



**Interim report  
January – September 2009**

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# Interim report

## January – September 2009

### Third quarter

- Good demand and rising prices for sawlogs; stable prices for other grades.
- Sales to pulp and paper industry increasing.
- Weak start to biofuel season with hesitant demand.
- Net sales amounted to SEK 1,212 million (1,409).
- Operating profit, excluding share of earnings in Setra Group, amounted to SEK 184 million (107).
- Share of earnings in Setra Group amounted to SEK –12 million (–41).
- Operating profit after change in value of forest assets amounted to SEK 482 million (300), including capital gains from sale of forest properties of SEK 88 million (60).
- Profit for the period amounted to SEK 307 million (142).

### January–September

- Low sales volume and lower prices for sawlogs and pulpwood.
- Good demand for biofuel with increased deliveries.
- Operating profit, excluding share of earnings in Setra Group, amounted to SEK 590 million (626).
- Share of earnings in Setra Group amounted to SEK –144 million (–74).
- Operating profit after change in value of forest assets amounted to SEK 1,474 million (1,365), including capital gains from sale of forest properties of SEK 333 million (259).
- Profit for the period amounted to SEK 895 million (772).

SEKm	Quarter 3		January–September	
	2009	2008	2009	2008
Net sales	1,212	1,409	4,381	5,505
Operating profit before change in value of forest assets	172	67	446	553
Change in value of forest assets	310	233	1,028	812
Operating profit	482	300	1,474	1,365
Profit before tax	420	212	1,266	1,101
Profit for the period	307	142	895	772
Net earnings per share, SEK	2.59	1.20	7.56	6.52

### CEO's comments

The business climate for Sveaskog's products is slowly improving. In total, during the third quarter, Sveaskog delivered 2 million cubic metres of sawlogs, pulpwood and chips, which is 12% less than in the same quarter last year. Volume was 19% lower than in the second quarter of 2009, which is a normal seasonal variation. The average price of sawlogs and pulpwood was 5% lower than in the same quarter in 2008. At the same time, a higher proportion of sawlogs in deliveries had a positive earnings effect for Sveaskog.

Demand for biofuel was hesitant at the start of the season. The warm weather meant that several energy companies did not increase their production which, combined with good stocks of biofuel, reduced demand.

Sveaskog's total sales of all products during January–September decreased in volume by 17% compared with the same period in the previous year. The lower volume and lower timber prices had a negative impact on operating profit during the period. The effects on earnings of the lower business volume and timber prices were mitigated by a higher proportion of sawlogs, a larger proportion of timber from Sveaskog's own forests and

cost savings. Operating profit amounted to SEK 590 million (626).

Sveaskog's saving programme, which is designed to reduce costs and increase efficiency, is proceeding according to plan.

During the quarter Sveaskog signed a letter of intent to acquire land, buildings and some equipment in Lövholmen, Piteå, from Setra Group. Sveaskog's intention is to establish a base in Piteå for the company's continued development within bioenergy, with a terminal for biofuel processing and development of new technology for production of vehicle fuel based on forest residues.

During the period January–September 2009 Sveaskog carried out 337 property sales comprising 28,650 hectares, primarily within the programme designed to strengthen private forestry. Sales from property transactions during the period totalled SEK 752 million, which is SEK 37 million lower than in the same period in 2008. Sveaskog also acquired 1,772 hectares of forest land for a total value of SEK 98 million.

Earnings for Sveaskog's associate Setra Group AB improved considerably during the third quarter, with a slight operating surplus for the month of September. This

is the first positive monthly result since February 2008. The company reported an accumulated loss for the first nine months of the year of SEK 302 million, of which Sveaskog's share is SEK –144 million.

During the third quarter, Sveaskog's investments amounted to SEK 9 million, half of which were made within the subsidiary Svenska Skogsplantor and the remainder consisted of replacement investments for forest machines.

## ■ Market

Globally we are still in a deep recession but during the third quarter there were signs of a positive development for several of the world's major economies. This increased activity is partly due to extensive expansive measures taken by many national banks and partly due to generally very low stock levels which has an immediate impact on manufacturing industry when demand rises.

### **Sawmill industry**

The business climate in the sawmill industry continues to develop in a positive direction. Order bookings are rising in both the home and export markets and many sawmills consider that their stocks of finished goods are too low. The order backlog at the sawmills remains weak, however, and there is clear anxiety among producers about how lasting the current upturn will prove.

Production in Sweden in January–August was 12% lower than in the same period last year, but reports of reinstated shifts at the sawmills indicate rising production. In competing countries production remains relatively low and the Swedish companies benefit from exchange rates and captured market shares. As wood products prices rise and the krona strengthens against other currencies, the Swedish competitive advantages will decrease. The weak timber markets in competing countries, which to some extent continue to inhibit access to raw materials and therefore the supply of finished goods, are in Sweden's favour.

### **Pulp and paper industry**

Development of the business climate within the pulp and paper industry is positive and the confidence indicator which weighs up companies' assessments on order backlog, stocks of finished goods and anticipated production will soon reach the average level for the industry. As before, it is the pulp industry which accounts for the most positive development with rising order bookings and expectations of higher prices in the future. Production is relatively balanced, but a weak increase is predicted. Pulp prices have risen in recent months.

The paper industry also sees rising orders and production. The order backlog, however, is still far too low and price prospects for the industry's products are negative looking ahead.

### **Biofuel market**

The expansion of biofuel-based energy production in Sweden continues. Intensive work is under way within the EU to find ways of sourcing supplies of raw material for the European energy sector in a sustained manner. The relatively low prices for fossil fuels mean that many energy producers do not see sufficient economic incentives to accelerate the changeover towards use of renewable fuels.

## ■ Timber market

### **Northern Europe**

The timber market in the Baltic region remains characterised by the effects of the recession and activity in the markets in Russia and the Baltic countries is low. Production cutbacks in the importing countries within the pulp and paper industry and, to some extent, in the wood products industry are leading to low demand and therefore stable prices.

Russia has announced that the postponement of an increase in timber export tariffs will be extended at least until 2011. The Finnish forest industry is shrinking due to production cutbacks and considerably lower volumes than normal and has reduced its purchases by 30% compared with the previous year. In the Baltic region the sawmill sector was quick to respond when demand for wood products gathered pace. This is driving demand for sawlogs and there are signs of an incipient shortage of sawlogs. In August and September pulpwood prices also started to rise, but signals from the Baltic countries indicate continued weak supplies in future of both sawlogs and pulpwood.

### **Sweden**

The Swedish timber market has gone through a period of price reductions for sawlogs and pulpwood. These price reductions have now levelled out and prices, primarily for sawlogs, have started to rise throughout the country. Purchasers of wood raw material are trying to encourage forest owners to increase the felling rate which is at a low level.

The sawlogs market is unbalanced with major differences between demand and supply, mainly in southern Sweden. Sawmills are offering extensive premiums in order to be able to buy sawlogs in sufficient volumes.

Demand and supply of fibre raw material generally balance each other, but regionally there is a deficit in southern Sweden, where measures have been taken to stimulate increased thinning. In northern Sweden, there is a slight surplus of raw material.

The biofuel market was slow at the beginning of autumn. Energy producers have high raw material stocks which, combined with the warm late summer weather, led to limited demand for fuel deliveries. In general there are good biofuel volumes in the market since many players

have stored pulpwood surpluses over the summer with the intention of using them as biofuel in the coming late autumn and winter.

#### ■ Other units within the Group

**Sveaskog Naturupplevelser's** earnings for January–September were stronger than in the same period last year. The improved earnings are mainly attributable to increased leasing income and reduced administrative costs. The company has started a market adjustment of prices for hunting while hunting teams are being given greater opportunities to influence the content of their hunting rights.

**Svenska Skogsplantor's** earnings for the period were slightly weaker than in the previous year. Demand for seedlings is good. Earnings were negatively affected, however, by problems with deliveries and quality due to insect damage to some seedling batches. Within the framework of the mechanical pine weevil protection Conniflex, the company delivered 1.3 million treated seedlings during the period.

The associate company **Setra Group AB** reports considerably improved earnings for the third quarter compared with the same period in the previous year. For the quarter, Sveaskog's share of the company's earnings amounted to SEK –12 million (–41) and for the period January–September SEK –144 million (–74).

#### ■ Sales, earnings and profitability

##### Third quarter

During the quarter the Sveaskog Group's net sales decreased by 14% compared with the same period in 2008. This is mainly explained by a 10% lower sales volume but also by lower prices compared with the same period last year. Operating profit improved, however, and amounted to SEK 184 million (107). The improved earnings were mainly due to a larger proportion of sawlogs, a larger proportion of timber from Sveaskog's own forests and the effects of the ongoing cost-cutting programme. Sveaskog's share of earnings of Setra Group amounted to SEK –12 million (–41).

After change in value of forest assets, operating profit amounted to SEK 482 million (300), including capital gains from the sale of forest properties of SEK 88 million (60).

Net financial items amounted to SEK –62 million (–88).

Profit for the period amounted to SEK 307 million (142), which is 116% higher than in the previous year.

##### January–September

The Sveaskog Group's net sales decreased to SEK 4,381 million (5,505). Roundwood deliveries were 17% lower

than in the same period last year. The reduced delivery volume combined with price falls for wood raw material reduced net sales by 20%. Operating profit amounted to SEK 590 million (626). Despite the sharp decline in sales, the loss of earnings could be limited due to a larger proportion of sawlogs, a larger proportion of timber from Sveaskog's own forests and cost savings.

Sveaskog's share of profits after tax in the associate company Setra Group AB amounted to SEK –144 million (–74). Net financial items improved by SEK 56 million to SEK –208 million (–264).

Operating profit after change in value of forest assets amounted to SEK 1,474 million (1,365). Change in value of forest assets includes consolidated capital gains from the sale of forest properties of SEK 333 million (259). In addition there was an IAS 41 adjustment of the value of forest assets of SEK 695 million (554).

#### ■ Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 428 million (307).

Investments in property, plant and equipment amounted to SEK 134 million (70). These mainly comprised investments in forest properties, forest machines and forest roads. Investments in share amounted to SEK 252 million (57), of which SEK 248 million relates to the new issue in Setra Group. Sales of property, plant and equipment, primarily forest properties, amounted to SEK 745 million (789). Interest-bearing net debt decreased during the first nine months of the year by SEK 730 million to SEK 6,306 million.

#### ■ Personnel

The number of employees at 30 September 2009 was 719 (726). During the summer the company initiated and completed negotiations to reduce the number of employees as part of the ongoing cost-cutting programme.

#### ■ 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 nine months of 2009 amounted to SEK 28 million (69). Loss after financial items was SEK 376 million (–722). 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

(Note 1) SEK m	3 months		9 months		12 months	
	Q 3 2009	Q 3 2008	Jan–Sept 2009	Jan–Sept 2008	Oct 2008– Sept 2009	Full year 2008
Net sales	1,212	1,409	4,381	5,505	6,116	7,240
Other operating income	5	4	10	17	14	21
Raw materials and consumables	-407	-594	-1,669	-2,506	-2,422	-3,259
Change in inventories	82	22	-15	-95	52	-28
Other external costs	-566	-596	-1,646	-1,859	-2,445	-2,658
Staff costs	-122	-119	-413	-381	-532	-500
Depreciation according to plan	-20	-18	-58	-54	-76	-72
Share of profits of associates	-12	-41	-144	-74	-216	-146
<b>Operating profit before change in value of forest assets</b>	172	67	446	553	491	598
Change in value of forest assets (Note 1)	310	233	1,028	812	1,356	1,140
<b>Operating profit</b>	482	300	1,474	1,365	1,847	1,738
Financial items	-62	-88	-208	-264	-402	-458
<b>Profit before tax</b>	420	212	1,266	1,101	1,445	1,280
Tax	-113	-70	-371	-329	48	90
<b>Profit for the period</b>	307	142	895	772	1,493	1,370
<b>Net earnings/share, SEK</b>	2.59	1.20	7.56	6.52	12.61	11.57

### Statement of comprehensive income

(Note 1) SEK m	3 months		9 months		12 months	
	Q 3 2009	Q 3 2008	Jan–Sept 2009	Jan–Sept 2008	Oct 2008– Sept 2009	Full year 2008
Profit for the period	307	142	895	772	1,493	1,370
<b>Other comprehensive income</b>						
Exchange differences	-1	0	-1	0	0	2
Cash flow hedges	14	-43	16	1	-117	-132
Tax attributable to cash flow hedges	-3	12	-4	0	31	35
<b>Total other comprehensive income for the period, net after tax</b>	10	-31	11	1	-86	-95
<b>Total comprehensive income for the period</b>	317	111	906	773	1,407	1,275

### Summary balance sheet

SEK m	30 Sept 2009	30 Sept 2008	31 Dec 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	9	9
Forest land (Note 1)	2,019	1,982	1,990
Other property, plant and equipment	512	516	515
Biological assets – standing forest (Note 1)	27,143	26,690	26,803
Other non-current assets	454	392	350
	30,137	29,589	29,667
<b>Current assets</b>			
Inventories	552	532	638
Current receivables, etc., non-interest bearing	2,148	2,283	2,174
Current interest-bearing receivables	2	0	2
Cash and cash equivalents	233	242	739
	2,935	3,057	3,553
<b>TOTAL ASSETS</b>	33,072	32,646	33,220
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	16,868	15,549	16,051
<b>Non-current liabilities</b>			
Interest-bearing liabilities and provisions	4,476	3,883	4,440
Other liabilities and provisions	8,016	8,179	7,953
	12,492	12,062	12,393
<b>Current liabilities</b>			
Interest-bearing liabilities	2,065	3,428	3,340
Other liabilities	1,647	1,607	1,436
	3,712	5,035	4,776
<b>TOTAL EQUITY AND LIABILITIES</b>	33,072	32,646	33,220

## Sveaskog Group

### Summary cash flow statement

SEKm	Jan–Sept 2009	Jan–Sept 2008	Full year 2008
Operating profit	1,474	1,365	1,738
Adjustment for non-cash items, etc.	-859	-790	-894
Interest received	13	57	64
Interest paid	-221	-281	-508
Tax paid	-75	-224	-288
<b>Cash flow from operating activities before change in working capital</b>	<b>332</b>	<b>127</b>	<b>112</b>
Change in working capital	96	180	89
<b>Cash flow from operating activities</b>	<b>428</b>	<b>307</b>	<b>201</b>
Investments in property, plant and equipment	-134	-70	-113
Investments in shares	-252	-57	-58
Sale of property, plant and equipment	745	789	1,026
Change in interest-bearing receivables	0	-2	-2
<b>Cash flow from investing activities</b>	<b>359</b>	<b>660</b>	<b>853</b>
Dividend paid	-89	-810	-810
Change in financial liabilities	-1,204	-100	310
<b>Cash flow from financing activities</b>	<b>-1,293</b>	<b>-910</b>	<b>-500</b>
<b>Cash flow for the period</b>	<b>-506</b>	<b>57</b>	<b>554</b>
<b>Cash and cash equivalents, opening balance</b>	<b>739</b>	<b>185</b>	<b>185</b>
<b>Cash and cash equivalents, closing balance</b>	<b>233</b>	<b>242</b>	<b>739</b>

### Summary statement of changes in equity

SEKm	Jan–Sept 2009	Jan–Sept 2008	Full year 2008
<b>Opening equity, 1 January</b>	<b>16,051</b>	<b>15,586</b>	<b>15,586</b>
Total comprehensive income for the year	906	773	1,275
Dividend paid in accordance with AGM decision	-89	-810	-810
<b>Total income and expenses for the period</b>	<b>817</b>	<b>-37</b>	<b>465</b>
<b>Closing equity at the end of the period</b>	<b>16,868</b>	<b>15,549</b>	<b>16,051</b>

### Key figures\*

	Jan–Sept 2009	Jan–Sept 2008	Full year 2008
Operating margin, %	34	25	24
Return on equity, % 1)	9	7	9
Equity ratio, %	51	48	48
Debt/equity ratio, multiple	0.37	0.45	0.44
Interest cover, multiple 1,3)	1.2	2.6	1.3
Interest-bearing net debt, SEKm	6,306	7,067	7,036
Net earnings per share, SEK 2)	7.56	6.52	11.57
Average number of employees	938	991	1,018
Number of employees	719	726	741

\* Definitions, see 2008 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 plus financial income divided by financial expenses.

## Parent Company

### Summary income statement

SEKm	9 months		12 months	
	Jan–Sept 2009	Jan–Sept 2008	Oct 2008–Sept 2009	Full year 2008
Operating income	28	69	31	72
Operating expenses	-1	-1	-1	-1
<b>Operating profit</b>	<b>27</b>	<b>68</b>	<b>30</b>	<b>71</b>
Financial items	-403	-790	4,692	4,305
<b>Profit/loss after financial items</b>	<b>-376</b>	<b>-722</b>	<b>4,722</b>	<b>4,376</b>
Tax	99	202	167	270
<b>Net profit/loss</b>	<b>-277</b>	<b>-520</b>	<b>4,889</b>	<b>4,646</b>

### ■ Summary balance sheet

SEKm	30 Sept 2009	30 Sept 2008	31 Dec 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	66	78	69
Financial assets			
Interest-bearing	2,520	2,461	3,082
Non-interest bearing	24,934	24,934	24,934
	27,454	27,395	28,016
	27,520	27,473	28,085
<b>Current assets</b>			
Current receivables, etc., non-interest bearing	124	249	1,016
Receivables from group companies, interest-bearing	4,814	5,553	5,685
Cash and bank balances	0	210	0
	4,938	6,012	6,701
<b>TOTAL ASSETS</b>	<b>32,458</b>	<b>33,485</b>	<b>34,786</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	12,841	7,348	13,207
Non-current liabilities and provisions			
Interest-bearing liabilities and provisions	3,669	3,098	3,599
Current liabilities and provisions			
Interest-bearing liabilities and provisions	15,884	22,952	17,918
Other liabilities and provisions	64	87	62
	19,617	23,039	17,980
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32,458</b>	<b>33,485</b>	<b>34,786</b>

### ■ Summary cash flow statement

SEKm	Jan-Sept 2009	Jan-Sept 2008	Full year 2008
<b>Cash flow from operating activities</b>	505	-354	4,581
<b>Cash flow from investing activities</b>	584	108	-504
<b>Cash flow from financing activities</b>	-1,089	456	-4,077
<b>Total cash flow</b>	0	0	0
<b>Cash and cash equivalents, opening balance</b>	0	0	0
<b>Cash and cash equivalents, closing balance</b>	0	210	0

### ■ Summary statement of changes in equity

SEKm	Jan-Sept 2009	Jan-Sept 2008	Full year 2008
Opening equity, 1 January	13,207	8,678	8,678
Cash dividend	-89	-810	-810
Group contribution	-	-	963
Tax effect of group contribution	-	-	-270
Other	-	-	-
<b>Net profit/loss</b>	<b>-277</b>	<b>-520</b>	<b>4,646</b>
<b>Closing equity at the end of the period</b>	<b>12,841</b>	<b>7,348</b>	<b>13,207</b>

### ■ 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 Swedish Securities Exchange and Clearing Operations Act. The interim report for the Parent Company is prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Exchange and Clearing Operations Act which are in accordance with the regulations in RFR 2.2 Accounting for Legal Entities. The Parent Company's and the Group's accounting principles in this report are unchanged compared with the most recently published annual report, except that the Group applies a new presentation of income in accordance with amendments to IAS 1 Presentation

of Financial Statements. Introduction of IFRS 8 Operating Segments has not led to any change in the Group's segment classification.

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 30 September 2009 has been calculated at 29,162 (28,672), of which 27,143 (26,690) comprises the fair value of standing forest and 2,019 (1,982) a fixed cost for land. The change in the balance sheet amounts to 490 (-19).

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, 20 October 2009  
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

Gunnar Olofsson  
*President and CEO*

## Review report

To the Board of Directors of Sveaskog AB, reg. no. 556558-0031

We have reviewed the interim report for Sveaskog AB for the period 1 January until 30 September 2009. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

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

Stockholm, 20 October 2009

Mikael Eriksson  
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### Financial calendar

Year-end report 2009 28 January 2010

Annual General Meeting 2010 21 April 2010