

Year-end report

January–December 2021

“The market for sawn timber remains strong.”



Net sales

MSEK 6,920

(6,597) Jan – Dec last year

Operating profit from continuing operations

MSEK 1,341

(1,120) Jan – Dec last year

Profit for the period

MSEK 1,494

(10,867)* Jan – Dec last year

SIGNIFICANT EVENTS

- The market situation for Swedish sawmill operations remains strong at the end of the year, with Sveaskog being an important supplier of forest raw materials.
- The operating profit for the year before changes in value of forest assets has increased by MSEK 698, with the increase in profit from the associated company Setra Group, MSEK 619, accounting for the largest part of this.
- In January 2022, Erik Brandsma took over as CEO.

*) At the end of the previous year, Sveaskog changed the accounting method for valuing the company's forest assets so that it is based on the market value calculated on transactions in the areas where Sveaskog owns forest assets. The positive effect on profit was SEK 9.5 billion net for the quarter and SEK 9.9 billion for the full year.

1 OCTOBER – 31 DECEMBER 2021

➤ **Net sales** increased by 12 per cent to MSEK 1,888 (1,681). Total delivery volumes dropped by one per cent, while prices of wood raw materials increased by 13 per cent on average.

➤ **Operating profit** was unchanged and amounted to MSEK 308 (308). Higher timber prices have been offset by lower volumes and higher felling costs. Earnings have been affected by a change in the method for valuing forest assets. The method change means that costs for reforestation, MSEK 33, from this year are recognised in the item change in value of forest assets. Increased provisions for forest management and bridges within our forest roads have burdened earnings by MSEK 72. Apart from the method change and the increased provisions, the underlying result is MSEK 39 better than the previous year (see more on pages 11 and 12).

➤ **The reported net change in value** of standing timber amounted to MSEK -610 (12,017)*.

➤ **Profit for the quarter** amounted to MSEK -92 (9,832)*, equivalent to SEK -0.78 (83.04) per share.

MSEK	3 months Oct–Dec			12 months		
	2021	2020	%	2021	2020	%
Net sales	1,888	1,681	12%	6 920	6,597	5%
Operating profit from continuing operations	308	308	0%	1,341	1,120	20%
Change in value of forest assets	-610	12,017	-105%	-196	12,481	-102%
Operating profit	-129	12,401	-101%	1,842	13,821	-87%
Profit before tax	-159	12,359	-101%	1,709	13,668	-87%
Profit for the period	-92	9,832	-101%	1,494	10,867	-86%
Cash flow from operating activities	245	248	-1%	1,033	623	66%
Earnings per share, SEK	-0.78	83.04	-101%	12.62	91.78	-86%

KPIs¹, Group

	12 months	
	2021	2020
Dividend yield, % (target at least 4.5%) ^{1,2}	2.9	2.4
Net debt/equity ratio, multiple (target 0.3–0.6) ¹	0.12	0.13
Return on operating capital, % ²	2.7	28.2
Return on equity, % ²	2.4	26.2
Interest coverage ratio, multiple ^{2,3}	15.1	7.6
Equity ratio, %	68	68
Net interest-bearing debt, MSEK	7,438	7,613
Average number of employees	825	827
Total delivery volume, thousand m ³ sub	10,682	10,629

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

2) Rolling 12 months.

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

1 JANUARY – 31 DECEMBER 2021

➤ **Net sales** increased by five per cent to MSEK 6,920 (6,597). The total delivery volumes increased marginally while the prices of wood raw materials increased by five per cent on average.

➤ **Operating profit** increased by 20 per cent to MSEK 1,341 (1,120). Higher timber prices have been offset by higher costs for felling as well as forest- and nature conservation. The increased profit is primarily due to a new method for valuing forest assets. The method change means that costs for reforestation, MSEK 235, from this year are recognised in the item change in value of forest assets. Method change and increased provisions for forest management and bridges on our forest roads, the underlying result is MSEK 58 better than the previous year despite increased nature conservation costs (see more on pages 11 and 12).

➤ **The reported net change in value** of standing timber amounted to MSEK -196 (12,481)*.

➤ **Profit for the year** amounted to MSEK 1,494 (10,867)*, equivalent to SEK 12.62 (91.78) per share.

About Sveaskog

Sveaskog, a state-owned company, is the largest forest owner in Sweden. The company owns 14 per cent of Sweden's forests, operates in approximately 170 municipalities and has over 800 employees around the country.

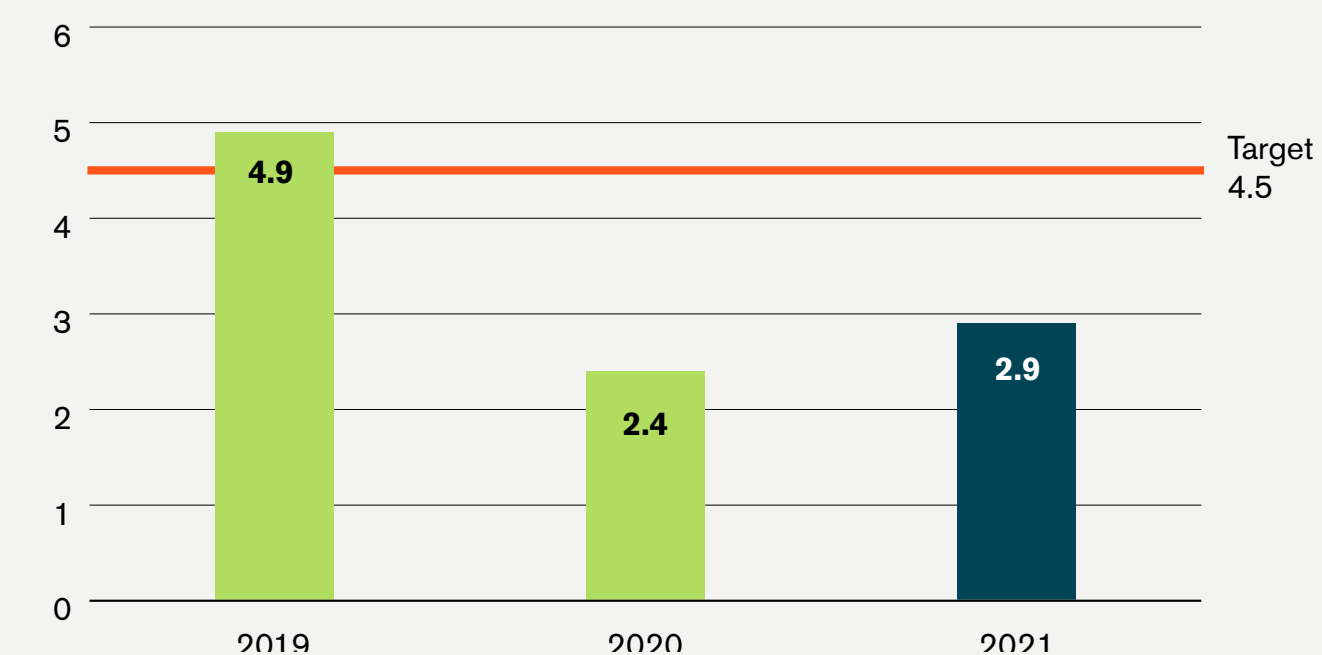
Sveaskog's core business is to manage and operate the forest and provide timber, pulpwood, wood chips, biofuel, seedlings and forest services. Sveaskog supplements the supply from its own forest with purchases from other forest owners, trading and imports. Our customers are primarily found within the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

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

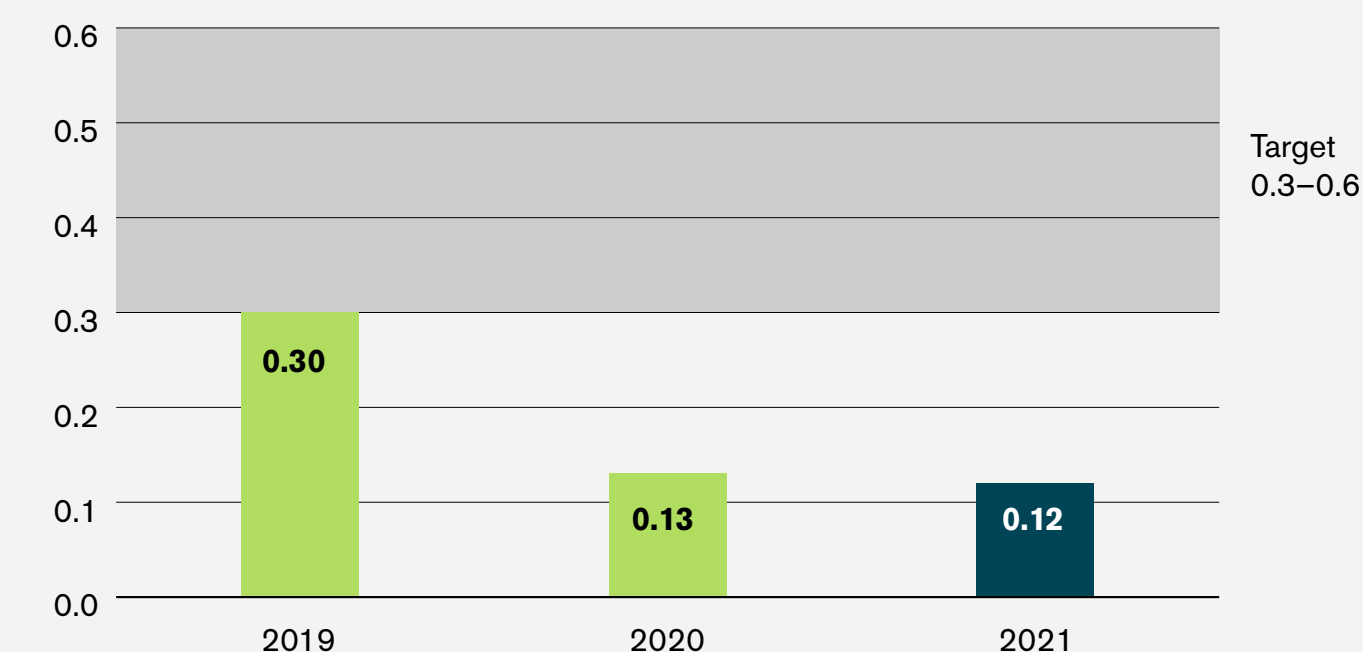


Sveaskog's financial targets

Dividend yield, %, rolling 12-month period



Net debt/equity ratio at 31 December, multiple



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

Dividend

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

	2019	2020	2021
Dividend, MSEK	1,100	850	1,300 ¹⁾
Percentage of basis for dividends, %	88	89	88

1) The Board's proposal to the Annual General Meeting.

CEO's comments

Continued high timber prices

Our operating profit during the year amounted to MSEK 1,341 (1,120); the increased profit is primarily due to a new method for valuing forest assets. The new method means that costs for reforestation, MSEK 235, from this year are recognised under change in value of forest assets. New method aside, the profit is somewhat lower compared to the previous year.

The average price of timber deliveries from Sveaskog's own forest is six per cent higher than the corresponding period last year; the timber prices are 12 per cent higher while the pulpwood prices are five per cent lower. Higher prices from own forest have been offset by increased costs for forest and nature conservation and the costs for felling. Our deliveries during the year amounted to 10.7 million m³sub. Deliveries are marginally higher compared to the previous year, which amounted to 10.6 million m³sub.

Market situation still strong

The market situation for the Swedish forest industry remains very good. The sawmill industry has had a year of very high demand for sawn wood products and extreme price increases during the first three quarters of the year. A certain slowdown in the wood products markets is noted during the fourth quarter, but from a very high level. The majority of Sveaskog's sawmill customers believe that the market for wood products will also be good in the long term, as there is an increased interest in wood as a sustainable building material in the transition to a lower climate impact. The pulp and paper industry has also had a good year with increased demand and increased prices for packaging materials. Printing paper, for which there was previously a reduced demand, has been in unexpectedly high demand in combination with the decommissioning of production capacity for these products

during the year. As a result of the good wood products market, the demand and price trend for timber has been very good. The biofuel market was characterised by a surplus at the beginning of the year but turned around at the end of the year, partly as a result of increased use of biofuels for electricity production.

Sustainable forestry programme

Sveaskog is to be a leader in the development of sustainable forestry. This involves, among other things, sustainable and secure deliveries of renewable raw materials to our customers, and contributing to both Agenda 2030 and to national environmental and climate goals. Sveaskog manages the forest with the ambition of developing economic, ecological and social values.

Sveaskog's new long-term focus, which was launched in April 2021, continues to combine high-volume and reliable timber delivery with intense efforts to increase biodiversity. This will be done by taking measures to adapt the forest land to climate change in various ways and strengthen the forest's resilience to various attacks that may otherwise result in timber losses. As a first phase, Sveaskog has approved a sustainable forestry programme that focuses on three main areas of the forest landscape: the managed forests, the water in the forest and the high conservation value forests. In this way, the forest land is future-proofed and Sveaskog can continue to supply raw materials while contributing to national environmental goals, Agenda 2030 and EU climate and biodiversity goals, all according to the state's ownership policy. Read more about our sustainable forestry programme on pages 7–9.

Forest debate and forest bill

In 2021, the role of forests in climate contexts and Swedish forestry was debated. Sveaskog received many questions from the media, citizens and

“Continued high timber prices”

various organisations and answered them during the year.

In November 2021, the Government presented a forest bill proposing that the forests located on state land in areas close to mountains be given formal protection. Sveaskog takes a positive view of the fact that the 50,000 hectares owned by Sveaskog are being converted into nature reserves and has initiated talks with the Swedish Environmental Protection Agency and relevant county administrative boards to ensure the most efficient implementation possible. This will also mean that the proportion of formally protected productive forest land in Sveaskog's land holdings will increase from 7 per cent to 8.5 per cent. Sveaskog is also helping with replacement land for private forest owners whose land is becoming a reserve, mainly through transfer of property close to the mountain area, which for Sveaskog means an expanded replacement land programme.

It is also of note that the recently presented bill emphasises the state's role as a pioneer in sustainable forestry. Here we want to take a leading position, among other things through Sveaskog's introductory programme for the development of sustainable forestry. The programme is mentioned in positive terms in the bill, where it is exemplified by Sveaskog's planned initiatives for continuous cover forestry, ecologically functional nature conservation, wetlands and deciduous forest.

Re-initiation of our investment in the Kilåmon nursery

In our business area Svenska Skogsplantor, in 2021 we have invested MSEK 12 in the Kilåmon nursery outside Näsåker in Sollefteå Municipality. The investments have primarily been made in production to meet an increasing demand for seedlings and to improve the exterior and interior environment. The investment has been made in new machines in the sowing and packing hall for quicker handling and packaging of the seedlings. The Kilåmon nursery delivers approx. 52 million seedlings to forestry in Northern Sweden.

Major breakthrough for Sveaskog's gender equality training for contractors

The forest industry should be one where everyone can thrive and grow. As Sweden's largest forest owner, we at Sveaskog can work actively with our contractors to ensure gender equality, diversity and inclusion as part of the industry's competence provision work. Since the autumn of 2019, we have offered our contractors online training in gender equality, diversity and inclusion. By the end of December 2021, more than 550 people who are not employed at Sveaskog had completed the training. By offering the training, we can support the contractors in their work to increase gender equality and thus become a more attractive employer.

Cooperation with archaeologists in order to respect ancient and cultural relics

To show even greater respect for ancient and cultural relics in the forests of Gävleborg, we cooperate with local archaeologists. Together with the County Museum of Gävleborg, we have taken inventory of our land in Svedåsen to identify relics. Undersvik hembygdsförening (a local culture society) is also involved in the cooperation. Preserving ancient and cultural relics in the forest is important to us and also a legal requirement. Relics are sometimes damaged in connection with forestry, often due to lack of documentation and information. Therefore, in complicated cases such as Svedåsen, we enlist the help of archaeologists, and we look forward to learning more and further developing our way of working.

Taking over as CEO in an industry in flux

It has been a few weeks since I took over as CEO of Sveaskog and this is my first report. In a company like Sveaskog, business with our customers is key. To be profitable and successful in business, a long-term perspective is required on how we manage our forests. Competition for the forest and forest products is increasing. We need to future-proof ourselves as a company in the long term by understanding increasing demands and expectations, making trade-offs between different goals and developing our competence and business model. A business needs to be secured in both the short and long term – so that the business is good in the future as well. The forest sector is facing a transition. The long-term focus and the programme that Sveaskog has adopted for sustainable forestry is a good platform for driving the work forward.

When I meet my colleagues at Sveaskog, I am always proud of and impressed by their high level of competence and personal commitment. One could not wish for a better starting point for further developing sustainable forestry at Sveaskog. It is very unfortunate that Sveaskog's employees have been exposed to threats and material damage during the past year. This is of course completely unacceptable, and I will do everything in my power to ensure a good and safe working environment. We are expected to lead the development for sustainable forestry in Sweden, and it is the employees at Sveaskog who will make this possible and successful.

We are leaving a year behind that has been marked by the Corona pandemic. But our core business has been able to be conducted without major impact and we have been able to fulfill our customer promises. I would therefore like to thank all our employees which every day showed a great commitment to the work in 2021.

I look forward to leading Sveaskog on this journey of change and will as a first step focus on implementing Sveaskog's strategy while at the same time bringing the company into a more constructive dialogue on sustainable forestry with all the relevant stakeholders. "Look up from the stump" is a good expression that I have recently learned from my colleagues at Sveaskog!

Erik Brandsma
President and CEO





Market situation and wood deliveries

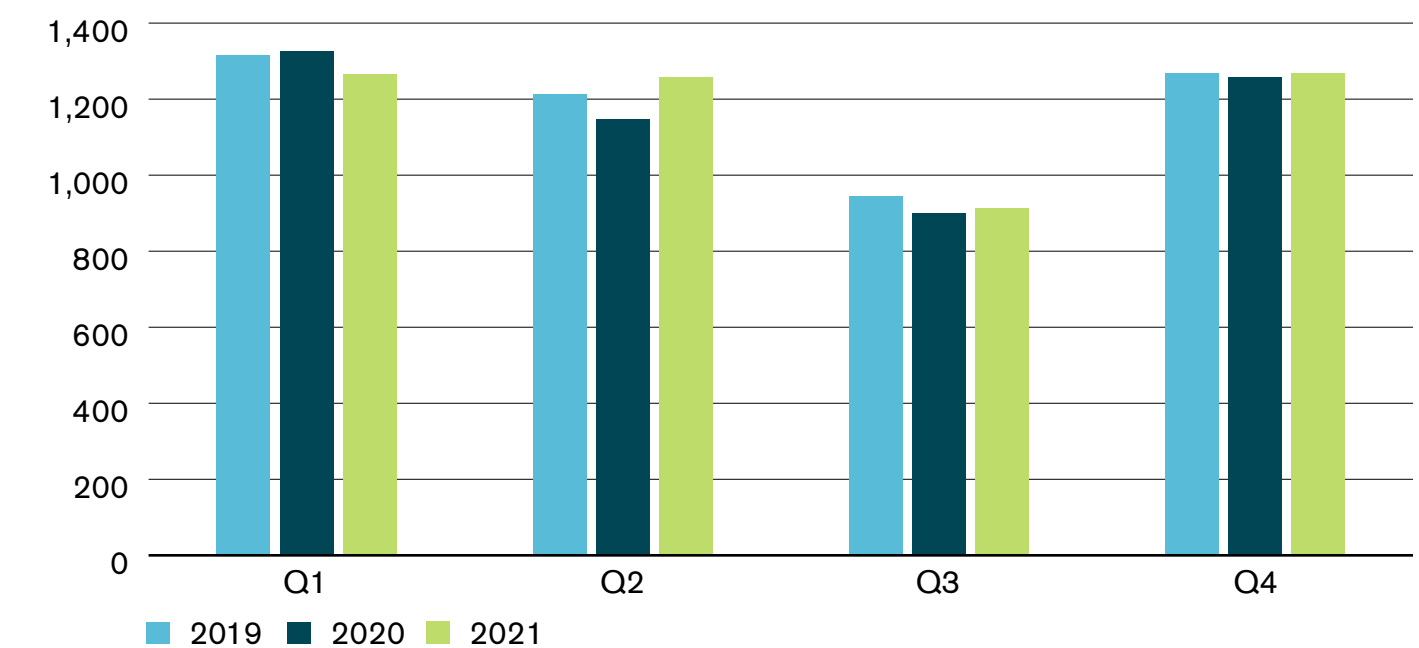
For sawmills in Sweden and globally, market conditions have never been as favourable as in 2021, with price increases of over 100 per cent. Government stimulus packages as a result of the pandemic, which had a positive impact on global construction activity, increased use of wood as a building material, and a broad interest in renovation, remodelling and extension projects are factors that have affected the demand for sawn wood products. The pulp market has developed strongly during the year as a result of increased e-commerce and difficulties for producers in collecting recycled paper. Both effects are directly linked to the pandemic. The markets for printing paper and newspaper have also shown a positive price development as a result of demand being maintained while production capacity has disappeared.

Sawmills

The market for sawn wood products is highly dependent on construction activity, in Sweden and internationally. More than 70 per cent of Swedish wood product production is exported, with the United Kingdom as the single largest export country. The Nordic region, with Sweden at the forefront, however, remains the largest market for sawmills. Global construction activity has recovered significantly after the decline in 2020, which was mainly caused by COVID restrictions. At the same time, the renovation, conversion and extension market has continued to develop well, which has contributed to extremely good demand for wood products. The Swedish sawmills have mainly increased sales volumes to the Nordic markets, the United Kingdom and the United States. The price trend for sawn wood products rose sharply during the first three quarters of the year, with export prices more than

doubling. During the fourth quarter, there was a certain slowdown for sawn wood products due to lower demand. However, the long-term positive trend for sawn wood products persists. Sustainably produced wood products are becoming increasingly attractive in a global market as they strongly contribute to a positive development in terms of climate change for the global construction sector. The good conditions for sawn wood products have also had a positive effect on timber prices, though they are far from being as extreme as for wood products. As timber makes up a very large proportion of the sawmills' costs, this has meant that the sawmills have shown very good profitability in 2021.

Delivery volume, sawlogs, thousand m³sub

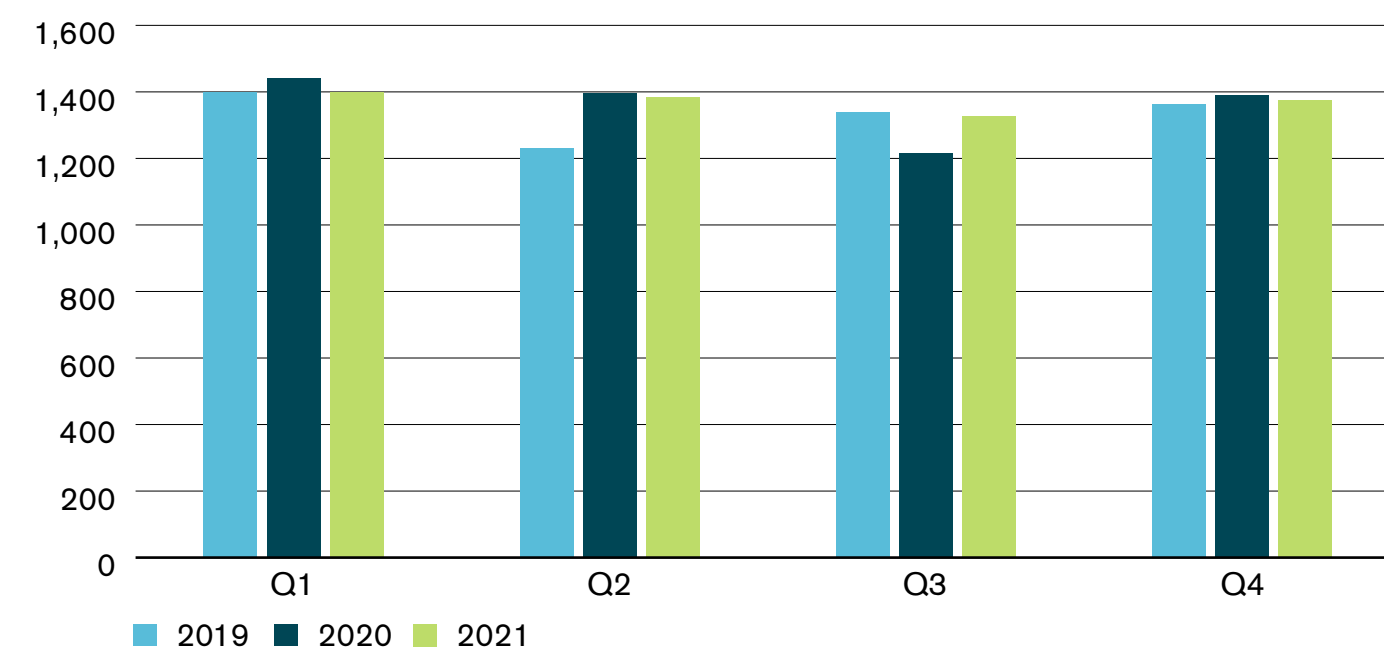


During the fourth quarter, Sveaskog delivered 1,267 thousand m³sub (1,257) of sawlogs, an increase of one per cent on the same period last year. For the full year in 2021 deliveries totalled 4,702 km³sub (4,630).

The pulp and paper industry

Globally the demand is increasing, and in recent years deliveries of paper pulp and Swedish production capacity have been expanded in order to satisfy this increased demand. Of the volumes not used directly in Sweden for paper production, most is exported to Europe. The next largest market is Asia, whose share has increased sharply and where China is becoming an increasingly important and influential market. The price of market pulp developed positively during the year. The market for printing and writing paper, which weakened significantly last year, has picked up in 2021 as a result of an unexpected increase in demand in combination with the reduction of production capacity for these products. The developments in packaging materials has been affected by high global demand as a result of increased e-commerce, but also difficulties in collecting recycled paper linked to the pandemic. The supply of pulpwood has been good during the year and has been characterised by large stocks. Stock levels have fallen during the latter part of the year, especially in Northern Sweden, where there is now a certain deficit.

Delivery volume, pulpwood and woodchips, thousand m³sub

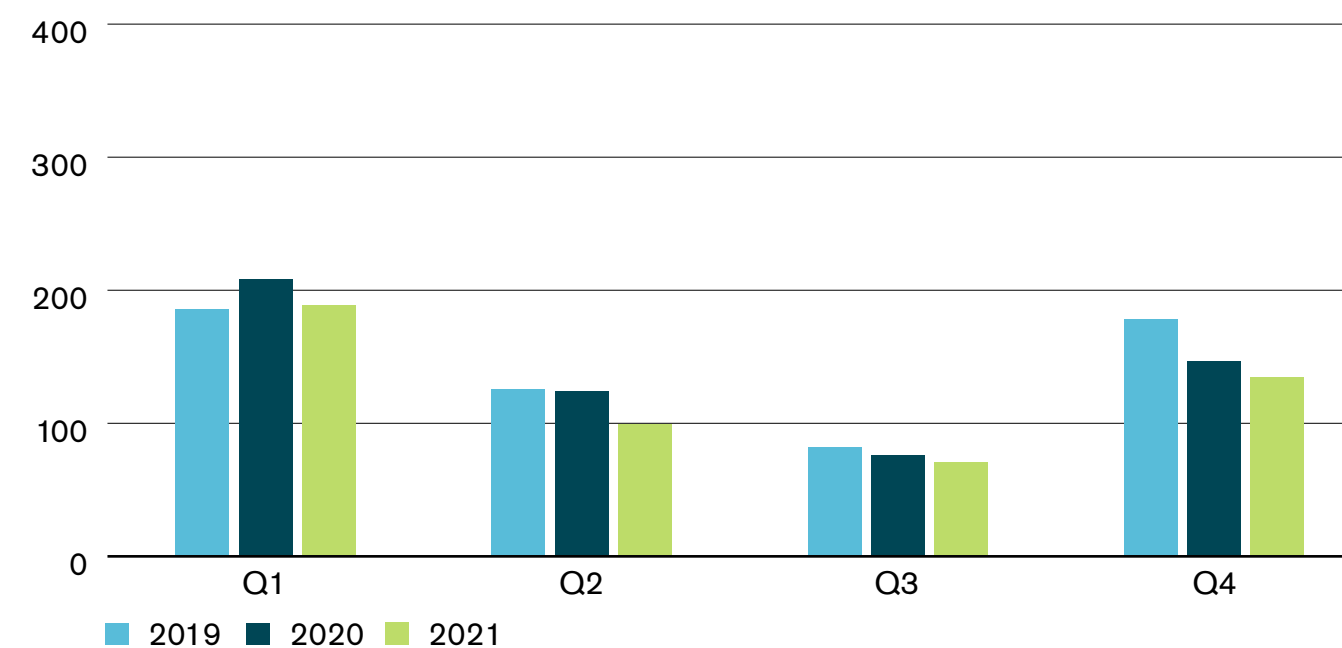


In the fourth quarter, Sveaskog delivered 1,374 thousand m³sub (1,391) of pulpwood and woodchips, which is a decrease of one per cent on the same period last year. For the full year in 2021 deliveries totalled 5,486 km³sub (5,445).

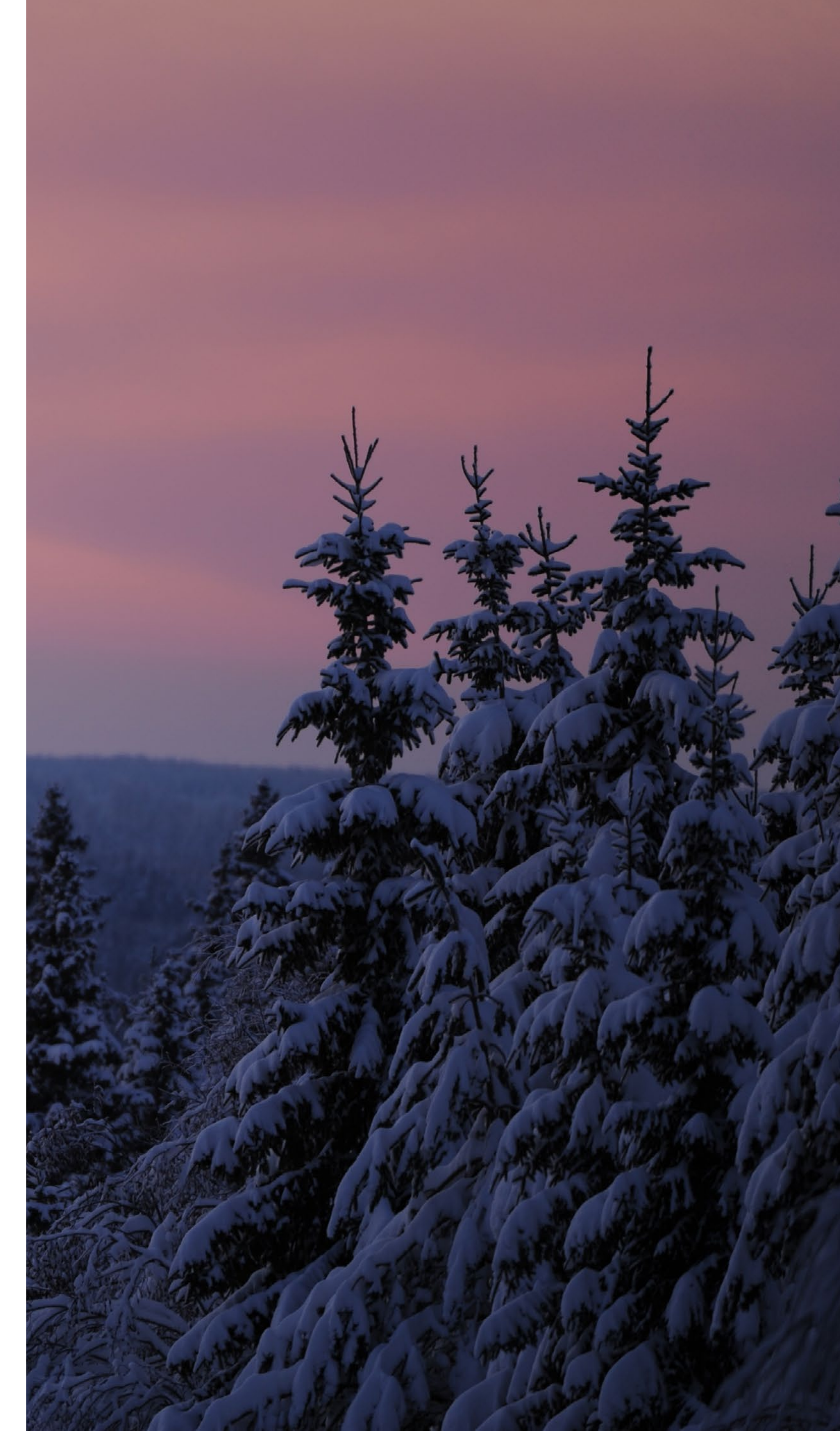
The biofuel market

The market for forest biofuel, such as GROT (branches and tree tops), is regional and local where the transport costs are high and the production costs are relatively low for biofuel. The forest biofuel market is significant in southern and central Sweden, but is more limited in northern Sweden. The customers for Sveaskog's biofuels are power and heating plants as well as the energy-producing forest industry. A mild winter in 2020 and a large supply of by-products from sawmills led to a certain oversupply of biofuels in the spring of 2021. With rising electricity prices during the autumn, the consumption of biofuel generally increased and at the end of the year the market has turned for the majority of Sveaskog's customers, who are demanding larger volumes. The supply of wood damaged by the spruce bark beetle has been lower than in recent years.

Delivery volume biofuel, thousand m³sub



During the fourth quarter, Sveaskog delivered 135 (147) thousand m³sub of biofuel, which is a decrease of eight per cent on the same period last year. For the full year in 2021 deliveries totalled 494 km³sub (555).



Sveaskog's sustainable forestry programme

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

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

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

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

Sustainable forestry programme



The managed forests

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



The water in the forest

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



High conservation value forests

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

Read more on our website www.sveaskog.se

Sveaskog and sustainable forestry

– Activities during the quarter

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

The managed forests

Site adaptation for increased variation

In Southern Sweden, Sveaskog has carried out a review of the site adaptation to increase the variation in the forests. In practice, this means reviewing the distribution of tree species in our regenerations and what we can do to increase the degree of site and climate adaptation. An increased proportion of birch and Siberian larch is an example of how we work to increase variation. To ensure that the right tree species is in the right place, we are developing new decision support for choosing regeneration tree species for our area managers. We have also developed a management plan for refined birch.

Selective methods in ecoparks

During the quarter, we continued the selective felling work in the Raslängen and Böda ecoparks in Götaland with a further 42 hectares.

More cleaning and thinning in the reindeer husbandry area

The work with further cleaning and thinning continues. During the quarter, we have cleaned an additional 436 hectares in the reindeer husbandry area. Among other places, cleaning has taken place in the winter pastures along Pite Älvdal in Norrbotten and in Lycksele and Vindel Municipality in Västerbotten. Further thinning of 70 hectares has taken place in the reindeer husbandry area in several places, including in Gällivare, Jörn and Åsele. Further cleaning and thinning facilitates the reindeer's movement and benefits reindeer grazing, and takes place and has taken place in collaboration with the Sámi villages.

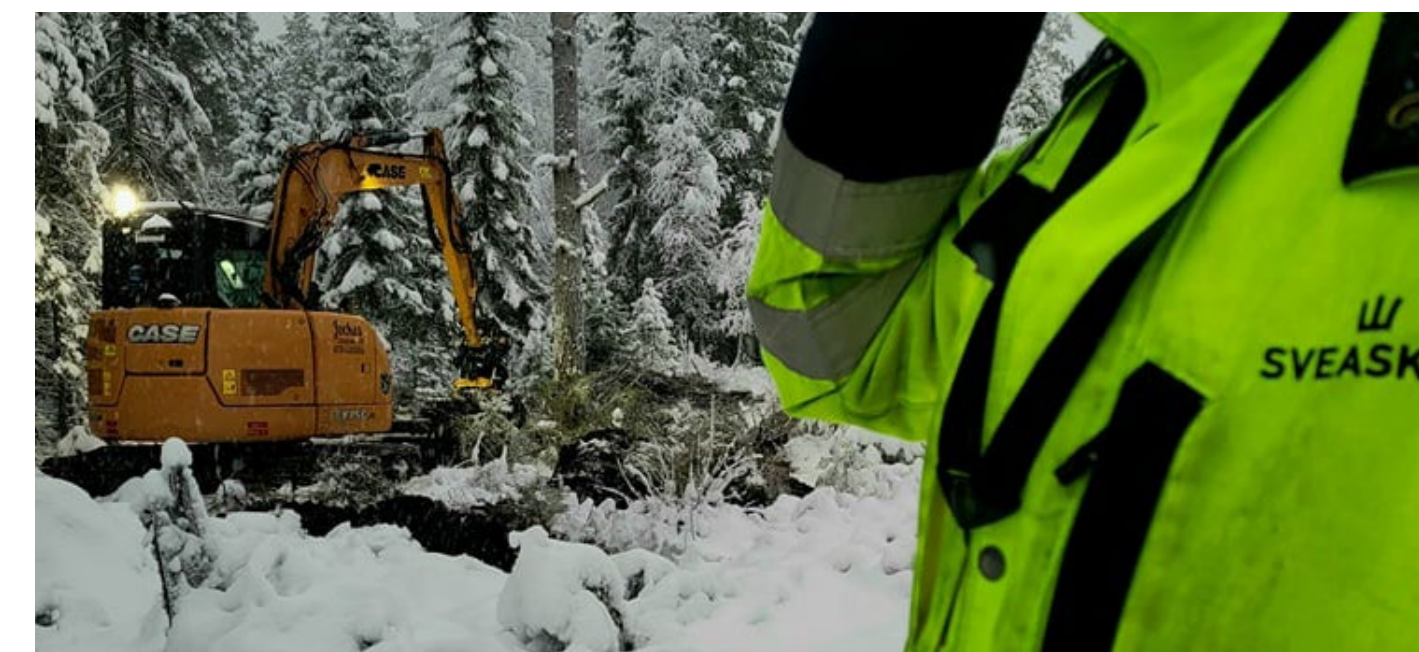
The water in the forest

Restoring wetlands to promote biodiversity

At the end of the year, Sveaskog completed three wetland restorations in collaboration with the County Administrative Board of Västerbotten. By re-filling old ditches, the wetlands Tuggenlidmyran and Svanamyran in Lycksele and Tjärnbergsheden in Burträsk, Skellefteå have been restored. In Central and Southern Sweden, wetlands have been restored outside Österfärnebo in Sandviken Municipality, in Krokfljot nature reserve in Älvdalen Municipality, outside Misterhult in Oskarshamn Municipality, at Hjorted in Västervik Municipality and one in Hornsö ecopark in Kalmar County. Sveaskog restored eight wetlands in total during the quarter.

Information loops about forest water

It is important to develop and disseminate knowledge about forest water. Therefore, Sveaskog has contributed to the creation of two information loops that were introduced during the quarter. Along Håltjärnsbäcken in Bergslagen, you can learn more about the restoration of watercourses, the methods used and the natural values that are created. In Håltjärnsbäcken, trout and river pearl mussels play a central role. In the second loop, which is located outside Högsby in Kalmar County, you can learn more about wetland restoration. Both loops were set up in collaboration with external parties such as the County Administrative Boards in Västmanland County, the Swedish Forest Agency, the Swedish University of Agricultural Sciences, Skinnskatteberg Municipality and Mellanskog County and Kalmar County, respectively.



Restoration work to recreate a wetland outside Österfärnebo in Sandviken Municipality.

High conservation value forests

Provision for high conservation value forests

The forest investigation, which was presented at the end of 2020, proposed that approximately 500,000 hectares of contiguous natural forests with documented high conservation values in and bordering forests close to mountains should be protected in the long term. Approximately 50,000 hectares of these are located on Sveaskog's land, and when the investigation was presented, 75 per cent of this area had already been voluntarily set aside as high conservation value forest. After the forest investigation was presented, Sveaskog also volunteered to set aside the remaining 25 per cent that was indicated in the investigation as high conservation value forest. In the forest bill that was presented at the end of the year, the Government writes that these state-owned forests near the mountains should be formally protected as soon as possible and that Sveaskog's land should remain in the company's ownership. Sveaskog takes a positive view of this and during the quarter initiated talks with the Swedish Environmental Protection Agency and relevant county administrative boards in order to ensure as effective an implementation as possible. This will also mean that the proportion of formally protected productive forest land in Sveaskog's land holdings will increase from 7 per cent to 8.5 per cent.



Häckren ecopark.

Various nature conservation measures throughout the country

During the quarter, Sveaskog took several conservation management measures throughout the country. In the southern parts, more than 300 hectares of nature conservation has been carried out. These include many different types of initiatives, ranging from felling deciduous forests in the Forsmark ecopark to cleaning to improve the habitat for wild bees in Örebro County and Östergötland County. We do this in combination with efforts to keep so-called sand or gravel pits open so that wild bees can build nests in the loose sand. The cleaning means that the sand pits are exposed to the sun, which gives wild bees enough heat in their nests.

Outside Lycksele, in Västerbotten, Sveaskog has carried out just over 20 hectares of nature conservation. Felling conifers and scraping the bark from trees has benefited deciduous trees and older pines and the amount of dead wood has increased in the area. In Lidmyråsen outside Vindeln, Västerbotten, chainsaws have been used for nature conservation. By removing or damaging competing spruce, several hundred-year-old pines with natural value have been given the opportunity to stand proud for a long time to come, and at the same time the amount of dead wood has increased in the area.

Efforts to simulate the positive effects of fire

In Hornsö ecopark, we have taken various selective measures to replicate the positive effects that fire can have on biodiversity in the forest. We have created dead wood from pine, and in order to simulate fire wounds (natural scars that occur on trees after a fire) we have affected the bark using various manual methods, built fires next to the pines or affected trees in other ways. All this is done to create environments for biodiversity. The efforts that our employees have made together have resulted in both nature conservation benefits and knowledge building.



Nature conservation to benefit deciduous trees and older pines.



Nature conservation using a chainsaw at Lidmyråsen, Vindeln.



Nature conservation in Hornsö ecopark.

The Sveaskog Group

Condensed income statement

MSEK	3 months Oct–Dec		12 months	
	2021	2020	2021	2020
Net sales (Note 1)	1,888	1,681	6,920	6,597
Other operating income (Note 1)	61	25	140	101
Raw materials and consumables	-597	-539	-2,130	-1,976
Change in inventories	84	165	101	128
Other external costs	-939	-838	-2,944	-2,990
Staff costs	-147	-152	-599	-591
Depreciation	-42	-34	-147	-149
Operating profit from continuing operations	308	308	1,341	1,120
Capital gains on property disposals	6	48	30	163
Share of profit/loss of associates	167	28	667	57
Operating profit before change in value of forest assets	481	384	2,038	1,340
Change in value of forest assets (Note 2)	-610	12,017	-196	12,481
Operating profit	-129	12,401	1,842	13,821
Financial items	-30	-42	-133	-153
Profit before tax	-159	12,359	1,709	13,668
Tax	67	-2,527	-215	-2,801
Profit/loss for the period/year	-92	9,832	1,494	10,867
Earnings per share in SEK before and after dilution	-0.78	83.04	12.62	91.78
– Calculated on average number of shares, million	118.4	118.4	118.4	118.4

Statement of comprehensive income

MSEK	3 months Oct–Dec		12 months	
	2021	2020	2021	2020
Profit/loss for the period/year	-92	9,832	1,494	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)	2,957	32,949	2,957	32,949
Tax on change in value in land assets	-599	-6,797	-600	-6,797
Actuarial gains/losses relating to pensions	7	-10	7	-10
Tax on actuarial gains/losses	-1	2	-1	2
<i>Components that may be reversed in profit or loss</i>				
Currency differences	0	-2	1	-2
Other comprehensive income from associates	0	18	-15	14
Tax on other comprehensive income from associates	0	-4	4	-3
Cash flow hedges	9	8	33	-1
Tax attributable to cash flow hedges	-2	-2	-7	0
Total other comprehensive income for the period/year, net after tax	2,371	26,162	2,379	26,152
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	2,279	35,994	3,873	37,019

The Sveaskog Group

Comments on the income statement

1 October – 31 December 2021

Net sales

Net sales increased by 12 per cent to MSEK 1,888 (1,681). Total delivery volumes dropped by one per cent, while prices of wood raw materials increased by 13 per cent on average. The sales of wood raw materials amounted to 2,776 thousand cubic metres, (m³sub) (2,795).

Earnings

Operating profit was unchanged and amounted to MSEK 308 (308). Higher timber prices have been offset by lower volumes and higher felling costs. Earnings have been affected by a change in the method for valuing forest assets. The method change means that costs for reforestation, MSEK 33, from this year are recognised in the item change in value of forest assets. Increased provisions for forest management and bridges within our forest roads have burdened earnings by MSEK 72. Method change and increased provisions aside, the underlying result is MSEK 39 better than the previous year (see more on page 12).

Capital gains from property sales were MSEK 6 (48). Share of profits of associates amounted to MSEK 167 (28). The net change in the reported value of standing timber amounted to MSEK -610 (12,017)*. After the change in value of forest assets, operating profit amounted to MSEK -129 (12,401)*. Financial items in the quarter were net MSEK -30 (-42). Profit before tax amounted to MSEK -159 (12,359)*. Tax amounted to MSEK 67 (-2,527). Profit for the quarter decreased to MSEK -92 million (9,832)*.

*) At the end of the previous year, Sveaskog changed the accounting method for valuing the company's forest assets so that it is based on the market value calculated on transactions in the areas where Sveaskog owns forest assets. The positive effect on profit was SEK 9.5 billion net.

1 January – 31 December 2021

Net sales

Net sales increased by five per cent to MSEK 6,920 (6,597). The total delivery volumes increased marginally while the prices of wood raw materials increased by five per cent on average. The sales of wood raw materials amounted to 10,682 thousand cubic metres, (m³sub) (10,629).

Earnings

Operating profit increased by 20 per cent to MSEK 1,341 (1,120). Higher timber prices have been offset by higher costs for felling and forest management as well as the previously mentioned provisions. The increased profit is primarily due to a new method for valuing forest assets. The method change means that costs for reforestation, MSEK 235, from this year are recognised in the item change in value of forest assets. Method change and increased provisions for forest management and bridges within our forest roads aside, the underlying result is MSEK 58 better than the previous year despite increased nature conservation costs (see more on page 12).

Capital gains from property sales were MSEK 30 (163). Share of profits of associates amounted to MSEK 667 (57). The net change in the reported value of standing timber amounted to MSEK -196 (12,481)*. After the change in value of forest assets, operating profit amounted to MSEK 1,842 (13,821)**. Net financial items during the year were MSEK -133 (-153). Profit before tax amounted to MSEK 1,709 (13,668)**. Tax amounted to MSEK -215 (-2,801). Profit for the year decreased to MSEK 1,494 (10,867)**.

**) At the end of the previous year, Sveaskog changed the accounting method for valuing the company's forest assets so that it is based on the market value calculated on transactions in the areas where Sveaskog owns forest assets. The positive effect on profit was SEK 9.9 billion net.

The Sveaskog Group

Change in net sales, MSEK

	Quarter 4	Jan-Dec
2020	1,681	6,597
Price, wood raw materials	175	270
Delivery volume, wood raw materials	10	50
Concessions, seedlings and other sales	22	3
2021	1,888	6,920

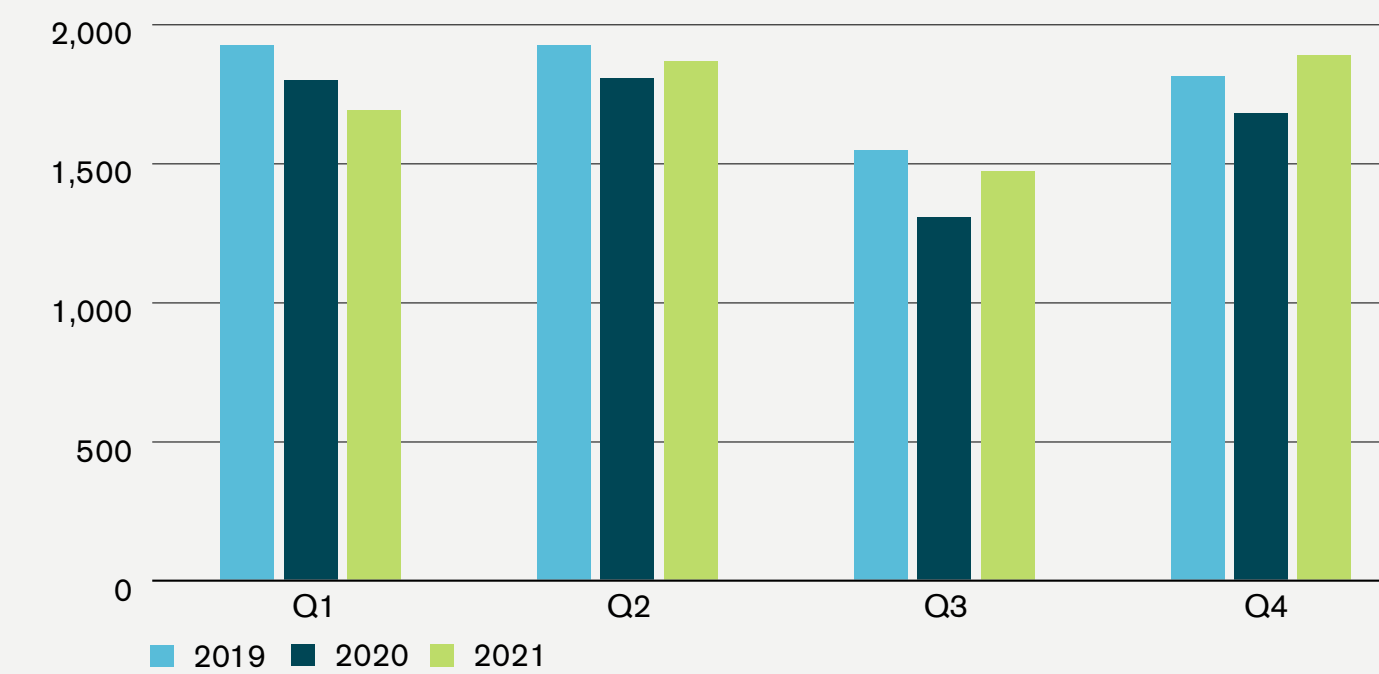
Change in operating profit from continuing operations, MSEK

	Quarter 4	Jan-Dec
2020	308	1,120
Price, own wood raw materials	88	172
Volume and change in inventories, own wood raw materials	-48	-58
Unit cost felling	-28	-50
Forest management and nature conservation	1	-27
Svenska Skogsplantor	2	-7
Earnings from externally procured wood raw materials	15	9
Other property transactions ¹	-2	-16
Provision for bridges and damaged forest	-72	-72
Reclassification of reforestation costs	33	235
Other	11	35
2021	308	1,341

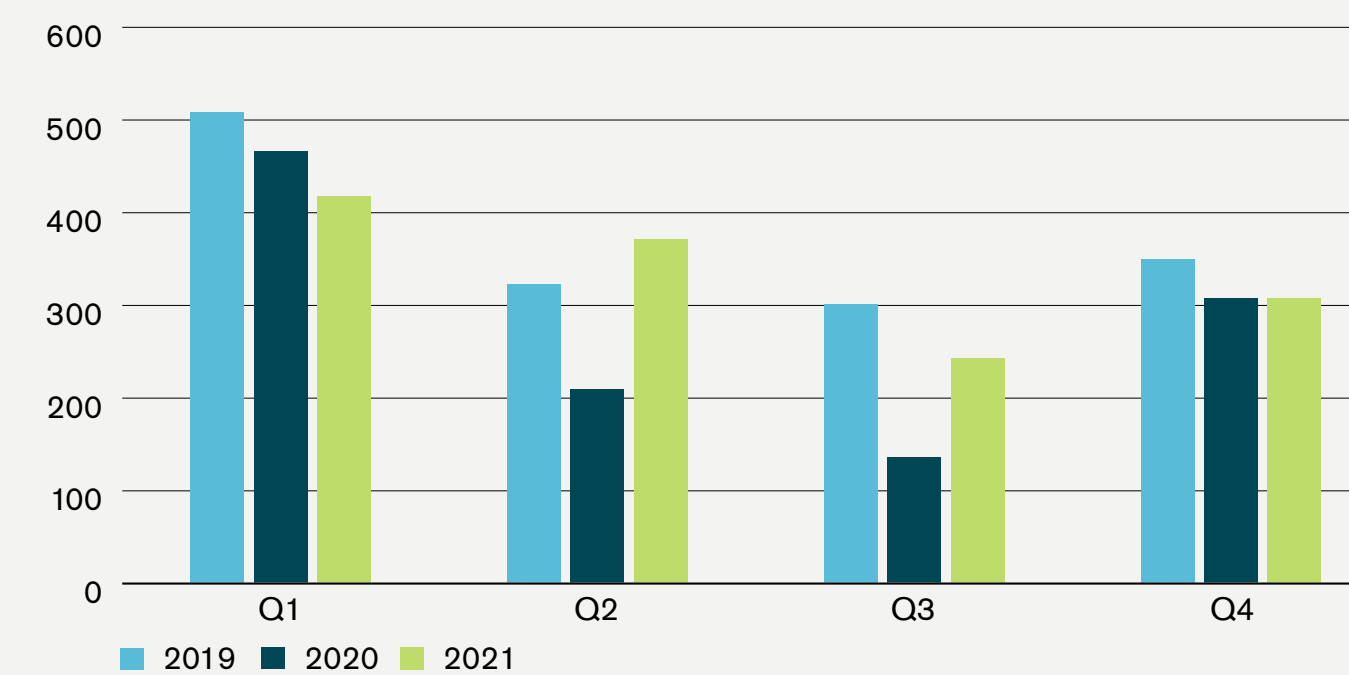
1) Other property transactions relate to a combination of:

All future concessions	-2	-6
Sale of non-forest land	0	-10
Other property transactions	-2	-16

Net sales, MSEK



Operating profit from continuing operations, MSEK



The Sveaskog Group

Condensed balance sheet

MSEK	31 Dec 2021	31 Dec 2020
ASSETS (NOTE 3)		
Non-current assets		
Intangible assets	165	164
Right-of-use assets	153	163
Forest assets (Note 2, 3)	85,430	82,430
– of which land assets	38,708	35,709
– of which biological assets	46,722	46,721
Other property, plant and equipment	588	597
Non-current financial assets, non-interest-bearing	1,415	795
Long-term interest-bearing receivables	5	5
Total non-current assets	87,756	84,154
Current assets		
Inventories	690	708
Contract assets	20	14
Current receivables etc., non-interest bearing	1,801	1,864
Cash and cash equivalents	1,171	1,231
Total current assets	3,682	3,817
TOTAL ASSETS	91,438	87,971
EQUITY AND LIABILITIES		
Equity	62,516	59,493
Non-current liabilities (Note 3)		
Interest-bearing liabilities and provisions	5,849	6,213
Other liabilities and provisions	18,729	18,086
Total non-current liabilities	24,578	24,299

MSEK	31 Dec 2021	31 Dec 2020
Current liabilities (Note 3)		
Interest-bearing liabilities and provisions	2,765	2,636
Contract liabilities	0	1
Other liabilities and provisions	1,579	1,542
Total current liabilities	4,344	4,179
Total liabilities	28,922	28,478
TOTAL EQUITY AND LIABILITIES	91,438	87,971

Condensed statement of changes in equity

MSEK	Full year 2021	Full year 2020
Opening equity, 1 January	59,493	23,574
Total comprehensive income	3,873	37,019
Dividend paid according to Annual General Meeting resolution	-850	-1,100
CLOSING EQUITY AT END OF PERIOD/YEAR	62,516	59,493

The Sveaskog Group

Condensed cash flow statement

MSEK	Full year 2021	Full year 2020
Operating activities		
Operating profit	1,842	13,821
Non-cash items etc.	-604	-12,653
Interest received, etc.	0	2
Interest paid	-140	-138
Tax paid	-306	-163
Cash flow from operating activities before changes in working capital	792	869
Changes in working capital	241	-246
Cash flow from operating activities	1,033	623
Investing activities		
Investment in non-current assets	-230	-264
Investments in shares and participations	-6	-7
Dividends from associates	24	12
Sale of non-current assets	185	331
Sale of shares	7	0
Increase in interest-bearing receivables	-1	-
Cash flow from investing activities	-21	72
Financing activities		
Dividend paid	-850	-1,100
Borrowings	5,950	9,285
Repayment of loans	-6,172	-8,763
Cash flow from financing activities	-1,072	-578
CASH FLOW FOR THE PERIOD/YEAR	-60	117
Cash and cash equivalents at the beginning of the year	1,231	1,114
Cash and cash equivalents at the end of the period/year	1,171	1,231

Comments on the balance sheet and cash flow

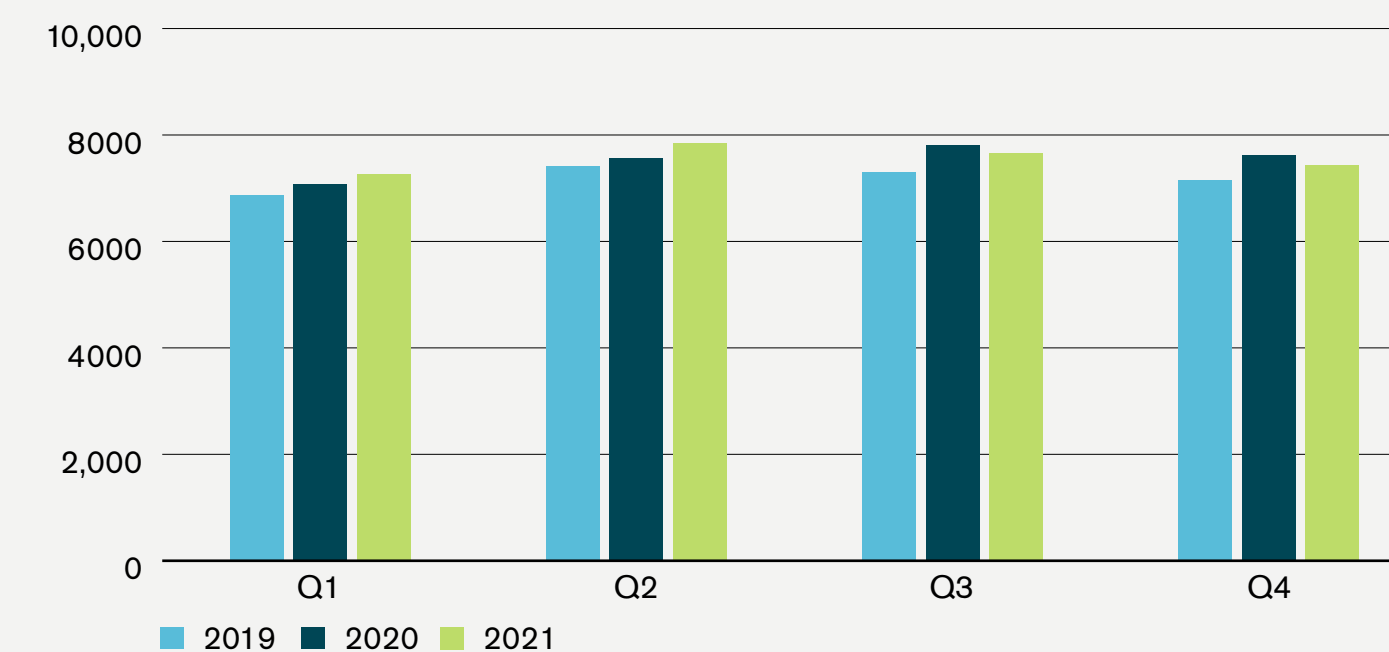
Cash flow from operating activities during the period was MSEK 1,033 (623). The increase is mainly attributable to reduced working capital. Investments in non-current assets, mainly forest properties and forest machines, amounted to MSEK 230 (264) while investments in shares and participations amounted to MSEK 6 (7). Sales of non-current assets, mainly forest properties, amounted to MSEK 185 (331). Dividends from associates have been received amounting to MSEK 24 (12) and sales of shares amounting to MSEK 7 (0). A dividend of MSEK 850 (1,100) was paid to the owner.

Sveaskog's net interest-bearing debt at 31 December was MSEK 7,438 (7,613). At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's MTN programme and a Swedish commercial paper programme. The loan volume under the Swedish commercial paper programme amounted to MSEK 1,250 (1,400), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 31 December was MSEK 6,040 (6,090), of which MSEK 4,900 (4,800) refers to green bonds. The lowest average net fixed interest period during the period was 28 months (31).

The net debt/equity ratio was 0.12 (0.13).

The interest coverage ratio was 15.1 (7.6) and the gross borrowing cost was 1.32 (1.57) per cent.

Net interest-bearing debt, MSEK



Quarterly overview for the Sveaskog Group

Income statements, MSEK

Quarterly overview	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Net sales	1,888	1,472	1,867	1,693	1,681	1,307	1,808	1,801
Other operating income	61	8	33	38	25	8	25	43
Operating expenses	-1,599	-1,201	-1,494	-1,278	-1,364	-1,141	-1,585	-1,339
Depreciation/amortisation and impairment	-42	-36	-34	-35	-34	-38	-38	-39
Operating profit from continuing operations	308	243	372	418	308	136	210	466
Capital gains on property disposals	6	0	21	3	48	6	58	51
Share of profit/loss of associates	167	245	175	80	28	4	12	13
Operating profit before change in value of forest assets	481	488	568	501	384	146	280	530
Change in value of forest assets	-610	113	183	118	12,017	157	154	153
Operating profit	-129	601	751	619	12,401	303	434	683
Net financial income/expense	-30	-36	-32	-35	-42	-40	-40	-31
Profit before tax	-159	565	719	584	12,359	263	394	652
Tax	67	-66	-112	-104	-2,527	-55	-82	-137
Earnings	-92	499	607	480	9,832	208	312	515

Balance sheets, MSEK

Quarterly overview	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Non-current assets, non-interest-bearing	87,751	85,191	84,783	84,382	84,149	38,648	38,491	38,304
Non-current receivables, interest-bearing	5	4	4	4	5	4	4	4
Inventories	690	602	601	806	708	563	484	664
Current receivables, non-interest bearing	1,821	1,941	2,026	1,856	1,878	2,099	2,322	2,075
Cash and cash equivalents and interest-bearing receivables	1,171	937	1,028	1,613	1,231	978	836	1,092
Total assets	91,438	88,675	88,442	88,661	87,971	42,292	42,137	42,139
Equity	62,516	60,237	59,744	59,976	59,493	23,499	23,841	24,057
Non-interest-bearing liabilities	20,308	19,832	19,823	19,798	19,629	10,010	9,900	9,909
Interest-bearing liabilities	8,614	8,606	8,875	8,887	8,849	8,783	8,396	8,173
Total equity and liabilities	91,438	88,675	88,442	88,661	87,971	42,292	42,137	42,139

KPIs

Financial KPIs	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Dividend yield, % ^{1,2}	2.9	3.8	3.1	2.4	2.4	3.7	4.3	4.7
Net debt/equity ratio, multiple ¹	0.12	0.13	0.13	0.12	0.13	0.33	0.32	0.29
Equity ratio, %	68	68	68	68	68	56	57	57
Operating capital, MSEK	69,920	67,878	67,620	67,277	67,178	31,267	31,381	31,100
Return on equity, % ²	2.4	27.3	26.6	25.8	26.2	5.6	6.1	6.5
Return on operating capital, % ²	2.7	29.0	28.4	28.0	28.2	5.8	6.4	6.8
Capital turnover rate, operating capital, multiple	0.11	0.09	0.11	0.10	0.14	0.17	0.23	0.24
Interest coverage ratio, multiple ^{2,3}	15.1	12.7	10.1	7.6	7.6	7.9	9.4	10.6
Operating margin, %	-6.9	40.8	40.2	36.6	737.5	23.2	24.0	37.9
Net interest-bearing debt, MSEK	7,438	7,665	7,843	7,270	7,613	7,801	7,556	7,077
Average interest rate in loan portfolio, %	1.32	1.34	1.36	1.36	1.57	1.60	1.59	1.61
Average net fixed interest period, months	28	28	33	32	31	33	37	36

Other KPIs	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
<i>Investments, MSEK</i>								
Business acquisitions and investments in shares	0	0	5	1	0	0	0	7
Other investments	66	63	48	53	88	51	72	52
<i>Staff</i>								
Number of employees at the end of the period	711	705	709	712	713	705	699	689
Average number of employees	825	800	828	778	827	801	820	791

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

2) Rolling 12 months.

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

Parent company

Condensed income statement

MSEK	3 months Oct–Dec		12 months	
	2021	2020	2021	2020
Operating income	10	5	53	101
Operating expenses	-1	-1	-3	-3
Operating profit	9	4	50	98
Financial items ¹	3,953	7,916	3,737	7,669
Profit/loss before appropriations and tax	3,962	7,920	3,787	7,767
Group contributions	379	399	379	399
Provisions to untaxed reserves	-75	-87	-75	-87
Profit before tax	4,266	8,232	4,091	8,079
Tax	-82	-89	-46	-56
PROFIT/LOSS FOR THE PERIOD/YEAR	4,184	8,143	4,045	8,023

1) Includes anticipated dividend from subsidiaries MSEK 4,000 (8,000).

Condensed balance sheet

MSEK	31 Dec 2021	31 Dec 2020
ASSETS		
Non-current assets		
Tangible non-current assets	38	40
Total property, plant and equipment	38	40
Non-current financial assets		
Shares in Group companies	24,934	24,934
Receivables from Group companies, interest-bearing	800	1,200
Total non-current financial assets	25,734	26,134
Total non-current assets	25,772	26,174
Current assets		
Current receivables etc., non-interest bearing	4,450	8,604
Receivables from Group companies, interest-bearing	429	489
Cash and cash equivalents	0	0
Total current assets	4,879	9,093
TOTAL ASSETS	30,651	35,267
EQUITY AND LIABILITIES		
Equity	16,585	13,390
Untaxed reserves	232	157
Non-current liabilities		
Interest-bearing non-current liabilities	5,432	5,732
Total non-current liabilities	5,432	5,732
Current liabilities		
Interest-bearing liabilities and provisions	8,303	15,836
Other liabilities and provisions	99	152
Total current liabilities	8,402	15,988
TOTAL EQUITY AND LIABILITIES	30,651	35,267

Parent company

Condensed statement of changes in equity

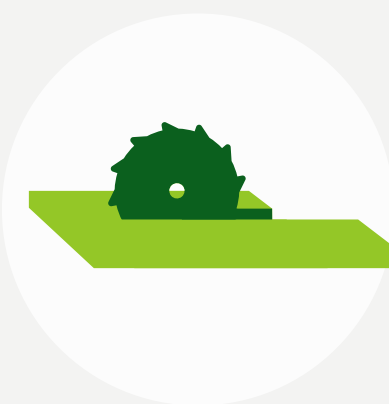
MSEK	Full year 2021	Full year 2020
Opening equity, 1 January	13,390	6,467
Dividend paid according to Annual General Meeting resolution	-850	-1,100
Profit/loss for the period/year	4,045	8,023
CLOSING EQUITY AT END OF PERIOD/YEAR	16,585	13,390

Condensed cash flow statement

MSEK	Full year 2021	Full year 2020
Cash flow from operating activities	8,269	-916
Cash flow from investing activities	15	591
Cash flow from financing activities	-8,284	325
CASH FLOW FOR THE PERIOD/YEAR	0	0
Cash and cash equivalents at the beginning of the year	0	0
Cash and cash equivalents at the end of the period/year	0	0

Sveaskog Group and associates

Setra Group AB



OWNERSHIP
50 per cent of the shares.

NET SALES (MSEK)
5,841

OPERATING PROFIT (MSEK)
1,588

SunPine AB



OWNERSHIP
25.1 per cent of the shares.

NET SALES (MSEK)
2,115

OPERATING PROFIT (MSEK)
239

ShoreLink AB



OWNERSHIP
24.1 per cent of the shares.

NET SALES (MSEK)
298

OPERATING PROFIT (MSEK)
7

SVEASKOG

Group

OWNERSHIP
Sveaskog is 100% owned by the Swedish state.

NET SALES (MSEK)
6,920

OPERATING PROFIT (MSEK)
1,842

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 53 (101), of which MSEK 13 (86) was accounted for by capital gains from sales of forest land. The loss after financial items amounted to MSEK 3,787 (7,767). The parent company's costs consist mainly of interest expenses. The company has no employees. Operating activities are carried out primarily in the subsidiary Sveaskog Förvaltnings AB.

Setra Group AB

Sveaskog owns 50 per cent of the shares in the wood products company Setra Group AB, which is classified as an associated company. The share of the associate's profit/loss is recognised in the consolidated income statement. Net sales for the January–December period were MSEK 5,841 (4,131). The operating profit amounted to MSEK 1,588 (117). The improvement is explained by high sales prices due to a strong market trend. Sveaskog's share of earnings in the company adjusted for intra-group profits increased by MSEK 576 to MSEK 619 (43). Sveaskog's share of Setra Group's other comprehensive income amounted to MSEK -11 (11).

SunPine AB

Sveaskog owns 25.1 per cent of the shares of the biorefinery SunPine AB. The share of the associate's profit/loss is recognised in the consolidated income statement. Net sales for the January–December period were MSEK 2,115 (1,377). The operating profit amounted to MSEK 239 (43). The profit improvement is primarily an effect of increased production through expanded capacity. Sveaskog's share of the company's profit or loss increased to MSEK 47 (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's profit/loss for the period September 2020 up to and including November 2021, while the figures for the previous year cover the period from September 2019 – November 2020. Net sales for this period amounted to MSEK 298 (391) and the operating loss for the same period amounted to MSEK 7 (40). Sveaskog's share of the company's profit or loss amounted to MSEK 1.8 (7).

Notes

ACCOUNTING POLICIES

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim report. For the parent company the interim report 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 Q4 2021, see Note 2.

NOTE 1 REVENUES FROM CONTRACTS WITH CUSTOMERS

MSEK	Full year 2021	Full year 2020
Sawlogs	3,398	3,016
Pulpwood and woodchips	2,706	2,793
Biofuel	134	140
Seedlings	339	301
Other	170	170
Total revenue from contracts with customers	6,747	6,420
Of which IFRS 15 in net sales	6,743	6,415
Lease income	177	182
Total net sales	6,920	6,597
Of which IFRS 15 in other operating income	4	5
Capital gains etc.	136	96
Total other operating income	140	101
Date of revenue recognition		
Goods and services transferred to customers on a specific date	6,633	6,302
Goods and services transferred to customers over time	114	118

Sveaskog has unsatisfied performance obligations for sales contracts with a term of more than 12 months of MSEK 9,297 (4,198). Sveaskog applies the practical exception of not disclosing the remaining performance obligations for

contracts with an original term of no more than one year in accordance with IFRS 15. The obligations consist of contracted deliveries forward in time, mainly for pulpwood but also for biofuel and seedlings, where Sveaskog has undertaken to deliver a certain volume per year. The value of these obligations is somewhat uncertain since the contracts consist of several delivery contracts where the price is renegotiated each year. Of the unsatisfied performance obligations of MSEK 4,198 (4,638) reported for last year, MSEK 1,685 (1,685) referred to January–December 2021.

NOTE 2 VALUATION OF FOREST ASSETS

The book value of Sveaskog's forest assets as of 31 December 2021 has been calculated at MSEK 85,430 (82,430), of which MSEK 46,722 (46,721) refers to the fair value of the standing timber and MSEK 38,708 (35,709) refers to the fair value of the land. The change in the balance sheet since the previous year is MSEK 3,000 (45,807) and is shown below. The parameters included in the model for calculating the fair value are updated annually.

The forest assets are divided into standing timber and land assets. Standing timber is recognised as a biological asset according to IAS 41 Agriculture and forestry. Land assets are recognised as property, plant and equipment in accordance with IAS 16 Property, plant and equipment.

Significant judgements and estimates

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 metre of forest generally lie at the same level as for smaller or medium forest assets.

In order to value the forest assets at fair value, the valuation is based on the sales transactions in the areas that Sveaskog owns forest assets. The valuation price consists of a five-year average that is multiplied by Sveaskog's current timber stocks in cubic metres of forest in the different areas.

In order to calculate the fair value of the biological assets – standing timber, the estimated cash flow from future income from timber extractions less felling costs has been discounted to a present value.

The calculation is performed for one production cycle which for biological assets Sveaskog estimates amount to an average of 100 years in northern Sweden and 80 years in southern Sweden. Cash flows are calculated on the basis of felling volumes according to Sveaskog's current felling plan and assessment of future price and cost development. Prices are based on a rolling ten-year average (2012–2021). 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 per cent (4.5), which is estimated to correspond to the long-term weighted cost of capital for this asset class. Sveaskog's Board of Directors assesses that this interest rate corresponds to the long-term cost of capital for an investment in forest assets and that is not affected by short-term fluctuations in market rates. In total, Sveaskog owns a volume of standing timber amounting to 278 million cubic metres of forest (277), which forms the basis for the valuation of the forest assets. According to cur-

Notes

NOTE 2 VALUATION OF FOREST ASSETS, contd.

rent 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 be relatively unchanged until 2033, to then be successively increased to approximately 6.8 million m³sub by 2063. The level is then expected to be increased further to 7.2–7.9 million m³sub. In 2021, approximately 54 per cent (54) of Sveaskog's own forest volume was sold as sawlogs to sawmills and 42 per cent (41) 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 (2016–2020).

Timber stocks per million cubic metres of forest are based on Sveaskog's forest registers and refer to the most recent (October 2021) calculation.

Biological assets

Income (timber prices) is based on prices from a ten-year average (2012–2021) and then an estimated development during the valuation period with a nominal price increase of 1.75 per cent (1.75) per year; this estimated development may, however, be adjusted when the company forecasts a deviating development in its long-term business plans.

For the production costs (felling costs), a current normal cost is applied that corresponds to the average of three years (outcome for the current year, the previous year and the budget for the coming year). These costs are based on an estimated development during the valuation years of 2.0 per cent (2.0) per year.

Sveaskog has set aside areas of productive forest land as nature conservation areas. These areas are not included in the value of forest assets.

Total forest assets and biological assets – standing timber

MSEK	31 Dec 2021	31 Dec 2020
Valuation price per cubic metre of forest in SEK	5-year average	5-year average
Timber stocks per million cubic metres of forest	Forest registers as of October 2021	Forest registers as at October 2020
Discount rate	4.50%	4.50%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.75% per year
Costs	Normal cost ¹⁾	Normal cost ¹⁾
Nominal cost increase	2.00% per year	2.00% per year

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

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

Forest assets

MSEK	
Fair values	
Opening value, 1 January 2020	36,623
Change during the year	45,807
Closing value, 31 December 2020	82,430
Deferred tax attributable to forest assets	16,917
MSEK	
Opening value, 1 January 2021	82,430
Change during the year	3,000
Closing value, 31 December 2021	85,430
Deferred tax attributable to forest assets	17,532

Notes

NOTE 2 VALUATION OF FOREST ASSETS, contd.

Biological assets

MSEK	
Fair values	
Opening value, 1 January 2020	33,900
Acquisition of standing timber	8
Sales of standing timber	-94
Changes due to harvesting	-1,384
Changes in fair value	14,291
Closing value, 31 December 2020	46,721
Opening value, 1 January 2021	46,721
Acquisition of standing timber	23
Sales of standing timber	-46
Changes due to felling	-1,419
Changes in fair value	1,443
Closing value, 31 December 2021	46,722

Forest land

MSEK	
Fair values	
Opening value, 1 January 2020	2,723
Acquisition of forest land	44
Sale of forest land	-7
Change in fair value	32,949
Closing value, 31 December 2020	35,709
Opening value, 1 January 2021	35,709
Acquisition of forest land	92
Sale of forest land	-50
Change in fair value	2,957
Closing value, 31 December 2021	38,708

NOTE 3 FAIR VALUE

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

MSEK	Level 1		Level 2		Level 3	
	30 Dec 2021	31 Dec 2020	30 Dec 2021	31 Dec 2020	30 Dec 2021	31 Dec 2020
ASSETS						
Forest assets						
– Biological assets	-	-	-	-	46,722	46,721
– Forest land	-	-	-	-	38,708	35,709
Derivative instruments	-	-	5	1	-	-
Total assets	0	0	5	1	85,430	82,430
LIABILITIES						
Non-current liabilities	-	-	5,611	5,970	-	-
Current liabilities	-	-	2,655	2,566	-	-
Derivative instruments	-	-	40	73	-	-
Total liabilities	0	0	8,306	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 shown in Note 2.

Issues

In January–September 2021 Sveaskog has issued MSEK 4,850 (7,105) under the commercial paper programme and MSEK 1,100 (1,700) 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). The ongoing coronavirus pandemic is having a major impact on the global economy. Sveaskog has a strong balance sheet and good liquidity. Sveaskog monitors the situation continuously and evaluates the effects. No other significant changes, in addition to those mentioned in this year-end report, have occurred since the publication of the annual report.

Significant events after the closing date

Erik Brandsma took over as CEO on 1 January. In addition to this, no significant events have occurred after the balance sheet date.

Related-party transactions

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

Dividend

As part of its financial targets, Sveaskog aims to pay a regular dividend representing 65–90 per cent of earnings after tax excluding non-cash changes in the value of the biological asset standing timber after tax. Dividends are distributed provided that the capital structure target after dividends falls within the target range and taking into account the Group's strategy and investment needs. The Board proposes that the Annual General Meeting approve the payment of a dividend for 2021 of MSEK 1,300.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 27 April 2022. It is expected that the annual report will be published on www.sveaskog.se on 14 March 2022. Printed copies of the Swedish version of the annual report will be distributed in early April. The printed annual report can be ordered from Sveaskog by e-mail at info@sveaskog.se or directly on Sveaskog's website, www.sveaskog.se

The report has not been audited.

The Board of Directors and CEO hereby confirm that this year-end 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, 27 January 2022
Sveaskog AB (publ.) (556558-0031)

Eva Färnstrand
Chairman of the Board

Marie Berglund
Director

Johan Kuylenstierna
Board member

Kerstin Lindberg Göransson
Director

Christina Lindbäck
Director

Leif Ljungqvist
Director

Elisabet Salander Björklund
Director

Sven Wird
Director

Kenneth Andersson
Employee representative

Sara Östh
Employee representative

Erik Brandsma
President and CEO

Alternative KPIs and definitions

The company presents certain financial measures in the interim report that are not defined in accordance with IFRS. The company believes that these measures provide valuable additional information to investors and management, as they enable an evaluation of the company's performance. Since not all companies calculate financial metrics 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 metrics 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	Full year 2021	Full year 2020
Equity OB	59,493	23,574
Equity CB	62,516	59,493
Average equity (OB + CB)/2	61,005	41,534
Profit for the year	1,494	10,867
Divided by average equity	61,005	41,534
= Return on equity, %	2.4%	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 that the ratio gives a true and fair picture of the company's return excluding financial assets and financing choices.

Return on operating capital	Full year 2021	Full year 2020
Operating profit	1,842	13,821
Divided by average operating capital	68,549	48,957
= Return on operating capital, %	2.7%	28.2%

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	Full year 2021	Full year 2020
Operating profit before change in value of forest assets	2,038	1,340
Less capital gains on property disposals	-30	-163
Subtotal	2,008	1,177
Operating capital OB	67,178	30,736
Operating capital CB	69,920	67,178
Average operating capital (OB + CB)/2	68,549	48,957
Subtotal as above	2,008	1,177
Divided by average operating capital	68,549	48,957
= Dividend yield, %	2.9%	2.4%

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

Capital turnover rate

Definition: Net sales divided by average operating capital.

Earnings per share (defined in accordance with IFRS)

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

Net debt/equity ratio

Definition: Net interest-bearing debt divided by equity, calculated at the end of the year. The Group's definition has not changed compared to 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	Full year 2021	Full year 2020
Net interest-bearing debt	7,438	7,613
Divided by equity	62,516	59,493
= Net debt/equity ratio, multiple	0.12	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 year. The Group's definition has not changed compared to previous periods.

Comment: Sveaskog calculates operating capital for the key ratios return on operating capital and average operating capital.

Operating capital	Full year 2021	Full year 2020
Current receivables etc., non-interest bearing	1,801	1,864
– of which advances to suppliers	244	187
– of which tax assets	101	38
– of which trade receivables, loans and other receivables	1,456	1,639
Other current liabilities	1,579	1,542
– of which tax liabilities	67	110
– of which trade and other payables	1,512	1,432
Balance sheet total	91,438	87,971
Less interest-bearing assets (cash and cash equivalents)	-1,171	-1,231
Less interest-bearing receivables (non-current)	-5	-5
Less tax assets	-101	-38
Less other liabilities and provisions (non-current)	-18,729	-18,086
Less contract liabilities	0	-1
Less trade and other payables	-1,512	-1,432
= Operating capital, MSEK	69,920	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 less interest-bearing assets, all calculated at the end of the 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	Full year 2021	Full year 2020
Interest-bearing assets (cash and cash equivalents and non-current receivable)	1,176	1,236
Interest-bearing liabilities and provisions (non-current)	-5,849	-6,213
Interest-bearing liabilities (current)	-2,765	-2,636
= Net interest-bearing debt, MSEK	-7,438	-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	Full year 2021	Full year 2020
Financial items in the income statement	-133	-153
– of which financial income	0	2
– of which financial expenses	-133	-155
Operating profit before change in value of forest assets	2,038	1,340
Less capital gains on property disposals	-30	-163
Plus financial income	0	2
Subtotal	2,008	1,179
Divided by financial expenses	133	155
= Interest coverage ratio, multiple	15.1	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 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	Full year 2021	Full year 2020
Equity	62,516	59,493
Divided by total assets	91,438	87,971
= Equity ratio, %	68%	68%

Contact

If you have any questions, please contact

Erik Brandsma, President and CEO,
tel. +46 (0)10-471 81 50

Kristina Ferenius, CFO,
tel. +46 (0)10-471 81 11
www.sveaskog.se

Sveaskog AB, Stockholm

Torsgatan 4,
105 22 Stockholm

Financial calendar

Publication of Annual Report and Sustainability Report 14 March
2022

Interim report January – March 2022 27 April 2022

Annual General Meeting 27 April 2022

Interim report April – June 2022 15 July 2022

Interim report July – September 2022 28 October 2022

Switchboard

+46 (0)771-787 000

For contact with Sveaskog's
employees


Telephone

Customer Centre
+46 (0)771-787 100

For questions about
Sveaskog's operations

info@sveaskog.se

www.sveaskog.se

 facebook.com/sveaskog

 twitter.com/sveaskog