATION OF FOREST ASSETS, contd.

Biological assets

MSEK	
Fair values	
Opening value, 1 January 2020	33,900
Acquisition of standing timber	-
Sales of standing timber	-34
Changes due to harvesting	-321
Changes in fair value	474
Closing value, 31 March 2020	34,019
Opening value, 1 January 2021	46,721
Acquisition of standing timber	7
Sales of standing timber	-12
Changes due to harvesting	-347
Changes in fair value	530
Closing value, 31 March 2021	46,899

Forest land

MSEK	
2020 cost/2021 fair value	
Opening value, 1 January 2020	2,723
Acquisition of forest land	-
Sale of forest land	-1
Closing value, 31 March 2020	2,722
Opening value, 1 January 2021	35,709
Acquisition of forest land	22
Sale of forest land	-15
Change in fair value	0
Closing value, 31 March 2021	35,716

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	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Dec 2020
ASSETS						
Forest assets	0	0	0	0	0	0
- Biological assets	0	0	0	0	46,899	46,721
- Forest land	0	0		0	35,716	35,709
Derivative instruments	0	0	2	1		
Total assets	0	0	2	1	82,615	82,430
LIABILITIES						
Non-current liabilities	0	0	6,632	5,970	0	0
Current liabilities	0	0	1,906	2,566	0	0
Derivative instruments	0	0	39	73	0	0
Total liabilities	0	0	8,577	8,609	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 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 described in Note 2.

Issues

In January–March 2021, Sveaskog issued MSEK 1,350 (2,835) under the commercial paper programme and MSEK 1,100 (0) under the MTN programme.

Other information

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Sveaskog's 2020 annual report, pages 40–43. 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

On April 17, the board decided on a new focus for sustainable forestry. In other respects, no significant events have occurred after the balance sheet date.

Related-party transactions

No significant changes have occurred in relationships or transactions with related parties compared with what was described in the 2020 annual report.

I 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 April 2021
Sveaskog AB (publ.) (corp. ID no. 556558–0031)

Per Matses
President and CEO

The report has been signed by the CEO on the authorisation of the Board of Directors.

The report has not been audited.



Alternative performance measures 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.

Return on equity	Apr 2020– Mar 2021	Apr 2019– Mar 2020	Full year 2020
Equity OB	24,057	23,648	23,574
Equity CB	59,976	24,057	59,493
Average equity (OB + CB)/2	42,017	23,853	41,534
Profit for the year	10,832	1,552	10,867
Divided by average equity	42,017	23,853	41,534
= Return on equity, %	25.8%	6.5%	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.

Return on operating capital	Apr 2020– Mar 2021	Apr 2019– Mar 2020	Full year 2020
Operating profit	13,757	2,099	13,821
Divided by average operating capital	49,189	30,840	48,957
= Return on operating capital, %	28.0%	6.8%	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.

Dividend yield	Apr 2020– Mar 2021	Apr 2019– Mar 2020	Full year 2020
Operating profit before change in value of forest assets	1,311	1,660	1,340
Less capital gains on property disposals	-115	-224	-163
Subtotal	1,196	1,436	1,177
Operating capital OB	31,100	30,579	30,736
Operating capital CB	67,277	31,100	67,178
Average operating capital (OB + CB)/2	49,189	30,840	48,957
Subtotal as above	1,196	1,436	1,177
Divided by average operating capital	49,189	30,840	48,957
= Dividend yield, %	2.4%	4.7%	2.4%

The lower direct return and the net debt/equity ratio are mainly explained by a changed accounting method for valuing forest assets.

Capital turnover rate

Definition: Net sales divided by average operating capital.

Net earnings per share

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.

Net debt/equity ratio	March 2021	March 2020	Full year 2020
Net interest-bearing debt	7,270	7,077	7,613
Divided by equity	59,976	24,057	59,493
= Net debt/equity ratio, multiple	0.12	0.29	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	March 2021	March 2020	Full year 2020
Current receivables, etc., non-interest bearing	1,837	2,056	1,864
- of which advances to suppliers	224	203	187
- of which tax assets	94	173	38
- of which trade receivables, loans and other receivables	1,519	1,680	1,639
Other current liabilities	1,629	1,346	1,542
- of which tax liabilities	125	139	110
- of which trade and other payables	1,504	1,207	1,432
Total assets	88,661	42,139	87,971
Less interest-bearing assets (cash and cash equivalents)	-1,613	-1,092	-1,231
Less interest-bearing receivables (non-current)	-4	-4	-5
Less tax assets	-94	-173	-38
Less other liabilities and provisions (non-current)	-18,169	-8,558	-18,086
Less contract liabilities	0	-5	-1
Less trade and other payables	-1,504	-1,207	-1,432
= Operating capital, MSEK	67,277	31,100	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	March 2021	March 2020	Full year 2020
Interest-bearing assets (cash and cash equivalents and non-current receivable)	1,617	1,096	1,236
Interest-bearing liabilities and provisions (non-current)	-6,899	-5,634	-6,213
Interest-bearing liabilities (current)	-1,988	-2,539	-2,636
= Net interest-bearing debt, MSEK	-7,270	-7,077	-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	Apr 2020– Mar 2021	Apr 2019– Mar 2020	Full year 2020
Financial items in the income statement	-156	-135	-153
- of which financial income	2	-1	2
- of which financial expenses	-158	-134	-155
Operating profit before change in value of forest assets	1,311	1,660	1,340
Less capital gains on property disposals	-115	-224	-163
Plus financial income	2	-1	2
Subtotal	1,198	1,435	1,179
Divided by financial expenses	158	134	155
= Interest coverage ratio, multiple	7.6	10.6	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	March 2021	March 2020	Full year 2020
Equity	59,976	24,057	59,493
Divided by total assets	88,661	42,139	87,971
= Equity ratio, %	68%	57%	68%

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Interim report January – June 2021	16 July 2021
Interim report January – September 2021	26 October 2021
Year-end report 2021	January 2022

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