



Photo: Bengt Alm

1 January – 31 March 2015

- Net sales decreased by 1% to SEK 1,548 million (1,564). The change is due to a 1% reduction in delivery volumes and a 1% average price increase.
- Operating profit from continuing operations increased by 11% to SEK 420 million (377). Delivery volumes from Sveaskog's own forests decreased by 1%. Prices rose by an average of 1%. The improvement in earnings was mainly due to a SEK 36 million VAT refund which reduced costs.
- Change in value of forest assets was SEK 139 million (28).
- Profit for the quarter rose 43% to SEK 412 million (288).

SEKm	3 months		12 months	
	January–March 2015	2014	April 2014– March 2015	Full year 2014
Net sales	1,548	1,564	6,216	6,232
Operating profit from continuing operations	420	377	1,297	1,254
Change in value of forest assets	139	28	1,143	1,032
Operating profit	585	434	2,569	2,418
Profit before tax	526	363	2,320	2,157
Profit for the period	412	288	1,815	1,691
Cash flow from operating activities	215	194	790	769

▲
The production rate in the Nordic sawmills was high and stocks of sawn timber increased.

Sveaskog is Sweden's leading forest company and sells sawlogs, pulpwood and biofuel. 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.

CEO's comments



Stable earnings development

Sveaskog's operating profit from continuing operations for the first quarter of 2015 amounted to SEK 420 million (377), an increase of 11%. The key factors behind this result are timber prices and delivery volumes from Sveaskog's own forests. In the first quarter, timber prices increased by 1% compared with the corresponding quarter in the previous year while deliveries from own forests decreased by 1%. Earnings include SEK 36 million attributable to a value added tax case from the beginning of the 2000s which has now been settled with a positive effect for Sveaskog which reduced operating expenses in the first quarter.

Yield, which is Sveaskog's profitability metric, amounted to 5.1% (4.5). The long-term target is 4.5%.

Net sales decreased by 1% to SEK 1,548 million (1,564). Sveaskog's total sales of wood raw material amounted to 2.9 (2.9) million cubic metres (m³sub) during the quarter. Sales of sawlogs increased by 1%, sales of pulpwood and chips remained at the same level as in the previous year while sales of biofuel decreased by 10%.

Market outlook

In economic terms the global recovery continues, largely driven by the US. In Europe, growth is starting to accelerate while there is a slight slow-down in China. The oil price remains at a low level which will affect growth. The weakening of the Swedish krona is positive for the export-dependent forest industry. Low interest rates are making investments in forest property more attractive.

Construction increased to some extent in Europe from a low level but currently appears to be levelling out. As in previous years the UK, which is an important export country for Sweden, accounted for the biggest increase in demand for sawn wood products despite some slowdown towards the end of the quarter. Some exports were started to the US. The production rate in the Nordic sawmills was high and stocks of sawn timber increased. Many sawmills are planning to reduce production in the spring.

Deliveries primarily of hardwood pulp are rising globally with high capacity utilisation in the pulp mills. The high delivery level is expected to be maintained during the year since no new capacity will be established in Sweden. Demand for graphic papers continues to fall while the trend for packaging and hygiene products is improving. In general, there is some surplus of pulpwood in the market which resulted in no movement for pulpwood prices.

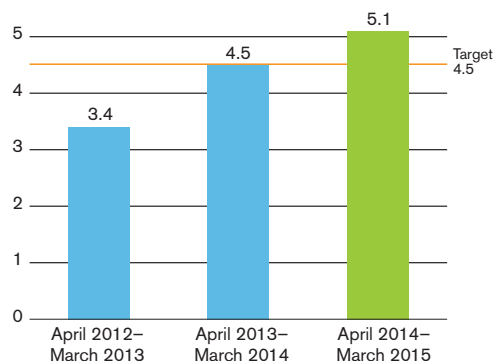
Demand for biofuel was weak compared with the corresponding period last year which also saw a fall in demand. The main reasons are a short heating season, other competing fuels, improved energy efficiency in industry and low electricity prices. The forest-based biofuel is losing market shares and the assessment is that this will continue.

Higher dividend

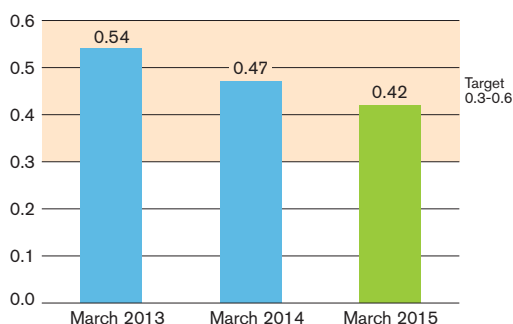
According to the financial targets that apply to Sveaskog, the long-term dividend over time should correspond to 65–90% of consolidated profit after tax excluding non-cash changes in value of standing timber after tax. The Board's proposal to the Annual General Meeting on 23 April is SEK 800 million (450). This corresponds to 90% of the dividend base.

Per-Olof Wedin, President and CEO.

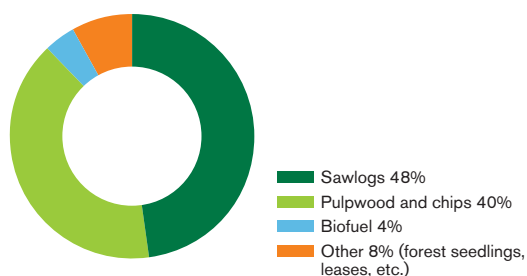
Yield, %, rolling 12 months



Net debt/equity ratio, multiple, at 31 March



Product breakdown by % of sales, rolling 12 months



Group performance

1 JANUARY–31 MARCH 2015

Net sales

Net sales decreased by 1% to SEK 1,548 million (1,564). The change is due to a 1% decrease in delivery volumes compared with the corresponding period in the previous year while average prices were 1% higher. Sales of wood raw material amounted to 2.9 (2.9) million cubic metres (m³sub).

Earnings

Operating profit from continuing operations increased by 11% to SEK 420 million (377). Delivery volumes from own forests decreased by 1%. Prices rose by an average of 1%. Earnings include a SEK 36 million VAT refund relating to a transfer of operations at the beginning of the 2000s.

Gains from property sales amounted to SEK 16 million (4).

Share of profits of the associate Setra Group amounted to SEK 10 million (25). Operating profit before change in value of forest assets amounted to SEK 446 million (406). Sveaskog's forest assets are valued quarterly. The change in value for the first quarter amounted to SEK 139 million (28). The increase is attributable to price effects. After change in value of forest assets, operating profit amounted to SEK 585 million (434).

Net financial items in the quarter amounted to SEK –59 million (–71). Profit before tax increased by 45% to SEK 526 million (363). Tax for the period amounted to SEK –114 million (–75). Profit for the period increased by 43% to SEK 412 million (288).

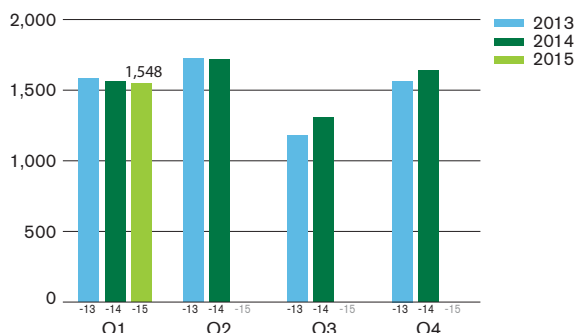
Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 215 million (194). The increase is mainly due to a higher operating profit from continuing operations. Investments in property, plant and equipment and shares amounted to SEK 32 million (35). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 27 million (14).

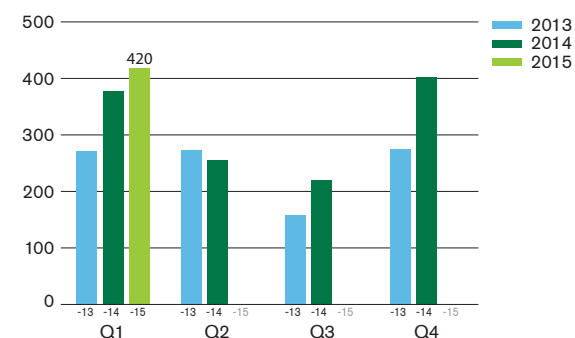
Sveaskog's interest-bearing net debt at 31 March amounted to SEK 7,985 million (8,348). At the end of the period, the loan portfolio mostly comprised loans raised under Sveaskog's MTN programme as well as a Swedish commercial paper programme. Bank financing accounts for approximately 4% of the portfolio. The loan volume under the commercial paper programme amounted to SEK 2,770 million (2,520) and is refinanced regularly. Under the MTN programme the outstanding volume at 31 March was SEK 5,190 million (5,190). The lowest average fixed interest period during the quarter was approximately 28 months.

The net debt/equity ratio amounted to 0.42 (0.47). Interest cover amounted to 5.1 (4.0) and the gross borrowing cost was 2.12% (2.76).

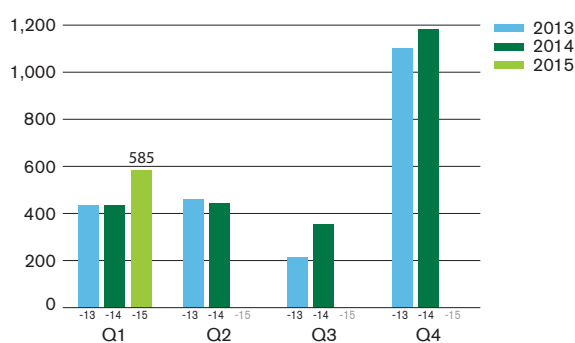
Net sales, SEKm



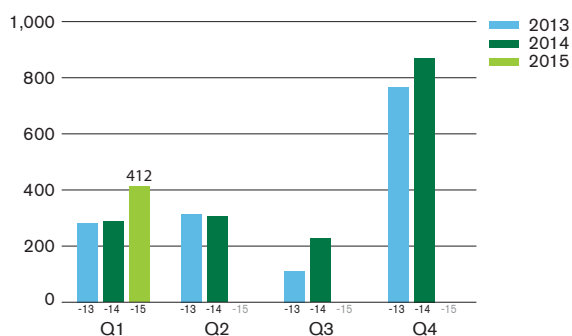
Operating profit from continuing operations, SEKm



Operating profit, SEKm



Profit for the period, SEKm



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. Sveaskog AB's operating income for the first quarter amounted to SEK 4 million (3). Loss after net financial items amounted to SEK 62 million (-91). 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–March decreased by 2% to SEK 1,041 million (1,065). Operating profit decreased by 64% to SEK 24 million (67). The decline in earnings is due to lower market prices. Sveaskog's share of the company's profits, adjusted for intra-group profits, decreased by 60% to SEK 10 million (25).

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 products although exports to new markets outside Europe are rising. The weakening of the Swedish krona which has occurred recently is positive for most of Sveaskog's customers. The biofuel market is mainly domestic.

SAWMILLS

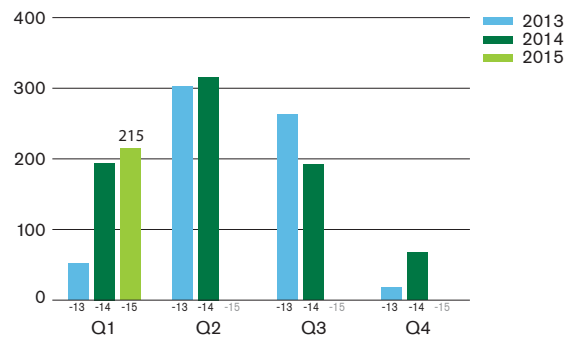
Key markets for the sawmills are Europe, North Africa and the Middle East. Construction in Europe has now levelled out after a previous increase from a low level. Changes vary from market to market. As previously, the biggest increase in demand came from the UK although this has fallen slightly recently.

Sweden is the most important individual market for Swedish sawn wood products and construction in Sweden has risen. The biggest percentage increases for sawmill exports took place in Egypt, the UK and Denmark. Some exports to the US have started. The largest decreases were to Japan and the Middle East.

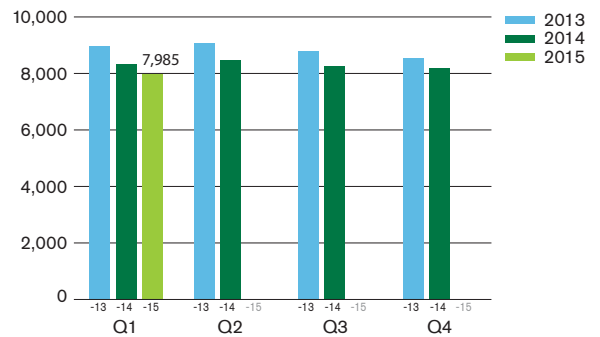
Sveaskog's deliveries

Sveaskog delivered 1,211 (1,194) thousand m³sub of sawlogs which is 1% higher than in the first quarter last year.

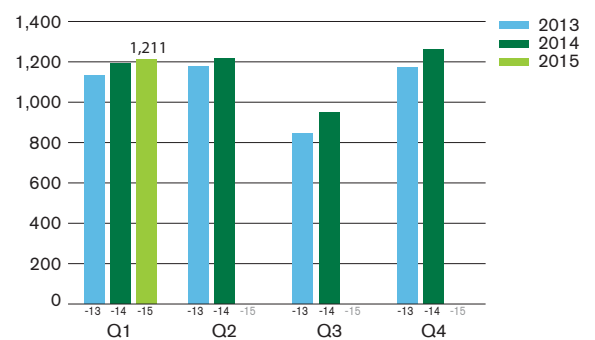
Cash flow from operating activities per quarter, SEKm



Interest-bearing net debt, SEKm



Delivery volume sawlogs, thousand m³sub



PULP AND PAPER INDUSTRY

Globally, deliveries of paper pulp are increasing while stocks have been balanced. Europe is by far the most important market for Swedish paper pulp exports. Capacity utilisation in the pulp mills has been high and exports have increased. A weaker Swedish krona has strengthened profitability for the pulp mills.

Demand continues to decrease for graphic papers and increase for packaging and hygiene products. The lower demand for graphic papers means that total paper exports have decreased.

In general, there is a slight surplus of pulpwood and other fibre raw material in the Swedish market.

Sveaskog's deliveries

Sveaskog delivered 1,328 (1,328) thousand m³sub of pulpwood and chips which is the same level as in the first quarter last year.

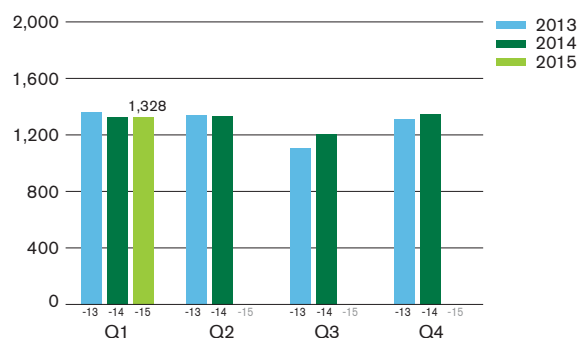
BIOFUEL MARKET

In Sweden, biofuel-based energy production is regional or local. Demand for biofuels has been weak and deliveries of wood biomass from the forest decreased for the second consecutive year. The main reasons are a short heating season, other competing fuels, improved energy efficiency in industry and low electricity prices.

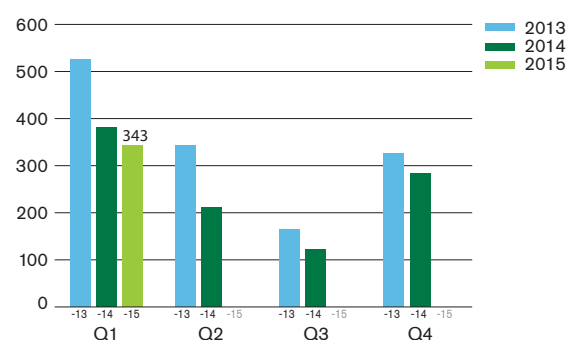
Sveaskog's deliveries

Sveaskog delivered 343 (381) thousand m³sub of biofuel which is 10% lower than in the first quarter last year.

Delivery volume pulpwood and chips, thousand m³sub



Delivery volume biofuel, thousand m³sub



Key figures, Group

	Jan–March 2015	Jan–March 2014	April 2014–March 2015	Full year 2014
Yield, % 1)	(target at least 4.5%)	5.1	4.5	5.1
Net debt/equity ratio, multiple (target 0.3–0.6)	0.42	0.47	0.42	0.44
Operating margin, %	38	28	41	39
Return on operating capital, % 1)	9.7	8.6	9.7	9.2
Return on equity, % 1)	9.9	8.7	9.9	9.4
Interest cover, multiple 1,3)	5.1	4.0	5.1	4.8
Equity ratio, %	49	48	49	50
Interest-bearing net debt, SEKm	7,985	8,348	7,985	8,207
Earnings per share, SEK 2)	3.48	2.43	15.33	14.28
Average number of employees	779	804	779	877
Number of employees	682	692	682	678
Total delivery volume, thousand m ³ sub	2,882	2,903	10,818	10,838

1) Rolling 12 months.

2) Calculated on number of shares, 118,373,034.

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

Sveaskog Group

Condensed income statement

SEKm	3 months		12 months	
	Jan–March 2015	Jan–March 2014	April 2014– March 2015	Full year 2014
Net sales	1,548	1,564	6,216	6,232
Other operating income	0	8	47	55
Raw materials and consumables	-469	-498	-1,735	-1,764
Change in inventories	42	75	49	82
Other external costs	-549	-615	-2,667	-2,733
Employee benefit expenses	-128	-133	-517	-522
Depreciation	-24	-24	-96	-96
Operating profit from continuing operations	420	377	1,297	1,254
Capital gains from property sales	16	4	80	68
Share of profits of associates	10	25	49	64
Operating profit before change in value of forest assets	446	406	1,426	1,386
Change in value of forest assets (Note 1)	139	28	1,143	1,032
Operating profit	585	434	2,569	2,418
Financial items	-59	-71	-249	-261
Profit before tax	526	363	2,320	2,157
Tax	-114	-75	-505	-466
Profit for the period/year	412	288	1,815	1,691
Earnings per share, SEK, before and after dilution	3.48	2.43	15.33	14.28
- calculated on the average number of shares, million	118.4	118.4	118.4	118.4

Statement of comprehensive income

SEKm	3 months		12 months	
	Jan–March 2015	Jan–March 2014	April 2014– March 2015	Full year 2014
Profit for the period/year	412	288	1,815	1,691
Other comprehensive income				
Components that will not be reversed in profit or loss				
Actuarial gains/losses on pensions	-	-	-108	-108
Tax on actuarial gains/losses	-	-	24	24
Components that can be reversed in profit or loss				
Exchange differences	0	0	0	0
Cash flow hedges	-10	-33	-93	-116
Tax attributable to cash flow hedges	2	7	21	26
Total other comprehensive income for the period/year, net after tax	-8	-26	-156	-174
Total comprehensive income for the period/year	404	262	1,659	1,517

Sveaskog Group

Condensed balance sheet

SEKm	31 March 2015	31 March 2014	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	2	4	2
Property, plant and equipment			
Forest land (Note 1)	2,183	2,160	2,174
Other property, plant and equipment	523	541	534
Biological assets – standing timber (Note 1)	30,479	29,403	30,344
Financial assets	520	447	503
Total non-current assets	33,707	32,555	33,557
Current assets			
Inventories	767	759	740
Current receivables, etc., non-interest bearing	1,513	1,495	1,561
Cash and cash equivalents	2,276	1,742	1,345
Total current assets	4,556	3,996	3,646
TOTAL ASSETS	38,263	36,551	37,203
EQUITY AND LIABILITIES			
Equity	18,867	17,658	18,463
Interest-bearing liabilities			
Interest-bearing liabilities and provisions	6,524	6,871	6,536
Other liabilities and provisions	7,912	7,663	7,898
Total non-current liabilities	14,436	14,534	14,434
Current liabilities			
Interest-bearing liabilities	3,737	3,219	3,016
Other liabilities	1,223	1,140	1,290
Total current liabilities	4,960	4,359	4,306
TOTAL LIABILITIES	19,396	18,893	18,740
TOTAL EQUITY AND LIABILITIES	38,263	36,551	37,203

Definitions

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 profit 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 year.

Operating margin

Operating profit expressed as a percentage of net sales.

Operating profit from continuing operations

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

Return on equity

Profit after tax expressed as a percentage of average equity.

Return on operating capital

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

Yield

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

Sveaskog Group

Condensed statement of cash flows

SEKm	Jan–March 2015	Jan–March 2014	Full year 2014
Operating activities			
Operating profit	585	434	2,418
Adjustment for non-cash items, etc.	-193	-109	-1,236
Interest received	2	4	21
Interest paid	-61	-75	-267
Paid tax	-75	-36	-120
Cash flow from operating activities before change in working capital	258	218	816
Change in working capital	-43	-24	-47
Cash flow from operating activities	215	194	769
Investing activities			
Investments in property, plant and equipment	-31	-34	-132
Investments in shares	-1	-1	-1
Sale of property, plant and equipment	27	14	194
Sale of shares	0	0	0
Change in interest-bearing receivables	0	0	0
Cash flow from investing activities	-5	-21	61
Financing activities			
Dividend paid	0	0	-450
Change in financial liabilities	721	413	-190
Cash flow from financing activities	721	413	-640
Cash flow for the period/year	931	586	190
Cash and cash equivalents, opening balance	1,345	1,155	1,155
Cash and cash equivalents, closing balance	2,276	1,741	1,345

Condensed statement of changes in equity

SEKm	Jan–March 2015	Jan–March 2014	Full year 2014
Opening equity, 1 January	18,463	17,397	17,397
Total comprehensive income	404	262	1,517
Dividend paid in accordance with AGM decision	0	0	-450
Closing equity at the end of the period/year	18,867	17,658	18,463

Parent Company

Condensed income statement

SEKm	3 months		12 months	
	Jan–March 2015	Jan–March 2014	April 2014– March 2015	Full year 2014
Operating income	4	3	16	16
Operating expenses	-1	-3	-3	-5
Operating profit	3	0	13	11
Financial items	-65	-91	12	-14
Profit/loss before tax	-62	-91	25	-3
Tax	14	21	-7	0
Profit/loss for the period/year *	-48	-70	18	-3

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

Condensed balance sheet

SEKm	31 March 2015	31 March 2014	31 Dec 2014
ASSETS			
Non-current assets			
Property, plant and equipment	56	56	56
Total property, plant and equipment	56	56	56
Financial assets			
Shares and participations	24,934	24,934	24,934
Receivables from group companies, interest-bearing	2,410	2,410	2,410
Total financial assets	27,344	27,344	27,344
Total non-current assets	27,400	27,400	27,400
Current assets			
Current receivables, etc., non-interest bearing	355	420	354
Receivables from group companies, interest-bearing	198	374	0
Cash and cash equivalents	0	0	0
Total current assets	553	794	354
TOTAL ASSETS	27,953	28,194	27,754
EQUITY AND LIABILITIES			
Equity	10,814	11,245	10,862
Non-current liabilities			
Interest-bearing non-current liabilities	5,886	6,286	5,886
Other provisions	1	3	1
Total non-current liabilities	5,887	6,289	5,887
Current liabilities			
Interest-bearing liabilities and provisions	11,207	10,613	10,938
Other liabilities and provisions	45	47	67
Total current liabilities	11,252	10,660	11,005
TOTAL EQUITY AND LIABILITIES	27,953	28,194	27,754

Parent Company

Condensed statement of cash flows

SEKm	Jan–March 2015	Jan–March 2014	Full year 2014
Cash flow from operating activities	-270	-393	130
Cash flow from investing activities	1	-200	-197
Cash flow from financing activities	269	593	67
Total cash flow	0	0	0
Cash and cash equivalents, opening balance	0	0	0
Cash and cash equivalents, closing balance	0	0	0

Condensed statement of changes in equity

SEKm	Jan–March 2015	Jan–March 2014	Full year 2014
Opening equity, 1 January	10,862	11,315	11,315
Dividend paid in accordance with AGM decision	-	-	-450
Profit/loss for the period/year	-48	-70	-3
Closing equity at the end of the period/year	10,814	11,245	10,862

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, SEKm

The market-related value of Sveaskog's forest assets at 31 March 2015 has been calculated at 32,662 (31 563), of 30,479 (29,403) comprises the fair value of standing timber and 2,183 (2,160) an identified cost of land. The change in the balance sheet amounts to 1,099 (851).

MEASUREMENT OF FINANCIAL DERIVATIVES AND LIABILITIES

The table below shows the Group's derivatives measured at fair value:

SEKm	Level 1		Level 2		Level 3	
	Jan–March 2015	Jan–March 2014	Jan–March 2015	Jan–March 2014	Jan–March 2015	Jan–March 2014
<i>Assets</i>						
Financial assets at fair value through profit or loss						
Standing timber					30,479	29,403
Total assets	0	0	0	0	30,479	29,403
<i>Liabilities</i>						
Liabilities	0	0	9,590	9,439	0	0
Derivative instruments	0	0	186	85	0	0
Total liabilities	0	0	9,776	9,524	0	0

Measurement techniques for level 2 fair value

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.

The Group's measurement process

Within the framework of the Group's treasury function work is performed with measurement of financial assets and liabilities. The treasury function reports to the Chief Accountant, who in turn reports to the Deputy CEO/CFO. The treasury function uses a well-established financial system and financial price information from a well-known financial information system. Measurement of derivatives of the OTC type are double-checked to ensure the correct valuation.

Fair value of financial liabilities. The fair value of borrowing is assessed as shown below:

SEKm	31 March 2015	31 March 2014
Non-current liabilities	5,907	6,323
Current liabilities	3,683	3,116
Total	9,590	9,439

RISKS AND UNCERTAINTIES

A description of risks, uncertainties and risk management is provided in Sveaskog's 2014 Annual Report (in Swedish) on pages 19–21. No other significant changes, in addition to those mentioned in this interim report, have occurred since publication of the annual report.

IMPORTANT EVENTS AFTER THE CLOSING DATE

No important events have taken place after the closing date.

OTHER

Transactions with related parties are specified in the Group's Note 3 in Sveaskog's 2014 Annual Report (in Swedish). No significant changes have occurred in relations or transactions with related parties compared with what is described in the 2014 Annual Report.

The Board of Directors and the 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, 23 April 2015
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 – June 2015	16 July 2015
Interim report January – September 2015	21 October 2015
Year-end report 2015	January 2016

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