

Annual and  
Sustainability  
Report

2018



W  
SVEASKOG



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The annual report comprises pages 10–15, 18–24, 58–62, 72–114.  
The sustainability report comprises pages 16–17, 25–35, 48–53, 119–125.

# Sweden's biggest forest owner

Sveaskog is Sweden's biggest forest owner and is owned by the Swedish state. The company owns 14 per cent of Sweden's forest land, has operations in 170 municipalities and has 840 employees. Sveaskog conducts forestry and trade activities with wood raw materials in Sweden. Its main products are saw logs, pulpwood and chips as well as biofuel. Sveaskog's customers are primarily located in Sweden and in the forest industry. The Swedish forest industry is export-oriented and delivers to markets all over the world.

## Activities in brief

**100%**

state-owned



Sweden's biggest forest owner



840 employees

**37**

ecoparks



Owns 14% of Sweden's forest land

**6,971**

million SEK net revenue

## Good demand

The biggest market for the Swedish forest industry when it comes to pulp, paper and sawn wood products is Europe including Sweden. However, global demand trends for these products are important to the Swedish forest industry. The state of the market has been very good during the year and has also benefited from a favourable exchange rate for Swedish companies. Despite some fall in demand and prices during the latter part of the year, the state of the market is still good and prices are favourable for forest products, not least measured in Swedish kronor. Fluctuations in exchange rates continue to have a significant impact on the profitability of the Swedish forest industry.

The availability of wood raw materials has, due to weather disturbances in the form of a lot of snow during the winter and spring and the dry summer, had an adverse effect on industrial production. In addition, the availability of felling and transport resources during the year has limited the supply capacity from the forest.

Sveaskog combines profitable forestry with the preservation of high natural values. The company decided as early as in 2002 to invest in long-term conservation corresponding to 20 per cent of its productive forest land, and during 2018 Sveaskog's ecoparks celebrated their fifteenth anniversary. The first was opened in 2003 and there are now 37 ecoparks in total.

Sveaskog also has a very strong focus on innovation issues. The development efforts are focused on increasing timber production and productivity in forestry, reducing costs and environmental impact, and ensuring better use of and increasing the value of wood raw materials and forest land.

# 2018 in brief

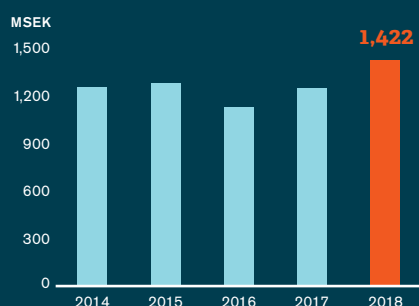
## Sveaskog's operating profit for the year as a whole is the best it has ever been.

Net sales, which include both deliveries from Sveaskog's own forest and externally sourced wood raw materials, increased by 12 per cent to SEK **6,971 million** (6,206). The prices increased by **11 per cent** on average and the total delivery volumes increased by one per cent.

Operating profit increased by 14 per cent and amounted to SEK **1,422 MILLION** (1,248). The positive effect of higher prices has been somewhat counteracted by four per cent lower delivery volumes from Sveaskog's own forests, where the margins are higher than for externally sourced wood raw materials. Costs related to forest fires and reduced sales of non-forest land have had a negative effect on profit.

Very good profit from activities combined with a strong capital structure enables the Board to propose increasing the dividend to SEK **1,100 MILLION** (900) to the annual general meeting.

### Operating profit over five years



### Key figures – owner's requirements

Yield, % (owner target at least 4.5%)	<b>5.4</b> (4.8)
Net debt/equity ratio, times (owner target 0.3–0.6)	<b>0.30</b> (0.36)
Dividend, mSEK (owner target 65–90%)	<b>1,100</b> (900)

### Other key figures

Return on operating assets, %	<b>12.0</b> (6.6)
Return on equity, %	<b>14.4</b> (6.7)
Interest coverage ratio, times	<b>11.0</b> (10.0)
Equity/assets ratio, %	<b>57</b> (53)
Net interest-bearing liabilities, mSEK	<b>7,014</b> (7,410)
Average number of employees	<b>840</b> (846)
Total delivery volume, km <sup>3</sup> sub	<b>10,995</b> (10,817)

# Targets and indicator values 2018

Sveaskog regularly measures and monitors its internal targets for sustainable business using several indicators. The values of these indicators are key components of the annual review of the business plan and strategies. The table below provides a summary of the targets, indicators and values for the last five years, and targets for the end of the business plan period. The indicator Carbon dioxide emissions has a target year of 2020.

## The most profitable forest products company in the short and long term (Read more on page 19)

Indicator	Metric	Value 2014	Value 2015	Value 2016	Value 2017	Value 2018	Value 2022
Yield at least 4.5 per cent per year	Yield	5.0	4.7	4.2	4.8	5.4	>4.5
Confidence in Sveaskog	Confidence index <sup>1</sup>	78	78	78	78	74	80

## Customers' preferred and most knowledgeable partner (Read more on page 19)

Indicator	Metric	Value 2014	Value 2015	Value 2016	Value 2017	Value 2018	Value 2022
Customer satisfaction <sup>2</sup>	Customer satisfaction index, sawmill customers	75		72		73	80
	Customer satisfaction index, pulpwood customers	66		64		63	70
	Customer satisfaction index, biofuel customers	68		69		67	70

## Preferred choice for employees as well as satisfied contractors and suppliers (Read more on page 20)

Indicator	Metric	Value 2014	Value 2015	Value 2016	Value 2017	Value 2018	Value 2022
Good leadership and collaboration as well as satisfied contractors <sup>2</sup>	Employee motivation index	64	70		68		75
	Leadership index	65	73		70		75
	Contractor satisfaction index, felling	70		72		66	73
	Contractor satisfaction index, silviculture	73		76		66	76
	Contractor satisfaction index, plant					79	
	Contractor satisfaction index, logistics					82	
Supplier satisfaction index <sup>2</sup>	Supplier satisfaction index	73		71		70	70
At least 30 per cent women by 2021	Proportion of women, %	20	21	22	24	24	30
Proportion of employees with other ethnic background, %				3.3	2.9	3.1	5

## Leader within innovation and efficiency (Read more on page 20)

Indicator	Metric	Value 2014	Value 2015	Value 2016	Value 2017	Value 2018	Value 2022
Increased efficiency, change <sup>3</sup> , %	Total productivity	+6.1	+1.3	-2.5	+6.7	+2.2	>2.0

## Leader within sustainable forestry (Read more on page 21)

Indicator	Metric	Value 2014	Value 2015	Value 2016	Value 2017	Value 2018	Target 2020
Carbon dioxide emissions to be reduced by at least 30 per cent between 2010–2020 <sup>4</sup>	CO <sub>2</sub> emissions in tonnes per delivered km <sup>3</sup> sub	14.1	13.6	11.8	10.3	10.5	10.0
Environmental values maintained in forestry without significant impact	Consideration index	87	94	95	95	98	99

1) The confidence index is an aggregate of employee confidence in Sveaskog's sustainable forestry and customer, contractor and supplier satisfaction. The employee survey and the customer, contractor and supplier surveys are carried out by an external company on behalf of Sveaskog.

2) Measurement takes place every two years.

3) During the measurement, the operating profit has been adjusted for non-recurring items.

4) In 2010, carbon dioxide emissions amounted to 14.9 tonnes per delivered km<sup>3</sup>sub.



Eva Färnstrand,  
Chair of the Board

## COMMENTS FROM THE CHAIR

# We are working for all the values of the forest

As Chair of the Sveaskog's Board, I am proud of what we achieved in 2018. We are putting one of our hardest years ever from a weather perspective behind us, a year that saw a lot of snow and wet soil as well as very dry soil and extensive fires. Regardless of conditions, our employees and contractors have succeeded in delivering raw materials to customers.

**T**he market for forest products is large and growing. More and more people are realising how fantastic wood raw materials are from both a cost and a climate perspective. This has led to an increase in demand, but despite the challenges, we have managed to deliver the raw materials to customers in a very professional manner.

Sveaskog has a strong financial position and the Board of Directors proposes a dividend of

SEK 1,100 million (900) to the annual general meeting. Considering the snow, drought, fires and bark beetle attacks in South Sweden, this is nothing less than a very good result.

### **Natural value assessments made public**

There is still great interest in and commitment to our forestry from the general public and the media, and we welcome that. We want to be part of the public

” During 2018, Sveaskog was the first forest products company in Sweden to quantify all the values of the forest. This Unique work aims to promote everything the forest has to offer and show how many more values there are in addition to what we previously reported in the financial result.

debate because we believe in the work we do. So that more people can gain insight into how we work and think, in 2018 we published the natural value assessments carried out for felling.

We want to increase transparency and tell people more about how we work, because we are convinced that our way of using the forest and contributing to high natural values will stand up to scrutiny. However, not everyone is in agreement about our assessments. One example is the forests around Ore in Dalarna, where we have received some criticism, but where both reviewers and the FSC have confirmed our original plan. Sveaskog has now also, together with the County Administrative Boards of Sweden and the Swedish Forest Agency, initiated a project to take a holistic approach to the natural values in the forests in Ore. Our aim is to create a joint plan for use and preservation. I think Ore is a good example of us listening and managing to combine high natural values and forestry in dialogue with the environment.

#### All the values of the forest

During 2018, Sveaskog was the first forest products company in Sweden to quantify all the values of the forest. This Unique work aims to promote everything the forest has to offer and show how many more values there are in addition to what we previously reported in the financial result. The idea is not to commercialise these values, but to provide insight into our impact, whether positive or negative. Through this work, we have managed to quantify carbon sequestration, recreation, hunting and berry picking as well as financial values such as taxes and other contributions to the community, among other things.

In the long term, we also want to show how strategic choices affect forest values. For example, when we choose to increase growth through fertilisation, we know that the forest will grow faster and sequester even more carbon dioxide. But we also know that fertilisation can affect the natural values. By quantifying all the forest values, we are better able

to describe how a strategic approach affects others, both positively and negatively. What we are yet to measure successfully is biodiversity. However, active work is underway to develop methods for developing better indicators.

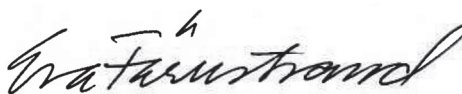
Sveaskog's aim is to increase the value of the existing forest economically and in terms of natural value while also increasing the value of the forest product deliveries.

This is a tough goal, but we think we can do it.

The recruitment process for the new CEO is underway at the time of writing. Per-Olof Wedin is leaving the company with a record result for 2018, and we want the new CEO to continue his vigorous work to develop all Sveaskog's values together with a strong and competent organisation.

On behalf of the Board, I would like to thank the CEO, who together with all the employees at Sveaskog contributed to a very good financial result in 2018 and satisfied customers, despite the major difficulties caused by intractable weather and soil conditions.

Stockholm in March 2019



Eva Färnstrand  
Chair of the Board



Per-Olof Wedin,  
President and CEO

## COMMENTS FROM THE CEO

# The time of the forest is now

It has been an intensive year for the forestry industry and for Sveaskog. There has been a great demand for wood raw materials in the form of sawlogs and pulpwood, with record prices as a result. The year was also punctuated by extraordinary weather events. It started with a lot of snow, and this was followed by a hot and dry summer with extensive forest fires.

**S**veaskog can now put another successful year behind it. Through our employees and our contractors, we have managed to deliver 11 million cubic metres of wood raw materials to our customers.

### Good year financially

Sveaskog's operating profit for 2018 as a whole increased by 14 per cent to SEK 1,422 million (1,248). This result is Sveaskog's best so far. A large part of the improvement is a result of a good market situation, which has led to higher prices for our products. Difficult felling conditions during a large part of the year have increased our costs and had a nega-

tive impact on productivity, which has nevertheless increased. The yield amounted to 5.4 per cent (4.8), which is clearly higher than the target of 4.5 per cent. Net sales increased to SEK 6,971 million (6,206).

Our associate, the wood industry company Setra Group, also demonstrates a strong earnings trend and Sveaskog's share of earnings in the company increased by 83 per cent to SEK 106 million (58). SunPine, which develops the world's first and only ecolabelled fossil-free fuel suitable for all diesel engines, and which is owned by Sveaskog, among other parties, is doing well, but Sveaskog's share of earnings has decreased to SEK 45 million (50).



” During the year, Sveaskog’s employees continued to make great strides, both in their everyday work and, not least, during the extensive forest fires in the summer of 2018.

More and more people are discovering the many benefits of sustainable wood raw materials, in construction, but also as a raw material that replaces plastics for products based on oil raw materials. The growing forest also sequesters large quantities of carbon dioxide, helping to solve the climate challenge. The time of the forest is now.

Sveaskog initiated several customer projects during the year and we are participating in lobbying in both Sweden and the EU for important legislative proposals concerning the forestry industry. We are also collaborating on technical innovations for developing forestry.

The great interest in Swedish forestry and the wood raw materials has also proved evident in other ways during the year. In everything from purely industrial ventures, such as when one of Sveaskog’s most important customers, the forest products company SCA, made a major investment in a new pulp mill in Östrand outside Sundsvall, to our ecoparks, which celebrated their fifteenth anniversary in 2018, continuing to attract visitors. Another example of the great interest in the forest is the annual autumn excursion, which was held on Sveaskog’s land outside Malå this year. The Swedish Forestry Association arranged the excursion, which walked in the footsteps of the father of modern forestry, Joel Wretling. More than a hundred people participated, including representatives of several forest product companies and the forestry industry as well as politicians and conservation organisations.

#### **Fantastic work by employees**

During the year, Sveaskog’s employees continued to make great strides, both in their everyday work and, not least, during the extensive forest fires in the summer of 2018. After a wet autumn in 2017 and very late spring in 2018, many had earned the extra rest that a summer holiday entails, but instead they stepped out of the frying pan and into the fire and worked very hard for a long time. Sveaskog lost a lot of forest, but thanks to our efforts and the efforts of others, the damage was limited. Among other things,

Sveaskog contributed with very important documentation in the form of maps for the emergency services, which facilitated extinguishing work. During the year, Setra also did important work to receive and saw up the fire-damaged timber. Together with other players in the forestry industry, Sveaskog has identified measures to ensure that the industry and society are better equipped for future forest fires. For Svenska Skogsplantor, the dry summer meant extra hard work because many plants had to be discarded.

#### **New CEO after seven years**

When 2018 was drawing to a close, I announced that I will be passing the baton to a new CEO. Sveaskog is doing very well now and it has always been very exciting to be able to lead Sweden’s largest forest products company at a time when the interest in and use of wood raw materials has been steadily increasing. After seven years as CEO of Sveaskog, I would like to give my most heartfelt thanks to all the employees who made it possible to hand over a very profitable and customer-oriented company with a strong sustainability agenda to my successor.

Stockholm in March 2019



Per-Olof Wedin  
President and CEO

# Value creation

Sveaskog is Sweden's biggest forest owner and owns 14 per cent of the forest land area in Sweden, which means that Sveaskog owns about *10 per cent of Sweden's total area*. Sveaskog creates many values. These include economic, social and environmental values. In addition to the financial result, Sveaskog's forests contribute to solving the climate challenge since *the forestry sequesters carbon dioxide*. You can read about Sveaskog's value creation on the following pages.



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## SVEASKOG'S SUSTAINABLE BUSINESS STRATEGY

# Both sustainability and business benefits

Sveaskog has the potential to combine sustainability benefits with business benefits. This value creation puts Sveaskog in a position to make its business strategy even more sustainable.

In global business, many companies are developing their activities so that they not only create business benefits, but also sustainability benefits. The reason for this is of course that companies do not want to harm the environment with emissions, for example. But there are also new business opportunities created by developing sustainability work. During the year, Sveaskog has been working on the strategic role of sustainability issues for the company.

Sveaskog activities mean double value creation due to the positive ability of the forest to sequester carbon dioxide and its offer to sell renewable materials to customers. Sveaskog can, through its activities, contribute to sustainable development and a green transition for society and industry.

### **The value chain creates both business and sustainability benefits**

The double value creation may relate to the products, where innovation and product development can meet new needs for renewable solutions among customers. In Sveaskog's case, for example, this may relate to crude tall oil, which is produced by SunPine and made from a forest by-product. Another example is Conniflex, which is developed by Sveaskog's business area Svenska Skogsplanter and protects the plants from pine weevil attacks while also facilitating a reduced use of chemicals.

Sveaskog is also developing the sustainability work through its own value chain. In the area of energy efficiency, for example, where energy savings in activities mean both lower costs and reduced greenhouse gas emissions. This very much applies to transport and logistics, where the environmental impact of transport is limited by the choice of fuel and engines, and the transport is also planned to achieve the most efficient resource utilisation possible.

Sveaskog is also working actively to create sustainability benefits with external stakeholders. Cooperation with the capital market on green bonds is an example where Sveaskog can finance investments with good financial conditions for projects leading to a reduced environmental impact. This may also involve promoting the market for substitution with renewable wood materials in the construction of homes and offices instead of other non-renewable materials. Replacing plastics with renewable materials from the forest is another example of a use for forest products that helps reduce the amount of plastic in the sea.

# The forest

Sveaskog uses the forest with the aim of combining economic, ecological and social considerations. More biomass and more biodiversity need to be created so that the values for future generations are strengthened.

**S**veaskog aims to be a leader within sustainable forestry. This is done through active, profitable and responsible use of forests and land to ensure and increase growth on a continuous basis, to enrich nature and to create value for future generations. In 2018, Sveaskog delivered 11 million cubic metres of sawlogs, pulpwood and biofuel to customers while also increasing the biodiversity of its own forests. Forests form the basis of the Swedish bioeconomy. To meet customers' demand for different qualities and volumes, Sveaskog supplies raw materials from its own forests and from other forest owners in Sweden and abroad.

## More growth than felling

Each year, Sveaskog thins or clearcuts approximately 50,000 hectares. The felling levels are optimised in the long term so that they do not have to be lowered in the future, thereby ensuring stability for Sveaskog in both deliveries and profitability. Sveaskog works with 100-year plans. There is more growth than felling in the forest. In 2018, 70 per cent of the growth on managed land was felled. Three new trees were planted for each tree felled. Sveaskog also fells trees at the request of other landowners. Even then, stringent conservation requirements are stipulated. This is guaranteed through traceability certificates. The forest must be used, but it must also be preserved for future generations.

## More forest in the future

Can you eat cake and still have cake left? If you imagine that Sweden had forest corresponding to a cake at the beginning of the 20th century, there are now two cakes, even though one cake has already been eaten. In the late 19th century and early 20th century, silvicultural methods led to the forests becoming sparse and not particularly productive. Restoration of the forests started after 1950, and this led to large areas today having high growth. It will therefore be possible for Sveaskog to increase felling in the near future. It is important to manage the forest so that the conditions for growth and biodiversity are as good as possible.



“The forest must be used today, but it must also be preserved for future generations.”

## Increased growth

During 2018, Sveaskog initiated a programme for increased growth. Through forest land fertilisation in selected soils, the trees grow better and thus sequester more carbon dioxide from the atmosphere. The fertilisation takes place mainly in central and northern Sweden, but never where there is lichen that is important for reindeer husbandry. 10,000 hectares, or two thousandths of Sveaskog's land, is fertilised each year. The annual growth in Sveaskog's forests could be used to build 275,000 wooden houses and heat them for two years. It could also supply them with electricity for three years and with all the paper the families (four people) living in the houses need for 10 years and textiles for the 275,000 families' clothing needs for six years. Last but not least, 34,000 kilometres' worth of biofuel – for all the families. And Sveaskog is only one of Sweden's forest owners, albeit the biggest.

## All forests are FSC and PEFC-certified

Environmental certificates are the world's most ambitious and demanding environmental standards.



All conservation measures and felling activities are planned in accordance with the Swedish FSC and PEFC standards, taking into account economic, environmental and social factors. Sveaskog also requires certification of all imported wood. This means that Sveaskog's customers are guaranteed a responsible and sustainable product, all the way from forest to consumer.



PEFC is a global certification system for sustainable forestry with a balance between production, the environment and social interests. Subsequent traceability certification for the value chain gives the option of telling consumers, via product labelling, for example, that the products come from sustainably managed forests.



The FSC® is an independent international organisation for the certification of responsible forestry. The aim is for forests to be managed in a responsible manner that is socially beneficial, environmentally appropriate and economically viable.

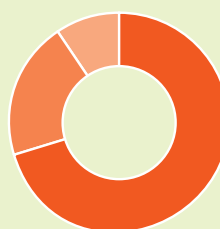
## Forestry in figures

### Sveaskog's forest assets

	2016	2017	2018
Total land area, millions ha	4.01	4.01	3.95
Of which productive forest land, million ha	3.11	3.11	3.07
Book value as per IAS 41, mSEK	34,377	34,514	36,122
Rateable value, mSEK	64,668	58,461	58,309
All deliveries, km <sup>3</sup> sub	10,684	10,817	10,995
– Deliveries from own forests, km <sup>3</sup> sub	6,459	6,463	6,177
– Field purchases, km <sup>3</sup> sub	1,342	1,375	1,739
– Central purchases and imports, km <sup>3</sup> sub	2,883	2,979	3,079
Timber extraction as proportion of net growth on managed land, %	70	72	70

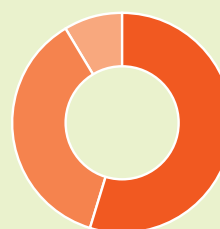
### Breakdown of tree species on Sveaskog's land

Market area North:



Tall 70,3%  
Gran 20,4%  
Lövträd 9,3%

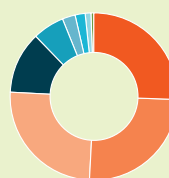
Market area South:



Tall 54,9%  
Gran 36,5%  
Lövträd 8,6%

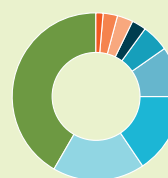
### Age distribution of Sveaskog's forest land

Managed area<sup>1</sup>, %



0–19 ..... 25.7  
20–39 ..... 25.4  
40–59 ..... 25.0  
60–79 ..... 12.0  
80–99 ..... 5.9  
100–119 ..... 2.5  
120–139 ..... 2.0  
140–159 ..... 1.1  
160+ ..... 0.5

Unmanaged area<sup>2</sup>, %

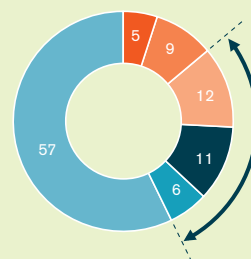


0–19 ..... 1.6  
20–39 ..... 2.7  
40–59 ..... 3.0  
60–79 ..... 2.8  
80–99 ..... 5.2  
100–119 ..... 9.9  
120–139 ..... 15.5  
140–159 ..... 17.6  
160+ ..... 41.6

1) 2.619 million ha  
2) 0.452 million ha

### Sveaskog's nature

Sveaskog's land consists of different parts. In the following diagram, there is a description of the size of the different parts and how much is exempt from forestry. (In many contexts, Sveaskog describes setting 20 per cent aside for nature conservation. This is 20 per cent of all productive forest land beneath the mountains and mountain-adjacent forest. This diagram includes all land.)



Forest land according to the FAO\* excluded from forestry (29%)

- Lakes and streams.
- Open moorland, outcrops and bare mountain.
- Tree-bearing forest land according to the FAO.<sup>1</sup>
- Productive forest land set aside for nature conservation.
- Conservation considerations for managed productive forest land.
- Managed productive forest land.

1) FAO: Food and Agricultural Organisation, United Nations.

# External factors affecting Sveaskog's activities



## Climate change

Global climate agreement COP 21 describes the sustainable use of forests as a key factor for ensuring that the temperature of the Earth does not increase more than two degrees. With active and sustainable forestry, we can keep using the growing forest and wood raw materials to replace products based on fossil raw materials.

## DIGITALISATION

Digitalisation facilitates an overview of the entire value chain from forest to customer and final consumer, thereby increasing and improving the use of forest resources. Digitalisation and the use of so-called big data also lead to better mapping and decision-making. With laser-scanned forests, more detailed information on soil characteristics, mobile tools and cloud-based services, the forest can be managed and felled more efficiently and with less environmental impact. New technology also makes forest machines more efficient.



## The need for the forest

More and more uses are being found for the forest. The forest and the forestry industry's products can in many ways help us face and solve many of the climate, resource and societal challenges in the world. The wood raw materials also have many good properties that other materials lack. Sweden has particularly good conditions in this area due to its well-developed forestry.

## The green transition and wood as a material

The growing forest sequesters carbon dioxide and the wood raw materials can in turn replace fossil products and their manufacturing processes. In recent years, more and more attention has been drawn to the benefits of wood as a climate-smart material, especially when carbon dioxide is sequestered by long-lasting products such as wooden structures. An increasing number of high-rises, sports halls and bridges are being built with timber frames, which is having a positive effect on the demand for sawlogs. In the transition to a vehicle fleet that is not dependent on fossil fuels, the forestry industry's residual products such as tall oil are also important.

## INCLUSION

The forestry industry is one of the tools that can be used to reduce exclusion, and we can expect an increased focus on job issues from the forest sphere in the coming years. Sveaskog's Growing Power! programme provides experiences of how integration can create value for the recent immigrants included in the programme.



## Conservation issues

Current conservation issues affecting forestry include the extension of the formal conservation set-asides for forests in Sweden by an additional 150,000 hectares before 2020 and the application of the so-called Species Protection Ordinance.



## Views of the forest

The discussion of what the forest is to be used for and what sustainable forestry means is intensifying. There is also increasing polarisation of views on preserving forests on the one hand and using them on the other. In the spring of 2018, the government decided on a strategy for Sweden's national forest programme, after which regional forest programmes were developed. The national forest programme is an important basis for choosing focus areas and coming up with sustainable strategies. The heart of the entire programme is the broad dialogue on the role of forests in a sustainable society and growing bioeconomy.

## THE WORLD ECONOMY

Large parts of the Swedish wood raw materials are exported, which means that the global economy has a major impact on Sveaskog's activities. There is a risk that world trade will develop in a negative direction, even though there are a lot of positive economic signals just now. However, the development of many of the leading world markets is difficult to assess, such as how Brexit might affect the significant British demand.



### Transparency

In the discussions concerning, among other things, how forestry affects biodiversity, transparency requirements are increasing. During 2018, Sveaskog gradually published the natural value assessments that are always carried out before plans are made to fell trees in an area. This was done to increase transparency and improve dialogue with those who want insight into the assessments.



## Skills provision and forest knowledge

Urbanisation means that forest knowledge in Swedish society is in danger of diminishing. Fewer and fewer Swedes will thus have direct experience of forestry. At the same time, there is a growing interest in what the forest offers in the form of renewable raw materials, climate benefits and experiences as well as biodiversity. A general challenge that the forestry industry will face in the future is the rural flight, which may make it more difficult to find the right skills.

## COLLABORATION AND DIALOGUE

Sveaskog is a company at the heart of society and has activities in 170 of the country's 290 municipalities. The forest affects and interests people. That is why Sveaskog has a close stakeholder dialogue with many different players. Such players include municipalities, private individuals, non-profit organisations such as cooperative associations, conservation organisations, sports clubs or nature tourism enterprises. Sveaskog also consults with the Sámi communities, as there may be conflicts of interest between reindeer husbandry and felling activities.



# Sveaskog's sustainable value chain

Sveaskog uses the forest and makes a profit through sales. But other values are also created through the forest holdings and use of the forests. Sveaskog is the first forest products company in Sweden to use the IP&L method, which is a unique way of measuring hidden values that exist, but have not been measured before, such as recreation. We developed this method in 2018, together with world-leading sustainability economist Pavan Sukhdev.

## What creates value...

### The forest

The forest holdings of 4 million hectares, of which 3 million is productive forest land, are found in approximately 170 of the country's 290 municipalities.

### Employees

840 employees, most of whom work in smaller towns.

### Contractors

Sveaskog has contractors performing work equivalent to that of 1,400 full-time positions per year.



## ... through forestry...

### Forestry from plant to plank

#### Planting

Sveaskog replants the felled forest with its own forest plants. Three new trees are planted for each tree felled.

#### Clearing

Clearing entails thinning out the forest stand so that the most suitable trees have the space to grow and development.

#### Thinning

Thinning improves the quality of the remaining trees. Tree trunks taken out during thinning are mainly used for pulpwood, but also for sawlogs and bioenergy.

#### Final felling

During final felling, Sveaskog mainly fells trees for sawlogs and a smaller proportion for pulpwood.



## ... creates value for the customers

### Sawmills

Sveaskog supplies sawlogs to sawmills in Sweden. The sawlogs are processed and primarily used for houses and furniture.

### Paper and pulp mills

Sveaskog supplies pulpwood to paper and pulp mills that manufacture packing tissue, hygiene products and other paper products.

### Biofuel customers

Sveaskog is a supplier for some 50 biofuel customers in Sweden, primarily heating plants and paper and pulp mills.

### Other forest owners

Approx. 3,500 forest owners buy forest trees and silvicultural services from Sveaskog.

### Leases

Every year, Sveaskog leases land for hunting, fishing, wind farms, power lines and more.



## Total delivery of wood raw materials\*

1,739 + 6,177 + 3,079  
 km<sup>3</sup>sub purchased from private forest owners.      km<sup>3</sup>sub from own forests      km<sup>3</sup>sub purchased from other forest owners and through imports.

=

**10,995**

km<sup>3</sup>sub total volume

of which:

52% Pulpwood and chips      43% Sawlogs      5% Biofuel

\* Figures for 2018.





# ... creates value for billions

**IN ADDITION TO** the financial result, Sveaskog's forests and forestry also create other values. These values have been known to the company before not, but we have not had the tools to measure and report in figures. Sveaskog's growing forests sequester large quantities of carbon dioxide, for example. This creates a positive value. At the same time, the company's machines release carbon dioxide that creates a negative impact.

The net effects are detailed below\*. Another example is the value of the roads that Sveaskog builds to transport timber and pulpwood, which also makes the forest more accessible to the public and provides opportunities for recreation and outdoor pursuits. Forests also play an important role in the ecosystem water regulation. The method of measuring all the values will not be developed to serve as a monitoring and control tool for

future strategic sustainability work. By measuring the indirect effects, Sveaskog can measure how an investment affects the different values, for example in the form of impact on CO<sub>2</sub>.

\*The model that Sveaskog applied is called Integrated Profit and Loss TM, developed by Gist Advisory, founded by internationally recognised sustainability economist Pavan Sukhdev. Further information on the model can be found in note H2 to the Annual Report.



### Financial capital

Is the value added, including the net profit that is traditionally reported.

**2.3**

SEK billion/year



### Human capital

Is the value that Sveaskog generates for its employees in the form of training, skills development and experience.

**0.2**

SEK billion/year



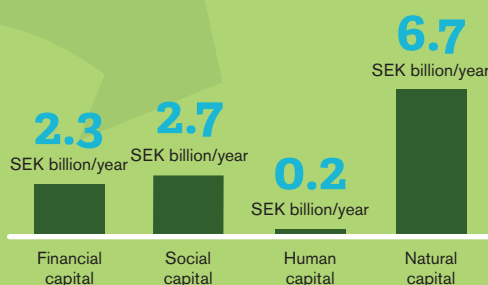
### Natural capital

Consists mainly of the great positive values of sequestering carbon dioxide in growing forests and the role of forests in regulating the water cycle. The carbon sequestration in growing production forests is significantly greater than in conservation forests. This is primarily due to photosynthesis, as it is during growth that carbon sequestration takes place, and when growth slows down, carbon sequestration also decreases. The forest therefore benefits the climate most when it is growing. Forestry affects biodiversity, but in the analysis it has not been possible to carry out a monetary valuation of biodiversity. Sveaskog has now intensified its efforts to develop better indicators for this.

**6.7**

SEK billion/year

## Net multidimensional value creation\*



\* Figures for 2016.

### Social capital

Includes, among other things, the extensive network of forest roads built by Sveaskog that make the forests accessible to the public, but also the value of hunting, fishing and berry picking on Sveaskog's land where recreation is the greatest value. The calculation of the recreation value is based on a major study of Swedes' outdoor activities and willingness to pay to visit the forest for recreational purposes.

**2.7**

SEK billion/year

# Overall goals and strategies

Sveaskog's vision is to "Lead the way to a sustainable society". Sveaskog has concretised its vision in five overarching goals and the vision will be achieved by balancing and reconciling economic, social and environmental sustainable development. Sveaskog has therefore integrated sustainable enterprise fully into its business strategy and business plan development. The five goals have been in place for a few years, but the strategic prioritisations have been progressively developed. The goals are measured using indicators with regular follow-up. These are described on the pages 19–21.



## The most profitable forest products company in the short and long term

Sveaskog sells sawlogs, pulp wood and biofuel to customers throughout the country and designs products and deliveries based on customer needs. The volume from its own forests, the prices of products and the efficiency of activities and administration are what is most crucial in terms of profitability. Good profitability ensures that the business can continue to develop. The refining of forest holdings through purchasing and sales as well as the exchange of forest land is also a step in ensuring good long-term value development.

### Increase growth and volume extraction from own forests

A lot of work is ongoing within the company to increase growth in the forests. This includes improvements to and the development of silviculture and the use of cultivated forest trees. Efforts to reduce damage caused by elk grazing are also important for growth. A third way is making the forest grow faster through fertilisation. All these efforts counteract climate change by increasing the carbon sequestration. These also increase the likelihood of increasing volume extraction from own forests.

### Increase other revenue and revenue from hunting, fishing and leasing land

Increased use of both wood and forest land contributes to long-term business. Sveaskog therefore participates in various projects and activities that aim to come up with new uses for the raw materials from the forest and for the forest land. New uses for wood raw materials include textiles and nanocellulose, for example. Biofuels from the residual products of the forestry industry are another important development of significance to the green transition. When it comes to use of the land, a programme has been introduced to increase nature tourism based on Sveaskog's ecoparks and, over the past two years, the



company has successfully launched new kinds of leases for hunting and fishing such as limited-time hunting for small game.

### Results

A good market situation has led to higher prices for Sveaskog's products, which has contributed to the result for 2018 being the company's the best ever. Operating profit increased by 14 per cent compared to 2017. In the last five years, the profit target has been exceeded four times out of five.

## Customers' preferred and most knowledgeable partner

**Satisfied and profitable customers are a very important factor in Sveaskog's profitability and a prerequisite for value-creating sustainable business. Sveaskog is therefore keen to foster long-term business relationships and be a trusted supplier that keeps its promises.**

**W**ork on developing customer relationships is part of daily work and means, among other things, that the employees develop the business and the business model together with the customers.

### Right quantity and quality

Sveaskog conducts felling activities in over 10,000 locations each year where timber of various species, quality, length and diameter is matched to

the right customer. To meet customer requirements, Sveaskog can also supplement the raw material from its own forests with purchases from other forest owners in Sweden or abroad. The most important thing for customers is that the company supplies the right quantity and quality at the right time and at the right cost. The demand for wood raw materials is expected to exceed the supply in the future.



### Results

The most recent customer survey shows an overall SCI of 70. This paints a positive picture of quality and availability as well as the competence of Sveaskog's account managers.

## Leader within innovation and efficiency

**The innovation and development work focuses on projects that will increase production and productivity in forestry, reduce the environmental impact or come up with new uses for wood raw materials and forest land.**

**I**nnovation is the key to ensuring that Sveaskog's sustainable development and the company are involved in innovation work in different parts of the business to improve existing and develop new commercial products and services associated with the forest. In many cases, this is done in cooperation with other parties such as researchers, customers or other stakeholders. Sveaskog has a number of successful innovations to lean on, including SunPine (which produces crude tall



oil) and Conniflex (which is chemical-free pine weevil protection for plants), where profitability is good and Sveaskog receives a return on invested capital in the form of sales revenue, dividends and/or added value.

### **Increase efficiency in production and administration**

Digitalisation and new technologies are important for increasing efficiency in all parts of the business and lowering production costs. For example, digital technology is used to improve forestry planning documents through soil maps based on laser scanning and hydrological maps. New technology is also used to develop more efficient and less damaging machinery for forestry. Sveaskog cooperates with other forest product companies and machinery manufacturers to develop harvesters and other forest machines so that they are more efficient and more environmentally friendly. Sveaskog is also working closely with its contractors to develop their methods and improve efficiency. At Svenska Skogsplantor, the focus is on increasing the produc-

tion volume and broadening the market to other Nordic countries.

An important part of the development of the business is safeguarding the timber value. The preparation of timber has gone from being standardised to being adapted to each customer's requirements and with better quality, which increases the added value. Customised products are non-exchangeable, which means that the requirements for planning and managing production and logistics have become significantly more stringent.

In 2018, Sveaskog has also worked on developing a new way of working and IT support for the programme "Lyftet". This has to do with reviewing, refining and improving the operational management of Sveaskog's timber supply, including externally sourced raw materials.

### **Results**

To evaluate all the efficiency improvements, the change in operating profit is measured over two years, per volumetric unit and using fixed prices.

The aim is an improvement of at least two per cent per year. The target has been exceeded four years out of five in the last five years.

## First choice for employees and contractors

**Sveaskog works actively to attract new employees with new skills, and the company wants to be an attractive employer.**

**M**otivated employees with relevant skills are a prerequisite for running an efficient and profitable business.

To be able to recruit employees with the right skills and ensure that employees feel motivation and pride, the company must be an attractive employer. To be able to connect with the most committed and knowledgeable contractors, the

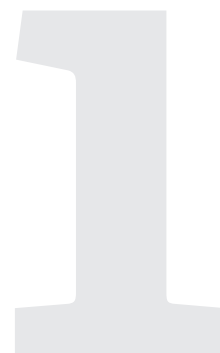
aim is for the contractors to consider Sveaskog their first choice.

### **Develop leadership and employeeship**

Forestry is an industry of the future. Sveaskog offers many different jobs throughout Sweden and works continuously to develop both employeeship and leadership. Equal opportunities and increased diversity are important areas

for ensuring the right skills and continuing to develop the business.

Work on Sveaskog's Growing Power! programme continued in 2018 to help integrate recent immigrants into society.



## Leader within sustainable forestry

**Sveaskog's definition of sustainable forestry is "active, profitable and responsible use of forests and forest land in a way that continuously ensures growth, biodiversity and increased value for generations".**

The aim to be a leader in sustainable forestry means that forest management will optimise forest growth while ensuring biodiversity as well as other environmental and social values.

All activities conducted by Sveaskog in the forest can affect biodiversity. While Sveaskog is using the forest, the company wants to promote biodiversity and be a role model when it comes to conserving nature. The aim is to improve the quality of nature conservation in the forests while adapting the forestry industry to outdoor pursuits and experience values in well-visited areas. Sveaskog's nature conservation work covers everything from landscapes to trees and groups of trees. The efforts involve both leaving areas untouched

and actively attempting to increase natural values. For felling reasons as well, Sveaskog sets aside 20 per cent of productive forest land below the mountain tree line for nature conservation.

### Number one in the industry

To enable both Sveaskog and the forestry industry to do their work and create value, the public, customers and employees need to have a high level of confidence in them. The company therefore engages in social debate and participates in industry initiatives that aim to ensure the public feels confident that the forest is being used responsibly and for the benefit of society. Good ethics is a prerequisite for building trust and a strong brand. The code of conduct clarifies how employees and the company should behave in relation to each other, customers, contractors and other stakeholders. Sveaskog is constantly developing its communication and meeting forms with different interest groups, with a focus on local dialogue.



Sveaskog aims to be a leader in sustainable forestry and the company has historically been among the first to venture into several different areas linked to the environment and sustainability. Read more on the timeline on pages 46–47. During 2018, Sveaskog has also developed a way to measure all the values of the forest. Read more on pages 16–17.

” Sveaskog aims to be a leader within sustainable forestry.

The general challenge for the forestry industry in the future will be the rural flight, which makes it harder to

recruit the right workforce, among other things.

### Results

The aim of achieving a more balanced gender distribution with at least 30 per cent women in the company is moving in the right direction, but relatively slowly due to a low employee turnover, with many employees staying with Sveaskog for a long time. The motivated employee index and leadership index already have high values, but by working with a strong focus on training and the development of active employees, they can be even better.

The satisfied contractor index has gone down compared to the previous measurement, but is still comparatively good, though not on a level with the long-term targets. Responses bear witness to underlying problems for our contractors when it comes to recruiting and retaining staff, and the need for stable business conditions. Sveaskog aims for continuous development through dialogue and collaboration and will further prioritise these areas. The new measurement categories Plant and Logistics are standing out with very good results.

### Results

Each year, Sveaskog measures its impact on the environment in connection with felling. The amount of driving damage, natural value trees and consideration areas are factored into this, among other things. The aim is for 99 per cent to be cleared without any significant impact on the environment. During 2018, Sveaskog managed to achieve 98 per cent, which is a clear improvement compared to 95 per cent the year before.

# Record earnings driven by a strong market situation

Sveaskog's operating profit for the full year 2018 amounted to SEK 1,422 million (1,248), an increase of 14 per cent compared to 2017. This result is Sveaskog's best ever.

**A LARGE PART OF** the improvement is a result of a good market situation, which has led to higher prices for the products. Sveaskog has also, despite difficult felling conditions during much of the year, improved productivity and the profit at fixed prices. The yield amounted to 5.4 per cent (4.8), which is higher than the target of 4.5 per cent. The biggest market for the Swedish forestry industry is Europe including Sweden, but the global demand for forest products is important for the company's customers. Economic activity is expected to continue at a good level in Europe, Asia and the USA. Production is expanding somewhat and the sales prices of forest industry products are higher than they have ever been. The weakening of the krona has a significant impact on the competitiveness and profitability of the Swedish forestry industry. A high level of construction activity is driving the demand for sawn wood products, and there is a high demand for pulp and packaging material globally.

## Net sales

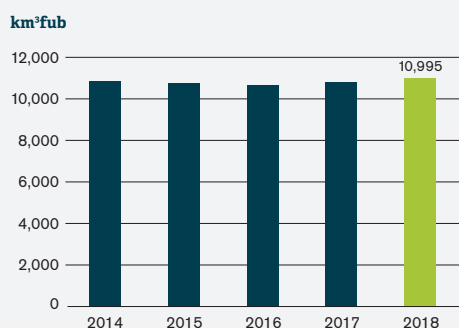
Net sales, which include both deliveries from own forests and externally sourced wood raw materials,

increased by 12 per cent to SEK 6,971 million (6,206). Prices increased on average by 11 per cent and total delivery volumes increased by one per cent compared to the corresponding period last year. Sales of wood raw materials amounted to 11.0 (10.8) million cubic metres (m<sup>3</sup>sub).

## Results

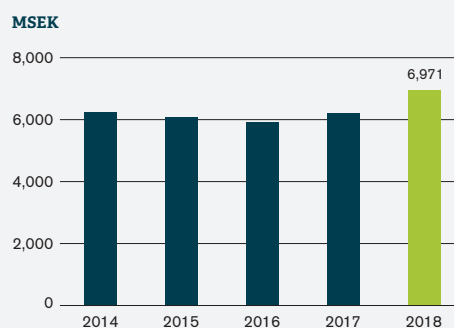
Operating profit increased by 14 per cent and amounted to SEK 1,422 million (1,248). Higher prices were offset to a certain extent by four per cent lower delivery volumes from own forests. This summer's fires have resulted in direct additional costs in the form of preventive measures, surveillance and fire extinction of SEK 32 million. The dry summer has limited the possibility of implementing all planned forest and nature conservation, which has led to lower costs. The profit from externally sourced wood has improved, mainly as a result of higher volumes. Capital gains from property sales amounted to SEK 234 million (321). The share of earnings in associates the Setra Group and SunPine amounted to SEK 106

## Total delivery volume



The availability of wood raw materials has, due to weather disturbances in the form of a lot of snow during the winter and spring and the dry summer, had an adverse effect on industrial production. The availability of felling and transport resources during the year has also limited the delivery conditions from the forest. However, Sveaskog has made the deliveries to the customers.

## Net sales



Net sales, which include both deliveries from own forests and externally sourced wood raw materials, increased by 12 per cent to SEK 6,971 million (6,206).

**Condensed income statement**

mSEK	2018	2017
Net sales	6,971	6,206
<b>Operating profit</b>	<b>1,422</b>	<b>1,248</b>
Capital gains on property sales	234	321
Shares of earnings in associates	151	108
<b>Operating profit before change in value of forest assets</b>	<b>1,807</b>	<b>1,677</b>
Change in value of forest assets	1,697	200
<b>Operating profit</b>	<b>3,504</b>	<b>1,877</b>
Net financial items	-141	-133
<b>Profit before tax</b>	<b>3,363</b>	<b>1,744</b>
Tax	-195	-360
<b>Profit for the year</b>	<b>3,168</b>	<b>1,384</b>

million (58) and SEK 45 million (50) respectively. Net change in carrying value of growing forest amounted to SEK 1,697 million (200). This is a one-time improvement, mainly due to the change in discount rate and other assessments in connection with calculating the fair value of growing forest. The change in value has no cash flow effect. Operating profit after change in value for forest increased to SEK 3,504 million (1,877).

Net financial items for the year amounted to SEK -141 million (-133). Profit before tax increased to SEK 3,363 million (1,744). This year's tax is lower than last year, an effect of the forthcoming corporate tax reduction that the Riksdag decided on in June and which affected deferred tax. The tax for the period amounted to SEK -195 million (-360), of which SEK 505 million is due to the changed tax rules. Profit for the year increased by 129 per cent to SEK 3,168 million (1,384).

**Change, operating profit**

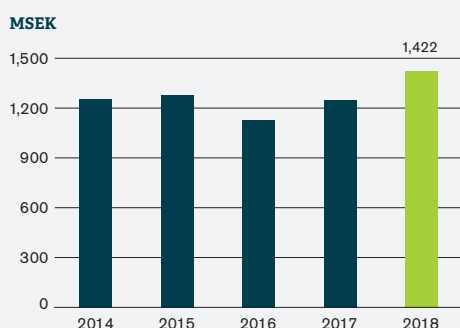
mSEK	
<b>2017</b>	<b>1,248</b>
Price, own wood raw materials	274
Volume and change in inventories, own wood raw materials	-55
Cost of droughts and fires	-32
Forest and nature conservation	34
Svenska Skogsplantor	-20
Profit from externally sourced wood raw materials	38
Other property transactions <sup>1</sup>	-67
Additional information	2
<b>2018</b>	<b>1,422</b>

1) Other property transactions concern a combination of:

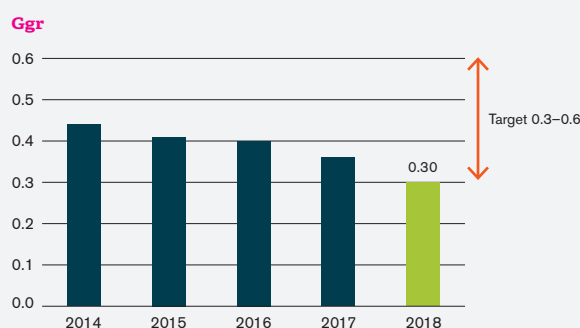
Ecological compensation	-13
Perpetual leases, other	-15
Sale of non-forest land	-39
<b>Total other property transactions</b>	<b>-67</b>

**Change in net sales**

mSEK	Full year 2018
<b>2017</b>	<b>6,206</b>
Price, wood raw materials	634
Delivery volume, wood raw materials	131
<b>2018</b>	<b>6,971</b>

**Operating profit**

Operating profit increased by 14 per cent and amounted to SEK 1,422 million (1,248). Higher prices were offset to a certain extent by four per cent lower delivery volumes from own forests.

**Net debt/equity ratio**

The target was decided by the annual general meeting in 2014. The target is for the net debt/equity ratio to be in the range 0.3–0.6. The measurement indicates the net interest-bearing liabilities in the company in relation to equity.

**Cash flow, investments and financial position**

The cash flow from operating activities for the year amounted to SEK 923 million (778). Investments in fixed assets amounted to SEK 237 million (219) and investment in shares amounted to SEK 1 million (1). Sales of fixed assets, mainly forest property, amounted to SEK 516 million (647). Dividends have been received of SEK 56 million (78), of which SEK 29 million (50) is from Setra Group AB, SEK 25 million (25) is from SunPine AB and SEK 2 million (3) is from other shareholdings.

Sveaskog's net interest-bearing liabilities amounted to SEK 7,014 million (7,410) at 31 December. At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's MTN programmes and Swedish certificate programmes. The loan volume under the certificate program, which has been refinanced on an ongoing basis, amounted to SEK 2,210 million (2,410). Under the MTN programme, the outstanding volume at 31 December was SEK 4,390 million (4,990). The average lock-in period was approximately 34 months at its lowest.

The net debt/equity ratio amounted to 0.30 (0.36).

The interest coverage ratio amounted to 11.0 (10.0) and the gross borrowing cost has been 1.34 per cent (1.31).

**Condensed cash flow statement**

mSEK	2018	2017
Cash flow from operating activities before change in working capital	1,095	825
Cash flow from operating activities	923	778
Cash flow from investing activities	332	502
Cash flow from financing activities	-2,089	-669
<b>Cash flow for the year</b>	<b>-834</b>	<b>611</b>

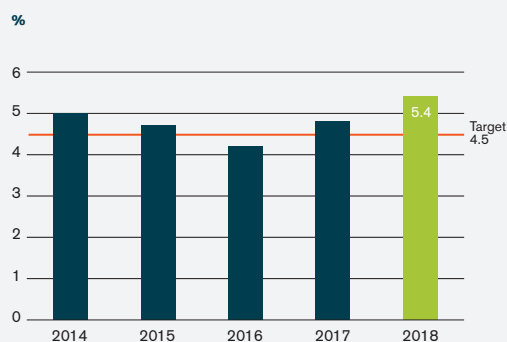
**Setra Group AB**

Sveaskog owns 50 per cent of the shares in wood industry company Setra Group AB, which is reported as an associate. Net sales for the year amounted to SEK 4,480 million (4,139). Operating profit amounted to SEK 310 million (159). The improvement in earnings is due to higher prices and higher volumes due to a favourable market situation. Sveaskog's share of earning in the company adjusted for intercompany profits increased by 83 per cent to SEK 106 million (58).

**SunPine AB**

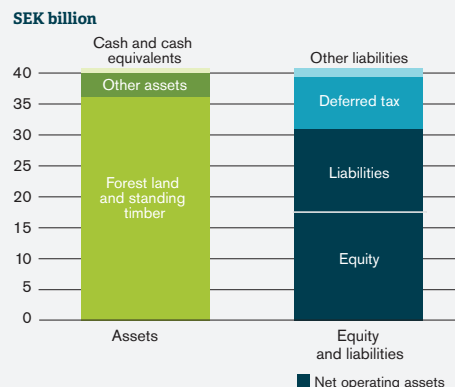
Sveaskog owns 25.1 per cent of the shares in biorefinery SunPine AB, which is reported as an associate. Net sales for the year amounted to SEK 1,458 million (1,203). Operating profit amounted to SEK 225 million (261). Sveaskog's share of earning in the company dropped by 10 per cent to SEK 45 million (50).

**Yield**



The target was decided by the annual general meeting in 2014. The yield must be at least 4.5 per cent per annum. The yield shows the return on operating capital, where capital gains from property sales and changes in the value of forests are excluded.

**Assets, equity and liabilities**



The majority of the assets are growing forests that are valued according to international financial reporting standards, IFRS.



# Sustainability priorities

The starting point for Sveaskog's sustainability work is balancing and reconciling the three perspectives *economic, social and environmental development* in an exemplary manner. This is guided by the UN's 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals. Sveaskog's priorities are also influenced by the structured dialogue with company stakeholders. Their opinions play an important role in the materiality analysis that forms the basis of Sveaskog's priorities and strategic approaches to sustainability.

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# In continuous dialogue with stakeholders

Sveaskog is engaged in continuous and structured dialogue with a large number of stakeholders every year. The opinions of the stakeholders are recorded and taken into account when Sveaskog is prioritising its sustainability work.

**S**veaskog is a company at the heart of society. The forest affects and interests people. But Sveaskog's forestry activities also affect various stakeholders. This has to do with how thinning and felling affect biodiversity or how they affect other industries such as reindeer husbandry or nature tourism. Sveaskog is also a major landowner, which affects other stakeholders such as municipalities and sports clubs conducting activities on Sveaskog's land. And all of Sveaskog's customers are just as important. Sveaskog is therefore engaged in

a continuous dialogue with its key stakeholders.

Every year, a very large number of meetings are held in different forms. During 2018, Sveaskog had 267 formal meetings with siidas (local Sámi communities), county administrative boards, the Swedish Forest Agency and other authorities (in 2017 this figure was 300). There were also a large number of meetings with representatives of the local community, including landowners and other affected parties. Those in charge of planning Sveaskog's felling activities have consultations and dialogue meetings about nature conservation.

Sveaskog also has specific guidelines on taking outdoor activities and recreation into account during felling. Special dialogues are therefore underway about plans for the forest.

## Invitation to a meeting

The first step in initiating the dialogue is identifying who may be affected by the planned measures. For example, municipalities, private individuals, non-profit organisations such as public bodies, conservation organisations, sports clubs or nature tourism enterprises.

## Key stakeholders

Sveaskog has a large number of stakeholders that affect or are affected by its activities:



### Owner

Sveaskog is 100 per cent owned by the Swedish government.



### Employees

840 employees active in 170 municipalities



### Creditors

Stakeholders on the capital market with a focus on green bonds, among other things



### Contractors

Every year, contractors perform work corresponding to 1,400 full-time jobs.



### Customers

Sveaskog sells sawlogs, pulp wood and biofuel to customers throughout the country and designs products and deliveries based on customer needs.

After these affected parties have been identified, Sveaskog will inform them of the planned actions and invite them to contact Sveaskog. If a large number of stakeholders are involved, Sveaskog will call them for a consultation. To ensure that what the company and the stakeholders have agreed on is implemented, Sveaskog will be responsible for the planning and for following up on its execution. Dialogues and consultations are also recorded in the central planning and case system. Potential measures for, among other things, public forests and campsites may include maintenance methods not involving felling, mosaic felling, various types of screens, split-time felling and avoiding soil conditioning in areas particularly sensitive to outdoor activities.

Sveaskog consults with Sámi communities every year. Sveaskog presents its plans to the representatives of the Sámi

communities and the plans are discussed and adjusted if necessary. The aim of the consultations is to ensure the co-existence of two activities in the same space.

The dialogue with the stakeholders on more general issues is conducted in a number of different ways, often as part of the ongoing work, but also in planned dialogue forums such as structured stakeholder dialogues where the dialogue is recorded and evaluated.

#### Substrate analysis

The issues raised by the stakeholders in the dialogue form a basis for the materiality analysis and play a role in Sveaskog's sustainability strategy and priorities in the year ahead. The issues are discussed by Sveaskog's sustainability committee and with senior management. The issues are discussed in the company's annual report and other communications to the stakeholders.

Some issues discussed with these stakeholders during 2018 have included sustainable forestry with conservation organisations, hunting pressure and damage due to elk grazing in relation to the local hunting laws and land use, and the effect of forestry with local siidas. There has also been a dialogue on responsibility for the road network with local forest owners and discussions on diversity and gender equality with Sveaskog's employees, the protection of forest areas with municipalities and felling plans with local residents.

For more information on past stakeholder dialogues and issues highlighted by our stakeholders, see sustainability note 4.



#### Timber suppliers

Sveaskog exchanges wood with other forest owners or buys from external operators to ensure that the needs of customers are satisfied.



#### Reindeer husbandry

Both reindeer husbandry and forestry are carried out on Sveaskog's land and the dialogue with Sámi communities is therefore particularly important because the two industries need to co-exist.



#### Authorities

There are several authorities that are important to Sveaskog, including the Swedish Forest Agency and the Swedish Environmental Protection Agency.



#### Tourism enterprises and hunters

A number of nature tourism enterprises and hunters operate on land owned by Sveaskog.



#### Conservation organisations

Organisations that work actively with nature conservation issues and biological diversity, including WWF and SNF.

# What people say about Sveaskog

Sveaskog's activities affect many different types of stakeholders. For Sveaskog, it is important to take this mosaic of opinions on board as a way of learning and becoming even better.

**CHRISTOFFER LJUNGKVIST, LJUNGTRÄ AB**

## “The service is of the highest class”

“We buy spruce sawtimber from Sveaskog. Sveaskog is an important supplier of raw materials due to significant forest holdings in the middle of our catchment area. Wood raw materials in Bergslagen are of suitable quality for our business. The company provides service of the highest class, not least when it comes to logistics. We have a good climate of cooperation and this is evident in

Sveaskog's employees' commitment to forest issues. A good dialogue means you can solve problems that arise along the way.”



**Christoffer Ljungkvist is Raw Materials Manager and owner of Ljungträ AB in Köping with 21 full-time employees. The company produces sawn spruce products.**

**BRITTA FLINKFELDT, ARJEPLOG**

## “We want more support”

“The contractors do not create job opportunities in the local area because they come from other municipalities. We would have liked to have had more support from a state-owned company. The eco-parks intended to be a tourist attraction are poorly signposted and uncared for. The most important issue for us in the dialogue with Sveaskog is teaming up with the major state-owned players to ensure the growth of both state-owned and private companies.”



**Britta Flinkfeldt is Chair of the Municipal Executive Board**

**ANNICKI OSCARSSON, ÖDESHÖG**

## “Good cooperation is valuable”

“WE HAVE had regular meetings with Sveaskog regarding Omberg Ecopark and the development there. These have been about everything from felling, nature trails and parking to the management of refuse. It is extremely important that the municipality has good cooperation with Sveaskog as an important player in the municipality, especially when it comes to Omberg. The communication and dialogue work well. Both Sveaskog and the

municipality want the cooperation to work. One thing that could be improved on is that we could increase the scope of the cooperation and find more ways of working together to develop Omberg as a recreation and leisure area.”



**Annicki Oscarsson is Chair of Ödeshög Municipal Executive Board**

## MAGNUS ANDERSSON, RANS SÁMI COMMUNITY

## “Serious dialogue is an important part of the process”

**SVEASKOG HOLDS** regular consultations with the reindeer husbandry industry on forest management measures. Forestry affects ground lichen, which constitutes an important part of a reindeer's diet. Consequently, cooperation is required for the two industries to function within the same area. Before planned felling, there are dialogues between a representative from the Sámi community and the landowners concerned.

“Generally speaking, the time spent on the consultations is increasing for both Sveaskog and the Sámi communities. I don't think there's any alternative.

Both the forestry and reindeer husbandry industries will continue to be active far into the future and therefore need to be able to co-exist. The consultation is an important tool, as it allows us to meet, discuss and influence decisions in different directions,” says André Dahlgren, Area Manager for Sveaskog in Lycksele.

For Sveaskog to handle the deliveries to the industry, a long-term approach and a selection of planned areas in which felling can take place are required. The documentation that the Sámi community



has received includes the plan for clearing, thinning, final felling and planting for the next five years, as well as areas that have been previously approved. “We request information on the planned areas in May and the consultation is held in January or February. This gives me time to talk to the residents of the Sámi community. Sveaskog agrees that the information should be provided that early,” says Magnus Andersson, Forest Manager for Rans Sámi community.

Mutual respect for each other's activities is a prerequisite for being able to co-exist.

“Our dialogue with the representatives of the reindeer husbandry industry is generally good, but sometimes we're not that adept at communicating the good relationship we have with the Sámi communities in the region, which means that the image of what forestry was like in the past can persist. We are constantly working to improve our dialogue with the Sámi communities. Rans Sámi community is a really good example,” says André Dahlgren, Area Manager for Sveaskog Lycksele.

“We disagree on many issues, but serious and well-conducted consultations are an important part of the process. In the case of Lycksele, we have found a good format that we all agree on,” says Magnus Andersson.

## WWF

## “Setting our sights higher when it comes to nature conservation”

“Sveaskog's forestry and conservation work is crucial for its sustainability profile and for increasing its chances of being a role model. A starting point is utilising the forest within the limits of nature.

A strength in Sveaskog's sustainability work is its investment in eco-parks spread throughout the country. There are many unique areas of high natural value in the region. Another example is the goal of being considerate of nature when felling: 99 per cent of all environmental values should be safeguarded without major negative impact.

But Sveaskog needs to set its sights higher when it comes to its conservation work if it wants to be a shining example of sustainable forestry in Sweden. For example, 20 per cent of productive forests need to be protected per forest region instead of 12 per cent,

as is the case at present. This would allow for both the protection and re-creation of forests with a high natural value. The 99 per cent target must also be achieved for all natural values and throughout the country. Vigorous efforts are needed in northern Sweden.

We also think that Sveaskog should be significantly more involved in nature conservation, especially in the eco-parks, and set an ambitious target for this. Furthermore, any intensification of forestry should be stopped, such as fertilisation, alien tree species and lower final felling ages.”

**Per Larsson, Forest Officer and GFTN Sweden Manager, WWF**



## SWEDISH SOCIETY FOR NATURE CONSERVATION

## Natural values on the agenda

“THE SWEDISH Society for Nature Conservation has been engaged in a dialogue with Sveaskog for a number of years. A recurring theme has been Sveaskog's natural value assessments in relation to felling. We therefore think that it is a very positive move that Sveaskog is now publishing its natural value assessments on its website. However, we expect greater transparency from the company when it comes to the inventories on which the assessments are based, because non-profit nature conservation and



Sveaskog so often seem to have different perceptions of what constitutes high natural values. We see that there is more to be done in this area.”

**Johanna Sandahl, Chair of the Swedish Society for Nature Conservation**

# Sveaskog's most important sustainability issues

Sveaskog's sustainability strategy is based on an analysis of the sustainability issues that are most important to the company. This includes both views from the stakeholder dialogue and Sveaskog's own view of which issues are of greatest importance.

Each year, Sveaskog carries out a materiality analysis in which the most important issues from a sustainability perspective are listed. These are the sustainability issues that have the greatest impact on Sveaskog, but also the issues that Sveaskog is best able to influence as a company. Stakeholder perceptions are based on a number of index measurements with detailed questions directed at different groups: employees, customers and local organisations. The opinions of stakeholders are then compiled and the various issues discussed by Sveaskog's sustainability committee and Sveaskog's group management.

During 2018, the weighting of a number of issues was increased in the analysis. This includes the importance of game conservation in relation to the local hunting laws to deal with damage caused by elk grazing. Another issue is skills development and meeting new knowledge needs among stakeholders when it comes to the changes that the forestry industry is undergoing. This concerns Sveaskog's own employees, students and researchers, but also other society stakeholders and moulders of public opinion. A related issue is the importance of being able to recruit people with the skills required to face future challenges, and Sveaskog and the forestry industry being perceived as an attractive and innovative industry in which to work.

During the course of the year, Sveaskog has also been working actively to find ways to measure biological diversity. There will be discussions with nature conservation organisations as to what constitute high natural values in connection with certain felling activities. The felling carried out by Sveaskog also



has an impact on areas that are important to reindeer husbandry. Both the forestry and reindeer husbandry industries will continue to be active far into the future and therefore need to be able to co-exist, which means that consultation with the Sámi communities is crucial.

Two issues that are ascribed high importance in the analysis are Sveaskog's economic performance and general confidence in Sveaskog from society and other key stakeholders. One important way to accomplish this is to ensure that Sveaskog has satisfied customers. The climate issue and Sveaskog's opportunities to help reduce the impact of industry and society on the climate are also ascribed high importance. Climate change also means negative risks. The major storm damage and fires of recent years have highlighted the weather and climate risks.



# 2030 Agenda and the Sustainable Development Goals

Sveaskog's activities and value creation contribute to the 17 sustainable development goals of the UN's 2030 Agenda for Sustainable Development. Sweden will lead the way in implementing the agenda with a transition both at home and in the global system, according to the government's national action plan for the 2030 Agenda. Industry plays a crucial role in achieving the goals, and Sveaskog has accepted this task in earnest. Sveaskog can relate to all of the goals, but has mapped those where the company can contribute in the most relevant way. Sveaskog has also carried out an analysis of its value creation and the added value generated by its activities and forest assets.



## Goal 5: Achieve gender equality and empower all women and girls

With increased gender equality and diversity, the recruitment base is broadened and the future skills provision improved.



## Goal 11: Sustainable cities and communities

There are an increasing number of solutions for building larger and higher structures using wood, and Sveaskog has identified partnerships within the timber construction industry as a focus area for future development.



## Goal 7: Affordable and clean energy

Sveaskog produces biofuel, a source of renewable energy from the forest, frees up land for renewable electricity production in the form of wind power and is an active contributor to the production of pine oils that are part of biodiesel.



## Goal 12: Responsible production and consumption

Sveaskog's analysis of multi-dimensional value creation gives insight into the negative and positive impact from its activities, and provides a tool for more streamlined timber production with a higher positive impact and increased climate benefits.



## Goal 8: Decent work and economic growth

Sveaskog's activities contribute to a vibrant countryside and economic growth outside of large towns and cities. The competence of contractors is crucial in relation to Sveaskog's ability to create efficient processes and ensure satisfied customers.



## Goal 13: Climate action

Forests absorb carbon dioxide, and a growing forest can absorb even more. Sveaskog is working actively to reduce dependence on fossil energy sources and has set targets and devised action plans to reduce its own carbon footprint.



## Goal 9: Industry, innovation and infrastructure

Sveaskog prioritises participation in research and development to contribute to new innovative solutions based on wood raw materials to phase out the use of fossil oil and reduce carbon dioxide emissions.



## Goal 15: Life on land

Sveaskog aims to create both more biomass and biodiversity and to combine profitable forestry with ambitious conservation efforts to reduce the negative impact of forestry on eco-systems.

## EMPLOYEES

# Health and safety and gender equality in focus

Health and safety has been in focus for Sveaskog, and major investments have been made in terms of training and new methods of reporting incidents. Sveaskog and the rest of the industry are engaged in systematic gender equality work that has been discussed during the year with forestry students, among others. Gender equality also continues to improve within the company.

During 2018, the work continued on the employeeship and leadership principles "We do each other good". This is a way of strengthening Sveaskog's culture and the employees' attitudes to each other. Among other things, the principles are used during appraisals and salary meetings, in leadership programmes and during recruitment, and for feedback. Managers and leaders have an important role to play in shaping a culture that contributes to Sveaskog being a profitable and sustainable company.

During 2018, two different leadership training courses were conducted. One was geared towards new managers and was about what it means to be a manager and leader at Sveaskog. The second was a course that aimed to put Sveaskog's leadership principles into practice, which gave participants an opportunity to practice the principles with the goal of becoming more confident role models and leaders.

The principles of leadership and employeeship have been developed in the project "Ambassadorship", in which many employees as well as group management and the central trade union cooperation team have been involved. The task itself and what is expected of the employees should be clarified in the dialogue with the managers. The goal is a good balance between responsibility, willingness and active employeeship. Sveaskog worked on the project "Ambassadorship" in 2018 to increase its attractiveness as an employer both internally and externally. Everyone should feel proud to work at Sveaskog and be able to stand up for the company's values.

In Sveaskog's decentralised organisation, employeeship is very much about sharing knowledge and experience. During 2018, there have been leadership days with workshops on employeeship in order to ensure that employees are engaged and

## Absence due to illness

	2014	2015	2016	2017	2018
Total absence due to illness, %	2.7	2.5	2.7	3.1	3.0
Absence due to illness, female %	3.4	3.4	3.2	4.2	4.7
Absence due to illness, male %	2.6	2.2	2.6	2.7	2.5
Long-term sick leave, % of total sick leave	45.4	34.5	45.6	50	47.5
Long-term well-being among employees, % <sup>1</sup>	41.3	36.1	35.2	33	32.9
Reported work-related injuries <sup>2</sup> per 1,000 FTEs	6.8	3.5	5.9	8.3	11.9
Total number of days' absence (working days) due to work-related injury <sup>3</sup>	128	14	41	116	245
Sick leave due to work-related injury, %	0.1	0.008	0.02	0.07	0.15

- 1) Percentage of employees who have been in post for at least three years and have had no sick leave over the past two years. Employees of SIA Sveaskog Baltfor are not included.
- 2) Work-related injuries: accidents, accidents on way to and from work, work-related illnesses that at the time of reporting are considered to have led to the absence. Also includes minor injuries at first aid level. Contractors' work-related injuries are not included in this data. Work-related injuries are recorded using the SKIA tool. SKIA is the forestry industry's information system on the work environment and is provided to the industry by AFA Insurance. Any work-related injuries at Baltfor are not recorded in SKIA and are thus not included in the calculation. However, the average number of employees includes employees at Baltfor. Accidents per region are not recorded; however, monitoring is performed in the local safety committees within each market area. There were no deaths during the year.
- 3) All days' absence from planned working days commenced within two days following the accident. Employees of Baltfor are not included.



” Everyone should feel proud to work at Sveaskog and be able to stand up for the company’s values.



Susanne Spreer,  
logistician at  
Sveaskog's market  
area south



Dace Rozenberga, Felling Manager in Sveaskog's market area South.

take responsibility for forging good relationships with colleagues, managers, contractors and customers. During 2019, all employees will participate in training in active employeeship.

#### OSH issues in focus

OSH issues are high up on the company's agenda. Recent years have seen a negative trend when it comes to accidents and absence due to illness.

Absence due to illness has risen from 2.7 per cent in 2014 to 3.0 per cent in 2018. This is comparable to the public sector, where absenteeism was around 3.0 per cent in 2017 and therefore in line with the figures at Sveaskog. At Sveaskog, absence due to illness has increased most among women.

Sveaskog has endeavoured to increase the reporting of incidents and occupational injuries. The number of

occupational injuries reported by its own employees has risen from 6.8/1,000 FTEs in 2014 to 11.9/1,000 FTEs in 2018. The increase in the number of accidents is of course a serious matter. However, the analysis shows that the increase is mainly due to increased reporting of accidents occurring, and not to an increase in the number of accidents.

For example, Sveaskog has a mobile app where employees can report accidents, incidents and risks themselves. In this way, the company receives more risk observations that can lead to preventive measures. The most common accidents are slips and falls in the forest when working in the field. Many incidents are also connected to driving.

During 2018, organisational and social security inspections were conducted. This involved a dialogue in areas including stress, recovery and workload.

#### Gender distribution of employees

%	2014	2015	2016	2017	2018
Women, % <sup>1</sup>	19.8	21	21.6	24	24.3
Men, % <sup>1</sup>	80.2	79	78.4	76	75.7
Women/men on the Board, % <sup>2</sup>	50/50	67/33	57/43	50/50	50/50
Women/men in Group management, %	36/64	45/55	40/60	40/60	40/60
Female managers, %	22	24	24	27	31

1) Average number of employees.

2) Elected at the AGM.

The birth years of the members of the Board and the members of Group management are presented on pages 68–71.

” A general challenge to the forest industry is the exodus from the countryside, which can make it more difficult to find the right skills.

Health and safety training has also been conducted for all managers and safety officers. This is part of strengthening competence in the area of health and safety, especially with regard to stress and how best to deal with a high workload. This work will continue during 2019.

Sveaskog has also worked on measures linked to personal health. Among other things, these aim to ensure good team spirit in the workplace and provide employees with knowledge of how to work in a sustainable way. This started in January 2018 and has consisted of two parts, a health coach who lectured on health, stress and the importance of physical activity, with an offer of individual and coaching health talks, and also an activity challenge that Sveaskog has carried out in three rounds. Improved sleep and reduced stress have been seen among the participants.

A health survey was also sent out at the end of the year to gauge how employees perceive their health. It showed that employees have a better perception of their health and more motivation, and that an increased proportion are observing the general recommendations for physical activity compared to the results of the health survey that the employees responded to at the beginning of the year.

One health risk for both machine operators and office staff is being sedentary. Sveaskog has offered both lectures and practical advice in regard to this.

#### Employee surveys are an important tool

During 2018, Sveaskog's managers have been working on measures based on the results of the Sveaskog employee survey. The last survey was conducted in the autumn of 2017 and the next will be conducted during 2019. The work on the results includes the managers reviewing their unit and manager reports with their employees and together identifying the strengths and development areas on which they will then work. Each manager has informed their manager of the work, who in turn will have compiled a report and contacted the Managing Director in connection with the business follow-up meetings.

Sveaskog directs work on health and safety and staff issues in different ways. The code of conduct adopted by the Board forms the basis of this direction. There is also an equal treatment policy drawn up by the Managing Director. The health and safety activities are followed up by the protection committees at local and central level.

During 2018, organisational changes were implemented that involved redundancy. For events such as these, Sveaskog attempts to manage the situation as responsibly as possible, including by providing transition support.



Lisa Liljenstrand, HR partner, Sveaskog.

## Working for greater equality and diversity

**SVEASKOG WORKS** alongside other companies in the industry on issues relating to inclusion, norms and values in response to the forest industry's 'slutavverkat' ('clear-felled') #metoo appeal. Measures have included meetings with students undergoing formal education in forest science and forestry, the aim of which has been to get together to reflect on the role played by equality in making the forestry industry an appealing one.

In 2018, issues regarding equal treatment have been included as part of the systematic efforts being made on the work environment, in that Sveaskog has been tasked to consider the risks of discrimination at the same time as considering risks in the work environment. A diversity game has been launched to improve dialogue and discussion about values, beliefs and prejudices relating to all grounds for discrimination. This work continued in 2018. Training in matters of equality and diversity has been part of the induction process for new employees since 2016.

” Training in matters of equality and diversity has been part of the induction process for new employees since 2016.

#### More even gender distribution

In 2017, Sveaskog adopted new guidelines on combatting offensive discrimination, whereby the HR Manager, in consultation with the Chief Legal Officer, is responsible for investigating and deciding on actions to be taken. The aim is to ensure objective and consistent management of reported cases throughout the whole of Sveaskog.

Sveaskog has been working for a number of years to achieve an even gender distribution within all parts of the company. Since 2013, the proportion of permanently employed women in the market areas has doubled (from 8% to 16%), and in Sveaskog as a whole the proportion of women during the same period has increased from 20% to 24%. Among Sveaskog's managers, the proportion of women is 31%, and in Group management the proportion of women is 44%.

The employee survey in the autumn of 2017 showed that the proportion of women who believe that women and men are treated equally in Sveaskog has risen from 53% to 72% since 2013. During the same period, the proportion of women who consider women and men to be treated equally in the unit/working group rose from 77% to 91% (the figure for men is 90%). It was also found that the proportion of employees who feel that they have been exposed to some form of offensive treatment had increased from 5% to 6% since 2015. This is something that is monitored in the employee survey conducted every two years.

# Activities

Sveaskog is made up of a number of activities relating to the forest. These include delivery of the raw material from the forest in the form of *sawlogs, pulpwood and biofuel* and the *forest seedlings that are planted*. However, they also include *hunting, fishing* and other leases in the form of *wind power*. At the same time, the company works actively with forestry and to reduce the impact on climate. The various areas, events and results of the operation during 2018 are described on the following pages.

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SAWLOGS

# Good demand for sawlogs during 2018

There is a strong market for sawn timber, but the economy of the construction sector is in the process of levelling out, which affects the prices of Sveaskog's products.

**S**veaskog has a wide range of sawlogs to meet customers' requirements. The requests involve different volumes, species of tree, qualities and dimensions. Sales span everything from standard deliveries to complex customised orders. In order to meet the customers' requirements, Sveaskog may supplement the wood from its own forest with externally purchased volumes. The trend is moving toward increased specialisation in the sawmills, which requires Sveaskog to constantly improve the precision of its deliveries. The work involves using new digital technology to make an inventory of the forest in such a way that the correct product from the tree is provided to the correct customer. Sveaskog works consistently to improve its entire production and supply chain. This requires good dialogue and cooperation with not only

the customers and the internal working groups, but also contractors and transport companies.

Sveaskog delivers to more than half of the sawmills in Sweden that produce more than 10,000m<sup>3</sup> per year. There are around 130 sawmills in total, of which 70 or so are customers of Sveaskog. These may be privately owned family businesses or globally operational Groups with their home base in Sweden. In turn, they supply mainly to the construction and furniture industries in Sweden and abroad. The four largest export countries for Swedish sawn timber are the United Kingdom, Egypt, Norway and Germany.

**Market and deliveries**

The market for sawn timber and, thus, for sawlogs depends primarily on developments in the state of the

” Viewed across the rest of Europe, the construction sector continues to expand into 2019 at the highest levels seen since the financial crisis in 2008.

building market. Sweden is the single largest market for the Swedish sawmills and there has been a large demand for sawn timber, although this fell at the end of 2018 due a decline in construction activity. It is expected that the level of new building work will be lower in 2019 than in 2018. Viewed across the whole of Europe, the construction sector continues to expand into 2019 at record levels since the financial crisis. However, there is a great interest in building in wood, which may have a positive effect on sales over the coming years.

There are some clouds of anxiety on the international market in the form of a reduction in deliveries to China and sharp falls in prices in North America. These disturbances may spread to the European market. However, stocks of finished product at the Swedish sawmills remain low, although growing, and for this reason only minor adjustments are expected to the price of timber in the short term. Profitability of the Swedish sawmills is currently good.

**High production in the sawmills**

International competition comes from sawmills in Finland, Germany and Russia, among others. The Russian expansion is focused on China, to which Russia today is the leading supplier. Production in Finland and Germany is increasing, driven by the market situation and a good supply of sawlogs. During the autumn, a large supply of timber with bark beetle damage appeared on the continent, particularly in Germany, as well as in parts of southern Sweden.

Production in Swedish sawmills is high, but not at a record level. In parts of the country, the supply of timber is hampering production. Stocks of finished products have risen from their low point in March but remain at low levels. The price of sawlogs has been rising during the year, but a slowdown can be seen mainly in southern Sweden as a result of bark beetle attacks that are increasing the supply of damaged timber on the market.

**4,776**  
 km<sup>3</sup> sub (km<sup>3</sup> solid under bark) was supplied by Sveaskog in 2018, an increase of 2% on 2017.



**‘We can proudly say that we know where your house grew up’**

**SVEASKOG SUPPLIES TIMBER** to Sweden’s largest family house manufacturer, Älvsbyhus. It is a company that thinks sustainability at all stages. This has led to Älvsbyhus having the most satisfied customers of all family house manufacturers in Sweden. An index that has already been conferred on them in Norway and Finland. This year they also received the Norrbotten Environmental Award.

‘It is extremely gratifying that customers appreciate our houses and the hard work that everyone in our organisation is putting in. One part of the success factor is that we have control of the raw material. We buy the timber from Sveaskog,’ says Kent Johansson, CEO at Älvsbyhus.

Work on a Älvsbyhus house begins right back in the forest. All timber used is delivered by Sveaskog, which, through its PEFC certification, ensures that the forest is used responsibly, both environmentally, socially and financially. These are important aspects for Älvsbyhus.

**Renewable at all stages**

Älvsbyhus houses are manufactured in the company’s own production facilities at Älvsbyn and Bjärnum, and at Kauhajoki in Finland. By having its own sawmill, Älvsbyhus has full control of the raw material from timber delivery to the finished house. Since wood is a renewable raw material, it also means that by-products can be utilised and reused via Älvsbyn’s district heating plant, which then heats the entire house factory in Älvsbyn. This is an environmentally friendly and sustainable way to use residual material, while at the same time impacting the environment in a positive way. The company also heats the staff sports hall using by-products. All cellulose chips go to the pulp industry.

Älvsbyhus is the largest family house manufacturer in Sweden, and its range includes the Linnéa house, which is the country’s best-selling villa. The family house industry’s customer satisfaction index clearly shows that Älvsbyhus is the number one brand in the country in the survey. Quality, good personal service and a sustainable product at all stages are part of the success factor for the wooden house manufacturer.

‘We are working to ensure that the entire chain, from the purchase of timber from Sveaskog locally to the finished house, should be as ecologically sustainable as possible. We can proudly say to our customers that “We know where your house grew up”,’ says Kent Johansson, CEO at Älvsbyhus.



Kent Johansson, CEO Älvsbyhus

PULPWOOD/CHIPS

# Record levels of pulpwood

The market for pulpwood and chips is very strong and prices have reached record levels. Sveaskog offers a wide range and is a valued partner for paper and pulp mills.

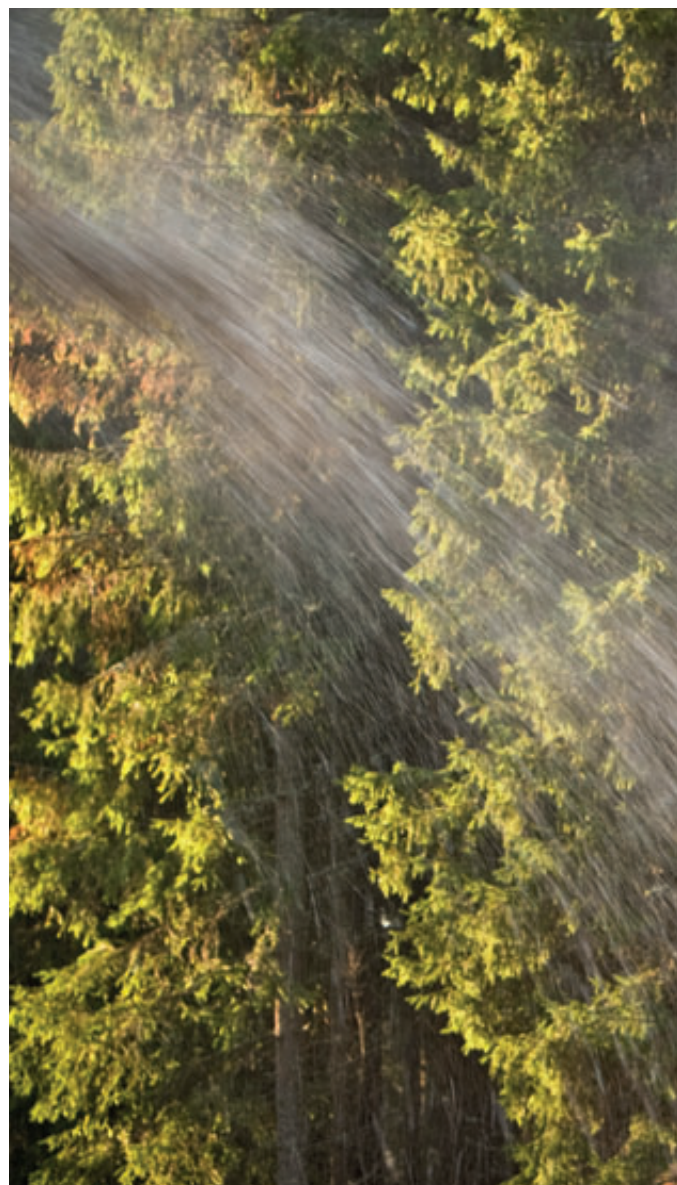
**P**ulpwood is made up of trees and tree parts that cannot be used by the sawmills. The largest volumes of Sveaskog's pulpwood come from thinning and regeneration felling. Sveaskog offers a wide range of pulpwood that comes both from its own forest and through the purchase of other forest owners, as well as imports. The offer is also supplemented with cellulose chips from its own sawmill customers.

Sveaskog has about 20 pulpwood customers in Sweden. The customers manufacture paper pulp and paper and cardboard that are exported or used in Sweden. The exported pulp is used for packaging and printed cardboard. The pulp is also used in hygiene products such as nappies, paper towels and toilet paper. Pulpwood from Swedish forests has qualities that make it particularly good for packaging with high requirement levels, such as liquid cartons for milk and juice. Sveaskog's strength is its extensive experience of working with pulpwood customers, and its focus over recent years on developing goods logistics in partnership with them. Sveaskog also has the advantage of being able to offer a wide range of fresh pulpwood and cellulose chips.

**Market and deliveries**

For several years, Swedish paper and cardboard production has enjoyed a positive trend, with rising volumes and prices. Globally, demand and deliveries of pulp are increasing. Most of the volume that is not used directly in Sweden for paper production is exported to Europe. Asia follows next with a strongly increasing share. The price of pulp, known as market pulp (NBSK), rose sharply in 2017 and 2018. The price level passed USD 1,200/tonne during the summer and remained at that level for the rest of the year.

Sweden's exports of paper and cardboard are increasing in terms of packaging materials. However, demand for newsprint continues to decline in Europe at a rate of about 5% per annum. Production capacity is being closed down or converted to products with better market conditions. Overall, Swedish paper and cardboard production has enjoyed a positive trend since 2012, with rising volumes and prices. Since



“ The price level passed USD 1,200/tonne during the summer and remained at that level for the rest of the year.

the turnaround at the beginning of 2017, the price of packaging material has risen by 50–90 per cent, while the graphic products have remained stable despite the decrease in volume.

Investments made by the forest industry have increased production capacity significantly, especially in pulp production, where investments by Södra in Värö and Östrand significantly increased production.





In line with the growing production of pulp and paper, the market for pulpwood and wood chips has been considerably strengthened and, in the light of the good economic situation, it has been possible to raise the price during the year.

**5,691**

km<sup>3</sup> sub of pulpwood and chips were supplied by Sveaskog in 2018, an increase of 3% on 2017.



## SCA's pulp production expands

**ONE OF SVEASKOG'S MOST** important customers, the forestry company SCA, is investing heavily in a new pulp mill in Östrand outside Sundsvall, and this will increase cooperation between Sveaskog and SCA even more in the future.

In one of Sweden's largest industrial projects, with an investment of nearly SEK 8 billion, SCA has more than doubled the capacity to deliver paper pulp from 430,000 tonnes to 900,000 tonnes at the mill in Östrand. This strengthens the market for paper pulp that is so important to Sveaskog and meets a rising demand for pulp both in Sweden and internationally.

### 700 new jobs

This creates new opportunities for Sveaskog, but also for the whole region. During the construction period, around 5,000 FTEs were created and, in the long term, the investment is estimated to create up to 700 new jobs at SCA as well as with the company's suppliers and other stakeholders.

'We place high demands on our suppliers in terms of sustainability. We want forest raw materials from responsibly used forests.

” Our suppliers must be companies that act credibly and responsibly in all areas, such as health and safety.

This is very important to us. For example, it is a matter of preserving biodiversity in forestry, not felling forest that has a high natural value, and respecting the rights of the indigenous population and other local stakeholders,' says Katarina Kolar, Sustainability Manager at SCA.

'On the whole, our suppliers must be companies that act in a credible and responsible way in all areas, for example health and safety, and who in various ways contribute toward the transition to an industry with a lower carbon footprint.'



Katarina Kolar,  
Sustainability  
Manager at SCA.



BIOFUEL

# Increased interest in biofuel

Biofuel is good from an environmental and climate point of view. As fossil raw materials are replaced by bio-based raw materials in energy and fuel production, so demand is expected to increase.

**S**veaskog's biofuel comes from branches and tops, as well as from tree parts from thinning and regeneration felling activities. Biofuels are good from an environmental point of view as the amount of carbon dioxide emitted during incineration is the same as that absorbed by the trees during their growth, so there is not the net addition of carbon dioxide that occurs when burning fuel based on fossil raw materials and residues. The extraction of biofuel is a natural part of sustainable forestry and is carried out with great consideration of natural and cultural aspects, including being based on FSC® certification.

The expensive costs of transportation mean that the biofuel market is a regional and local one, and Sveaskog's customers are power and heating plants and the energy-producing forest industry in Sweden. Sveaskog has around 50 customers, mainly heating plants, combined heating and power plants and paper and pulp mills.

**Market**

The demand for biofuel has been strong in southern Sweden, more balanced in central parts and weak in

“ Biofuels are also a good example of the competition for forest raw materials.

the northern part of the country. There is a great deal of competition from other fuels, such as waste and recycled wood. More efficient energy production and distribution also affect demand.

The availability of biofuels has faltered worryingly during the season. The production of biofuels is at a low level and more volume is being converted to fibre raw material. This has led to an insufficient volume of biofuel on the market to meet demand, which has driven increased imports and rising prices. Price levels are rising throughout the value chain.

**527**

km<sup>3</sup> sub of biofuel was supplied by Sveaskog in 2018, an increase of 12% on 2017.

## Turning forest raw material (branches and tops) into heating

**1.** When planning felling activities, the site is also examined to determine its suitability for making use of branches and tops that can be further refined and turned into biofuel. This depends, for example, on the species of tree (there will be more branches and tops from spruce than from pine), as well as whether or not clearing is taking place sufficiently close to the end customer.

**2.** When felling begins, the machine operators will know that the branches and tops are to be turned into biofuel and will gather the branches and tops into piles in the clearing, where it will be allowed to lie and dry out.

**3.** After felling, the branches and tops are transported to the nearest road. There, they are placed in piles in a dry and sunlit location and covered in protective board to shield them from rain. The branches and tops are left there to dry for anything from a few months to a year and a half, and they become good fuel. The amount of drying time depends partly on how damp the branches and tops are and partly on when

they were harvested. As most harvesting of branches and tops takes place during the summer, yet the biggest demand for biofuel is in the winter, some piles may be left drying out for quite some time before delivery.

**4.** When the time comes for delivery, a shredder will arrive at the storage area and shred the branches and tops into fuel chips. Alternatively, the chips may be processed by the customer.

**5.** The chips are driven to the end customer in containers. On arrival, the fuel is measured to determine how dry and thus how energy-rich it is. The biofuels are then combined into a mixture that makes the combustion in the boiler as efficient as possible. The combustion in the boiler generates steam, which drives a turbine that produces electricity, provides steam to the mill's dryers and, finally, provides heat to the local district heating network that supplies heating to homes. In this way, the biofuel contributes to drying, electricity production and the heating of homes.

## BillerudKorsnäs uses Sveaskog's biofuel

**PRODUCING CARDBOARD FROM** paper pulp requires energy, not least when the cardboard needs to be dried by evaporating the water. The BillerudKorsnäs cardboard mill in Frövi/Rockhammar uses steam, among other things, for the drying process, which is largely produced using biofuel.

'In the production of paper pulp, residues are created, such as bark and shavings, and we use these to stoke our biofuel

boiler and generate energy for the manufacturing process,' explains Per Ericsson, business manager at BillerudKorsnäs.

'In addition, we deliver waste heat to the municipal district heating network, so the efficiency of the fuel we put in is very high.'

However, since their own residues are not sufficient, they also buy biofuel from external suppliers.

'Our geographical position is such that biofuel from the forest is the rational choice. It feels logical to us to use carbon-neutral fuel that has also been produced locally.'

Extracting biofuel is a natural part of sustainable forestry.





## SVENSKA SKOGSPLANTOR

# Regeneration that increases value

The greatest opportunity to increase the volume extracted from Swedish forests in future lies in faster growth of the raw material, i.e. the trees. This is where Svenska Skogsplantor is driving development through sustainable regeneration solutions.

**S**venska Skogsplantor offers complete regeneration solutions: planting, soil conditioning, forest seed, cultivated seedlings, protection treatments and growth controls.

The forest surface area is constant, and therefore the quality of reforestation is central to meeting future demand for raw material. The key to increased availability lies in the cultivating forest seeds, seedlings and cultivation techniques being developed, and a lot has happened over the past year with production being automated at a rapid rate.

Rationalisation of operations has concentrated production from six to five nurseries, and large investments have been made in, among other things, a new packaging line and fossil-free heating through

the installation of biofuel boilers. As a result, the carbon dioxide emissions of the business are reduced by one third, and phasing out will continue in 2019.

On the development side, projects are underway in somatic embryogenesis and cutting production, techniques that allow for faster and more secure seed supply while at the same time shortening the seed processing time significantly. Work is also taking place in parallel on a prototype planting machine that will be presented during the autumn of 2019. In the area of protection treatments, improvements are being made in the production technique for Conniflex, which will mean shortened treatment times. This is an internally-developed and environmentally friendly protective treatment technique.

## Prince's visit to the nursery

**THE LUGNET NURSERY BETWEEN** Bålsta and Sigtuna received a visit from Prince Carl Philip at the beginning of September. Conniflex treatment and planting were on the agenda. Sveaskog's CEO Per-Olof Wedin provided the welcome and Roger Johansson, Business Area Manager for Svenska Skogsplantor, spoke about the company's journey with the Conniflex coating to protect against pine weevil attack.



Prince Carl Philip.

'Attacks by the pine weevil are a major problem for forestry. In southern and central Sweden, as many as 80 per cent of exposed seedlings will die each year from the ravages of the pine weevil. For a long time, the answer was chemicals, which are not sustainable in the long term. Svenska Skogsplantor has been involved in developing Conniflex, with a view to avoiding the use of chemicals on the seedlings,' says Roger Johansson.

### Non-toxic and effective

The protection involves attaching grains of sand to the seedlings using a water-based adhesive, which has proven to be both cheaper and more efficient than using chemicals, but above all it is non-toxic. A tour followed the presentations. The Prince, who has a keen interest in forestry, had the opportunity to become familiar with both the seeds and the actual Conniflex seedling treatment itself. He also took the time to ask questions about everything from the price per kilo of seeds to how the summer's fires had affected Svenska Skogsplantor.

The tour ended with the ceremonial planting of a Douglas fir, following which the prince took the opportunity to say a few words about the importance of the forests.

'After the fires this summer, we are indeed particularly aware of the value of our Swedish forests, both as a renewable resource and as the key to facing up to a change in climate,' Prince Carl Philip explains.

“To avoid using chemicals on the seedlings, Svenska Skogsplantor has been involved in developing Conniflex.”



Roger Johansson, Business Area Manager at Svenska Skogsplantor



# Innovation for better forestry

Sveaskog is conducting an active innovation project with the aim of increasing profitability, improving the effect on the environment and creating value for customers. It is about developing and using new knowledge and technology while reviewing old ways of thinking and working and daring to be innovative. Digitisation is an area that is increasingly encompassing Sveaskog's development work and offering opportunities for us to innovate and improve operations.

**F**or a number of years, Sveaskog's development efforts have focused on three different aspects that fit under the following headings: Up, Down and More. These are described in more detail below.

Development and innovation work can be run in project form, through collaboration with other players in academia, institutes and industry, and will not uncommonly lead to investments in forestry, machinery, technology or industry. Examples of this are the Conniflex pine weevil protection, Arboreal's app for forest measurements and SunPine for the manufacture of raw pine diesel, to name a few.

## Up

Forest production, the growth of forest trees, and the productivity of forestry must go up; they must be increased. This is because a bio-based economy and climate mitigation requires an increased and sustainable forest production and access to biomass.

Sveaskog's development work in this area includes increasing production in a sustainable

manner, for example through improved plant material and forest management methods and tools, using drone technology and digitisation for improved planning, and developing forest machines with increased automation for increased efficiency in production.

## Down

The costs and the negative environmental impact in the forest and its use must go down; they must be reduced. This is to allow the availability of biomass at a competitive cost, as a transition to a bio-economy requires, while at the same time reinforcing rather than degrading biodiversity and social values in the forest.

The work to increase productivity in forestry is run on a broad basis and contains specific changes that have started to be used directly for longer-term research projects.

In recent years, there has also been a special focus on increasing the flow efficiency of deliveries to customers,

including through better warehouse management and logistics.

At Sveaskog, partnerships are also in place with various industry players and machine manufacturers to develop forest machines with higher productivity, less soil impact, better load carrying, lower emissions and a better working environment. In addition, development is underway on alternative management methods and measures that can enhance biodiversity as well as social values, and improve the conditions for reindeer husbandry.

## More

More value and use of the used forest and the wood is required. This is to enable continued sustainable forest management for the future as well as a forestry industry that is internationally competitive and that contributes to a bio-based economy, both in Sweden and abroad.

In order to create new uses for wood and forest land, Sveaskog concentrates its efforts on three areas: wood products, green fuels and chemicals, and wood-based materials from the residues of the forest and industry. In the field of wood products, Sveaskog participates in twinning projects with sawmill customers, where projects regarding timber structures and components as well as X-rays of timber to increase the exchange values of sawmills have been significant investments. Investments in biofuels are being made to develop new biofuels using residual products from the forest and the forest industry as a raw material, which brings great benefits to both Sveaskog, the forest industry, the climate and Sweden, which has a good chance of becoming a world leader in the field. Other projects are running in parallel making fuel from branches and tops, as well as from shavings from the sawmills. For example, branches and tops are being used in a pilot project to produce fish feed and for producing malleable materials, such as biogranules for use in 3D printers.



INNOVATIONS: Drones used for inventories, forest raw materials used to replace plastic on artificial turf sports pitches, better fish feed and the Arboreal tree height app.

and even more environmentally friendly

# Major fires during the year

During the summer of 2018, several forest fires occurred in different locations in the country. As far as Sveaskog was concerned, the total area damaged by fire amounted to approx. 4,000 hectares. Most serious was the situation in Hälsingland, where an area of land the equivalent of the whole of Lidingö outside Stockholm was on fire.

**T**hanks to the superb efforts of the fire and rescue services, the employees of the forestry companies, contractors and volunteers, it was possible to extinguish the fires and limit the damage. Heroic work was done by many, not least through the fire and rescue services. The fires caused much destruction in the forest, but no-one was seriously injured. As well as the loss in timber values, Sveaskog's costs relating to the fires and preventive measures amounted to SEK 32 million in 2018. Once the fires had been extinguished, extensive work remained to attend to the fire-damaged forest.

'The first measures involved clearing the roads. The County Administrative Board divided the work between the three largest forestry companies so that we each took care of one area. Then the work continued in our own forests,' explains Anders Almäng, head of Sveaskog's Södra Norrland results area.

## From the frying pan and into the fire

The most important thing was to deal with the trees lying on the ground that could be used for timber before the first snowfall, as



The fires caused much destruction in the forest, but no-one was seriously injured.

then it could be too late. There was a risk of large losses.

'The biggest risks in this kind of situation are fungal attacks, which can turn the timber blue, and then insect attacks later in the spring,' Anders Almäng explains.

Sveaskog's management is very grateful for the work done by employees and contractors.

'After the wet autumn in 2017 and the very late spring in 2018, many people had earned the extra rest that a summer holiday entails, but instead it was literally a case of out of the frying pan and into the fire and working very hard for a long time,' says Sveaskog's CEO, Per-Olof Wedin.

## Measures to reduce fire risk

Together with other players in the forest industry, Sveaskog has identified five measures to ensure that the industry and society are better equipped for future forest fires.

### 1. Preventive work and good preparedness

A large forest fire is a complex event with many players involved. The level of knowledge of all concerned needs to be raised, for example with regard to risk assessment and fire behaviour, as well as to create networks and provide training across organisational and regulatory boundaries. The forest industry's own guidelines for the prevention of fires have worked well, but need to be safeguarded and maintained.

### 2. Early detection essential – fire plane a key resource

All fires are small to begin with. By limiting them at an early stage, the costs to people and society are reduced enormously. The firefighting plane is a key resource for early detection. They need to fly more often when the risk of fire is high. The forest industry has detailed geographical information that is very helpful in finding the fire and organising the operation.

### 3. Act vigorously at the beginning – use local helicopters and coordinate resources

In order to fight a forest fire successfully, it is vital to act vigorously at the beginning. There is no shortage of helicopters in Sweden, but access to local private helicopters is absolutely

essential in order to start work quickly and effectively. For this reason, there need to be helicopters on standby if there is a high risk of fire, and state helicopters need to have the right equipment and personnel trained in firefighting. Not only that, but better use needs to be made of the area's own resources – such as contractors with local knowledge and machinery such as harvesters, excavators and farmers' slurry tankers.

### 4. Complete the operation until the danger is over

Once the fire has been extinguished, the work of post-fire monitoring passes to the landowner. One important lesson is that large fires are often

the result of this being done prematurely. Endurance is a necessary part of the emergency services' operation. They need to continue until the fire has been secured and the risk of continued spread minimised.

### 5. Safe and organised post-fire monitoring

When thousands of hectares of forest are on fire, this creates new challenges that affect many landowners. Doing what the law requires and performing post-fire monitoring of the area can be both dangerous and difficult for any single landowner. Here, landowners, authorities, the emergency services and insurance companies need to link up to determine how to carry out post-fire monitoring of major fires.

# Twenty per cent of the forest is allocated for conservation

Sveaskog combines profitable forestry with the preservation of high natural values. The company decided as early as in 2002 to allocate land for long-term conservation corresponding to 20 per cent of its productive forest land.



**S**veaskog combines profitable forestry with the preservation of high natural values. The company decided as early as in 2002 to allocate land for long-term conservation corresponding to 20 per cent of its productive forest land.

The conservation work uses three different strategies in different geographical scales: eco-parks, conservation forests and consideration for nature in the production forest.

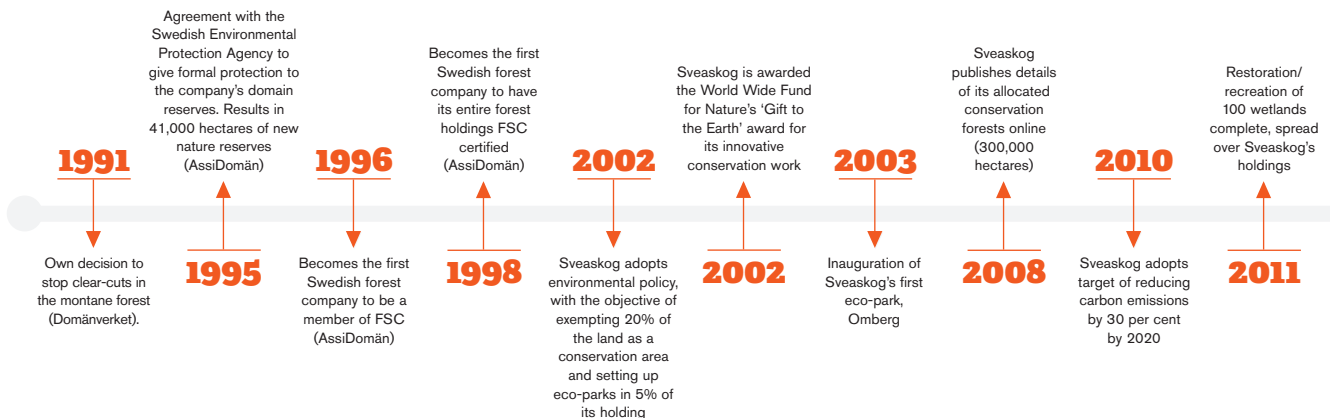
### The eco-parks

There are currently 37 eco-parks across the country, covering a total area of 174,000 hectares. In all eco-parks, at least half the area is allocated for nature conservation, conservation-oriented management and consideration for nature, which in total corresponds to 110,000 hectares. This results in large contiguous forests in landscapes that benefit species that move over large areas, such as various bird species.

### Nature conservation forests

The nature conservation forests cover a total of 300,000 hectares, varying in size from half a hectare to several hundred hectares. These allocations are spread over the entire country. In the north, most of the conservation forests are left for free development, while in the southern part of the country there is often management to recreate or enhance the natural values. Sveaskog allocates the forest areas with the highest natural values as conservation forests. If a new area of forest worth protecting is discovered, for example when drawing up the inventory prior to logging, this area of forest is swapped with land of a lower natural value, thus ensuring

## Milestones in Sveaskog's<sup>1</sup> environmental work





that the quality of the forests allocated for conservation is always raised.

**Natural value assessments**

Each year, Sveaskog carries out felling in several thousand locations around Sweden. In all cases, nature valuation inventories are performed before felling in order to pay due regard to the conservation of protected environments and species. All of Sveaskog's natural value assessments from 2018 onwards are available at sveaskog.se.

The aim of Sveaskog's natural value assessment is to find structures and elements of importance in conservation terms.

It is relatively common for the inventory to show that there are small areas of high natural value in the forest. Sveaskog will then ensure that the substrates required by the species are located both within the assigned areas and within the environmentally protected areas left standing during felling. For example, this may be groups of forests containing dead wood, large old trees or watercourses. In this way, sustainable forestry and valuable structures, substrates and environments will also be found together in the same forest in the future.

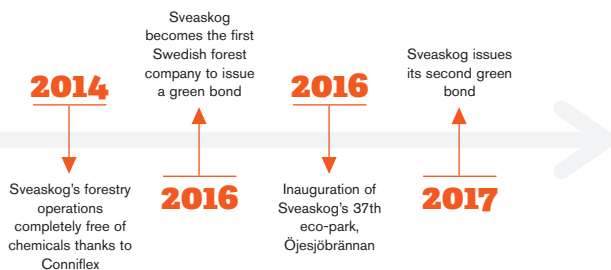
” In all eco-parks, at least half the area is allocated for nature conservation, conservation-oriented management and consideration of nature.

**Consideration for nature in production forests**

During all felling or clearing activities, Sveaskog leaves any important environments for flora and fauna intact. These areas may, for example, be biotopes requiring special consideration, border zones alongside water and marsh or individual trees, groups of trees and large stumps. With current developments, this kind of consideration for nature in production forests will eventually total 220,000 hectares. Of this area, 48,000 hectares have so far been left intact out of consideration for nature during felling activities. The remaining 172,000 hectares will be established when planning future felling activities.

**The mountain forests**

An additional 50,000 hectares of conservation forests have been allocated on Sveaskog's land above the border of the montane forest. The management of Sveaskog's mountain forests takes place in accordance<sup>with</sup>the FSC® regulations.



1) Until 1992, Sveaskog's operations were part of the state-owned company Domänverket, and from 1992–2002 were part of the listed company AssiDomän.



**Sveaskog's eco-parks**

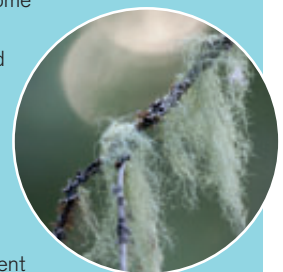
**THE ECO-PARKS ARE** large contiguous areas of countryside with high natural values and conservation aims. These combine extensive protection of large areas, including the restoration of natural values, with forestry operations adapted to take conservation into account. Sveaskog currently has 37 eco-parks, with an average size of 50 square kilometres. Sveaskog wishes to use the eco-parks to create a new conservation tool that combines use and preservation. Relatively few species depend on entire areas of the landscape being excluded from timber production. On the other hand, there are some species that depend on areas of the landscape with a high proportion of conservation

forests. By combining use of the landscape with areas allocated for conservation, rather than allocating entire areas of the landscape completely for conservation, the eco-parks are scattered all over the country.

” The eco-parks are located where particularly large areas of valuable forest land from a conservation point of view have been identified.

**Enhanced natural values**

In the eco-parks, natural values are developed at landscape level, and the areas in an eco-park that already have high natural values or great potential for restoration are managed so that the natural values are enhanced and preserved. In other parts, greater consideration is exercised during felling activities. The eco-parks are located where particularly large areas of valuable forest land from a conservation point of view have been identified. The eco-parks also include some of the country's most important outdoor leisure areas for nature experiences and recreation. Sveaskog wants to provide more opportunities to experience nature and is therefore working to develop information and accessibility in the eco-parks. Each eco-park has a customised management plan established in a formal 50-year agreement between the Swedish Forest Agency and Sveaskog. This sets out the objectives for different sub-areas, the areas that are designated for nature conservation and where Sveaskog is engaged in production. The plans are developed in consultation with authorities, non-profit organisations, the reindeer industry and others. These plans also form the basis for annual maintenance consultations with the Swedish Forest Agency and the appropriate County Administrative Board, at which ongoing management measures are discussed.



# Building a sustainable value chain

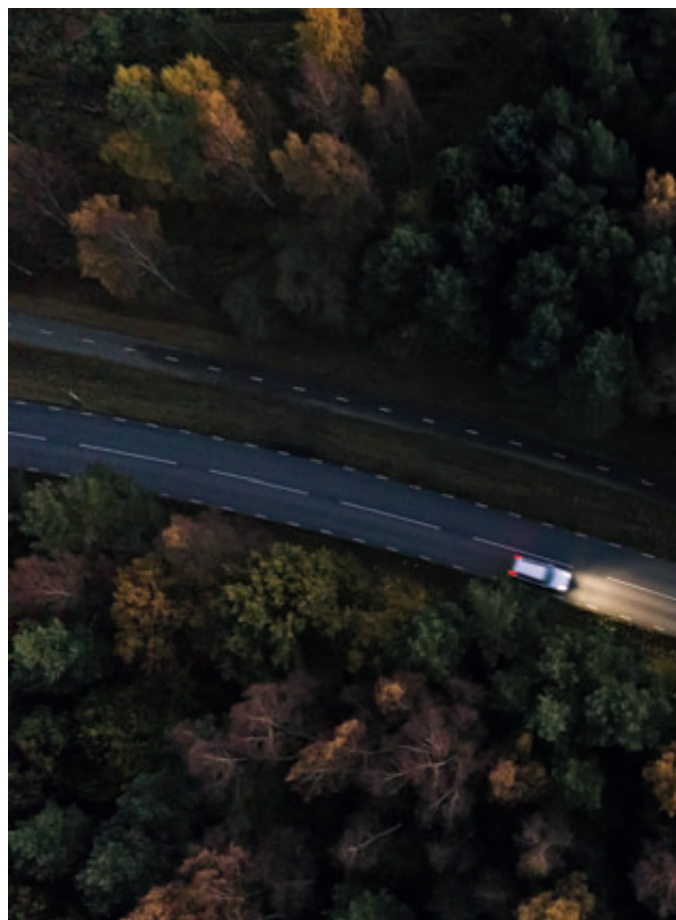
Sveaskog is working actively to ensure a sustainable value chain, from 'plant to plank'. This applies in many different parts, both in terms of how Sveaskog itself works, but also in the form of how the company develops its purchases and how the company works to develop logistics.

**D**uring 2018, Sveaskog contracted services for almost SEK 2 billion, and this work corresponds to 1,400 full-time employees. The skills, abilities and attitudes of the contractors are important if Sveaskog is to create trust and value. It is partly about securing well-performed services and partly about minimising risk in the industry in terms of the work environment, social responsibility, working conditions and human rights.

## Purchasing process

Before hiring a contractor, Sveaskog and the contractor establish a written Service Declaration. This clarifies Sveaskog's and society's requirements, as well as the consequences of non-compliance. The purchaser also checks the contractor with regard to a number of defined points to ensure that it complies with laws and regulations and has the financial stability necessary to meet its economic, environmental and social commitments. The contractor must act as an independent contractor and to carry out the work using its own staff. Sveaskog can allow subcontractors only in one stage, and the subcontractor must then undergo and pass the same review. Only subcontractors approved by Sveaskog are permitted to conduct assignments on Sveaskog's land. Each year, forestry contractors must attend web-based forest management training and complete and pass a knowledge test. Since 2016, Sveaskog has required forestry contractors to be PEFC-certified. In turn, PEFC imposes requirements in areas important to Sveaskog, for example equality and employment conditions. Sveaskog's contractors must promote equal rights and opportunities and counteract any form of discrimination so that everyone feels welcome in the forestry industry. Framework contract suppliers must sign Sveaskog's sustainability requirements under the UN Global Compact initiative, and so far 65 out of 71 framework contract suppliers have signed the document. Where framework contract suppliers have not signed Global Compact, Sveaskog will consider whether or not they nonetheless apply the same approach.

The Group-wide process for purchasing is produced by the Purchasing Staff, who are part of the CFO unit. Each day, the staff check about 4,500 of Sveaskog's contractors, subcontractors and suppliers with regard to specially selected surveillance points such as class F tax, VAT, payment defaults, traffic permits and changes to the



Board of Directors. If the information contains any signs of insolvency, the staff will act on this on the same day.

## Indicators and follow-up

At least half of the contractors should be checked in the field each year. Field checks are performed and documented by Sveaskog's local employees. In 2018, this work has been intensified and developed with an app that facilitates field work during follow-up.

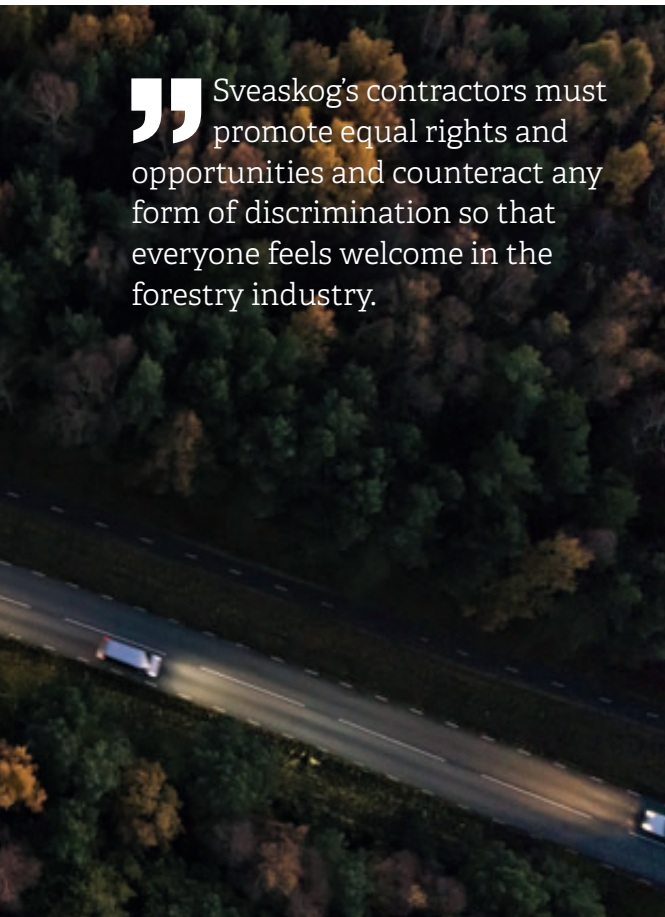
'Over the year we spent more time talking to contractors. In the beginning it may be perceived as an audit, but we have been at pains to ensure that it is more a way for us to understand their everyday life and challenges so that we can assist them in the best possible way,' says Sveaskog's Purchasing Manager, Mats Oja.

To be able to connect with the most committed and knowledgeable contractors, the aim is for the contractors to consider Sveaskog as their first choice. During the autumn of 2018, a measurement of the Contractor Satisfaction Index (CoSI) was performed. However, the measurement showed that the CoSI fell fairly sharply in terms of felling contractors (from 72 to 66) and forest management contractors (from 76 to 65).

'We are taking this very seriously and will be having a close dialogue with them and listening to them to find out why they are less satisfied,' says Mats Oja.

However, in the case of the logistics and plant contractors, who are being measured for the first time, the CoSI is high (82 and 79, respectively).

” Sveaskog’s contractors must promote equal rights and opportunities and counteract any form of discrimination so that everyone feels welcome in the forestry industry.



‘We are delighted, but here, too, we must continue to have a close dialogue with them in order to understand their satisfaction and challenges,’ says Mats Oja.

### Logistics

Logistics at Sveaskog is about customers getting what they want at the time they want it. In recent years, Sveaskog has focused particularly on increasing the flow efficiency of deliveries to customers, including through better warehouse management and logistics. With digitisation, the trend is also toward more efficient extractions from the forest that have less impact on the environment.

Trains are used for transportation where possible, but when the forest raw material needs be collected from the forest roads this can only be done with the use of lorries. Sveaskog’s lorry shipments cover the equivalent of around twice the circumference of the Earth each day. This means that even small adjustments and small improvements through the development of logistics and new IT systems reduce the negative climate impact and also improve profitability.

‘There is a lot of development work underway to improve logistics,’ says Anders Järlesjö, a forest engineering manager at Sveaskog. This covers everything from drones to advanced IT systems and self-driving forest machines. Forestry is really a high-tech industry. At the same time there will be a need for traditional machine operators for a long time to come.



## Sustainable sourcing and transport

**SVEASKOG WORKS ACTIVELY** to use new technology to streamline transport and logistics. This is both so as to reduce the impact on climate and the environment and to increase the benefit to customers. An important event relating to this work occurred on 1 July 2018. On that day, parts of the national road network were opened to the new load carrying class BK4, and thus to lorries of up to 74 tonnes, an increase of 10 tonnes. BK4 allows the use of heavier vehicles on some parts of the road network, improving the efficiency of Sveaskog’s freight transport and helping to strengthen the competitiveness of the entire forest industry.

‘For several years, we had been involved with and run projects relating to this, which means that we could quickly get started with 74-tonne lorries,’ says Torsten Wiborgh, construction engineer and coordinator for all road overseers at Sveaskog.

### Successful digitisation

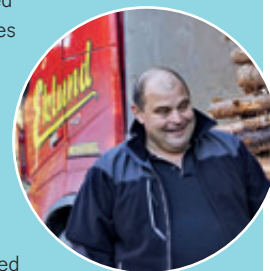
Using 74-tonne vehicles means the payload on shipments can be increased by 25 per cent and emissions reduced by around ten per cent without any increase in axle load.

‘As there are more axles, there is a lower load per axle despite the increase in total weight. As a driver, you can feel that the 74 rig runs more stably and that you have a more powerful rig. It is good for the drivers because of the more efficient driving, and good for the environment because of the lower carbon emissions,’ explains Andres Eklund at Eklunds Åkeri.

Sveaskog is responsible for 43,000 km of road in Sweden, making it the country’s largest road administrator after the Swedish Transport Administration. Since the summer of 2018, Sveaskog’s entire road network has been opened up to 74-tonne vehicles.

Sveaskog is also early in implementing digital delivery notification. The forest industry is increasing automation of wood measurement using camera measurements for improved tracking of incoming raw material volumes for its planning. In cooperation with Tieto Forest, Sveaskog has launched delivery notification of its timber deliveries nationwide. Both the industry and the drivers are happy and it has created a calmer and more efficient situation during the running-in period.

‘It is quite common for there to be some grumbling when further digital developments are taking place in the transport chain, and that happened this time, too. But after this project there is no-one who wants to go back. Everyone is happy,’ says Mathias Vikberg, who is a haulier for Sveaskog at Leif Eklunds Åkeri.



Mathias Vikberg, haulier, Leif Eklunds Åkeri.

# The role of the forest in combatting climate change

The Swedish forest is of great importance to Sweden's aims to become fossil free by 2045. As the forest grows, it helps to take up a large amount of carbon dioxide. By using forest products instead of materials produced using fossil-based resources, we can reduce the negative climate impact. Sveaskog aims to take a leading role in utilising and developing the climatic benefits that forests provide.

**T**he forest has a crucial impact on the climate. At a time when we need do everything to prevent the Earth's temperature from rising, sustainable use of forests is crucial. Forests and forestry provide benefits to climate in a number of ways. The growing forest binds carbon dioxide. As Sveaskog fells significantly less than the annual growth, it means that the store of sequestered carbon in the forest is constantly increasing. Part of the felled forest is turned into timber, which then becomes bound in wooden structures. For example, a wooden house can bind the carbon dioxide once taken up by the trees. Using forest raw materials, we can also replace fossil-based products.

The more the forest grows, the greater the uptake of carbon dioxide. Over time, therefore, the greatest carbon dioxide uptake is in the used forest. Through sustainable forestry and with active forest management measures, Sveaskog promotes a high level of forest growth, which at the same time ensures a high level of carbon sequestration. This allows a continuous harvest of forest raw material, which can be used to replace fossil-based resources. In this way, the forest raw material harvested from its own forest by Sveaskog in 2018 has helped ensure that almost 4 million tonnes of carbon dioxide from fossil sources has not been released. Sveaskog sees the forest as a key factor in the green transition and is therefore taking part in a variety of development and innovation projects to develop the use of forest raw material. An example of this is the pine diesel production from SunPine, which

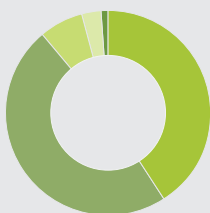


in some ten years has developed from an innovation project into a full-scale production of raw pine diesel based on pine oil, a residual product from pulp mills.

## New climate targets

In Sveaskog's own operations, transport accounts for half the carbon emissions generated by the company. Each year, a total of 290,000 lorry shipments take place, or 795 per day. Each journey is an average of 100 km, which means that Sveaskog's lorry shipments cover the equivalent of twice the circumference of the Earth each day. Sveaskog is making active efforts to reduce its own carbon emissions. The focus is on increasing the involvement of renewable fuels, with a major reduction in fossil-based carbon dioxide. This can be achieved by mixing in biodiesel based on abattoir waste and forest residue. In parallel with this, Sveaskog is

## Total emissions 2018, tonnes of CO<sub>2</sub>



- Forestry and felling: 43,000 (-15.7%)
- Transport: 59,000 (+1.7%)
- Road construction: 9,000 (+12.5%)
- Electricity and heating: 3,000 (0%)
- Travel: 800 (-11.1%)

Total CO<sub>2</sub> footprint: **115,000 (+2.8%)**

During the year, Sveaskog's operations generated carbon dioxide emissions amounting to 115,000 tonnes, which means that the company has reduced emissions by 29.5 percent compared to 2010, relative to the delivered volume unit. On 1 July 2018, a new law was introduced on fuel sales, referred to as the reduction obligation, which seeks to reduce greenhouse gas emissions and to increase the use of renewable fuels. Sveaskog welcomes the new law, which means that all fuels, by mixing in renewable fuels, will achieve a certain reduction of fossil CO<sub>2</sub> compared to completely fossil-based fuels. It is likely to stimulate increased Swedish production of renewable fuels, where forest raw material will have an important role to play. For more information, see note H6.



” Through active forest management measures conducted at the right time, Sveaskog is able to ensure high growth and thus a high level of carbon sequestration.

working to streamline transport logistics and thus reduce emissions by, for example, increasing the proportion of return loads and using trains rather than lorries where possible. The company is involved in the development of lorries that can take higher volumes, resulting in fewer shipments and thus lower emissions.

Sveaskog's target is to reduce its carbon emissions by 30 per cent by 2020 compared to the level in 2010. The target is achievable, and Sveaskog has begun work on designing more ambitious climate targets for the next ten-year period.

Sveaskog will adjust its forestry operations in accordance with future climate change, where the risks are that forests will be more vulnerable to storms, there will be a deterioration in the land's load bearing capacity, and forest fires will be more frequent.



## SunPine expands

**SUNPINE DECIDED** in 2018 to invest SEK 250 million in the expansion of the factory at Haraholmen in Piteå and is thus able to take the next step in the development.

'This development increases capacity by 50 per cent. It shows how much potential there is in the forest raw material,' says Viveka Beckeman, Chair at SunPine and Sveaskog's Chief Legal Officer.

Working actively to develop and expand their business is part of SunPine's effort to contribute to the green transition of society in general.

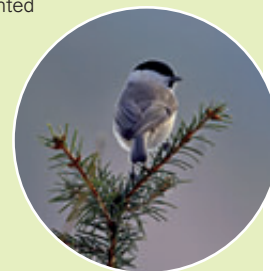
'I am convinced that sustainable Swedish forestry can cover a significant part of the whole of Sweden's renewable fuel requirements,' says Viveka Beckeman.

## Profitable forestry without negative climate impact

**SINCE 2014, SVEASKOG HAS** been a member of the Haga Initiative, a network of companies that works to reduce the climate impact of business through ambitious climate strategies, while creating increased profitability in companies. The Haga Initiative represents an important voice in forming opinions and debate on climate issues and is highlighted in certain contexts as an 'elite squad' in the work to achieve climate targets.

The target for each member company is to reduce its direct emissions in scope 1, scope 2 and official travel in scope 3 by at least 40 per cent by 2020 compared to the selected base year after 1990. Sveaskog has already achieved this target with a reduction of 74 per cent from 2005. Sveaskog has reached the target above all by investing in renewable fuels, increasing the proportion of timber shipments by rail and good cooperation with haulage companies.

Sveaskog is also affiliated to the government's Fossil-Free Sweden initiative, a platform for dialogue and collaboration between various players seeking to make Sweden free of fossil fuels. Fossil-Free Sweden brings together Swedish players seeking to help Sweden become one of the world's first fossil-free welfare states.





## Great opportunities for hunting and fishing on Sveaskog's land

As Sweden's largest forest owner, Sveaskog has large areas that are attractive for hunting and fishing, and Sveaskog sells hunting and fishing rights. Through other leases, forests also become available for recreation and business, including nature tourism companies and private players in the energy and telecoms industries that use Sveaskog's land for electricity transmission lines, power stations and telecoms masts.

**A**t the end of 2018, there were 7,550 leases (7,408) and other rights of use on Sveaskog's land.

These were predominantly leases for hunting and fishing. The number of leases for hunting amounted to 3,102 (3,052). Just over 25,000 hunters in total hunt on Sveaskog's land. During 2018, Sveaskog continued to develop short-term hunting, both by offering more destinations and by expanding the areas where hunting takes place. Short-term hunting is now possible from Dalarna in the south to north of the Arctic Circle. Hunting licences valid for one day can be ordered via the website, and demand is high.

'It has been a huge success and enabled many more people to be out hunting in the forest and countryside,'

says Ola Söderdahl, who is in charge of hunting and fishing at Sveaskog. 'Not least the area of Idre-Särna has been a success, where we offer short-term hunting in an area covering 120,000 hectares.'

The opportunity to purchase elk hunting weeks in northern Sweden has also become popular and has even been shown to be highly effective in achieving a sufficient cull.

### **Major Ecotourism Prize to Mörrums Kronolaxfiske**

Sveaskog owns large volumes of fishing waters which, through fishing licences, are available to the public and tourists. At the end of 2018, Sveaskog had 1,567 fishing right leases (1,508).

” Sveaskog owns large volumes of fishing waters which, through fishing licences, are available to the public and tourists.

Sveaskog's most popular fishing waters are Mörrums Kronolaxfiske. This is an important driving force for local business, each year attracting anglers from all over the world for its famous salmon and trout fishing. In total, the facility with its restaurant, conferences, exhibition, shop and enticing countryside has around 250,000 visitors each year. Kronolaxfiske's success is evident throughout the district, and visitors are expected to add almost SEK 100 million a year and more than fifty jobs to the local business community.

Mörrums Kronolaxfiske was awarded the major Ecotourism Prize at the Grand Travel Awards Gala in Stockholm on 12 February. The reasons given for this award emphasised the hospitality, conservation work, research collaborations and a knowledge seminar on nature tourism that had been arranged in the autumn of 2017.

'Of course, we are delighted and grateful for this recognition. It feels very inspiring being able to combine world-class hospitality with the long-term development of the Mörrum river's ecosystem,' says Ida-Maria Rigoll, Site Manager at Mörrums Kronolaxfiske.

The work on restoring the Mörrum river and improving biodiversity has gained an ever more important role in recent years. Sveaskog will take another important step during 2019 with the demolition of the hydroelectric plant at Marieberg, which will open up new spawning and nursery areas for salmon and trout. The year has, however, been challenging as a result of the hot summer.

'Never in our history have we had such a sustained low water flow,' says Ida-Maria Rigoll. We want to emphasise the positive dialogue that we have had with the County Administrative Board, among others, during this period. We had consultations on three occasions during the summer of 2018 within the framework of existing permits, where it was decided to reduce the extraction from Åsnen in order to keep up the level of the lake.

Sveaskog and Mörrums Kronolaxfiske also played an active role in investigating the health of the salmon, as well as contributing their own research funds.

Another of Sveaskog's popular attractions is the Hjälmare Canal, which is the country's oldest navigable canal.

#### More wind turbines on Sveaskog land

Other leases include rental objects and leases, e.g. for agriculture, peat, gravel and quarries, as well as for wind power and telecom equipment. During 2018, 40 wind turbines (15) became operational on Sveaskog's land. In total there are now 320 wind turbines on Sveaskog's land, with annual production of around 2 terawatt hours (TWh).



Jonas Johansson, founder of Hunting for All.

## Hunting for All

**AS A CHILD**, Jonas Johansson was afflicted by cancer, which cost him his left leg. For many, when something like this happens it would have meant that their plans were never realised. But not for Jonas Johansson. He kept his dream of hunting and a life in the forest alive. Now the story of his life is to be turned into a film.

At the end of September, four people with different types of disability set off onto Sveaskog's land in the areas of Skrälldalen in Hälsingland to hunt elk. One of the trip's organisers was Hunting for All, an initiative to get people with various movement and functional disabilities out into the forest and countryside.

Jonas Johansson from Västergötland is the man behind the project.

He comes from a family with an interest in hunting and as a child was allowed to go with his father and grandfather. His life was brutally changed at the age of 11 when he was affected by cancer. The disease necessitated the amputation of his left leg from the hip downwards. Despite the seemingly bad odds, Jonas Johansson kept his interest in hunting alive and was determined to be able to go hunting despite everything.

*What is the main difference in hunting for people with a movement disability compared with those with no movement disability?*

'There are no differences at all, really, but there are other solutions as to how you can get things to work, and this is what we wish to show. The idea is to show that it is possible to go hunting with various types of functional disability. We had the opportunity to help and show each other the various aids that can be used. One of the participants has invented a belt clip for his gun to compensate for the fact that he has an arm missing,' he says.

#### The first hunting team

For Sveaskog, Anders Johansson, who is responsible for cloven-hoofed and other hunting game, has been the one working on the project.

'Jonas called and asked whether we had any land that we could let them go onto. He is a dog handler and part of a hunting team that leases land from Sveaskog, so we suggested that his party might take part in the hunt alongside our project "The First Hunting Team", who hunt in Skrälldalen.'

*What lessons do you take home from this hunting trip?*

'Seeing how they had solved the matter of the various shooting supports, for example, and how well these fabulous people joyfully overcame their situation.'

*Is this something that Sveaskog can continue supporting?*

'I have said that, if required and if we have the chance to do so on our land, then we will be happy to oblige. We are very pleased with this business.'



## The high cost of damage from grazing game

Elk and other cloven-hoofed game are a very valuable and natural part of Sveaskog's forest landscape. At the same time, there is currently a strong imbalance between the sizes of the game stocks and the availability of forage. This has major consequences to both forest owners and society as a whole.

**T**he Scandinavian peninsula has the world's densest stock of elk. During the summer there are around 350,000 elk in Sweden, of which around 85,000 are culled during the autumn hunt. In 2018, the Swedish Forestry Agency presented a report that attracted considerable attention. According to this report, the levels of the elk populations are so high that 'they are creating significant and extensive problems of various kinds for the forestry industry. In entire parts of the country, every second juvenile pine has been damaged by grazing. In some counties the proportion of damaged juvenile pines is approaching 70 per cent.' According to the report, 'damage levels resulting from grazing by game are unacceptably high. In many places, it is not possible to use the appropriate tree species for forest regeneration. Several tree species of great importance for biodiversity do not have the favourable conditions to evolve into fully grown trees.'

### **Pressure from grazing reduces growth by 20 per cent**

The hard pressure from grazing leads to reduced growth, both in the form of seedlings being lost and the development of defects in the trees leading to more limited uses, for example where trees can only be used for pulp and not for sawlogs. This in turn leads to reduced income for landowners, job losses, less carbon tied up in growing forests and less forest raw material.

In 2011, the Swedish forestry research institute SkogForsk produced figures showing that the decline in growth through grazing damage in Sveaskog's pine forests alone amounts to 851,000 cubic metres. This is a reduction of almost 20 per cent, but the entire volume reduction cannot be 'salvaged' even with a functioning cloven-hoofed game management system as it would require forests without cloven-hoofed game, which is not desirable. A large proportion of the remaining pines also have quality defects in the root-stock, which can further



” In 2000, the elk grazing inventory ‘ÄBIN’ was launched as a means of estimating the extent of grazing damage, particularly on pine.

reduce the landowner’s revenues and limit possible uses. The cost of grazing damage is estimated to be hundreds of millions of kroner per year. By comparison, Sveaskog’s total costs for the fire in 2018 ended up at SEK 90 million in additional costs for wood damage, lost wood value and additional work required, of which the direct costs in 2018 were approximately SEK 30 million.

### Elk management system

In 2000, the elk grazing inventory ‘ÄBIN’ was launched as a means of estimating the extent of grazing damage, particularly on pine. In addition to the size of the elk population, the level of damage from grazing is also determined by the amount of winter feed and then primarily by the amount of pine at a grazeable height of between one and five metres. Over the past 20 years, the area of young pine forest at grazeable height has declined by about 40 per cent, partly due to lower final felling areas, increased timber extraction from thinnings and faster growth in the young forest phase. This is a very strong contributory reason to the fact that grazing damage today is much more extensive despite the fact that the elk stock has roughly halved since the 1980s.

Following a parliamentary resolution, a new elk management system was introduced in 2012 with the aim of achieving a high quality elk stock in balance with the forage supply, and this was to be brought about through a so-called production-adjusted elk hunt. However, even after six years this has not been realised. In 2018, another important part of cloven-hoofed game management was put in place. The Environmental Protection Agency, which is the body responsible nationally for game management, along with the sector authority for forestry, the Swedish Forest Agency, and the forest industry have adopted the same targets for when the stocks of cloven-hoofed game are deemed to be in balance with the forage supply. The targets, knowledge and facts are there, but the authorities, hunters and landowners have not yet succeeded in implementing the required measures. The elk management system lacks the means to increase culling in order to create a balance with the forage supply, and the same applies to other cloven-hoofed game.

Forestry is also impacted by other species. In southern Sweden, in particular, fallow deer, red deer, roe deer and wild boar compete for forage. There are also pests that affect forestry, including insects and fungi. According to the report from the Swedish Forest Agency, it is feared that the risk of damage will increase as a result of climate change. Climate change, the report states, is expected to ‘increase growth, but this may be wiped out by greater damage. Damage may occur from new pests and from native ones, and this may become more serious as a result of climate change. There is also a risk of increasing abiotic damage such as from fire and storms.’



## The Handshake will improve the dialogue

**IN RECENT YEARS**, the process of collecting facts and improving dialogue between the various stakeholders has led to an increased understanding of the imbalance between the number of elk and the availability of forage. There has also been a greater understanding of the need to take action to reverse the trend.

The forestry industry and the Swedish Hunters’ Association have also agreed at a central level on a declaration of intent, the so-called Handshake that provides good conditions for an improved dialogue and, it is hoped, the power to implement the necessary measures.

The aim is to create a good climate of cooperation and to support fact-based management at both regional and local level.

‘With the Handshake, we make it clear that the parties are behind the management system that has been decided upon and the recommended inventory methods, as well as a respectful approach to each other,’ says Ronny Löf, a game specialist at Sveaskog.

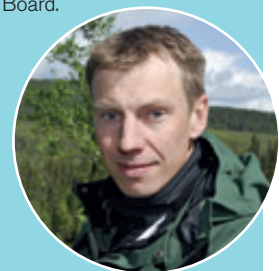
” The forestry industry and the Swedish Hunters’ Association have also agreed at a central level on a declaration of intent.

### Regional Handshake

In the spring of 2018, the parties held three conferences that established that management now needs to focus on setting the right targets and creating the right conditions to meet those targets, and that both parties need to carry out the right actions.

‘A very positive aspect is that the forestry industry and the Swedish Hunters’ Association in Västerbotten (the first county in the country to do so) have agreed to a regional Handshake that also includes the County Administrative Board.

There are several positive examples of collaboration projects between the user parties, i.e. the landowners and the hunters, such as the More Pines project that started in Götaland and is now slowly spreading northwards in the country,’ says Ronny Löf.



Ronny Löf, a game specialist at Sveaskog.

# Risk and sensitivity analysis

An important part of creating long-term values is to understand and manage the risks in the business. The entire company is covered by the risk inventory, which forms part of annual business planning. Significant risks are documented in the business monitoring and planning system.

**S**veaskog's deliveries from its own forest are high volume and even. This means that Sveaskog's immediate economic risks are limited. However, there are other risks, of which Sveaskog is systematically taking stock. Sveaskog is exposed to financial, legal, market-related, operational, public and social risks. The forests are also exposed to biological risks as well as risks relating to weather and climate.

The major storm damage of recent years has highlighted the weather and climate risks. However, Sveaskog's forest holdings are spread throughout the country, which evens out weather-related and biological risks. The forests are also insured against major additional costs.

Sveaskog is working to develop new products and business, such as biofuels and ecosystem services. The company also increases its revenue from the forest by leasing

it for hunting, fishing, nature tourism and wind power. These efforts provide a broader revenue base, but may also involve risks.

### Responsibility

Sveaskog's Board is responsible for ensuring that the company manages its risks in the right way and that established principles for financial reporting and internal controls are followed. The CEO has overall operational responsibility and has delegated the running of the risk management process to the CFO. Operational responsibility lies with profit centres and teams and is monitored at management level.

### Risk management process at Sveaskog

Risk management is an integral part of the annual business planning of the company and includes both profit centres and teams. Significant risks to the company

are identified, reported and compiled in the company's business monitoring and planning systems.

Reporting involves describing the risk and how it is managed, as well as indicating who is responsible. Risks are evaluated from a five-year perspective and aim to describe what effect the described risk may



## Management of significant risks

### Biological risks

#### A. Spruce bark beetle

Insect pest that has increased in numbers in the north; the control area has been expanded. In southern Sweden, bark beetle attacks are evident following the hot summer.

**Management:** Rapid processing of storm-felled wood and standing trees with fresh attacks.

#### B. Shortage of spruce seeds

Problems with cherry spruce rust continue. Flowering has failed for several years. The shortage of cultivated seeds in Norrland may lead to growth losses.

**Management:**

- Collection of wild stock seed and/or external purchases. Research and development.

#### C. Root rot

The value of growing forests decreases; trees die.

**Management:**

- Prevent attacks by treating stumps against fungal spores during felling.

#### D. New pests gain a foothold

If, for example, the black arches moth (nun moth), mountain pine beetle or any other serious pest were to gain a foothold in the country, it could lead to major destruction.

**Management:**

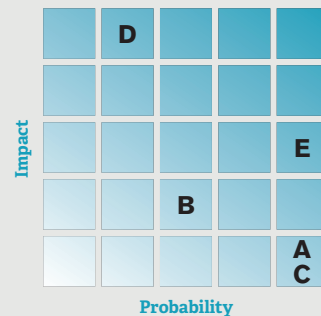
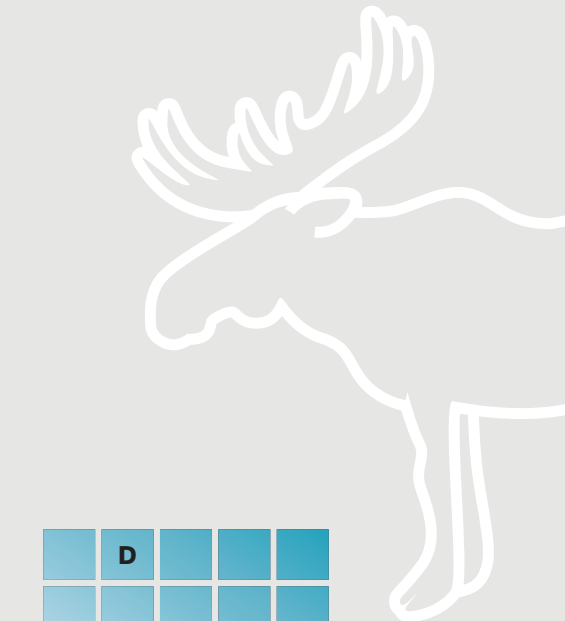
- Monitoring.

#### E. Damage from grazing game

Game grazing on trees and seedlings reduces forest growth. Damage from grazing game is a fact and amounts to hundreds of millions of kronor a year on Sveaskog's land. An increase of 10% would affect operating profit by large amounts.

**Management:**

- Hunting, measures for increased foraging access, increased knowledge of game stocks.



have on the company's strategic targets according to the current business plan. Probability is measured on a five-point scale where the lowest level (1) means that it is unlikely to occur during the period and the highest level (5) means that it is expected to occur during the period.

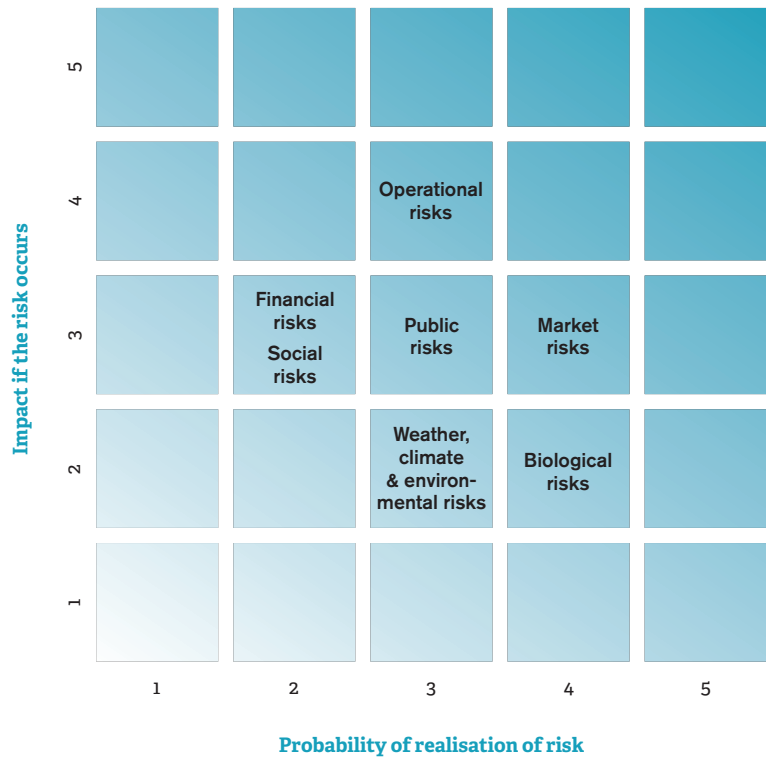
Impact is evaluated on a five-point scale where the lowest level (1) means that it has a negligible negative impact and the highest level (5) means that it has a very major negative impact on Sveaskog's ability to meet its targets.

The product of this evaluation gives the total risk value, which is illustrated in the above risk matrix and on the following pages.

The identified risks are evaluated and prioritised on the basis of the total risk value. The risk manager is responsible for identifying improvement measures and for evaluating these on the basis of effectiveness and on how time-consuming and costly the measure is. These are conducted according to priority and available resources. Once the measures have been taken, an evaluation is performed to determine whether the measure has been sufficient to deal with the risk in question.

This is an account showing how Sveaskog handles its most important risks.

## Identification of significant risks



## Financial risks

### A. Financing risk

The assets are partly financed by external loans. This poses a risk if a large borrowing requirement arises in a strained credit market situation.

**Management:**

- A well-diversified loan portfolio of lenders and investors with good flexibility and competitive pricing as well as stable cash flows.



### B. Interest rate risk

Risk of Sveaskog being exposed to an unfavourable interest rate situation with a large loan portfolio.

**Management:**

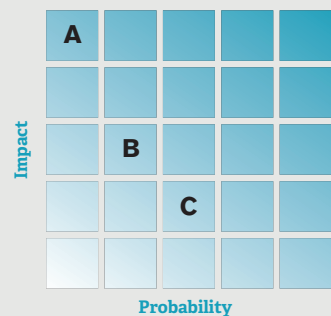
- Sveaskog's policy is for the loan portfolio's average interest rate lock-in to be 12–48 months.

### C. Credit risk

That a counterparty is unable to fulfil its obligations.

**Management:**

- The finance policy regulates maximum credit exposure in the investment portfolio. For commercial credit exposure, a number of large customers are exempted; otherwise credit insurance is taken out on other customers.
- Regular meetings of the credit committee and information to the Board of Directors.



# Management of significant risks, cont.

## Operational and legal risks

### A. Loss of FSC® certification

Lack of quality in forest management and consideration for nature, as well as shortcomings in work and social responsibility follow-up, may result in Sveaskog losing the FSC® certificate, which would have a significant impact on the timber business.

**Management:**

- Documented procedures and work processes in all parts of the business.
- Internal and external audits and training courses for continuous improvement work

### B. Effects on forestry from political decisions

National and EU directives (e.g. the directives on renewables and the impact of land use on climate), interpretation by authorities and their impact on forestry.

**Management:**

- Monitor and be present and influence the debate.
- Monitor the interpretations that are made.

### C. Access to labour and contractors

We are currently seeing a reduction in the supply of labour and increased competition from the industry and other industries, which means that it has become increasingly difficult to recruit our own staff and to hire contractors, particularly in the fields of felling, transport and soil conditioning.

**Management:**

- Profiling of Sveaskog as an attractive employer.
- Cooperation with training programmes.
- To promote a functioning supplier market with healthy competition.
- Increased diversity and equality work.

### D. Conservation and conservation forests

Sveaskog has chosen to designate 20 per cent of its productive forest land as nature conservation areas. Half of this area (10 per cent) has been allocated for conservation forests. Excessive provision of conservation forests leads to a reduced supply of forest raw material for industry and reduced profits for Sveaskog.

**Management:**

- Continuous evaluation to ensure that the 10% designated are those with the highest natural value.
- Procedures to ensure that forests with lower natural value remain as production forest.

### E. IT security risks

**Administrative/Organisational IT security risks:**

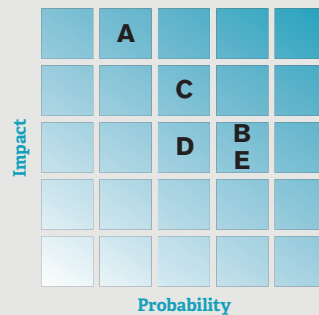
- Inadequate procedures, incorrect documentation and incorrect division of responsibilities when handling Sveaskog's information.
- Leakage, destruction or unauthorised manipulation of personal data.

**Technical/physical IT security risks:**

- Breakdowns, information leaks, hacking, virus attacks, sabotage and IT-related blackmail.

**Management:**

- Introduction of an IT Security Management System (Swedish: LIS); appointment of information owners for the data on Sveaskog's systems.
- Good procedures for managing files and systems containing personal data.
- Participation of the business in the IT security work.
- IT Security level based on risk analysis, monitoring to detect and address IT security incidents, reliable back-up procedures.
- Information and training.



## Weather, climate and environmental risks

### A. Climate change

Changes to the climate may increase the risk of storms, changes in precipitation, forest fires, operating conditions and changes to vegetation boundaries.

**Management:**

- Clearing and thinning adapted to the stand.
- Customised forest use methods in the event of fire risk and non-load-bearing conditions.
- Work with cultivated seeds and plants.
- Insurance.

### B. Storm damage

A major storm causes a direct financial loss through a reduction in operating profit and lowering of the value of the forest capital. Clearing leads to a direct financial loss through a reduction in operating profit and lowering of the value of the forest capital; clearing puts a strain on the organisation and damage from the bark beetle.

**Management:**

- Forest management measures to reduce the risks: thinning, planting, increased proportion of deciduous trees, final felling at the time of economic maturity.
- Good crisis organisation and logistics. Ability to switch felling resources to the storm-damaged area.
- Insurance against damage.

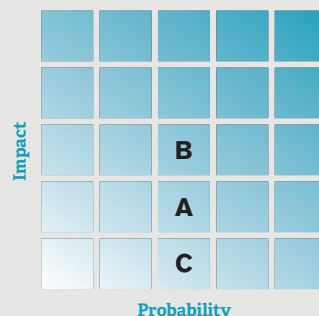
### C. Contaminated land

Responsibility for contaminated land from any previous contamination.

**Management:**

- Mapping, strategy and action plan for management and ongoing operations and possible post-treatment.

In 2005, Storm Gudrun caused gross damage totalling approximately SEK 730 million. Based on current insurance cover, equivalent damage would affect operating profit by approximately SEK 246 million. Sveaskog's insurance cover is described in more detail in note 26.



# Management of significant risks, cont.

## Market risks

### A. Sawmill industry

At times poor profitability results in the closure of sawmills and credit losses for Sveaskog. Structural change can lead to fewer customers close to Sveaskog's holdings. Changes on the international market may affect the demand for products from the pulp and paper industry.

**Management:**

- Active customer choice and credit insurance.
- Prioritisation of cooperation with customers who have long-term survival and profitability potential.
- Prioritise product development and innovation.

### B. Pulp and paper industry

A small number of dominant companies mean a lack of competition and few alternative business and marketing opportunities. Changes on the international market may affect the demand for products from the pulp and paper industry.

**Management:**

- Expand market and customer capital.
- More efficient logistics and increased exports. Prioritise product development and innovation.

### C. Energy sector

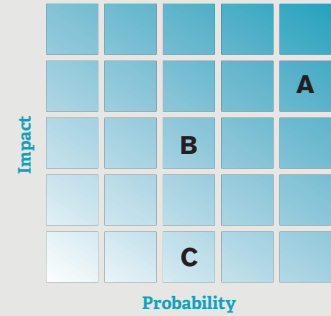
Increased competition from substitutes and low energy prices mean limited marketing opportunities. Closures of companies and customers on Sveaskog's traditional markets.

**Management:**

- Be an efficient supplier with developed business concepts local to the customer that bring added value and increased profitability to the parties.
- Prioritise product development and innovation.

A change of 10 per cent in the average price of forest raw material from our own forest would affect operating profit by around SEK 300 million.

An average change of 10 per cent in delivery volume from our own forest would affect operating profit by around SEK 200 million.



## Social risks

### A. Import timber of undesirable origin

Purchases from other countries may involve risks linked to illegal felling, corruption and labour law.

**Management:**

- Sveaskog's Code of Conduct, certification and clear guidelines for the tracking and documentation of purchased raw materials, which determine the company's actions and follow-up.

### B. Contractors

Contractors who fail to comply can pose risks linked to the work environment, health, safety, labour law.

**Management:**

- Code of Conduct, guidelines for the procurement of contractors, service declaration, follow-up and enforcement reduce risks.

### C. Corruption

Unclear guidelines and procedures lead to the risk of bribery and corruption.

**Management:**

- Continuous training and dialogue, Code of Conduct, clear guidelines, internal controls, possibility to report suspected violations anonymously.



## Public risks

### A. Opinions on the forest

Opinions on forest use and restrictions on forestry can affect the profitability and value of forest land.

**Management:**

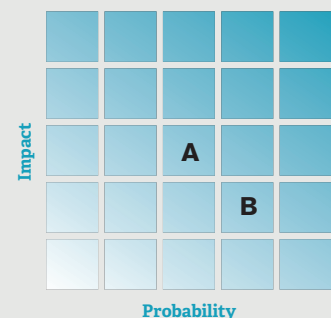
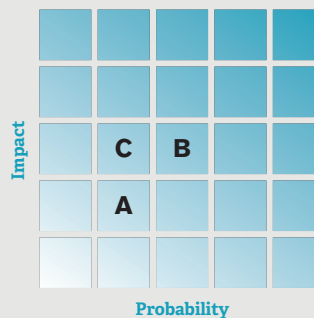
- Active in the forest debate. Cooperation with other parties and players. Local presence and dialogue.

### B. Reduced confidence

The brand and confidence are affected, and with that customer relations and cooperation.

**Management:**

- Code of Conduct, internal procedures, active information work and continuous dialogue with stakeholders.



# Distribution of profit

The Board of Directors proposes to the Annual General Meeting that the dividend for 2018 as a whole be determined at SEK 1,100 million (900), which corresponds to SEK 9.29 (7.60) per share.

## Proposed allocation of profits, SEK

Profit at the disposal of the Annual General Meeting:

SEK	
Profit brought forward	7,423,285,385
Profit for the year	-2,010
<b>Total</b>	<b>7,423,283,375</b>

The Board of Directors proposes that the profit be allocated as follows:

SEK	
Allocated to the shareholder	1,100,000,000
Carried forward to next year	6,323,283,375
<b>Total</b>	<b>7,423,283,375</b>

### Opinion of the Board of Directors pursuant to Chapter 18 Section 4 of the Swedish Companies Act

Following the Board's proposal regarding the allocation of profits, the Board of Sveaskog AB (publ) hereby submits the following opinion.

According to current economic goals, the ordinary dividend should in the long term correspond to 65–90 per cent of the Group's profit after tax, excluding non-cash change in the value of its own forest after tax. Dividends are paid on the condition that the capital structure target after dividends falls within the target range, as well as taking into account the implementation of the Group's strategy and investment requirements.

The Board of Directors proposes to the Annual General Meeting that the dividend for 2018 be determined at MSEK 1,100,000,000 which corresponds to SEK 9.29 per share. It is proposed that the dividend, which makes up 82 per cent of the dividend base, be executed in the form of a cash dividend.

Provided that the 2019 Annual General Meeting decides to adopt the Board's proposal for the allocation of profits, SEK 6,323,283,375 will be carried forward to a new account. There is full coverage for the company's restricted equity after the proposed dividend.

The nature and extent of the company's operations are set out in the Articles of Association and the issued Annual Report. The operations that are conducted in the company and the Group

do not entail any risks over and above that which occurs or can be assumed to occur in the sector, or those risks that are associated with running a business. The company's and the Group's dependence on the economic cycle does not deviate from that which occurs otherwise in the sector. The Board is of the opinion that, after the proposed allocation of profits, the company's restricted equity will be sufficiently large in relation to the size of the business.

The Board has taken into account the company's and the Group's funding requirements through a comprehensive assessment of the company's and the Group's financial position and opportunities to fulfil its undertakings in the long term. The company's financial situation can be seen from the Annual Report. This shows that the Group's net debt/equity ratio is 0.30. Sveaskog's established target for net debt/equity ratio is 0.3-0.6. The Group's financial position is consequently strong.

The proposed dividend does not jeopardise the company's ability to make the investments that have been deemed necessary. The company has financial resources to cope with unexpected events and temporary fluctuations in cash flows to a reasonable extent. The company's financial position does not give rise to any assessment other than that the company may continue its operations and that it is expected to fulfil its obligations in the short and long term.

The Board has taken into account the position of both the company and the Group in general. In this respect, the Board has taken into account all known circumstances that may affect the company's financial position and that have not been taken into account in the context of the assessment of the company's consolidation requirement and liquidity. The circumstances that the Board has taken into account include those events and circumstances about which the company has provided information in the Directors' Report, as well as those relating to dates after the end of the 2018 financial year.

On the basis of that set out above, the Board considers that the dividend is justifiable, taking into account the demands that the nature, size and risks associated with the business place on the size of the company's and the Group's equity as well as the company's and the Group's consolidation requirements, liquidity and position in general.

# Corporate Governance Report

Sveaskog is a limited liability company that is owned by the Swedish state. The governance of Sveaskog is founded on the Swedish Companies Act, the state ownership policy, the Swedish Code for Corporate Governance (the Code) as well as other applicable Swedish and foreign laws and regulations.

This corporate governance report has been prepared as part of Sveaskog's application of the Code. The report has been reviewed by the auditors.

In accordance with the state's ownership policy and guidelines for state-owned companies, Sveaskog has deviated from the Code in three cases:

- Preparation of decisions regarding nomination of the Board of Directors and auditors, entailing that Sveaskog has not appointed a nomination committee.
- As regards the independence of Board members in relation to the state as the major shareholder, this is not reported because the Code in this respect is targeted at companies with a dispersed ownership.
- The place and date of the Annual General Meeting will be notified on the company's website at the latest in conjunction with the third quarterly report. Sveaskog has decided to comply with Nasdaq Stockholm's regulations for share issuers, and therefore provides information about the planned date for the Annual General Meeting in the year-end report.

## Mission

According to the state ownership policy, state-owned companies should act in a long-term, efficient and profitable manner and be given the ability to develop. The companies must act in an exemplary manner in the field of sustainable business and otherwise act in such a way that they enjoy public confidence.

According to the Articles of Association, Sveaskog must own and manage movable and immovable property, and carry out forestry, forest industry-related and associated activities. The core business must be forestry. Sveaskog must also be an independent player without any major interests as an end user of forest raw materials. The company may also conduct related activities if these help to increase the company's returns. According to a special parliamentary commission, the company must help to strengthen individual agricultural and forestry operations by selling land in sparsely populated areas to private individuals. The sale of land must take place until ten per cent of the area that Sveaskog owned at the time of its formation in 2002 has been divested. Operations must be carried out on a commercial basis and generate market demands for yield.

## Annual General Meeting

The Annual General Meeting is Sveaskog's highest decision-making body. The Annual General Meeting of the parent company Sveaskog AB (publ) took place on 23 April 2018 in Stockholm. The Annual General Meeting for 2019 will be held on 24 April.

According to the state's ownership policy and guidelines for state-owned companies, as well as the Articles of Association, Members of Parliament are entitled to attend and ask questions at Sveaskog's general meetings. The public is also welcome to attend the meetings.

## Nomination process

The state's ownership policy and guidelines for state-owned companies specify a different nomination process than that prescribed in the Code in respect of the Board of Directors and auditors. The

nomination of the Board is coordinated by the Government Offices. The Government Offices also propose the Chairman of the Board and the Chairman of the general meetings. The nominations of members are presented in the notice of the AGM and on Sveaskog's website.

The Government Offices are also responsible for selecting auditors, and for ensuring that decisions relating to this are taken at the AGM. Proposals for the selection of auditors are presented in the notice of the AGM and on Sveaskog's website. The auditors are appointed with a term of one year. The practical work on the procurement of auditors is handled by the Board's Audit Committee alongside the company.

## Board of Directors

The Board of Directors will be responsible for the company's organisation and the administration of the company's affairs. According to the Articles of Association, the Board must consist of at least five and at most nine members. There are also two employee representatives and two deputies. The Articles of Association do not contain any provisions regarding the appointment or dismissal of Board members.

The company's Chief Legal Officer is the Secretary of the Board.

## Composition of the Board

Six Board members were elected at the 2018 AGM. Following the 2018 AGM, the Board has consisted of three women and three men. The Board also two employee representatives and two deputies. At the AGM, Eva Färnstrand was re-elected Chairman.

## The work of the Board

The Board's rules of procedure govern the work of the Board. The Chairman of the Board must ensure that the work of the Board is carried out effectively and that the Board fulfils its obligations. According to the rules of procedure, the Board will normally hold eight meetings a year, in addition to the statutory meeting in connection with the AGM. The rules of procedure specify which matters are to be dealt with at each meeting as well as which specific issues are subject to the Board. According to the rules of procedure, the Chairman must, on behalf of the Board, consult with representatives of the owner on matters that are of crucial importance to Sveaskog. The rules of procedure also contain information about the role of the Chairman in the Board as well as information about responsibility and distribution of roles between the Board and the CEO. The Board continually evaluates the work of the CEO, as well as conducting an annual evaluation of the Board's own work. The CEO's work is evaluated at least once a year without anyone from the Group management being present.

The Board held 9 meetings during 2018, two of which were strategy meetings. In addition to dealing with standing items on the agenda, the Board has focused on issues relating to communication, growth rate improvement measures, how Sveaskog has implemented GDPR, risk management and organisational issues.

**The Board's committees**

The Board's committees prepare issues for decisions by the Board. Guidelines for the work of the committees can be found in the Board's rules of procedure. There are also special instructions for the Property Committee and the Audit Committee. The matters that the committees deal with are recorded and presented at the next Board meeting.

**Remuneration Committee**

Prepares matters regarding remuneration and terms of employment for senior executives. The Remuneration Committee comprises Eva Färnstrand (Chairman) and Leif Ljungqvist.

**Property Committee**

Prepares matters concerning e.g. property acquisition, management and sales. The Property Committee comprises Sven Wird (Chairman), Annika Nordin and Sara Östh.

**Audit Committee**

Responsible e.g. for the preparation of the Board's work regarding quality assurance of the company's financial reporting, meeting the company's auditors on an ongoing basis to obtain information about the direction, scope and results of the audit, as well as discussing the coordination between the external auditors and the internal control activities and views of the company's risks. The

Audit Committee comprises Anna-Stina Nordmark Nilsson (Chairman), Leif Ljungqvist, Thomas Hahn and Kenneth Andersson.

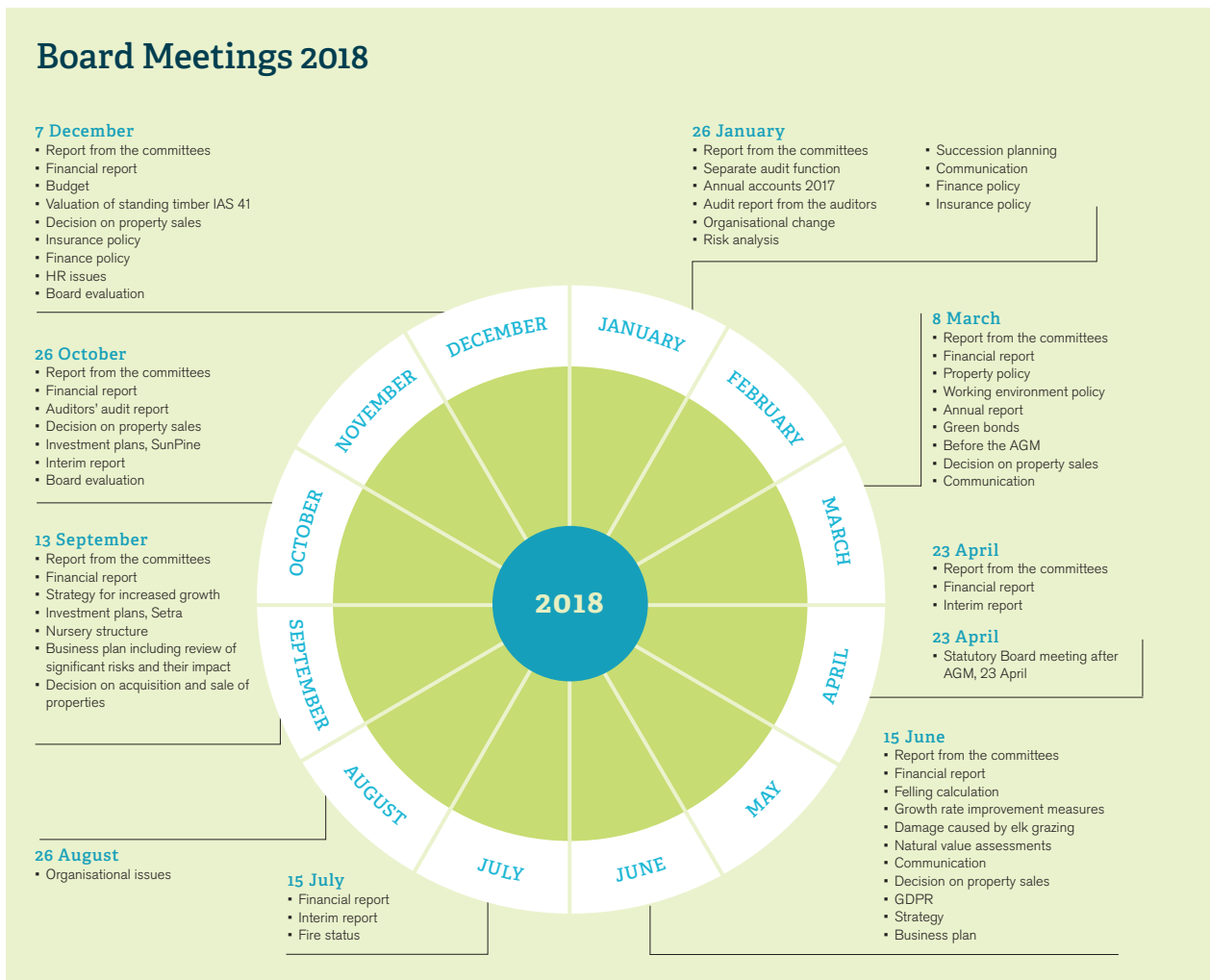
**Principles for remuneration to the Board**

The remuneration of the Board of Directors is determined by the AGM, as are fees to members of the Board's committees. During 2018, remuneration totalling SEK 1,316,667 has been paid to the Board of Directors. The Board is not involved in any bonus or incentive programmes. The employee representatives and the Board member who is employed at the Government Offices receive no fees.

Up until the 2018 AGM, Eva Färnstrand, Anna-Stina Nordmark Nilsson, Annika Nordin and Sven Wird invoiced their fees through their own companies. Supplements have then been added for social-security deductions. The arrangement was cost-neutral for Sveaskog.

**Company structure**

Sveaskog was previously organised into three geographical market areas and Svenska Skogsplantor. During the year, a reorganisation has been carried out in which the South and Central market areas have been merged. The division into market areas is based on the forest assets, customer structure and trade flows. The market areas have customer, production and delivery responsibility for the forest raw material. Leases (with the exception of hunting rights) and property transactions are managed centrally within the





Legal Affairs and Property staffs. The operational activities are supported by Group-wide staffs.

Sveaskog also owns shares in companies where there is no Group relationship. The shareholding in the timber industry company Setra Group AB (publ) is Sveaskog's largest holding, followed by SunPine AB, which is categorised as an associated company.

### CEO and Group management

Sveaskog's CEO is in charge of the company's ongoing management in line with the Board's instructions. The CEO is responsible for reporting at the Board meetings. The CEO's responsibilities include day-to-day operational issues and contacts with the company's Chairman and external stakeholders. The CEO also leads the work of the Group management. The Group management comprises ten people, made up of six men and four women. The Assistant to the CEO is co-opted to the Group management. During the year, the HR and Communications Manager has left the company and a new Communications Manager has taken office. In addition, a new HR Manager has been recruited, who will take up the position in March 2019. The CEO has announced his resignation and the board has started recruitment of a new CEO.

### Internal control and risk management systems related to financial reporting

The Board's responsibility for internal control is regulated in the Swedish Companies Act and the Code. The purpose of internal control is to provide reasonable assurance regarding the reliability of external financial reporting in the form of financial statements, interim reports and annual reports. The control should also cover external financial reporting and ensure that it is prepared in accordance with the law, applicable accounting standards and other demands placed on limited liability companies.

### Internal control framework

Below is a description of how internal control is organised in relation to financial reporting.

### Control environment

The Board has overall responsibility for maintaining an effective system for internal control and risk management. The Board has appointed the Audit Committee to prepare matters relating to risk assessment, internal control, financial reporting and auditing. The

Board's risk management has been provided with greater scope in recent years.

The responsibility for maintaining an effective control environment and the ongoing work with risk management and internal control in respect of financial reporting is delegated to the CEO. Managers at various levels in the company have corresponding responsibility in their respective areas.

The most essential parts of the control environment when it comes to financial reporting are dealt with in governing documents concerning accounting and financial reporting, as well as in the financial handbook published on Sveaskog's Intranet for its employees.

### Risk assessment and control structures

The Board is responsible for ensuring that the company manages its risks in the right way and that established principles for financial reporting and internal control are followed. Identified risks in the context of financial reporting are the loss or misappropriation of assets, undue favouring of another party at the company's expense and other risks relating to material misstatement in the accounts, such as in respect of accounting and the valuation of assets, liabilities, income and expenses or discrepancies in disclosure requirements.

These matters are prepared by the Audit Committee prior to consideration by the Board. A number of items in the income statement and balance sheet have been identified where there is an elevated chance of significant risks. These risks are mainly attributable to the valuation of standing timber, accruals and the IT systems that support the business.

### Information and communication

The company's information and communication channels are aiming to promote completeness and accuracy of financial reporting. For external communications, guidelines exist that aim to ensure that the company lives up to the owner's requirement that the reporting be conducted in accordance with Nasdaq Stockholm's regulatory framework for share issuers.

### Following up

Following up is regulated in the Board's rules of procedure and in the CEO's instructions.

## Mission

According to the state ownership policy, state-owned companies should act in a long-term, efficient and profitable manner and be given the ability to develop. In order to promote long-term, sustainable value growth in state-owned companies, sustainable enterprise is integrated into corporate governance. This means that the companies must act in an exemplary manner in the field of sustainable business and otherwise act in such a way that they enjoy public confidence.

According to the Articles of Association, Sveaskog must own and manage movable and immovable property, and carry out forestry, forest industry-related and associated activities. The core business must be forestry. Sveaskog must also be an independent player without any major interests as an end user of raw materials.

As part of the streamlining of operations, Sveaskog is also striving to adapt the structure of forest holdings to the

customer structure through the purchase, exchange and sale of forest land. According to a decision by the Swedish Parliament, land must be sold until 10% of the area the company owned 2002, at the time of its formation, has been divested.

Sales are to be take place on market terms and are intended to strengthen private forestry. As the aim is not to reduce Sveaskog's land holding, this task does not prevent Sveaskog from simultaneously buying land. On the contrary, this ensures that there is a functioning market. In 2018, 18,681 (13,787) hectares were sold. In total, 382,670 hectares or 8.78 per cent have been sold in 2,229 transactions.

The owner has a distinct dividend policy and clear financial targets for Sveaskog in terms of direct yield and net debt/equity ratio.

### Separate audit function

It is the Board's view that Sveaskog's significant risks and risk areas are covered by the risk management process applied by the company. The CFO unit is responsible, at the CEO's request, for conducting an inventory of risks and running risk management processes. The CFO unit is also responsible for a number of central controls combined with local monitoring. However, the operational responsibility lies within the market areas and other business segments. The Board considers that there is no need for a separate audit function in the company. The CFO unit is headed by the Deputy CEO and CFO, and consists of the finance staff and the IT staff.

### Auditing

The auditors are responsible, on behalf of the shareholder, for examining the company's annual accounts and bookkeeping as well as the administration by the Board and the CEO. A general review is carried out of the company's sustainability report. The Board communicates with the auditors both through the Audit Committee and by means of the auditors being present at Board meetings when considering issues related to the annual accounts and annual report. At least once a year, the auditors meet the Board without the presence of the CEO or anyone else from the Group management. The auditors have participated in 7 of the Audit Committee's 9 meetings.

The remuneration to the auditors is presented in Note 6.

### Sustainable business

Sveaskog has integrated sustainability thinking throughout the entire business. Sveaskog's overall goals for sustainable enterprise are broken down into strategies and business goals that are followed up regularly. The work is supported by a number of policies and guidelines available both on Sveaskog's intranet and its website. During the year, the company started work on "Integrated Profit and Loss Reporting", which highlights the impact of the business from several perspectives. For example, the analysis highlights the added value that the company has to offer in addition to timber production, such as ecosystem services.

Sustainability work is continually followed up, both internally and externally. The CFO and the CEO perform regular follow-ups of the business, along with the market areas and Svenska Skogsplantor. The Board delivers the sustainability report and the Audit Committee conducts the preparatory work for it.

Collaboration with local contractors and suppliers is important for the development of Sveaskog. The Code of Conduct, general sustainability requirements linked to the UN Global Compact and detailed requirements for contractors govern the assessment of the contractors. Monitoring is performed by means of self-monitoring and internal audits. Deviations are reported in the business management system. The framework agreements with external suppliers are followed up every year.

The external audit consists of the auditors examining the Annual and Sustainability Report. In addition, internal auditing of the integrated business management system is carried out according to ISO 14001. External audits of FSC® certificates are carried out and surveys are conducted regularly with customers, employees, contractors and suppliers, as well as surveys relating to the brand.

These are used as tools to create an understanding of the impact of the business from a stakeholder perspective, as well as providing support for the following up of international frameworks such as national environmental goals and Agenda 2030.

### Values and Code of Conduct

Sveaskog's values and ideals should permeate our corporate culture and help all employees to share a common approach in our day-to-day activities.

Sveaskog's values are:

- Customer focus
- Innovation
- Simplicity
- Transparency

### The values include:

#### How Sveaskog does business

The employees should be business-minded and understand the needs of customers, take the initiative and be innovative.

### Board attendance and remuneration, 2018

	Present Board meetings	Present remuneration committee	Present property committee	Present audit committee	Remuneration, SEK	
					Board of Directors	Committee
<b>Ordinary members</b>						
Eva Färnstrand	9/9	3/3	–	–	453,333	10,000
Thomas Hahn	9/9	3/3	–	9/9	178,333	20,000
Leif Ljungqvist	9/9	–	–	9/9	–	–
Annika Nordin	9/9	–	5/5	–	178,333	40,000
Anna-Stina Nordmark Nilsson	8/9	–	–	9/9	178,333	40,000
Sven Wird	9/9	–	5/5	–	178,333	40,000
<b>Employee representatives</b>						
Kenneth Andersson (elected 2017)	6/6	–	–	9/9	–	–
Sara Östh	9/9	–	5/5	–	–	–
Lars Djerf (deputy)	7/9	–	–	–	–	–
Thomas Esbjörnsson (deputy)	8/9	–	–	–	–	–

**How employees should act as employees and colleagues**

Employees should be guided by our vision, goals and strategies, and show respect for the integrity and knowledge of their colleagues.

**How managers and leaders should take specific responsibility**

Managers and leaders should create an innovative climate and establish an open culture with feedback.

Sveaskog has a Code of Conduct that applies to all employees. Those who make agreements with customers, suppliers, contractors and consultants must ensure and monitor that these agreements comply with the Code of Conduct. Sveaskog's management must ensure that the Code of Conduct is followed on a day-to-day basis. The Code of Conduct should always be reviewed in connection with new recruitment, performance appraisals, negotiations, operational follow-up etc., and it is always appended to business and employment contracts.

There is a separate reporting system for non-conformance or deviation from the code, designed to ensure that the Code of Conduct is followed. This whistleblower function is available through the website and provides guaranteed anonymity. The function is external, which means that the information is handled and investigated by an external party. During 2018, no notifications were received via the whistleblower function, although a report was submitted directly to the Chairman of the Board.

Under the guidance of lawyers and HR specialists, regular meetings are held in the various divisions where questions about the Code of Conduct, guidelines for representation and other ethical issues are discussed.

**To learn more:****State ownership policy**

[www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/](http://www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/)

**Sveaskog's Articles of Association**

[www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/](http://www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/)

**Sveaskog's Code of Conduct**

[www.sveaskog.se/om-sveaskog/uppforandekod/](http://www.sveaskog.se/om-sveaskog/uppforandekod/)

**Swedish Companies Act**

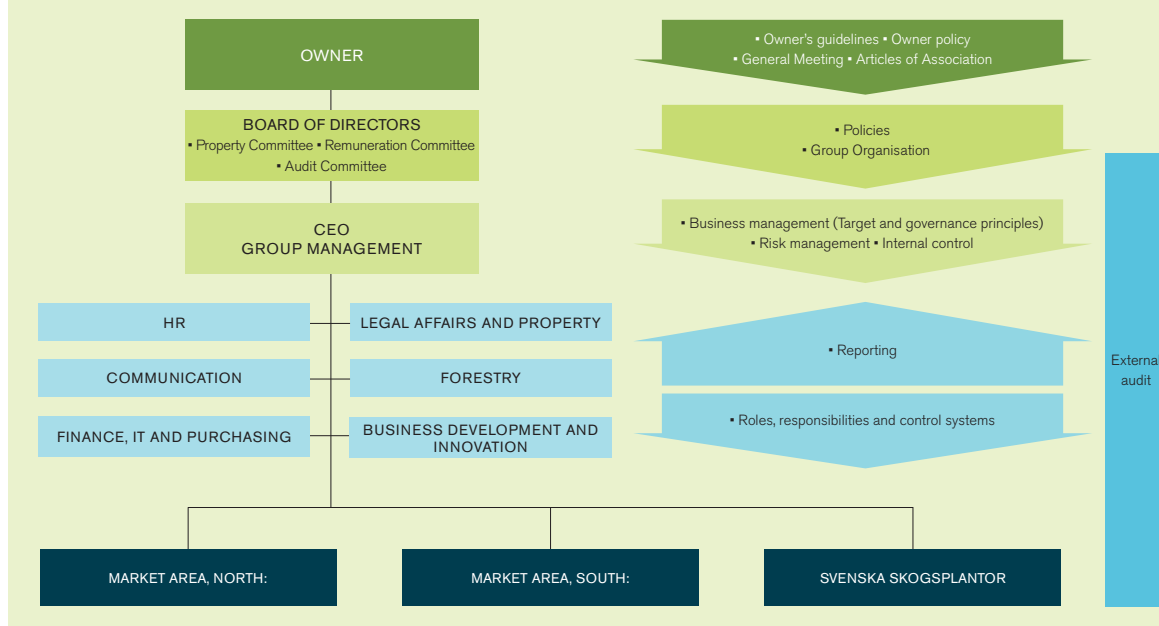
[www.regeringen.se](http://www.regeringen.se)

**Swedish Corporate Governance Code**

[www.bolagsstyrning.se/](http://www.bolagsstyrning.se/)

**Nasdaq Stockholm's regulatory framework for share issuers**

[www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html](http://www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html)

**Organisation and governance**

# Board of Directors



## Eva Färnstrand

### Chairman of the Board

MSc. Born 1951. Elected 2008 and Chairman of the Board since 2017. Chairman of the Remuneration Committee.

*Other assignments:* Member of the Royal Swedish Academy of Engineering Sciences (IVA). Chairman of the Board of Infranord AB. Board member, Saminvest AB.

*Previous experience:* Plant Manager of Södra Cell Mönsterås, CEO of Tidningstryckarna AB, Business area manager at SCA. Chairman of the Board of Profilgruppen AB and Inlandsinnovation AB. Board member of e.g. Indutrade AB, Domsjö fabriker AB, Södra Cell AB, Handelsbanken's regional bank Stockholm City, Schibsted Tryck AS.



## Thomas Hahn

### Board member

PhD in Agronomics. Born 1964. Elected 2007. Member of the Audit Committee.

*Other assignments:* Reader at Stockholm Resilience Centre. Member of the Royal Swedish Academy of Agriculture and Forestry. Involved in the Millennium Ecosystem Assessment and Intergovernmental Platform for Biodiversity and Ecosystem Services (IPBES).

*Previous experience:* Secretary of the investigation "Demonstrating the values of ecosystem services", member of the Nuclear Waste Fund and the chairman of Economists for the Environment.



## Leif Ljungqvist

### Board member

MBA (Econ.) Born 1971. Elected 2016. Member of the Remuneration and Audit Committees.

*Other assignments:* Company manager and Deputy Director at the Ministry of Enterprise, Energy and Communications, State-ownership unit. Board member of Apoteket AB, Samhall AB and Statens Bostadsomvandling AB.

*Previous experience:* Board member of Akademiska Hus AB, AB Svensk Bilprovning, Vasallen AB and AB Bostadsgaranti. Former equity analyst at Kaupthing Bank, Nordiska Fondkommission and Hagströmer & Qviberg.



## Kenneth Andersson

### Board member

Machine operator. Born 1969. Elected 2017. Employee representative appointed by the GS trade union. Member of the Audit Committee.



## Sara Östh

### Board member

Certified forester. Forestry management leader. Born 1983. Elected 2018. Employee representative appointed by the Swedish Institute/Swedish Association of Professional Scientists. Member of the Property Committee.



### Annika Nordin

#### Board member

Master of Forestry Science. Born 1968. Elected 2016.

Member of the Property Committee.

*Other assignments:* Professor of Forest Ecophysiology, Swedish University of Agricultural Sciences. Programme Director, Future Forests research programme. Member of the Royal Swedish Academy of Agriculture and Forestry, the Royal Skyttean Society and board member of Skogforsk.

*Previous experience:* Vice Dean of the Faculty of Forest Sciences at the Swedish University of Agricultural Sciences, board member of the Berzelii Centre for Forest Biotechnology and member of the Environmental Research Council.



### Anna-Stina Nordmark Nilsson

#### Board member

MBA (Econ.) Born 1956. Elected 2006. Chairman of the Audit Committee.

*Other assignments:* CEO of Lulebo AB. Board member of Svevia AB, Dedicare AB and other companies.

*Previous experience:* CEO of the Swedish Federation of Business Owners, authorised public accountant and manager within PwC, Healthcare Director at Stockholm County Council, County Council Director in Norrbotten, President of Piteå-Tidningen and Director of Roads. Directorships within companies, hospitals, universities, foundations and organisations.



### Sven Wird

#### Board member

MSc. Born 1951. Elected 2016. Chairman of the Property Committee.

*Other assignments:* Chairman of Nordiska Virkesbörsen AB. Board member of Rise Research Institutes of Sweden AB.

*Previous experience:* Technical Director, Holmen AB. Senior management positions within SCA, Norske Skog in France, Modo AB and Modo Paper AB. Former Chairman of the Board of SunPine AB and board member of Innventia AB and SP Technical Research Institute of Sweden.



### Lars Djerf

#### Board member, deputy

Harvester operator. Born 1968. Elected 2010. Employee representative appointed by the GS trade union.



### Thomas Esbjörnsson

#### Board member, deputy

Logistician Born 1962. Elected 2015. Employee representative appointed by the Association of Managerial and Professional Staff.

### Auditor

The auditor is the auditing firm Deloitte AB, with Hans Warén (born 1964) as the auditor in charge.

Deloitte AB's address is  
Rehngatan 11,  
113 79 Stockholm.

# Management



## Per-Olof Wedin

President and CEO

MSc. Born 1955. Employed 2011. Took up his current position in 2011.

*Previous experience:* CEO of Svevia AB. Head of Stora Enso's business area Unreinforced Magazine Paper and Pulp as well as the Transport and Distribution department. CEO of Stora Enso Grycksbo AB. Senior management positions at SCA and Modo. Board member of Mesta AS.

*Other assignments:* Board member of LKAB and Setra Group AB. Chairman of The European State Forest Association (Eustafor). Member of the Royal Swedish Academy of Engineering Sciences (IVA) and the Royal Swedish Academy of Agriculture and Forestry.



## Per Matses

Deputy CEO, CFO

MBA (Econ.) Born 1958. Employed 2010. Took up his current position in 2010.

*Previous experience:* Deputy CEO, CFO and Administration director for Apoteket AB, Finance director for Postgirot Bank AB and Finance director for Posten AB.

*Other assignments:* Board member of Setra Group AB, SJ AB and Praktikertjänst AB.



## Nina Arkeberg

Assistant to the CEO, co-opted to the Group management

MA in Business Economics. Born 1967. Employed 2011. Took up her current position in 2011.

*Previous experience:* Including Assistant to of CEO of Svevia AB as well as Assistant to the CEO of Stora Enso Grycksbo AB.



## Eva Karlsson Berg

Head of market area Central

MSc. Born 1959. Employed 2015. Took up her current position in 2015.

*Previous experience:* Managerial positions within Stora Enso. Chairman of Svenska Pappers- och Cellulosa-ingenjörsföreningen (SPCI).

*Other assignments:* Board member of Gävle University College.



## Fredrik Klang

Forestry manager

Certified forester, Master of Forestry Science. Born 1970. Employed 2000. Took up his current position in 2018.

*Previous experience:* Market area manager, market area South, Market area and production manager, Götaland, district manager, silviculture manager, AssiDomän Forestry, SLU, SCA Strömsund.

*Other assignments:* Board member of Sveaskog Försäkrings AB, Board member, Chairman of Arboreal AB.



## Helene Samuelsson

Head of Communications and Public affairs

BA Chemistry. Born 1965. Employed 2018. Took up her current position in 2018.

*Previous experience:* Head of Corporate Communication & Public Affairs at Preem AB, Marketing manager at Preem AB.



### Viveka Beckeman

Head of Legal affairs and Property

LLM. Born 1971. Employed 2012. Took up her current position in 2012.

*Previous experience:* General Counsel at Aditro Holding AB, lawyer at Advokatfirman Vinge, public prosecutor at Svea Court of Appeal and clerk of the court at Helsingborg District Court.

*Other assignments:* Chairman of SunPine AB.



### Henrik Dider

Head of Human Resources

BA/Professional officer degree. Born 1972. Employed 2019.

*Previous experience:* Director of HR at Scandic Hotels, Head of HR at Nordnet Bank, Global Head of HR at IKEA IT, Head of HR at IKEA-Retail Kungens Kurva, etc.

*Other assignments:* Board member of Diversity Charter Sweden.



### Roger Johansson

Manager, Svenska Skogsplantor

Certified forester, MBA. Born 1972. Employed 2001. Took up his current position in 2016.

*Previous experience:* Leading positions in the sawmill industry and Sveaskog, including as Deputy Forest Manager and Marketing Manager.

*Other assignments:* Board member of SweTree Technologies AB.



### Anette Waara

Head of market area North

Certified forester. Born 1969. Employed 2002. Took up her current position in 2016.

*Previous experience:* Production manager, market area Västerbotten, division manager, Västerbotten.



### Jan Wintzell

Head of Business Development & Innovation

Certified forester. Born 1961. Employed 2013. Took up his current position in 2013.

*Previous experience:* Including managerial positions within Pöry Management Consulting.

# Sustainability report

Sveaskog is presenting a sustainability report in accordance with Section 6:11 of the Annual Accounts Act. The sustainability report forms part of the Annual Report. The sustainability report covers Sveaskog AB and its subsidiaries.

According to the Annual Accounts Act, the sustainability report must include business model, policy, results of the policy, significant risks, risk management and performance indicators. The table illustrates where in the Annual Report the various areas can be found.

Scope	Disclosure requirements	Environment	Personnel	Social conditions	Human rights	Anti-corruption
Business model	The sustainability report should describe the company's business model	Sveaskog's business model is described on page 16, Sveaskog's sustainable value chain				
Policy	The sustainability report must describe the policy that the company applies to these issues, including the audit procedures that have been carried out	This is described on pages 52–53 (energy), 48–49 (environment)	Health and safety and gender equality, pages 30–35	Building a sustainable value chain, pages 50–51	Human rights and anti-corruption, pages 50–51, corporate governance report, pages 63–66, and Code of Conduct, sveaskog.se	Human rights and anti-corruption, pages 50–51, corporate governance report, pages 63–66, and Code of Conduct, sveaskog.se
Results of the policy	The sustainability report will describe the results of the policy	This is described on pages 52–53 (energy), 48–49 (environment)	Health and safety and gender equality, pages 30–35	Building a sustainable value chain, pages 50–51	Human rights and anti-corruption, pages 50–51, corporate governance report, pages 63–66, and Code of Conduct, sveaskog.se	Human rights and anti-corruption, pages 50–51, corporate governance report, pages 63–66, and Code of Conduct, sveaskog.se
Significant risks	The sustainability report must describe the significant risks relating to the issues and linked to the company's activities including, where relevant, the company's business relationships, products or services likely to have negative consequences	Risk and sensitivity analysis, weather, climate and environmental risks, page 60	Risk and sensitivity analysis, operational and legal risks, page 60	Risk and sensitivity analysis, social risks, pages 58–61	Risk and sensitivity analysis, social risks, page 61	Risk and sensitivity analysis, social risks, page 61
Risk management	The sustainability report will describe how the company handles the risks	Risk and sensitivity analysis, weather, climate and environmental risks, page 60	Risk and sensitivity analysis, operational and legal risks, page 60	Risk and sensitivity analysis, social risks, pages 58–61	Risk and sensitivity analysis, social risks, page 61	Risk and sensitivity analysis, social risks, page 61
Result Indicators*	The sustainability report will describe key performance indicators that are relevant to the business	Biodiversity and nature conservation, pages 48–49	Sickness absence and occupational injuries, page 32	Evaluation of contractors, page 50	Assessments and action to counter discrimination, pages 50–51	Assessments and action to counter discrimination, pages 50–51

\* A summary of all indicators can be found on page 5.



# Five-year summary<sup>1</sup>

	2018	2017	2016	2015	2014
<b>Income statements, MSEK</b>					
Net sales	6,971	6,206	5,922	6,078	6,232
Other operating income	160	205	171	105	55
Operating expenses	-5,624	-5,082	-4,885	-4,819	-4,937
Depreciation and impairment	-85	-81	-80	-84	-96
Operative operating profit	1,422	1,248	1,128	1,280	1,254
Capital gains on property sales	234	321	131	78	68
Share of profit/loss in associated companies	151	108	53	10	64
Operating profit before change in value of forest assets	1,807	1,677	1,312	1,368	1,386
Change in value of forest assets	1,697	200	319	1,432	1,032
Operating profit	3,504	1,877	1,631	2,800	2,418
Net financial items	-141	-133	-174	-214	-261
Profit before tax	3,363	1,744	1,457	2,586	2,157
Tax	-195	-360	-267	-569	-466
<b>Profit for the year</b>	<b>3,168</b>	<b>1,384</b>	<b>1,190</b>	<b>2,017</b>	<b>1,691</b>
<b>Statement of comprehensive income for the year, MSEK</b>					
Profit for the year	3,168	1,384	1,190	2,017	1,691
Total other comprehensive income after tax	26	29	-18	34	-174
<b>Total comprehensive income for the year</b>	<b>3,194</b>	<b>1,413</b>	<b>1,172</b>	<b>2,051</b>	<b>1,517</b>
<b>Balance sheets, MSEK</b>					
Fixed assets, non-interest bearing	37,466	35,709	35,422	35,088	33,557
Inventories	570	540	582	669	740
Current receivables, non-interest bearing	1,868	1,662	1,520	1,407	1,561
Cash and cash equivalents and interest-bearing receivables	847	1,681	1,070	1,135	1,345
<b>Total assets</b>	<b>40,751</b>	<b>39,592</b>	<b>38,594</b>	<b>38,299</b>	<b>37,203</b>
Equity	23,110	20,816	20,081	19,714	18,463
Non-interest bearing liabilities	9,780	9,685	9,506	9,361	9,188
Interest-bearing liabilities	7,861	9,091	9,007	9,224	9,552
<b>Total equity and liabilities</b>	<b>40,751</b>	<b>39,592</b>	<b>38,594</b>	<b>38,299</b>	<b>37,203</b>
<b>Net operating assets</b>	<b>30,279</b>	<b>28,316</b>	<b>28,012</b>	<b>27,809</b>	<b>26,707</b>
<b>Cash flow</b>					
Cash flow from operating activities	926	778	789	909	769
Cash flow from investing activities	332	502	122	-62	61
Cash flow from financing activities	-2,092	-669	-976	-1,057	-640
<b>Cash flow for the year</b>	<b>-834</b>	<b>611</b>	<b>-65</b>	<b>-210</b>	<b>190</b>
Interest-bearing net debt	7,014	7,410	7,937	8,089	8,207
<b>Key figures</b>					
Return on equity, %	14.4	6.7	6.0	10.6	9.4
Yield, %	5.4	4.8	4.2	4.7	5.0
Equity ratio, %	57	53	52	51	50
Return on net operating assets, %	12.0	6.6	5.8	10.3	9.2
Net debt/equity ratio, times	0.30	0.36	0.40	0.41	0.44
Capital turnover, times	0.24	0.22	0.21	0.22	0.24
Interest cover, times	11.0	10.0	6.3	6.2	4.8
Gross margin, %	49	30	28	47	39
Operating margin, %	50	30	28	46	39
<b>Dividend</b>					
Approved dividend total, MSEK <sup>2</sup>	1,100	900	800	800	800
<b>Investments, MSEK</b>					
Company acquisitions and investments in shares	1	1	1	1	1
Other investments	237	219	183	329	132
<b>Personnel</b>					
Number of employees	682	685	674	688	678
Average number of employees	840	846	844	851	877
Expensed salaries and other remuneration, MSEK	381	386	373	368	365

1) Sveaskog has chosen to present the company's alternative key figures in accordance with the decision of the European Securities and Markets Authority (ESMA). See pages 126–128.

2) For 2018, proposed dividend.

# Consolidated income statement

MSEK	Note	2018	2017
Net sales	Notes 4, 7	6,971	6,206
Other operating income	Note 5	160	205
Raw materials and consumables		-2,291	-1,765
Change in inventories		17	-47
Other external costs	Notes 6, 7	-2,795	-2,695
Personnel costs	Note 8	-555	-575
Depreciation and impairment	Note 9	-85	-81
<b>Operative operating profit</b>		<b>1,422</b>	<b>1,248</b>
Capital gains on property sales	Note 15	234	321
Shares of profit/loss in associated companies	Note 16	151	108
<b>Operating profit before change in value of forest assets</b>		<b>1,807</b>	<b>1,677</b>
Change in value of forest assets	Note 15	1,697	200
<b>Operating profit</b>		<b>3,504</b>	<b>1,877</b>
Financial income	Note 10	2	3
Financial expenses	Note 10	-143	-136
Net financial items		-141	-133
<b>Profit before tax</b>		<b>3,363</b>	<b>1,744</b>
Tax	Note 11	-195	-360
<b>Profit for the year</b>		<b>3,168</b>	<b>1,384</b>
Earnings per share			
- before dilution, SEK		26.76	11.69
- after dilution, SEK		26.76	11.69

# Statement of comprehensive income

MSEK	2018	2017
Profit for the year	3,168	1,384
<b>Other comprehensive income</b>		
Components that will not be reversed over the income statement		
Actuarial gains/losses in respect of pensions	-4	-4
Tax on actuarial gains/losses	1	1
<b>Components that may be reversed over the income statement</b>		
Exchange-rate differences	1	1
Other comprehensive income from associates	22	4
Tax on other comprehensive income from associates	-4	-1
Cash flow hedges	13	36
Tax attributable to cash flow hedges	-3	-8
<b>Total other comprehensive income for the year, net after tax</b>	<b>26</b>	<b>29</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,194</b>	<b>1,413</b>

# Consolidated balance sheet

MSEK	Note	31 Dec 2018	31 Dec 2017	1 Jan 2017
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible assets	Note 13	124	93	52
Tangible fixed assets	Note 14			
- Forestry land	Note 15	2,515	2,460	2,384
- Other tangible fixed assets		479	458	498
Biological assets, standing timber	Note 15	33,607	32,054	31,993
Financial fixed assets				
- Shares in associated companies	Note 16	714	599	562
- Other securities held as non-current assets	Note 16	14	27	26
- Non-current receivables	Note 17	3	5	7
Deferred tax assets	Note 11	10	13	22
<b>Total fixed assets</b>		<b>37,466</b>	<b>35,709</b>	<b>35,544</b>
<b>Current assets</b>				
Inventories	Note 18	570	540	582
Contractual assets		22	14	-
Advance payments to suppliers		219	168	136
Tax assets		1	1	8
Accounts receivable, loans receivable and other receivables	Note 19	1,626	1,479	1,376
Cash and cash equivalents	Note 21	847	1,681	1,070
<b>Total current assets</b>		<b>3,285</b>	<b>3,883</b>	<b>3,172</b>
<b>TOTAL ASSETS</b>		<b>40,751</b>	<b>39,592</b>	<b>38,716</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
	Note 20			
Share capital		118	118	118
Reserves		-27	-56	-87
Earned profit		23,019	20,754	20,172
<b>Total equity</b>		<b>23,110</b>	<b>20,816</b>	<b>20,203</b>
<b>Non-current liabilities</b>				
Interest-bearing non-current liabilities	Notes 21, 26	4,688	5,187	5,187
Provisions for pensions	Note 22	400	439	479
Non-current liabilities		10	11	13
Other provisions	Note 24	165	150	158
Deferred tax liabilities	Note 11	8,207	8,260	8,173
<b>Total non-current liabilities</b>		<b>13,470</b>	<b>14,047</b>	<b>14,010</b>
<b>Current liabilities</b>				
Interest-bearing current liabilities and provisions	Notes 21, 22, 26	2,773	3,465	3,341
Contractual liabilities		1	2	-
Tax liabilities		156	91	2
Accounts payable, other liabilities and provisions	Note 23	1,241	1,171	1,160
<b>Total current liabilities</b>		<b>4,171</b>	<b>4,729</b>	<b>4,503</b>
<b>Total liabilities</b>		<b>17,641</b>	<b>18,776</b>	<b>18,513</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>40,751</b>	<b>39,592</b>	<b>38,716</b>

# Consolidated change in equity

Equity attributable to shareholders of the parent company

MSEK	Share capital	Hedge reserve	Translation reserve	Earned profit	Total
<b>Closing equity, 31.12.2016</b>	<b>118</b>	<b>-75</b>	<b>-12</b>	<b>20,050</b>	<b>20,081</b>
SunPine is reclassified as an associated company in OB, 2017	-	-	-	122	122
<b>Adjusted opening equity, 01.01.2017</b>	<b>118</b>	<b>-75</b>	<b>-12</b>	<b>20,172</b>	<b>20,203</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	1,384	1,384
<b>Other comprehensive income</b>					
Actuarial gains/losses in respect of pensions	-	-	-	-4	-4
Tax on actuarial gains/losses	-	-	-	1	1
Other comprehensive income from associates	-	3	0	1	4
Tax on other comprehensive income from associates	-	-1	0	0	-1
Cash flow hedges	-	36	-	-	36
Tax attributable to cash flow hedges	-	-8	-	-	-8
Translation differences on translation of foreign operations	-	-	1	-	1
<b>Total comprehensive income</b>	<b>-</b>	<b>30</b>	<b>1</b>	<b>1,382</b>	<b>1,413</b>
Dividends paid as resolved at the AGM on 26.04.2017	-	-	-	-800	-800
<b>Closing equity, 31.12.2017</b>	<b>118</b>	<b>-45</b>	<b>-11</b>	<b>20,754</b>	<b>20,816</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	3,168	3,168
<b>Other comprehensive income</b>					
Actuarial gains/losses in respect of pensions	-	-	-	-4	-4
Tax on actuarial gains/losses	-	-	-	1	1
Other comprehensive income from associates	-	17	5	0	22
Tax on other comprehensive income from associates	-	-4	0	0	-4
Cash flow hedges	-	13	-	-	13
Tax attributable to cash flow hedges	-	-3	-	-	-3
Translation differences on translation of foreign operations	-	-	1	-	1
<b>Total comprehensive income</b>	<b>-</b>	<b>23</b>	<b>6</b>	<b>3,165</b>	<b>3,194</b>
Dividends paid as resolved at the AGM on 23.04.2018	-	-	-	-900	-900
<b>CLOSING EQUITY, 31.12.2018</b>	<b>118</b>	<b>-22</b>	<b>-5</b>	<b>23,019</b>	<b>23,110</b>

# Consolidated cash flow analysis

MSEK	Note	2018	1 Jan 2017
<b>Operating activities</b>			
Operating profit		3,504	1,827
Items not affecting cash flow	Note 12	-2,086	-644
Interest received, etc.		2	3
Interest paid		-144	-186
Tax paid		-181	-175
<b>Cash flow from operating activities before change in working capital</b>		<b>1,095</b>	<b>825</b>
Change in working capital:			
- Operating receivables		-207	-149
- Inventories		-38	21
- Operating liabilities, etc.		73	81
<b>Cash flow from operating activities</b>		<b>923</b>	<b>778</b>
<b>Investing activities</b>			
Investments in fixed assets		-237	-219
Investments in shares		-1	-1
Dividends from associated companies		54	75
Sale of fixed assets		516	647
Sale of shares		0	0
<b>Cash flow from investing activities</b>		<b>332</b>	<b>502</b>
<b>Financing activities</b>			
Change in equity:			
- Dividend		-900	-800
Change in interest-bearing liabilities:			
- Borrowings		7,990	11,600
- Repayment of loans		-9,179	-11,469
<b>Cash flow from financing activities</b>		<b>-2,089</b>	<b>-669</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-834</b>	<b>611</b>
<b>Cash and cash equivalents at the beginning of the year</b>	Note 21	<b>1,681</b>	<b>1,070</b>
<b>Cash and cash equivalents at the end of the year</b>	Note 21	<b>847</b>	<b>1,681</b>

# Parent company's income statement

MSEK	Note	2018	2017
<b>Operating revenue</b>			
Net sales	Notes 4, 7	14	13
Other operating income	Note 5	69	40
		83	53
<b>Operating expenses</b>			
Other external costs	Notes 6, 7	-1	-1
Personnel costs	Note 8	-2	-1
Depreciation according to plan	Note 9	0	0
		-3	-2
<b>Operating profit</b>		<b>80</b>	<b>51</b>
<b>Income from financial items</b>			
	Note 10		
Other financial income		16	14
Other financial expenses		-278	-265
Net financial items		-262	-251
<b>Profit before appropriations and tax</b>		<b>-182</b>	<b>-200</b>
Group contributions received		182	200
<b>Profit before tax</b>		<b>0</b>	<b>0</b>
Tax	Note 11	0	0
<b>PROFIT FOR THE YEAR<sup>1</sup></b>		<b>0</b>	<b>0</b>
Proposed dividend per share, SEK (dividend per share approved for 2017)		9.29	7.60

<sup>1</sup>) Same as Total comprehensive income for the year.

# Parent company's balance sheet

MSEK	Note	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Tangible fixed assets</i>			
	Note 14		
Forest property		30	34
Buildings, other land and land improvements		13	15
<b>Other tangible fixed assets</b>		<b>43</b>	<b>49</b>
<i>Financial fixed assets</i>			
Shares and participations	Note 16	24,934	24,934
Receivables from Group companies, interest-bearing	Notes 3, 17	1,700	2,400
<b>Total financial fixed assets</b>		<b>26,634</b>	<b>27,334</b>
<b>Total fixed assets</b>		<b>26,677</b>	<b>27,383</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies	Notes 3, 17, 19	184	214
Other receivables	Note 19	91	78
Receivables from Group companies, interest-bearing	Note 3	–	10
Cash and bank balances	Note 21	0	0
<b>Total current assets</b>		<b>275</b>	<b>302</b>
<b>TOTAL ASSETS</b>		<b>26,952</b>	<b>27,685</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
	Note 20		
<i>Restricted equity</i>			
Share capital		118	118
Statutory reserve		24	24
<b>Total restricted equity</b>		<b>142</b>	<b>142</b>
<i>Unrestricted equity</i>			
Profit brought forward		7,423	8,323
Profit for the year		0	0
<b>Total unrestricted equity</b>		<b>7,423</b>	<b>8,323</b>
<b>Total equity</b>		<b>7,565</b>	<b>8,465</b>
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	Note 21	4,687	5,187
<b>Total non-current liabilities</b>		<b>4,687</b>	<b>5,187</b>
<b>Current liabilities</b>			
Liabilities to Group companies, interest-bearing	Notes 3, 21	11,957	10,589
Other liabilities, interest-bearing	Note 21	2,712	3,412
Other liabilities	Note 23	31	32
<b>Total current liabilities</b>		<b>14,700</b>	<b>14,033</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,952</b>	<b>27,685</b>

Information about the Group's pledged assets and contingent liabilities, see Note 25.

# Parent company's change in equity

MSEK	Share capital <sup>1</sup>	Statutory reserve	Unrestricted equity	Total
<b>Equity, 31.12.2016</b>	<b>118</b>	<b>24</b>	<b>9,123</b>	<b>9,265</b>
Dividends paid as resolved at the AGM on 26.04.2017	–	–	–800	–800
Profit for the year	–	–	0	0
<b>Equity, 31.12.2017</b>	<b>118</b>	<b>24</b>	<b>8,323</b>	<b>8,465</b>
Dividends paid as resolved at the AGM on 23.04.2018	–	–	–900	–900
Profit for the year	–	–	0	0
<b>Equity, 31.12.2018</b>	<b>118</b>	<b>24</b>	<b>7,423</b>	<b>7,565</b>

1) The number of shares amounts to 118,373,034 Class A shares.

See also note 20 Equity.

The proposed, although not yet adopted, dividend amounts to SEK 9.29 per share. In total, the dividend will amount to MSEK 1,100.

# Parent company's cash flow statement

MSEK	Note	2018	2017
<b>Operating activities</b>			
Operating profit		80	51
Items not affecting cash flow	Note 12	–68	–40
Interest and dividends received		16	14
Interest paid		–278	–316
Tax paid		0	0
<b>Cash flow from operating activities before change in working capital</b>		<b>–250</b>	<b>–291</b>
<i>Change in working capital:</i>			
Operating receivables		8	–24
Operating liabilities		0	30
<b>Cash flow from operating activities</b>		<b>–242</b>	<b>–285</b>
<b>Investing activities</b>			
Sale of fixed assets		74	44
Reduction in interest-bearing receivables		1,000	0
Increase in interest-bearing receivables		–300	–400
Cash flow from investing activities		774	–356
<b>Financing activities</b>			
Dividend paid		–900	–800
Group contributions received		200	196
Borrowings		7,990	11,600
Repayment of loans		–7,822	–10,355
Cash flow from financing activities		–532	641
<b>CASH FLOW FOR THE YEAR</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the year</b>	Note 21	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the year</b>	Note 21	<b>0</b>	<b>0</b>



# Notes

## NOTE 1 Accounting principles

### General information

Sveaskog AB and its subsidiaries (the Sveaskog Group) sell timber, pulpwood and biofuel. Out of net sales, just over half comes from the Group's own forest and the remainder from externally acquired forest raw materials. The Group's own forest comprises forest that is located 100 per cent in Sweden.

The parent company is a public limited liability company with its registered office in Sweden. The address of the company's registered office is Torggatan 4, Kalix.

In conjunction with the Board meeting on 8 March 2019, the Board of Sveaskog AB decided to approve 2018 annual financial statements for publication. The approved financial statements for the Sveaskog Group and the parent company constitute the presented income statement, balance sheet, change in equity and cash flow statement, with their associated notes.

### Compliance with standards and the law

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations by the IFRS Interpretations Committee, which have been approved by European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 – Supplementary accounting rules for groups, has been applied.

### Annual report

The parent company has prepared its annual report in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations RFR 2, which means that the parent company, in the annual report for the legal entity, must apply all of the EU-approved IFRS and statements as far as possible within the framework of the Annual Accounts Act (ÅRL) and with regard to the relationship between accounting and taxation. The recommendation specifies the exceptions and additions to be made in respect of IFRS.

The parent company applies the same accounting principles as the Group except in those cases listed below under the section "Parent company's accounting principles". The differences that exist between the parent company's and the Group's principles arise from limitations in the potential to apply IFRS in the parent company as a result of the Annual Accounts Act and the Pension Obligations Vesting Act as well as tax legislation.

### Valuation basis

Assets and liabilities are recognised at historical acquisition values, except for certain financial assets, liabilities and biological assets that are valued at fair value.

### Assessments and estimates in the financial statements

The drawing up of the financial statements in accordance with IFRS requires the management to make assessments and estimates as well as to make assumptions that affect the application of the accounting principles and the recognised amounts for assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors that appear reasonable in the current circumstances. The results of these estimates and assumptions are then used to assess the book values of assets and liabilities that are not otherwise clearly apparent from other sources. The actual outcome may deviate from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Changes to estimates are reported in the period in which the change is made if it only affected this period, or in the period the change is made and future periods if the change affects both the current period and future periods.

Assessments that have a significant impact on the financial statements and estimates, and that may entail significant adjustments to the following year's financial statements, are described in greater detail in the relevant note.

The accounting principles described below have been applied consistently to all periods presented in the financial statements. The Group's accounting principles have been applied consistently to the reporting and consolidation of subsidiaries.

### Altered classification in accounting principles and disclosures SunPine

As from 2018, Sveaskog is reporting SunPine as an associated company in accordance with the equity method. SunPine was previously reported as an other company. The comparative year has been recalculated and the financial statements include a third balance sheet with a recalculated opening balance as at 1 January 2017.

### Effect of the reclassification of SunPine

Income statements, MSEK	2017
Shares of profit/loss in associated companies	+50
<b>Operating profit</b>	<b>+50</b>
Financial income	-25
<b>Profit before tax</b>	<b>+25</b>
<b>Profit for the year</b>	<b>+25</b>
Earnings per share	
- before dilution, SEK	+0.21
- after dilution, SEK	+0.21

Balance sheet, MSEK	31 Dec 2017	1 Jan 2017
Shares in associated companies	+196	+171
Other securities held as non-current assets	-49	-49
<b>Total fixed assets</b>	<b>+147</b>	<b>+122</b>
<b>Total assets</b>	<b>+147</b>	<b>+122</b>
Earned profit	+147	+122
<b>Total equity</b>	<b>+147</b>	<b>+122</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>+147</b>	<b>+122</b>

### New and amended standards applied by the Group as from 1 January 2018

Sveaskog is applying IFRS 9 Financial Instruments as from 1 January 2018. This standard replaces IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 includes new principles for the classification and valuation of financial assets. The key as to which valuation category a financial asset relates to depends both on the company's business model (the purpose of the holding of the financial asset) and on the financial asset's contractual cash flows.

The new standard also includes new rules for credit reserves in respect of financial assets, which entails that the previous model based on incurred credit losses is replaced by a model that uses anticipated credit losses as its starting point.

The impairment rules within IFRS 9 are based on a three-stage model, where the recognition of impairment is governed by changes in the credit risk regarding the financial assets. In other words, it is no longer necessary for a loss event to occur in order for it to be recognised, rather credit reserving must be performed for all financial assets valued at accrued acquisition value. However, the standard contains simplification rules for accounts receivable and leasing receivables.

**NOTE 1 Accounting principles, contd.**

As regards hedge accounting, paragraph 7.2.21 of IFRS 9 allows a company to continue to apply hedge accounting in IAS 39 instead of this standard. Sveaskog has opted to apply paragraph 7.2.21 and is continuing to perform hedge accounting in accordance with IAS 39.

The effects of the new impairment rules in IFRS 9 are not considered to be significant for Sveaskog, as the loss reserve for anticipated credit losses on accounts receivable as per 1 January 2018 is only adjusted by MSEK -0.2. The new classifications of financial assets and liabilities do not entail any change in valuation for Sveaskog.

Sveaskog is applying IFRS 15 Revenue from Contracts with Customers as from 1 January 2018, and it is being applied with full retroactive effect. The standard regulates how revenue is to be recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as the associated SIC and IFRIC. The principles on which IFRS 15 is based will provide users of financial statements with more useful information about the company's revenue. The extended disclosure obligation means that information must be provided regarding types of revenue, the timing of settlement, uncertainties linked to revenue recognition as well as cash flow attributable to the company's customer contracts. According to IFRS 15, income will be recognised when the customer gains control of the sold product or service and is able to use and obtain the benefit from the product or service.

The Group has mapped the effects of the introduction of the standard and the standard produced no quantitative effects. The Group's revenue streams from contracts with customers consist of deliveries of sawlogs, pulpwood and chips, biofuel, forest plants, etc., as well as license revenues and royalties. Most income is recognised at a given point in time, with only a small proportion arising over time.

Other than this, the Group is not applying any new standards for the first time for financial years beginning on or after 1 January 2018.

**New standards and interpretations that have not yet been applied by the Group**

IFRS 16 Leases is entering into force for financial years beginning after 1 January 2019 and is replacing IAS 17 Leases. For the lessee, IFRS 16 means that just about all leasing agreements must be reported in the balance sheet. The classification into operational and financial leasing agreements will therefore no longer be made. The right of use is recognised separately from other assets in the statement of financial position, or is included in the item where the corresponding assets would have been recognised had they been owned. In subsequent periods, the

right of use is recognised at cost less depreciation and any impairment losses, as well as being adjusted for any revaluations of the leasing liability. The leasing liability is recognised in the statement of financial position and is reported continuously at amortised cost less the lease payments made. The leasing liability is revalued in the event of changes to e.g. the leasing period, residual value guarantees and any changes in leasing payments.

The income statement will be affected by the replacement of current operating expenses related to operational leasing agreements with depreciation and interest expenses.

Short lease contracts (12 months or less) and leasing agreements where the underlying asset amounts to a low value do not need to be recognised in the balance sheet. These will be recognised in operating profit in the same way as current operational leasing agreements.

The new standard contains more comprehensive disclosure requirements compared to the current standard. For lessors, IFRS 16 does not entail any actual differences compared to IAS 17.

Sveaskog will start applying IFRS 16 as from 1 January 2019. Sveaskog will employ the simplified transition method and has opted to recognise the right of use at the same amount as the leasing liability on the first day of application. For Sveaskog, this means that, as of 1 January 2019, the right of use and the leasing liability are estimated to amount to MSEK 132. However, the leasing liability is adjusted for prepaid payments attributable to the leasing agreement. The effect on the Group's key figures is minor.

No other IFRS or IFRIC interpretations that have not yet entered into force are expected to have any significant impact on the Group.

**Bridge between IAS 17 and IFRS 16**

kSEK	MSEK	Marginal borrowing rate	
Obligations for operational leasing agreements as of 31 Dec 2018	140	2 years	0.56%
Less: Short-term contracts	-8	3 years	0.86%
Less: Low value contracts	0	4 years	1.18%
Leasing liability, 1 January 2019	132	5 years	1.48%
		10 years	2.57%
		20 years	3.27%
		40 years	4.02%

**Right of use asset with preliminary effects based on existing leasing agreements**

MSEK	Asset, 1 January 2019	Leasing liability, 1 January 2019	Prepaid leasing payment, 1 January 2019	Leasing cost, 2019 (reversed)	Depreciation 2019	Interest expense, 2019
Right of use, land	7	6	1	-1	-1	0
Right of use, buildings	93	89	4	-35	-35	-1
Right of use, machinery and equipment	32	31	1	-9	-9	0
<b>Total</b>	<b>132</b>	<b>126</b>	<b>6</b>	<b>-45</b>	<b>-45</b>	<b>-1</b>

## **NOTE 1** Accounting principles, contd.

### **Performance metrics**

#### **Operative operating profit**

Operative operating profit is operating profit before change in the value of forest assets, share of profit/loss in associated companies and capital gains from property sales. The operative operating profit comprises the profit from the Group's operational core operations, the vast majority of which are made up of forestry operations involving the purchase and sale of timber, pulpwood, chips and biofuel.

#### **Operating profit before change in value of forest assets**

Operating profit before change in the value of forest assets is operating profit before the calculation of forest growth according to IAS 41, felling during the year and any sold or purchased forest assets.

### **Associated companies**

Associated companies are recognised in the consolidated income statement outside the operative operating profit, as they do not comprise the Group's core operations.

### **Segment reporting**

The Group is applying IFRS 8, but this does not have any material impact on the Group's financial statements and has not led to any change to the segmentation of the Group, which consists of one segment known as Forestry Operations. Forestry Operations is the Group's coherent segment conducting the purchase and sale of timber, pulpwood, wood chips and biofuel, and the operations are reported internally as one segment.

### **Consolidation principles**

#### **Transactions to be eliminated during consolidation**

Intra-group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-group transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Unrealised gains arising from transactions with associated companies and jointly controlled companies are eliminated to the extent corresponding to the shareholding in the company. Unrealised losses are eliminated in the same way as unrealised gains, although only to the extent there is no indication of a need for impairment.

### **Functional currency and date**

The functional currency is Swedish kronor, which is also the reporting currency. This means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise specified, are rounded to the nearest million kronor (MSEK). Amounts in brackets indicate the value in the previous year. Income statement-related items refer to the period 1 January – 31 December, while balance sheet items refer to 31 December.

### **Foreign currency**

#### **Transactions in foreign currency**

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange-rate differences arising from the recalculations are recognised in the income statement, both in operating profit and in net financial items, depending on the nature of the underlying transactions. Non-monetary assets and liabilities that are recognised at their historical acquisition values are translated at the exchange rate on the transaction date.

The functional currency is the currency in the primary economic environments in which the companies involved conduct their operations. The companies included in the Group are the parent company and subsidiaries. The functional currency is Swedish kronor, which is also the reporting currency.

### **Receivables and liabilities in foreign currencies**

Changes in value in respect of operational receivables and liabilities are recognised in operating profit, while changes in value in respect of financial receivables and liabilities are recognised in net financial items.

### **Financial statements of foreign operations**

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus values and negative surplus values, are translated to Swedish kronor at the exchange rate prevailing on the balance sheet date. Income and expenses in a foreign operation are translated to Swedish kronor at an average exchange rate that constitutes an approximation of the rates at the time of each transaction. Translation differences arising during currency translation of foreign operations are recognised in other comprehensive income and in equity as a translation reserve.

### **Impairments**

If it is not possible to determine essentially independent cash flows to an individual asset, it is necessary, when assessing the need for impairment, for the assets to be grouped at the lowest level at which it is possible to identify essentially independent cash flows (known as a cash-generating unit). A cash-generating unit is the smallest group of assets for which it is possible to determine ongoing payments that are essentially independent of other assets or groups of assets. An impairment loss is recognised when the book value of an asset or cash-generating unit exceeds the recoverable amount. An impairment loss is charged to the income statement.

The impairment of assets attributable to a cash-generating unit is primarily allocated to goodwill. Thereafter, a proportional impairment of other assets included in the unit is conducted.

### **Calculation of recoverable amount**

Assets with a short duration are not discounted.

The recoverable amount of other assets is the fair value minus selling costs or the value in use, whichever is highest. When calculating the value in use, future cash flows are discounted by a discount factor that takes into account the risk-free interest rate and the risk associated with the specific asset. For an asset that does not generate cash flows that is essentially independent of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

### **Reversal of impairment losses**

The impairment of loan receivables and accounts receivable that are recognised at amortised cost is reversed if a subsequent increase in the recoverable amount is objectively attributable to an event occurring after the impairment was performed.

Impairment losses on other assets are reversed if there has been a change in the assumptions underlying the calculation of the recoverable amount.

An impairment loss is only reversed to the extent that the book value of the asset after reversal does not exceed the book value that the asset would have had if no impairment had been conducted, taking into account the depreciation that would then have been carried out.

## **PARENT COMPANY**

### **Parent company's accounting principle**

The parent company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554), the Swedish Financial Reporting Board and RFR 2. RFR 2 means that the parent company, in the annual report for the legal entity, must apply all of the EU-approved IFRS and statements as far as possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. The recommendation specifies the exceptions and additions to be made in respect of IFRS. The differences between the Group's and the parent company's accounting principles are shown below.

The accounting principles described below for the parent company have been applied consistently to all periods presented in the parent company's financial statements. In accordance with the relief rules RFR 2, IFRS 9 is not applied in the parent company.

### Taxes

As a responsible player in society, Sveaskog endeavours to pay the right tax, in the right country and at the right time based on the activities carried out within the Group. We allow a business view of tax expense for the companies included in the Sveaskog Group to permeate our decisions and handle tax as an expense in the business. In those cases where legislation and/or rules are unclear, Sveaskog will act in a responsible, long-term and transparent manner in order to minimise the risk of the wrong tax being paid. Read more about Sveaskog's tax in Note 11.

Untaxed reserves, including deferred tax liabilities, are reported in the parent company. In the consolidated financial statements, however, untaxed reserves are divided into deferred tax liabilities and equity.

### Group contributions and shareholder contributions

The company recognises Group contributions and shareholder contributions in accordance with RFR 2 Accounting for legal entities. The parent company recognises Group contributions in appropriations in accordance with the alternative method.

## NOTE 2 Information about the parent company

Sveaskog AB, company reg. no. 556558-0031, based in Kalix, is a limited liability company registered in Sweden. As at 31 December 2018, the company was wholly owned by the Swedish state. Sveaskog's head office has the following address:  
105 22 STOCKHOLM  
Street address: Torsgatan 4

Sveaskog AB owns and manages forest property and shares in subsidiaries, as well as being responsible for Group-wide financing.

## NOTE 3 Related party transactions

### ACCOUNTING PRINCIPLES

Related party transactions are conducted under market conditions. Related parties are those companies where Sveaskog can exert decisive or significant influence as regards the operational and financial decisions that are taken. In addition, related parties include those companies and natural persons who are able to exercise decisive or significant influence over Sveaskog's financial and operational decisions. Related party transactions also include defined benefit and defined contribution pension schemes.

### Transactions with the Swedish state

Sveaskog AB is wholly owned by the Swedish state. The Sveaskog Group's products and services are offered to the state, government agencies and state companies in competition with other suppliers on commercial terms.

Correspondingly, Sveaskog AB and its Group companies purchase products and services from government agencies and companies at market prices and on commercial terms. Individually, neither the state, the authorities nor the companies are responsible for a significant share of Sveaskog Group's net sales or earnings. Property transactions with the Swedish Environmental Protection Agency amounted to MSEK 77 (65.3) in 2018. All sales have taken place at market prices. No securities or contingent liabilities have been issued.

### Sveaskog AB's transactions with subsidiaries

Internal property transactions amounted to MSEK 0 (0) during 2018.

Sveaskog AB's sales to subsidiaries amounted to MSEK 14 (13) in 2018. No purchases have been made from subsidiary companies. Dividends from Sveaskog Förvaltnings AB as well as interest income from and interest expenses to Group companies are specified in Note 10 Financial income and expenses.

With regard to Sveaskog AB's receivables from and liabilities to subsidiaries, please refer to Note 17 Non-current receivables, Note 19 Accounts receivable, loans receivable and other receivables, Note 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, and Note 23 Non-interest-bearing liabilities. Shares in Group companies are specified in Note 16 Shares and participations.

Sveaskog AB has pledged a guarantee for pensions to FPG for Sveaskog Förvaltnings AB. No other securities or contingent liabilities have been issued.

### Transactions with associated companies

Transactions with associated companies refer to Setra Group AB. Sveaskog Förvaltnings AB owns 50 per cent of the shares and votes in Setra Group AB.

Sales to Setra Group account for 17 (17) per cent of the total net sales for the Group. Purchases from Setra Group refer primarily to residual products from Setra's sawmills (chips, sawdust and bark) and account for 2 (2) per cent of the Group's total costs for raw materials and consumables. Sveaskog Förvaltnings AB has an additional associated company, SunPine AB, with shares and votes amounting to 25.1 per cent. No trading has taken place with SunPine AB during 2017 and 2018, neither purchases nor sales.

### Related party transactions

Sveaskog has not issued any securities or contingent liabilities to senior executives/the Board of Directors.

For information regarding remuneration to senior executives and Board members, please refer to Note 8.

MSEK	Group		Parent company	
	2018	2017	2018	2017
Sales to related parties, subsidiaries	-	-	14	13
Purchases from related parties, subsidiaries	-	-	-	-
Receivables from related parties, Group companies	-	-	1,884	2,624
Liabilities to related parties, Group companies	-	-	11,957	10,589
Sales to related parties, associated companies	1,209	1,037	-	-
Purchases from related parties, associated companies	49	35	-	-
Receivables from related parties, associated companies	113	111	-	-
Liabilities to related parties, associated companies	7	7	-	-

### Transactions with senior executives

Sveaskog has not conducted any transactions or had any receivables/liabilities in relation to senior executives/the Board of Directors.

For information regarding remuneration to senior executives and Board members, please refer to Note 8.

## NOTE 4 Distribution of income

### ACCOUNTING PRINCIPLES

As from 1 January 2018, IFRS 15 is being applied to income from contracts with customers. Income will be recognised when the customer gains control of the sold product or service and is able to use and obtain the benefit from the product or service.

### Sawlogs

Revenue from the sale of sawlogs includes timber from spruce, pine and various broadleaf trees such as beech, oak and birch. Sales may relate to everything from standard deliveries to complex customised orders. In order to meet customer needs, Sveaskog is supplementing the timber from its own forest with externally purchased volumes or by exchanging timber with other forest owners. Control of the timber passes to the customer when it is

delivered to industry and measured. Invoicing and revenue recognition are performed in the same month as measurement.

#### Pulpwood and chips

Revenue from the sale of pulpwood and chips includes an extensive range from Sveaskog's own forest, imports and purchases from other forest owners. Sales take place to the pulp and paper industry. Control of the pulpwood and the chips passes to the customer when it is delivered to the industry and measured. Invoicing and revenue recognition are performed in the same month as measurement.

#### Biofuel

Revenue from the sale of biofuel includes branches and tree tops as well as thin trees and energy timber. The biofuel comes from clearing, thinning and regeneration felling in Sveaskog's own forests and through purchases from other forest owners. The revenue is recognised when the biofuel has been delivered to the customer.

#### Svenska Skogsplantor

Seeds and forest plants are produced and sold within the framework of the Svenska Skogsplantor brand. Svenska Skogsplantor also offers forest management services such as land preparation and planting to external customers. The revenue is recognised when seedlings or seeds have been delivered to the customer or when planting or land preparation have been carried out.

#### Additional information

Other revenue from contracts with customers includes forest management assignments, trapping fees for elk, fishing licences and locks, etc. The revenue is recognised when the assignment is completed.

#### Leases (income in respect of leasing agreements)

Revenue from leases principally includes leases for hunting and fishing. Other leases include rental objects and leases for e.g. agriculture, peatland, gravel pits and quarries, as well as for wind power and telecom equipment.

#### Net sales divided into main goods and services

MSEK	Full year 2018	Full year 2017
Sawlogs	3,283	3,010
Pulpwood and chips	2,924	2,510
Biofuel	153	176
Forest plants	233	220
Other	234	155
<b>Total revenue from contracts with customers</b>	<b>6,827</b>	<b>6,071</b>
Of which IFRS 15 in net sales	6,824	6,068
Leasing income	147	138
<b>Total net sales</b>	<b>6,971</b>	<b>6,206</b>
Of which IFRS 15 in other operating income	3	3
Capital gains, etc.	157	202
<b>Total other operating income</b>	<b>160</b>	<b>205</b>
<b>Time of revenue recognition</b>		
Goods and services transferred to the customer at one time	6,771	6,018
Services transferred to customer over time	56	53

Sveaskog has agreed non-fulfilled performance commitments that do not will be met within a year of SEK 3,665 million, of which SEK 2,990 million is expected to be earned in 2-5 years and SEK 675 million in the subsequent years. The commitments consist of agreed deliveries in the future, where Sveaskog has undertaken to deliver a certain volume per year. The value of the obligations based on current prices has some uncertainty as the agreements consist of several supply agreements where the price is renegotiated each year.

#### Net sales by geographic market

The Group's net sales are 97 (97) per cent attributable to Sweden. The Parent company's net sales are entirely attributable to Sweden.

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Revenue by geographic market</b>				
<i>Net sales</i>				
Sweden	6,746	6,049	14	13
Finland	55	46	-	-
Norway	9	12	-	-
Latvia	7	23	-	-
Lithuania	0	3	-	-
Germany	20	42	-	-
Poland	122	22	-	-
Denmark	11	8	-	-
Other countries	1	1	-	-
<b>Total</b>	<b>6,971</b>	<b>6,206</b>	<b>14</b>	<b>13</b>

#### Information about major customers

The Group has three (three) customers, each of which exceeds 10 per cent of the sales, representing 19, 16 and 12 per cent respectively (17, 13 and 12 respectively).

### NOTE 5 Other operating income

#### ACCOUNTING PRINCIPLES

##### State aid

A government grant attributable to a biological asset is recognised as income when the conditions are met. Grants are systematically accrued in the income statement in the same way and over the same periods as the costs that the grants are intended to compensate. Government grants related to assets are recognised in the balance sheet as a prepaid income and are accrued over the useful life of the asset. Compensation for road grants MSEK 23 (MSEK 22) and nature conservation measures MSEK 4 (MSEK 3) are recognised as income in the income statement. The road grants are made up of two types, for annual operations (summer and winter maintenance) and for special operations (road refurbishment). There are no unsatisfied conditions that could give rise to a refund.

Sveaskog does not anticipate any significant reductions in state aid over the next few years. For the rural development programme "The forest's environmental values", applications are prioritised according to the highest nature and cultural values.

Road grants are paid to road administrators when there is a permanent resident living more than 1 km from public roads. The maintenance grant is calculated as a flat rate and amounts to approximately 50-70% of the Sveaskog's maintenance costs for the roads that are eligible for grants. The grants received are used up each year. Each road in receipt of a grant can be monitored with a project number both at Sveaskog and at the Swedish Transport Administration, which is the main contributor.

##### Insurance compensation

Sveaskog has insured its forest holdings against additional costs arising from storms or fire. During 2018, no external insurance compensation

was received for damage of this type, and the same was also the case in 2017.

MSEK	Group		Parent company	
	2018	2017	2018	2017
Capital gain on the sale of machinery, equipment and properties	91	127	68	40
Insurance compensation	0	0	-	-
Intrusion compensation	11	39	-	-
Grants	28	25	-	-
Licence revenues and royalties	3	3	-	-
Other operating income	27	11	1	-
<b>Total</b>	<b>160</b>	<b>205</b>	<b>69</b>	<b>40</b>

Intrusion compensation for the year includes a one-off payment of MSEK 0 (15) from the Swedish Environmental Protection Agency in connection with the establishment of nature reserves.

## NOTE 6 Other external costs

Other external costs amount to 73 (74) per cent of payments to contractors within Forestry Operations, as well as freight and transport.

### Fees and reimbursement of costs to auditors

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Deloitte AB</b>				
Audit assignments	2	1	-	-
Tax advice	0	0	-	-
Other services	0	0	-	-
<b>Total</b>				
Audit assignments	2	1	-	-
Audit work in addition to audit assignments	0	0	-	-
Tax advice	0	0	-	-
Other services	0	0	-	-
<b>Total</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>-</b>

Audit assignments refer to the examination of the annual report and accounting, as well as the management of the Board of Directors and the CEO, other tasks that are the duty of the company's auditors to perform, in addition to advice or other assistance arising from observations made during such examinations or in the performance of such other tasks. Everything else is classified as other assignments.

## NOTE 7 Leases

### ACCOUNTING PRINCIPLES

#### Payments relating to operational leasing agreements

Payments for operational leasing agreements are recognised as expenses in the income statement linearly over the agreement's leasing period. Leasing agreements where the lessor essentially retains the financial risks and benefits associated with ownership are classified as operational leasing.

#### Financial leasing

Financial leasing exists where the financial risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, the arrangement constitutes operational leasing.

### Leasing with the Group as lessor

MSEK	Group		Parent company	
	2018	2017	2018	2017
Income for the year for leases	148	139	14	13
Minimum lease payments	1,102	1,086	14	13
Maturity for agreements entered into				
- Within one year	143	134	14	13
- Between one year and five years	152	142	-	-
- More than five years	807	810	-	-
<b>Total</b>	<b>1,102</b>	<b>1,086</b>	<b>14</b>	<b>13</b>

The Group reports rental income in respect of

- hunting and fishing leases.
- residential, holiday accommodation, farm and part leases
- other land leases, such as for wind turbines and mobile phone towers
- gravel pits, peatland and quarries

The agreements in respect of hunting and fishing are generally permanent leases, or leases lasting for 1-5 years, which can be terminated by both parties at short notice.

The agreements for agricultural leases, housing leases, etc., as well as leases with tenancy rights (mainly holiday accommodation) have varying durations, although for leases in respect of homes there are usually long agreement periods or permanent leases that are associated with some form of security of tenure.

The Group has revenues for installation leases for wind turbines, communication towers and other capital-intensive facilities. Agreements in respect of wind turbines in particular are entered into with long agreement periods, of 25 years or more. The Group grants the right of use in respect of quarries and gravel pits, as well as peatland. In most cases, such leases are linked to current extraction permits and may have a duration of up to 25 years.

MSEK	Group		Parent company	
	2018	2017	2018	2017
Cost for the year for operational leasing agreements	54	35	-	-
Minimum lease payments	86	73		
Maturity for non-cancellable operational leasing agreements				
- Within one year	48	31	-	-
- Between one year and five years	38	41	-	-
- More than five years	0	1	-	-
<b>Total</b>	<b>86</b>	<b>73</b>	<b>-</b>	<b>-</b>

The Group reports operational leasing agreements in respect of

- office premises
- forest machinery, cars and other motor vehicles

The Group rents a number of office premises through operational leasing. The largest of these are the head offices in Kalix and Stockholm. The agreements have a duration of one, three or five years. Option of extending by one, three or five years each time with index regulation. No agreements entail a requirement for an extension if they are terminated within the agreed period before the next period takes effect. The lease agreements include indexation clauses.

No other major non-cancellable operational leasing agreements exist in the parent company or the Group.

## **NOTE 8 Personnel costs, average number of employees and sickness absence**

### **ACCOUNTING PRINCIPLES**

#### **Employee benefits**

##### **Pension obligations**

Sveaskog has pension obligations according to pension schemes pursuant to collective agreements, and as a result of obligations under the incorporation agreement entered into with the state. The pension schemes are either defined contribution or defined benefit schemes and include non-vested and vested pension obligations. The pension schemes for active employees are mainly financed through premium payments to insurance companies.

##### **Defined contribution schemes**

The obligations relate primarily to employees affiliated to the SAF-LO Collective Pension and part 1 of the ITP agreement (new ITP). Obligations relating to contributions to defined contribution schemes are recognised as an expense in the income statement as the benefits are earned, which normally coincides with the time when premiums are paid. After the premiums have been paid to the formal or informal independent insurance companies that have been engaged, there is no obligation to pay additional premiums.

##### **Defined benefit schemes**

According to defined benefit schemes, the size of the pension is determined by factors such as salary, employment period and age.

The obligations relate primarily to obligations in respect of employees linked to part 2 of the ITP agreement (old ITP), as well as to obligations in respect of pensions and annuities taken over from the state in conjunction with incorporation (see Note 22 Provisions for Pensions).

The obligations under part 2 of the ITP agreement are secured through the payment of premiums to Alecta. In accordance with a statement by the Swedish Financial Reporting Board (UFR 10), the ITP plan secured through insurance with Alecta must be classified as a multi-employer defined benefit scheme. There is insufficient information to make it possible to present the Group's share of the defined benefit obligation and the management assets and costs associated with the scheme. For this reason, the scheme is presented as a defined contribution scheme, which means that paid premiums are recognised as an expense. Anticipated contributions to the scheme for the next reporting period amount to MSEK 12 (13). Alecta's surplus can be allocated to the policyholders and/or the insured parties. Alecta's capital adequacy target is for 140 per cent of the market value of the assets to be achieved in relation to the pension insurance commitments. Alecta's capital adequacy amounted to 142 (154) per cent compared to the commitments as at 31 December 2017. Sveaskog's share of the total number of active members in the scheme amounted to 0.07 (0.07) per cent, corresponding to 296 (309) active members. The net obligation in respect of other defined benefit schemes is calculated separately for each scheme, based on company-specific actuarial assumptions. These include assessments of future salary adjustments, inflation rates, mortality, staff turnover and changes in income base amounts; the obligations are discounted to a current value. The discount rate is determined on the basis of the market interest rate on mortgage bonds.

The valuations have been carried out by a qualified external actuary.

If the benefits in a scheme are improved, the proportion of the increased remuneration attributable to the employees' service in previous periods is recognised as an expense in the income statement, distributed linearly over the average period until the benefits are fully vested. If the benefits are fully vested, an expense is recognised immediately in the income statement.

In accordance with IAS 19, all actuarial gains and losses are recognised in other comprehensive income as they arise.

#### **Termination benefits**

A provision is recognised in connection with staff redundancies only if the company is demonstrably obligated to terminate employment before the normal time or when benefits are provided as an offer to encourage voluntary redundancy. In the event the company terminates staff, a detailed plan must be drawn up that includes as a minimum the workplace, the positions and the number of people affected, as well as the benefits for each staff category or position and the time when the plan is to be implemented.

#### **Salaries and other remuneration, as well as social security costs**

MSEK	Group		Parent company	
	2018	2017	2018	2017
Salaries and other remuneration	379	384	2	1
Pensions for the CEO as per agreement	2	2	–	–
Pensions as per agreement, other <sup>1</sup>	39	50	–	–
Other social-security costs	135	139	–	–
<b>Total</b>	<b>555</b>	<b>575</b>	<b>2</b>	<b>1</b>
Capitalised pension obligations for the CEO and Deputy CEO	–	–	–	–

1) See also Note 22, Allocations for pensions.

Of the costs of pensions in accordance with the agreement, SEK 12m (23) pertains to defined benefit plans and SEK 29m (29) to defined contribution plans.

#### **Salaries and other remuneration by country**

MSEK	2018		2017	
	Board of directors, CEO, Deputy CEO	Other employees	Board of directors, CEO, Deputy CEO	Other employees
<b>Parent company</b>				
Sweden	1	–	1	–
<b>Subsidiaries</b>				
Sweden	7	360	7	369
- of which bonuses	–	–	–	–
Latvia	1	10	1	6
Finland	–	0	–	–
Lithuania	–	–	–	–
<b>Total subsidiaries</b>	<b>8</b>	<b>370</b>	<b>8</b>	<b>375</b>
<b>IN TOTAL</b>	<b>9</b>	<b>370</b>	<b>9</b>	<b>375</b>

#### **Average number of employees per country**

	2018		2018	2017
	Women	Men	Total	Total
<b>Parent company</b>	–	–	–	–
<b>Subsidiaries</b>				
Sweden	197	608	805	816
Latvia	7	27	34	30
Finland	–	1	1	–
<b>Total subsidiaries</b>	<b>204</b>	<b>636</b>	<b>840</b>	<b>846</b>
<b>IN TOTAL</b>	<b>204</b>	<b>636</b>	<b>840</b>	<b>846</b>

### Distribution between women and men on the board of directors and in group management

#### Group

	2018		2017	
	Women	Men	Women	Men
<b>Board members</b>				
- Elected at the AGM	3	3	3	3
- Employee representatives, normal	1	1	1	1
- Employee representatives, deputies	-	2	-	2
CEO	-	1	-	1
Other group management	4	4	4	5
<b>Total</b>	<b>8</b>	<b>11</b>	<b>8</b>	<b>12</b>

The board is identical to that of Sveaskog AB and Sveaskog Förvaltnings AB.

#### Parent company

	2018		2017	
	Women	Men	Women	Men
<b>Board members</b>				
- Elected at the AGM	3	3	3	3
- Employee representatives, normal	1	1	1	1
- Employee representatives, deputies	-	2	-	2
CEO	-	1	-	1
<b>Total</b>	<b>4</b>	<b>7</b>	<b>4</b>	<b>7</b>

#### Subsidiaries (operating)

	2018		2017	
	Women	Men	Women	Men
<b>Board members</b>				
- Elected at the AGM	5	12	6	11
- Employee representatives, normal	1	1	1	1
- Employee representatives, deputies	-	2	-	2
CEO	-	1	-	1
<b>Total</b>	<b>6</b>	<b>16</b>	<b>7</b>	<b>15</b>

### Information on employee absence due to sickness, group

	2018	2017
<b>Total absence through sickness as a percentage of employees' total normal working hours</b>		
Men	2.7	2.7
Women	4.5	4.2
<b>Total</b>	<b>3.2</b>	<b>3.1</b>
<b>Duration of sickness in days as a percentage of total absence through sickness</b>		
Continuous period of 60 days or over	31	46
< 60 days	69	54
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Percentage age distribution of those absent through sickness</b>		
29 years of age and under	2.3	1.9
30-49	3.7	2.8
50 years of age and over	2.9	3.6
<b>TOTAL</b>	<b>3.2</b>	<b>3.1</b>
Number of long-term healthy persons as a percentage of the average number of permanent employees <sup>1</sup>	32.8	33.0

1) Persons who have been employed for at least three years and have not been absent through sickness over the past two years

### Principles of remuneration and other benefits for the board of directors and senior executive management

#### Principles

Fees are paid to the chair of the board and other members elected at the AGM in accordance with a decision made at the AGM. Sveaskog adheres to the state guidelines regarding remuneration for senior management executives. The remuneration for the CEO is decided on by the board of directors, and that for the rest of group management by the CEO in consultation with the remuneration committee. The remuneration issues are prepared by the remuneration committee, made up of Eva Färnstrand and Leif Laforteza.

#### Remuneration and other benefits during the course of year, board of directors

2018, SEK	Fees for the board of directors	Fees for the committee	Total
Eva Färnstrand, chair of the board <sup>1</sup>	453,333	10,000	463,333
Thomas Hahn	178,333	20,000	198,333
Annika Nordin <sup>1</sup>	178,333	40,000	218,333
Anna-Stina Nordmark-Nilsson <sup>1</sup>	178,333	40,000	218,333
Sven Wird <sup>1</sup>	178,333	40,000	218,333
Leif Ljungqvist	0	0	0
<b>Total</b>	<b>1,166,667</b>	<b>150,000</b>	<b>1,316,667</b>

2017, SEK	Fees for the board of directors	Fees for the committee	Total
Eva Färnstrand, chair of the board of directors (from 26.04.2017 incl.) <sup>1</sup>	353,333	23,333	376,666
Helene Biström (until 26.04.2017 incl.)	140,000	3,333	143,333
Thomas Hahn	170,000	13,333	183,333
Annika Nordin <sup>1</sup>	170,000	26,667	196,667
Anna-Stina Nordmark-Nilsson <sup>1</sup>	170,000	40,000	210,000
Sven Wird <sup>1</sup>	170,000	26,667	196,667
Leif Ljungqvist	0	0	0
<b>Total</b>	<b>1,173,333</b>	<b>133,333</b>	<b>1,306,666</b>

1) Parts of the fees have been invoiced to the companies held in their own name. Supplements have then been added for social-security deductions. The arrangement is cost-neutral for Sveaskog.

The board of directors also includes employee representatives. They are not paid any board fees.



## Remuneration and benefits during the course of the year, group management and other senior management executives

2018, SEK	Salaries and remuneration	Taxable benefits	Cost of pensions <sup>1</sup>	Total
<b>Group management</b>				
Per-Olof Wedin, CEO	4,476,937	78,137	1,232,760	5,787,834
Per Matses, deputy CEO, CFO, acting head of HR	2,374,349	36,885	640,016	3,051,250
Anette Waara, market area manager North	1,455,094	50,045	546,298	2,051,437
Eva Karlsson Berg, market area manager South	1,649,016	3,641	600,270	2,252,927
Roger S Johansson, business area manager Swedish Forest Plants	1,387,195	34,445	391,270	1,812,910
Fredrik Klang, head of forestry	1,511,675	35,993	454,392	2,002,060
Viveka Beckeman, general counsel	1,391,395	3,641	343,856	1,738,892
Helene Samuelsson, head of communication and public affairs (from 15.10.2018 incl.)	307,243	11,540	116,759	435,542
Jan Wintzell, business development manager	1,369,062	38,537	421,965	1,829,564
Tommy Nilsson, head of forestry (until 31.01.2018 incl.)	131,695	516	36,268	168,479
Inger Thorén Emilsson, head of HR and communication (until 17.08.2018 incl.)	882,235	1,018	366,248	1,249,501
<b>Other senior management executives</b>				
Guntars Zvejsalnieks, CEO SIA Sveaskog Baltfor (EUR) <sup>3</sup>	79,013			79,013
SEK	809,552			809,552
<b>TOTAL (SEK)</b>	<b>17,745,448</b>	<b>294,398</b>	<b>5,150,102</b>	<b>23,189,948</b>

1) Cost of pensions paid in during the course of the year or during a specific period.

2017, SEK	Salaries and remuneration	Taxable benefits	Pension cost <sup>2</sup>	Total
<b>Group management</b>				
Per-Olof Wedin, CEO	4,385,056	78,424	1,413,090	5,876,570
Per Mats, Deputy CEO and CFO	2,328,100	54,798	631,165	3,014,063
Eva Karlsson Berg, market area manager Central	1,535,245	198	501,771	2,037,214
Fredrik Klang, market area manager South	1,340,933	25,387	390,667	1,756,987
Anette Waara, market area manager North	1,395,849	46,733	507,572	1,950,154
Roger S Johansson, business area manager Swedish Forest Plants	1,345,696	30,798	376,276	1,752,770
Jan Wintzell, business development manager	1,246,818	34,790	411,184	1,692,792
Tommy Nilsson, head of forestry	1,686,381	6,192	439,814	2,132,387
Viveka Beckeman, general counsel	1,386,029	198	319,704	1,705,931
Thoren Eastman, head of HR and communications	1,371,671	198	524,500	1,896,369
<b>Other senior management executives</b>				
Guntars Zvejsalnieks, CEO SIA Sveaskog Baltfor (EUR) <sup>3</sup>	79,436			79,436
SEK	781,952			781,952
<b>TOTAL (SEK)</b>	<b>18,803,730</b>	<b>277,716</b>	<b>5,515,743</b>	<b>24,597,189</b>

2) Cost of pensions paid in during the course of the year or during a specific period.

3) EUR, exchange rate as of 31.12.2018 EUR/SEK 10.2458 (9.8438).

### Senior management executives

Remuneration for the CEO, other group management and other senior management executives is made up of basic salary, company car and pension. Incentive programs or variable remuneration do not occur.

#### CEO

Per-Olof Wedin

#### Pension

The pension applies as from the age of 65. In addition to pension benefits in accordance with general insurance (general pension), occupational pension benefits are payable, meaning that every year the company allocates the equivalent of 30% of the monthly salary payment to a pension plan, including health insurance, survivor protection and premium waiver.

#### Termination and severance pay

Six months' notice applies in the event of termination on the part of the company or Per-Olof Wedin. In the event of termination on the part of the company, severance pay amounting to 18 months' salary is received.

Redundancy pay and severance pay are offset against other income. Severance pay gives entitlement to neither pension nor holidays.

#### Deputy CEO

Per Matses

#### Pension

The pension applies as from the age of 65. In addition to pension benefits in accordance with general insurance (general pension), pension benefits are payable in accordance with the ITP plan (supplementary pension scheme), Section 1, applying at any given time.

#### Termination and severance pay

Six months' notice applies in the event of termination on the part of the company or Per Matses. In the event of termination on the part of the company, severance pay amounting to 18 months' salary is received. Redundancy pay and severance pay are offset against other income. Severance pay gives entitlement to neither pension nor holidays.

### Other members of group management and CEO subsidiaries in Latvia

#### Pension

As from the age of 65 a pension corresponding to that in the ITP plan is payable. In cases where the high-earner solution (tiotaggslösning) is applied, premiums are paid as for a traditional ITP plan.

For the CEO of the subsidiary in Latvia pension terms are applied in accordance with Latvian law.

#### Termination and severance pay

Six months' notice applies in the event of termination on the part of the company, and 3-6 months in the event of termination on the part of employees. In the event of termination on the part of the company, severance pay amounting to 9-18 months' salary is received.

Redundancy pay and severance pay are offset against other income. Severance pay gives entitlement to neither pension nor holidays.

One of the executives is not entitled to severance pay. For that person no settlement is applicable

### NOTE 9 Depreciation according to plan and write-downs

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Depreciation according to plan</b>				
<b>Intangible assets</b>				
Expenditure brought forward for system development etc.	3	0	-	-
<b>Tangible fixed assets</b>				
Buildings	4	4	0	0
Land improvements	2	3	-	-
Machinery and equipment	74	74	-	-
<b>Total depreciation</b>	<b>83</b>	<b>81</b>	<b>0</b>	<b>0</b>

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Write-downs</b>				
<b>Tangible fixed assets</b>				
Machinery and equipment	2	-	-	-
<b>Total write-downs</b>	<b>2</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>Total depreciation according to plan and write-downs</b>	<b>85</b>	<b>81</b>	<b>0</b>	<b>0</b>

### NOTE 10 Financial income and expenses

#### ACCOUNTING PRINCIPLES

##### Financial income and expenses

Financial income and expenses comprise interest income on bank deposits, receivables and interest-bearing securities, dividend income, interest expenses on loans, unrealised and realised profits from financial investments and derivative instruments used in the financial operations and exchange-rate differences.

Interest income on receivables and interest expenses on liabilities are calculated applying the effective interest method. The effective interest rate is the rate that means that the current value of all future incoming and outgoing payments during the interest-lock-in period is equal to the book value of the receivable or liability. Interest income includes accrued amounts regarding transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount received upon maturity.

Dividend income is recorded when the right to receive payment is determined.

The parent company records group contributions in appropriations in accordance with the alternative rule in RFR 2 Accounting for legal entities.

Group, MSEK	2018	2017
<b>Financial Income</b>		
Dividend	2	3
Interest income	0	0
<b>Total</b>	<b>2</b>	<b>3</b>
<b>Financial expenses</b>		
Interest expenses, pensions	-6	-8
Interest expenses, other	-107	-112
Write-down	-14	-
Other financial expenses	-15	-16
Exchange-rate differences	-1	0
<b>Total</b>	<b>-143</b>	<b>-136</b>
<b>TOTAL AMOUNT</b>	<b>-141</b>	<b>-133</b>

The financial part of costs for in-house pension commitments has been calculated in accordance with an interest rate of 1.30% (1.35%).

Parent company, MSEK	2018	2017
<b>Other financial income</b>		
Interest Income, other group companies	16	14
<b>Total</b>	<b>16</b>	<b>14</b>
<b>Other financial expenses</b>		
Interest expenses, other group companies	-201	-185
Interest expenses, other	-65	-66
Other financial expenses	-12	-14
<b>Total</b>	<b>-278</b>	<b>-265</b>
<b>TOTAL AMOUNT</b>	<b>-262</b>	<b>-251</b>

**NOTE 11 Taxes****ACCOUNTING PRINCIPLES**

Income taxes comprise current tax and deferred tax. Income taxes are recorded in the profit/loss statement except where the underlying transaction is recorded in other comprehensive income or in equity, whereby the related tax effects are recorded in other comprehensive income and equity. Current tax is tax that is to be paid or received in respect of the current year, applying the tax rates that have been decided on or decided on in practice as of the balance-sheet date. This includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance-sheet method on the basis of temporary differences between the recorded and fiscal values of assets and liabilities. The following temporary differences are not taken into account: temporary difference arising at the time of the initial recording of goodwill, initial recording of assets and liabilities that are not business acquisitions and at the time of the transaction affect neither the recorded nor the taxable profit/loss and temporary differences attributable to units in subsidiaries and associates that are not expected to be cancelled in the foreseeable future. Valuation of deferred tax is based on how book values of assets or liabilities are expected to be realised or regulated. Deferred tax is calculated applying the tax rates and tax regulations that have been decided on or decided on in practice as of the balance-sheet date.

Deferred tax assets relating to deductible temporary differences and unused tax losses are only recorded to the extent that it is probable that it will be possible to use them. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be used.

**Significant assessments and estimates**

Valuation of deferred tax is based on how book values of assets or liabilities are expected to be realised. For Sveaskog this means that the deferred tax liability is also dependent on the model assumptions made when calculating the biological asset.

**Profit/loss after financial income and expense**

MSEK	2018	2017
Sweden	3,356	1,736
Other countries	7	8
<b>TOTAL</b>	<b>3,363</b>	<b>1,744</b>

**Tax expense (-) / tax income (+)**

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Current tax</b>				
Tax expense for the period (-)/tax income (+)	-241	-272	-	-
Adjustment of tax expense attributable to previous years	-5	0	-	-
<b>Total</b>	<b>-246</b>	<b>-272</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>				
Deferred tax income (+)/tax expense (-) regarding temporary differences	51	-88	-	-
<b>Total</b>	<b>51</b>	<b>-88</b>	<b>-</b>	<b>-</b>
<b>TOTAL AMOUNT</b>	<b>-195</b>	<b>-360</b>	<b>-</b>	<b>-</b>

**Tax expense (-) / tax income (+) by country**

MSEK	Group		Parent company	
	2018	2017	2018	2017
Sweden	-246	-271	-	-
Other countries	0	-1	-	-
<b>Total</b>	<b>-246</b>	<b>-272</b>	<b>-</b>	<b>-</b>

**Difference between nominal and effective tax rate**

MSEK	Group		Parent company	
	2018	2017	2018	2017
Swedish income-tax rate	-22.0	-22.0	-22.0	-22.0
Tax effect attributable to previous years	-0.1	0.0	-	-
Tax effect of share of profit/loss in associated companies being recorded net after tax	1.0	0.7	-	-
Tax effect due to non-deductible expenses and non-taxable income	0.2	0.3	-	-
Effect of tax-rate change <sup>1</sup>	15.1	0.0	-	-
Effective tax rate in accordance with the profit/loss statement	-5.8	-21.0	-22.0	-22.0

1) The Swedish parliament has decided to reduce income tax for companies in Sweden. The reduction is taking place in two stages. From the current 22% to 21.4% as of January 1, 2019 and then to 20.6% as of January 1, 2021. The decision has positively affected Sveaskog's result by SEK 505m.

**Tax items recorded against other comprehensive income**

MSEK	Group		Parent company	
	2018	2017	2018	2017
Tax attributable to items recorded against other comprehensive income	-3	-8	-	-
Current tax in group contributions provided (-)/received (+)	-	-	-	-
<b>Total</b>	<b>-3</b>	<b>-8</b>	<b>-</b>	<b>-</b>

**Deferred tax liabilities and assets<sup>1</sup>**

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Deferred tax liability</b>				
Biological assets, forestry land, other land and buildings	7,351	7,489		
Other fixed assets	26	27		
Stock	22	24		
Forest-maintenance liability	84	79		
Allocation for employee remuneration	4	2		
Accrual fund	378	326		
Remuneration fund for land	97	69		
Other untaxed reserves	251	251		
<b>Total</b>	<b>8,213</b>	<b>8,267</b>		
<b>Deferred tax asset</b>				
Financial instruments	9	13		
Reserves	0	1		
Allocations	7	6		
<b>Total</b>	<b>16</b>	<b>20</b>		
<b>Total net deferred tax liability (+)/- asset (-)</b>	<b>8,197</b>	<b>8,247</b>		
Recorded as				
- Deferred tax asset	10	13		
- Deferred tax liability <sup>1</sup>	8,207	8,260		
<b>Net deferred tax liability</b>	<b>8,197</b>	<b>8,247</b>		

1) All changes in deferred tax have been made through the comprehensive income, of which SEK -4m (-1) through other comprehensive income.

**Deferred tax assets and liabilities are distributed as follows:**

Group, MSEK	2018	2017
<b>Deferred tax assets</b>		
Deferred tax assets to be used after over 12 months	10	13
Deferred tax assets to be used within 12 months	-	-
<b>Deferred tax liabilities</b>		
Deferred tax liabilities payable after over 12 months	8,207	8,260
Deferred tax liabilities payable within 12 months	-	-
<b>Deferred tax liabilities (net)</b>	<b>-8,197</b>	<b>-8,247</b>

**NOTE 12 Items not affecting cash flow**

MSEK	Group		Parent company	
	2018	2017	2018	2017
Amortisation	85	81	0	0
Capital gains	-91	-127	-68	-40
Capital gains from property sales	-234	-321		
Shares of profit/loss in associated companies	-151	-58	-	-
Change in value, forest	-1,697	-200	-	-
Other	2	-19	-	-
<b>TOTAL</b>	<b>-2,086</b>	<b>-644</b>	<b>-68</b>	<b>-40</b>

**NOTE 13 Intangible assets, group****ACCOUNTING PRINCIPLES****Other intangible assets**

Other intangible assets acquired or reprocessed internally are recorded at acquisition value less accumulated amortisation (see below) and write-downs.

**Additional expenditure**

Additional expenditure on capitalised intangible assets is only recorded as an asset in the balance sheet when it increases the future financial benefits for the specific asset to which it relates. All other expenditure is expenses when it arises.

**Amortisation**

Amortisation is recorded in the profit/loss statement linearly over the estimated useful lives of intangible assets. Amortisable intangible assets are written off as from the date they are to be used. The estimated useful lives are:

Intangible assets	Estimated useful lives	Depreciation rates
<b>Acquired and internally developed</b>		
Expenditure brought forward for system development etc.	5–10 years	10–20%

**NOTE 13 Intangible assets, group, cont.**

MSEK	Expenditure brought forward for system development etc.
<b>Acquisition values</b>	
Opening values 01.01.2017	99
Investments	41
<b>Closing values 31.12.2017</b>	<b>140</b>
<b>Accumulated write-ups</b>	
Opening values 01.01.2017	4
<b>Closing values 31.12.2017</b>	<b>4</b>
<b>Accumulated depreciation according to plan</b>	
Opening values 01.01.2017	-20
Depreciation for the year	0
<b>Closing values 31.12.2017</b>	<b>-20</b>
<b>Accumulated write-downs</b>	
Opening values 01.01.2017	-31
Closing values 31.12.2017	-31
<b>Closing residual values according to plan 31.12.2017</b>	<b>93</b>
<b>Acquisition values</b>	
Opening values 01.01.2018	140
Investments	34
<b>Closing values 31.12.2018</b>	<b>174</b>
<b>Accumulated write-ups</b>	
Opening values 01.01.2018	4
<b>Closing values 31.12.2018</b>	<b>4</b>
<b>Accumulated depreciation according to plan</b>	
Opening values 01.01.2018	-20
Depreciation for the year	-3
<b>Closing values 31.12.2018</b>	<b>-23</b>
<b>Accumulated write-downs</b>	
Opening values 01.01.2018	-31
<b>Closing values 31.12.2018</b>	<b>-31</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31.12.2018</b>	<b>124</b>

**NOTE 14 Tangible fixed assets****ACCOUNTING PRINCIPLES****Owned assets**

Tangible fixed assets are recorded as assets in the balance sheet if it is probable that future financial benefits will accrue to the company and the acquisition value of the asset can be reliably calculated.

Tangible fixed assets are recorded at acquisition value less accumulated depreciation and any write-downs. The acquisition value includes the purchase price and costs directly attributable to the asset in order to put it into place and bring it into a condition for use in accordance with the

purpose of the acquisition. Examples of directly attributable acquisition value are costs of delivery and handling, installation, land registration certificates, consultancy services and legal services. Accounting principles for write-downs are shown in Note 1.

The acquisition value of own-production fixed assets includes expenditure on materials, expenditure on employee remuneration and other production overheads considered directly attributable to the fixed asset.

Tangible fixed assets comprising parts with different useful lives are treated as separate components of tangible fixed assets.

The book value of a tangible fixed asset is removed from the balance sheet at the time of retirement or disposal, or when no future financial advantages are expected from use or retirement/disposal of the asset. Profit or loss arising from retirement or disposal of an asset is made up of the difference between the selling price and the asset's recorded value book value less direct sales costs. Profit and loss are reported as other operating income/expense.

**Additional expenditure**

Additional expenditure is only added to the acquisition value if it is probable that the future financial benefits associated with the asset will accrue to the company and the acquisition value can be reliably calculated. All other additional expenditure is recorded as an expense in the period in which it arises.

Crucial to the assessment when an additional expense is added to the acquisition value is whether the expenditure relates to exchanges of identified components or parts thereof whereby such expenditure is capitalised. Including in cases where a new component has been created, the expenditure is added to the acquisition value. Any undepreciated book values for exchanged components or parts thereof are discarded and expensed in connection with the exchange. Repairs are expensed continuously.

**Borrowing costs**

Borrowing costs such as interest and other costs incurred and directly attributable to purchase, construction or production of a qualifying asset form part of the asset's acquisition value. Other borrowing costs are expensed.

**Depreciation principles**

The acquisition value is linearly depreciated to the residual value over the useful life. Land is not depreciated. The group applies component depreciation, whereby components' estimated useful life forms the basis of the depreciation.

**Tangible fixed assets**

	Estimated useful lives	Depreciation rates
Industrial buildings	20–33 years	3–5%
Residential and office buildings	40–50 years	2–2.25%
Land improvements	20–33 years	5%
Vehicles and other machinery and equipment	3–6 years	16.5–33%
Machinery and other technical facilities within Forest Plants operations	5–7 years	14.29–20%

An asset's residual value and useful life are assessed every year. An asset is written down if its book value exceeds its assessed recovery value.

**NOTE 14** Tangible fixed assets, cont.**Other tangible fixed assets**

Group, MSEK	Forestry land	Buildings, other land and land improvements	Machinery and equipment	Fixed assets under construction and advances	Total other tangible fixed assets
<b>Acquisition values</b>					
Opening values 01.01.2017	2,384	520	845	2	1,367
Investments	86	6	52	6	64
From fixed assets under construction, advances etc.	0	3	3	-6	-
Reclassification	0	0	-	-	-
Sales and disposals	-10	-17	-96	-	-113
Translation differences etc.	0	0	0	-	-
<b>Closing values 31.12.2017</b>	<b>2,460</b>	<b>512</b>	<b>804</b>	<b>2</b>	<b>1,318</b>
<b>Accumulated depreciation according to plan</b>					
Opening values 01.01.2017	-	-320	-543	-	-863
Sales and disposals	-	4	86	-	90
Depreciation for the year	-	-7	-73	-	-80
Translation differences etc.	-	0	0	-	-
<b>Closing values 31.12.2017</b>	<b>-</b>	<b>-323</b>	<b>-530</b>	<b>-</b>	<b>-853</b>
<b>Accumulated write-downs</b>					
Opening values 01.01.2017	-	-3	-3	-	-6
Write-downs for the year	-	-	-	-	-
Closing values 31.12.2017	-	-3	-3	-	-6
<b>Closing residual values according to plan 31.12.2017</b>	<b>2,460</b>	<b>186</b>	<b>271</b>	<b>2</b>	<b>458</b>
<b>Acquisition values</b>					
Opening values 01.01.2018	2,460	512	804	2	1,318
Investments	62	4	87	34	125
From fixed assets under construction, advances etc.	-	0	2	-2	-
Reclassification	-	-	-	-	-
Sales and disposals	-7	-11	-118	-	-129
Translation differences etc.	0	0	1	0	1
<b>Closing values 31.12.2018</b>	<b>2,515</b>	<b>505</b>	<b>776</b>	<b>34</b>	<b>1,315</b>
<b>Accumulated depreciation according to plan</b>					
Opening values 01.01.2018	-	-323	-530	-	-853
Sales and disposals	-	1	104	-	105
Depreciation for the year	-	-6	-74	-	-80
Translation differences etc.	-	0	0	-	-
<b>Closing values 31.12.2018</b>	<b>-</b>	<b>-328</b>	<b>-500</b>	<b>-</b>	<b>-828</b>
<b>Accumulated write-downs</b>					
Opening values 01.01.2018	-	-3	-3	-	-6
Write-downs for the year	-	-	-2	-	-2
<b>Closing values 31.12.2018</b>	<b>-</b>	<b>-3</b>	<b>-5</b>	<b>-</b>	<b>-8</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31.12.2018</b>	<b>2,515</b>	<b>174</b>	<b>271</b>	<b>34</b>	<b>479</b>

**NOTE 14** Tangible fixed assets, cont.

Parent company, MSEK	Buildings, other land and land	
	Forest property	improvements
<b>Acquisition values</b>		
Opening values 01.01.2017	36	21
Sales and disposals	-2	-1
<b>Closing values 31.12.2017</b>	<b>34</b>	<b>20</b>
<b>Accumulated depreciation according to plan</b>		
Opening values 01.01.2017	-	-5
Depreciation for the year	-	0
<b>Closing values 31.12.2017</b>	<b>-</b>	<b>-5</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31.12.2017</b>		
	<b>34</b>	<b>15</b>
<b>Acquisition values</b>		
Opening values 01.01.2018	34	20
Investments	-	-
Sales and disposals	-4	-3
<b>Closing values 31.12.2018</b>	<b>30</b>	<b>17</b>
<b>Accumulated depreciation according to plan</b>		
Opening values 01.01.2018	-	-5
Sales and disposals	-	1
Depreciation for the year	-	0
<b>Closing values 31.12.2018</b>	<b>-</b>	<b>-4</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31.12.2018</b>		
	<b>30</b>	<b>13</b>

**Tax assessment values for Swedish properties**

MSEK	Group		Parent company	
	2018	2017	2018	2017
Biological asset	57,708	57,851	706	735
Other land	514	520	31	34
Buildings	87	90	10	11
<b>Total</b>	<b>58,309</b>	<b>58,461</b>	<b>747</b>	<b>780</b>
<b>Recorded in the balance sheet:</b>				
Forestry land	2,515	2,460	30	34
Growing forest	33,607	32,054	-	-
<b>Total</b>	<b>36,122</b>	<b>34,514</b>	<b>30</b>	<b>34</b>

**NOTE 15** Biological assets, growing forest and forestry land**ACCOUNTING PRINCIPLES****Biological assets – growing forest**

In accordance with IFRS, forest assets are divided into growing forest, which is recorded in accordance with IAS 41, and land, which is recorded as a tangible asset. Forestry land is recorded at acquisition value. IAS 41 means that growing forest at each accounting year end must be valued and recorded at actual value based on Valuation Level Three. Changes in actual value are recorded in the profit/loss statement. The quoted price on an active market is the best basis for calculating the asset's actual value. Where market prices or another comparable value are not available, the biological assets shall be valued at the current value of future cash flows from the assets. Sveaskog's assessment is that there is no functioning market for growing forest of an order of magnitude corresponding to Sveaskog's holdings, and that there are thus no relevant market prices. The actual value has thus been calculated as a value determined on an earnings basis, where the cash flow from future income from timber removals after deduction for felling costs etc. has been discounted to a current value.

The calculations include future timber removals corresponding to a forest rotation period (60-120 years depending on geographical location). The timber removals are based on Sveaskog's plans for felling operations and forest management.

Sveaskog has set aside large areas of productive forest land for conservation areas. The value of the standing forest included in the conservation areas is not included in the value determined on an earnings basis. The other values of forest land in the form of hunting revenues, other rental income etc. are not included in the value determined on an earnings basis.

An allocation to deferred tax is calculated in accordance with IAS 12 for the full value of the biological asset in accordance with IAS 41. Deferred tax is calculated on the difference between the properties' book value and their value for tax purposes. The properties' book value comprises the value of growing forest, the value of forest land (see Note 14) and other property values (see Note 14).

**Significant assessments and estimates**

Sveaskog's assessment is that there is no active market, and thus no relevant market prices for growing forest of Sveaskog's size, so the actual value has been calculated as a value determined on an earnings basis.

The estimated cash flow of future income from timber removals after deduction of felling costs has been discounted to a current value.

In the Sveaskog group, forest assets are recorded divided into growing forest, which is recorded as a biological asset at actual value (IAS 41), and forest land, which is recorded at acquisition value. Sveaskog has assessed that there are no relevant market prices that can be used to value forest holdings of the size held by Sveaskog. Sveaskog is thus carrying out a valuation by calculating the current value of expected future cash flows from the growing forest. Valuation at actual value is being carried out based on Valuation Level Three (see Note 26). Cash flows are calculated for the next 100 years – a period that is deemed to be the forest's felling cycle. Cash flows are calculated on the basis of felling volumes in accordance with Sveaskog's current felling plan and assessments of future price and cost developments. Prices are based on a rolling ten-year average (2009-2018). Regarding cost developments, the current normal cost (see model assumptions below) is being applied. Inflation assumptions in the model are based on assessed development during the period 2019 to 2119. The cash flows before tax are discounted at an interest rate of 5.75% (5.95), which is deemed to correspond to the long-term weighted average cost of capital (WACC) for this kind of asset. Sveaskog's board of directors assesses that this interest rate should describe the long-term cost of capital for an investment in forest assets and is not affected by short-term variations in market interest rates.

**NOTE 15 Biological assets, growing forest and forest land, cont.**

Sveaskog holds a total of 3.07 million hectares (3.11) of productive forest land with a volume of standing forest of 307 million m<sup>3</sup>sk (m<sup>3</sup> stem volume including bark) (304), 239 m<sup>3</sup> (239) of which is on the cultivated land. In accordance with the current felling calculation, which is from 2018 and is based on a forest optimisation model, felling will amount to approximately 6.3 million m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark) (6.3) per annum. This level is expected to remain relatively unchanged until 2033. It is estimated that it will subsequently be possible to increase it to just over 6.8 million m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark) by 2080, and then further increase it to 7.5-7.9 million m<sup>3</sup>fub by 2119. In 2018 approximately 56% (55) of the volume was sold as timber, which is sold to sawmills, and 41% (41) is made up of pulp wood sold to the pulp and paper industry. Other volume comprises biofuel in the form of branches and tops (logging residues), which are primarily used as fuel wood, and this volume is not included in the valuation.

**Wood storage, timber removals and timber volume, group**

	2018	2017
Timber volume <sup>1</sup> , million m <sup>3</sup> sk (m <sup>3</sup> stem volume including bark)	239	239 <sup>2</sup>
Net growth <sup>1</sup> , million m <sup>3</sup> sk (m <sup>3</sup> stem volume including bark)	11.0	10.9 <sup>2</sup>
Timber removals from own forest, million m <sup>3</sup> fub (m <sup>3</sup> fixed measurement under bark)	6.20	6.40

- Cultivated land. 1 m<sup>3</sup> sk (m<sup>3</sup> stem volume including bark) corresponds to approximately 0.82 m<sup>3</sup> fub (m<sup>3</sup> fixed measurement under bark).
- Adjustment has taken place with the aid of data from laser scanning in comparison with previous years.

**Model assumptions**

The revenue (timber prices) is based on prices from a ten-year average (2009-2018), followed by an estimated development over the years 2019-2119 with a nominal price increase of 1.7% (1.5) per annum.

During 2018 Sveaskog has adjusted the annual price increase from 1.5% to 1.7%. In conjunction with this the revenue base has been reviewed, thus the timber price for the years 2010 and 2011 has also been adjusted. These values saw extremely deviating price levels in relation to the ten-year average. The adjustment must be seen in the light of the year's review of the annual increase in prices, and is an adaptation to the long-term price trend.

A current normal cost is being applied to the production costs (felling costs). The standard annual cost corresponds to the average over three years (outcome for the current year, previous year and budget for future years).

The costs are based on an assessed development during the years 2019-2119, with a nominal cost increase of 2.0% (2.0) per annum.

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

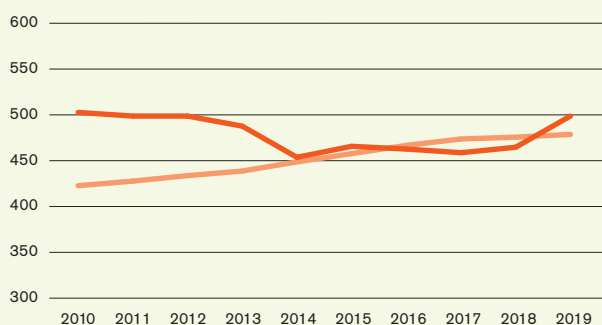
**Timber Prices****10-year index – nominal and average, SEK per m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark)**

2018 average index price = SEK 478 per m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark)

2017 average index price = SEK 475 per m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark)

Price as of balance-sheet date 2018 = SEK 498 per m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark)

Price as of balance-sheet date 2017 = SEK 464 per m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark)



— 10-year index – nominal annual prices. — 10-year average 2009–2018

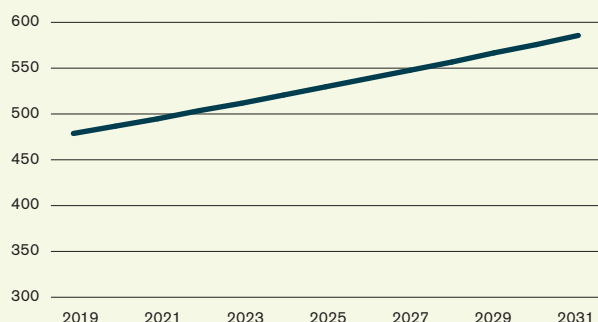
**Summary model assumptions<sup>1</sup>**

	2018	2017
Discount rate	5.75%	5.95%
Revenue	10-year average	10-year average
Price increase nominal	1.70% per annum	1.50% per annum
Expenses	Normal cost <sup>1</sup>	Normal cost <sup>1</sup>
Price increase nominal	2.00% per annum	2.00% per annum

1) Normal cost = outcome current year and previous year, and budget for the following year.

In conjunction with the annual accounts as of 31.12.2018, the discount rate has been lowered by 0.2 percentage points to 5.75%, and the annual price increase has been increased by 0.2 percentage points to 1.7%, which has positively affected the actual value of the growing forest. At the same time, the costs in the valuation model have been analysed and adjusted, and this has adversely affected the actual value.

MSEK	Standing forest
<b>Standing forest</b>	
<b>Acquisition values</b>	
Opening values 01.01.2017	31,993
Acquisition of growing forest	28
Sale of growing forest	-167
Changes as a result of felling	-1,541
Changes in actual value	-1,741
<b>Closing values 31.12.2017</b>	<b>32,054</b>
Opening values 01.01.2018	32,054
Acquisition of growing forest	16
Sale of growing forest	-160
Changes as a result of felling	-1,229
Changes in actual value	2,926
<b>Closing values 31.12.2018</b>	<b>33,607</b>
<b>Forestry land</b>	
Opening values 01.01.2017	2,384
Acquisition of forest land	86
Sale of forest land	-10
<b>Closing values 31.12.2017</b>	<b>2,460</b>
Opening values 01.01.2018	2,460
Acquisition of forest land	62
Sale of forest land	-7
<b>Closing values 31.12.2018</b>	<b>2,515</b>

**Future price trend, SEK per m<sup>3</sup>fub (m<sup>3</sup> fixed measurement under bark)**



**NOTE 15 Biological assets, growing forest and forest land, cont.****Sensitivity analysis based on significant valuation parameters and its impact on Sveaskog's growing forest****Discount rate**

A reduction in the discount rate of 0.5 percentage points increases the value of growing forest by SEK 4,200m (3,400). An increase in the discount rate of 0.5 percentage points lowers the value of the growing forest by SEK 3,400m (2,900).

**Revenue (timber prices)**

A reduction in the annual price increase of 0.5 percentage points reduces the value of the growing forest by SEK 8,700m (7,300). An increase in the

annual price increase of 0.5 percentage points increases the value of the growing forest by SEK 10,700m (8,900).

**Costs (felling, forest-maintenance, road and joint costs)**

An increase in the annual cost increase of 0.5 percentage points reduces the value of the growing forest by SEK 6,500m (5,700). A reduction in the annual cost increase of 0.5 percentage points increases the value of the growing forest by SEK 5,200m (4,600).

**NOTE 16 Shares and units****ACCOUNTING PRINCIPLES****Subsidiaries**

Subsidiaries are companies that are under the determining influence of the parent company Sveaskog AB. An investor has a determining influence on the investment object when it is exposed to or has the right to a variable return on its involvement in the investment object and may affect the return by virtue of its determining influence on the investment.

Subsidiaries are recorded in accordance with the acquisition method. The method means that acquisition of a subsidiary is regarded as a transaction whereby the group indirectly acquires the subsidiary's assets and takes on its liabilities and contingent liabilities. The group acquisition value is determined by means of an acquisition analysis in connection with the business acquisition. The analysis determines the acquisition value of the units or the operations, as well as the actual value of acquired identifiable assets and assumed liabilities and contingent liabilities. The difference between the acquisition value of the subsidiary shares and the actual value of acquired assets, assumed liabilities and contingent liabilities constitutes group goodwill. If the acquisition cost is less than the actual value of the acquired subsidiary's net assets, the difference is recorded directly in the profit/loss statement. Transaction costs are recorded in the profit/loss statement.

The subsidiary's financial statements are included in the consolidated accounts as from the acquisition date until the date when the determining influence ceases.

**Associated companies**

Associated companies are those companies for which the group has a significant but not a determining influence on operational and financial management – usually through stakeholdings of between 20 and 50 per cent of the voting rights. There may be exceptions if the group neither exercises a significant influence nor intends to do so. From the moment the significant influence is obtained, units in associated companies are recorded in accordance with the equity method in the consolidated accounts. The equity method means that the value of the shares in associated companies recorded in the group corresponds to the group's share in the associated companies' equity capital and group goodwill and any other remaining values of group surplus values and negative surplus values. In the consolidated income statement, the group's share in the associated companies' net profit/loss after tax and minority shareholders' participation furthermore adjusted for any depreciation, write-downs or dissolutions of acquired surplus values and negative surplus values is recorded as 'Share in associated companies' profit/loss'. Dividends received from the associated company reduce the recorded amount of the investment. In its participation in the rest of the associated company's comprehensive income in the report, the group takes over the comprehensive income.

Any difference in the acquisition between the acquisition value of the holding and the investor's participation in the actual net value of the associated company's identifiable assets, liabilities and contingent liabilities

is recorded in accordance with IFRS 3 Business acquisition. When the proportion of recorded losses in the associated company exceeds the recorded value of the units in the group, the value of the units is reduced to zero. Offsetting of losses also takes place against long-term unsecured financial dealings, which in terms of their financial content constitute part of the investor's net investment in the associated company. Where the share in an associated company's losses equals or exceeds its holding in the associated company, further losses are not recorded unless guarantees have been provided to cover losses incurred by the associated company. The equity method is applied up until the time when the significant influence ceases.

**SunPine**

25.14% of SunPine is owned, and as from this year SunPine is recorded as an associated company in accordance with the equity method. SunPine was previously recorded as an 'other company'. The comparison year and IB 2017 have been translated.

Group, MSEK	Associated companies <sup>1</sup>	Other long-term holdings of securities
Closing values 31.12.2016	391	75
Adjustment for SunPine to be recorded as an associated company	171	-49
Opening values 01.01.2017	562	26
Investments	-	1
Dividend	-75	-
Share in associated company's profit/loss <sup>2</sup>	108	-
Share in associated company's other comprehensive income	3	-
<b>Closing values 31.12.2017</b>	<b>599</b>	<b>27</b>
Opening values 01.01.2018	599	27
Investments	-	1
Sales	-	0
Write-downs	-	-14
Dividend	-54	-
Share in associated company's profit/loss <sup>2</sup>	151	-
Share in associated company's other comprehensive income	18	-
<b>Closing values 31.12.2018</b>	<b>714</b>	<b>14</b>

1) The holding in Setra Group and SunPine is recorded in accordance with the equity method. The shareholding in other associated companies has been valued at acquisition value. Equity-method accounting has not been applied to them, because of the holdings' minor importance.

2) Share in associated companies' profit/loss after tax for 2018 (2017) and change in the inter-company profit reserve regarding Setra.

**Specification of income, profit/loss, assets and liabilities in the associated company Setra Group**

MSEK	2018	2017
<i>Setra Group</i>		
According to the company's accounts:		
Net turnover	4,480	4,139
Profit/loss after tax	230	116
Profit/loss from continuing operations	287	116
Other comprehensive income	35	7
Comprehensive income for the period	265	123
Fixed assets	985	825
Current assets	1,938	1,723
Equity	1,580	1,372
Long-term liabilities	526	365
Current liabilities	817	811

**Specification of income, profit/loss, assets and liabilities in the associated company SunPine**

MSEK	2018	2017
<i>SunPine</i>		
According to the company's accounts:		
Net turnover	1,458	1,193
Profit/loss after tax	179	129
Profit/loss from continuing operations	179	129
Comprehensive income for the period	179	129
Fixed assets	354	339
Current assets	671	429
Equity	553	473
Untaxed reserves	90	90
Long-term allocations	13	-
Current liabilities	369	205

**Parent company**

MSEK	2018	2017
<b>Acquisition values</b>		
Opening acquisition values	24,934	24,934
Closing acquisition values	24,934	24,934

## Specification of shares and units as well as other long-term holdings of securities

	Corp. Reg. No.	Registered office/ country	Number of shares	Percentage ownership stake <sup>1</sup>		Equity MSEK, 31 Dec. 2018	Profit/loss for the year, MSEK 2017	Book value MSEK, 31 Dec.	
				2018	2017			2018	2017
<b>Sveaskog AB</b>	<b>556558-0031</b>								
<i>Direct holdings in group companies</i>									
Hjälmare Kanal AB	556002-4472	Stockholm	5,936	100	100	2	–	3	3
Sveaskog Förvaltnings AB	556016-9020	Stockholm	95,157,179	100	100	21,496	1,248	24,931	24,931
Total directly owned group companies								24,934	24,934
<i>Direct holdings in group companies</i>									
MPH Skydd AB	556852-1339	Stockholm	50	100	100	1	0	–	–
SIA Sveaskog Baltfor	40003293038	Riga, Latvia	2,500	100	100	24	7	–	–
Skogsriket Sveaskog AB (merged with Sveaskog Förvaltnings AB)	556097-2811	Östersund	–	–	100	–	–	–	–
Sveaskog Försäkringsaktiebolag	516401-8466	Stockholm	500,000	100	100	50	0	–	–
Sveaskog Timber AB (formerly Stöten Mark AB)	556000-1074	Stockholm	90,000	100	100	361	0	–	–
<b>Group's holdings in associated companies</b>									
<i>Parent company's indirect holdings</i>									
Setra Group AB	556034-8483	Stockholm	25,761,671	50	50	1,580	230	497	403
SunPine AB	556682-9122	Piteå	16,685	25.1	25.1	553	179	217	196
<b>Total associated companies</b>								<b>714</b>	<b>599</b>
<b>Group's other long-term holdings of securities</b>									
<i>Parent company's indirect holdings</i>									
Arboreal AB	559171-8548	Umeå	12,450	24.9	–	–	–	0	–
Arevo AB	556995-8423	Umeå	26	1.08	–	–	–	1	–
EkoNord Invest AB	556769-8625	Krokoms	7,143	14.3	14.3	–	–	9	9
Shorelink AB	556053-7168	Piteå	18,775	24.1	24.1	–	–	3	3
Swe Tree Technologies AB	556573-9587	Umeå	408,333	13.8	13.8	–	–	0	14
Torsta AB	556892-2420	Krokoms	200	5.0	5.0	–	–	0	0
Svensk Skogskommunikation AB	559031-9231	Stockholm	25,000	25.0	25.0	–	–	0	0
Other units								1	1
<b>Group's total other long-term holdings of securities</b>								<b>14</b>	<b>27</b>
<b>GROUP'S TOTAL HOLDINGS OF SHARES IN ASSOCIATED COMPANIES AND OTHER LONG-TERM HOLDINGS OF SECURITIES</b>								<b>728</b>	<b>626</b>

<sup>1</sup> The share of voting rights is consistent with all units with equity participation

A complete statutory specification of the group companies' holdings is to be found in the annual report submitted to the Swedish Companies Registration Office.

**NOTE 17 Long-term receivables**

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Interest-bearing long-term receivables</b>				
Claims from group companies	-	-	1,700	2,400
Other long-term receivables	3	5	-	-
<b>Total</b>	<b>3</b>	<b>5</b>	<b>1,700</b>	<b>2,400</b>
<b>Non-interest-bearing long-term receivables</b>				
Other long-term receivables	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL AMOUNT</b>	<b>3</b>	<b>5</b>	<b>1,700</b>	<b>2,400</b>

**NOTE 18 Stock****ACCOUNTING PRINCIPLES**

Stock is valued at the lower of the acquisition value and the net sales value. The net sales value is the estimated selling price in current business, after deduction of estimated costs for completion and achieving a sale.

The acquisition value of processed timber is the actual value with deductions for estimated sales costs at the time of felling in accordance with the accounting principle for biological assets.

The cost of acquisition is calculated by applying the First In, First Out (FIFO) method, and includes expenditure incurred in the acquisition of the stock assets, transporting them to their current location and bringing them to their current condition. The acquisition value includes a reasonable share of indirect costs based on normal utilisation of capacity.

Group, MSEK	2018	2017
Felling rights	16	19
Accrued felling costs for felling rights	99	92
Consumables	16	14
Products in production*	127	118
Finished products *	312	297
<b>TOTAL</b>	<b>570</b>	<b>540</b>

\* Products in production are plants, other roots and seeds. Finished products are timber stocks, logging residues and tree parts by the road, fuel at terminal and cuttings.

**NOTE 19 Trade debtors, loans and other receivables****ACCOUNTING PRINCIPLES**

Trade debtors are classified in the category financial assets valued at accrued acquisition value. Trade debtors are initially valued at actual value and subsequently at accrued acquisition value using the effective interest method. The group defines a default as a situation in which it is unlikely that the opposite party will discharge its undertakings because of indicators such as financial difficulties and missed payments. Regardless of this, a default is deemed to exist when payment was 90 days ago. The group will write off a claim when it is deemed there is no possibility of further cash flows.

In accordance with IFRS 9, an assessment is made of the expected credit losses on loans and other receivables in accordance with the new model, which is based on expected credit losses. Firstly, a reserve corresponding to expected credit losses is recorded within the next 12 months. In Stage Two it is assessed whether the credit risk has significantly increased since the initial recognition, in which case a reserve corresponding to expected credit losses is recorded for the entire duration. In Stage Three the actual loss event or write-down is added to an amount corresponding to expected credit losses for the entire duration.

A reserve claim is recorded in operating expenses, but the expected life of the claims is short, thus accounting is for a nominal amount without discounting. For trade debtors there are simplifications that mean that the group directly records expected credit losses for the remaining life of the asset. The group applies the simplified matrix model. In the model, historical losses are adjusted using forward-looking factors, which are based on the customer portfolio's assessed overall creditworthiness and forecasts for GDP during the financial year and subsequent years. In accordance with IAS 39 trade debtors are classified in the category Trade debtors and Loans. Trade debtors are recorded at the amount expected to be received after deductions for bad debts that have been individually assessed. However, the expected life of a trade debtor is short, thus the value is recorded at a nominal amount without discounting. Write-downs of trade debtors are recorded in operating expenses.

MSEK	Group		Parent company	
	2018	2017	2018	2017
<b>Trade debtors and loans</b>				
Trade debtors	1,199	956	-	-
Provision for doubtful trade debtors	-1	-1	-	-
Claims from associated companies	113	111	-	-
Claims from group companies, interest-bearing	-	-	-	-
Claims from other group companies	-	-	184	214
<b>Total</b>	<b>1,311</b>	<b>1,066</b>	<b>184</b>	<b>214</b>
<b>Other claims</b>				
Prepaid expenses	43	57	7	11
Accrued income	13	14	-	-
Other current receivables	259	342	84	67
<b>Total</b>	<b>315</b>	<b>413</b>	<b>91</b>	<b>78</b>
<b>TOTAL TRADE DEBTORS, LOANS AND OTHER CLAIMS</b>	<b>1,626</b>	<b>1,479</b>	<b>275</b>	<b>292</b>
Of which financial	1,547	1,387	268	281

See Note 26 for age analysis and information on overdue claims not written down.

**NOTE 20 Equity****ACCOUNTING PRINCIPLES**

Equity in the group comprises share capital, reserves and earned profits (incl. profit/loss for the year). Equity in the parent company comprises share capital, legal reserve, profit brought forward and profit/loss for the year.

A dividend to shareholders is only recorded as debt to the shareholders when the dividend is determined at the AGM.

**Group****Share capital**

The number of shares is 118,373,034 A-shares with a quota value of SEK 1.

**Reserves**

Reserves comprise hedging reserve and translation reserve.

**Hedging reserve**

The hedging reserve includes the effective part of the accumulated net change in actual value of a cash-flow instrument attributable to hedging transactions that have not yet been concluded.

**Translation reserve**

The translation reserve includes all exchange-rate differences arising from the translation into SEK of financial statements from foreign operations that have prepared their financial statements in the currency used in the financial environment in which the company in question is mainly active (functional currency). The parent company and the group present their financial statements in Swedish kronor.

**Earned profits**

Earned profits in the group comprise profit/loss for the year and the previous year's earned profits after any dividend.

The board of directors makes proposals regarding a dividend. The size of the dividend is decided at the AGM.

**Parent company****Non-restricted equity**

Profit brought forward in the parent company is made up of the profit/loss for the year and the previous year's profit brought forward after any dividend.

The board of directors makes proposals regarding a dividend. The size of the dividend is decided at the AGM.

**Proposed allocation of profits, SEK**

Profit at the disposal of the AGM:

<b>SEK</b>	
Profit brought forward	7,423,285,385
Profit/loss for the year	-2,010
<b>Total</b>	<b>7,423,283,375</b>

The board of directors proposes that the profits be allocated as follows:

<b>SEK</b>	
Allocated to the shareholder	1,100,000,000
Carried forward to next year	6,323,283,375
<b>Total</b>	<b>7,423,283,375</b>

**NOTE 21 Liquid resources/assets, interest-bearing liabilities and other financial instruments****ACCOUNTING PRINCIPLES****Liquid resources/assets**

Liquid resources/assets consist of the balance-sheet items cash at bank and in hand and short-term investments. Liquid resources/assets are covered by the general model for write-downs. The exemption for low credit risk is applied to liquid resources/assets.

Cash at bank and in hand consists of bank deposits and investments that can be easily converted into cash, the latter having a maximum life of 3 months at the time of acquisition. Book value, accrued acquisition value, is deemed to be a good approximation of actual value when discounting based on prevailing market rates is not expected to lead to significant differences.

Short-term investments consist of commercial papers in accordance with established counterparty regulations (see Note 26).

The investments have a maximum life of 12 months at the time of acquisition and are recorded at accrued acquisition value.

The actual value is determined through a cash-flow valuation. The discount rate is the return received for securities with a similar credit value on the annual-accounts closing date.

For the majority of the group there are so-called group accounts, with Sveaskog Management AB as the main account holder. Sveaskog Management AB's dealings with the group companies regarding group accounts are recorded as short-term interest-bearing claim and short-term interest-bearing liability with regard to the group companies. Sveaskog AB's claims from group companies are with regard to bank balances within group account systems.

**Interest-bearing liabilities**

Interest-bearing liabilities consist of liabilities from the banking system through bilateral bank loan agreements and the capital market via commercial papers and loan participations. The liability is recorded at accrued acquisition value. The book value is deemed to be a good approximation to the actual value for the short-term liabilities. The actual value of the long-term liability is ascertained through cash-flow valuation. The discount rate is based on prevailing market rates, for securities with credit value in accordance with Sveaskog, for the life in question.

Cash-flow valuation is used to calculate the actual value of derivatives.

The discount rate is a market-based swap rate that has been translated into a yield curve and then a curve for a fund loan without annual interest payments. The derivative heading in the note includes both interest-bearing and non-interest-bearing derivatives.

In stating variable rates of interest, the latest fixed variable rate of interest (STIBOR three months) for the loan in question applying as of 31 December 2018 has been used.

**Derivatives and cash-flow hedges**

Derivative instruments comprise forward contracts and swaps used to cover risks of exchange-rate changes and for exposure to interest-rate risks. Currently Sveaskog does not hedge against risks of exchange-rate changes related to net income. Interest-rate swaps are used to hedge against interest-rate risks.

All the group's derivatives are covered by ISDA agreements, which means Sveaskog has the offset right for assets and liabilities with regard to the same opposite party in the case of a credit event. Offsetting of assets and liabilities is not applied to the accounts. Applying offsetting in the balance sheet would not entail any change in the balance sheet as of 31.12.2018, as all swap contracts have a negative market value. A table describing such a balance sheet is thus not provided by way of clarification.

Cash-flow valuation is used to determine the actual value of derivatives. The discount rate is a market-based swap rate that has been translated into a yield curve and then a curve for a fund loan without annual interest payments.

Changes in value of derivative instruments are recorded in the profit/loss statement based on the purpose of the holding. If hedge accounting is not applied, increases and decreases in value of the derivative are recorded as income and expenses respectively within the operating profit or within the net interest income expense, based on the purpose of the use of the derivative instrument and whether the use is related to an operating item or a financial item.

If hedge accounting is not applied in the use of interest-rate swaps, the accrued interest is recorded as interest expense and other changes in value of the interest-rate swap are recorded as financial income or financial expense.

### **Hedge accounting**

Interest-rate swaps are used to hedge against interest-rate risks and interest lock-in. The interest-rate swaps are valued at actual value in the balance sheet. In the profit/loss statement, accrued interest is recorded continuously as an interest expense, and other changes in value of the interest-rate swap are recorded in other comprehensive income, provided the criteria for hedge accounting and efficiency are met. In hedge accounting, any excess inefficient component is recorded in the same way as changes in the value of derivatives that are not used for hedge accounting. In order to meet the requirements for hedge accounting there has to be an unambiguous link with the hedged item. It is furthermore necessary that the hedge effectively protects the hedged item, that hedging documentation has been drawn up and that efficiency can continuously be measured and followed up. Profits and losses regarding hedges are recorded in the profit/loss statement at the same time as profits and losses are recorded for the items hedged.

Where the prerequisites for hedge accounting are no longer met, the derivative instrument is recorded at actual value with the change in value through the profit/loss statement in accordance with the principle described above.

### **Accounting with regard to financial instruments**

On the assets side, financial instruments recorded in the balance sheet include liquid resources/assets, trade debtors, shares, loans and bonds receivable. Liabilities and equity include trade creditors, loan liabilities and derivatives, long-term liabilities and interest-bearing long- and short-term liabilities.

Financial instruments are initially recorded at acquisition value corresponding to the instrument's actual value via the profit/loss statement, with additions for transaction costs for all financial instruments other than those belonging to the category Financial asset recorded at actual value via the profit/loss statement. Accounting takes place accordingly, depending on how they have been classified as below.

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the instrument's contractual terms. Trade debtors are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the opposite party has performed and there is a contractual obligation to pay, even if the invoice has not yet been received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire, or when the company loses control of them. The same applies to components of a financial asset.

A financial liability is removed from the balance sheet when the contractual obligation is discharged or otherwise terminated. The same applies to components of a financial liability.

Acquisition and disposal of financial assets are recorded on the business day, which is the day when the company undertakes to acquire or dispose of the asset.

At each reporting date the company assesses whether there are objective indications that a financial asset or group of financial assets are in need of write-down.

### **Classification and valuation**

The business model and nature of the contractual cash flows generated by the financial asset determine the valuation of the financial asset.

#### **Financial assets valued at accrued acquisition value**

This category includes the claims arising when companies provide money, goods or services directly to the creditor without any intention of trading the rights to recover debt. Assets in this category are valued at accrued acquisition value. Accrued acquisition value is determined on the basis of the effective interest rate calculated at the time of acquisition.

#### **Financial assets valued at actual value through the profit/loss statement**

This category consists of other long-term securities holdings and interest-bearing long-term receivables, and they are valued at actual value, with changes in value recorded in the profit/loss statement, except when hedge accounting is applied – see further Derivatives and cash-flow hedges above.

#### **Financial liabilities valued at accrued acquisition value**

Accrued acquisition value is determined on the basis of the effective interest rate calculated when the liability was recognised. This means that surplus values and negative surplus values are accrued over the life of the debt.

#### **Derivatives valued at actual value through the profit/loss statement and Derivatives used for hedging purposes**

See Derivatives and cash-flow hedges above. Liabilities and derivatives are Level 2 items – for specification of the different levels see Note 26 Financial risks.

For other information regarding the group's and the parent company's financing and financial risks please see Note 26 Financial risks. The financial instruments are also described in more detail in Notes 16, 17, 19 and 23.

**NOTE 21** Cash and cash equivalents, interest-bearing liabilities and other financial instruments

Group, MSEK financial instruments	Financial assets valued at accrued acquisition value		Financial assets valued at actual value through other comprehensive income		Financial assets valued at actual value through the profit/loss statement		Financial liabilities valued at accrued acquisition value		Derivatives at actual value through the profit/loss statement		Derivatives used for hedging purposes		Book value		Actual value	
	201812	201801	201812	201801	201812	201801	201812	201801	201812	201801	201812	201801	201812	201801	201812	201801
<b>Interest-bearing assets and liabilities</b>																
<i>Interest-bearing long-term assets</i>																
Interest-bearing other long-term receivables	-	-	-	-	3	5	-	-	-	-	-	-	3	5	3	5
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>5</b>
<i>Liquid resources/assets</i>																
Cash at bank and in hand	387	1,144	-	-	-	-	-	-	-	-	-	-	387	1,144	387	1,144
Short-term investments	460	537	-	-	-	-	-	-	-	-	-	-	460	537	460	537
<b>Total</b>	<b>847</b>	<b>1,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>847</b>	<b>1,681</b>	<b>847</b>	<b>1,681</b>
<b>Total interest-bearing assets</b>	<b>847</b>	<b>1,681</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>1,686</b>	<b>850</b>	<b>1,686</b>
<i>Interest-bearing long-term liabilities</i>																
MTN (Limit SEK 8,000m)	-	-	-	-	-	-	3,888	4,387	-	-	-	-	3,888	4,387	4,041	4,545
Bank facilities (Limit 4,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan participations	-	-	-	-	-	-	800	800	-	-	-	-	800	800	801	801
Interest-rate derivatives	-	-	-	-	-	-	-	-	9	9	70	68	79	77	79	77
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,688</b>	<b>5,187</b>	<b>9</b>	<b>9</b>	<b>70</b>	<b>68</b>	<b>4,768</b>	<b>5,264</b>	<b>4,921</b>	<b>5,423</b>
<i>Interest-bearing current liabilities</i>																
Commercial-paper programme (Limit SEK 5,000m)	-	-	-	-	-	-	2,212	2,412	-	-	-	-	2,212	2,412	2,212	2,411
MTN (Limit SEK 8,000m)	-	-	-	-	-	-	500	600	-	-	-	-	-	-	500	600
Banking facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan participations	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	400
Interest-rate derivatives	-	-	-	-	-	-	-	-	-	3	-	27	-	30	-	30
Utilised bank-overdraft facility and overnight loans	-	-	-	-	-	-	12	-	-	-	-	-	12	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,724</b>	<b>3,412</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>27</b>	<b>2,724</b>	<b>3,442</b>	<b>2,712</b>	<b>3,441</b>
<b>Total interest-bearing liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,412</b>	<b>8,599</b>	<b>9</b>	<b>12</b>	<b>70</b>	<b>95</b>	<b>7,491</b>	<b>8,706</b>	<b>7,633</b>	<b>8,864</b>
<b>Non-interest-bearing financial instruments</b>																
<i>Long-term non-interest-bearing assets</i>																
Other long-term holdings in securities (spec. Note 16 Shares and units)	-	-	-	-	14	27	-	-	-	-	-	-	14	27	14	27
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>27</b>	<b>14</b>	<b>27</b>
<i>Current non-interest-bearing assets</i>																
Trade debtors and other claims	1,547	1,387	-	-	-	-	-	-	-	-	-	-	1,547	1,387	1,547	1,387
<b>Total</b>	<b>1,547</b>	<b>1,387</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,547</b>	<b>1,387</b>	<b>1,547</b>	<b>1,387</b>
<b>Total non-interest-bearing assets</b>	<b>1,547</b>	<b>1,387</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,561</b>	<b>1,414</b>	<b>1,561</b>	<b>1,414</b>
<i>Long-term non-interest-bearing liabilities</i>																
Long-term non-interest-bearing liabilities	-	-	-	-	-	-	10	11	-	-	-	-	10	11	10	11
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>11</b>
<i>Current non-interest-bearing liabilities</i>																
Trade creditors	-	-	-	-	-	-	902	790	-	-	-	-	902	790	902	790
Other current liabilities excl. derivatives	-	-	-	-	-	-	107	100	-	-	-	-	107	100	107	100
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,009</b>	<b>890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,009</b>	<b>890</b>	<b>1,009</b>	<b>890</b>
<b>Total non-interest-bearing liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,019</b>	<b>901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,019</b>	<b>901</b>	<b>1,019</b>	<b>901</b>
<b>TOTAL FINANCIAL INSTRUMENTS</b>	<b>2,394</b>	<b>3,068</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>32</b>	<b>-8,431</b>	<b>-9,500</b>	<b>-9</b>	<b>-12</b>	<b>-70</b>	<b>-95</b>	<b>-6,099</b>	<b>-6,507</b>	<b>-6,241</b>	<b>-6,665</b>

**NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.****Reconciliation of liabilities attributable to financing activities, group**

MSEK	2016	Cash flow	Non-cash-flow events			2017
			Acquisitions	Exchange-rate changes	Changes in actual value	
<i>Financial liabilities</i>						
Interest-bearing long-term liabilities	5,187	–	–	–	–	5,187
Interest-bearing current liabilities	3,281	131	–	–	–	3,412
<b>Total liabilities attributable to financing activities</b>	<b>8,468</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,599</b>
	2017	Cash flow	Non-cash-flow events			2018
			Acquisitions	Exchange-rate changes	Changes in actual value	
<i>Financial liabilities</i>						
Interest-bearing long-term liabilities	5,187	–500	–	–	–	4,688
Interest-bearing current liabilities	3,412	–689	–	–	–	2,723
<b>Total liabilities attributable to financing activities</b>	<b>8,599</b>	<b>–1,189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,411</b>

**Interest terms group as of 31.12.2017**

Nominal values MSEK	Percentage interest rate	Interest lock-in	Currency	Nominal amount in original currency	Total
<i>Total interest-bearing assets</i>					
Short-term investments	–0.2	Variable	SEK	460	460
Cash at bank and in hand	–0.4	Variable	SEK	1,144	1,144
<i>Interest-bearing liabilities</i>					
Commercial papers	–0.29	Variable	SEK	2,210	2,210
<i>Bonds</i>					
MTN bond	2.35	Fixed	SEK	2,060	2,060
MTN FRN	0.46	Variable	SEK	2,330	2,330
Effect of interest-rate swaps	0.85	Fixed	SEK	900	900
Loan participations	1.3	Variable	SEK	800	800
Effect of interest-rate swaps	3.51	Fixed	SEK	800	800



**NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.**

Parent company, MSEK	Financial assets valued at accrued acquisition value		Financial liabilities valued at accrued acquisition value		Book value	
	201812	201801	201812	201801	201812	201801
<b>Interest-bearing assets and liabilities</b>						
<i>Long-term interest-bearing assets</i>						
Claims from group companies	1,700	1,400	–	–	1,700	1,400
<b>Total</b>	<b>1,700</b>	<b>1,400</b>	<b>–</b>	<b>–</b>	<b>1,700</b>	<b>1,400</b>
<i>Current interest-bearing assets</i>						
Claims from group companies	–	1,000	–	–	–	1,000
<b>Total</b>	<b>–</b>	<b>1,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,000</b>
<b>Total interest-bearing assets</b>	<b>1,700</b>	<b>2,400</b>	<b>–</b>	<b>–</b>	<b>1,700</b>	<b>2,400</b>
<i>Long-term interest-bearing liabilities</i>						
MTN	–	–	3,887	4,387	3,887	4,387
Banking facilities	–	–	–	–	–	–
Loan participations	–	–	800	800	800	800
<b>Total</b>	<b>–</b>	<b>–</b>	<b>4,687</b>	<b>5,187</b>	<b>4,687</b>	<b>5,187</b>
<i>Current interest-bearing liabilities</i>						
Commercial-paper programmes	–	–	2,212	2,412	2,212	2,412
MTN	–	–	500	600	500	600
Banking facilities	–	–	–	–	–	–
Loan participations	–	–	–	400	–	400
Liabilities to group companies	–	–	11,957	10,589	11,957	10,589
<b>Total</b>	<b>–</b>	<b>–</b>	<b>14,669</b>	<b>14,001</b>	<b>14,669</b>	<b>14,001</b>
<b>Total interest-bearing liabilities</b>	<b>–</b>	<b>–</b>	<b>19,357</b>	<b>19,188</b>	<b>19,356</b>	<b>19,188</b>
<b>Non-interest-bearing financial instruments</b>						
<i>Current non-interest-bearing assets</i>						
Claims from other group companies	184	214	–	–	184	214
Other claims	84	67	–	–	84	67
Total non-interest-bearing assets	268	281	–	–	268	281
<i>Current non-interest-bearing liabilities</i>						
Liabilities to group companies	–	–	–	–	–	–
Other current liabilities	–	–	–	–	0	0
Total non-interest-bearing liabilities	–	–	–	–	0	0
<b>Total financial instruments</b>	<b>1,968</b>	<b>2,681</b>	<b>–19,357</b>	<b>–19,188</b>	<b>–17,389</b>	<b>–16,507</b>

**Reconciliation of liabilities attributable to financing activities, parent company**

MSEK	2016	Cash flow	Non-cash-flow events			2017
			Acquisitions	Changes in rates of exchange	Changes in actual value	
<i>Financial liabilities</i>						
Interest-bearing long-term liabilities	5,187	–	–	–	–	5,187
Interest-bearing current liabilities	13,120	881	–	–	–	14,001
<b>Total liabilities attributable to financing activities</b>	<b>18,307</b>	<b>881</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,188</b>

MSEK	2017	Cash flow	Non-cash-flow events			2018
			Acquisitions	Changes in rates of exchange	Changes in actual value	
<i>Financial liabilities</i>						
Interest-bearing long-term liabilities	5,187	–500	–	–	–	4,687
Interest-bearing current liabilities	14,001	668	–	–	–	14,669
<b>Total liabilities attributable to financing activities</b>	<b>19,188</b>	<b>168</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,356</b>

**NOTE 21** Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.

## Opening balances upon transition from IAS39 to IFRS 9

Financial instruments	Loans and trade receivables	Change	Financial assets valued at amortised cost	Available-for-sale financial assets	Change	Financial assets at fair value through profit or loss	Other financial liabilities	Change
	2017-12-31		2018-01-01	2017-12-31		2018-01-01	2017-12-31	
<b>Financial instruments</b>								
<b>Interest-bearing assets and liabilities</b>								
<i>Interest-bearing non-current assets</i>								
Interest-bearing other non-current receivables	5	-5	-	-	5	5	-	-
<b>Total</b>	<b>5</b>	<b>-5</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>
<i>Cash and cash equivalents</i>								
Cash and bank balances	1,144	0	1,144	-	-	-	-	-
Short-term investments	537	0	537	-	-	-	-	-
<b>Total</b>	<b>1,681</b>	<b>-</b>	<b>1,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest-bearing assets</b>	<b>1,686</b>	<b>-5</b>	<b>1,681</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>
<i>Interest-bearing non-current liabilities</i>								
MTN (Ceiling SEK 8,000 million)	-	-	-	-	-	-	4,387	0
Bank facilities (Ceiling SEK 4,200 million)	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	800	0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,187</b>	<b>0</b>
<i>Interest-bearing current liabilities</i>								
Commercial paper programme (Ceiling SEK 5,000 million)	-	-	-	-	-	-	2,412	0
MTN (Ceiling SEK 8,000 million)	-	-	-	-	-	-	600	0
Bank facilities	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	400	0
Utilised bank overdraft facility and overnight loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,412</b>	<b>0</b>
<b>Total interest-bearing liabilities</b>							<b>8,599</b>	<b>0</b>
<i>Interest-rate derivative liability</i>								
Interest-rate futures, net (nom. amount SEK 0 million)	-	-	-	-	-	-	-	-
Interest rate swaps, short < 1 year (nom. amount SEK 0 million)	-	-	-	-	-	-	-	-
Interest rate swaps, long > 1 year (nom. amount SEK 2,400 million)	-	-	-	-	-	-	-	-
<b>Total</b>								
<b>Non-interest-bearing financial instruments</b>								
<i>Non-current non-interest-bearing assets</i>								
Other securities held as non-current assets (spec. Note 16 Shares and participations)	-	-	-	26	-	26	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>-</b>
<i>Current non-interest-bearing assets</i>								
Trade and other receivables	1,387	0	1,387	-	-	-	-	-
<b>Total</b>	<b>1,387</b>	<b>-</b>	<b>1,387</b>	<b>26</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>-</b>
<b>Total non-interest-bearing assets</b>	<b>1,387</b>	<b>-</b>	<b>1,387</b>	<b>26</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>-</b>
<i>Non-current non-interest-bearing liabilities</i>								
Non-current non-interest-bearing liabilities	-	-	-	-	-	-	11	0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>0</b>
<i>Current non-interest-bearing liabilities</i>								
Trade payables	-	-	-	-	-	-	790	0
Other current liabilities excl. derivatives	-	-	-	-	-	-	100	0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>890</b>	<b>0</b>
<b>Total non-interest-bearing liabilities</b>	<b>3,073</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>901</b>	<b>0</b>
<b>TOTAL FINANCIAL INSTRUMENTS</b>	<b>3,073</b>	<b>-5</b>	<b>3,068</b>	<b>26</b>	<b>5</b>	<b>31</b>	<b>9,500</b>	<b>0</b>

**NOTE 21** Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.**Financial instruments, cont.**

	Financial liabilities valued at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through profit or loss	Derivatives used for hedging purposes	Derivatives used for hedging purposes	Book value	Fair value
	2018-01-01	2017-12-31	2018-01-01	2017-12-31	2018-01-01	2018-01-01	2018-01-01
<b>Interest-bearing assets and liabilities</b>							
<i>Interest-bearing non-current assets</i>							
Interest-bearing other non-current receivables	-	-	-	-	-	5	5
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>
<i>Cash and cash equivalents</i>							
Cash and bank balances	-	-	-	-	-	1,144	1,144
Short-term investments	-	-	-	-	-	537	537
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,681</b>	<b>1,681</b>
<b>Total interest-bearing assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,686</b>	<b>1,686</b>
<i>Interest-bearing non-current liabilities</i>							
MTN (Ceiling SEK 8,000 million)	4,387	-	-	-	-	4,387	4,545
Bank facilities (Ceiling SEK 4,200 million)	-	-	-	-	-	-	-
Bonds	800	-	-	-	-	800	801
<b>Total</b>	<b>5,187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,187</b>	<b>5,346</b>
<i>Interest-bearing current liabilities</i>							
Commercial paper programme (Ceiling SEK 5,000 million)	2,412	-	-	-	-	2,412	2,411
MTN (Ceiling SEK 8,000 million)	600	-	-	-	-	600	600
Bank facilities	-	-	-	-	-	-	-
Bonds	400	-	-	-	-	400	400
Utilised bank overdraft facility and overnight loans	-	-	-	-	-	-	-
<b>Total</b>	<b>3,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,472</b>	<b>3,411</b>
<b>Total interest-bearing liabilities</b>	<b>8,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,599</b>	<b>2,757</b>
<i>Interest-rate derivative liability</i>							
Interest-rate futures, net (nom. amount SEK 0 million)	-	-	-	-	-	-	-
Interest rate swaps, short < 1 year (nom. amount SEK 0 million)	-	3	3	27	27	30	30
Interest rate swaps, long > 1 year (nom. amount SEK 2,400 million)	-	9	9	68	68	77	77
<b>Total</b>	<b>-</b>	<b>12</b>	<b>12</b>	<b>95</b>	<b>95</b>	<b>107</b>	<b>107</b>
<b>Non-interest-bearing financial instruments</b>							
<i>Non-current non-interest-bearing assets</i>							
Other securities held as non-current assets (spec. Note 16 Shares and participations)	-	-	-	-	-	26	26
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>26</b>
<i>Current non-interest-bearing assets</i>							
Trade and other receivables	-	-	-	-	-	1,387	1,387
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,387</b>	<b>1,387</b>
<b>Total non-interest-bearing assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,413</b>	<b>1,413</b>
<i>Non-current non-interest-bearing liabilities</i>							
Non-current non-interest-bearing liabilities	11	-	-	-	-	11	11
<b>Total</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>11</b>
<i>Current non-interest-bearing liabilities</i>							
Trade payables	790	-	-	-	-	790	790
Other current liabilities excl. derivatives	100	-	-	-	-	100	100
<b>Total</b>	<b>890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>890</b>	<b>890</b>
<b>Total non-interest-bearing liabilities</b>	<b>901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>901</b>	<b>901</b>
<b>TOTAL FINANCIAL INSTRUMENTS</b>	<b>9,500</b>	<b>12</b>	<b>12</b>	<b>95</b>	<b>95</b>	<b>6,508</b>	<b>6,666</b>

**NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.****Opening balances upon transition from IAS39 to IFRS 9**

Parent company, MSEK	Loans and trade debtors	Change	Financial assets valued at accrued acquisition value	Other financial liabilities	Change	Financial liabilities valued at accrued acquisition value	Book value
	20171231		20180101	20171231		20180101	20180101
<b>Interest-bearing assets and liabilities</b>							
<i>Long-term interest-bearing assets</i>							
Claims from group companies	1,400	0	1,400	–	–	–	1,400
<b>Total</b>	<b>1,400</b>	<b>0</b>	<b>1,400</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,400</b>
<i>Current interest-bearing assets</i>							
Claims from group companies	1,000	0	1,000	–	–	–	1,000
<b>Total</b>	<b>1,000</b>	<b>0</b>	<b>1,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,000</b>
<b>Total interest-bearing assets</b>	<b>2,400</b>	<b>0</b>	<b>2,400</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,400</b>
<i>Long-term interest-bearing liabilities</i>							
MTN	–	–	–	4,387	0	4,387	4,387
Banking facilities	–	–	–	–	–	–	–
Loan participations	–	–	–	800	0	800	800
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,187</b>	<b>0</b>	<b>5,187</b>	<b>5,187</b>
<i>Current interest-bearing liabilities</i>							
Commercial-paper programmes	–	–	–	2,412	0	2,412	2,412
MTN	–	–	–	600	0	600	600
Banking facilities	–	–	–	–	–	–	–
Loan participations	–	–	–	400	0	400	400
Liabilities to group companies	–	–	–	10,589	0	10,589	10,589
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,001</b>	<b>0</b>	<b>14,001</b>	<b>14,001</b>
<b>Total interest-bearing liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,188</b>	<b>0</b>	<b>19,188</b>	<b>19,188</b>
<b>Non-interest-bearing financial instruments</b>							
<i>Current non-interest-bearing assets</i>							
Claims from other group companies	214	0	214	–	–	–	214
Other claims	67	0	67	–	–	–	67
<b>Total non-interest-bearing assets</b>	<b>281</b>	<b>0</b>	<b>281</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>281</b>
<i>Current non-interest-bearing liabilities</i>							
Liabilities to group companies	–	–	–	–	–	–	–
Other current liabilities	–	–	–	0	0	0	–
<b>Total non-interest-bearing liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>–</b>
<b>Total financial instruments</b>	<b>2,681</b>	<b>0</b>	<b>2,681</b>	<b>–19,188</b>	<b>–0</b>	<b>–19,188</b>	<b>–16,507</b>

**NOTE 22 Allocations for pensions****Defined contribution plans**

The obligations are primarily regarding obligations to employees linked to the collectively agreed pension SAF-LO, but also obligations regarding employees linked to the ITP-1 agreement. Obligations regarding expenses for defined contribution plans are recorded as an expense in the profit/loss statement when they arise.

**Defined benefit plans**

The obligations are mainly regarding obligations to employees linked to the ITP-2 agreement and obligations regarding pensions and annuities taken over from the state in connection with the so-called corporatisation agreement under which Sveaskog Förvaltnings AB took over the operations and assets of the Swedish Forest Administration as of 1 July 1992, as well as corresponding obligations taken over from the state in conjunction with Svenska Skogsplantor AB's takeover of operations and assets from the Swedish Forestry Agency as of 1 July 1994. The latter obligations are now also included in Sveaskog Förvaltnings AB. In addition, there are

certain temporary obligations arising in conjunction with rationalisation and restructuring of operations.

The group's recorded allocations for pensions correspond to the current value of these pension obligations in addition to ITP-2.

The liabilities in the balance sheet are essentially regarding obligations taken over from the state in conjunction with takeover of operations and related aspects after the take-over dates. The obligations also include non-vested commitments to certain staff whose employment came with take-over of operations in 1992 and certain additional pension obligations that are not yet tax-deductible. The amount involved includes an allocation to cover certain deficiencies in documentation taken over from the state. The risks associated with the defined-benefit pension plans are:

- Interest-rate risk: with a lower interest-rate level and thus a reduced discount rate the liability increases.

**NOTE 22 Provisions for pensions, cont.**

- Inflation risk: with higher inflation the liability increases.
- Life expectancy: the longer the life of the persons covered by the plan, the greater the commitment.
- The wage-increase risk means that with increased wage increases the liability increases, but Sveaskog has no new earnings in the defined benefit plans that are not ITP2.

For the financial risks, see Note 26.

The pension liability is calculated in accordance with IAS 19. Actuarial profits and losses as a result of experience-based adjustments and changes in actuarial assumptions are recorded in other comprehensive income during the period in which they arise.

The defined-benefit pension obligation is calculated annually by independent actuaries. The current value of the defined-benefit obligation is determined through discounting of estimated future cash flows, using the interest rate for mortgage bonds with the same duration as the pension liability.

The contractual vested pension right regarding defined-benefit pension plans that are continuously earned is financed by premium payments to Alecta. Alecta is capitalised on a collective basis, constituting a buffer for insurance commitments against fluctuations in return on capital and insurance risks. For employees linked to defined-benefit pension plans administrated by ALECTA (ITP plan) and not included in the high-earner solution (tiotaggarlösning), the premiums for 2018 are SEK 17m (17). See also Note 8 Staff costs, average number of employees and absence through sickness regarding the accounting by Alecta.

Allocations for non-vested commitments are calculated as if earning is continuing to take place, even if the commitment to the creditor only arises when the pension case occurs.

The following tables show an overview of the items linked to the pension commitments that are treated as defined-benefit and funded obligations and are included in the net cost of the payments recorded in the consolidated income statement.

Group, MSEK	2018	2017
<i>Book value of defined-benefit pension plans</i>		
Current value of obligations	450	492
<b>Recorded allocations for pensions</b>	<b>450</b>	<b>492</b>
<i>Changes in recorded pension allocations in 2018 and 2017 respectively</i>		
Allocations 31.12. 2017 and 31.12.2016 respectively	492	539
Actuarial profit/loss as a result of changed demographic assumptions	-	-
Actuarial profit/loss as a result of changed financial assumptions	2	10
Actuarial profit/loss as a result of experience-based changes	2	-6
Benefits paid	-51	-56
Other change	5	5
<b>Recorded allocations for pensions</b>	<b>450</b>	<b>492</b>

*Net cost of benefits regarding defined-benefit pension plans*

Operating expenses	11	9
Interest components in the year's increase in the current value of pension obligations	6	8
Actuarial profit/loss as a result of changed financial assumptions	2	10
Actuarial profit/loss as a result of experience-based changes	2	-6
<b>Recorded cost of pensions</b>	<b>21</b>	<b>21</b>

*Expected due date for allocations for pensions*

Within a year (included in interest-bearing current liabilities and allocations)	49	53
Later than within one year (included in allocations for pensions)	401	439
<b>Total</b>	<b>450</b>	<b>492</b>

%	2018 231	2017 231
Discount factor	1.30	1.35
Inflation index for consumer prices	2.0	2.0
Income inflation	3.0	3.0
Future pay increases	3.0	3.0
Mortality assumption	DUS14	DUS14

**Sensitivity analysis discount Rate**

Increasing the discount rate by 1.0% means a 33m (36) reduction in the liability.

Decreasing the discount rate by 1.0% means a 44m (50) increase in the liability.

**Sensitivity analysis**

Increasing inflation by 0.5% means a SEK 19m (23) increase in the liability.

Decreasing inflation by 0.5% means a SEK 17m (19) decrease in the liability.

**Sensitivity analysis mortality/life**

Increasing the life by a year means a SEK 29m (32) increase in the liability.

Decreasing the life by a year means a SEK 25m (26) decrease in the liability.

The expected weighted average duration of the obligation's current value as of 31.12.2018 is 7.79 years (7.89).

The discount rate is determined on the basis of the market interest rate on mortgage bonds. An adjustment is made for any difference between a real and a nominal government bond. We can thereby retain the inflation assumption regarding the Riksbank's long-term inflation target. This year no adjustment was needed, as inflation is around the Riksbank's long-term inflation target.

**NOTE 23 Non-interest-bearing liabilities****ACCOUNTING PRINCIPLES**

Trade creditors are classified in the category Financial liabilities valued at accrued acquisition value. Trade creditors are initially valued at actual value, and subsequently at accrued acquisition value using the effective interest method, but the expected duration of the trade creditors is short, thus accounting is for a nominal amount without discounting.

**Trade creditors etc.**

MSEK	Group		Parent company	
	2018	2017	2018	2017
<i>Current liabilities</i>				
Trade creditors	895	783	–	–
Liabilities to associated companies	7	7	–	–
Liabilities to group companies	–	–	0	0
<b>Total amount</b>	<b>902</b>	<b>790</b>	<b>0</b>	<b>0</b>

**Other liabilities**

MSEK	Group		Parent company	
	2018	2017	2018	2017
Derivative liabilities	79	107	–	–
Prepaid income	30	32	–	–
Accrued expenses etc.	111	100	30	30
Other current liabilities	96	103	1	0
<b>Total</b>	<b>316</b>	<b>342</b>	<b>31</b>	<b>30</b>
<b>Total trade creditors and other liabilities</b>	<b>1,218</b>	<b>1,132</b>	<b>31</b>	<b>30</b>
Of which financial (excl. derivatives)	1,009	890	0	0

**NOTE 24 Other allocations****ACCOUNTING PRINCIPLES**

An allocation is recorded in the balance sheet when an existing legal or constructive obligation exists as a result of an event occurring, it is probable that an outflow of financial resources will be required in order to regulate the obligation and a reliable estimate of the amount can be made.

**Allocation for resource adaptation**

An allocation for restructuring is recorded when a detailed and formal restructuring plan is established and the restructuring has either begun or been publicly announced. No allocation is made for future operating expenses.

**Environmental allocations**

An environmental allocation is recorded in the balance sheet when there is an existing legal or constructive obligation as a result of an event occurring, leading to an outflow of financial resources.

**Loss contracts**

An allocation for loss contracts is recorded when the expected advantages expected from a contract are less than the inevitable costs of discharging the obligations under the contract.

**Significant assessments and estimates****Environment**

Ongoing surveys and valuations are carried out regarding expected and existing environmental pollution on Sveaskog's land.

**Other allocations**

MSEK	Opening balance 01.01.2017	Cancelled allocations	New allocations	Utilisation	Closing balance 31.12.2018	Of which short-term component	Of which long-term component
<i>Group</i>							
Allocations for resource adaptation	11	–3	26	–5	29	28	1
Allocation for archive costs, historical non-productive land and roads and bridges	142	–	2	–8	136	8	128
Environmental allocations	24	–	1	–2	23	2	21
Loss contracts and other allocations	2	–	3	–4	1	1	0
<b>Total</b>	<b>179</b>	<b>–3</b>	<b>32</b>	<b>–19</b>	<b>189</b>	<b>39</b>	<b>150</b>

MSEK	Opening balance 01.01.2018	Cancelled allocations	New allocations	Utilisation	Closing balance 31.12.2017	Of which short-term component	Of which long-term component
<i>Group</i>							
Allocations for resource adaptation	29	–12	10	–12	15	13	2
Allocation for archive costs, historical non-productive land and roads and bridges	136	–5	29	–15	145	8	137
Environmental allocations	23	–	2	–1	24	2	22
Loss contracts and other allocations	1	–	14	–10	5	1	4
<b>Total</b>	<b>189</b>	<b>–17</b>	<b>55</b>	<b>–38</b>	<b>189</b>	<b>24</b>	<b>165</b>

## NOTE 24 Other provisions, cont.

### Allocations for resource adaptation

Allocations for reserve for resource adaptation in Sveaskog Förvaltnings AB concern reorganisations in 2017 and 2018.

### Allocation for archive costs

In accordance with the corporatisation agreement of 1992 between the state and Domän AB (now Sveaskog Förvaltnings AB, SFAB), SFAB shall be responsible for archive costs – so-called preservation charges – regarding the Swedish Forest Administration's documents. The documents are archived in the National Archives of Sweden. The commitment is perpetual.

### Allocation for historical non-productive land

The allocation for historical non-productive land concerns the cost of taking action on non-approved reforestation.

### Allocation for roads and bridges

The allocation concerns a legal maintenance obligation regarding substandard roads, bridges and dams.

### Reconciliation of certain balance-sheet items against the balance sheet, group

MSEK		Parent company	
		2018	2017
MTN loan, long-term component	Note 21	3,888	4,387
Loan participation, long-term component	Note 21	800	800
<b>Interest-bearing long-term liabilities</b>		<b>4,688</b>	<b>5,187</b>
Long-term component of other allocations	Note 24 above	165	150
<b>Other allocations (long-term)</b>		<b>165</b>	<b>150</b>
Commercial papers	Note 21	2,212	2,412
MTN participation, short-term component	Note 21	500	600
Loan participation, short-term component	Note 21	–	400
Utilised bank overdraft facility and overnight loans	Note 21	12	–
Short-term component of allocation for pensions	Note 22	49	53
<b>Interest-bearing current liabilities and allocations</b>		<b>2,773</b>	<b>3,465</b>
Short-term component of other allocations	Note 24 above	24	39
Trade creditors and other liabilities	Note 23	1,218	1,132
<b>Trade creditors, other liabilities and allocations (short-term)</b>		<b>1,241</b>	<b>1,171</b>

## NOTE 25 Securities provided and contingent liabilities

### ACCOUNTING PRINCIPLES

A contingent liability refers to a possible commitment from past events where the existence of a genuine undertaking is confirmed only by one or more uncertain future events that are not entirely within the control of the undertaking, or an undertaking arising from past events but not recorded as a liability or provision because it is unlikely that an outflow of resources will be required to settle the commitment, or that the size of the commitment cannot be calculated with sufficient reliability.

MSEK	Group		Parent company	
	2018	2017	2018	2017
<i>Securities provided</i>				
Bank deposits	0	5	–	–
<b>Total</b>	<b>0</b>	<b>5</b>	<b>–</b>	<b>–</b>
<i>Contingent liabilities</i>				
Guarantees for SDC	20	20	–	–
Other guarantees	1	1	–	–
Guarantees for group companies	–	–	454	480
<b>Total</b>	<b>21</b>	<b>21</b>	<b>454</b>	<b>480</b>

### Capital call-offs

In 2008 Sveaskog's board of directors decided to participate in the formation of EkoNord Invest AB and to contribute a total of SEK 20m. The contribution of this amount is taking place gradually through capital call-offs on the part of EkoNord Invest AB. As of the balance-sheet date SEK 16m (16) had been paid to EkoNord Invest AB.

In 2013 the board of directors decided to participate in the new share issue regarding Swe Tree Technologies AB and to contribute a total of SEK 4m. This amount was contributed gradually through capital call-offs from Swe Tree Technologies AB. As of the balance sheet date SEK 4m (4) had been paid to Swe Tree Technologies AB

## NOTE 26 Financial risks

### ACCOUNTING PRINCIPLES

#### Finance policy

Sveaskog's board of directors has adopted a financial policy that regulates handling of the financial risks to which the group has been exposed. This policy is evaluated and revised once a year. Operational responsibility is delegated through the deputy CEO/CFO and on to the finance manager, who in addition to operational responsibility is responsible for ensuring that the finance function reports to company management and the board of directors every month.

Financial risks are changes in the group's profit/loss and cash flow arising from changes in exchange rates, interest-rate levels, refinancing requirements and credit risks. Responsibility for reducing financial risks and carrying out the ongoing financial transactions is centralised, going to a group-wide finance function. The overall objective of the finance function is to ensure cost-effective financing and minimise negative effects on the group's profit/loss that may arise through price changes on the interest-rate and foreign-exchange markets.

Of the various financial risks to which a company may be exposed – financing risk, interest-rate risk, credit/counterparty risk and currency risk – financing risk and credit risk are by far the main risks for Sveaskog. The currency risk is relatively low.

Sveaskog, which is a forest-ownership and forest-management company, finances about 18% (22) of its assets with external loans. Great importance is thus attached to minimising both the financing risk and the interest-rate risk in this borrowing. In addition, an attempt is made not to be dependent on individual sources of financing, and to be restrictive in the assessment of opposite parties when investing surplus liquidity.

#### Financing risk

The financing risk is the risk of a big borrowing requirement arising in a strained credit-market situation.

To ensure that the group has access to external financing at all times, the finance department must ensure that confirmed stand-by credit lines are available. In terms of volume, they should primarily cover outstanding commercial papers, so as to eliminate the risk of it not being possible to refinance them in a situation where the certificates market is not functioning.

**NOTE 26 Financial risks, cont.**

The creditor base must comprise different sources of financing, to avoid excessive dependence on an individual loan market. The Sveaskog group's external lending opportunities comprise a mixture of bank loans and market loans – commercial papers and loan participations. The group is thus not solely dependent on one source of funding. Sveaskog has not provided any security for these loans. Instead, the loan agreements include a so-called negative clause, which means that no company within the group may or can make securities available for loans or other business transactions.

The current loan portfolio comprises commercial papers and loan participations. The commercial papers are by their very nature short, with a maximum duration of 12 months, whilst the long-term outstanding loan participations have a duration of between one and 25 years. The bilateral bank-loan agreements have an average remaining duration of 2.2 years (3.2).

In line with current financial policy, the loan maturity is to be spread over a period of at least five years, and can also be spread over a longer period. Maturity within the coming 12 months must not exceed 20% of the total loan stock excluding certificates. Over the period of a year, instances of maturity should be spread as evenly as possible. At year-end, it is 10% (12) of the total stock excluding certificates that falls due within the next twelve months.

The loan volume during the certificate programme was SEK 2,210m (2,410), and it has been refinanced on an ongoing basis. During the MTN programme the outstanding volume as of 31 December was SEK 4,390m (4,990).

Sveaskog's net financial liability at year-end was SEK 7,014m (7,410), and its maturity structure is shown in the Liquidity Risk table, maturity years for financial liabilities, group.

**Interest rate risk**

Interest rate risk refers to the risk of the value of a financial instrument varying due to changes in market interest rates, meaning that interest expenses increase or decrease. How rapidly a trend in changing interest rates affects earnings depends on the fixed interest rate terms of the concerned loans and investments.

Responsibility for managing the Group's interest rate exposure in compliance with the established policy is centralised to the treasury function. It falls to the treasury function to continually monitor matters and implement suitable measures to ensure that the interest rate risk is minimised. The financial policy stipulates that the Group's loans are to have an average fixed interest rate term of no less than 12 months, but also no more than 48 months. In order to achieve this standard, interest rate derivatives are used, preferably in the form of interest rate swaps; see Note 21. Cash and cash equivalents, interest-bearing liabilities and other financial instruments. The average fixed interest rate term on net debt at 31 December 2018 was 34.6 months (34.3) and the gross borrowing cost was 1.34 percent (1.31).

The main purpose of the interest rate swaps is to at all times attempt to achieve the most optimal fixed interest rate term possible for the Sveaskog Group, taking into account the economic climate, current interest rates, the Group's income statement and balance sheet, the size of the loan portfolio and so forth.

At 31 December 2018, Sveaskog had interest rate swaps with a contract value of SEK 2,800 million (2,800), of which SEK 1,700 million (2,400) held for hedging purposes and SEK 400 million (400) held for trading purposes.

The fair value of the swaps at 31 December 2018 was SEK -79 million (-107), of which SEK -70 million (-95) for derivatives used for hedging purposes and SEK -9 million (-12) for derivatives recorded at fair value through profit or loss consisting of liabilities of SEK 1,700 million (2,400); see the table interest-rate derivative liability Note 21. See also page 111 for a sensitivity analysis.

Gains and losses on interest rate swaps held for hedging purposes at 31 December 2018 are recognised under other comprehensive income.

**Credit risk/counterparty risk**

Credit risk refers to the risk of a counterparty in a financial transaction being unable to fulfil its obligations. Financial risk management entails exposure to credit risks. In the case of Sveaskog, such risks arise to some extent in conjunction with the investment of cash and cash equivalents, but mainly in connection with counterparty risks in relation to banks when acquiring derivative instruments. In order to enter into derivative transactions with banks, Sveaskog Förvaltnings AB has so-called ISDA agreements with the concerned parties. The financial policy includes specific counterparty regulations governing the maximum credit exposure for each counterparty. These regulations are strict and stipulate the minimum credit ratings that apply to selected counterparties as per Standard & Poor's and Moody's rating systems. In the case of Swedish counterparty risks of up to one year, Swedish Nordic Credit Rating's highest rating of K1 applies, and for risks exceeding one year the counterparties must have a long-term credit rating equivalent to at least A- or A3, respectively, in Standard & Poor's and Moody's rating systems. Apart from two exceptions, Sveaskog is only exposed to credit risks in relation to Swedish counterparties. In 2018, no credit losses were incurred on financial transactions.

Another type of credit risk comprises receivables from commercial customers. The Group's two largest customers each account for more than ten per cent of sales and together represent 32 per cent (30) of total sales. Credit insurance is managed in compliance with the Group's policy for insurance, but is not applied to major customers. Instead, regular internal credit analyses are used. At 31 December 2018, outstanding receivables from the two largest customers corresponded to 35 per cent (36) of the Group's total trade receivables at that time.

At 31 December 2018, trade receivables expected to be received amounted to SEK 1086 million (821).

At 31 December 2018, trade receivables totalling SEK 227 million (246) were overdue but without any need for impairment deemed to exist.

The overdue receivables related to a number of customers who have not previously had any problems making payment. By mid-January 2019, overdue trade receivables stood at SEK 2 million (6).

At 31 December 2018, trade receivables with credit insurance amounted to SEK 515 million (346), out of a total of SEK 1,199 million (956). Total exposure to counterparty risks corresponds to the value in the balance sheet of the corresponding assets.

**Capital management**

The Group's aims as regards its capital structure are to safeguard the Group's ability to remain a going concern, so that it can continue to generate returns for its owner and benefit other stakeholders, as well as to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group can change the dividend paid to its owner, repay capital to its owner, issue new shares or sell assets to reduce its debts.

The 2014 Annual General Meeting adopted new financial targets for the Sveaskog Group, including the Group maintaining a net debt/equity ratio of between 30 per cent and 60 per cent. This financial target is calculated as net interest-bearing liabilities divided by equity, all calculated at the end of the period/year. Net interest-bearing liabilities are calculated as total borrowing (encompassing interest-bearing current liabilities, interest-bearing non-current liabilities and pension liabilities as per the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as per the consolidated balance sheet plus net debt. The equity ratio at 31 December 2018 and 2017, respectively, was as follows:



**NOTE 26 Financial risks, cont.**

SEK millions	Group	
	2018	2017
Total borrowing (Note 21, 22)	7,861	9,091
Less: cash and cash equivalents (Note 21)	-847	-1,681
Net debt	7,014	7,410
Total equity	23,110	20,816
<b>Total capital</b>	<b>30,124</b>	<b>28,226</b>
Net debt/equity ratio	30%	36%

**Overdue trade receivables aging, gross**

SEK millions	Group	
	2018	2017
Less than 1 month	225	243
1 to 3 months	1	2
3 months and older	1	1
	227	246

**Doubtful trade receivables, change during the year**

SEK millions	Group	
	2018	2017
Provision for doubtful trade receivables, OB	-1	-2
Added during the year	-2	-1
Settled/received during the year	2	2
Provision for doubtful trade receivables, CB	-1	-1

**Currency risk**

Sveaskog's currency exposure is limited. All assets are in Sweden and only a small share of expenses are in foreign currencies. No currency hedging is currently applied to commercial flows.

**Sensitivity analysis**

In order to manage the interest rate risk, in recent years the Group has issued bonds with longer maturities than previously to reduce the impact of short-term interest rate fluctuations on the Group's earnings. Persistent changes in interest rates will, however, have an impact on consolidated earnings in the longer term.

At 31 December 2018, a general increase in interest rates of one percentage point would be expected to reduce the Group's pre-tax profit by approximately SEK 75 million (87), without consideration for any cash flow hedges. With consideration for cash flow hedges, which with hedge accounting do not affect the income statement, pre-tax profit would be reduced by approximately SEK 58 million (63). In the event of a general increase in interest rates of one percentage point, equity would be burdened in the amount of SEK 59 million (68).

**Calculation of fair value****Securities**

Fair value is based on quoted market prices on the balance sheet date.

**Derivative instruments**

Cash flow valuation is used to determine the rates of interest rate swaps. The interest rate used is the market-based interest rate for interest rate swaps on the balance sheet date compiled into a yield curve and then converted into a zero coupon curve.

Quoted prices (unadjusted) in active markets for identical assets or liabilities available to the company at the measurement date.

Level 1	In the case of financial instruments for which market quotations are available, the current rates are used to calculate fair value.
Level 2	Other observable data for assets or liabilities other than quoted prices included in Level 1, either directly (that is, price quotations) or indirectly (that is, derived from price quotations). Derivatives in Level 2 include, for example, interest rate swaps and are used for both trading and hedging purposes. The fair value calculation for interest rate swaps is based on interest swap rates retrieved from a financial information system and converted into a coupon curve for valuation purposes.
Level 3	Data for the asset or liability that is not based on observable market data (that is, unobservable data). See Note 15 for information on fair value assessments.

SEK millions	Level 1		Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
<b>Financial assets at fair value through profit or loss</b>						
Standing timber					33,607	32,054
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,607</b>	<b>32,054</b>
<b>Liabilities</b>						
Non-current liabilities			4,842	5,345		
Current liabilities			2,712	3,410		
Derivative instruments	0	0	79	107		
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>7,633</b>	<b>8,862</b>		

**Measurement techniques used for****Level 2 fair value**

Current liabilities are recognised at book value, including accrued interest, which is assessed to provide a good approximation of fair value. The fair value of non-current debt instruments is determined using valuation models such as the discounting of future cash flows to listed market interest rates according to term. Level 2 derivatives comprise interest rate swaps and are recognised at market value or through hedge accounting. The fair value calculation for interest rate swaps is based on interest swap rates retrieved from a financial information system and converted into a coupon curve for valuation purposes. Compared with 2017, no

transfers have been made between different levels in the hierarchy and no significant changes have been made to measurement methods, the data used or assumptions.

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

The measurement technique is specified in Note 15 on page 93. During the year, Sveaskog issued SEK 7,740 million (10,600) under the commercial paper programme and SEK 0 million (1,000) under the MTN programme.

**NOTE 26 Financial risks, cont.****Liquidity risk****Maturity for financial liabilities, Group (including future interest flows)**

SEK millions	Between 0–3 months		Between 4–12 months		Between 12–24 months		Between 24–60 months		More than 60 months	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Borrowing (excl. finance lease liabilities)	2,227	2,526	551	950	663	563	3,170	3,289	1,257	1,779
Derivative instruments	7	15	21	30	26	29	49	67	26	43
Trade payables and other liabilities	956	816	23	43	12	8	16	13	2	10
Financial guarantee contracts	–	–	78	78	–	–	–	–	–	–

To secure the extension of Sveaskog's short-term debt in the event of increased capital shortage, Sveaskog has contracted credit facilities. These credit facilities amounted to SEK 4,200 million (4,200) at 31 December 2018. The financial policy also governs how large a share of the loan portfolio may fall due within 12 months. At present, a maximum of 20 per cent may fall due within 12 months.

**Policy on insurance**

The Board of Sveaskog has adopted a policy on insurance governing how the Group's risk management should be organised and implemented. This policy is evaluated once a year. It then falls to the CEO to delegate responsibility to the Deputy CEO/CFO and the Treasury Manager to implement the policy directives.

Biological assets, in the form of standing timber, are Sveaskog's largest assets, but also the assets that are assessed to be exposed to the single largest static risk. Should DAMAGE be incurred, it can temporarily give rise to substantial costs for the Group, which could have a significant impact on the Group's financial position. Consequently, great emphasis has been placed on

ensuring that the Group has forest insurance covering any additional costs that may arise in conjunction with substantial damage to standing timber, such as in the event of a storm or fire. To assist in arranging suitable insurance and risk protection, the Sveaskog Group owns a so-called captive, Sveaskog Försäkrings AB. Through this captive, the Group transfers the risk associated with such damage to the direct insurance market and the reinsurance market. The Group currently holds insurance policies for standing timber covering increased expenses of up to SEK 2,000 million. This cover is based in part on experience from the storms of recent years and in part on simulated scenarios devised together with external insurance experts.

**NOTE 27 Significant events after year-end 2018**

No significant events took place after the balance sheet date.

# Declaration of assurance and signatures

The undersigned declare that the consolidated accounts and the annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting principles and give a true and fair view of the Group's and the Parent Company's financial position and performance, and that the consolidated administration report and the administration report give a fair overview of the development of the Group's

and the Parent Company's operations, financial position and performance and describe significant risks and uncertainties facing the companies within the Group. The undersigned also submit Sveaskog's sustainability report for 2018. The sustainability report describes Sveaskog's sustainability work and is prepared in accordance with the Guidelines for Sustainability Reporting, as published by the Global Reporting Initiative.

Sveaskog AB (publ) (556558-0031)  
Stockholm, 8 March 2019.

Eva Färnstrand  
*Chair*

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*

Our auditor's report regarding the company's annual accounts and consolidated accounts was submitted on 8 March 2019.

Deloitte AB

Hans Warén  
*Authorised Public Accountant*

# Auditor's report

To the Annual General Meeting of Sveaskog AB (publ), company registration number 556558-0031

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Sveaskog AB (publ) for the financial year 1 January 2018 to 31 December 2018. The company's annual accounts and consolidated accounts are found on pages 10–15, 18–24, 58–62 and 72–114 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual general meeting adopt the income statements and the balance sheets of the Parent Company and the Group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's audit committee in accordance with Article 11 of the Audit Regulation (537/2014).

### Basis for opinions

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in Article 5.1 of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and the consolidated accounts for the concerned period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and the consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Valuation of forest assets

Standing timber accounts for 82% of the Group's assets and is, therefore, quantitatively the Group's most significant asset. Forest assets amounting to SEK 33,607 million at 31 December 2018 are recognised in the Group's balance sheet.

Sveaskog has assessed that there are no relevant market prices for valuing a holding of the size held by Sveaskog. Accordingly, Sveaskog's valuation is calculated using the present value of expected future cash flows from the standing timber. The valuation of standing timber places strict demands on Sveaskog's valuation process and valuation models,

considering it is based on an assessment of future cash flows spread over 100 years.

The valuation is based on a number of critical assumptions regarding the average harvesting cycle, long-term price trends, long-term cost levels and long-term average weighted cost of capital. Since the yield models are based on very long periods of time, even small changes can have considerable effects on the valuation.

See Note 15 for a more detailed description of how the company applies IAS 41 and the assessments made.

Our audit included, but was not limited to, the following examinations:

- Review of procedures and processes in the valuation process, as well as evaluation and verification of the effectiveness of implemented key controls in relation to documented guidelines
- Evaluation of the reasonableness of the assumptions underlying the company's valuation by means of comparison with the assumptions and actual outcomes of previous years
- Verification the functionality of the calculation model in terms of mathematical accuracy and the company's process for compiling input data
- Verification of the input data used with the valuation model by means of spot checks
- Review of relevant notes to the financial reports

Our valuation specialists have reviewed the company's documentation regarding the long-term average weighted cost of capital, which is based on the opinion of an external specialist. We have also evaluated the experience and competence of the specialist.

### Completeness of revenue recognition

Sales of timber, pulpwood and biofuel entail extremely high numbers of transactions, placing strict demands on accounting, follow-up and internal control. Each day a large number of harvesting assignments are conducted on behalf of the Group or other forest owners, with almost non-stop deliveries to end customers. Accordingly, support systems are also subject to strict demands to ensure correct procedures when measuring volumes, checking delivery data and setting prices based on contracted prices.

See Note 4 for a description of the principles applied to revenue recognition.

Our audit included, but was not limited to, the following examinations:

- Review of significant transaction flows for revenue and critical business systems, as well as evaluation of whether the company's essential controls for managing the risk of errors in its financial reporting are appropriately devised and implemented
- Our IT auditors have focused on reviewing general IT controls as regards access rights and change management in the system environment
- Review of the company's revenue recognition procedure with a focus on (1) input data for timber management systems, (2) completeness of transfers between or data retrieval from systems and (3) review of accounting documentation and comparison with actual invoicing
- For a selection of individual revenue transactions, verification that these were priced in accordance with the applicable customer agreements and that the revenue was recognised in the period in which Sveaskog fulfilled its obligations
- Implementation of registry analysis to review the completeness of the flow from the timber management system and accounting to the financial reports
- Analytical review of recognised revenue on a monthly basis and trends in revenue and margins at segment level to identify significant fluctuations for further examination.

### Reserves for environmental provisions

As a state-owned company operating in the forest industry, Sveaskog is subject to stringent requirements regarding the identification and reporting of environmental provisions. Sveaskog owns and has previously owned a number of nurseries throughout Sweden. In addition to this, there are a number of locations where operations were previously conducted and responsibility can be attributed to the former Domänverket or AssiDomän and for which Sveaskog has assumed responsibility. Sveaskog reports an environmental provision when the concerned authority has made a decision and called on the company to take action, which is in line with IFRS.

The size of the environmental provision in the consolidated balance sheet amounted to SEK 24 million at 31 December 2018 and as such does not comprise a significant item, but has been one of the areas discussed with management during the year in view of the assessments and estimates that need to be made. With consideration for the above, the completeness and valuation of environmental provisions are considered particularly important areas.

Sveaskog's environmental work is described in several sections of the annual report. The accounting principles and the size of the provision are presented in Note 24.

Our audit included, but was not limited to, the following examinations:

- Review of Sveaskog's policies and guidelines for reviewing and inventorying environmental obligations
- Review of the provisions made in comparison with external documentation, such as decisions passed by government authorities and quotations from contractors.

### Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts and this is found on pages not encompassing the annual accounts, the sustainability report or the corporate governance report. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and the consolidated accounts does not cover this other information and we do provide any opinion or assurance as regards this other information.

In connection with our audit of the annual accounts and the consolidated accounts, it is our responsibility to read the information identified above and to consider whether the information is materially inconsistent with the annual accounts and the consolidated accounts. In this examination we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there are any material misstatements in this other information, we are required to report the matter. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and the consolidated accounts and for them providing a fair presentation in accordance with the Annual Accounts Act and, as regards the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and the consolidated accounts, the Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the CEO intend to liquidate the company, cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or as an aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility in auditing the annual accounts and the consolidated accounts can be found on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description forms part of the auditor's report.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Opinions

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Sveaskog AB (publ) for the financial year 1 January 2018–31 December 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the annual general meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

#### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements that the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes, among other things, continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, the management of assets and the company's financial affairs are otherwise controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission that can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion on this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility in auditing the management's administration can be found on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report.

Deloitte AB was appointed auditor of Sveaskog AB (publ) by the annual general meeting of 23 April 2018 and has been the company's auditor since 23 April 2015.

#### **Auditor's examination of the corporate governance report**

The Board of Directors is responsible for the corporate governance report on pages 63–71 having been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6, section 6, second paragraph, items 2–6 of the Annual Accounts Act and chapter 7, section 31, second paragraph of the same act are consistent with the other parts of the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 8 March 2019  
Deloitte AB

Hans Warén  
Authorised Public Accountant

# Notes to the sustainability report

## NOTE H1 About the sustainability report

Sveaskog prepares a sustainability report for the period 1 January–31 December in accordance with the sustainability reporting standards issued by the GRI (Global Reporting Initiative). The sustainability report encompasses pages 16–17, 25–35, 48–53 and 119–125 and is subject to a review by the auditing firm Deloitte AB.

The Board's signing of the annual report for 2018 and the auditor's examination report are presented on pages 115 and 126, respectively.

For the first time, Sveaskog is reporting, as regards sustainability, annual multidimensional value creation within the company in monetary terms. The model and method used, known as Integrated Profit and Loss (IP&L™), is described in greater detail in Note H2.

### Application of GRI Standards

GRI is a collaborative organisation under the aegis of the United Nations Environment Programme. The organisation has drawn up global guidelines for how companies report information related to sustainable development. A complete overview of the GRI Standards can be found at [www.globalreporting.org](http://www.globalreporting.org).

Sveaskog reports in accordance with the Core level of the GRI Standards. A transition from the fourth version (GRI G4) was made in 2017. Sveaskog reports the results achieved for the reporting period in against a background of obligations, strategies and sustainability management. The aim is to present, measure and assume responsibility in relation to stakeholders, both inside and outside the company, as regards what has been achieved in efforts to pursue sustainable business operations.

The GRI Standards are implemented in internal work with sustainability issues and the information presented in the disclosures fulfils the GRI's Universal Standards criteria. All disclosures in accordance with the GRI's Universal Standards are published at [www.sveaskog.se](http://www.sveaskog.se) in the form of a GRI index.

### Process for GRI Standards

Sveaskog's ambition is to provide a comprehensive account of its sustainability work, with both negative and positive developments clearly presented. The obligations stemming from certification and various memberships, including FSC® and Global Compact, are of great importance to this sustainability work.

In support of issues where Sveaskog as a company has the greatest impact, and which are most important to report to the company's external and internal stakeholders, efforts are based on a materiality analysis conducted by the sustainability committee. First, all GRI Standards are analysed based on their importance to the sustainability areas identified as essential by Sveaskog and where the greatest impact is possible, inside or outside the company. Once these areas have been identified, they are then analysed by the sustainability committee to determine which are to be reported.

### Limitations

All disclosures concern the entire Sveaskog Group unless otherwise stated. The Group includes the wholly owned subsidiary Sveaskog Baltfor SIA. Sveaskog AB owns fifty per cent of the sawmill business Setra Group AB and it is not included in the sustainability report, other than to the extent that the financial performance of Setra Group AB affects Sveaskog Förvaltnings AB's financial performance. Sveaskog is represented by two members of the board of Setra Group AB and as such is able to influence its sustainability efforts.

### Global Compact

Sveaskog has supported the UN's Global Compact initiative since 2005, thereby assuming a strong stance on issues concerning human rights, social conditions, environmental responsibility, freedom of association and anti-corruption. Global Compact is derived from the Universal Declaration of Human Rights, the Rio Declaration on the Precautionary Principle (which means that Sveaskog undertakes to work preventatively and to minimise risks as regards environmental issues throughout its operations), the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's principles and standards for how multinational companies should conduct business in a responsible manner. You can find more information about Global Compact at [www.globalcompact.org](http://www.globalcompact.org). Sveaskog works to determine how the principles are to be implemented and reflected in its operations. Each year, a so-called Communication on Progress (CoP) is reported to the UN Global Compact, together with the GRI indicators associated with the principles.

## NOTE H2 Multidimensional value creation – Integrated Profit and Loss

The Integrated Profit and Loss (IP&L™) evaluation model entails the holistic and integrated evaluation in monetary terms of the company's impact and value creation within four different types of capital. The model was developed by the internationally renowned environmental economist Pavan Sukhdev and his team GIST Advisory. The four types of capital are financial, social, human and natural, and the results illustrate the company's combined positive and negative impact. The values are based on data from 2016.

We have chosen to work with this model as it offers high scientific relevance. Note that other models may exist and may not produce the exact same outcomes.

All the data used are associated with some uncertainty. This is due to scientific uncertainty concerning measurement methods, but also uncertainty surrounding the data to which the measurement methods are applied. This applies in particular to the measurement of indirect environmental and social effects, for which Sveaskog relies on the

available business data, data provided by external parties and information, assumptions and qualified estimates provided by GIST Advisory in conjunction with the preparation of Sveaskog's IP&L. Uncertainty also surrounds Sveaskog's share of the effects presented, which are based on assumptions made by Sveaskog.

It should also be noted that this is a first step in reporting in accordance with this model, within the bounds of the limits and assumptions required for its implementation. The model can and should be refined over time.

The IP&L™ methodology highlights the company's value creation in terms of ecosystem services and social benefits over and above the economic value of its timber production. It encompasses the company's different types of impact and contribution in areas related to both climate and water, as well as land use and social values. The calculation also includes negative impact, such as greenhouse gas emissions stemming from operations. The results of the analysis are presented on page 17.

**NOTE H2** Multidimensional value creation – Integrated Profit and Loss, cont.

Capital	Examples included		Examples not included	Reference examples
	Positive impact	Negative impact		
<b>Financial capital</b>	Generated net profit Distributed value (for example, taxes, depreciation, interest)		Contribution to GDP via contractors	
<b>Social capital</b>	Recreation		Health and safety and working conditions among contractors	(Fredman 2013, Friluftsliv i förändring)
	Hunting, fishing, berry picking			Engelman, Marc, Carl-Johan Lagerkvist, and Ing-Marie Gren. 2016. <i>Hunting value of wild boar in Sweden: A choice experiment.</i>
	Road construction, accessibility	Environmental impact of road construction		Carfax. 2017. Total length of the road network in Sweden in 2015, <a href="https://www.statista.com/statistics/449993/sweden-length-of-road-network-by-road-type">https://www.statista.com/statistics/449993/sweden-length-of-road-network-by-road-type</a>
<b>Human capital</b>	Education Salary trends Pensions	Impact of air pollution on health	Health and safety	
<b>Natural capital</b>	Carbon sequestration	Greenhouse gas emissions		Carbon Dioxide Capture and Storage, Intergovernmental Panel on Climate Change, (IPCC 2005); Interagency Working Group on Social Cost of Greenhouse Gases, United States Government. 2016.
			Impact on biodiversity	
		Water regulation	Impact of harvesting on land	(Zhang Biao 2010, Water conservation in forest ecosystems); EEA. 2015. <i>Values from water retention potential of forests.</i>

A summarised version of the underlying analysis can be found on Sveaskog’s website <https://www.sveaskog.se/globalassets/hallbarhet/public-session---integrated-profit-loss-ipl.pdf>. The complete list of references is available at [sveaskog.se](http://sveaskog.se).

**NOTE H3** GRI disclosures, where impact arises and examples of initiatives in 2018 that have increased or decreased impact

For the most important aspects of sustainability, here we present examples of initiatives that have increased or decreased impact and indicate where impact is chiefly seen. The complete GRI index is available at [www.sveaskog.se](http://www.sveaskog.se).

Capital	Examples of initiatives in 2018 that have increased or decreased impact	Sustainability aspect	Impact chiefly seen
<b>Confidence</b>	Sveaskog’s employees act as ambassadors in their work when representing the company in contact with contractors, network meetings with state-owned companies, dialogues with conservation organisations, consultations with Sámi communities and meetings with local communities. Natural value assessments published together with harvesting reports on the internet. Cooperation with the County Administrative Board and the SFA in Dalarna County regarding valuable areas and green infrastructure. Valuation of the company’s value creation in accordance with the Integrated Profit and Loss model.	Supplier evaluations regarding the environment, labour rights, human rights and social impact.	Inside and outside the company
<b>Economic performance</b>	Increased total productivity, higher prices, new income for ecological compensation, refined stock holding.	Economic performance.	Inside and outside the company
<b>Climate effects</b>	Pilot plant at RISE ETC, new rail terminal outside Kumla, improved logistics, increased use of biofuel.	Energy, emissions, economic performance	Outside the company
<b>Customer satisfaction</b>	Short-term hunting, Svenska Skogsplantor’s plant website, internal optimisation programme <i>Lytet</i> .	Products and service certification	Within the company
<b>Biodiversity</b>	Natural value assessments published together with harvesting reports on the internet.	Biodiversity Transparency	Inside and outside the company
<b>Equal opportunities, diversity and human resource planning</b>	Integration project <i>Växtkraft!</i> , kids’ forest camps, summer jobs for adolescents. Machine team trainees (training forwarders).	Employment, occupational health and safety, skills development, diversity and equal opportunities.	Inside and outside the company



**NOTE H4 Stakeholder dialogues**

Sveaskog maintains structured and documented stakeholder dialogues. This overview shows the key issues of greatest interest to the ten principal stakeholders, what Sveaskog is doing regarding each issue and how the dialogues are maintained.

	Issues 2018	What is Sveaskog doing?	Dialogue opportunities 2018
Customers	Product quality, prices, effective logistics, renewable vehicle fuels, technological developments, FSC® and traceability, sustainability, reliability, long-term relationships.	FSC® certification, competitive prices, code of conduct, delivery precision measurements, participation in the development of new fossil-free fuels, traceable timber.	Satisfied Customer Index survey, business discussions, forest days, collaborative sustainability reporting.
Owner	Fulfilment of financial targets, sustainable business, human rights initiatives, stakeholder dialogues and confidence in Sveaskog, Agenda 2030.	Initiatives to fulfil established financial targets, objectives and strategies for sustainable business, clearer reporting of and processes for Agenda 2030 efforts, reporting of multidimensional value creation.	Annual general meeting, board meetings, dialogues with the Chair of the Board, Government Offices and MPs, network meetings with state-owned companies.
Lending institutions, creditors	Financial trends, financial stability, sustainable business, new business opportunities.	Financial targets, financial policy, prioritising long-term business relationships and customers with profitability potential, issuing green bonds.	
Employees	Skills development and livelihood, confidence, equal opportunities, employeeship and leadership, health and safety, organisation.	Internal training, internal mobility, active recruitment, health and safety work, organisational development.	Performance reviews, leadership days and programmes, trade union collaboration, workplace meetings, the new collaboration and leadership principles "We do each other good".
Contractors	Progressive and long-term cooperation, renewable energy, sustainable forestry, contract and remuneration matters, training and health and safety work, appeal of the forestry industry, traceability and certification.	Long-term cooperation, preferred contractors, collaborative projects, information and follow-ups, code of conduct, service declaration, UN Global Compact compliance requirement for general agreement suppliers, PEFC certification requirement, daily checks on traffic permits etc., checks with Tax Agency.	Satisfied Contractor Index survey, business discussions, follow-ups, checks in the field, in-depth checks on a dozen contractors.
Timber suppliers	Solvency, long-term cooperation, competitive prices, renewable energy, harvesting assignment quality, human resource planning, sustainable forestry, information on Sveaskog's operations, technological developments.	Good solvency, competitive prices, FSC® planning of harvesting assignments, participation in the development of new fossil-free fuels, information activities.	Satisfied Supplier Index survey, FSC® cooperation, forest days, business discussions.
Tourism sector, hunters, fishers and others	Land leases, land lease prices, forests and land for recreation, forestry's impact on recreation, grazing damage.	Land leases, investments in recreational areas and ecoparks, roads and signs, maps, information on website.	Elk management meetings, hunt leader meetings, consultations, business discussions, continued development of short-term hunting, increased number of destinations.
Reindeer husbandry	Well-considered silviculture and land leases that do not impact reindeer winter foraging – coexistence.	Formal consultations, better map data, projects to develop land use.	Consultations on silviculture in Sámi communities, partnership within Swedish FSC®.
Authorities	Forestry Act, national environmental goals, key biotope inventory.	Annual audits, business management systems, follow-ups of goals and KPIs.	Consultations on ecoparks.
Conservation organisations	Biodiversity, nature conservation.	Sustainable business goals, environmental goals, FSC® membership, nature conservation strategy.	Excursions, correspondence, dialogue meetings in Almedalen, consultations and dialogue meetings with local communities.

**NOTE H5 Environment and nature conservation**

Sveaskog's nature conservation reserves can comprise formally protected areas or voluntary reserves. Sveaskog has chosen to designate 20 per cent of its productive forest land as nature conservation areas. The 20 per cent ambition applies to forests below the montane forest line. This is achieved in three different ways: ecoparks, nature conservation forests and so-called consideration for nature in production forests.

The ecoparks encompass a total of 140,000 hectares of productive forest land below the montane forest region, with 80,000 hectares designated as nature conservation forests. The montane forest region is

home to a further 34,000 hectares of ecoparks, all of which are designated as nature conservation areas.

With current developments, consideration for nature in production forests will eventually total 220,000 hectares. Of this total, 48,000 hectares have already been designated as consideration for nature and exempted from harvesting. The remaining 172,000 hectares will be established when planning future harvesting assignments.

In the montane forest, Sveaskog has set aside some 80,000 hectares for nature conservation, of which 34,000 hectares are found in ecoparks.

**Nature conservation area below the montane forest region:**

Definition	Status 21 December 2018	Size	Measurement, third party	Cooperation
Ecoparks	37 ecoparks have been established. Ecopark agreements have been entered into with the Swedish Forest Agency for all ecoparks.	80,000 hectares	Swedish Forest Agency, county administrative boards	50-year agreements with the Swedish Forest Agency and annual management meetings
Nature conservation forests	Presented at <a href="http://www.sveaskog.se">www.sveaskog.se</a> All regularly quality-assured in the field.	300,000 hectares	Swedish Forest Agency, county administrative boards	Swedish Forest Agency, county administrative boards
Consideration for nature in production forests	Consideration follow-up checks (99% target)	220,000 hectares	Swedish Forest Agency follow-ups, FSC® audit	Method development with the Swedish Forest Agency
- Of which Consideration for nature when harvesting		- 48,000 hectares		
- Of which Consideration for nature when planning future harvesting		- 172,000 hectares		
Sveaskog's total nature conservation area below the montane forest region		600,000 hectares		

**Nature preservation in the montane forest region:**

Definition	Status 21 December 2018	Size	Measurement, third party	Cooperation
Sveaskog's boundary for the montane forest region is based on the Swedish Forestry Act and FSC®	Nature reserves and ecoparks are established and nature conservation forests are currently being quality assured	80,000 hectares	Swedish Forest Agency, county administrative boards, FSC® audit	Dialogue with the Swedish Forest Agency
Sveaskog's total nature conservation area including the montane forest region		680,000 hectares		

**NOTE H6 Environmental data**

	2014	2015	2016	2017	2018
<b>Production</b>					
All deliveries, thousand m <sup>3</sup> sub	10,838	10,748	10,684	10,817	10,995
Deliveries from own forests, thousand m <sup>3</sup> sub	6,561	6,570	6,459	6,463	6,177
Biofuel deliveries, thousand m <sup>3</sup> sub	999	868	780	599	528
<b>Energy consumption</b>					
Non-renewable fuels, TJ	1,752	1,519	1,374	1,535	1,611
Renewable fuels, TJ	80.5	233	243	209	199
Indirect energy consumption, MWh	9,222	9,136	8,528	8,191	8,335
<b>Emissions to air<sup>1</sup></b>					
Fossil CO <sub>2</sub> , thousand tonnes	153 <sup>2</sup>	146	126	112 <sup>5</sup>	115
Of which direct emissions, thousand tonnes	16	14	13	9 <sup>5</sup>	10
Of which indirect emissions, Scope 2, thousand tonnes	0.052	0.052	0.049	0.042	0.042
Of which indirect emissions, Scope 3, thousand tonnes <sup>3</sup>	137	132	113	105	105
<b>Land</b>					
Total land area, million ha	4	4	4	4	4
Of which productive forest land, million ha	3.1	3.1	3.1	3.1	3.1
Percentage of total unharvested growth, % <sup>4</sup>	35	36	36	34	37

1) Sveaskog reports emissions of the greenhouse gas carbon dioxide and complies with the guidelines of the Greenhouse Gas Protocol (GHG Protocol). CO<sub>2</sub> emissions are calculated in accordance with ISO14001:2004, 14040:2004 and GWP in accordance with IPCC 2007 and 2013.

2) As of the annual report for 2014, the production and distribution of fuel are included in the emission calculations, entailing increases in carbon dioxide emissions.

3) Scope 3 includes harvesting, transport by truck, boat and train, road construction, silviculture and business travel.

4) Including forests that are not managed.

5) The figures for 2017 have been adjusted to reflect improved measurement methods. The corresponding figures for 2014–2016 have not been adjusted.

**Employee data**

Unless otherwise stated, figures refer to the entire Sveaskog Group.

All employees included in the figures are employed by the Group. Since the number of contractors varies throughout the year, they are not included in the audit.

**NOTE H7 Number of employees**

	2014	2015	2016	2017	2018
Permanent employees	678	688	674	685	682
Average number of employees, incl. temporary employees <sup>1</sup>	877	851	844	846	840
Number of permanent employees, blue collar	287	282	240	234	229
Number of permanent employees, white collar	391	406	434	451	453
Percentage of part-time employees/permanent employees, %	1.6	1.3	1.5	3.4	2.1
Percentage of full-time employees/permanent employees, %	98.4	98.7	98.5	96.6	97.9
Number of managers with subordinates	91	96	95	92	77
Average age, years	48	48	47	47	43
Employees in different age groups					
–29	89	92	95	101	90
30–49	369	336	344	347	352
50–	419	423	407	398	398
Percentage internally recruited, %	61	64	70	68	72
Percentage of employees with other ethnic background, %			3.3	2.9	3.1

1) Total number of hours worked/1,650.

A full-time and part-time employee breakdown is not made for temporary employees. The majority of temporary employees work full-time. Some temporary employees are employed without fixed working hours, which means that they work when a need exists. Accordingly, sometimes they work the equivalent hours to a full-time employee and other times less.

**NOTE H8 Number of permanent employees by market area**

	2014	2015	2016	2017	2018
North <sup>1</sup>	207	215	180	221	244
Central <sup>1/2</sup>	249	247	250	241	–
South <sup>1/2</sup>	135	141	158	134	339
Stockholm <sup>3</sup>	52	55	56	57	59
Latvia/Lithuania	34	29	29	31	39
Finland	1	1	1	1	1

1) Including employees in units stationed within each market area.

2) The South and Central market areas were merged in 2018, forming a new South market area.

3) Stationed at head office in Stockholm.

**NOTE H9 Employee breakdown**

	2014	2015	2016	2017	2018
Women, % <sup>1</sup>	19.8	21	21.6	24	24.3
Men, % <sup>1</sup>	80.2	79	78.4	76	75.7
Women/men on the board, % <sup>2</sup>	50 /50	67 /33	57 /43	50 /50	60 /40
Women/men in group management, %	36 /64	45 /55	40 /60	40 /60	44 /56
Women managers, %	22	24	24	27	31 <sup>3</sup>

- 1) Average number of employees.
- 2) Appointed by AGM.
- 3) Concerns Sweden.

The birth years of the members of the board and the members of group management are presented on pages 56–59.

**NOTE H10 Ratio of basic salary and remuneration of women to men**

	2014	2015	2016	2017	2018
<b>Blue-collar employees</b>					
Women/men, number	18/248	23/241	19/203	20/196	20/187
Women's median salary in relation to men's, %	85	87	85	85	85
<b>White-collar employees</b>					
Women/men, number	103/274	115/279	128/294	137/300	147/288
Women's median salary in relation to men's, %	99	97	97	96	95

The above comparison does not take into account the different requirements for different positions, rather it only provides an overall picture of salary structure by personnel category. The salary data and employee numbers only encompass permanent employees in Sweden (foreign subsidiaries are not included).

**NOTE H11 Employee turnover**

	2014	2015	2016	2017	2018		
Total, %	4.6	5.5	7.0	7.7	7.9		
Women/men	By age group		By market area				
Joined	Left	Joined	Left	Joined	Left		
24/30	19/53	–30	9	8	North	17	16
		30–50	34	24	South <sup>1</sup>	21	44
		50–	11	40	Stockholm	3	7
					Baltfor	13	5
					Finland	0	0

1)The South and Central market areas were merged in 2018, forming a new South market area.

**NOTE H12 Percentage of employees receiving regular performance and career development reviews**

Performance reviews are a powerful and effective tool for steering development towards Sveaskog's vision and goals as they provide an opportunity to communicate goals, plans and goal fulfilment. In these reviews, managers can also assess employees' on-the-job training needs and any requests concerning career development.

Sveaskog's goal is for all permanent employees to attend at least one performance review during each twelve-month period and for the review to be of good quality. To facilitate such quality assurance, all managers are offered training in performance review techniques. Supporting documentation and checklists are available to offer guidance when conducting performance reviews.

According to the most recent employee survey, VIS 2017, a total of 83 per cent of all permanent employees had attended a performance review during the preceding twelve-month period.

**NOTE H13 Sick leave**

	2014	2015	2016	2017	2018
Total sick leave, %	2.7	2.5	2.7	3.1	3.0
Sick leave – women, %	3.4	3.4	3.2	4.2	4.7
Sick leave – men, %	2.6	2.2	2.6	2.7	2.5
Long-term sick leave, % of total sick leave	45.4	34.5	45.6	50	47.5
Long-term well-being among employees, % <sup>1</sup>	41.3	36.1	35.2	33	32.9
Reported work-related injuries <sup>2</sup> per 1,000 FTEs	6.8	3.5	5.9	8.3	11.9
Total number of days' absence (working days) due to work-related injury <sup>3</sup>	128	14	41	116	245
Sick leave due to work-related injury, %	0.1	0.008	0.02	0.07	0.15

- 1) Percentage of employees who have been in post for at least three years and have had no sick leave over the past two years. Does not include employees of SIA Sveaskog Baltfor.
- 2) Work-related injuries: accidents, accidents on way to and from work, work-related illnesses that at the time of reporting are considered to have led to the absence. Also includes minor injuries at first aid level. Contractors' work-related injuries are not included in this data. Work-related injuries are recorded using the SKIA tool. SKIA is the forestry industry's information system for occupational health and safety and is provided to the industry by AFA Insurance. Any work-related injuries at Baltfor are not recorded in SKIA and are thus not included in the calculation. However, the average number of employees includes employees at Baltfor. Accidents per region are not recorded; however, monitoring is performed in the local safety committees within each market area. There were no deaths during the year.
- 3) All days' absence from planned working days commenced within two days following the accident. Employees of Baltfor are not included.

**NOTE H14 Average hours of training per year per employee by personnel category\***

	2014	2015	2016	2017	2018
Training hours, blue collar, average	37	52	48	43	39
Training hours, white collar, average	33	35	31	39	29
KPI, training hours/employee, days	4.4	5.4	4.9	5.1	4.2
KPI, training hours/employee, hours	35	43	39	41	33

\* Average number of employees.

**NOTE H15 Percentage of the workforce covered by collective agreements**

In Sweden, 100 per cent of employees are covered by collective agreements. Employees of the subsidiary SIA Sveaskog Baltfor, with its registered office in Riga, Latvia, are not covered by collective agreements. The percentage of group employees covered by collective agreements is 96 per cent.

**NOTE H16 Incidents of victimisation and discrimination**

Our code of conduct and our employee policy clarify our position on discrimination. We must show mutual respect and discrimination is not tolerated at our workplaces. Sveaskog does not accept any form of victimisation. Victimisation refers to discriminatory behaviour targeting one or more employees that may lead to ill health or ostracisation in the workplace.

Employees are required to follow the code of conduct and managers are responsible for ensuring compliance with the code in day-to-day operations. Employees or stakeholders who believe that Sveaskog has breached the code of conduct can submit a report. Such reports can be submitted to the chief legal officer or to the HR and communications manager, as well as via the whistleblower function on Sveaskog's website.

In all cases of victimisation and discrimination, we are to intervene and take robust action as required by both law and Sveaskog's internal guidelines. In order to prevent discrimination we have, for example, special guidelines for recruitment and guidelines for preventing discrimination.

Four cases of victimisation and discrimination were reported in 2018. All incidents were investigated and measures are being implemented in accordance with the determined action plans.

**NOTE H17 Certificates**

Sveaskog holds the following certificates:

FSC® Forest Management Certificate, own forests and group  
 FSC® Chain of Custody Certificate  
 PEFC Chain of Custody Certificate  
 PEFC Forest Management Certificate, group  
 ISO 14001  
 AEO Certificate Customs Simplifications / Security and Safety  
 Sveaskog's FSC licence number is FSC-C008344

**NOTE H18 Competitors**

Sveaskog's competitors in the wood raw material market include: Bergvik Skog, Holmen, SCA, Swedish Forest Society, various forest owner cooperatives, Church of Sweden and Sydved.

Some of the companies that are competitors in the wood raw material market can also be customers of Sveaskog when buying pulpwood or seedlings. The same companies can also be suppliers when Sveaskog is buying wood raw material to meet customer demand.

**NOTE H19 Post-issuance report under the framework for green bonds**

For more information, see the separate report titled Post-issuance report – Sveaskog's green bonds at [www.sveaskog.se](http://www.sveaskog.se)

In 2017, Sveaskog established a new framework for green financing and issued SEK 1,000 million in green bonds. No new green bonds were issued in 2018.

All of Sveaskog	Project type according to framework	2018 Total accrued costs (SEK thousands) allocated to green bonds	2017 Total accrued costs (SEK thousands) allocated to green bonds
	Sustainable forestry	0	875,987
	Research and development	0	5,735
	Property acquisitions	0	118,278
	Total	0	1,000,000
	Total green bonds issued	0	1,000,000

# Auditor's report on the review of Sveaskog's sustainability report and opinion regarding the statutory sustainability report

To Sveaskog AB (publ), company reg. no. 556558-0031

## Introduction

We have been commissioned by the board of Sveaskog AB (publ) to review the 2018 sustainability report of Sveaskog AB (publ). The company has defined the scope of the sustainability report on page 2 of this document, with the statutory sustainability report being defined on page 72.

## Responsibilities of the board of directors and senior management

The Board of Directors and senior management are responsible for the preparation of the sustainability report, including the statutory sustainability report, in compliance with the applicable criteria and the Annual Accounts Act, respectively. The aforementioned criteria are presented on page 119 in the sustainability report and comprise those parts of the framework for sustainability reporting issued by the Global Reporting Initiative (GRI) that are applicable to the sustainability report, as well as by the company's internally established reporting and calculation principles. This responsibility also extends to the internal control deemed necessary to prepare a sustainability report that does not contain material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to provide an assessment of the sustainability report based on our review and to provide an opinion on the statutory sustainability report.

We have conducted our review in compliance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A review entails making inquiries, primarily of persons responsible for the preparation of the sustainability report, conducting analytical examinations and implementing other review procedures. We have conducted our review of the statutory sustainability report in compliance with FAR's recommendation

RevR 12 *Auditor's opinion on the statutory sustainability report*.

A review and an examination in compliance with RevR 12 is different and considerably smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in general.

The auditing firm applies ISQC 1 (International Standard on Quality Control) and as such has a comprehensive quality control system that includes documented guidelines and procedures for compliance with professional ethical requirements, standards for professional conduct and the applicable requirements found in laws and other regulations. We are independent of Sveaskog AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The review procedures conducted in a review and an examination in compliance with RevR 12 do not enable us to obtain assurance that we are aware of all important circumstances that could have been identified if an audit had been conducted. Accordingly, the assessment provided on the basis of a review and an examination in compliance with RevR 12 does not have the same assurance of an assessment provided in the basis of an audit.

Our review of the sustainability report is based on the criteria established by the Board of Directors and senior management, as defined above. We believe that these criteria are appropriate for the preparation of the sustainability report.

We believe that the evidence we have obtained in our review is sufficient and appropriate to provide us with a basis for the opinions set out below.

## Opinions

Based on our review, no circumstances have come to light that would give us reason to believe that the sustainability report has not, in all essentials, been prepared in accordance with the criteria set out above by the Board of Directors and senior management.

A statutory sustainability report has been prepared.

Stockholm, 8 March 2019  
Deloitte AB

Hans Warén  
*Authorised Public Accountant*

# Alternative key performance indicators

The company presents some financial metrics in the interim report that are not defined in accordance with IFRS. The company is of the opinion that these indicators provide valuable supplementary information to investors and the company's management as they enable the evaluation of the company's performance. Since not all companies calculate their financial metrics in the same manner, these are not always comparable with the indicators used by other companies. Accordingly, these financial metrics should not be considered a substitute for the indicators defined in accordance with IFRS. The table below presents indicators that are not defined in accordance with IFRS, unless otherwise stated.

## Net operating assets

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

*Comment:* Sveaskog calculates net operating assets for the key performance indicators return on net operating assets and average net operating assets.

	Full year 2018	Full year 2017
Current receivables etc., non-interest bearing	1,846	1,648
- of which advance payments to suppliers	219	168
- of which tax assets	1	1
- of which trade receivables, loans receivable and other receivables	1,626	1,479
Current: other liabilities	1,397	1,262
- of which tax liabilities	156	91
- of which trade payables and other liabilities	1,241	1,171
Total assets	40,751	39,592
Less interest-bearing assets (cash and cash equivalents)	-847	-1,681
Less tax assets	-1	-1
Less other liabilities and provisions (non-current)	-8,382	-8,421
Less contractual liabilities	-1	-2
Less trade payables and other liabilities	-1,241	-1,171
<b>Net operating assets</b>	<b>30,279</b>	<b>28,316</b>

## Yield

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

*Comment:* Yield is one of Sveaskog's financial goals, that goal being an average yield of at least 4.5%.

The goal reflects the return on Sveaskog's operating activities without any effects from forest valuations and temporary property sales.

	Full year 2018	Full year 2017
Operating profit before change in value of forest assets	1,807	1,677
Less capital gains from property sales	-234	-321
<b>Subtotal</b>	<b>1,573</b>	<b>1,356</b>
Net operating assets, OB	28,316	28,134
Net operating assets, CB	30,779	28,316
Average net operating assets (OB + CB)/2	29,298	28,225
<b>Subtotal as per the above</b>	<b>1,573</b>	<b>1,356</b>
Divided by average net operating assets	29,298	28,225
<b>= YIELD, %</b>	<b>5.4%</b>	<b>4.8%</b>

## Alternative key performance indicators, cont.

### Net interest-bearing liabilities

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

*Comment:* Sveaskog calculates net interest-bearing liabilities for the KPI net debt/equity ratio.

	Full year 2018	Full year 2017
Interest-bearing assets (cash and cash equivalents)	847	1,681
Interest-bearing liabilities and provisions (non-current)	-5,088	-5,626
Interest-bearing liabilities (current)	-2,773	-3,465
<b>Net interest-bearing liabilities</b>	<b>-7,014</b>	<b>-7,410</b>

### Net debt/equity ratio

*Definition:* Net interest-bearing liabilities divided by equity. The Group's definition is unchanged compared with previous periods.

*Comment:* Net debt/equity ratio is one of Sveaskog's financial goals, that goal being a net debt/equity ratio of 0.3–0.6.

Sveaskog considers this KPI to reflect the ability to distribute dividends and implement strategic investment, as well as to assess the Group's ability to fulfil its financial obligations.

	Full year 2018	Full year 2017
Net interest-bearing liabilities	7,014	7,410
Divided by equity	23,110	20,816
<b>= Net debt/equity ratio</b>	<b>0.30</b>	<b>0.36</b>

### Return on net operating assets

*Definition:* Operating profit divided by average net operating assets, excl. deferred tax.

The Group's definition is unchanged compared with previous periods.

*Comment:* Sveaskog considers this metric to fairly present the company's returns regardless of financial assets and financing decisions.

	Full year 2018	Full year 2017
Operating profit	3,504	1,877
Divided by average net operating assets	29,298	28,225
<b>= Return on net operating assets, %</b>	<b>12.0%</b>	<b>6.6%</b>

### Return on equity

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

*Comment:* Sveaskog considers this KPI to measure the company's return on the equity invested by the owner during the year, thereby reflecting how profitable the company is to its shareholder.

	Full year 2018	Full year 2017
Equity, OB	20,816	20,203
Equity, CB	23,110	20,816
Average equity (OB + CB)/2	21,963	20,510
Profit for the year	3,168	1,384
Divided by average equity	21,963	20,510
<b>= Return on equity, %</b>	<b>14.4%</b>	<b>6.7%</b>



## Alternative key performance indicators, cont.

### Interest coverage ratio

*Definition:* Operating profit before change in value of forest assets excl. capital gains from property sales plus financial income divided by financial expenses. The Group's definition is unchanged compared with previous periods.

*Comment:* Sveaskog considers this KPI to reflect the company's ability to cover its financial expenses (interest etc).

	Full year 2018	Full year 2017
Financial items in the income statement	-141	-133
- of which financial income	2	3
- of which financial expenses	-143	-136
Operating profit before change in value of forest assets	1,807	1,677
Less capital gains from property sales	-234	-321
Plus financial income	2	3
Subtotal	1,575	1,359
Divided by financial expenses	143	136
<b>= Interest coverage ratio</b>	<b>11.0</b>	<b>10.0</b>

### Equity ratio

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

*Comment:* Sveaskog considers this KPI to reflect the share of assets financed by equity, thereby indicating the company's sensitivity to changes in interest rates.

	Full year 2018	Full year 2017
Equity	23,110	20,816
Divided by total assets	40,751	39,592
<b>= Equity ratio, %</b>	<b>57%</b>	<b>53%</b>

# Glossary

## AEO

Acronym for Authorised Economic Operator. AEO is an EU-wide quality assurance system for a company's customs procedures.

## Agenda 2030

On 25 September 2015, the UN General Assembly adopted the Agenda 2030 resolution on sustainable development. The Agenda entails all 193 member states committing themselves to working towards a socially, environmentally and economically sustainable world by the year 2030. The Agenda includes 17 goals and 169 targets.

## Crosscutting

Timber preparation, cutting a trunk into logs.

## Biodiversity

Diversity among all living organisms in all environments and the ecological processes of which they are a part. This includes diversity within and between species and within ecosystems.

## Biotope

Habitat type.

## Commercial paper programme

A loan agreement issued by a company to raise funds.

## CFO

Acronym for Chief Financial Officer.

## COP21

On 30 November–11 December 2015, the nations of the world gathered in Paris for COP21, the twenty-first Conference of the Parties of the United Nations Framework Convention on Climate Change. At this meeting, the attending countries negotiated a new global agreement on climate change that is to come into effect in 2020.

## COSO

Acronym for Committee of Sponsoring Organizations of the Treadway Commission. COSO is a framework for evaluating a company's internal control over its financial reporting.

## Dead wood

Wood that is left in a clearing as consideration for nature.

## Ecological compensation

Compensation for lost or damaged natural values, such as by creating new or restoring old natural values in other areas.

## Ecopark

A large, contiguous forest landscape with high natural values and nature conservation ambitions. Sveaskog has established 37 ecoparks.

## Ecosystem services

Services that nature provides and on which humans are directly dependent, such as bee pollination and wetland water purification.

## Contractor

A person or a business conducting outsourced work, such as a construction company.

## UN Global Compact

A UN initiative to encourage companies to adopt sustainable business practices. Global Compact has ten principles in the areas of human rights, social conditions, environment and anti-corruption.

## Seed plantation

A seed plantation is used to produce seeds with a known hardiness, high growth potential and other desirable properties for forest cultivation.

## Seed station

The company Svenska Skogsplanter has a seed station in Lagan producing forest seeds for all of Sweden. The raw material, conifer cones, are sourced from seed plantations covering 1,000 ha.

## FSC®

Acronym for Forest Stewardship Council. An international organisation that promotes environmentally friendly, socially responsible and economically viable forestry worldwide.

## Thinning

Silvicultural measure in which selected trees are removed from the forest, with the harvested trees used as pulpwood or timber.

## Global Reporting Initiative (GRI)

The GRI is a non-profit organisation under the aegis of the UN. The GRI issues normative international guidelines for sustainability reporting. The aim is to create consistency and comparability between sustainability reports in order to better facilitate assessments of and comparisons between companies in terms of social, environmental and economic considerations.

## Hectare, ha

One hectare equals 10,000 m<sup>2</sup>. One km<sup>2</sup> equals 100 hectares.

## HVO diesel

HVO stands for Hydrogenated Vegetable Oil. This is a renewable fuel component that can be mixed with or completely replace regular diesel.

## Continuous cover forestry

An umbrella term for forest management systems, methods and measures that involve the forest floor never being laid bare in the same manner as in clearcut final logging.

## Sustainability/sustainable development

Sustainable development concerns the long-term preservation of ecosystem productivity and the reduction of negative impact on nature and human health. Sustainability has three aspects: social, ecological and economic.

## Sensitive biotopes

Whether a biotope is considered sensitive is determined by considering all natural values in the area.

## ISO

Acronym for International Organization for Standardization. An International standards body working with industrial and commercial standards.

## Edge zones

Stretches of forest along watercourses and around lakes that are left untouched to favour aquatic insects and fish.

## Compensation land

Land surrendered to an individual or the state for nature conservation purposes.

## m<sup>3</sup>sub

Volumetric unit for timber. Solid volume under bark in cubic metres. Specifies the actual timber volume excluding the bark. Common commercial measurement unit for pulpwood.

## Selection cutting

Harvesting with enhanced consideration for nature, with a spread of harvested trees.

## MTN programme

MTN is an acronym for Medium Term Note. A debt note (bond) that usually falls due for repayment five to ten years after being issued. MTN bonds are often issued within the framework of an MTN programme, the purpose of which is to provide the issuer with a regular source of funding without having to prepare extensive legal documentation from scratch on each occasion.

**Nanocellulose**

Nanocellulose is extracted from wood fibres. It has exceptional strength properties and is a renewable material.

**Nature conservation forests**

Forests set aside on the basis of Sveaskog's goal to designate of 20 per cent of its land holdings as nature conservation areas. Nature conservation forests have high natural values (such as key biotopes and natural value areas) or else promising potential to develop such natural values.

**Retention tree**

Trees left standing to develop naturally. Often large or old.

**Key biotope**

Forest area with high natural values where the presence of (biotope-dependent) red-listed species can be expected. These forests are often old with natural forest characteristics.

**Re-parcelling**

Re-parcelling entails changing an entire property division to form larger contiguous areas. The aim is to create more practical forest and agricultural parcels by exchanging land areas between properties.

**PEFC**

Acronym for Programme for the Endorsement of Forest Certification. An international organisation promoting the certification of forests and the recognition of various certification programmes.

**Productive forest land**

Forest land producing an average of at least 1 m<sup>3</sup>fo/ha/year.

**Tall oil**

A by-product of paper pulp processing. Called tall oil, from the Swedish word for pine, regardless of the timber source.

**Red-listed species**

Species whose long-term survival is uncertain due to, for example, forestry practices. Classified according to international threat categories on a so-called red list.

**Clearing**

Silvicultural measure in which the felled trees are left in the forest after felling.

**SE seedlings**

Propagation of seedlings using somatic embryogenesis. A technique that uses seeds. A single seed can be used to produce multiple identical copies of a tree with desirable properties, in the same way as with cuttings.

**Protection zone**

Strip at the edge of a field that is not farmed. The purpose is to prevent the spread of nutrients and herbicides into, for example, watercourses or depressions.

**Habitat**

An area exhibiting a uniform living environment for plants.

**Whistleblower function**

Function that enables individuals to anonymously report suspected abuse and irregularities within an organisation.

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## Definitions

**Return on equity**

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

**Return on net operating assets**

Operating profit divided by average net operating assets.

**Gross margin**

Operating profit before depreciation and share of profit/loss in associated companies expressed as a percentage of net sales.

**Yield**

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

**Capital turnover**

Net sales divided by average net operating assets.

**Debt/equity ratio**

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

**Net operating assets**

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

**Operating profit**

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

**Net interest-bearing liabilities**

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

**Interest coverage ratio**

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

**Operating margin**

Operating profit expressed as a percentage of net sales.

**Debt/equity ratio**

Net interest-bearing liabilities divided by equity.

**Equity ratio**

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

# Financial calendar 2019

Interim Report January–March and Annual General Meeting	24 April
Interim Report January–June	12 July
Interim Report January–September	23 October

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## Financial reports

Sveaskog's annual report and interim reports are available at [www.sveaskog.se](http://www.sveaskog.se)

If you would like printed copies:

- [www.sveaskog.se](http://www.sveaskog.se)
- E-mail [info@sveaskog.se](mailto:info@sveaskog.se)
- Tel +46 771 787 000
- Write to Sveaskog, HR and Communications Dept, Torsgatan 4, SE-105 22 Stockholm, Sweden

# Questions

If you have any questions about Sveaskog or our business, please feel free to contact our Communications Department by e-mailing [info@sveaskog.se](mailto:info@sveaskog.se) or calling +46 771 787 000.

If you have any questions about our sustainability work, please feel free to contact our Sustainability Director Lena Sammeli-Johansson by e-mailing [sammeli@sveaskog.se](mailto:sammeli@sveaskog.se) or calling +46 705 304 653.

If you have any questions about our financial reports, please feel free to contact our Head of Group Finance Department, Treasury & Risk Management Anders Jakobsson by e-mailing [anders.jakobsson@sveaskog.se](mailto:anders.jakobsson@sveaskog.se) or calling +46 8 655 9194.

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## Annual General Meeting 2019

Sveaskog's Annual General Meeting will be held at 1 pm on Wednesday 24 April 2019 at IVA , Grev Turegatan 16, Stockholm. The AGM is open to the public. Members of the Swedish Parliament have a special right to attend and pose questions. Members of the Swedish Parliament and members of the public who wish to register for and attend the AGM:

- [www.sveaskog.se/arsstamman](http://www.sveaskog.se/arsstamman)
- E-mail [kundcenter@sveaskog.se](mailto:kundcenter@sveaskog.se)
- Tel +46 771 787 100

Registration should be received by Sveaskog no later than one week before the AGM.



Sveaskog's Communications and Finance departments have produced the Annual Report and Sustainability Report in collaboration with Forever Sustainable and Chimney.

#### Photographers

Ulla-Carin Ekblom (front cover), Shutterstock-Peyker (inside front cover), Shutterstock-Sparrow-hawk (page 1), Ulla-Carin Ekblom (2), Pernilla Widén (3), Ben GT Nyberg (4), Patrik Svedberg (6), Leif Öster (6, 7), Shutterstock-FloridaStock (8), Thomas Adolfsén (8), Lina Alriksson (8), Jonas Ljungdahl (9), Folkhem (9), Shutterstock-Oleg Doroshin (9), Ulla-Carin Ekblom (9), Mats Samuelsson (10), Jimmy Pettersson (10), Bengt Alm (10), Leif Öster (11), Leif Nilbrink (12), Thomas Olsson (14), Alexander von Sydow (15), Shutterstock-Guryanov Andrey (16), Patrick Degerman (16), Shutterstock-Piotr Wawrzyniuk (19), Ulla-Carin Ekblom (21), Alexander von Sydow (21, 23), Ola Jennersten (23), Madeleine Magnusson (24), Carl Lundberg (25), Kurt Rohde (26), Maria Edblad (27), Shutterstock-Conrado (27), Esbjörn Wahlberg (28), Ulla-Carin Ekblom (29), Katrin Hellström (30), Jan Lindkvist (31), Bengt Alm (32), Maria Nordlund (32), Shutterstock-1000 Words (36), Setra Group (37), Shutterstock-Andrei Mayatnik (38), Shutterstock-Mark Agnor (39), Magnus Eklund (39), Fortum (40), Mats Samuelsson (41), Anna Hållams (42), Per Wichmann (42), Carl Johan Erikson (43), Shutterstock-Jokerpro (46–47), Lars Ardarve (48), Stig-Göran Nilsson (49), Pernilla Widén (55), Fredrik Persson (56, 58).

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