

Interim Report January – September 2016



Photo: Shutterstock/G Andrey

Global demand for sawn wood products is increasing but supplies are plentiful.

1 July – 30 September 2016

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, decreased by 5% to SEK 1,222 million (1,284). Total delivery volumes fell by 1% and average prices decreased by 2%.
- Operating profit from continuing operations amounted to SEK 173 million (295). Delivery volumes from own forests fell by 3%, which is the main reason for the decrease in profit, and prices by 2%. When comparing changes in profit between years, account must be taken of the positive effect on last year's result of a capital gain of SEK 47 million relating to the sale of development land.
- Change in value of forest assets was SEK 99 million (83).
- Profit for the quarter decreased by 21%, mainly attributable to the lower operating profit from continuing operations, to SEK 206 million (260).

1 January – 30 September 2016

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, decreased by 4% to SEK 4,373 million (4,532). Total delivery volumes fell by 1% and average prices decreased by 2%.
- Operating profit from continuing operations amounted to SEK 819 million (918). Delivery volumes from own forests fell by 1% and prices by 2%. This year's 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 operating profit from continuing operations included a profit item of SEK 36 million attributable to a VAT remission and a large capital gain of SEK 47 million relating to the sale of development land.
- Change in value of forest assets was SEK 319 million (515).
- Profit for the period fell 16%, attributable to a lower operating profit from continuing operations and lower value of forest assets, to SEK 899 million (1,065).

SEKm	3 months			9 months			12 months		
	Jul-Sep 2016	2015	%	Jan-Sep 2016	2015	%	Oct 2015– Sep 2016	Full year 2015	%
Net sales	1,222	1,284	-5	4,373	4,532	-4	5,919	6,078	-3
Operating profit from continuing operations	173	295	-41	819	918	-11	1,181	1,280	-8
Change in value of forest assets	99	83	19	319	515	-38	1,236	1,432	-14
Operating profit	302	382	-21	1,229	1,515	-19	2,514	2,800	-10
Profit before tax	264	335	-21	1,089	1,358	-20	2,317	2,586	-10
Profit for the period	206	260	-21	899	1,065	-16	1,851	2,017	-8
Cash flow from operating activities	271	214	27	811	837	-3	883	909	-3
Earnings per share, SEK	1.74	2.20	-21	7.59	8.99	-16	15.63	17.04	-8

Performance measures³⁾, Group

	Jan-Sep 2016	Jan-Sep 2015	Oct 2015– Sep 2016	Full year 2015
Yield, % 1) (target at least 4.5%)	4.3	5.1	4.3	4.7
Net debt/equity ratio, multiple (target 0.3–0.6)	0.43	0.44	0.43	0.41
Return on operating capital, % 1)	9.1	10.2	9.1	10.3
Return on equity, % 1)	9.6	10.6	9.6	10.6
Interest cover, multiple 1, 2)	5.7	5.9	5.7	6.2
Equity ratio, %	51	49	51	51
Interest-bearing net debt, SEKm	8,427	8,174	8,427	8,089
Average number of employees	818	814	818	851
Total delivery volume, thousand m ³ sub	7,866	7,947	10,667	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®.


SVEASKOG



CEO's comments

Decreased earnings due to reduced delivery volumes and lower prices

Sveaskog's operating profit from continuing operations for the period January to September amounted to SEK 819 million (918). Delivery volumes from Sveaskog's own forests decreased by 1% and timber prices fell by an average of 2% which had a negative effect on earnings. Further, Sveaskog has had additional costs of approximately SEK 10 million relating to the clearing of storm-felled forest. This year's earnings were

positively affected by 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 result was positively affected by SEK 36 million attributable to a VAT case from the beginning of the 2000s and a capital gain of SEK 47 million relating to the sale of land for development. Yield amounted to 4.3% (5.1).

Net sales amounted to SEK 4,373 million (4,532). In total, Sveaskog's sales of wood raw material amounted to 7.9 (7.9) million cubic metres.

Market development

The period has been affected by political unrest in many areas and growth forecasts have been written down. The US economy has slowed somewhat, partly due to market concerns over the presidential election. Europe is showing positive signs, but the UK's decision to leave the EU can have a negative effect on development.

The Swedish economy continues to be strong by comparison, but there is still uncertainty around price development for wood raw material.

SAWMILLS

Global demand for sawn timber is increasing but supplies are also plentiful. Construction continues to rise in the US and large volumes of wood products are imported, primarily from Canada, which can affect the balance for sawn wood products globally. In Europe, construction continues to rise.

In Sweden, production of sawn wood products has been at high levels but fell somewhat during the period. Production of whitewood products is increasing while redwood products are falling. Domestic Swedish demand has been good. Construction is increasing strongly and interest in using wood in apartment buildings is rising noticeably.

The sawmills have been well supplied with sawlogs. The price of pine sawlogs has been reduced regionally.

PULP AND PAPER INDUSTRY

Globally, paper pulp deliveries are rising. After a period of price reductions for long-fibre sulphate pulp, prices have risen somewhat.

Demand for and production of graphic paper products continue to fall while cartonboard for packaging and packaging paper and personal care products is rising. Swedish production is at a consistent and high level.

The period was characterised by good access to pulpwood and cellulose chips. Prior price reductions for pulpwood have levelled out.

Customers very pleased with Sveaskog

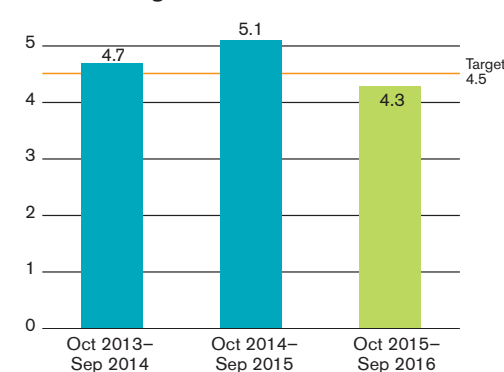
Twice running customers have given Sveaskog very high values, but with some variation. The overall Customer Satisfaction Index is 70 (72). Customers are most satisfied with availability, delivery quality and contacts.

Sveaskog's 37th Ecopark – Öjesjöbrännan – inaugurated

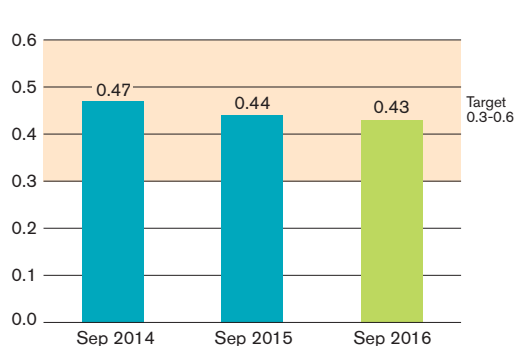
In summer 2014 Västmanland was ravaged by the biggest forest fire in modern times. The fire was catastrophic for people, but not for nature. Sveaskog has now established an ecopark in the area. Approximately 1,500 hectares are protected for 50 years with the aim of allowing unrestricted development of the burnt forest.

Per-Olof Wedin, President and CEO

Yield, %, rolling 12 months



Net debt/equity ratio, multiple, at 30 September



Theme – Sustainability

Customers' preferred and most knowledgeable partner

Satisfied and profitable customers are the basis for a value-adding sustainable business. Sveaskog measures customer satisfaction using questionnaires and interviews with all customers where we have a significant cooperation.

Target	Metric	Value 2013	Value 2014	Value 2016
Satisfied customers	Customer Satisfaction Index, sawmill customers	74	75	72
	Customer Satisfaction Index, pulpwood customers	45	66	64
	Customer Satisfaction Index, biofuel customers	61	68	69

Sveaskog's ecoparks

Sveaskog has high environmental ambitions and sets aside 20% of the company's productive forest land for nature conservation. Ecoparks are one of our tools for satisfying the needs of different species. An ecopark is a large contiguous forest landscape of at least 1,000 hectares with high natural values and conservation ambitions. In an ecopark ecological values take precedence over economic values. Sveaskog works actively to protect and develop natural values in the ecoparks it establishes. Sveaskog has established 37 ecoparks since 2003.

Group performance

1 JULY – 30 SEPTEMBER 2016

Net sales

Net sales decreased by 5% to SEK 1,222 million (1,284). Total delivery volumes fell by 1% compared with the corresponding period in the previous year and average prices were 2% lower. Sales of wood raw material totalled 2.2 (2.3) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations fell by 41% to SEK 173 million (295). Delivery volumes from own forests fell by 3% and average prices by 2%. Additional costs arising from the clearing of storm-damaged forest had a negative effect on earnings of approximately SEK 10 million. When comparing changes in profit between years, account must be taken of the positive effect on last year's result of a capital gain of SEK 47 million relating to the sale of development land.

Capital gains from property sales amounted to SEK 30 million (9). Share of profits of the associate Setra Group amounted to SEK 0 million (-5). Change in value of forest assets for the third quarter amounted to SEK 99 million (83). Operating profit amounted to SEK 302 million (382).

Net financial items in the quarter amounted to SEK -38 million (-47). Profit before tax decreased by 21% to SEK 264 million (335). Tax for the period was SEK -58 million (-75). Profit for the quarter decreased by 21%, mainly attributable to the lower operating profit from continuing operations, to SEK 206 million (260).

1 JANUARY – 30 SEPTEMBER 2016

Net sales

Net sales decreased by 4% to SEK 4,373 million (4,532). Total delivery volumes decreased by 1% and average prices fell by 2%. Sales of wood raw material totalled 7.9 (7.9) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations decreased by 11% to SEK 819 million (918). Delivery volumes from own forests decreased by 1% and average prices fell by 2%. Earnings include a payment from the Swedish Environmental Protection Agency for establishment of nature reserves (SEK 60 million). Last year's operating profit from continuing operations included a profit item of SEK 36 million relating to a VAT remission and a large capital gain of SEK 47 million relating to the sale of development land.

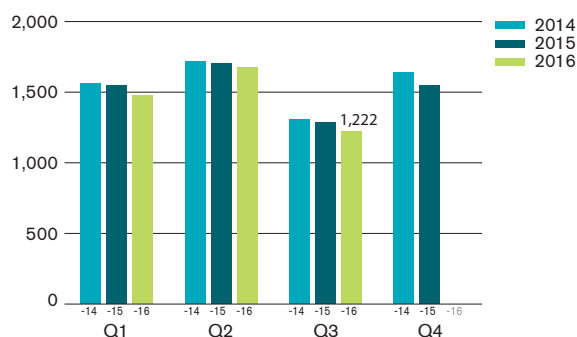
Capital gains from property sales amounted to SEK 61 million (55). Share of profits of the associate Setra Group amounted to SEK 30 million (27). Change in value of forest assets was SEK 319 million (515). The reduction is attributable to lower price effects in the valuation model. Operating profit amounted to SEK 1,229 million (1,515).

Net financial items amounted to SEK -140 million (-157). Profit before tax decreased by 20% to SEK 1,089 million (1,358). Tax for the period amounted to SEK -190 million (-293). 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 16%, attributable to lower operating profit from continuing operations and change in value of forest assets, to SEK 899 million (1,065).

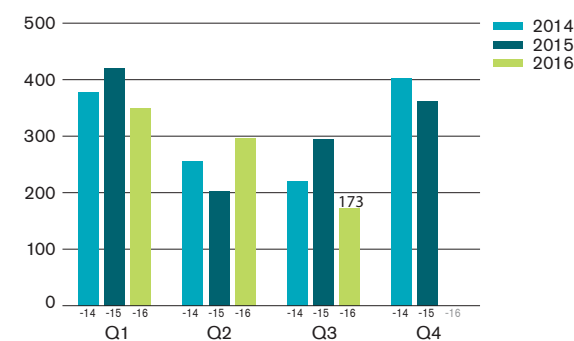
Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 811 million (837). Investments in property, plant and equipment amounted to SEK 98 million (258) and investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 154 million (181). Cash flow includes a dividend from the associate company Setra Group AB of SEK 5 million (32).

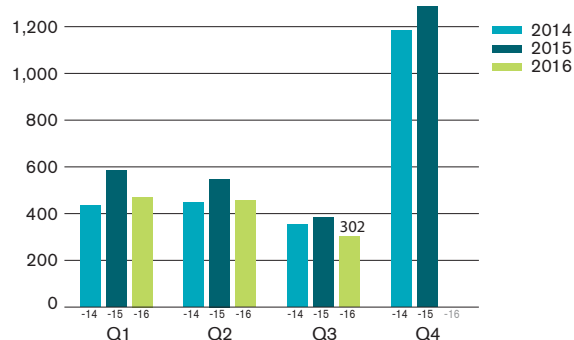
Net sales, SEKm



Operating profit from continuing operations, SEKm



Operating profit, SEKm



Change in net sales, SEKm

	Jul-Sep	Jan-Sep
2015	1,284	4,532
Price, wood raw material	-29	-101
Delivery volume, wood raw material	-17	-42
Other	-16	-16
2016	1,222	4,373

Sveaskog's interest-bearing net debt at 30 September amounted to SEK 8,427 million (8,174). 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 amounted to SEK 2,420 million (2,721) which is refinanced regularly. Under the MTN programme the outstanding volume at 30 September was SEK 4,990 million (4,890). The lowest average fixed interest period during the nine-month period was approximately 30 months.

The net debt/equity ratio amounted to 0.43 (0.44).

Interest cover amounted to 5.7 (5.9) and the gross borrowing cost was 1.83% (2.00).

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 nine months of the year amounted to SEK 21 million (11), of which capital gains on property sales amounted to SEK 12 million (1). Loss after financial items was SEK 174 million (-182). 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–September amounted to SEK 3,043 million (3,232). Operating profit amounted to SEK 86 million (78). The market for wood products showed positive development during the period. Sveaskog's share of the company's profits, adjusted for intra-group profits, increased by 11% for the first nine months of the year to SEK 30 million (27).

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. 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 rising.

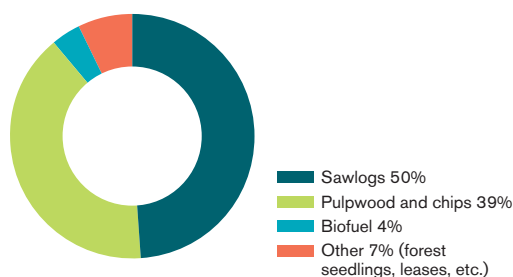
Development in the world economy is weak. This, together with political unrest in many places, has meant that growth forecasts have been written down. The US economy has slowed and there is a risk that the presidential election will create uncertainty in the markets. Europe is showing positive signs, but the UK's decision to leave the EU can have a negative effect on development. China continues to show strong growth with an increased proportion of service production. After a long period of economic stagnation, the situation has improved in many developing countries, especially in Asia. India is showing strong growth. The Swedish economy continues to be strong by comparison.

The oil price fluctuates around 50 dollars a barrel. The dollar and euro are relatively stable in relation to the Swedish krona while the British pound continues to weaken.

SAWMILLS

Global demand for sawn wood products is increasing but supplies are plentiful, not least from Russia helped by a weak rouble. Redwood products have been hard hit while whitewood products have had a more favourable development of demand. Construction continues to rise in the US and large volumes of wood products are imported, primarily from Canada. If this

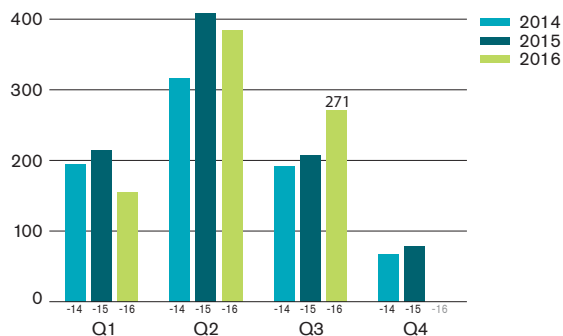
Product as % of net sales, rolling 12 months



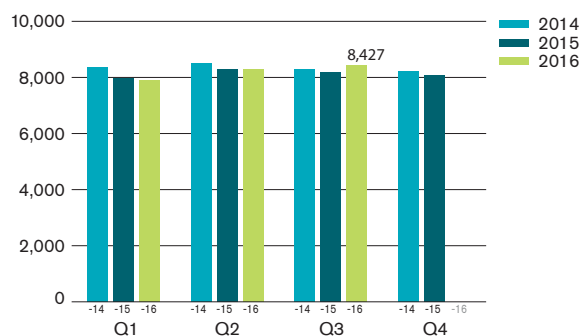
Change in operating profit from continuing operations, SEKm

	Jul-Sep	Jan-Sep
2015	295	918
Price, own raw material	-8	-28
Delivery volume and stock level changes, own raw material	-58	-53
Forest seedlings	1	24
Non-recurring items	-47	-23
Other	-10	-19
2016	173	819

Cash flow from operating activities per quarter, SEKm



Interest-bearing net debt, SEKm



development continues, it can affect the balance for sawn timber globally. In Europe, construction continues to rise with Germany showing the largest growth rate. 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 situation in southern Europe has also improved. Chinese demand continues to be strong with considerable imports from Russia. In north Africa and especially in Egypt, demand has fallen.

Domestic Swedish demand has been good. Construction is increasing strongly and it is not just the market for single-family homes in wood that is growing. Interest in using wood in apartment buildings is rising noticeably.

In Sweden, production of sawn wood products has been at high levels but fell somewhat during the period. Production of whitewood products is increasing while redwood products are falling. In southern Sweden significant structural changes are being made with planned or completed production reductions.

The sawmills have been well supplied with sawlogs and stocks have increased somewhat. The price of pine sawlogs has been reduced regionally.

Sveaskog's deliveries

Sveaskog delivered 934 (977) thousand m³sub of sawlogs in the third quarter which is 4% lower than in the corresponding period last year. Deliveries for the period January–September amounted to 3,361 (3,448) thousand m³sub.

PULP AND PAPER

Deliveries of paper pulp are increasing globally. Stocks continue to be relatively high. Almost 80% of Swedish exports go to Europe. The trend of reductions in the price of long-fibre sulphate pulp has broken with minor price increases as a result. On the other hand, the price of short-fibre pulp has fallen dramatically. Swedish export volumes have fallen somewhat.

Demand for and production of graphic paper products continue to fall while prices have mainly remained steady or fallen slightly. On the other hand, the situation looks better for many other products such as cartonboard for packaging, packaging paper and personal care products. Swedish production remains at a relatively unchanged even level.

The period was characterised by good access to pulpwood and cellulose chips. Significant volumes are imported, particularly from Norway. Previous price reductions for pulpwood have levelled out.

Sveaskog's deliveries

Sveaskog delivered 1,226 (1,201) thousand m³sub of pulpwood and chips in the third quarter which is 2% higher than in the corresponding period last year. Deliveries for the period January–September amounted to 3,939 (3,862) thousand m³sub.

BIOFUEL MARKET

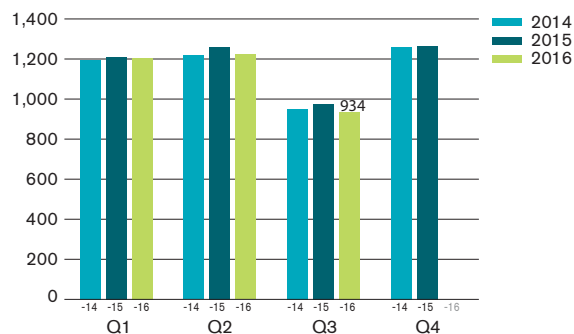
In Sweden, biofuel-based energy production is regional or local. Demand for wood-based biofuel was good in southern Sweden but then decreases progressively the further north one goes. The main reasons are other competing fuels such as waste and recycled wood. More efficient production and distribution of energy as well as low electricity prices also put pressure on prices.

Production of forest residues (branches and tops) is falling. Earlier price cuts have levelled out and in southern Sweden prices have risen. Pellet prices have fallen overall but showed a marginal increase towards the end of the period.

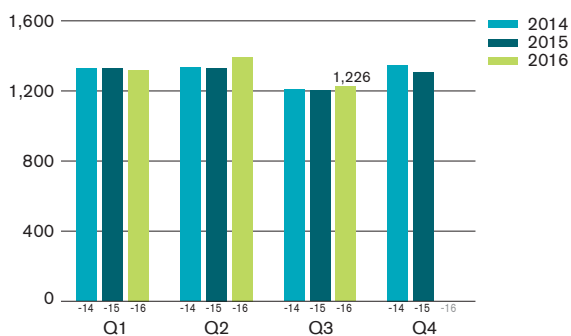
Sveaskog's deliveries

Sveaskog delivered 89 (103) thousand m³sub of biofuel in the third quarter which is 14% lower than in the corresponding period last year. Deliveries for the period January–September amounted to 566 (638) thousand m³sub.

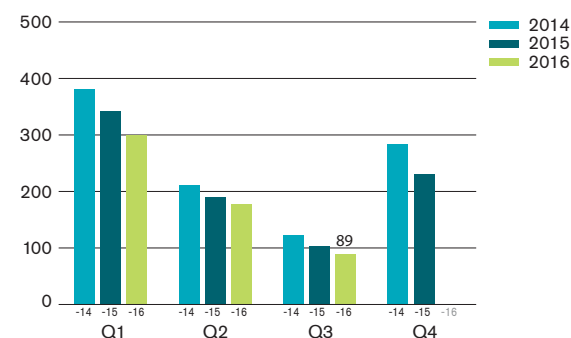
Delivery volume, sawlogs, thousand m³sub



Delivery volume, pulpwood and chips, thousand m³sub



Delivery volume, biofuel, thousand m³sub



Delivery volumes, thousand m³sub

	Jan–Sep 2016	Jan–Sep 2015	R12 result	Result full year 2015
Own forests*	4,795	4,862	6,503	6,570
Field purchases**	981	946	1,307	1,272
Central purchases and imports***	2,090	2,139	2,857	2,905
Total volume	7,866	7,947	10,667	10,747

* Deliveries from own forests.
 ** Deliveries based on deals with private forest owners.
 *** Deliveries based on deals with professional timber traders/purchase of by-products from sawmills.

Group

Condensed income statement

SEKm	3 months		9 months		12 months	
	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct 2015– Sep 2016	Full year 2015
Net sales	1,222	1,284	4,373	4,532	5,919	6,078
Other operating income	19	51	126	60	129	63
Raw materials and consumables	-330	-326	-1,149	-1,188	-1,564	-1,603
Change in inventories	15	41	-142	-148	-39	-45
Other external costs	-613	-619	-1,935	-1,885	-2,653	-2,603
Employee benefit expenses	-120	-117	-393	-385	-534	-526
Depreciation	-20	-19	-61	-68	-77	-84
Operating profit from continuing operations	173	295	819	918	1,181	1,280
Capital gains from property sales	30	9	61	55	84	78
Share of profits of associates	0	-5	30	27	13	10
Operating profit before change in value of forest assets	203	299	910	1,000	1,278	1,368
Change in value of forest assets (Note 1,2)	99	83	319	515	1,236	1,432
Operating profit	302	382	1,229	1,515	2,514	2,800
Financial items	-38	-47	-140	-157	-197	-214
Profit before tax	264	335	1,089	1,358	2,317	2,586
Tax	-58	-75	-190	-293	-466	-569
Profit for the period/year	206	260	899	1,065	1,851	2,017
Earnings per share, SEK before and after dilution	1.74	2.20	7.59	8.99	15.63	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		9 months		12 months	
	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct 2015– Sep 2016	Full year 2015
Profit for the period/year	206	260	899	1,065	1,851	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 can be reversed in profit or loss						
Exchange differences	0	0	1	0	0	-1
Cash flow hedges	8	-4	-17	10	2	29
Tax attributable to cash flow hedges	-1	1	4	-2	0	-6
Total other comprehensive income for the period/year, net after tax	7	-3	-12	8	14	34
Total comprehensive income for the period/year	213	257	887	1,073	1,865	2,051

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

Group

Condensed balance sheet

SEKm	30 Sep 2016	30 Sep 2015	31 Dec 2015
ASSETS (Note 3)			
Non-current assets			
Intangible assets	37	1	1
Property, plant and equipment			
Forest land (Note 1, 2)	2,366	2,322	2,346
Other property, plant and equipment	474	527	529
Biological assets – standing timber (Note 1,2)	32,036	30,843	31,751
Financial assets	491	499	461
Total non-current assets	35,404	34,192	35,088
Current assets			
Inventories	511	573	669
Current receivables, etc., non-interest bearing	1,890	1,620	1,407
Cash and cash equivalents	1,184	1,815	1,135
Total current assets	3,585	4,008	3,211
TOTAL ASSETS	38,989	38,200	38,299
EQUITY AND LIABILITIES			
Equity	19,801	18,736	19,714
Non-current liabilities (Note 3)			
Interest-bearing liabilities and provisions	5,725	5,794	5,767
Other liabilities and provisions	8,284	7,987	8,237
Total non-current liabilities	14,009	13,781	14,004
Current liabilities (Note 3)			
Interest-bearing liabilities	3,886	4,195	3,457
Other liabilities	1,293	1,488	1,124
Total current liabilities	5,179	5,683	4,581
TOTAL LIABILITIES	19,188	19,464	18,585
TOTAL EQUITY AND LIABILITIES	38,989	38,200	38,299

Condensed statement of changes in equity

SEKm	Jan–Sep 2016	Jan–Sep 2015	Full year 2015
Opening equity, 1 January	19,714	18,463	18,463
Total comprehensive income	887	1,073	2,051
Dividend paid in accordance with AGM decision	–800	–800	–800
Closing equity at the end of the period/year	19,801	18,736	19,714

Group

Condensed statement of cash flows

SEKm	Jan–Sep 2016	Jan–Sep 2015	Full year 2015
Operating activities			
Operating profit	1,229	1,515	2,800
Adjustment for non-cash items, etc.	-379	-614	-1,594
Interest received	13	10	9
Interest paid	-154	-167	-231
Paid tax	-126	-179	-204
Cash flow from operating activities before change in working capital	583	565	780
Change in working capital	228	272	129
Cash flow from operating activities	811	837	909
Investing activities			
Investments in property, plant and equipment	-98	-258	-329
Investments in shares	-1	-1	-1
Dividend from associate	5	32	32
Sale of property, plant and equipment	154	181	234
Sale of shares	0	0	2
Cash flow from investing activities	60	-46	-62
Financing activities			
Dividend paid	-800	-800	-800
Borrowings	7,760	7,110	9,120
Repayment of borrowings	-7,782	-6,631	-9,377
Cash flow from financing activities	-822	-321	-1,057
Cash flow for the period/year	49	470	-210
Cash and cash equivalents at the beginning of the year	1,135	1,345	1,345
Cash and cash equivalents at the end of the period/year	1,184	1,815	1,135

Parent Company

Condensed income statement

SEKm	3 months		9 months		12 months	
	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct 2015– Sep 2016	Full year 2015
Operating income	3	4	21	11	25	15
Operating expenses	-1	-1	-2	-2	-4	-4
Operating profit	2	3	19	9	21	11
Financial items	-66	-63	-193	-191	-10	-8
Profit/loss before tax	-64	-60	-174	-182	11	3
Tax	15	13	39	40	-1	-
Profit/loss for the period *	-49	-47	-135	-142	10	3

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

Condensed balance sheet

SEKm	30 Sep 2016	30 Sep 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	2,350	2,410	2,150
Total financial assets	27,284	27,344	27,084
Total non-current assets	27,338	27,400	27,139
Current assets			
Current receivables, etc., non-interest bearing	522	174	277
Receivables from group companies, interest-bearing	381	276	26
Cash and cash equivalents	0	0	0
Total current assets	903	450	303
TOTAL ASSETS	28,241	27,850	27,442
EQUITY			
Equity	9,130	9,920	10,065
Non-current liabilities			
Interest-bearing non-current liabilities	5,187	5,186	5,187
Other provisions	-	1	-
Total non-current liabilities	5,187	5,187	5,187
Current liabilities			
Interest-bearing liabilities and provisions	13,878	12,686	12,146
Other liabilities and provisions	46	57	44
Total current liabilities	13,924	12,743	12,190
TOTAL EQUITY AND LIABILITIES	28,241	27,850	27,442

Parent Company

Condensed statement of changes in equity

SEKm	Jan–Sep 2016	Jan–Sep 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	–135	–142	3
Closing equity at the end of the period/year	9,130	9,920	10,065

Condensed statement of cash flows

SEKm	Jan–Sep 2016	Jan–Sep 2015	Full year 2015
Cash flow from operating activities	–295	–250	29
Cash flow from investing activities	–187	1	262
Cash flow from financing activities	482	249	–291
Total cash flow	0	0	0
Cash and cash equivalents at the beginning of the year	0	0	0
Cash and cash equivalents at the end of the period/year	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 September 2016 has been calculated at SEK 34,402 million (33,165), of which SEK 32,036 million (30,843) comprises the fair value of standing timber and SEK 2,366 million (2,322) an identified cost of land. The change in the balance sheet since year-end 2015 amounts to SEK 305 million (647) and is specified in Note 2. The assumptions applied when calculating the market value of standing timber are unchanged and updated at year-end closing accounts.

NOTE 2 – BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

Standing timber		Forest land	
SEKm		SEKm	
<i>Cost</i>		<i>Cost</i>	
Opening value, 1 January 2015	30,344	Opening value, 1 January 2015	2,174
Acquisition of standing timber	29	Acquisition of forest land	151
Sales of standing timber	–45	Sales of forest land	–3
Changes due to felling	–1,077	Closing value, 30 September 2015	2,322
Changes in fair value	1,592	Opening value, 1 January 2016	2,346
Closing value 30 September 2015	30,843	Acquisition of forest land	25
		Sales of forest land	–5
Opening value, 1 January 2016	31,751	Closing value, 30 September 2016	2,366
Acquisition of standing timber	9		
Sales of standing timber	–42		
Changes due to felling	–1,072		
Changes in fair value	1,390		
Closing value, 30 September 2016	32,036		

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-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
<i>Assets</i>						
Standing timber	-	-	-	-	32,036	30,843
Total assets	-	-	-	-	32,036	30,843
<i>Liabilities</i>						
Non-current liabilities	-	-	5,217	5,228	-	-
Current liabilities	-	-	3,433	4,883	-	-
Derivative instruments	-	-	180	187	-	-
Total liabilities	-	-	8,830	9,497	-	-

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.

Issues

During the period Sveaskog issued SEK 7,210 million under the commercial paper programme, of which SEK 450 million was issued during the final days of the period under review which did not have any cash flow effect, as well as SEK 1,000 million under the MTN programme.

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 Board of Directors and CEO hereby confirm 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, 26 October 2016
Sveaskog AB (publ.) (556558-0031)

Helene Biström
Chairman

Eva Färnstrand
Board Member

Thomas Hahn
Board Member

Leif Ljungqvist
Board Member

Annika Nordin
Board Member

Anna-Stina Nordmark Nilsson
Board Member

Sven Wird
Board Member

Sofia Gilliusson
Employee Representative

Sture Persson
Employee Representative

Per-Olof Wedin
President and CEO

Auditor's review

Introduction

We have reviewed the interim report of Sveaskog AB (publ) as of 30 September 2016 and the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 26 October 2016

Deloitte AB
Hans Warén, Authorised Public Accountant

FOR FURTHER INFORMATION, PLEASE CONTACT

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FINANCIAL CALENDAR

Year-end report 2016
Interim report January–March 2016

26 January 2017
26 April 2017

Definitions¹⁾

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