



Demand for paper pulp as inputs for personal care products is rising. Photo: iStock.

1 October – 31 December 2016

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, increased marginally to SEK 1,549 million (1,546). Total delivery volumes rose by 1% while average prices decreased by 2%.
- Operating profit from continuing operations amounted to SEK 309 million (362). Delivery volumes from own forests decreased by 3% and prices by 2%. Stock impairment losses were recognised in the forest seedling operations due to increased obsolescence with a negative earnings impact of SEK 16 million.
- The recognised net change in value of standing timber was SEK 0 million (917). Last year's recognised change in value was largely due to an adopted change in the discount rate used to calculate the value of standing timber.
- Profit for the quarter decreased to SEK 291 million (952), mainly attributable to a lower change in recognised fair value of standing timber.

1 January – 31 December 2016

- Net sales, which comprise both deliveries from Sveaskog's own forests and purchased wood raw material, decreased by 3% to SEK 5,922 million (6,078). Total delivery volumes fell by 1% and average prices by 2%.
- Operating profit from continuing operations amounted to SEK 1,128 million (1,280). Delivery volumes from own forests fell by 2% and prices by 2%. Lower net non-recurring items of SEK 39* million, increased silvicultural ambitions as well as additional costs for processing storm-felled forests explain the remainder of the decline in earnings.
- The recognised change in value of standing timber was SEK 319 million (1,432). The lower level is mainly due to last year's change in the discount rate used to calculate the fair value of standing timber with a positive earnings impact of SEK 1,762 million.
- Profit for the year decreased to SEK 1,190 million (2,017), attributable to a lower operating profit from continuing operations and a lower change in recognised fair value of standing timber.

* See table page 4.

SEKm	3 months			12 months		
	Oct-Dec		%	Full year		%
	2016	2015		2016	2015	
Net sales	1,549	1,546	0	5,922	6,078	-3
Operating profit from continuing operations	309	362	-15	1,128	1,280	-12
Change in value of forest assets	0	917	n/a	319	1,432	-78
Operating profit	402	1 285	-69	1,631	2,800	-42
Profit before tax	368	1,228	-70	1,457	2,586	-44
Profit for the period	291	952	-69	1,190	2,017	-41
Cash flow from operating activities	-22	72	n/a	789	909	-13
Earnings per share, SEK	2.46	8.04	-69	10.05	17.04	-41

Performance measures, Group

	Full year 2016	Full year 2015
Yield, % (target at least 4.5%)	4.2	4.7
Net debt/equity ratio, multiple (target 0.3–0.6)	0.40	0.41
Return on operating capital, %	5.8	10.3
Return on equity, %	6.0	10.6
Interest cover, multiple 1)	6.3	6.2
Equity ratio, %	52	51
Interest-bearing net debt, SEKm	7,937	8,089
Average number of employees	844	851
Total delivery volume, thousand m ³ sub	10,684	10,748

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



CEO's comments

Lower earnings due to reduced delivery volumes and lower prices

Sveaskog's operating profit from continuing operations for the full year 2016 amounted to SEK 1,128 million (1,280). Delivery volumes from Sveaskog's own forests, which account for the biggest earnings contribution, decreased by 2% and timber prices fell by an average of 2% which had a negative impact on earnings. Lower net non-recurring items of SEK 39 million, increased silvicultural ambitions in the form of cleaning and additional costs for processing storm-felled forests

explain the remainder of the decline in earnings.

Operating profit decreased to SEK 1,631 million (2,800). The decrease mainly relates to the change in value of standing timber, which last year was positively affected by a reduction in the discount rate used to calculate this value, with an earnings impact of SEK 1,762 million.

Net sales amounted to SEK 5,922 million (6,078). In total, Sveaskog's sales of wood raw material amounted to 10.7 (10.7) million m³sub.

Market development

Europe is the largest market for the Swedish forest industry with regard to paper pulp, paper and sawn wood products but global demand for these products is also very important. The US economy strengthened towards the end of the year while growth in China levelled out at a high level. The economic situation in Europe is relatively stable. Sweden has comparatively strong growth.

Exchange rate fluctuations were considerable during the year and in relative terms the Swedish krona weakened against other key currencies, with the exception of the pound sterling.

SAWMILLS

Sweden is the largest individual market for the sawmills and demand for sawn wood products has risen mainly due to increased activity in the construction sector. Europe is the largest export market. Construction is increasing in Europe, which is particularly noticeable in Germany.

The sawmills were well supplied with sawlogs for most of the year. Demand was higher for spruce than for pine. In Sweden, sawlog prices fell at the start of the year to rise slightly later.

PULP AND PAPER INDUSTRY

Global demand for paper pulp is increasing. Demand for graphic paper products continues to fall while demand for paper as packaging material and inputs for personal care products is rising.

Access to wood raw material in the market for pulp production was good, including significant imports from Norway. Prices were largely unchanged during the year.

BIOFUEL

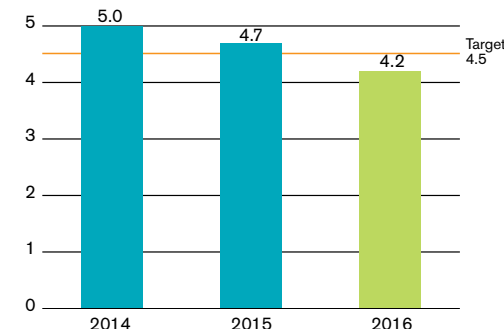
Biofuel customers are Swedish CHP plants as well as energy-producing forest industry. The market has been weak except in southern Sweden. Prices were largely unchanged during the year.

Clear results from our sustainable business

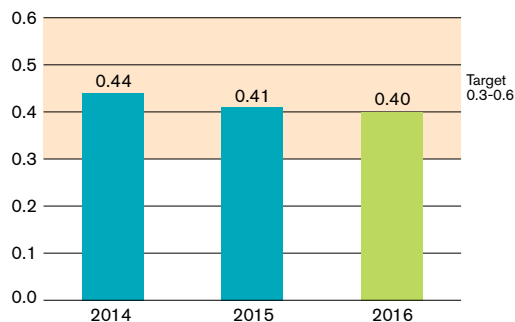
Our customers give us very high marks. The Customer Satisfaction Index amounted to 70 (72) in the most recent survey. The Contractor Satisfaction Index, which measures how contractors value their cooperation with Sveaskog, increased from 70 to 72 for felling and from 73 to 76 for silvicultural services. The fact that we also conduct our forest management without major environmental impact and continue to reduce our carbon dioxide emissions, makes me very proud of the excellent work of all our employees. We report a good financial result but did not quite achieve our yield target this year. In my opinion, the market outlook for 2017 is good.

Per-Olof Wedin, President and CEO

Yield, %, full year



Net debt/equity ratio, multiple, at 31 December



Theme Sustainability

One of Sveaskog's sustainable business targets is to be a leader within sustainable forest management. This measures among other things how environmental values are achieved in forestry without major impact.

Target	Value 2014	Value 2015	Value 2016
Consideration Index – mean value	87	94	95
- Areas of consideration	88	86	89
- Natural value trees	76	98	95
- Hauling damage	96	98	99

Another sustainability target is the Contractor Satisfaction Index which has shown very positive development.

Target	Value 2014	Value 2015*	Value 2016
Contractor Satisfaction Index - Felling	70	-	72
Contractor Satisfaction Index - Silviculture	73	-	76

* Measured every other year.

Group performance

1 OCTOBER – 31 DECEMBER 2016

Net sales

Net sales increased marginally to SEK 1,549 million (1,546). Total delivery volumes increased by 1% compared with the corresponding period in the previous year while sales prices decreased by an average of 1%. Sales of wood raw material totalled 2.8 (2.8) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations fell by 15% to SEK 309 million (362). Delivery volumes from own forests fell by 3% and prices by an average of 2%. In addition, stock impairment losses were recognised in the forest seedling operations with a negative earnings impact of SEK 16 million.

Capital gains from property sales amounted to SEK 70 million (23). Share of profits of the associate Setra Group amounted to SEK 23 million (-17). Net change in the recognised value of standing timber amounted to SEK 0 million (917). Last year's level was largely due to an adopted change in the discount rate used to calculate the value of standing timber. Operating profit amounted to SEK 402 million (1,285).

Net financial items amounted to SEK -34 million (-57) due to lower financing costs. Profit before tax decreased by 70% to SEK 368 million (1,228). Tax for the period amounted to SEK -77 million (-276). Profit for the quarter decreased to SEK 291 million (952), mainly attributable to a lower change in recognised value of standing timber.

1 JANUARY – 31 DECEMBER 2016

Net sales

Net sales decreased by 3% to SEK 5,922 million (6,078). Total delivery volumes decreased by 1% and average prices by 2%. Sales of wood raw material totalled 10.7 (10.7) million cubic metres (m³sub).

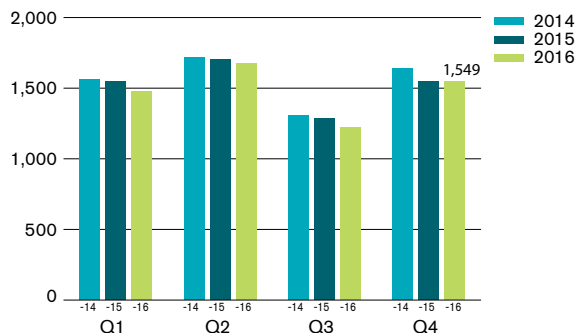
Earnings

Operating profit from continuing operations decreased by 12% to SEK 1,128 million (1,280). Delivery volumes from own forests fell by 2% and average prices by 2%. Earnings for the year include a one-time payment from the Swedish Environmental Protection Agency of SEK 60 million in conjunction with the establishment of nature reserves. An impairment loss of SEK 16 million has been recognised in the seed and seedling stocks in the forest seedling operations due to increased obsolescence. 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. Increased silvicultural ambitions as well as additional costs for processing of storm-felled forests explain the remainder of the earnings decrease.

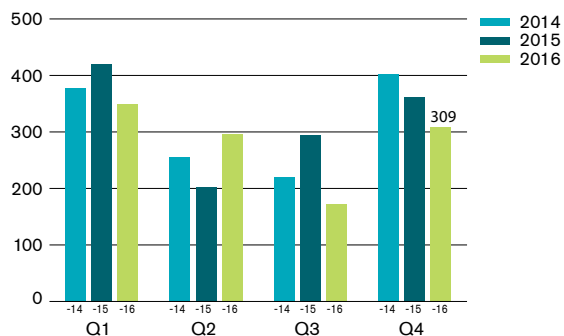
Capital gains from property sales amounted to SEK 131 million (78). Share of profits of the associate Setra Group amounted to SEK 53 million (10). Change in the recognised value of standing timber was SEK 319 million (1,432). The lower level was largely due to last year's change in the discount rate used for calculating the value of standing timber with a positive earnings impact of SEK 1,762 million. Operating profit amounted to SEK 1,631 million (2,800).

Net financial items were SEK -174 million (-214). Profit before tax decreased to SEK 1,457 million (2,586). Tax for the year amounted to SEK -267 million (-569). Profit for the year decreased to SEK 1,190 million (2,017) attributable to a lower operating profit from continuing operations and a change in the recognised value of standing timber.

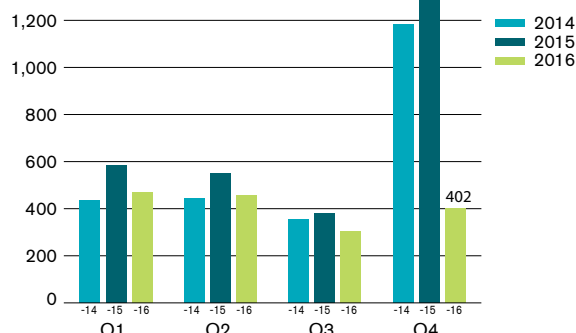
Net sales, SEKm



Operating profit from continuing operations, SEKm



Operating profit, SEKm



Change in net sales, SEKm

	Oct-Dec	Full year
2015	1,546	6,078
Price, wood raw material	-22	-122
Delivery volume, wood raw material	9	-34
Other	16	0
2016	1,549	5,922

Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 789 million (909). Investments in property, plant and equipment amounted to SEK 183 million (329) and investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 298 million (234). Cash flow includes a dividend from the associate company Setra Group AB of SEK 5 million (32).

Sveaskog's interest-bearing net debt at 31 December amounted to SEK 7,937 million (8,089). At year-end, 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 2,270 million (2,720) which is refinanced regularly. Under the MTN programme the outstanding volume at 31 December was SEK 4,990 million (4,290). The lowest average fixed interest period during the year was approximately 30 months.

The net debt/equity ratio amounted to 0.40 (0.41).

Interest cover amounted to 6.3 (6.2) and the gross borrowing cost was 1.80% (1.86).

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 year amounted to SEK 65 million (15), of which capital gains on property sales amounted to SEK 53 million (2). Loss after financial items was SEK 196 million (-316). 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 year amounted to SEK 4,043 million (4,218). Operating profit amounted to SEK 153 million (47). 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 to SEK 53 million (10).

Market situation and timber deliveries

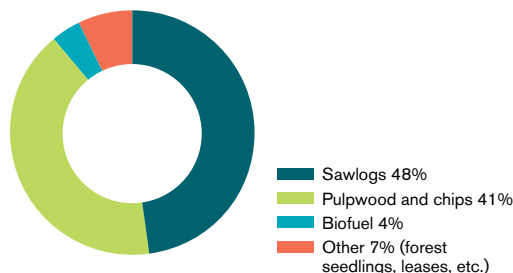
Sveaskog conducts trading in wood raw material in Sweden and more than half of the material is taken from the company's own forests. The main product range is sawlogs, pulpwood and chips, and biofuel. Most of Sveaskog's customers are in Sweden and the majority of these export a large proportion of their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

Europe, including Sweden, is the largest market for the Swedish forest industry with regard to paper pulp, paper and sawn wood products but global demand for these products is also very important. The US economy strengthened while growth in China levelled out at a high level. The economic situation in Europe is relatively stable, although there are exceptions. Sweden has comparatively strong growth.

In general, the year has been unpredictable and dramatic with Brexit, the unexpected result of the presidential election in the US, crises in the Middle East, the large flow of migrants, and terrorism in Europe.

Exchange rate fluctuations were considerable during the year and in relative terms the Swedish krona weakened against other key currencies, with the exception of the pound sterling.

Product as % of net sales, full year



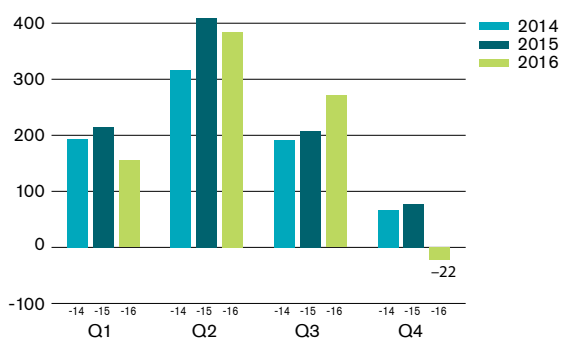
Change in operating profit from continuing operations, SEKm

	Oct-Dec	Full year
2015	362	1,280
Price, own raw material	-9	-33
Delivery volume and stock level, own raw material	-10	-34
Processing storm-damaged forest	-10	-20
Silvicultural costs	-3	-26
Non-recurring items *	-16	-39
Other	-5	0
2016	309	1,128

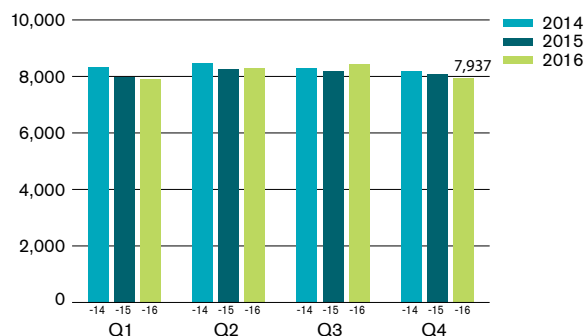
* Non-recurring items refer to a combination of:

VAT remission (2015)	-36
Permanent tenure, Environmental Protection Agency (2016)	+60
Stock impairment forest seedling operations (2016)	-16
Capital gain from sale of development land (2015)	-47
Non-recurring items	-39

Cash flow from operating activities per quarter, SEKm



Interest-bearing net debt, SEKm



SAWMILLS

Sweden is the largest individual market for the sawmills and demand for sawn wood products has risen mainly due to increased construction activities. Interest in using wood has increased in the construction sector. Europe is the largest export market and its share of exports has increased slightly. The UK is the largest recipient country. The significance of exports to North Africa and the Middle East is decreasing with instead relatively sharp increases in East Asia. The market for sawn wood products, and therefore sawlogs, depends primarily on the situation in the construction market. Construction in Europe is increasing, which is particularly noticeable in Germany. Construction is also increasing in the US, while the curves have levelled out in China. Russia has developed and continues to be a very major competitor in the export market.

In Sweden, production of sawn wood products is levelling out and stocks have decreased somewhat compared with the previous quarter. Demand for spruce was greater than for pine.

The sawmills were well supplied with sawlogs for most of the year, although there were shortages in some regions towards the latter part of the year. In Sweden, sawlog prices fell at the start of the year to rise slightly later.

Sveaskog's deliveries

Sveaskog delivered 1,246 (1,265) thousand m³sub of sawlogs in the fourth quarter which is 2% lower than in the corresponding period last year. Deliveries for the full year totalled 4,607 (4,713) thousand m³sub.

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 increasing share. Swedish paper pulp production remains at a largely unchanged level.

In total, Swedish paper production continues to decrease, mainly due to lower demand for graphic papers. On the other hand, there is increased demand for paper as a packaging material and as inputs for personal care products.

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

There were good supplies of wood raw material in the market for pulp production, including significant imports from Norway. Prices remained largely unchanged.

Sveaskog's deliveries

Sveaskog delivered 1,359 (1,305) thousand m³sub of pulpwood and chips in the fourth quarter which is an increase of 4% compared with the corresponding period last year. Deliveries for the full year totalled 5,298 (5,167) thousand m³sub.

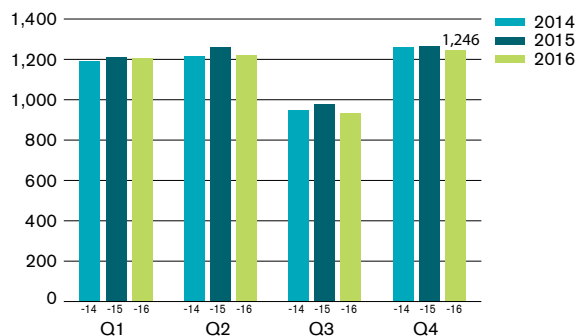
BIOFUEL MARKET

The biofuel market is regional and local due to transport costs. Customers are CHP plants as well as energy-producing forest industry. Except for southern Sweden, the market has been weak. This is due to competition from other fuels such as waste and recycled wood as well as more efficient energy production and distribution. Prices were in general unchanged.

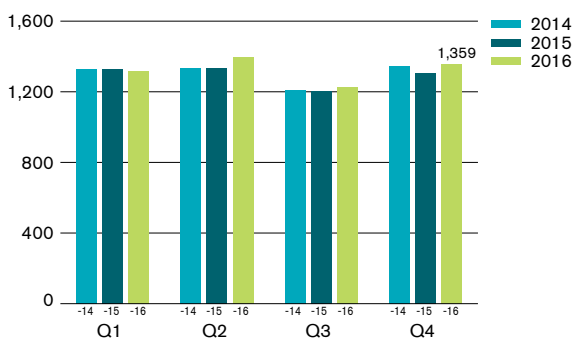
Sveaskog's deliveries

Sveaskog delivered 214 (230) thousand m³sub of biofuel in the fourth quarter which is a decrease of 7% compared with the corresponding period last year. Deliveries for the full year totalled 780 (868) thousand m³sub.

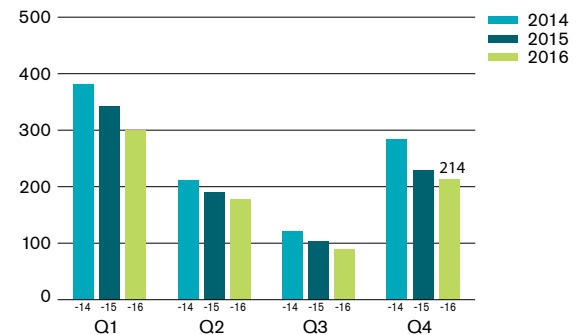
Delivery volume, sawlogs, thousand m³sub



Delivery volume, pulpwood and chips, thousand m³sub



Delivery volume, biofuel, thousand m³sub



Delivery volumes, thousand m³sub

	Oct-Dec 2016	Oct-Dec 2015	Result full year 2016	Result full year 2015
Own forests*	1,665	1,708	6,459	6,570
Field purchases**	361	326	1,342	1,272
Central purchases and imports***	792	767	2,883	2,905
Total volume	2,818	2,801	10,684	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		12 months	
	Oct–Dec 2016	Oct–Dec 2015	Full year 2016	Full year 2015
Net sales	1,549	1,546	5,922	6,078
Other operating income	45	3	171	63
Raw materials and consumables	-473	-415	-1,622	-1,603
Change in inventories	80	103	-62	-45
Other external costs	-731	-718	-2,666	-2,603
Employee benefit expenses	-142	-141	-535	-526
Depreciation	-19	-16	-80	-84
Operating profit from continuing operations	309	362	1,128	1,280
Capital gains from property sales	70	23	131	78
Share of profits of associates	23	-17	53	10
Operating profit before change in value of forest assets	402	368	1,312	1,368
Change in value forest assets (Note 1, 2)	0	917	319	1,432
Operating profit	402	1,285	1,631	2,800
Financial items	-34	-57	-174	-214
Profit before tax	368	1,228	1,457	2,586
Tax	-77	-276	-267	-569
Profit for the period/year	291	952	1,190	2,017
Earnings per share, SEK, before and after dilution	2.46	8.04	10.05	17.04
- calculated on average number of shares, millions	118.4	118.4	118.4	118.4

Statement of comprehensive income

SEKm	3 months		12 months	
	Oct–Dec 2016	Oct–Dec 2015	Full year 2016	Full year 2015
Profit for the period/year	291	952	1,190	2,017
Other comprehensive income				
Components that will not be reversed in profit or loss				
Actuarial gains/losses on pensions	-24	15	-24	15
Tax on actuarial gains/losses	5	-3	5	-3
Components that can be reversed in profit or loss				
Exchange differences	0	-1	1	-1
Cash flow hedges	25	19	8	29
Tax attributable to cash flow hedges	-6	-4	-2	-6
Total other comprehensive income for the period/year				
net after tax	0	26	-12	34
Total comprehensive income for the period/year	291	978	1,178	2,051

Group

Condensed balance sheet

SEKm	31 Dec 2016	31 Dec 2015
ASSETS (Note 3)		
Non-current assets		
Intangible assets	52	1
Property, plant and equipment		
Forest land (Note 1, 2)	2,384	2,346
Other property, plant and equipment	498	529
Biological assets – standing forest (Note 1, 2)	31,993	31,751
Financial assets	506	461
Total non-current assets	35,433	35,088
Current assets		
Inventories	582	669
Current receivables, etc., non-interest bearing	1,520	1,407
Cash and cash equivalents	1,070	1,135
Total current assets	3,172	3,211
TOTAL ASSETS	38,605	38,299
EQUITY AND LIABILITIES		
Equity	20,092	19,714
Non-current liabilities (Note 3)		
Interest-bearing liabilities and provisions	5,726	5,767
Other liabilities and provisions	8,365	8,237
Total non-current liabilities	14,091	14,004
Current liabilities (Note 3)		
Interest-bearing liabilities	3,281	3,457
Other liabilities	1,141	1,124
Total current liabilities	4,422	4,581
TOTAL LIABILITIES	18,513	18,585
TOTAL EQUITY AND LIABILITIES	38,605	38,299

Condensed statement of changes in equity

SEKm	Full year 2016	Full year 2015
Opening equity, 1 January	19,714	18,463
Total comprehensive income	1,178	2,051
Dividend paid in accordance with AGM decision	-800	-800
Closing equity at the end of the year	20,092	19,714

Group

Condensed statement of cash flows

SEKm	Full year 2016	Full year 2015
Operating activities		
Operating profit	1,631	2,800
Adjustment for non-cash items, etc.	-509	-1,594
Interest received	13	9
Interest paid	-195	-231
Paid tax	-144	-204
Cash flow from operating activities before change in working capital	796	780
Change in working capital	-7	129
Cash flow from operating activities	789	909
Investing activities		
Investments in property, plant and equipment	-183	-329
Investments in shares	-1	-1
Sale of property, plant and equipment	298	234
Dividend from associate	5	32
Sale of shares	3	2
Cash flow from investing activities	122	-62
Financing activities		
Dividend paid	-800	-800
Borrowings	9,530	9,120
Repayment of borrowings	-9,706	-9,377
Cash flow from financing activities	-976	-1,057
Cash flow for the year	-65	-210
Cash and cash equivalents at the beginning of the year	1,135	1,345
Cash and cash equivalents at the end of the year	1,070	1,135

Parent Company

Condensed income statement

SEKm	3 months		12 months	
	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Operating income	44	4	65	15
Operating expenses	0	-2	-2	-4
Operating profit	44	2	63	11
Financial items	-66	-136	-259	-327
Profit/loss before tax	-22	-134	-196	-316
Appropriations	196	319	196	319
Tax	-39	-40	0	0
Profit for the period/year *	135	145	0	3

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

Condensed balance sheet

SEKm	31 Dec 2016	31 Dec 2015
ASSETS		
Non-current assets		
Property, plant and equipment	52	55
Total property, plant and equipment	52	55
Financial assets		
Shares and participations	24,934	24,934
Receivables from group companies, interest-bearing	2,000	2,150
Total financial assets	26,934	27,084
Total non-current assets	26,986	27,139
Current assets		
Current receivables, etc., non-interest bearing	275	277
Receivables from group companies, interest-bearing	363	26
Cash and cash equivalents	0	0
Total current assets	638	303
TOTAL ASSETS	27,624	27,442
EQUITY		
Equity	9,265	10,065
Non-current liabilities		
Interest-bearing non-current liabilities	5,187	5,187
Total non-current liabilities	5,187	5,187
Current liabilities		
Interest-bearing liabilities and provisions	13,120	12,146
Other liabilities and provisions	52	44
Total current liabilities	13,172	12,190
TOTAL EQUITY AND LIABILITIES	27,624	27,442

Parent Company

Condensed statement of changes in equity

SEKm	Full year 2016	Full year 2015
Opening equity, 1 January	10,065	10,862
Dividend paid in accordance with AGM decision	-800	-800
Profit for the year	0	3
Closing equity at the end of the year	9,265	10,065

Condensed statement of cash flows

SEKm	Full year 2016	Full year 2015
Cash flow from operating activities	-625	-290
Cash flow from investing activities	206	262
Cash flow from financing activities	419	28
Total cash flow	0	0
Cash and cash equivalents at the beginning of the year	0	0
Cash and cash equivalents at the end of the year	0	0

ACCOUNTING PRINCIPLES

The year-end 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 31 December 2016 has been calculated at SEK 34,377 million (34,097), of which SEK 31,993 million (31,751) comprises the fair value of standing timber and SEK 2,384 million (2,346) an identified cost for land. The change in the balance sheet since year-end 2015 amounts to SEK 280 million (1,579) and is specified in Note 2. The parameters applies when calculating the market value of standing timber are updated annually.

NOTE 2 – BIOLOGICAL ASSETS, STANDING TIMBER AND FOREST LAND

Standing timber	SEKm	Forest land	SEKm
<i>Market value</i>		<i>Cost</i>	
Opening value, 1 January 2015	30,344	Opening value, 1 January 2015	2,174
Acquisition of standing timber	41	Acquisition of forest land	176
Sales of standing timber	-66	Sales of forest land	-4
Changes due to felling	-1,528	Closing value, 31 December 2015	2,346
Changes in fair value	2,960		
Closing value, 31 December 2015	31,751	Opening value, 1 January 2016	2,346
		Acquisition of forest land	45
Opening value, 1 January 2016	31,751	Sales of forest land	-7
Acquisition of standing timber	13	Closing value, 31 December 2016	2,384
Sales of standing timber	-90		
Changes due to felling	-1,426		
Changes in fair value	1,745		
Closing value, 31 December 2016	31,993		

CLOSING VALUE, 31 DECEMBER 2016

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

SEKm	Level 1		Level 2		Level 3	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
<i>Assets</i>						
Standing timber					31,993	31,751
Total assets	0	0	0	0	31,993	31,751
<i>Liabilities</i>						
Non-current liabilities	0	0	5,217	5,231	0	0
Current liabilities	0	0	3,291	3,420	0	0
Derivative instruments	0	0	159	163	0	0
Total liabilities	0	0	8,667	8,814	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 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 year Sveaskog issues SEK 8,530 million under the commercial paper programme and 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.

Chairman to resign at Annual General Meeting

In December, Sveaskog's Chairman Helene Biström announced that she will take up the position of CEO of Infranord no later than 31 March 2017 and will therefore resign as Chairman of Sveaskog at the Annual General Meeting in the spring.

DIVIDEND

According to current financial targets, the ordinary dividend over time shall correspond to 65–90% of profit after tax excluding non-cash flow changes in value of standing forest after tax. A dividend is issued provided the capital structure target after dividend is within the target band and taking into account the Group's strategy and investment needs. A proposal to the AGM for a dividend for 2016 will be decided by the Board in March 2017.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on 26 April 2017. The AGM is open to the general public. The annual report (in Swedish) is scheduled for publication at www.sveaskog.se on 10 March 2017. The printed annual report will be distributed at the beginning of April. The printed annual report can be ordered from Sveaskog, e-mail info@sveaskog.se or directly via Sveaskog's website www.sveaskog.se.

The Board of Directors and CEO hereby confirm that this year-end 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 January 2017
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

The report has not been reviewed by the auditors.

FOR FURTHER INFORMATION, PLEASE CONTACT

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www.sveaskog.se

FINANCIAL CALENDAR

Publication of Annual Report and Sustainability Report	March 2017
Annual General Meeting	26 April 2017
Interim report January – March 2017	26 April 2017
Interim report January – June 2017	17 July 2017
Interim report January – September 2017	26 October 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 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 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 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.

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