

Alternative performance measures

The company presents some financial performance measures in the interim report which are not defined according to IFRS. The company is of the opinion that these measures provide valuable complementary information to investors and the company's management since they facilitate an evaluation of the company's performance. Since not all companies calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

Performance measures not defined according to IFRS, unless otherwise stated, are presented in the tables below.

Operating capital

Definition: Total assets excluding interest-bearing assets, tax assets and assets held for sale minus non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the period/year. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog calculates operating capital for the performance measures return on operating capital and average operating capital.

| | Jan–June 2017 | Jan–June 2016 | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|---|------------------|------------------|-------------------------|-------------------------|-------------------|
| Current receivables, etc., non-interest bearing | 1,611 | 1,582 | 1,611 | 1,582 | 1,520 |
| Of which advance payments to suppliers | 146 | 163 | 146 | 163 | 136 |
| Of which tax assets | 107 | 115 | 107 | 115 | 8 |
| Of which accounts receivable, loans and other receivables | 1,358 | 1,304 | 1,358 | 1,304 | 1,376 |
| Current, other liabilities | 1,305 | 1,232 | 1,305 | 1,232 | 1,141 |
| Of which tax liabilities | 204 | 149 | 204 | 149 | 2 |
| Of which accounts payable and other liabilities | 1,101 | 1,083 | 1,101 | 1,083 | 1,139 |
| Total assets | 38,520 | 38,665 | 38,520 | 38,665 | 38,605 |
| Minus interest-bearing assets (cash and cash equivalents) | -959 | -1,297 | -959 | -1,297 | -1,070 |
| Minus tax assets | -107 | -115 | -107 | -115 | -8 |
| Minus other liabilities and provisions (non-current) | -8,368 | -8,263 | -8,368 | -8,263 | -8,365 |
| Minus accounts payable and other liabilities | -1,101 | -1,083 | -1,101 | -1,083 | -1,139 |
| Operating capital | 27,985 | 27,907 | 27,985 | 27,907 | 28,023 |

Yield

Definition: Operating profit before change in value of forest assets excluding capital gains on property sales, divided by average operating capital, excluding deferred tax. The Group's definition is unchanged compared with previous periods.

Comments: Yield is one of Sveaskog's financial targets. The target is that an average yield of at least 4.5%. This target reflects return on Sveaskog's operations without impact from forest asset valuations and incidental property sales.

| | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|--|-------------------------|-------------------------|-------------------|
| Operating profit before change in value of forest assets | 1,525 | 1,374 | 1,312 |
| Minus capital gains on property sales | -262 | -62 | -131 |
| Subtotal | 1,263 | 1,312 | 1,181 |
| Operating capital, opening balance | 27,907 | 26,798 | 27,809 |
| Operating capital, closing balance | 27,985 | 27,907 | 28,023 |
| Average operating capital (OB + CB)/2 | 27,946 | 27,353 | 27,916 |
| Subtotal from above | 1,263 | 1,312 | 1,181 |
| Divided by average operating capital | 27,946 | 27,353 | 27,916 |
| = Yield in % | 4.5% | 4.8% | 4.2% |

Interest-bearing net debt

Definition: Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the period/year. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog calculates interest-bearing net debt for the performance measure net debt/equity ratio.

| | Jan–June 2017 | Jan–June 2016 | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|---|------------------|------------------|-------------------------|-------------------------|-------------------|
| Interest-bearing assets (cash and cash equivalents) | 959 | 1,297 | 959 | 1,297 | 1,070 |
| Interest-bearing liabilities and provisions (non-current) | -5,099 | -5,740 | -5,099 | -5,740 | -5,726 |
| Interest-bearing liabilities (current) | -3,662 | -3,842 | -3,662 | -3,842 | -3,281 |
| Interest-bearing net debt | -7,802 | -8,285 | -7,802 | -8,285 | -7,937 |

Net debt/equity ratio

Definition: Interest-bearing net debt divided by equity. The Group's definition is unchanged compared with previous periods.

Comments: Net debt/equity ratio is one of Sveaskog's financial targets. The target is a net debt/equity ratio of 0.3–0.6. Sveaskog is of the opinion that this performance measure reflects the possibility for dividends and implementation of strategic investments as well as assessing the Group's ability to meet its financial commitments.

| | Jan–June 2017 | Jan–June 2016 | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|-----------------------------------|------------------|------------------|-------------------------|-------------------------|-------------------|
| Interest-bearing net debt | 7,802 | 8,285 | 7,802 | 8,285 | 7,937 |
| Divided by equity | 20,086 | 19,588 | 20,086 | 19,588 | 20,092 |
| = Net debt/equity ratio, multiple | 0.39 | 0.42 | 0.39 | 0.42 | 0.40 |

Return on operating capital

Definition: Operating profit divided by average operating capital, excluding deferred tax. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this measure shows the company's return in a fair manner independent of financial assets and financing options.

| | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|--------------------------------------|-------------------------|-------------------------|-------------------|
| Operating profit | 1,733 | 2,594 | 1,632 |
| Divided by average operating capital | 27,946 | 27,353 | 27,916 |
| = Return on operating capital in % | 6.2% | 9.5% | 5.8% |

Return on equity

Definition: Profit after tax expressed as a percentage of average equity. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this performance measure reflects the company's return during the year on the capital the owner has invested in operations and therefore shows how profitable the company is for its shareholder.

| | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|----------------------------|-------------------------|-------------------------|-------------------|
| Profit for the year | 1,276 | 1,905 | 1,190 |
| Equity, opening balance | 19,588 | 18,463 | 19,714 |
| Equity, closing balance | 20,086 | 19,588 | 20,092 |
| Average equity (OB + CB)/2 | 19,837 | 19,026 | 19,903 |
| Profit for the year | 1,276 | 1,905 | 1,190 |
| Divided by average equity | 19,837 | 19,026 | 19,903 |
| = Return on equity in % | 6.4% | 10.0% | 6.0% |

Interest cover

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 is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this performance measure states the company's ability to meet its financial expenses (interest, etc.).

| | Jan–June 2017 | Jan–June 2016 | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|--|------------------|------------------|-------------------------|-------------------------|-------------------|
| Financial items in income statement | -39 | -102 | -111 | -201 | -174 |
| Of which financial income | 28 | 6 | 38 | 17 | 15 |
| Of which financial expenses | -67 | -108 | -149 | -218 | -189 |
| Operating profit before change in value of forest assets | 920 | 707 | 1,525 | 1,374 | 1,312 |
| Minus capital gains on property sales | -161 | -30 | -262 | -62 | -131 |
| Plus financial income | 28 | 6 | 38 | 17 | 15 |
| Subtotal | 787 | 683 | 1,301 | 1,329 | 1,196 |
| Subtotal above | 787 | 683 | 1,301 | 1,329 | 1,196 |
| Divided by financial expenses | 67 | 108 | 149 | 218 | 189 |
| = Interest cover, multiple | 11.8 | 6.3 | 8.7 | 6.1 | 6.3 |

Equity ratio

Definition: Equity divided by total assets, all calculated at the end of the period/year. The Group's definition is unchanged compared with previous periods.

Comments: Sveaskog is of the opinion that this performance measure states the size of the assets financed by equity and indicates the company's sensitivity to interest-rate fluctuations.

| | Jan–June 2017 | Jan–June 2016 | July 2016– June 2017 | July 2015– June 2016 | Full year 2016 |
|-------------------------|------------------|------------------|-------------------------|-------------------------|-------------------|
| Equity | 20,086 | 19,588 | 20,086 | 19,588 | 20,092 |
| Divided by total assets | 38,520 | 38,665 | 38,520 | 38,665 | 38,605 |
| = Equity ratio in % | 52% | 51% | 52% | 51% | 52% |