



Photo: A Lesik/Shutterstock.com

Construction in Europe is rising, which benefits sales of sawn timber.

1 April – 30 June 2016

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, decreased by 1% to SEK 1,675 million (1,700). Delivery volumes were unchanged and average prices decreased by 2%.
- Operating profit from continuing operations increased by 46% to SEK 297 million (203). Delivery volumes from own forests were unchanged and average prices from own forests decreased by 2%. The forest seedling operations showed positive development. Earnings include a one-time payment from the Swedish Environmental Protection Agency of SEK 60 million in connection with the establishment of nature reserves.
- Change in value of forest assets was SEK 116 million (293).
- Profit for the quarter fell 7%, primarily attributable to change in value of forest assets, to SEK 364 million (393).

1 January – 30 June 2016

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, decreased by 3% to SEK 3,151 million (3,248). Delivery volumes decreased by 1% and average prices decreased by 2%.
- Operating profit from continuing operations increased by 4% to SEK 646 million (623). Delivery volumes from own forests decreased by 1% while average prices decreased by 2%. Earnings include a one-time payment from the Swedish Environmental Protection Agency of SEK 60 million in connection with the establishment of nature reserves. Last year's half-year result included a profit item of SEK 36 million attributable to a VAT remission.
- Change in value of forest assets was SEK 220 million (432).
- Profit for the period fell 14%, primarily attributable to change in value of forest assets, to SEK 693 million (805).

SEKm	3 months			6 months			12 months		
	April–June 2016	2015	%	Jan–June 2016	2015	%	July 2015–June 2016	Full year 2015	%
Net sales	1,675	1,700	-1	3,151	3,248	-3	5,981	6,078	-2
Operating profit from continuing operations	297	203	46	646	623	4	1,303	1,280	2
Change in value of forest assets	116	293	-60	220	432	-49	1,220	1,432	-15
Operating profit	456	548	-17	927	1,133	-18	2,594	2,800	-7
Profit before tax	405	497	-19	825	1,023	-19	2,388	2,586	-8
Profit for the period	364	393	-7	693	805	-14	1,905	2,017	-6
Cash flow from operating activities	385	409	-6	540	624	-13	825	909	-9

Performance measures³⁾, Group

	Jan–June 2016	Jan–June 2015	July 2015–June 2016	Full year 2015
Yield, % 1) (target at least 4.5%)	4.8	4.9	4.8	4.7
Net debt/equity ratio, multiple (target 0.3–0.6)	0.42	0.45	0.42	0.41
Return on operating capital, % 1)	9.5	10.1	9.5	10.3
Return in equity, % 1)	10.0	10.6	10.0	10.6
Interest cover, multiple 1, 2)	6.1	5.2	6.1	6.2
Equity ratio, %	51	49	51	51
Interest-bearing net debt, SEKm	8,285	8,275	8,285	8,089
Average number of employees	839	829	839	851
Total delivery volume, thousand m ³ sub	5,617	5,666	10,699	10,748

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

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 hunting, fishing 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®.



CEO's comments

Stable earnings trend

Sveaskog's operating profit from continuing operations for the first half of 2016 amounted to SEK 646 million (623). Delivery volumes from Sveaskog's own forests decreased by 1% and timber prices fell by an average of 2%. When comparing the change in earnings between the years, the positive impact on last year's earnings of SEK 36 million attributable to a value added tax case from the early 2000s decided in the first quarter should be taken into account. Earnings for 2016 were positive affected by SEK 60 million in

the form of a payment from the Swedish Environmental Protection Agency in conjunction with the establishment of nature reserves.

Despite lower prices and volumes, productivity is high and total productivity, earnings in fixed prices, in the forestry operations is 1.7% higher than in the previous year. Yield amounted to 4.8% (4.9).

Net sales decreased by 3% to SEK 3,151 million (3,248). In total, Sveaskog's sales of wood raw material during the period amounted to 5.6 (5.7) million cubic metres (m³sub). Sales of sawlogs decreased by 2%, sales of pulpwood and chips increased by 2% and biofuel sales fell 11%.

Market development

Sweden and the rest of Europe are the most important markets for Swedish forest industry. Economic growth in this area is uneven and Sweden stands strong by comparison. There is uncertainty about how the UK referendum will affect economic development.

SAWMILLS

Construction in Europe is increasing, particularly in Sweden. Construction and wood products consumption are also showing a relatively strong increase in the US and the same applies in China.

In Sweden, production levels for sawn wood products are high. The UK remains Sweden's largest single export country with good demand although this has fallen slightly recently. Profitability in transactions has deteriorated due to the weakening of the British pound against the Swedish krona.

The sawmills have been well supplied with sawlogs and raw material stocks have risen slightly. Sawlog prices have fallen.

PULP AND PAPER INDUSTRY

Globally, paper pulp deliveries are rising. The price of long-fibre sulphate pulp has fallen steadily but is now showing signs of levelling out. Swedish export levels are unchanged compared with the previous quarter.

Demand for graphic paper products continues to fall. On the other hand, the situation is better for cartonboard for packaging and packaging paper. Swedish production is at a high level.

The period was characterised by good access to pulpwood and cellulose chips. Significant volumes are also imported.

Sveaskog forests become new nature reserves

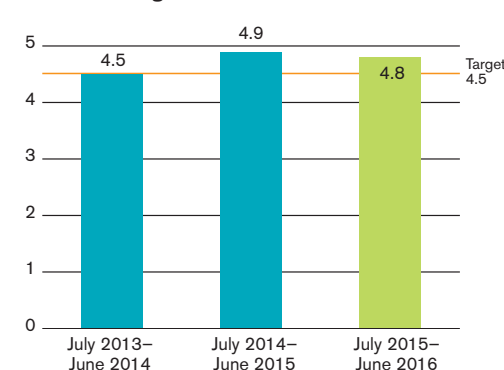
Sveaskog and the Swedish Environmental Protection Agency have reached an agreement on the long-term protection of valuable primeval forests and natural forests in the counties of Norrbotten and Västerbotten. A total of 47,000 hectares of land will be protected, including approximately 29,000 hectares of productive forest land. The forests will remain in Sveaskog's ownership.

Changes in Sveaskog's Group Management

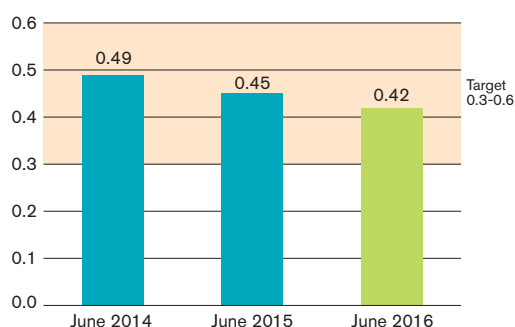
New managers have been appointed. Anette Waara will take over as SVP North Market Area and Roger S Johansson will be SVP Svenska Skogsplantor. Both these positions were recruited internally. Tommy Nilsson, previously SVP North Market Area, has been appointed SVP Forestry. Lena Sammeli Johansson, previously SVP Svenska Skogsplantor, will take up a new position as SVP Sustainability.

Per-Olof Wedin, President and CEO

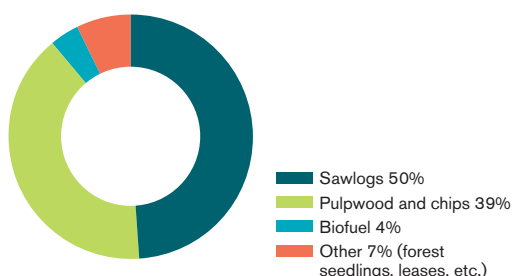
Yield, %, rolling 12 months



Net debt/equity ratio, multiple, at 30 June



Product breakdown by % of sales, rolling 12 months



Theme – Sustainability

Sveaskog works to strengthen the company's attractiveness and increase diversity in order to secure the best possible skills base in the long term. During 2016, for a period of three months, Sveaskog welcomes 50 trainees, who are either enrolled in Arbetsförmedlingen's (The Swedish Employment Service) establishment programmes or who are available to the labour market as job seekers, in order to break their isolation.

Group performance

1 APRIL – 30 JUNE 2016

Net sales

Net sales decreased by 1% to SEK 1,675 million (1,700). Total delivery volumes were largely unchanged compared with the corresponding period in the previous year while average prices were 2% lower. Sales of wood raw material totalled 2.8 (2.8) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations increased by 46% to SEK 297 million (203). Delivery volumes from own forests were unchanged while prices decreased by an average of 2%. The improvement in earnings is mainly explained by a payment from the Swedish Environmental Protection Agency for establishment of nature reserves (SEK 60 million) as well as a positive development for Svenska Skogsplantor.

Gains from property sales amounted to SEK 18 million (30). Share of profits of the associate Setra Group amounted to SEK 25 million (22). Operating profit before change in value of forest assets amounted to SEK 340 million (255). Change in value of forest assets for the second quarter amounted to SEK 116 million (293). The reduction is attributable to higher price effects in the valuation model. After change in value of forest assets, operating profit amounted to SEK 456 million (548).

Net financial items in the quarter amounted to SEK –51 million (–51). Profit before tax decreased by 19% to SEK 405 million (497). Tax for the period was SEK –41 million (–104), the decrease is due to a lower operating profit and the fact that Sveaskog received a SEK 43 million repayment for high recognised tax for the years 2011–2014 relating to a not previously utilised replacement reserve. Profit for the quarter decreased by 7%, mainly attributable to change in value of forest assets, to SEK 364 million (393).

1 JANUARY – 30 JUNE 2016

Net sales

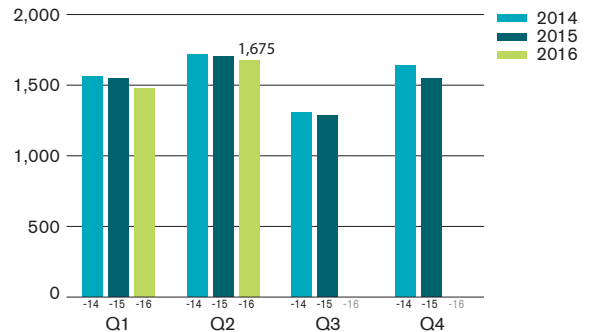
Net sales decreased by 3% to SEK 3,151 million (3,248). Delivery volumes decreased by 1% and average prices fell by 2%. Sales of wood raw material totalled 5.6 (5.7) million cubic metres (m³sub).

Earnings

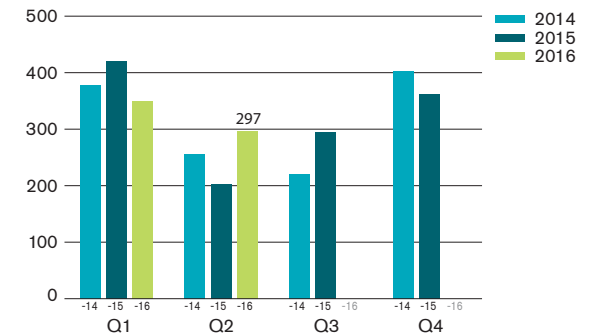
Operating profit from continuing operations increased by 4% to SEK 646 million (623). Delivery volumes from own forests decreased by 1% and average prices fell by 2%. The improvement in earnings is mainly explained by a payment from the Swedish Environmental Protection Agency for establishment of nature reserves (SEK 60 million) as well as a positive development for Svenska Skogsplantor. Earnings in the previous year were positively affected by a VAT remission of SEK 36 million.

Gains from property sales amounted to SEK 31 million (46). Share of profits of the associate Setra Group amounted to SEK 30 million (32). Operating profit before change in value of forest assets amounted to SEK 707 million (701). Change in value of forest assets was SEK 220 million (432). The reduction is attributable to higher price effects in the valuation model. After change in value of forest assets, operating profit amounted to SEK 927 million (1,133). Net financial items amounted to SEK –102 million (–110). Profit before tax decreased by 19% to SEK 825 million (1,023). Tax for the period amounted to SEK –132 million (–218). The decrease was due to a lower operating profit and a tax reduction of SEK 43 million attributable to previous years. Profit for the period decreased by 14%, mainly attributable to change in value of forest assets, to SEK 693 million (805).

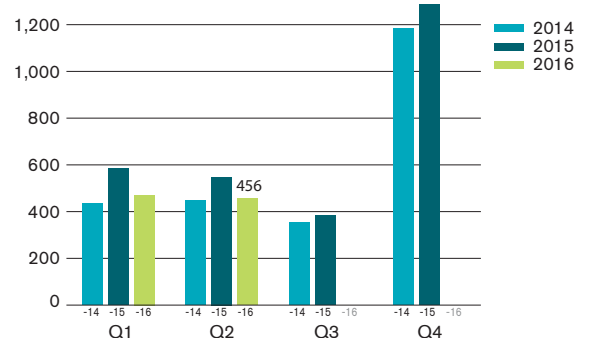
Net sales, SEKm



Operating profit from continuing operations, SEKm



Operating profit, SEKm



Change in net sales, SEKm

	Quarter 2	January–June
2015	1,700	3,248
Price, wood raw material	–39	–71
Delivery volume, wood raw material	5	–26
Other	9	0
2016	1,675	3,151

Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 540 million (624). The decrease compared with the comparative period is mainly due to changes in accounts receivable. Investments in property, plant and equipment amounted to SEK 59 million (59) and investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 92 million (109). Cash flow includes a dividend from the associate company Setra Group AB of SEK 5 million (32).

Sveaskog's interest-bearing net debt at 30 June amounted to SEK 8,285 million (8,275). At the end of the period, the loan portfolio mostly comprised loans issued under Sveaskog's bond programme (MTN) as well as a Swedish commercial paper programme. The loan volume under the commercial paper programme amounted to SEK 2,420 million (2,520) and is refinanced regularly. Under the MTN programme the outstanding volume at 30 June was SEK 5,290 million (4,890). The lowest average fixed interest period during the six-month period was approximately 30 months.

The net debt/equity ratio amounted to 0.42 (0.45).

Interest cover amounted to 6.1 (5.2) and the gross borrowing cost was 1.88% (2.02).

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.) in the first half of the year amounted to SEK 18 million (7), of which capital gains on property sales amounted to SEK 12 million (0). Loss after financial items was SEK 110 million (-122). 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 2,188 million (2,270). Operating profit amounted to SEK 76 million (88). The market for wood products continued its positive development during the period.

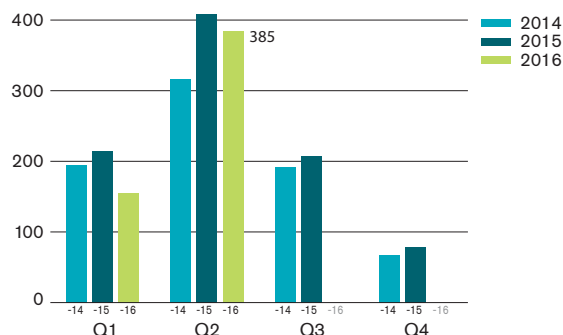
Sveaskog's share of the company's profits, adjusted for intra-group profits, decreased by 6% for the first half of the year to SEK 30 million (32).

Market situation and timber deliveries

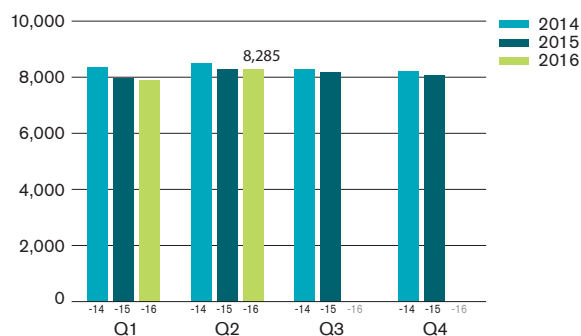
Sveaskog conducts trading in wood raw material in Sweden and more than half of the material is taken from the company's own forests. The main product range is sawlogs, pulpwood and chips, and biofuel. Most of Sveaskog's customers are in Sweden but export a large proportion of their products worldwide. Supply, demand, prices and currencies therefore affect profitability at different stages.

Europe is the largest export market for Swedish forest industry although exports to other markets outside Europe are also rising. Development in the global economy is weak and the World Bank has been forced to write down its growth forecasts. This is partly due to oil exporting countries having difficulties with the low price of oil. Global debt in relation to GDP is rising sharply. China's growth continues to slow but from earlier comparatively high levels. India's growth is now higher than growth in China. The rate of growth in Europe remains modest. The result of the UK referendum where the leave side won means there is considerably uncertainty about how this will affect economic development. The British pound has weakened substantially against the Swedish krona. The Swedish economy is comparatively strong.

Cash flow from operating activities per quarter, SEKm



Interest-bearing net debt, SEKm



Change in operating profit from continuing operations, SEKm

	Quarter 2	January–June
2015	203	623
Price, own wood raw material	-9	-21
Delivery volume, own wood material	-3	-20
Tenure in perpetuity	60	60
VAT remission 2015	-	-36
Forest seedlings	32	23
Other	14	17
2016	297	646

SAWMILLS

Construction and therefore wood product consumption are increasing in most markets. Imports of sawn wood products in Europe are rising. Construction and wood product consumption are also showing a relatively strong increase in the US as well as in China. China's imports of sawn wood products have almost reached two million cubic metres per month. The largest supplier is Russia followed by Canada. Sweden's exports to China are small but increasing. The rest of East Asia is also increasing its imports at a relatively high pace.

In Sweden, sawn wood products production is at high levels. Demand has been high with some reduction in stocks. Structural changes are underway in southern Sweden. Exports based on sea transport have benefited from reduced freight prices. The UK is still Sweden's largest export country with good demand although this has fallen slightly recently. Profitability in this business has deteriorated due to the weakening of the British pound against the Swedish krona. The sawmills have been well supplied with sawlogs and raw material stocks have risen slightly. The earlier reductions in sawlog prices have now levelled out.

Sveaskog's deliveries

Sveaskog delivered 1,222 (1,260) thousand m³sub of sawlogs in the second quarter which is 3% lower than in the corresponding period last year. Deliveries for the period January–June amounted to 2,427 (2,471) thousand m³sub.

PULP AND PAPER

Deliveries of paper pulp are increasing globally. Stocks of finished goods have decreased slightly, both at producers and in the ports. Almost 80% of Swedish exports go to Europe. The price of long-fibre sulphate pulp has decreased steadily. This price fall is now showing signs of levelling out. Swedish export levels are largely unchanged.

Demand for graphic paper products continues to fall. On the other hand the picture is brighter for many other products such as cartonboard for packaging and packaging paper. Swedish production is at a high level.

The period was characterised by good access to pulpwood and cellulose chips. Significant volumes are imported as well. Earlier price reductions for pulpwood have levelled out. Some price increases can be noted.

Sveaskog's deliveries

Sveaskog delivered 1,394 (1,332) thousand m³sub of pulpwood and chips in the second quarter which is 5% higher than in the corresponding period last year. Deliveries for the period January–June amounted to 2,713 (2,660) thousand m³sub.

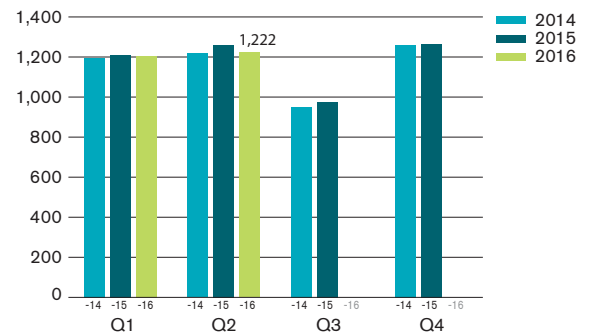
BIOFUEL MARKET

In Sweden, biofuel-based energy production is regional or local. Demand for wood-based biofuel was good in southern Sweden but then decreases progressively the further north one goes. The main reasons are other competing fuels such as waste and recycled wood. More efficient production and distribution of energy as well as low electricity prices also put pressure on prices. The district heating plants' season for burning forest fuel is now over. Production of forest residues (branches and tops) is falling. Earlier price cuts are levelling out. Nordic pellet prices are decreasing slightly.

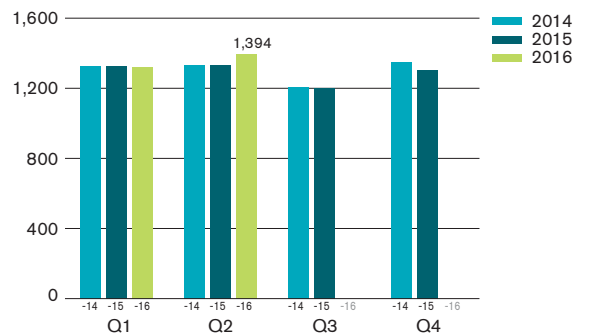
Sveaskog's deliveries

Sveaskog delivered 177 (191) thousand m³sub of biofuel in the second quarter which is 7% lower than in the corresponding period last year. Deliveries for the period January–June amounted to 477 (534) thousand m³sub.

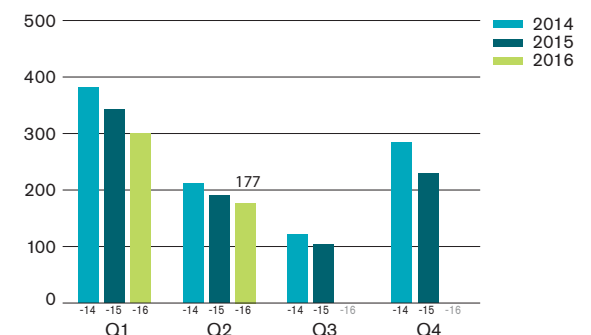
Delivery volume sawlogs, thousand m³sub



Delivery volume, pulpwood and chips, thousand m³sub



Delivery volume biofuel, thousand m³sub



Group

Condensed income statement

SEKm	3 months		6 months		12 months	
	April–June 2016	April–June 2015	Jan–June 2016	Jan–June 2015	July 2015– June 2016	Full year 2015
Net sales	1,675	1,700	3,151	3,248	5,981	6,078
Other operating income	98	9	107	9	161	63
Raw materials and consumables	-361	-393	-819	-862	-1,560	-1,603
Change in inventories	-204	-231	-157	-189	-13	-45
Other external costs	-748	-717	-1,322	-1,266	-2,659	-2,603
Employee benefit expenses	-143	-140	-273	-268	-531	-526
Depreciation	-20	-25	-41	-49	-76	-84
Operating profit from continuing operations	297	203	646	623	1,303	1,280
Capital gains from property sales	18	30	31	46	63	78
Share of profits of associates	25	22	30	32	8	10
Operating profit before change in value of forest assets	340	255	707	701	1,374	1,368
Change in value of forest assets (Note 1, 2)	116	293	220	432	1,220	1,432
Operating profit	456	548	927	1,133	2,594	2,800
Financial items	-51	-51	-102	-110	-206	-214
Profit before tax	405	497	825	1,023	2,388	2,586
Tax	-41	-104	-132	-218	-483	-569
Profit for the period/year	364	393	693	805	1,905	2,017
Earnings per share, SEK before and after dilution	3.07	3.32	5.85	6.80	16.09	17.04
- 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	
	April–June 2016	April–June 2015	Jan–June 2016	Jan–June 2015	July 2015– June 2016	Full year 2015
Profit for the period/year	364	393	693	805	1,905	2,017
Other comprehensive income						
Components that will not be reversed in profit or loss						
Actuarial gains/losses on pensions*	-	-	-	-	15	15
Tax on actuarial gains/losses	-	-	-	-	-3	-3
Components that than be reversed in profit or loss						
Exchange differences	1	0	1	0	0	-1
Cash flow hedges	-8	24	-25	14	-10	29
Tax attributable to cash flow hedges	2	-5	5	-3	2	-6
Total other comprehensive income for the period/year, net after tax	-5	19	-19	11	4	34
Total comprehensive income for the period/year	359	412	674	816	1,909	2,051

* Actuarial calculations are performed and recognised per full year only.

Group

Condensed balance sheet

SEKm	30 June 2016	30 June 2015	31 Dec 2015
ASSETS (Note 3)			
Non-current assets			
Intangible assets	31	1	1
Property, plant and equipment			
Forest land (Note 1, 2)	2,353	2,184	2,346
Other property, plant and equipment	491	509	529
Biological assets – standing timber (Note 1,2)	31,940	30,748	31,751
Financial assets	492	503	461
Total non-current assets	35,307	33,945	35,088
Current assets			
Inventories	479	519	669
Current receivables, etc., non-interest bearing	1,582	1,566	1,407
Cash and cash equivalents	1,297	1,559	1,135
Total current assets	3,358	3,644	3,211
TOTAL ASSETS	38,665	37,589	38,299
EQUITY AND LIABILITIES			
Equity	19,588	18,479	19,714
Non-current liabilities (Note 3)			
Interest-bearing liabilities and provisions	5,740	6,109	5,767
Other liabilities and provisions	8,263	7,938	8,237
Total non-current liabilities	14,003	14,047	14,004
Current liabilities (Note 3)			
Interest-bearing liabilities	3,842	3,725	3,457
Other liabilities	1,232	1,338	1,124
Total current liabilities	5,074	5,063	4,581
TOTAL LIABILITIES	19,077	19,110	18,585
TOTAL EQUITY AND LIABILITIES	38,665	37,589	38,299

Condensed statement of changes in equity

SEKm	Jan–June 2016	Jan–June 2015	Full year 2015
Opening equity, 1 January	19,714	18,463	18,463
Total comprehensive income	674	816	2,051
Dividend paid in accordance with AGM decision	–800	–800	–800
Closing equity at the end of the period/year	19,588	18,479	19,714

Group

Condensed statement of cash flows

SEKm	Jan–June 2016	Jan–June 2015	Full year 2015
Operating activities			
Operating profit	927	1,133	2,800
Adjustment for non-cash items, etc.	-229	-546	-1,594
Interest received	5	5	9
Interest paid	-108	-114	-231
Paid tax	-77	-127	-204
Cash flow from operating activities before change in working capital	518	351	780
Change in working capital	22	273	129
Cash flow from operating activities	540	624	909
Investing activities			
Investments in property, plant and equipment	-59	-59	-329
Investments in shares	-1	-1	-1
Dividend from associate	5	32	32
Sale of property, plant and equipment	92	109	234
Sale of shares	0	0	2
Cash flow from investing activities	37	81	-62
Financing activities			
Dividend paid	-800	-800	-800
Change in financial liabilities	385	309	-257
Cash flow from financing activities	-415	-491	-1,057
Cash flow for the year	162	214	-210
Cash and cash equivalents, opening balance	1,135	1,345	1,345
Cash and cash equivalents, closing balance	1,297	1,559	1,135

Parent Company

Condensed income statement

SEKm	3 months		6 months		12 months	
	April–June 2016	April–June 2015	Jan–June 2016	Jan–June 2015	July 2015– June 2016	Full year 2015
Operating income	14	3	18	7	26	15
Operating expenses	0	0	–1	–1	–4	–4
Operating profit	14	3	17	6	22	11
Financial items	–65	–63	–127	–128	–7	–8
Profit/loss before tax	–51	–60	–110	–122	15	3
Tax	11	13	24	27	–3	–
Profit/loss for the period/year *	–40	–47	–86	–95	12	3

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

Condensed balance sheet

SEKm	30 June 2016	30 June 2015	31 Dec 2015
ASSETS			
Non-current assets			
Property, plant and equipment	54	56	55
Total property, plant and equipment	54	56	55
Financial assets			
Shares and participations	24,934	24,934	24,934
Receivables from group companies, interest-bearing	1,850	2,410	2,150
Total financial assets	26,784	27,344	27,084
Total non-current assets	26,838	27,400	27,139
Current assets			
Current receivables, etc., non-interest bearing	154	62	277
Receivables from group companies, interest-bearing	693	226	26
Cash and cash equivalents	0	0	0
Total current assets	847	288	303
TOTAL ASSETS	27,685	27,688	27,442
EQUITY			
Equity	9,179	9,967	10,065
Non-current liabilities			
Interest-bearing non-current liabilities	5,187	5,486	5,187
Other provisions	–	1	–
Total non-current liabilities	5,187	5,487	5,187
Current liabilities			
Interest-bearing liabilities and provisions	13,284	12,185	12,146
Other liabilities and provisions	35	49	44
Total current liabilities	13,319	12,234	12,190
TOTAL EQUITY AND LIABILITIES	27,685	27,688	27,442

Parent Company

Condensed statement of changes in equity

SEKm	Jan–June 2016	Jan–June 2015	Full year 2015
Opening equity, 1 January	10,065	10,862	10,862
Dividend paid in accordance with AGM decision	–800	–800	–800
Profit/loss for the period/year	–86	–95	3
Closing equity at the end of the period/year	9,179	9,967	10,065

Condensed statement of cash flows

SEKm	Jan–June 2016	Jan–June 2015	Full year 2015
Cash flow from operating activities	–651	–48	29
Cash flow from investing activities	313	1	262
Cash flow from financing activities	338	47	–291
Total cash flow	0	0	0
Cash and cash equivalents, opening balance	0	0	0
Cash and cash equivalents, closing balance	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. 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 market value of Sveaskog's forest assets at 30 June 2016 has been calculated at SEK 34,293 million (32,932), of which SEK 31,940 million (30,748) comprises the fair value of standing timber and SEK 2,353 million (2,148) an identified cost of land. The change in the balance sheet since year-end 2015 amounts to SEK 196 million (414) and is specified in Note 2. The assumptions applied when calculating the market value of standing timber are unchanged and updated at year-end.

NOTE 2 – BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

Standing timber		Forest land	
SEKm		SEKm	
<i>Cost</i>			
Opening value, 1 January 2015	30,344	Opening value, 1 January 2015	2,174
Acquisition of standing timber	9	Acquisition of forest land	13
Sales of standing timber	–37	Sales of forest land	–3
Changes due to felling	–739	Closing value, 30 June 2015	2,184
Changes in fair value	1,171		
Closing value, 30 June 2015	30,748	Opening value, 1 January 2016	2,346
		Acquisition of forest land	11
Opening value, 1 January 2016	31,751	Sales of forest land	–4
Acquisition of standing timber	6	Closing value, 30 June 2016	2,353
Sales of standing timber	–37		
Changes due to felling	–714		
Changes in fair value	934		
Closing value, 30 June 2016	31,940		

NOTE 3 – MEASUREMENT AT FAIR VALUE

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

SEKm	Level 1		Level 2		Level 3	
	Jan–June	Jan–June	Jan–June	Jan–June	Jan–June	Jan–June
	2016	2015	2016	2015	2016	2015
<i>Assets</i>						
Standing timber	–	–	–	–	31,940	30,748
Total assets	–	–	–	–	31,940	30,748
<i>Liabilities</i>						
Non-current liabilities	–	–	5,212	5,520	–	–
Current liabilities	–	–	3,729	3,728	–	–
Derivative instruments	–	–	168	153	–	–
Total liabilities	–	–	9,109	9,401	–	–

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 2015, 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.

OTHER INFORMATION**Risks and uncertainties**

A description of risks, uncertainties and risk management is provided in Sveaskog's 2015 Annual Report (in Swedish) on pages 33–35. No other significant changes, in addition to those mentioned in this interim report, have occurred since publication of the annual report. The company is carefully monitoring developments in the UK following the referendum result to leave the EU. This is because the UK is a key market for several of Sveaskog's customers.

Significant events after the closing date

No significant events have occurred after the closing date.

Related-party transactions

A dividend of SEK 800 million was paid to the owner during the second quarter. Apart from this no significant changes have occurred in relations or related-party transactions compared with what is described in the 2015 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, 15 July 2016
Sveaskog AB (publ.) (556558-0031)

Per-Olof Wedin
President and CEO

The report has been signed by the CEO after authorisation from the Board of Directors.
The report has not been reviewed by the company's auditors.

FOR FURTHER INFORMATION, PLEASE CONTACT

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FINANCIAL CALENDAR

Interim report January – September 2016

19 October 2016

Year-end report 2016

26 January 2017

Definitions ¹⁾

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.

Total productivity

The percentage change in operating profit from continuing operations in the forestry operations between two years and at fixed prices.

Total productivity per volume unit

The percentage change in operating profit from continuing operations per volume of Roundwood from own forests between two years and at fixed prices.

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