

Year-end report 2009



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Fourth quarter

- Year ended on a strong note with increased sales.
- Good demand for wood raw material, primarily sawlogs and biofuel, with rising prices.
- Net sales for the quarter amounted to SEK 1,653 million (1,735).
- Operating profit from operations amounted to SEK 334 million (117).
- Operating profit amounted to SEK 1,441 million (373), which includes capital gains from the sale of forest properties of SEK 74 million (71) and change in value of forest assets of SEK 1,028* (257).
- Profit for the period amounted to SEK 1,029 million (598).

Full year

- Substantial cost savings boost Sveaskog's earnings.
- Higher proportion of sawlogs and timber from own forests made positive contribution to earnings.
- Lower sales volume and average timber prices compared with 2008.
- Net sales amounted to SEK 6,034 million (7,240).
- Operating profit from operations amounted to SEK 924 million (744).
- Operating profit amounted to SEK 2,915 million (1,738), which includes capital gains from the sale of forest properties of SEK 407 million (330) and change in value of forest assets of SEK 1,723* (810).
- Profit for the year amounted to SEK 1,924 million (1,370).

* The change in value is explained in the text on page 4.

SEKm	Quarter 4		Full year	
	2009	2008	2009	2008
Net sales	1,653	1,735	6,034	7,240
Operating profit from continuing operations	334	117	924	744
Operating profit	1,441	373	2,915	1,738
Profit before tax	1,378	179	2,644	1,280
Profit for the period/year	1,029	598	1,924	1,370
Earnings per share, SEK	8.69	5.05	16.25	11.57

■ CEO's comments

2009 ended on a strong note. The improvement in earnings during the third quarter strengthened further during the fourth, from SEK 184 million to SEK 334 million.

For the full year 2009 operating profit from continuing operations improved by 24% to SEK 924 million (744). This despite the fact that net sales decreased by 17% or just over SEK 1.2 billion, due to lower sales volumes and average timber prices.

One explanation for the improved earnings is a sharp reduction in operating expenses. At the start of the year Sveaskog initiated an efficiency improvement programme and a review of costs and investments. An adjustment of the organisation and some activities being given a lower priority or postponed led to cost savings of over SEK 150 million.

Operating profit was also positively affected by Sveaskog's changed product mix in the total sales volume with an increased proportion of sawlog, as well as a higher proportion of timber from own forests. During the year Sveaskog delivered a total of 10.8 million cubic metres of sawlogs, pulpwood and biofuel,

a decrease of 12.6% compared with 2008.

In line with Sveaskog's strategy, sales of biofuel increased in volume by 42% compared with 2008 and accounted for 12% of Sveaskog's total sales. So far the biofuel business is essentially confined to Sweden. Work started during 2009 to broaden these operations internationally.

In order to further strengthen the biofuel business, Sveaskog acquired the Lövholmen industrial site in Piteå in December from Setra Group AB. In relation to Sveaskog's forest holdings, customers and logistics, this site is a strategic location for handling biofuel and future investment in bioenergy processing.

One focus area during the year was to increase the proportion of rail transports. In order to ensure effective logistics Sveaskog has built up co-operation with train operators and has acquired goods wagons for its own transports. This co-operation with train operators generates more cost-effective and flexible logistics with major environmental gains.

As part of logistics improvements within the biofuel business, Sveaskog is developing storage points at selected terminals. A number of new terminal sites

were started adjacent to the rail network.

During 2009 Sveaskog carried out silvicultural measures in the form of soil scarification, seeding, planting, pre-commercial thinning and fertilising on a total of 78,600 hectares. The company inaugurated two new ecoparks, Ledfat in Norrbotten and Skatan in Västerbotten and continued to focus on nature conservation in forest management in order to develop and preserve natural values in the company's nature conservation areas.

In 2008 Sveaskog invested in SunPine, an industrial project to build the world's first commercial-scale factory for the production of second-generation biodiesel based on tall oil. Construction started in 2009 and production of biodiesel is expected to start during the first quarter of 2010.

During the year Sveaskog started a project called "Test trading with the forest's carbon dioxide storage" in order to learn more about how we can document, measure and verify increased sequestration of carbon dioxide in the forest. In an area in Norrbotten, Sveaskog is conducting modified silviculture in order to increase sequestration of carbon dioxide. The project will also carry out test trading with credits based on CO₂ storage.

Some 20 wind power mills went into production in 2009 and a total of over 50 wind mills are now in operation, by external companies, on Sveaskog's land. Work started on construction of 60 more wind mills during the year which are scheduled for completion during 2010.

Sales of properties totalled SEK 987 million compared with SEK 1,030 million in 2008. It is worth noting that the total sold area increased by 3% to 39,500 ha. The increase is primarily attributable to the land sales programme designed to strengthen forestry and replacement land sold in northern Sweden.

Investments totalled SEK 465 million, of which SEK 248 million was provided for the new share issue in Setra Group AB and SEK 109 million comprised acquisition of forest land. Investments were also made in new forest machines and in the logistics operations.

As the financial crisis reduced, credit margins for Sveaskog's borrowing fell. During the year long-term loans with a total value of SEK 520 million were emitted. Otherwise the commercial paper programme was used for short-term financing.

Development for the associate company Setra Group AB was very unsatisfactory at the beginning of the year. This led to a need to strengthen the capital base. The new issue provided Setra with SEK 495 million from the three major shareholders, Sveaskog, Mellanskog and LRF. The mutual ownership relationship after the new issue is largely unchanged.

■ Market

The global economy continues to improve due to the stimulants that have been put in place. Global trade is now under way and is a driving force for positive development.

Sawmill industry

The business climate in the sawmill industry has stabilised. Order booking are rising in the home market while falling somewhat in export markets.

Euroconstruct predicts reduced construction in Europe in 2010 as well. New building accounts for the largest decrease, while the repairs and extensions sector and infrastructure projects partly offset this through a more positive development.

Pulp and paper industry

Business development in the pulp and paper industry remains positive. The pulp industry accounts for the most positive development with rising order bookings and expectations of higher prices in the future as well.

Pulp prices have risen in recent months partly due to a sharp rise in demand, primarily from the Chinese market. This has reduced producers' stocks to the lowest level since 2002, which has provided support for recurrent price increases.

The paper industry is experiencing increasing production and order bookings.

Biofuel market

Energy prices are showing a rising trend despite relatively low consumption. Oil prices are being forced up primarily by expectations of future increased demand. Coal prices are relatively stable, but are expected to follow oil prices when demand rises.

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 and eco-friendly manner.

■ Timber market

Northern Europe

Demand for sawn timber remains good. The sawmills have sawlog supplies but stocks are low and in some cases shortages caused production restrictions.

Most pulp mills are operating at full capacity while other paper-producing plants are slightly below their normal production level.

Demand for wood raw material exceeds or is on a par with demand with some imbalance for sawlogs. Price increases from the low level in summer 2009 continue for both sawlogs and pulpwood.

Sweden

Following a weak start with continued economic fluctuations during the first half of 2009, the market situation steadily improved. The second half of the year was characterised by a strong recovery for the sawmills and pulp industry.

Demand for roundwood and cellulose chips was good during the fourth quarter. In several cases demand for sawlogs exceeded market supplies. The biofuel market was affected in spring 2009 by shortages of raw material when sawmills implemented

severe production cutbacks which restricted flows of by-products. Raw material stocks were replenished in summer and autumn at the same time as demand fell due to the warm weather.

The cold weather at the end of the year, however, led to increased activity and there is a balance between supply and demand in the market.

■ Sales, earnings and profitability

Fourth quarter

During the quarter the Sveaskog Group's net sales decreased by 5% compared with the same period in 2008. The change is explained by lower sales prices. Delivery volumes were at the same level as the previous year.

Operating profit from continuing operations improved substantially and amounted to SEK 334 million (117). The improved earnings were mainly due to a sharp reduction in operating expenses as an effect of the cost-cutting programme as well as the fact that the fourth quarter of 2008 was charged with a write-down of the value of felling rights and standing timber. The improved earnings were also explained by increased deliveries from own forests and a more favourable product mix with a higher proportion of sawlogs.

Capital gains from property sales amounted to SEK 74 million (71). Sveaskog's share of profits of Setra Group amounted to SEK 5 million (-72). Operating profit before change in value of forest assets amounted to SEK 413 million (116). Change in value of standing forest assets amounted to SEK 1,028 million (257). The value of growing forest increased due to a planned extension of the time series used for timber prices and felling costs in the measurement model according to IAS 41. The extension is from 6 to 7 years, i.e. the years 2003–2009, which means above all that the average timber price rose. Total timber reserves also increased.

Operating profit for the quarter thus amounted to SEK 1,441 million compared with SEK 373 million in the same quarter last year.

Net financial items amounted to SEK -63 million (-194) which represents a strong improvement. This was mainly due to costs for a changed age assumption with regard to historical pensions which was charged against earnings last year as well as lower debt and interest expenses. Profit for the period improved by 72% and amounted to SEK 1,029 million (598).

Full year

The Sveaskog Group's net sales decreased by 17% compared with the previous year and amounted to SEK 6,034 million (7,240). The total volume of deliveries was 12.6% lower than in the previous year, while biofuel deliveries rose 42%. Biofuel accounted for 12% of total deliveries. The average timber price was 4% lower than in the previous year.

Despite reduced volumes and lower timber prices,

operating profit from continuing operations improved sharply and amounted to SEK 924 million (744). The improved earnings are mainly explained by a strong reduction in operating expenses amounting to SEK 150 million as an effect of the cost-cutting programme, as well as earnings for the previous year being charged by a write-down in the value of felling rights and standing timber. The improved earnings are also explained by increased deliveries from own forests and a higher proportion of sawlogs.

Capital gains from property sales amounted to SEK 407 million (330). Sveaskog's share of earnings of Setra Group amounted to SEK -139 million (-146). Operating profit before change in value of forest assets amounted to SEK 1,192 million (928). Change in value of standing forest amounted to SEK 1,723 million (810), which is explained in the Fourth quarter section above.

Operating profit for the year amounted to SEK 2,915 million compared with SEK 1,738 million in the previous year.

Net financial items amounted to SEK -271 million (-458) which is a substantial improvement. This is described in the Fourth quarter section above.

Profit for the year improved by 40% and amounted to SEK 1,924 million (1,370).

■ Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 534 million (201). The improved cash flow is mainly due to a positive result from operating activities.

Investments in property, plant and equipment amounted to SEK 177 million (113). These investments mainly comprised forest land. Investments in shares amounted to SEK 288 million (58). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 987 million (1,026). Interest-bearing net debt decreased by SEK 1,005 million to SEK 6,031 million. During the year long-term loans with a combined value of SEK 520 million were issued via the Medium Term Notes (MTN) programme.

■ Personnel

The number of employees at 31 December 2009 was 721 (741).

During the year the company reduced the number of employees as part of the efficiency improvements and cost-cutting programme. The decision to establish biofuel production at the subsidiary Baltfor in Latvia led to recruitment of 10 people during the autumn.

■ Other units within the Group

Sveaskog Naturupplevelser reports improved earnings for 2009 despite a marginal increase in sales. The improved earnings are mainly attributable to a more efficient organisation with lower costs, but also to increased revenues for corporate leasing and a stronger angling season in the Mörrum river. During the year the company signed contracts with 30 new

tourism companies that have set up operations on Sveaskog's land. As part of the company's game management strategy, more inventories of elk stocks were carried out and these have now been performed on 60% of Sveaskog's land.

Svenska Skogsplantor's operating result is in principle unchanged compared with the previous year. Deliveries decreased by 3% due to lower demand in southern Sweden. Demand for seedlings was good with a growing proportion of autumn sales and rising prices.

An efficiency and cost-cutting programme was carried out with good results. During the year approximately 1,300,000 seedlings treated with Conniflex were delivered and planted. Conniflex is the eco-friendly mechanical protection against the pine weevil developed by the company and patented together with Sveaskog. Conniflex will be launched in the market during 2010.

The associate company **Setra Group AB** reports a

slightly lower loss for 2009 compared with 2008.

Sveaskog's share of the company's earnings amounted to SEK –139 million compared with SEK –146 million in the previous year.

The operating result steadily improved, however, during the year and the group posted a profit in the final four months of the 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 operating income amounted to SEK 44 million (72) in 2009. Loss after financial items was SEK –459 million (4,376), of which capital gains from property sales amounted for SEK 33 million (57). 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) SEKm	3 months		12 months	
	Q 4 2009	Q 4 2008	Full year 2009	Full year 2008
Net sales	1,653	1,735	6,034	7,240
Other operating income	6	4	16	21
Raw materials and consumables	-598	-753	-2,267	-3,259
Change in inventories	48	67	33	-28
Other external costs	-629	-799	-2,275	-2,658
Staff costs	-127	-119	-540	-500
Depreciation according to plan	-19	-18	-77	-72
Operating profit from continuing operations	334	117	924	744
Capital gains from property sales	74	71	407	330
Share of profits of associates	5	-72	-139	-146
Operating profit before change in value of forest assets	413	116	1,192	928
Change in value of forest assets (Note 1)	1,028	257	1,723	810
Operating profit	1,441	373	2,915	1,738
Financial items	-63	-194	-271	-458
Profit before tax	1,378	179	2,644	1,280
Tax	-349	419	-720	90
Profit for the period/year	1,029	598	1,924	1,370
Earnings per share, SEK	8.69	5.05	16.25	11.57
- Calculated on average number of shares, million	118.4	118.4	118.4	118.4

■ Statement of comprehensive income

(Note 1) SEKm	3 months		12 months	
	Q 4 2009	Q 4 2008	Full year 2009	Full year 2008
Profit for the period/year	1,029	598	1,924	1,370
Other comprehensive income				
Exchange differences	1	2	-1	2
Cash flow hedges	2	-133	18	-132
Tax attributable to cash flow hedges	-1	35	-5	35
Total other comprehensive income for the period, net after tax	2	-96	12	-95
Total comprehensive income for the period/year	1,031	502	1,936	1,275

Sveaskog Group

■ Summary balance sheet

SEKm	31 Dec 2009	31 Dec 2008
ASSETS		
Non-current assets		
Intangible assets	9	9
Forest land (Note 1)	2,013	1,990
Other property, plant and equipment	556	515
Biological assets – standing forest (Note 1)	28,028	26,803
Other non-current assets	457	350
	31,063	29,667
Current assets		
Inventories	596	638
Current receivables, etc., non-interest bearing	2,064	2,176
Current interest-bearing receivables	0	0
Cash and cash equivalents	506	739
	3,166	3,553
TOTAL ASSETS	34,229	33,220
EQUITY AND LIABILITIES		
Equity	17,898	16,051
Non-current liabilities		
Interest-bearing liabilities and provisions	3,970	4,440
Other liabilities and provisions	8,223	7,953
	12,193	12,393
Current liabilities		
Interest-bearing liabilities	2,567	3,340
Other liabilities	1,571	1,436
	4,138	4,776
TOTAL EQUITY AND LIABILITIES	34,229	33,220

■ Summary cash flow statement

SEKm	Full year 2009	Full year 2008
Operating profit	2,915	1,738
Adjustment for non-cash items, etc.	-2,048	-894
Interest received	12	64
Interest paid	-283	-508
Paid tax	-94	-288
Cash flow from operating activities before change in working capital	502	112
Change in working capital	32	89
Cash flow from operating activities	534	201
Investments in property, plant and equipment	-177	-113
Investments in shares	-288	-58
Sale of property, plant and equipment	987	1,026
Change in interest-bearing receivables	0	-2
Cash flow from investing activities	522	853
Dividend paid	-89	-810
Change in financial liabilities	-1,200	310
Cash flow from financing activities	-1,289	-500
Cash flow for the year	-233	554
Cash and cash equivalents, opening balance	739	185
Cash and cash equivalents, closing balance	506	739

■ Summary statement of changes in equity

SEKm	Full year 2009	Full year 2008
Opening equity, 1 January	16,051	15,586
Total comprehensive income for the year	1,936	1,275
Dividend paid in accordance with AGM decision	-89	-810
Total income and expenses for the period	1,847	465
Closing equity at year-end	17,898	16,051

Sveaskog Group

■ Key figures*

	Full year 2009	Full year 2008
Operating margin, %	48	24
Return on equity, % 1)	11.3	8.7
Equity ratio, %	52	48
Debt/equity ratio, multiple	0.34	0.44
Interest cover, multiple 1) 3)	2.8	1.3
Interest-bearing net debt, SEKm	6,031	7,036
Net earnings per share, SEK 2)	16.25	11.57
Average number of employees	967	1,018
Number of employees	721	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 adjusted by capital gains on property sales plus financial income divided by financial expenses.

Parent Company

■ Summary income statement

SEKm	Full year 2009	Full year 2008
Operating income	44	72
Operating expenses	-1	-1
Operating profit	43	71
Financial items	-502	4,305
Profit/loss after financial items	-459	4,376
Appropriations	-	-
Tax	121	270
Profit/loss for the year	-338	4,646

■ Summary balance sheet

SEKm	31 Dec 2009	31 Dec 2008
Non-current assets		
Property, plant and equipment	65	69
Financial assets		
Shares and participations	24,934	24,934
Receivables from group companies, interest-bearing	2,520	3,082
	27,454	28,016
	27,519	28,085
Current assets		
Current receivables, etc., non-interest bearing	494	1,016
Short-term investments	4,767	5,685
Cash and bank balances	0	0
	5,261	6,701
TOTAL ASSETS	32,780	34,786
Equity	13,120	13,207
Untaxed reserves	0	0
Non-current liabilities and provisions		
Interest-bearing liabilities and provisions	3,169	3,599
Current liabilities and provisions		
Interest-bearing liabilities and provisions	16,455	17,918
Other liabilities and provisions	36	62
	16,491	17,980
TOTAL EQUITY AND LIABILITIES	32,780	34,786

■ Accounting principles

This year-end report for the Sveaskog 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 year-end report has been prepared in accordance with the Swedish Annual Accounts Act and the Securities Market 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 for 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 the amendments in IAS 1 Presentation of Financial Statements.

The introduction of IFRS 8 Operating Segments has not led to any change in the Group's segment division.

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 December 2009 has been calculated at 30,041 (28,793), of which 28,028 (26,803) comprises the fair value of standing forest and 2,013 (1,990) a fixed cost for land. The change in the balance sheet compared with the previous year amounts to 1,248 (187).

The Board of Directors and the CEO hereby confirm that this year-end report provides a true and fair overview of the Parent Company's and the Group's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 28 January 2010
Sveaskog AB (publ.) (556558-0031)

Göran Persson <i>Chairman</i>	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 <i>President and CEO</i>

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

Gunnar Olofsson
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Financial calendar

Annual General Meeting	21 April 2010
Interim report January–March 2010	21 April 2010
Interim report January–June 2010	22 July 2010
Interim report January–September 2010	26 October 2010

Sveaskog Förvaltnings AB

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