



**Interim report
January – March
2008**

Interim report

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First quarter

- Stable sales to the wood fibre industry but lower sales to the sawmill industry
- Continued rising fibre prices and stable sawlog prices
- Mild winter with unfavourable felling conditions
- Net sales for the quarter amounted to MSEK 1,932 (1,780)
- Operating profit before change in value of forest assets decreased to MSEK 296 (406)
- Operating profit after change in value of forest assets amounted to MSEK 591 (564), which includes capital gains from the sale of forest properties of MSEK 85 (107)
- Profit for the period amounted to MSEK 363 (370)

MSEK	Quarter 1	
	2008	2007
Net sales	1,932	1,780
Operating profit before change in value of forest assets	296	406
Change in value of forest assets	295	158
Operating profit	591	564
Profit before tax	505	492
Profit for the period	363	370
Earnings per share, SEK	3.07	3.13

■ CEO's comments

Sveaskog's sales rose 8% in the first quarter of 2008 compared with the same period in the previous year. The main explanation for this increase is price increases implemented in 2007.

Deliveries of sawlogs from Sveaskog's own forests fell by 8% and the sawlog portion of total sales is lower than before, due to the less favourable business climate for the sawmills. The lower demand for sawlogs led to production cutbacks. Instead, felling was carried out in small-diameter stands primarily in central Sweden in order to meet demand from fibre customers. There was also a minor storm in southern Sweden which resulted in approximately 100,000 m³ of windthrown timber.

Pulpwood sales remained at a high level with slightly higher prices. Biofuel sales continue to increase despite the mild winter and compared with 2007 the increase was 2%. Deliveries during the first quarter corresponded to 561 GWh.

The timber market in the Baltic region is undergoing change. The former substantial flows from Russia mainly to Finland are decreasing. On 1 April, Russia raised its export duties by a further EUR 5 to EUR 15 which will lead to high demand in the region for sawlogs and pulpwood from Swedish forests. This has affected timber prices and probably means that competition for raw material will continue to intensify.

Demand for timber certified according to the FSC, Forest Stewardship Council, standard is increasing

and now exceeds demand. During the first quarter, Sveaskog started an extensive campaign centred around FSC. Sveaskog offers individual timber suppliers premiums of SEK 25 per m³ of certified timber and invites them to certify their forests within the framework of Sveaskog's umbrella certificate. These offers have been well received and attracted considerable interest.

Felling and transport costs continue to rise due to higher fuel prices and the mild winter with heavy precipitation which led to increased road maintenance. Contractor profitability and working conditions for silvicultural contractors' employees attracted media attention at the beginning of the year. Sveaskog has introduced stricter procurement requirements and initiated a dialogue with the Swedish Forest and Wood Trade Union and contractors regarding the future development of the industry.

108 transactions were completed within Sveaskog's land sales programme in the first quarter of 2008. These comprised a total area of 14,700 ha and the purchase price was approximately MSEK 300.

■ Market

The economic upturn has slowed and the growth rate is falling in most parts of the world, although from a sustained high level.

Uncertainty is growing as the American credit

crisis expands into a global financial crisis. Developments in the US are still very difficult to assess with substantial credit tightening and falling investment.

Development in Europe is stronger than in the US, but the economic outlook in the eurozone is also weakening due to a stricter monetary policy and a strong euro which reduces exports.

The Asian economies continue to show high growth and balance the negative trend in the Western World.

The Swedish economy slowed at the beginning of 2008 as a result of the global economic downturn. Export growth weakened, primarily due to the situation in the US. Lower total demand in the global market and some possible loss of market share have started to lead to a downward revision of forecasts for the latter part of 2008. Consumer spending showed strong growth in 2007 due to an expansive financial policy with reduced taxes, low interest rates and rising real wages. This situation is now being checked as a result of increased credit restrictions and rising prices for energy and food.

Sawmill industry

The upswing in the wood products market has now peaked. Many sawmill companies are cutting back production in response to weaker order bookings from both the home market and the major export markets. Lower demand means that the sawmills have a substantial build-up of stocks of finished goods and prices are currently falling in the market. The negative price trend is greatest for whitewood products but also affects redwood products to some extent. The declining markets are due to the fact that new construction in Europe and the US decreased during the autumn and Japanese demand almost ceased due among other things to new building regulations.

In the slightly longer term the prospects of a recovery for exports are good since the forecast for repairs, extensions and new construction in Western Europe is good and new construction in Eastern Europe is increasing. The favourable access to raw material on the European continent after the storm Kyril has now turned into a shortage with rising sawlog prices. Demand is not expected to rise significantly in the next few quarters since exports to North America are expected to be at a low level. Taken overall, however, there are indications of a more positive scenario within two to three years.

Pulp and paper industry

The economic outlook for the pulp industry is stronger than for the paper industry with continued high demand. Low pulp stocks at producers have led to a continued rise in pulp prices. Producers are trying to achieve further price increases in order to compensate for substantial loss of revenue due to the weak

dollar. Price increases are expected to be reduced in the future, however, with the possibility of some fall in prices when new production capacity in South America goes into operation.

The European and North American pulp companies continue to work with productivity enhancement programmes in order to reduce costs and improve efficiency. Rationalisation and production cutbacks are increasing and further restructuring can be expected.

Capacity utilisation within some segments of the paper industry such as kraft paper is increasing, while newsprint producers are affected by lower demand. At the beginning of the year newsprint prices fell 5% which in time will probably lead to changes in the production structure.

Biofuel market

Demand for biofuels is showing a stable increase and this positive trend is expected to continue in 2008. A bigger increase in demand is expected to occur in 2009 when several new biofuel-based plants go into operation. This development is driven by both the climate issue and alternative costs of fuels used so far. Forceful political measures are accelerating development. The EU's binding target of 20% renewable energy by 2020 is expected to create a need for additional biofuels from the forest of approximately 250 million cubic metres or 500 TWh.

Timber market

Northern Europe

The timber market in Northern Europe continues to be characterised by high demand for sawlogs, pulpwood and biofuel which had a positive impact on prices. Rising uncertainty over prices of Russian timber volumes, due to the increase in the Russian export duties, and awareness that a shortage of timber may be imminent, have led to increased activity among all players in the Baltic region. The Finnish forest industry is increasing its raw material purchases in Sweden and exports of Swedish roundwood are increasing.

The price scenario is not homogenous in the region. For some products, such as pulpwood and biofuel, prices continue to rise while reduced production at the sawmills is leading to some pressure on sawlog prices.

Northern Sweden

Demand for sawlogs in northern Sweden during the quarter was normal to tentative. Many sawmills have production restrictions due to low demand and continued falling prices for sawn timber. The price level for both sawlogs and pulpwood was relatively stable.

Demand for biofuel was higher than supply, due among other things to production cutbacks at the sawmills which reduces the volume of by-products.

Players in the area are increasing their efforts to meet demand through imports. Demand for peat decreased in the market which is expected to further boost demand for wood fuel during the year.

Central Sweden

In central Sweden, supplies of pine and spruce sawlogs were high with strong flows. The sawmills have very large stocks of both sawlogs and sawn timber, which is reducing their demand for additional deliveries of raw material. Price reductions are now starting to be launched in the market of approximately SEK 30–50 per m³sub.

Supplies of softwood and hardwood pulpwood were normal with good demand. Increased exports mean that price levels in the area have shown a tendency to rise. Price lists have been increased by SEK 20 per m³sub.

Demand for biofuel is good while supplies are relatively low due to production cutbacks by the sawmills which reduces the volume of by-products.

Southern Sweden

In southern Sweden both sawmills and wood fibre consuming industry have large stocks of wood raw material. Felling conditions were unfavourable in the first quarter due partly to some minor storm fellings and partly to the mild winter which made felling and transport of timber to terminals and industry difficult. This reduced timber supplies. Industry's timber stocks were well able to cope with this weaker flow. During the period the price of softwood and birch pulpwood was increased by SEK 30 per m³sub.

Demand for biofuel was high, mainly from CHP plants, despite the mild winter.

Other units within the Group

Sveaskog Naturupplevelser AB increased its sales by over 18%, mainly due to improved revenues from leasing activities. This combined with lower development costs for "Sverigefiskekortet" (the nationwide Swedish fishing permit) and Inatur.se had a positive impact on earnings.

Demand for **Svenska Skogsplantor AB's** products is very good. The first months of the year were taken up with sales, seedling packing and preparations ahead of the coming season. Deliveries started on a small scale.

Sveaskog's share of profits of **Setra Group AB** is reported as MSEK 0 (55) since the company, which is still engaged in a listing process, has not yet published a report for the first quarter.

Sales, earnings and profitability

During the quarter net sales for the Sveaskog Group rose 8% compared with the same period in 2007. The increase is due to higher timber prices while delivery volumes decreased by 7% compared with

the same period in the previous year.

Operating profit before change in value of forest assets decreased to MSEK 296 (406).

Sveaskog's share of profit of Setra Group AB amounted to MSEK 0 (55).

After change in value of forest assets, operating profit amounted to MSEK 591 (564), which includes capital gains from the sale of forest properties of MSEK 85 (107). Calculation of capital gains has changed slightly with effect from 1 January. Sveaskog has switched to a primarily value-based calculation method instead of the previous area-related method since this provides a fairer picture of the gains incurred.

Net financial items amounting to MSEK –86 (–72) showed some impairment since net debt increased as the result of an extra dividend and a generally higher interest rate level.

Net profit was on a par with the previous year at MSEK 363 (370).

Cash flow, investments and financial position

Cash flow from operating activities amounted to MSEK 129 (–149). The improved cash flow is mainly due to a positive change in working capital. Investments in property, plant and equipment amounted to MSEK 18 (12). These mainly comprised forest machines and forest roads.

Sales of property, plant and equipment, primarily forest properties, amounted to MSEK 298 (235).

Interest-bearing net debt decreased during the quarter by MSEK 436 to MSEK 6,863.

Personnel

The number of employees at 31 March was 717 (753).

Pay reviews are currently under way. For members of the Swedish Forest and Wood Trade Union this will take place in accordance with the local agreement signed in 2007 and for salaried employees in accordance with the three-year agreement signed in 2007.

Work is under way involving adjustment of the organisational structure implemented in 2006.

Moderbolaget

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

Sveaskog AB's net sales for the first three months of the year amounted to MSEK 25 (26). Loss after financial items was MSEK 217 (–117), which includes capital gains from property sales of MSEK 19 (15). 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

MSEK	3 months		12 months	
	Q1 2008	Q1 2007	April 2007– March 2008	Full year 2007
Net sales	1,932	1,780	7,415	7,263
Other operating income	5	57	58	110
Raw materials and consumables	-979	-843	-3,392	-3,256
Change in inventories	-5	18	-31	-8
Other external costs	-535	-511	-2,449	-2,425
Staff costs	-105	-134	-476	-505
Depreciation according to plan	-17	-16	-67	-66
Share of profits of associates	0	55	193	248
Operating profit before change in value of forest assets	296	406	1,251	1,361
Change in value of forest assets (Note 1)	295	158	899	762
Operating profit	591	564	2,150	2,123
Financial items	-86	-72	-277	-263
Profit before tax	505	492	1,873	1,860
Tax	-142	-122	-461	-441
Profit for the period	363	370	1,412	1,419
Earnings per share, SEK	3.07	3.13	11.93	11.99
- based on average number of shares outstanding, million	118.4	118.4	118.4	118.4

Summary balance sheet

MSEK	31 March 2008	31 March 2007	31 Dec 2007
ASSETS			
Non-current assets			
Intangible assets	9	10	9
Forest land (Note 1)	2,004	2,036	2,015
Other property, plant and equipment	519	514	525
Biological assets – standing forest (Note 1)	26,623	26,727	26,591
Other non-current assets	454	431	447
	29,609	29,718	29,587
Current assets			
Inventories	677	640	668
Current receivables, etc., non-interest bearing	2,242	2,214	2,244
Current interest-bearing receivables	0	0	0
Cash and cash equivalents	392	158	185
	3,311	3,012	3,097
Total assets	32,920	32,730	32,684
EQUITY AND LIABILITIES			
Equity	15,940	17,001	15,586
<i>Non-current liabilities</i>			
Interest-bearing liabilities and provisions	3,829	3,245	3,861
Other liabilities and provisions	8,236	8,061	8,162
	12,065	11,306	12,023
<i>Current liabilities</i>			
Interest-bearing liabilities	3,426	2,846	3,623
Other liabilities	1,489	1,577	1,452
	4,915	4,423	5,075
Total equity and liabilities	32,920	32,730	32,684

Sveaskog Group

■ Summary cash flow statement

MSEK	Jan-March 2008	Jan-March 2007	Full year 2007
Operating profit	591	564	2,123
Adjustment for non-cash items, etc.	-325	-252	-1,090
Interest received	4	5	50
Interest paid	-90	-77	-346
Tax paid	-90	-157	-424
Cash flow from operating activities before change in working capital	90	83	313
Change in working capital	39	-232	-333
Cash flow from operating activities	129	-149	-20
Investments in property, plant and equipment	-18	-12	-87
Investment in shares	-3	-	-3
Sale of property, plant and equipment	298	235	1,063
Change in interest-bearing receivables	1	-	149
Cash flow from investing activities	278	223	1,122
Dividend paid	-	-	-2,480
Change in financial debt	-200	-542	937
Cash flow from financing activities	-200	-542	-1,543
Cash flow for the period	207	-468	-441
Cash and cash equivalents, opening balance	185	626	626
Cash and cash equivalents, closing balance	392	158	185

■ Statement of changes in equity

MSEK	Jan-March 2008	Jan-March 2007	Full year 2007
Opening equity, 1 January	15,586	16,620	16,620
Change in hedging reserve, net	-9	11	26
Translation difference for the period, etc.	0	0	1
Profit for the period	363	370	1,419
Total income and expenses for the period	354	381	1,446
Cash dividend	-	-	-2,480
Closing equity at the end of the period	15,940	17,001	15,586

■ Key figures*

	Jan-March 2008	Jan-March 2007	Full year 2007
Operating margin, %	31	32	29
Return on equity, % 1)	9	13	9
Equity ratio, %	48	52	48
Debt/equity ratio, times	0.43	0.34	0.47
Interest cover, times 1) 3)	3.3	3.2	4.8
Interest-bearing net debt, MSEK	6,863	5,783	7,299
Net earnings per share, SEK 2)	3.07	3.13	11.99
Average number of employees	895	929	1,027
Number of employees	717	753	726

* Definitions, see 2007 Annual Report.

1) Rolling 12 months.

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

3) Operating profit before change in value of forest assets plus financial income divided by financial expenses.

Parent Company

■ Summary income statement

MSEK	3 months		12 months	
	Jan-March 2008	Jan-March 2007	April 2007- March 2008	Full year 2007
Operating income	25	26	77	78
Operating expenses	0	0	-1	-1
Operating profit	25	26	76	77
Financial items	-242	-143	-280	-182
Profit/loss after financial items	-217	-117	-204	-105
Appropriations	-	-	-	-
Tax	-	-	170	170
Profit/loss for the period	-217	-117	-34	65

■ Summary balance sheet

MSEK	31 March 2008	31 March 2007	31 Dec 2007
ASSETS			
Non-current assets			
Property, plant and equipment	82	165	85
Financial assets			
Interest-bearing	1,654	2,803	2,506
Non-interest bearing (shares and participations)	24,934	24,934	24,934
Total financial assets	27,735	27,737	27,440
Total non-current assets	26,670	27,902	27,525
Current assets			
Current receivables, etc., non-interest bearing	1,172	57	1,160
Short-term investments	5,235	4,057	5,425
Cash and bank balances	0	0	0
Total current assets	6,407	4,114	6,585
TOTAL ASSETS	33,077	32,016	34,110
EQUITY AND LIABILITIES			
Equity	8,460	10,539	8,678
Untaxed reserves	0	0	0
Non-current liabilities and provisions			
Interest-bearing liabilities and provisions	3,003	2,303	3,005
Current liabilities and provisions			
Interest-bearing liabilities and provisions	21,559	12,178	22,385
Other liabilities and provisions	55	6,996	42
Total current liabilities and provisions	21,614	19,174	22,427
TOTAL EQUITY AND LIABILITIES	33,077	32,016	34,110

■ Accounting principles

This interim report for the Sveaskog Group is prepared in accordance with IAS 34 Interim Financial Reporting, in accordance with the requirements stipulated in the Swedish Financial Accounting Standards Council's recommendation RR 31 Interim Reporting for Groups.

The same accounting principles are applied in this interim report as in the Annual Report. These accounting principles are described in Sveaskog's Annual Report for 2007, Note 1 Accounting Principles.

Amounts are stated in MSEK unless otherwise indicated. Figures in parentheses refer to the same period in the previous year.

■ Note 1 - Change in value of forest assets, MSEK

The market-related value of Sveaskog's forest assets at 31 March 2008 has been calculated at 28,627 (28,763), of which 26,623 (26,727) comprises the fair value of standing forest and 2,004 (2,036) a fixed cost for land. The change in the balance sheet amounts to –136 (–130).

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, 16 April 2008

Sveaskog AB (publ.) (556558-0031)

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Håkan Ahlqvist

Lars Johan Cederlund

Thomas Hahn

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Lena Johansson

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

Gunnar Olofsson
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Financial calendar

Interim report January–June 2008 24 July 2008

Interim report January–September 2008 28 October 2008

Year-end report 2008 29 January 2009

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