

**Interim report
January – March 2010**

Interim report

January – March 2010

First quarter

- The market continues to show positive development.
- Sales volumes increased for sawlogs, pulpwood and biofuel.
- The cold, very snowy winter made more timber available and led to slightly higher costs.
- Net sales for the quarter rose to SEK 1,677 million (1,490).
- Operating profit from continuing operations improved by 54% to SEK 327 million (212).
- Operating profit after change in value of forest assets amounted to SEK 448 million (434), which includes capital gains from the sale of forest properties of SEK 76 million (99) and change in value of forest assets of SEK 45 million (220).
- Profit for the period amounted to SEK 295 million (233).

MSEK	Quarter 1	
	2010	2009
Net sales	1,677	1,490
Operating profit from continuing operations	327	212
Operating profit	448	434
Profit before tax	400	351
Profit for the period	295	233
Earnings per share	2.49	1.97

CEO's comments

The wood products market in Sweden continued to show positive development during the first quarter of 2010. The stable trend from the second quarter of 2009 continued with good demand for both sawlogs and pulpwood. This had a positive impact on price development. At the start of the year we signed timber contracts for the coming year with a large number of customers, both existing and new.

Sveaskog's delivery volume increased by 7% in the first quarter to just over three million cubic metres.

The greatest increase was for pulpwood with 14%, while sawlogs increased by almost 5%. Demand for biofuel was high and deliveries rose 14%, although with an uneven distribution between northern and southern Sweden. For all the main product range the volume of timber delivered from Sveaskog's own forests increased which had a positive impact on margins. The higher average timber prices also made a positive contribution to earnings. Sales revenue during the period rose 13% to total SEK 1,677 million compared with SEK 1,490 million in the same quarter in 2009.

The cold, very snowy winter had both positive and negative effects on Sveaskog's operations. The cold weather and ground frost allowed felling to take place

of forest on what is normally non-load bearing land, while at times the cold also led to difficulties for production and logistics. The very deep snow in Bergslagen and northern Sweden made work difficult and led to higher costs. Overall production conditions were favourable during the period.

Sveaskog's operating profit from continuing operations for the first quarter amounted to SEK 327 million, an improvement of SEK 115 million compared with the same period in the previous year. The improved earnings were mainly due to increased delivery volumes and prices.

In March, Sveaskog and its subsidiary Svenska Skogsplantor launched Conniflex, a mechanical protection against the pine weevil. This is the first non-chemical pine weevil protection on the market which is both effective and environmentally friendly. Protection is needed against this noxious insect which costs forestry hundred of millions of kronor every year. Within five years, Svenska Skogsplantor expects to treat 40–50 million seedlings per year with Conniflex and this treatment method will also be made available to other plant producers.

Work on a revised Swedish standard for FSC forest certification has been under way for many years and notification of its approval by the international FSC

was received during the first quarter. Sveaskog has been involved in this work since FSC is highly significant for the competitiveness of the Swedish forest industry.

Sales of properties totalled SEK 263 million, which is SEK 35 million more than in the same period in the previous year. The number of transactions was 109, which is on a par with the previous year. During the period, Sveaskog acquired a large 1,242-hectare property in Bergslagen for a purchase price of SEK 59 million as well as two small properties in northern Sweden.

During the first quarter intensive work was under way to prepare for the start-up of SunPine's biodiesel facility in Piteå, which is Sweden's first commercial-scale factory for the production of diesel based on tall oil. SunPine AB is owned by Sveaskog, Preem, Södra and the entrepreneurial company Kiram.

During the period Sveaskog's associate company Setra Group AB continued its positive development from the end of 2009. Sales increased compared with the same period in the previous year and operating profit improved. Cash flow also improved substantially. Sveaskog's share of the company's profits for the first quarter of 2010 was SEK 0 million, after internal eliminations.

During the period Sveaskog's total investments amounted to SEK 72 million.

The Swedish government submitted a proposal to parliament during the period regarding Sveaskog's operations and focus. This provides clarification of the company's assignment.

In the financial loan markets in which Sveaskog operates, credit spreads continued to return to a more normal level. Through its commercial paper programme in the Swedish credit market, Sveaskog was able to benefit from this positive trend.

■ Market

The global economy continues to improve due to the massive financial stimulus packages put in place by governments and national banks. Sweden's economic development reflects the optimism in the business environment. Sweden is still in a deep recession but the basic conditions are good and many analysts regard Swedish public finances as being in very good condition.

Sawmill industry

The business climate in the sawmill industry appears to be stabilising. Order bookings are showing a weak rise primarily in export markets. The order backlog at the sawmills remains rather weak, however, and sawmill stocks of finished products are rising despite low production during the winter due to the cold weather. The majority of sawmills believe in rising production, growing demand and higher prices in future.

Supplies in the wood products market are low due to problems with raw material supplies in countries

such as Germany and Finland as well as the cold winter which restricted production. At the same time, according to some analysts industrial customers have returned to full-scale operations in the wood products market, which is increasing demand. The sawmills have therefore managed to maintain or raise prices slightly in recent months. The trend is towards a levelling out of the market where whitewood products are gaining ground against redwood products which were previously making stronger progress.

One key factor which contributed to the relatively good business climate for wood products is market growth in the Middle East and North Africa. From being a marginal market, this region is now the second most important market for Swedish sawmills after the UK.

Pulp and paper industry

Business development in the pulp and paper industry is good. As previously, the pulp industry accounts for the most positive development with rising order bookings and expectations of higher prices in the future. The paper industry is also seeing an overall rise in production and orders.

Pulp prices have risen rapidly in recent months largely due to a sharp increase in demand primarily from Chinese purchasers which have suffered from high recycled paper prices and are looking for alternative sources of fibre. After the earthquake in Chile at the end of February, the temperature in the market for market pulp has risen still further.

Biofuel market

Energy prices are showing a long-term rising trend despite relatively low consumption. The expansion of biofuel-based energy production continues. Intensive work is under way in the EU to find ways of securing raw material supplies for the European energy sector in a sustainable manner. Swedish companies are receiving a growing number of enquiries from foreign energy companies about their biofuel delivery capabilities.

■ Timber market

Northern Europe

The timber market in the Baltic region is increasingly returning to normal due to improvements in the business climate. As a result, imports to Sweden and Finland from the Baltic countries are rising. The greatest demand is for birch pulpwood and a shortage situation with rapidly rising prices is under way. As the temporarily closed pulp and paper mills return to production, demand for softwood pulpwood will also rise.

Sweden

The Swedish timber market is largely balanced with some local imbalances. Demand for sawlogs is high in

northern Sweden which may lead to further price increases. In southern and central Sweden, additional price increases are unlikely in order to force through more timber. Demand in the timber market for pulpwood is good. High forest industry production throughout Sweden is pushing the market towards a possible shortage of pulpwood which will probably lead to raised pulpwood prices ahead of the autumn. A number of players increased their pulpwood prices recently. Despite a positive market development, many forest owners are exercising caution and the timber market is somewhat slow.

Towards the end of spring the biofuel market will start negotiations on deliveries and prices for the next season. As for other energy sources, prices of biofuel are expected to rise. The market is still fairly balanced and there is little indication that the same shortages will arise as in spring 2009 when sawmills cut back their production substantially which strangled bio-product flows to the energy companies.

■ Sales, earnings and profitability

First quarter

During the quarter net sales for the Sveaskog Group rose 13% compared with the same period in 2009. The change is explained by both increased deliveries and prices. The sales volume increased by 7%.

Operating profit from continuing operations improved and amounted to SEK 327 million (212). The improvement was also due to the completed cost-cutting programme.

Capital gains from property sales, primarily sales to private forestry, amounted to SEK 76 million (99).

Share of profit of Setra Group amounted to SEK 0 million (–97).

Operating profit before change in value of forest assets improved substantially and amounted to SEK 403 million (214). The improved result is mainly explained by higher prices and delivery volumes as well as an improved earnings trend for the associate company Setra Group.

Change in value of standing forest amounted to SEK 45 million (220). The decrease is mainly explained by higher timber removals from Sveaskog's own forests.

After change in value of forest assets, operating profit amounted to SEK 448 million (434).

Net financial items amounted to SEK –48 million (–83). The improvement is mainly due to falling interest rates.

Profit for the period was 26% higher than in the same period in the previous year and amounted to SEK 295 million (233).

■ Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK –16 million (–31). The negative cash flow was

due to changes in working capital, primarily changes in operating receivables.

Investments in property, plant and equipment amounted to SEK 72 million (12), these investments mainly comprised forest land, machines and vehicles. Investments in shares totalled SEK 0 million (0). Sales of property, plant and equipment, mainly forest properties, amounted to SEK 263 million (225). Interest-bearing net debt in the first quarter decreased by SEK 185 million to SEK 5,846 million.

■ Personnel

The number of employees at 31 March 2010 was 714 (745). Central negotiations are under way with the GS union (forestry, woodworking and graphic industries) and the agreement has been extended until 31 May.

■ Other units within the Group

Sveaskog Naturupplevelser reports largely unchanged earnings compared with the previous year. The count of moose carried out by Sveaskog attracted considerable interest. The density of moose, which show considerable variations, will provide the basis for the preparation of action plans for future management. The fishing season started in Mörrum on 27 March with good catches.

Svenska Skogsplantor's earnings are largely unchanged compared with the same period in the previous year. The very snowy winter caused some damage in the greenhouses, however. In May, the company and Sveaskog launched Conniflex. Conniflex is an effective and environmentally friendly mechanical plant protection against the pine weevil. The protection, which consists of a coating of glue and sand, will replace chemical pesticides which are currently used on pine and spruce seedlings.

The associate company **Setra Group AB** reports considerably better earnings due to the improved business climate in the wood products market. Sveaskog's share of the company's profits amounted to SEK 0 million compared with SEK –97 million in the first quarter of the previous year.

■ Parent Company

Sveaskog AB, 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is also responsible for Group-wide financing.

Sveaskog AB's net sales for the first quarter of 2010 amounted to SEK 3 million (7). Profit after financial items amounted to SEK –87 million (–167), of which capital gains on property sales accounted for SEK 0 million (3). The Parent Company's expenses mainly comprise interest expenses as a result of the acquisition of Sveaskog Förvaltnings AB. The company has no employees.

Sveaskog Group

Summary income statement

SEKm	3 months		12 months	
	Jan-March 2010	Jan-March 2009	April 2009- March 2010	Full year 2009
Net sales	1,677	1,490	6,221	6,034
Other operating income	3	3	16	16
Raw materials and consumables	-673	-704	-2,236	-2,267
Change in inventories	-8	35	-10	33
Other external costs	-516	-470	-2,321	-2,275
Staff costs	-134	-123	-551	-540
Depreciation according to plan	-22	-19	-80	-77
Operating profit from continuing operations	327	212	1,039	924
Capital gains from property sales	76	99	384	407
Share of profits of associates	0	-97	-42	-139
Operating profit before change in value of forest assets	403	214	1,381	1,192
Change in value of forest assets (Note 1)	45	220	1,548	1,723
Operating profit	448	434	2,929	2,915
Financial items	-48	-83	-236	-271
Profit before tax	400	351	2,693	2,644
Tax	-105	-118	-707	-720
Profit for the period/year	295	233	1,986	1,924
Earnings per share, SEK	2.49	1.97	16.77	16.25
- calculated on average number of shares, million	118.4	118.4	118.4	118.4

Statement of comprehensive income

SEKm	3 months		12 months	
	Jan-March 2010	Jan-March 2009	April 2009- March 2010	Full year 2009
Profit for the period/year	295	233	1,986	1,924
Other comprehensive income				
Exchange differences	-1	0	-2	-1
Cash flow hedges	8	-28	54	18
Tax attributable to cash flow hedges	-2	7	-14	-5
Total other comprehensive income for the period/year, net after tax	5	-21	38	12
Total comprehensive income for the period/year	300	212	2,024	1,936

Summary balance sheet

SEKm	31 March 2010	31 March 2009	31 Dec 2009
ASSETS			
Non-current assets			
Intangible assets	9	9	9
Forest land (Note 1)	2,009	1,976	2,013
Other property, plant and equipment	544	507	556
Biological assets – standing forest (Note 1)	27,956	26,914	28,028
Other non-current assets	454	260	457
	30,972	29,666	31,063
Current assets			
Inventories	609	695	596
Current receivables, etc., non-interest bearing	2,423	2,265	2,064
Current interest-bearing receivables	0	4	0
Cash and cash equivalents	704	694	506
	3,736	3,658	3,166
TOTAL ASSETS	34,708	33,324	34,229
EQUITY AND LIABILITIES			
Equity	18,198	16,263	17,898
Non-current liabilities			
Interest-bearing liabilities and provisions	3,972	4,945	3,972
Other liabilities and provisions	8,184	7,978	8,221
	12,156	12,923	12,193
Current liabilities			
Interest-bearing liabilities	2,578	2,594	2,566
Other liabilities	1,776	1,544	1,572
	4,354	4,138	4,138
TOTAL EQUITY AND LIABILITIES	34,708	33,324	34,229

Sveaskog Group

Summary cash flow statement

SEKm	Jan–March 2010	Jan–March 2009	Full year 2009
Operating profit	448	434	2,915
Adjustment for non-cash items, etc.	-129	-227	-2,048
Interest received	1	4	12
Interest paid	-49	-87	-283
Paid tax	-52	10	-94
Cash flow from operating activities before change in working capital	219	134	502
Change in working capital	-235	-165	32
Cash flow from operating activities	-16	-31	534
Investments in property, plant and equipment	-72	-12	-203
Investments in shares	0	0	-255
Sales of property, plant and equipment	263	225	980
Change in interest-bearing receivables	0	-1	0
Cash flow from investing activities	191	212	522
Dividend paid	0	0	-89
Change in financial liabilities	23	-226	-1,200
Cash flow from financing activities	23	-226	-1,289
Cash flow for the period/year	198	-45	-233
Cash and cash equivalents, opening balance	506	739	739
Cash and cash equivalents, closing balance	704	694	506

Summary statement of changes in equity

SEKm	Jan–March 2010	Jan–March 2009	Full year 2009
Opening equity, 1 January	17,898	16,051	16,051
Total comprehensive income for the period/year	300	212	1,936
Dividend paid in accordance with AGM decision	0	0	-89
Total income and expenses for the period	300	212	1,847
Closing equity at the end of the period/year	18,198	16,263	17,898

Key figures*

	Jan–March 2010	Jan–March 2009	Full year 2009
Operating margin, %	27	29	48
Return on equity, % 1)	11.5	8.0	11.3
Equity ratio, %	52	49	52
Debt/equity ratio, multiple	0.32	0.42	0.34
Interest cover, multiple 1) 3)	4.1	0.9	2.8
Interest-bearing net debt, SEKm	5,846	6,841	6,031
Net earnings per share, SEK 2)	2.49	1.97	16.25
Average number of employees	842	892	958
Number of employees	714	745	721

* Definitions, see 2009 Annual Report.

1) Rolling 12 months.

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

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

Parent Company

Summary income statement

SEKm	3 months		12 months	
	Jan–March 2010	Jan–March 2009	April 2009– March 2010	Full year 2009
Operating income	3	7	40	44
Operating expenses	0	0	-1	-1
Operating profit	3	7	39	43
Financial items	-90	-174	-418	-502
Profit after financial items	-87	-167	-379	-459
Tax	23	44	100	121
Net profit/loss	-64	-123	-279	-338

Summary balance sheet

SEKm	31 March 2010	31 March 2009	31 Dec 2009
ASSETS			
Non-current assets			
Property, plant and equipment	65	68	65
Financial assets			
Interest-bearing	2,620	3,253	2,520
Non-interest bearing	24,934	24,934	24,934
	27,554	28,187	27,454
	27,619	28,255	27,519
Current assets			
Current receivables, etc., non-interest bearing	476	1,113	494
Short-term investments	4,749	5,330	4,767
Cash and bank balances	0	0	0
	5,225	6,443	5,261
TOTAL ASSETS	32,844	34,698	32,780
EQUITY AND LIABILITIES			
Equity	13,056	13,084	13,120
Non-current liabilities and provisions			
Interest-bearing liabilities and provisions	3,169	4,119	3,169
Current liabilities and provisions			
Interest-bearing liabilities and provisions	16,602	17,482	16,455
Other liabilities and provisions	17	13	36
	16,619	17,495	16,491
TOTAL EQUITY AND LIABILITIES	32,844	34,698	32,780

Summary cash flow statement

SEKm	Jan–March 2010	Jan–March 2009	Full year 2009
Cash flow from operating activities	-47	83	420
Cash flow from investing activities	-100	-167	598
Cash flow from financing activities	147	84	-1,018
Total cash flow	0	0	0
Cash and cash equivalents, opening balance	0	0	0
Cash and cash equivalents, closing balance	0	0	0

Summary statement of changes in equity

SEKm	Jan–March 2010	Jan–March 2009	Full year 2009
Opening equity, 1 January	13,120	13,207	13,207
Cash dividend	-	-	-89
Group contribution	-	-	461
Cash effect of group contribution	-	-	-121
Other	-	-	-
Net profit/loss for the period	-64	-123	-338
Closing equity at the end of the period	13,056	13,084	13,120

Accounting principles

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and the Securities Market Act. For the Parent Company the interim report is prepared in accordance with the Annual Accounts Act and the Securities Market Act, which are in accordance with the regulations in RFR 2.3 Accounting for Legal Entities. The accounting principles for the Parent Company and the Group applied in this report are unchanged compared with the most recently published annual report except that with effect from 1 January 2010 the Group applies IAS 27 (revised) Consolidated and Separate Financial Statements as well as IFRS 3 (revised) Business

Combinations. These standards are not assessed as having any material effect on the Group's financial statements.

Amounts are stated in SEK million unless otherwise indicated. Figures in parentheses refer to the same 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 2010 has been calculated at 29,965 (28,890), of which 27,956 (26,914) comprises the fair value of standing forest and 2,009 (1,976) an identified cost for land. The change in the balance sheet amounts to 1,075 (263).

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, 21 April 2010
Sveaskog AB (publ.) (556558-0031)

Göran Persson
Chairman

Eva Färnstrand

Thomas Hahn

Birgitta Johansson-Hedberg

Patrik Jönsson

Christina Liffner

Anna-Stina Nordmark Nilsson

Mats G Ringesten

Sture Persson

Eva-Lisa Lindvall

This report has not been reviewed by the company's auditors

Gunnar Olofsson
President and CEO

For further information, please contact

Gunnar Olofsson, President and CEO, tel +46 8 655 91 74, +46 703 34 15 16
Peder Zetterberg, CFO, tel +46 8 655 92 90, +46 708 65 21 20

www.sveaskog.se

Financial calendar

Interim report January–June 2010 22 July 2010
Interim report January–September 2010 26 October 2010

Sveaskog Förvaltnings AB

GROUP OFFICES

Sveaskog Förvaltnings AB Stockholm

Torgsgatan 4
SE-105 22 Stockholm
Tel +46 8 655 90 00
Fax +46 8 -655 94 14

www.sveaskog.se

Sveaskog Förvaltnings AB Kalix

Torgsgatan 4
Box 315
SE- 952 23 Kalix
Tel +46 923 787 00
Fax +46 923 787 01