

# Interim report

## January – June 2017



Sweden's exports of paper and cartonboard for packaging applications are increasing.  
(Photo by Shutterstock/parasolia).

### 1 April – 30 June 2017

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, increased by 2% to SEK 1,702 million (1,675). Total delivery volumes were unchanged while prices rose by an average of 2%.
- Operating profit from continuing operations increased by 15% and amounted to SEK 342 million (297). The improved earnings are mainly explained by higher prices and a changed inventory mix\* as well as revenues relating to ecological compensation.
- The net change in the carrying amount of standing timber amounted to SEK 72 million (116).
- Profit for the quarter increased by 21% and amounted to SEK 440 million (364).

\* See comments on page 3.

### 1 January – 30 June 2017

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, increased by 5% to SEK 3,299 million (3,151). Total delivery volumes rose by 2% and prices increased by an average of 2%.
- Operating profit from continuing operations increased by 12% and amounted to SEK 725 million (646). The improved earnings are mainly explained by higher prices and a changed inventory mix\* as well as revenues relating to ecological compensation.
- Yield, measured on a rolling 12-month basis, amounted to 4.5% (4.8).
- The net change in the carrying amount of standing timber amounted to SEK 108 million (220).
- Profit for the period increased by 12% and amounted to SEK 779 million (693).

\* See comments on page 3.

SEKm	3 months			6 months			12 months		
	April–June		%	Jan–June		%	July 2016– June 2017		Full year 2016
2017	2016	2017		2016	2016		2016		
Net sales	1,702	1,675	2	3,299	3,151	5	6,070	5,922	2
Operating profit from continuing operations	342	297	15	725	646	12	1,207	1,128	7
Change in value of forest assets	72	116	-38	108	220	-51	207	319	-35
Operating profit	562	456	23	1,028	927	11	1,732	1,631	6
Profit before tax	558	405	38	989	825	20	1,621	1,457	11
Profit for the period	440	364	21	779	693	12	1,276	1,190	7
Cash flow from operating activities	411	385	7	646	540	20	895	789	13
Earnings per share, SEK	3.72	3.07	21	6.58	5.85	12	10.78	10.05	7

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

	Jan–June 2017	Jan–June 2016	July 2016– June 2017	Full year 2016
Yield, % 1) (target at least 4.5%)	4.5	4.8	4.5	4.2
Net debt/equity ratio, multiple (target 0.3–0.6)	0.39	0.42	0.39	0.40
Return on operating capital, % 1)	6.2	9.5	6.2	5.8
Return on equity, % 1)	6.4	10.0	6.4	6.0
Interest cover, multiple 1,2)	8.7	6.1	8.7	6.3
Equity ratio, %	52	51	52	52
Interest-bearing net debt, SEKm	7,802	8,285	7,802	7,937
Average number of employees	854	839	854	844
Total delivery volume, thousand m <sup>3</sup> sub	5,732	5,617	10,798	10,684

1) Rolling 12 months.

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

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

Sveaskog is Sweden's leading forest company and sells sawlogs, pulpwood, biofuel, forest seedlings and silvicultural services. Sveaskog complements supplies from its own forests with purchases from other forest owners, exchanges and imports. Sveaskog also works with land transactions and develops the forest as a venue for fishing, hunting and other nature-based experiences. The forest and its assets are Sveaskog's core business and sustainable development permeates every aspect of Sveaskog's activities. Sveaskog is affiliated with FSC®.

  
**SVEASKOG**



## CEO's comments

### Higher prices and increased total productivity improved earnings

Sveaskog's operating profit for the first half of 2017 amounted to SEK 725 million (646). The improved earnings are mainly explained by higher prices, higher delivery volumes and a changed inventory mix as well as revenues relating to ecological compensation. Sveaskog has signed an agreement with Boliden which makes it possible for the mining company to carry out a strategically important extension to

the Aitik mine in Gällivare. During a five-year period, Sveaskog will implement a number of different measures to benefit conservation values in a total area of 800 hectares. This marks the first step in Sveaskog's aim to develop business within the field of ecological compensation. The Swedish University of Agricultural Sciences (SLU) will conduct a research project to monitor the nature conservation benefits of the silvicultural measures carried out by Sveaskog.

Earnings for the first half are satisfactory. We have a good market position and will continue our efforts to further improve efficiency.

Yield, measured on a rolling 12-month basis, amounted to 4.5% (4.8). Total productivity, earnings in fixed prices per delivered volume from own forests adjusted for non-recurring items, increased by 7%.

### Market situation

Europe is the largest market for Swedish forest industry with regard to paper pulp, paper and sawn wood products but global demand is also important. The US economy has strengthened while growth in China is flattening at a high level. The economic situation in Europe is relatively stable. Sweden has high levels of industrial production and order bookings.

### SAWMILLS

The market for sawn wood products and sawlogs is mainly dependent on construction levels. In Sweden, which is the largest single market for the domestic sawmills, there is a high level of construction activity. Interest in using wood has increased within the building sector. Europe is the largest export market. Exports to East Asia are increasing. Sawmills in Russia, Canada and Finland are the biggest competitors in the export market.

In Sweden, the production level for sawn wood products was high. The sawmills are optimistic about the immediate future. Demand for sawlogs is high with a tendency for timber shortages in some regions. Sawlog prices started to rise during the first half of the year.

### PULP AND PAPER INDUSTRY

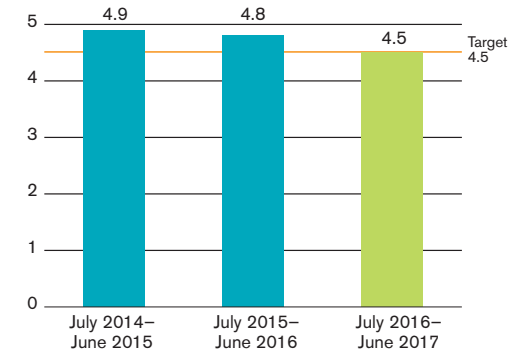
Global demand and deliveries of paper pulp are increasing. Volumes not directly used in Sweden for paper production are mainly exported to Europe. Swedish paper pulp exports are increasing. Sweden's exports of paper and cartonboard for packaging applications are increasing while demand for newsprint continues to fall. There is plenty of pulpwood in the market including significant imports from Norway. Prices were largely unchanged.

### Sveaskog's sustainability work

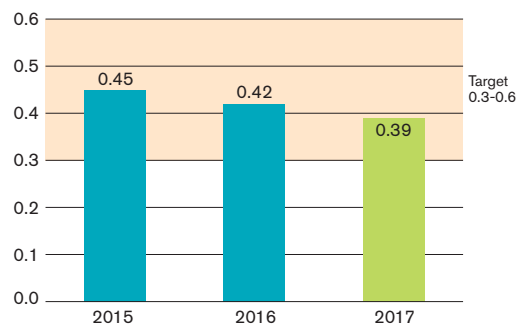
Sustainable business is central to Sveaskog's activities. A recent study conducted by the Business School at Stockholm University gave Sveaskog a high ranking among state-owned companies as regards sustainability initiatives. The core of our work is to conduct sustainable forest management – active, profitable and responsible management of forests and forest land. We are conducting our "Growing Power!" integration project for the second consecutive year. This project is designed to integrate primarily young people with a Swedish or foreign background into Swedish working life.

Per-Olof Wedin, President and CEO

Yield, %, rolling 12 months



Net debt/equity ratio, multiple, at 30 June



## Sustainability

### Sustainable forest management

For Sveaskog, sustainable forest management means active, profitable and responsible management of forests and forest land in a way that continuously creates growth, diversity and increased value for generations.

We manage our forests and our forest land so that their climate benefits, biodiversity, social and economic values are retained and strengthened both today and for future generations. At the same time, we safeguard the profitability and competitiveness of our forest management. We strive to continuously develop our sustainable forestry, a continual learning development process based on science, increased knowledge and experience.

### Integration work – Growing Power!

Sveaskog's integration project will continue during 2017 with the aim of welcoming 25 trainees and 80 young people with a Swedish and non-Swedish background for summer jobs. Our experiences from last year have facilitated the preparation of this year's internship programme. A major commitment from employees and managers is vital for successful integration. Our "Growing Power!" integration project has also attracted the attention of other players. These include The Church of Sweden and The Swedish Forest Society Foundation both of which want to start integration programmes inspired by our work.

# Group performance

## 1 APRIL – 30 JUNE 2017

### Net sales

Net sales increased by 2% to SEK 1,702 million (1,675). Total delivery volumes are unchanged compared with the corresponding period last year but selling prices increased by an average of 2%. Sales of wood raw material totalled 2.8 (2.8) million cubic metres (m<sup>3</sup>sub).

### Earnings

Operating profit from continuing operations increased by 15% to SEK 342 million (297). The improved earnings are mainly explained by higher prices and a changed inventory mix as well as revenues relating to ecological compensation. According to current accounting principles inventories are measured at market value. An earnings impact arises when felling is carried out, despite delivery not having taken place. A higher proportion of sawlogs in inventory made a positive contribution to profit for the period.

Capital gains from property sales amounted to SEK 126 million (18). Share of profits of the associate Setra Group amounted to SEK 22 million (25). The net change in the carrying amount of standing timber amounted to SEK 72 million (116). After change in value of forest assets, operating profit was SEK 562 million (456).

Net financial items for the quarter amounted to SEK –4 million (–51) due to lower financing costs and higher share dividends from other shareholdings. Profit before tax increased to SEK 558 million (405). Tax for the period amounted to SEK –118 million (–41). Changes in the tax expense are due to Sveaskog receiving refund of SEK 43 million due to too high reported tax for the years 2011–2014 relating to a previously unutilised replacement reserve. Profit for the quarter increased by 21% to SEK 440 million (364).

## 1 JANUARY – 30 JUNE 2017

### Net sales

Net sales increased by 5% to SEK 3,299 million (3,151). Total delivery volumes increased by 2% compared with the corresponding period last year and selling prices increased by an average of 2%. Sales of wood raw material totalled 5.7 (5.6) million cubic metres (m<sup>3</sup>sub).

### Earnings

Operating profit from continuing operations increased by 12% to SEK 725 million (646). The improved earnings are mainly explained by higher prices, higher delivery volumes and a changed inventory mix as well as revenues relating to ecological compensation. According to current accounting principles inventories are measured at market value. An earnings impact arises when felling is carried out, despite delivery not having taken place. A higher proportion of sawlogs in inventory made a positive contribution to profit for the period.

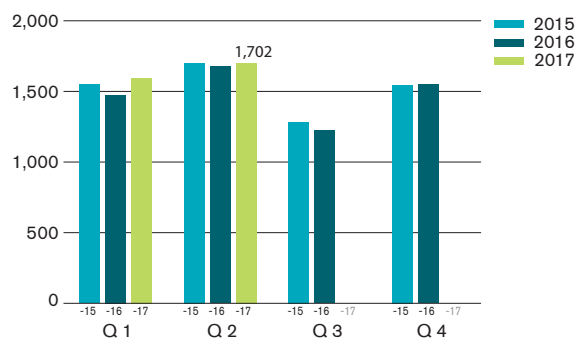
Capital gains from property sales amounted to SEK 161 million (31). Share of profits of the associate Setra Group amounted to SEK 34 million (30). Net change in the carrying amount of standing timber amounted to SEK 108 million (220). After change in value of forest assets, operating profit was SEK 1,028 million (927).

Net financial items for the period amounted to SEK –39 million (–102) due to lower financing costs and higher share dividends from other shareholdings. Profit before tax increased to SEK 989 million (825). Tax for the period amounted to SEK –210 million (–132). Changes in the tax expense are due to Sveaskog receiving refund of SEK 43 million due to too high reported tax for the years 2011–2014 relating to a previously unutilised replacement reserve. Profit for the period increased by 12% to SEK 779 million (693).

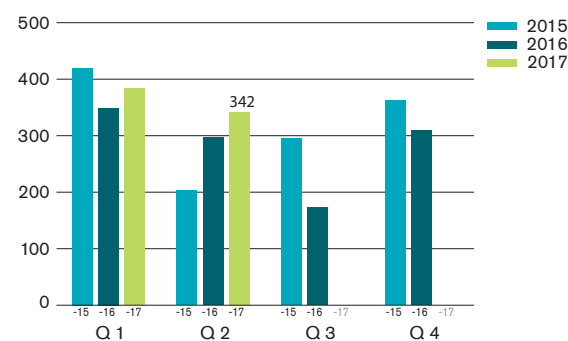
## Change, net sales, SEKm

	Quarter 2	Jan–June
<b>2016</b>	<b>1,675</b>	<b>3,151</b>
Price, wood raw material	35	70
Delivery volume, wood raw material	–3	58
Other	–5	20
<b>2017</b>	<b>1,702</b>	<b>3,299</b>

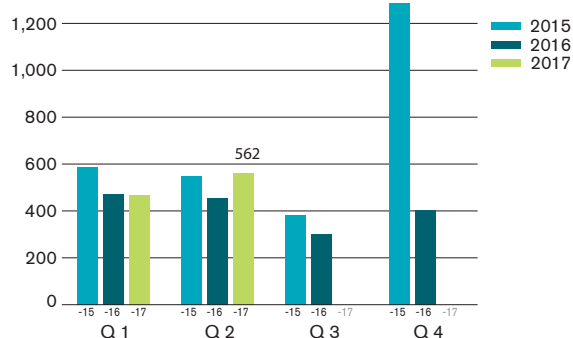
## Net sales, SEKm



## Operating profit from continuing operations, SEKm



## Operating profit, SEKm



### Cash flow, investments and financial position

Cash flow from operating activities in the period January–June amounted to SEK 646 million (540). The increase is mainly due to a higher operating profit from continuing operations. Investments in property, plant and equipment amounted to SEK 103 million (59) and investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 316 million (92). Share dividends received totalled SEK 78 million (9) including SEK 50 million (5) from Setra Group AB and SEK 28 million (4) from other shareholdings.

Sveaskog's interest-bearing net debt at 30 June amounted to SEK 7,802 million (8,285). At the end of the period, the loan portfolio comprised loans issued under Sveaskog's MTN programme as well as a Swedish commercial paper programme. The loan volume under the commercial paper programme, which is refinanced regularly, amounted to SEK 3,060 million (2,420). The outstanding volume under the MTN programme at 30 June was SEK 3,990 million (5,290). The lowest average fixed interest period during the first half was approximately 28 months.

The net debt/equity ratio amounted to 0.39 (0.42).

Interest cover amounted to 8.7 (6.1) and the gross borrowing cost was 1.31% (1.88).

### Parent Company

Sveaskog AB (publ.), 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing. Operating income for Sveaskog AB (publ.) during the first half of the year amounted to SEK 7 million (18). Loss after financial items amounted to SEK 116 million (-110). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

### Setra Group AB

Sveaskog owns 50% of the shares in the wood products company Setra Group AB which is reported as an associate. Share of profits of associates is recognised in the consolidated income statement. Net sales for the period January–June amounted to SEK 2,082 million (2,188). Operating profit amounted to SEK 90 million (76). Both selling prices and sales volumes increased for comparable units. The sale of Setra's sawmill in Vimmerby was completed in January 2017. Figures for the previous year include the operations in Vimmerby as well as Setra Plusshus and the planing operations in Valbo, both of which were sold in the second quarter of 2016. Sveaskog's share of the company's profits increased to SEK 34 million (30).

## Market situation and timber deliveries

Sveaskog conducts trading in wood raw material in Sweden and more than half of the material is taken from the company's own forests. The main product range is sawlogs, pulpwood and chips, and biofuel. Most of Sveaskog's customers are in Sweden and the majority of these export a large proportion of their products worldwide.

Europe, including Sweden, is the largest market for the Swedish forest industry with regard to paper pulp, paper and sawn wood products. However, the development of total global demand for these products is also very important. Generally speaking, economic growth is good. The US economy has strengthened while China's is flattening at a high level. The economic situation in Europe is relatively stable although there are exceptions. Sweden has comparatively strong growth with high levels of industrial production and order bookings.

Exchange rate fluctuations continue to have a major impact on the profitability of Swedish forest industry.

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

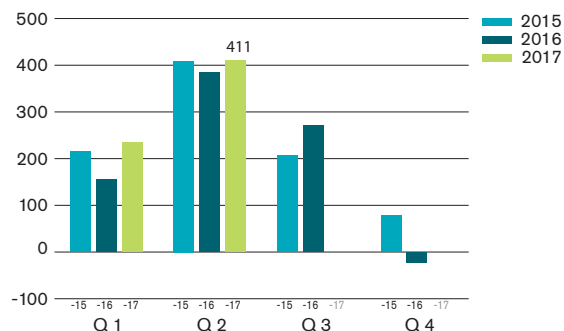
	Quarter 2	Jan–June
<b>2016</b>	<b>297</b>	<b>646</b>
Price, own wood raw material	12	31
Volume and change in inventories, own wood raw material	21	19
Non-recurring items*	-17	4
Other**	29	25
<b>2017</b>	<b>342</b>	<b>725</b>

\* Non-recurring items relate to combined:

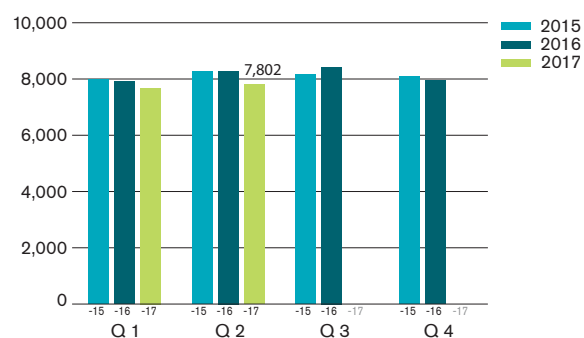
Permanent Tenure, Environmental Protection Agency 2016	-60	-60
Permanent Tenure, Environmental Protection Agency 2017		15
Sale of non-forest land	43	49
Non-recurring items	-17	4

\*\* Relates among other things to revenues for ecological compensation, improved earnings from field purchases and lower road costs.

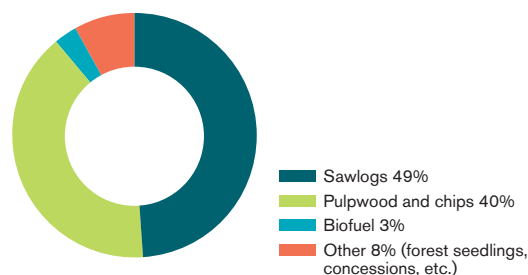
### Cash flow from operating activities per quarter, SEKm



### Interest-bearing net debt, SEKm



### Products as % of sales, rolling 12 months





### SAWMILLS

The market for sawn wood products and therefore for sawlogs mainly depends on construction activities. Sweden is the largest individual market for the sawmills and demand for sawn wood products is considerable due to a high level of activity in the construction sector. Interest in using wood has increased in the building sector. Europe is the largest export market with the UK as the largest recipient. Construction is increasing in Europe, particularly in Germany. The significance of exports to North Africa and the Middle East is decreasing while a relatively strong increase can be seen in East Asia. Construction in the US is at the end of a long period of recovery. Construction in China accelerated once again during the period. Russia and Canada continue to be major competitors in the export market, as does Finland.

In Sweden, production of sawn wood products was at a high level. Demand was slightly higher for whitewood than for redwood. The sawmills remain optimistic about the immediate future.

Demand for sawlogs is considerable and due to higher demand and improved profitability for the sawmills, sawlog prices started to rise during the first half of the year.

#### Sveaskog's deliveries

Sveaskog delivered 1,251 (1,222) thousand m<sup>3</sup>sub of sawlogs in the second quarter which is 2% higher than in the corresponding period last year. Deliveries for the period January–June amounted to 2,555 (2,427) thousand m<sup>3</sup>sub.

### PULP AND PAPER INDUSTRY

Global demand and deliveries of paper pulp are increasing. Of the volumes not used directly in Sweden for paper production, most is exported to Europe, followed by Asia, which accounts for an sharply increasing share. Swedish paper pulp exports are increasing.

Sweden's exports of paper and cartonboard primarily for packaging applications are increasing while demand for newsprint continues to fall. A small paper machine in Kvarnsveden was closed during the period.

The forest industry continues to make major investments in new production capacity.

There are good supplies of pulpwood in the market in Sweden which have been strengthened by substantial imports from Norway. A high level of sawmill production results in large volumes of cellulose chips which partly compete with pulpwood. Prices have essentially remained unchanged during the first half.

#### Sveaskog's deliveries

Sveaskog delivered 1,407 (1,394) thousand m<sup>3</sup>sub of pulpwood and chips in the second quarter which is 1% higher than in the corresponding period last year. In the period January–June deliveries amounted to 2,815 (2,713) thousand m<sup>3</sup>sub.

### BIOFUEL MARKET

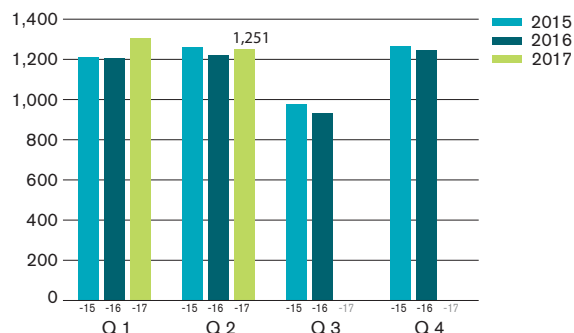
The biofuel market is regional and local due to transport costs. Customers are CHP plants as well as energy-producing forest industry. Demand for biofuel was strong in southern Sweden, more balanced in the central part of the country and weak in the north. There is considerable competition from other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

Prices were generally unchanged, except in southern Sweden where they rose slightly.

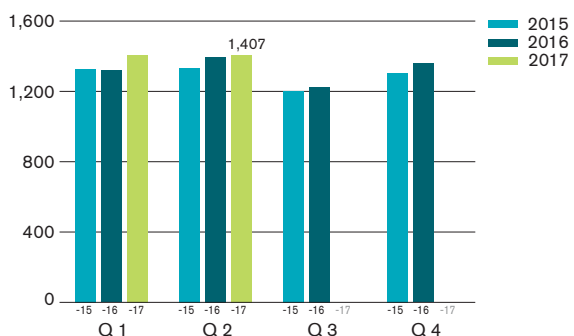
#### Sveaskog's deliveries

Sveaskog delivered 130 (177) thousand m<sup>3</sup>sub of biofuel in the second quarter, which is a decrease of 27% compared with the corresponding period last year. Deliveries in the period January–June totalled 362 (477) thousand m<sup>3</sup>sub.

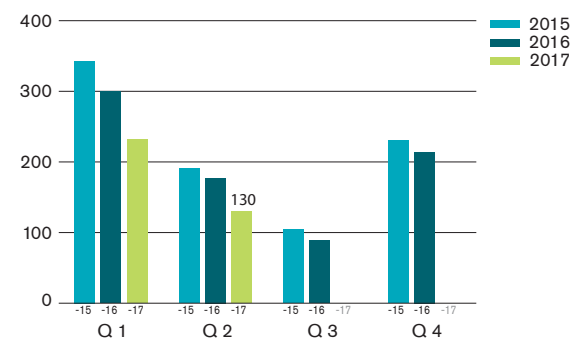
Delivery volume, sawlogs, thousand m<sup>3</sup>sub



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



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



# Sveaskog Group

## Condensed income statement

SEKm	3 months		6 months		12 months	
	Apr–June 2017	Apr–June 2016	Jan–June 2017	Jan–June 2016	July 2016– June 2017	Full year 2016
Net sales	1,702	1,675	3,299	3,151	6,070	5,922
Other operating income	79	98	128	107	192	171
Raw materials and consumables	-411	-361	-908	-819	-1,711	-1,622
Change in inventories	-166	-204	-134	-157	-39	-62
Other external costs	-699	-748	-1,339	-1,322	-2,683	-2,666
Employee benefit expenses	-143	-143	-280	-273	-542	-535
Depreciation	-20	-20	-41	-41	-80	-80
<b>Operating profit from continuing operations</b>	342	297	725	646	1,207	1,128
Capital gains from property sales	126	18	161	31	261	131
Share of profits of associates	22	25	34	30	57	53
<b>Operating profit before change in value of forest assets</b>	490	340	920	707	1,525	1,312
Change in value of forest assets (Note 1, 2)	72	116	108	220	207	319
<b>Operating profit</b>	562	456	1,028	927	1,732	1,631
Financial items	-4	-51	-39	-102	-111	-174
<b>Profit before tax</b>	558	405	989	825	1,621	1,457
Tax	-118	-41	-210	-132	-345	-267
<b>Profit for the period/year</b>	440	364	779	693	1,276	1,190
Earnings per share, SEK, before and after dilution	3.72	3.07	6.58	5.85	10.78	10.05
- calculated on average number of shares, millions	118.4	118.4	118.4	118.4	118.4	118.4

## Statement of comprehensive income

SEKm	3 months		6 months		12 months	
	Apr–June 2017	Apr–June 2016	Jan–June 2017	Jan–June 2016	July 2016– June 2017	Full year 2016
<b>Profit for the period/year</b>	440	364	779	693	1,276	1,190
<b>Other comprehensive income</b>						
Components that will not be reversed in profit or loss						
Actuarial gains/losses on pensions	-	-	-	-	-24	-24
Tax on actuarial gains/losses	-	-	-	-	5	5
Components that can be reversed in profit or loss						
Exchange differences	0	1	0	1	0	1
Cash flow hedges	9	-8	19	-25	52	8
Tax attributable to cash flow hedges	-2	2	-4	5	-11	-2
<b>Total other comprehensive income for the period/year net after tax</b>	7	-5	15	-19	22	-12
<b>Total comprehensive income for the period/year</b>	447	359	794	674	1,298	1,178

# Sveaskog Group

## Condensed balance sheet

SEKm	30 June 2017	30 June 2016	31 Dec 2016
<b>ASSETS</b> (Note 3)			
<b>Non-current assets</b>			
Intangible assets	77	31	52
Property, plant and equipment			
Forest land (Note 1, 2)	2,414	2,353	2,384
Other property, plant and equipment	473	491	498
Biological assets – standing timber (Note 1, 2)	32,044	31,940	31,993
Financial assets	489	492	506
<b>Total non-current assets</b>	<b>35,497</b>	<b>35,307</b>	<b>35,433</b>
<b>Current assets</b>			
Inventories	453	479	582
Current receivables, etc., non-interest bearing	1,611	1,582	1,520
Cash and cash equivalents	959	1,297	1,070
<b>Total current assets</b>	<b>3,023</b>	<b>3,358</b>	<b>3,172</b>
<b>TOTAL ASSETS</b>	<b>38,520</b>	<b>38,665</b>	<b>38,605</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>20,086</b>	<b>19,588</b>	<b>20,092</b>
<b>Non-current liabilities</b> (Note 3)			
Interest-bearing liabilities and provisions	5,099	5,740	5,726
Other liabilities and provisions	8,368	8,263	8,365
<b>Total non-current liabilities</b>	<b>13,467</b>	<b>14,003</b>	<b>14,091</b>
<b>Current liabilities</b> (Note 3)			
Interest-bearing liabilities	3,662	3,842	3,281
Other liabilities	1,305	1,232	1,141
<b>Total current liabilities</b>	<b>4,967</b>	<b>5,074</b>	<b>4,422</b>
<b>TOTAL LIABILITIES</b>	<b>18,434</b>	<b>19,077</b>	<b>18,513</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>38,520</b>	<b>38,665</b>	<b>38,605</b>

## Condensed statement of changes in equity

SEKm	Jan–June 2017	Jan–June 2016	Full year 2016
<b>Opening equity, 1 January</b>	<b>20,092</b>	<b>19,714</b>	<b>19,714</b>
Total comprehensive income	794	674	1,178
Dividend decided at Annual General Meeting	–800	–800	–800
<b>Closing equity at the end of the period/year</b>	<b>20,086</b>	<b>18,588</b>	<b>20,092</b>

# Sveaskog Group

## Condensed statement of cash flows

SEKm	Jan–June 2017	Jan–June 2016	Full year 2016
<b>Operating activities</b>			
Operating profit	1,027	927	1,631
Adjustment for non-cash items, etc.	-313	-229	-509
Interest received and dividends	28	5	13
Interest paid	-67	-108	-195
Paid tax	-100	-77	-144
<b>Cash flow from operating activities before change in working capital</b>	<b>575</b>	<b>518</b>	<b>796</b>
Change in working capital	71	22	-7
<b>Cash flow from operating activities</b>	<b>646</b>	<b>540</b>	<b>789</b>
<b>Investing activities</b>			
Investments in property, plant and equipment	-103	-59	-183
Investments in shares	-1	-1	-1
Dividend from associate	50	5	5
Sale of property, plant and equipment	316	92	298
Sale of shares	0	0	3
<b>Cash flow from investing activities</b>	<b>262</b>	<b>37</b>	<b>122</b>
<b>Financing activities</b>			
Dividend paid	-800	-800	-800
Borrowings	6,080	5,740	9,530
Repayment of borrowings	-6,299	-5,355	-9,706
<b>Cash flow from financing activities</b>	<b>-1,019</b>	<b>-415</b>	<b>-976</b>
<b>Cash flow for the period/year</b>	<b>-111</b>	<b>162</b>	<b>-65</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,070</b>	<b>1,135</b>	<b>1,135</b>
<b>Cash and cash equivalents at the end of the period/year</b>	<b>959</b>	<b>1,297</b>	<b>1,070</b>



# Parent Company

## Condensed income statement

SEKm	3 months		6 months		12 months	
	Apr–June 2017	Apr–June 2016	Jan–June 2017	Jan–June 2016	July 2016– June 2017	Full year 2016
Operating income	4	14	7	18	54	65
Operating expenses	-1	0	-1	-1	-2	-2
<b>Operating profit</b>	3	14	6	17	52	63
Financial items	-60	-65	-122	-127	-253	-259
<b>Profit/loss before tax</b>	-57	-51	-116	-110	-201	-196
Group contribution	-	-	-	-	196	196
Tax	13	11	26	24	1	0
<b>Profit/loss for the period/year*</b>	-44	-40	-90	-86	-4	0

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

## Condensed balance sheet

SEKm	30 June 2017	30 June 2016	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	51	54	52
<b>Total property, plant and equipment</b>	51	54	52
<b>Financial assets</b>			
Shares and participations	24,934	24,934	24,934
Receivables from group companies, interest-bearing	2,050	1,850	2,000
<b>Total financial assets</b>	26,984	26,784	26,934
<b>Total non-current assets</b>	27,035	26,838	26,986
<b>Current assets</b>			
Current receivables, etc., non-interest bearing	90	154	275
Receivables from group companies, interest-bearing	0	693	363
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	90	847	638
<b>TOTAL ASSETS</b>	27,125	27,685	27,624
<b>EQUITY</b>			
<b>Equity</b>	8,375	9,179	9,265
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	4,587	5,187	5,187
<b>Total non-current liabilities</b>	4,587	5,187	5,187
<b>Current liabilities</b>			
Interest-bearing liabilities and provisions	14,138	13,284	13,120
Other liabilities and provisions	25	35	52
<b>Total current liabilities</b>	14,163	13,319	13,172
<b>TOTAL EQUITY AND LIABILITIES</b>	27,125	27,685	27,624

## Parent Company

### Condensed statement of changes in equity

SEKm	Jan–June 2017	Jan–June 2016	Full year 2016
<b>Opening equity, 1 January</b>	9,265	10,065	10,065
Dividend decided at Annual General Meeting	–800	–800	–800
Profit/loss for the period/year	–90	–86	0
<b>Closing equity at the end of the period/year</b>	8,375	9,179	9,265

### Condensed statement of cash flows

SEKm	Jan–June 2017	Jan–June 2016	Full year 2016
<b>Cash flow from operating activities</b>	–126	–651	–625
<b>Cash flow from investing activities</b>	–49	313	206
<b>Cash flow from financing activities</b>	175	338	419
<b>Total cash flow</b>	0	0	0
<b>Cash and cash equivalents at the beginning of the year</b>	0	0	0
<b>Cash and cash equivalents at the end of the period/year</b>	0	0	0

### ACCOUNTING PRINCIPLES

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim report. For the Parent Company the interim report is prepared in accordance with the Annual Accounts Act, which is in accordance with the regulations in RFR 2 Accounting for Legal Entities. The accounting principles and calculation principles applied in this report for the Parent Company and the Group are unchanged compared with the most recently published annual report. New or revised IFRSs and interpretations from IFRIC have not had any effect on the earnings or financial position of the Group or the Parent Company.

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

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

The book value of Sveaskog's forest assets at 30 June 2017 has been calculated at SEK 34,458 million (34,293), of which SEK 32,044 million (31,940) comprises the fair value of standing timber and SEK 2,414 million (2,353) an identified cost for land. The change in the balance sheet since year-end 2016 amounts to SEK 81 million (196) and is specified in Note 2. The parameters applied when calculating the market value of standing timber are updated annually.

### NOTE 2 – BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

<b>Standing timber</b>	SEKm	<b>Forest land</b>	SEKm
<i>Market value</i>		<i>Cost</i>	
Opening value, 1 January 2016	31,751	Opening value, 1 January 2016	2,346
Acquisition of standing timber	6	Acquisition of forest land	11
Sales of standing timber	–37	Sale of forest land	–4
Changes due to felling	–714	Closing value, 30 June 2016	2,353
Changes in fair value	934		
Closing value, 30 June 2016	31,940	Opening value, 1 January 2017	2,384
		Acquisition of forest land	36
Opening value, 1 January 2017	31,993	Sale of forest land	–6
Acquisition of standing timber	15	Closing value, 30 June 2017	2,414
Sale of standing timber	–72		
Changes due to felling	–726		
Changes in fair value	834		
Closing value, 30 June 2017	32,044		

**NOTE 3 – FAIR VALUE MEASUREMENT**

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

SEKm	Level 1		Level 2		Level 3	
	Jan–June	Jan–June	Jan–June	Jan–June	Jan–June	Jan–June
	2017	2016	2017	2016	2017	2016
<i>Assets</i>						
Standing timber					32,044	31,940
Total assets	0	0	0	0	32,044	31,940
<i>Liabilities</i>						
Non-current liabilities	0	0	4,613	5,212	0	0
Current liabilities	0	0	3,661	3,729	0	0
Derivative instruments	0	0	108	168	0	0
Total liabilities	0	0	8,382	9,109	0	0

**Measurement techniques for Level 2 fair value**

Liabilities are measured at amortised cost. Derivatives in level 2 consist of interest rate swaps and are recognised at market value or as hedge accounting. Measurement at fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for measurement. Compared with 2016, no transfers have been made between the different levels in the hierarchy and no significant changes have been made in measurement method, data used or assumptions.

**Issues**

During 2017 Sveaskog issued SEK 6,080 million (4,740) under the commercial paper programme and SEK 0 million (1,000) under the MTN programme.

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

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

**Significant events after the closing date**

No significant events have occurred after the closing date.

**Related-party transactions**

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

The CEO hereby confirms that this interim report provides a true and fair overview of the Parent Company's and the Group's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 17 July 2017  
Sveaskog AB (publ.) (556558-0031)

Per-Olof Wedin  
President and CEO

The report has been signed by the CEO under authorisation from the Board of Directors.  
The report has not been reviewed by the auditors.

**FOR FURTHER INFORMATION, PLEASE CONTACT**

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**FINANCIAL CALENDAR**

Interim report January – September 2017

26 October 2017

Year-end report 2017

26 January 2018

## Definitions <sup>1)</sup>

**Capital turnover rate**

Net sales divided by average operating capital.

**Equity ratio**

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

**Gross margin**

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

**Interest-bearing net debt**

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

**Interest cover**

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

**Net debt/equity ratio**

Interest-bearing net debt divided by equity.

**Net earnings per share**

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

**Operating capital**

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

**Operating margin**

Operating profit expressed as a percentage of net sales.

**Operating profit from continuing operations**

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

**Return on equity**

Profit after tax expressed as a percentage of average equity.

**Return on operating capital**

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

**Yield**

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

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