

# Year-end report 2017



The business climate in the forest industry is strong. Capacity utilisation is high and selling prices for forest industry products are at historically high levels. Photo: Björn Palovaara.

## 1 October – 31 December 2017

- Net sales increased by 4% to SEK 1,613 million (1,549). Total delivery volumes decreased by 1% while prices rose by an average of 4%.
- Operating profit from continuing operations increased by 2% and amounted to SEK 315 million (309). Higher prices and improved earnings in the seedling operations were offset by lower delivery volumes from Sveaskog's own forests.
- The net change in the carrying amount of standing timber amounted to SEK 38 million (0).
- Profit for the quarter increased by 24% and amounted to SEK 360 million (291).
- Earnings per share increased by 24% and amounted to SEK 3.04 (2.46).

## 1 January – 31 December 2017

- Net sales increased by 5% to SEK 6,206 million (5,922). Total delivery volumes increased by 1% and prices rose by an average of 3%.
- Operating profit from continuing operations increased by 11% and amounted to SEK 1,248 million (1,128). The improved earnings are mainly explained by higher prices and increased earnings in the seedling operations.
- Yield for the year amounted to 4.6% (4.2).
- The net change in the carrying amount of standing timber amounted to SEK 200 million (319).
- Profit for the year increased by 14% and amounted to SEK 1,359 million (1,190).
- Earnings per share increased by 14% and amounted to SEK 11.48 (10.05).

SEKm	3 months			12 months		
	Oct-Dec 2017	2016	%	Full year 2017	2016	%
Net sales	1,613	1,549	4	6,206	5,922	5
Operating profit from continuing operations	315	309	2	1,248	1,128	11
Change in value of forest assets	38	0	-	200	319	-37
Operating profit	486	402	21	1,827	1,631	12
Profit before tax	449	368	22	1,719	1,457	18
Profit for the period	360	291	24	1,359	1,190	14
Cash flow from operating activities	8	-22	-	803	789	2
Earnings per share, SEK	3.04	2.46	24	11.48	10.05	14

## Performance measures<sup>3)</sup>, Group

	Full year 2017	Full year 2016
Yield, % 1) (target at least 4.5%)	4.6	4.2
Net debt/equity ratio, multiple (target 0.3–0.6)	0.36	0.40
Return on operating capital, % 1)	6.5	5.8
Return on equity, % 1)	6.7	6.0
Interest cover, multiple 1.2)	9.8	6.3
Equity ratio, %	52	52
Interest-bearing net debt, SEKm	7,410	7,937
Average number of employees	846	844
Total delivery volumes, thousand m <sup>3</sup> sub	10,817	10,684

1) Rolling 12 months.

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

3) Sveaskog has chosen to present the company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA) in a separate appendix. The appendix is published on [www.sveaskog.se](http://www.sveaskog.se).



## CEO's comments

### Increased operating profit from continuing operations driven by strong market conditions

Sveaskog's operating profit from continuing operations for the full year 2017 amounted to SEK 1,248 million (1,128), an increase of 11%. Earnings improved in our core business due to good market conditions which led to higher prices for our products. Increased productivity and capital gains from non-forest land also had a significant positive impact on results. Yield amounted to 4.6% (4.2) and net sales increased to SEK 6,206 million (5,922).

The business climate within the forest industry has been and remains strong with high capacity utilisation and high selling prices for forest industry products. A high level of construction activity drives demand for sawn wood products and there is major global

demand for paper pulp and packaging material. The weakening of the Swedish krona during the autumn contributed to increased profitability for the export-dependent forest industry.

### Major commitment to the forest

Considerable attention was focused on the forest and forest management during the autumn. There is a fundamental difference in approach between us and our critics. We constantly take ecological, social and economic considerations into account while the environmental movement focuses mainly on biodiversity. Some of Sveaskog's fellings have been questioned from a biodiversity perspective. Every year Sveaskog carries out felling in several thousand locations throughout Sweden. In every case an inventory of conservation values is made before felling in order to take the necessary care to protect threatened species. We work with continual improvements and an expanded dialogue with our stakeholders.

### Raised dividend to owner

A good operational result, combined with non-recurring revenue, enables the Board to propose to the Annual General Meeting a dividend increase to SEK 900 million (800).

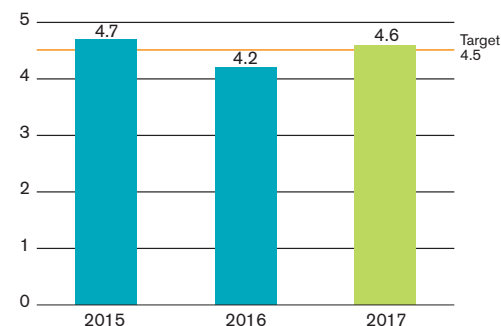
### Good prospects for 2018

2017 was a successful year for Sveaskog. We continue to develop cooperation with several of our customers. I am proud of the major commitment shown by our employees and the responsibility they take for conducting rational forest management showing consideration for nature and their surroundings. We will continue our efforts to further reduce forestry's environmental impact and to decrease carbon dioxide emissions. During 2017 we achieved all our financial targets and the good business climate guarantees a strong 2018.

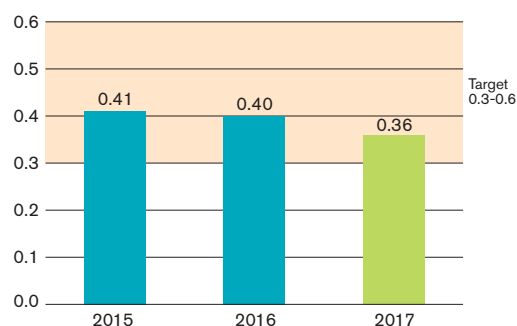
We will continue to develop our operations for increased efficiency and customer benefit. Our forest operations are organised in two (previously three) market areas: North and South. The focus for each market area is to continue to increase timber value, efficiency and the local dialogue with the forest's stakeholders, an essential factor if we are to continue to achieve our targets over time.

Per-Olof Wedin, President and CEO

### Yield, %, full year



### Net debt/equity ratio, multiple, at 31 December



### Dividend

According to current financial targets, over time the ordinary dividend shall correspond to 65–90% of consolidated profit after tax excluding non-cash adjustments in value of standing forest before tax. A dividend is paid provided the capital structure target (net debt/equity ratio) after the dividend falls within the target interval and taking into account implementation of the Group's strategic and investment requirements.

	2016	2017	2018
Dividend, SEKm	800	800	900*
Dividend payout ratio, %	89	85	75

\* Proposal to Annual General Meeting.

### Sustainable forest management

One of Sveaskog's objectives for a sustainable business is to be a leader within sustainable forest management. This measures, among other things, how environmental values are achieved in forest management without major impact.

Indicator	Value 2015	Value 2016	Value 2017
Consideration Index – mean value	94	95	95
- Consideration patches	86	89	92
- Nature conservation trees	98	95	95
- Hauling damage	98	99	99

# Group performance

## 1 OCTOBER – 31 DECEMBER 2017

### Net sales

Net sales increased by 4% to SEK 1,613 million (1,549). Total delivery volumes decreased by 1% compared with the corresponding period last year while selling prices increased by an average of 4%. Sales of our products (sawlogs, pulpwood and biofuel) amounted to 2.8 (2.8) million cubic metres (m<sup>3</sup>sub).

### Earnings

Operating profit from continuing operations increased by 2% to SEK 315 million (309). Higher prices and improved earnings in the seedling operations were offset by lower delivery volumes from Sveaskog's own forests. In addition, the result for the quarter was negatively affected by a SEK 25 million provision to a restructuring reserve.

Capital gains from property sales amounted to SEK 113 million (70). Share of profits of the associate Setra Group amounted to SEK 19 million (23). The net change in the carrying amount of standing timber amounted to SEK 38 million (0). After change in value of forest assets, operating profit was SEK 486 million (402).

Net financial items for the quarter amounted to SEK –37 million (–34). Profit before tax rose to SEK 449 million (368). Tax for the period amounted to SEK –89 million (–77). Profit for the quarter increased by 24% to SEK 360 million (291).

## 1 JANUARY – 31 DECEMBER 2017

### Net sales

Net sales increased by 5% to SEK 6,206 million (5,922). Total delivery volumes increased by 1% compared with the corresponding period last year and selling prices increased by an average of 3%. Sales of our products amounted to 10.8 (10.7) million cubic metres (m<sup>3</sup>sub).

### Earnings

Operating profit from continuing operations increased by 11% to SEK 1,248 million (1,128). The improved earnings are mainly explained by higher prices and improved earnings in the seedling operations. Increased revenues for ecological compensation from Boliden\*, improved income from other property transactions and lower road costs also made a positive contribution.

Capital gains from property sales relating to forest land amounted to SEK 321 million (131), an effect of increased sales activity. Share of profits of the associate Setra Group amounted to SEK 58 million (53). Net change in the carrying amount of standing timber amounted to SEK 200 million (319). After change in value of forest assets, operating profit amounted to SEK 1,827 million (1,631).

Net financial items for the year amounted to SEK –108 million (–174) due to lower financing costs and higher dividends from shareholdings not related to the holding in Setra Group. Profit before tax amounted to SEK 1,719 million (1 457). Tax for the period amounted to SEK –360 million (–267). The change in tax expense is due, in addition to improved earnings, to Sveaskog receiving a tax refund of SEK 43 million in 2016.

Profit for the year increased by 14% to SEK 1,359 million (1,190).

### Cash flow, investments and financial position

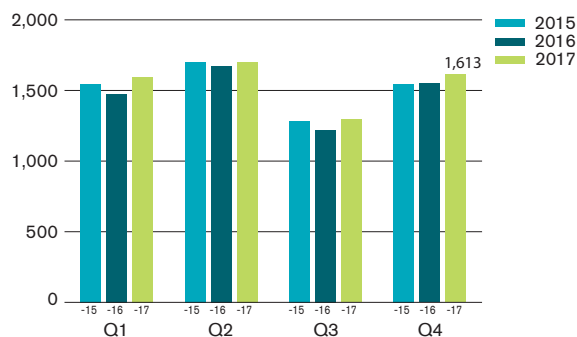
Cash flow from operating activities for the year amounted to SEK 803 million (789). The increase is mainly due to improved cash flow from operating activities. Investments in property, plant and equipment amounted to SEK 219 million (183) and investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 647 million (298). Share dividends received totalled SEK 78 million (16) of which SEK 50 million (5) from Setra Group AB and SEK

\* Agreed compensation programme with a number of different silvicultural measures to create new conservation values and protect existing ones.

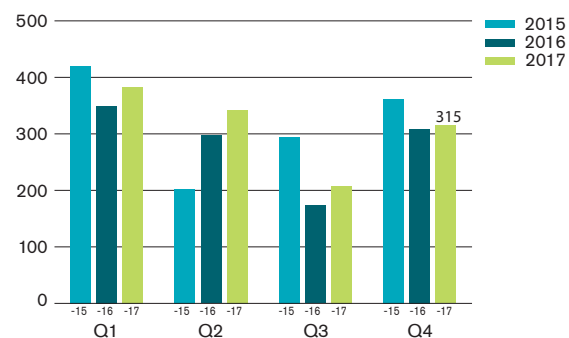
## Change net sales, SEKm

	Quarter 4	Jan–Dec
<b>2016</b>	<b>1,549</b>	<b>5,922</b>
Price, wood raw material	51	149
Delivery volumes, wood raw material	–14	68
Other	27	67
<b>2017</b>	<b>1,613</b>	<b>6,206</b>

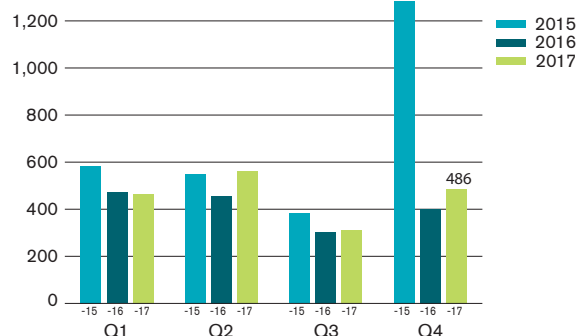
## Net sales, SEKm



## Operating profit from continuing operations, SEKm



## Operating profit, SEKm



28 million (11) from other shareholdings.

Sveaskog's interest-bearing net debt at 31 December totalled SEK 7,410 million (7,937). At the end of the period, the loan portfolio mainly comprised loans issued under Sveaskog's MTN programme as well as a Swedish commercial paper programme. The loan volume under the commercial paper programme, which is refinanced regularly, amounted to SEK 2,410 million (2,270). The outstanding volume under the MTN programme at 31 December was SEK 4,990 million (4,990). The lowest average fixed interest period during the year was approximately 28 months and approximately 34 months on the closing date.

Net debt/equity ratio amounted to 0.36 (0.40).

Interest cover amounted to 9.8 (6.3) and the gross borrowing cost for the year was 1.31% (1.80).

**Parent Company**

Sveaskog AB (publ.), 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing. Operating income for Sveaskog AB (publ.) for the year was SEK 53 million (65). Loss after financial items amounted to SEK 200 million (-196). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

**Setra Group AB**

Sveaskog owns 50% of the shares in the wood products company Setra Group AB which is reported as an associate. Share of profits of associates is recognised in the consolidated income statement. Net sales for the year totalled SEK 4,139 million (4,043). Operating profit amounted to SEK 159 million (153). Both selling prices and sales volumes increased for comparable units. The sale of Setra's sawmill in Vimmerby was completed in January 2017. Figures for the previous year include the operations in Vimmerby as well as Setra Plusshus and the planing operations in Valbo, both of which were sold in the second quarter of 2016. Sveaskog's share of the company's profits increased to SEK 58 million (53).

**Market situation and timber deliveries**

Sveaskog conducts trading in wood raw material in Sweden and more than half of the material comes from the company's own forests. The main product range is sawlogs, pulpwood and chips, and biofuel. Most of Sveaskog's customers are in Sweden and the majority of these export a large proportion of their products worldwide. Europe, including Sweden, is the largest market for the Swedish forest industry with regard to paper pulp, paper and sawn wood products. However, the development of total global demand for these products is also very important.

In the economic forecasts in the autumn the growth rate showed a steady increase for both Sweden and most export markets. Current levels of economic activity are expected to last at least until the end of 2018. Capacity utilisation is high and selling prices for forest industry products are in many cases at historically high levels and rising.

Exchange rate fluctuations continue to have a significant impact on the profitability of Swedish forest industry. The weakening of the Swedish krona in the fourth quarter provided a significant boost to the industry's profitability. The krona is expected to remain weak during 2018.

**SAWMILLS**

The market for sawn wood products and therefore for sawlogs mainly depends on construction activity. Sweden is the largest individual market for the sawmills and demand for sawn wood products is considerable due a high level of activity in the construction sector. Total production measured in number of homes is expected to decrease slightly during 2018 due to the uncertainty that arose in the property market during the autumn. The order backlog within construction is long, however, and consumption of wood has the potential to increase further as construction solutions with a high proportion with wood are offered in the market. The European market headed by the UK continues to be the most important export market. In

**Change, operating profit from continuing operations, SEKm**

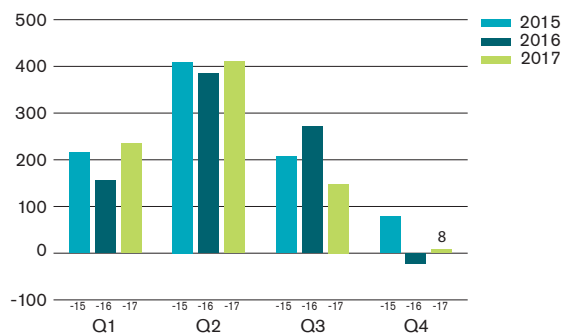
	Quarter 4	Jan-Dec
<b>2016</b>	<b>309</b>	<b>1,128</b>
Price, own wood raw material	28	73
Volume and change in inventories, own wood raw material	-41	-10
Seedling operations	22	24
Ecological compensation	0	13
Other property transactions *	30	27
Other **	-33	-7
<b>2017</b>	<b>315</b>	<b>1,248</b>

\* Other property transactions relate to combined:

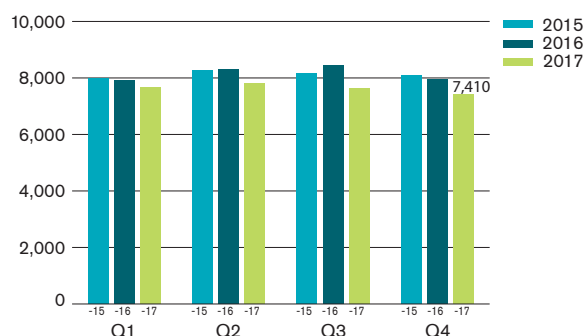
Permanent tenure, Environmental Protection Agency 2016	0	-60
Permanent tenure, Environmental Protection Agency 2017	0	15
Permanent tenure, other	-6	-6
Sale of non-forest land	36	78
Other property transactions	30	27

\*\* Relates among other things to costs for silvicultural activities, roads and administration as well as restructuring reserve for 2017.

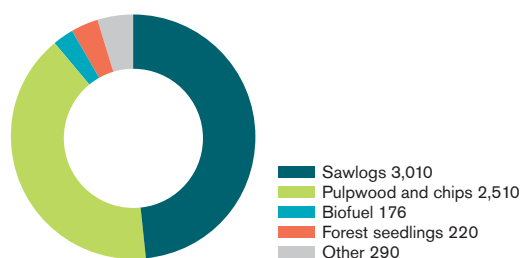
**Cash flow from operating activities per quarter, SEKm**



**Interest-bearing net debt, SEKm**



**Sales per product 2017, SEKm**



its entirety, European consumption is expected to grow during 2018. Deliveries to North Africa and the Middle East are expected to recover following an earlier halt in deliveries at the same time as deliveries to the US and Asia are increasing.

International competition comes, among others, from Finland, Germany and Russia. Russian expansion in terms of volumes is focused on China where it is the leading supplier today. Finnish volumes are also increasing their market share driven by increased supplies of Finnish sawlogs.

Production in the Swedish sawmills is at a high but not record level. Consolidation continues at a cautious pace. The stock of finished products has seen a falling trend for 2.5 years and is at high levels considering the season. Demand for sawlogs is high and prices are rising throughout the country. Ahead of the next quarter, many sawmills aim to further increase their production.

**Sveaskog's deliveries**

Sveaskog delivered 1,208 (1,246) thousand m<sup>3</sup>sub of sawlogs in the fourth quarter which is 3% lower than in the corresponding period last year. Deliveries for the full year totalled 4,695 (4,607) thousand m<sup>3</sup>sub of sawlogs.

**PULP AND PAPER INDUSTRY**

Global demand and deliveries of paper pulp are increasing. Of the volumes not used directly in Sweden for paper production, most is exported to Europe, followed by Asia, which accounts for a sharply increasing share. Prices rose sharply in the second half of the year by approximately 20%. A price level of 1000 USD/tonne was announced at the end of the year. Additional capacity in 2018 is expected to press down prices somewhat.

Sweden's exports of paper and cartonboard for packaging material are increasing. Demand for newsprint continues to decrease in Europe at a rate of about 5% per year. Production capacity is being closed down or converted to products with better market prospects. Taken overall, Swedish paper and cartonboard production has seen a positive trend since 2012 with rising volumes and prices. The price in most product groups tracked the development for market pulp during the year.

Completed investments in forest industry have raised production capacity and additional capacity will be put into operation during 2018.

Despite the high level of activity in the sawmills, pulpwood availability weakened at the end of the period. This was caused by the industry's increased production as well as the difficult felling conditions due to bad weather in the Baltic countries. The price of pulpwood is rising throughout the country and should also contribute to increased supplies from the forest in the coming quarter.

**Sveaskog's deliveries**

Sveaskog delivered 1,422 (1,359) thousand m<sup>3</sup>sub of pulpwood and chips in the fourth quarter which is an increase of 5%. Deliveries for the full year totalled 5,524 (5,298) thousand m<sup>3</sup>sub of pulpwood and chips.

**BIOFUEL MARKET**

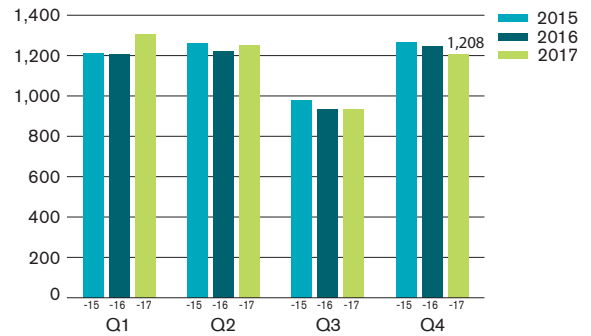
The biofuel market is regional and local due to transport costs. Customers are CHP plants as well as energy-producing forest industry. Demand for biofuel was strong in southern Sweden, more balanced in central Sweden and weak in the northern part of the country. There is considerable competition from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

A decrease in availability of biofuel was noted at the end of the period when the flow from the Baltic countries slowed. The assessment is that there is very little wood fuel available for new deliveries in the short term.

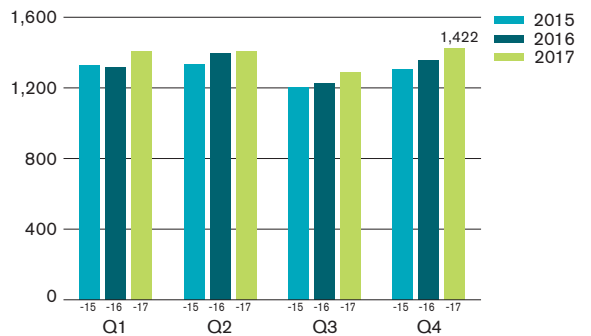
**Sveaskog's deliveries**

Sveaskog delivered 160 (214) thousand m<sup>3</sup>sub of biofuel in the fourth quarter which is a decrease of 25%. Deliveries for the full year totalled 599 (780) thousand m<sup>3</sup>sub.

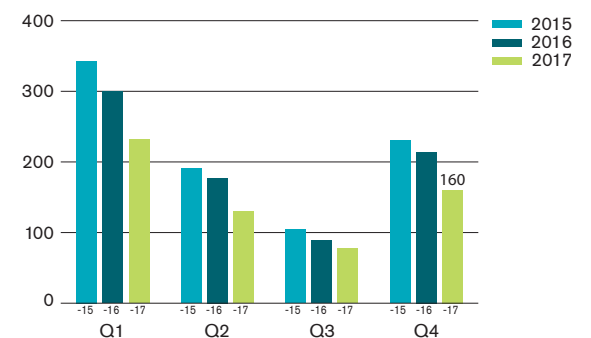
Delivery volume, sawlogs, thousand m<sup>3</sup>sub



Delivery volume, pulpwood and chips, thousand m<sup>3</sup>sub



Delivery volume, biofuel, thousand m<sup>3</sup>sub



# Sveaskog Group

## Condensed income statement

SEKm	3 months		12 months	
	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Net sales	1,613	1,549	6,206	5,922
Other operating income	64	45	205	171
Raw material and consumables	-505	-473	-1,765	-1,622
Change in inventories	66	80	-47	-62
Other external costs	-728	-731	-2,695	-2,666
Employee benefit expenses	-175	-142	-575	-535
Depreciation	-20	-19	-81	-80
<b>Operating profit from continuing operations</b>	<b>315</b>	<b>309</b>	<b>1,248</b>	<b>1,128</b>
Capital gains from property sales	113	70	321	131
Share of profits of associates	20	23	58	53
<b>Operating profit before change in value of forest assets</b>	<b>448</b>	<b>402</b>	<b>1,627</b>	<b>1,312</b>
Change in value of forest assets (Note 1, 2)	38	0	200	319
<b>Operating profit</b>	<b>486</b>	<b>402</b>	<b>1,827</b>	<b>1,631</b>
Financial items	-37	-34	-108	-174
<b>Profit before tax</b>	<b>449</b>	<b>368</b>	<b>1,719</b>	<b>1,457</b>
Tax	-89	-77	-360	-267
<b>Profit for the period/year</b>	<b>360</b>	<b>291</b>	<b>1,359</b>	<b>1,190</b>
Earnings per share, SEK, before and after dilution	3.04	2.46	11.48	10.05
- calculated on average number of shares, millions	118.4	118.4	118.4	118.4

## Statement of comprehensive income

SEKm	3 months		12 months	
	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
<b>Profit for the period/year</b>	<b>360</b>	<b>291</b>	<b>1,359</b>	<b>1,190</b>
<b>Other comprehensive income</b>				
Components that will not be reversed in profit or loss				
Actuarial gains/losses on pensions	-4	-24	-4	-24
Tax on actuarial gains/losses	1	5	1	5
Components that can be reversed in profit or loss				
Other comprehensive income from associate	4	-7	4	-7
Tax attributable to other comprehensive income from associate	-1	1	-1	1
Exchange differences	1	0	1	1
Cash flow hedges	7	25	36	8
Tax attributable to cash flow hedges	-2	-6	-8	-2
<b>Total other comprehensive income for the period/year, net after tax</b>	<b>6</b>	<b>-6</b>	<b>29</b>	<b>-18</b>
<b>Total comprehensive income for the period/year</b>	<b>366</b>	<b>285</b>	<b>1,388</b>	<b>1,172</b>

# Sveaskog Group

## Condensed balance sheet

SEKm	31 Dec 2017	31 Dec 2016
<b>ASSETS</b> (Note 3)		
<b>Non-current assets</b>		
Intangible assets	93	52
Property, plant and equipment		
Forest land (Note 1, 2)	2,460	2,384
Other property, plant and equipment	458	498
Biological assets – standing timber (Note 1.2)	32,054	31,993
Financial assets	497	495
<b>Total non-current assets</b>	<b>35,561</b>	<b>35,422</b>
<b>Current assets</b>		
Inventories	540	582
Current receivables, etc., non-interest bearing	1,662	1,520
Cash and cash equivalents	1,681	1,070
<b>Total current assets</b>	<b>3,883</b>	<b>3,172</b>
<b>TOTAL ASSETS</b>	<b>39,445</b>	<b>38,594</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>20,669</b>	<b>20,081</b>
<b>Non-current liabilities</b> (Note 3)		
Interest-bearing liabilities and provisions	5,626	5,666
Other liabilities and provisions	8,421	8,344
<b>Total noncurrent liabilities</b>	<b>14,047</b>	<b>14,010</b>
<b>Current liabilities</b> (Note 3)		
Interest-bearing liabilities and provisions	3,465	3,341
Other liabilities and provisions	1,264	1,162
<b>Total current liabilities</b>	<b>4,729</b>	<b>4,503</b>
<b>TOTAL LIABILITIES</b>	<b>18,776</b>	<b>18,513</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>39,445</b>	<b>38,594</b>

## Statement of changes in equity

SEKm	31 Dec 2017	31 Dec 2016
<b>Opening equity, 1 January</b>	<b>20,081</b>	<b>19,709</b>
Total comprehensive income	1,388	1,172
Dividend paid according to Annual General Meeting resolution	-800	-800
<b>Closing equity at the end of the year</b>	<b>20,669</b>	<b>20,081</b>

# Sveaskog Group

## Condensed statement of cash flows

SEKm	Full year 2017	Full year 2016
<b>Operating activities</b>		
Operating profit	1,827	1,631
Adjustment for non-cash items, etc.	-644	-509
Interest received	28	13
Interest paid	-186	-195
Paid tax	-175	-144
<b>Cash flow from operating activities before change in working capital</b>	<b>850</b>	<b>796</b>
Change in working capital	-47	-7
<b>Cash flow from operating activities</b>	<b>803</b>	<b>789</b>
<b>Investing activities</b>		
Investments in property, plant and equipment	-219	-183
Investments in shares	-1	-1
Sale of property, plant and equipment	647	298
Dividend from associate	50	5
Sale of shares	0	3
<b>Cash flow from investing activities</b>	<b>477</b>	<b>122</b>
<b>Financing activities</b>		
Dividend paid	-800	-800
Borrowings	11,600	9,530
Repayment of borrowings	-11,469	-9,706
<b>Cash flow from financing activities</b>	<b>-669</b>	<b>-976</b>
<b>Cash flow for the year</b>	<b>611</b>	<b>-65</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,070</b>	<b>1,135</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,681</b>	<b>1,070</b>



# Parent Company

## Condensed income statement

SEKm	3 months		12 months	
	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Operating income	17	44	53	65
Operating expenses	0	0	-2	-2
<b>Operating profit/loss</b>	17	44	51	63
Financial items	-67	-66	-251	-259
<b>Profit/loss before tax</b>	-50	-22	-200	-196
Appropriations	200	196	200	196
Tax	-33	-39	0	0
<b>Profit for the period/year*</b>	117	135	0	0

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

## Condensed balance sheet

SEKm	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	49	52
<b>Total property, plant and equipment</b>	49	52
<b>Financial assets</b>		
Shares and participations in group companies	24,934	24,934
Receivables from group companies, interest-bearing	2,400	2,000
<b>Total financial assets</b>	27,334	26,934
<b>Total non-current assets</b>	27,383	26,986
<b>Current assets</b>		
Current receivables, etc., non-interest bearing	292	275
Receivables from group companies, interest-bearing	10	363
Cash and cash equivalents	0	0
<b>Total current assets</b>	302	638
<b>TOTAL ASSETS</b>	27,685	27,624
<b>EQUITY</b>		
<b>Equity</b>	8,465	9,265
<b>Non-current liabilities</b>		
Interest-bearing non-current liabilities	5,187	5,187
<b>Total non-current liabilities</b>	5,187	5,187
<b>Current liabilities</b>		
Interest-bearing liabilities and provisions	14,001	13,120
Other liabilities and provisions	32	52
<b>Total current liabilities</b>	14,033	13,172
<b>TOTAL EQUITY AND LIABILITIES</b>	27,685	27,624

## Parent Company

### Changes in equity

SEKm	Full year 2017	Full year 2016
<b>Opening equity, 1 January</b>	9,265	10,065
Dividend paid according to Annual General Meeting resolution	-800	-800
Profit for the year	0	0
<b>Closing equity at the end of the year</b>	8,465	9,265

### Condensed statement of cash flows

SEKm	Full year 2017	Full year 2016
<b>Cash flow from operating activities</b>	-285	-625
<b>Cash flow from investing activities</b>	-356	206
<b>Cash flow from financing activities</b>	641	419
<b>Total cash flow</b>	0	0
<b>Cash and cash equivalents at the beginning of the year</b>	0	0
<b>Cash and cash equivalents at the end of the year</b>	0	0

### ACCOUNTING PRINCIPLES

The year-end 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 year-end report. For the Parent Company the year-end 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 accounting principles and calculation principles applied in this report for the Parent Company and the Group are unchanged compared with the most recently published annual report. New or revised IFRSs and interpretations from IFRIC have not had any effect on the earnings or financial position of the Group or the Parent Company. The company will apply IFRS 15 "Revenue from Contracts with Customers" as of 1 January 2018 with full retrospective adoption. This means that revenue will be recognised when control of sold goods or services is transferred to the customer and the customer is able to use and obtain benefits from the goods or services. The impact on the company is very small. Furthermore, as of 1 January 2018 the company will apply IFRS 9 "Financial Instruments". IFRS 9 contains new principles for how financial assets should be classified and measured, as well as new rules for impairment testing for financial assets. The effects on the company are very small.

The Group has previously assessed the effect of Sveaskog's share of associates' other comprehensive income as immaterial but now makes a change and includes Sveaskog's share of associates' other comprehensive income. Earlier periods have been recalculated and the total effect of SEK -11 million is recognised in equity at 1 January 2016 with SEK -5 million and in profit or loss for 2016 with SEK -6 million.

Amounts are stated in SEK million unless otherwise indicated. Figures in parentheses refer to the corresponding period in the previous year.

### NOTE 1 – CHANGE IN VALUE OF FOREST ASSETS

The book value of Sveaskog's forest assets at 31 December 2017 has been calculated at SEK 34,514 million (34,377), of which SEK 32,054 million (31,993) comprises the fair value of standing timber and SEK 2,460 million (2,384) an identified cost for land. The change in the balance sheet since year-end 2016 amounts to SEK 137 million (280) and is specified in Note 2. No significant changes in the parameters applies when calculating the market value of biological assets have occurred compared with the 2016 Annual Report.

## NOTE 2 – STANDING TIMBER AND FOREST LAND

<b>Standing timber</b>	SEKm	<b>Forest land</b>	SEKm
<i>Market value</i>		<i>Cost</i>	
Opening value, 1 January 2016	31,751	Opening value, 1 January 2016	2,346
Acquisition of standing timber	13	Acquisition of forest land	45
Sales of standing timber	-90	Sales of forest land	-7
Changes due to felling	-1,426	Closing value, 31 December 2016	2,384
Changes in fair value	1,745		
Closing value, 31 December 2016	31,993	Opening value, 1 January 2017	2,384
		Acquisition of forest land	86
Opening value, 1 January 2017	31,993	Sales of forest land	-10
Acquisition of standing timber	28	Closing value, 31 December 2017	2,460
Sales of standing timber	-167		
Changes due to felling	-1,541		
Changes in fair value	1,741		
Closing value, 31 December 2017	32,054		

## NOTE 3 – FAIR VALUE

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

SEKm	Level 1		Level 2		Level 3	
	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<i>Assets</i>						
Standing timber					32,054	31,993
Total assets	0	0	0	0	32,054	31,993
<i>Liabilities</i>						
Non-current liabilities	0	0	5,345	5,356	0	0
Current liabilities	0	0	3,410	3,291	0	0
Derivative instruments	0	0	106	159	0	0
Total liabilities	0	0	8,861	8,806	0	0

**Measurement techniques for Level 2 fair value**

Current liabilities are measured at book value including accrued interest which is assessed to provide a good approximation of fair value. Fair value of non-current debt instruments is established using valuation models such as discounting future cash flows to listed market interest rates for the respective term. Derivatives in level 2 consist of interest rate swaps and are recognised at market value or as hedge accounting. Measurement at fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for measurement. Compared with 2016, no transfers have been made between the different levels in the hierarchy and no significant changes have been made in measurement method, data used or assumptions.

**Measurement techniques used for Level 3 fair value**

Measurement techniques are specified in Note 15 page 67 of the 2016 Annual Report.

**Issues**

During 2017 Sveaskog has issued SEK 10,600 million (8,530) under the commercial paper programme and SEK 1,000 million (1,000) under the MTN programme.

**OTHER INFORMATION****Risks and uncertainties**

A description of risks, uncertainties and risk management is provided in Sveaskog's 2016 Annual Report (in Swedish) on pages 35–37. No other significant changes, in addition to those mentioned in this year-end report, have occurred since publication of the annual report.

**Significant events after the closing date**

No significant events have occurred after the closing date.

**Related-party transactions**

In the second quarter a dividend was paid to the owner of SEK 800 million. Apart from this, no significant changes have occurred in relations or related-party transactions compared with what is described in the 2016 Annual Report.

**DIVIDEND**

According to current financial targets, the ordinary dividend over time shall correspond to 65–90% of profit after tax excluding non-cash flow changes in value of standing forest after tax. A dividend is issued provided the capital structure target after dividend is within the target band and taking into account the Group's strategy and investment needs. The Board's proposal to the Annual General Meeting is a dividend for 2017 of SEK 900 million.

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held in Stockholm on 23 April 2018. The AGM is open to the general public. The annual report is scheduled for publication at [www.sveaskog.se](http://www.sveaskog.se) on 12 March 2018. The printed annual report will be distributed at the beginning of April. The printed annual report can be ordered from Sveaskog, e-mail [info@sveaskog.se](mailto:info@sveaskog.se) or directly via Sveaskog's website [www.sveaskog.se](http://www.sveaskog.se).

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

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

Eva Färnstrand  
*Chairman*

Thomas Hahn  
*Board Member*

Leif Ljungqvist  
*Board Member*

Annika Nordin  
*Board Member*

Anna-Stina Nordmark Nilsson  
*Board Member*

Sven Wird  
*Board Member*

Kenneth Andersson  
*Employee Representative*

Sara Östh  
*Employee Representative*

Per-Olof Wedin  
*President and CEO*

The report has not been reviewed by the company's auditors.

**FOR FURTHER INFORMATION, PLEASE CONTACT**

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

Annual Report 2017	12 March 2018
Interim report January – March 2018	23 April 2018
Interim report January – June 2018	17 July 2018
Interim report January – September 2018	26 October 2018

**Definitions**<sup>1)</sup>**Capital turnover rate**

Net sales divided by average operating capital.

**Equity ratio**

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

**Gross margin**

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

**Interest-bearing net debt**

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

**Interest cover**

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

**Net debt/equity ratio**

Interest-bearing net debt divided by equity.

**Net earnings per share**

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

**Operating capital**

Total assets excluding interest-bearing assets, tax assets and assets held for sale minus non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the year.

**Operating margin**

Operating profit expressed as a percentage of net sales.

**Operating profit from continuing operations**

Operating profit before change in value of forest assets, share of profits of associates and capital gains from property sales.

**Return on equity**

Profit after tax expressed as a percentage of average equity.

**Return on operating capital**

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

**Yield**

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

1) Sveaskog has chosen to present the company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA) in a separate appendix. The appendix is published on [www.sveaskog.se](http://www.sveaskog.se).

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