

Sustainability  
Report 2005



**Sveaskog's vision is to lead the way in the development of forest values. Sveaskog seeks to manage its forests in an exemplary manner in order to secure sustainable development over time. This means that in addition to long-term financial responsibility, Sveaskog also accepts an environmental and social responsibility. This places high demands on our activities.**



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# Presenting Sveaskog

Sveaskog will lead the way in the development of forest values. Sveaskog is Sweden's largest forest owner, with 15% of the country's productive forest land, and is a leading supplier of sawlogs, pulpwood and biofuel. The company is also actively engaged in land transactions, offers hunting and fishing opportunities, and makes land available to local entrepreneurs within nature-based tourism.

The forest is Sveaskog's core business. Sveaskog contributes to long-term sustainable development by exemplary management of its forests and by combining a focus on profitability with eco-responsibility. Sveaskog will provide its owner with a return on its forest assets and be a model employer and business partner. The company makes long-term investments in research and development and has an active dialogue with stakeholders.

Sveaskog's operations are decentralised and characterised by a local presence throughout Sweden – from Skåne in the south to Norrbotten in the north.

The Sveaskog Group includes AssiDomän Cartonboard and a 50% stake in Setra Group AB.

The Group has annual sales of approximately SEK 6 billion and some 800 employees. Sveaskog is owned by the Swedish state.

## HISTORY

Most of the Swedish state's forest holdings were managed by the Swedish Forest Service until 1992. On 1 July 1992 the Swedish Forest Service's principal forest holdings, as well as the forestry operations and most of its other operations, were transferred to Domän AB, a company fully owned by the Swedish state. Forest lands west of the so-called cultivation limit mostly remained under direct state management.

On 31 December 1993, Domän AB acquired the wholly state owned forest industry company ASSI AB. At the same time, the company's name was changed to AssiDomän AB. On 1 March 1994, AssiDomän made an offer to all shareholders in the listed company Ncb AB, in which the state owned approximately 51% of the shares. On 1 April 1994, AssiDomän was listed on the stock exchange after which the state's holding amounted to just over 50%.

In 1999 approximately 25% of AssiDomän's forest land was transferred to the subsidiary Sveaskog AB whose shares were acquired by the state. At the same time the state's holding in AssiDomän decreased to approximately 35%.

In 2001 the state acquired the remaining 65% of the shares in AssiDomän AB through Sveaskog AB.



## Seeds and planting

**Sveaskog's subsidiary Svenska Skogsplantor is Sweden's leading company within production and sales of forest seedlings. Svenska Skogsplantor sold approximately 128 million forest seedlings in 2005, of which one-third was delivered to Sveaskog.**

## Timber harvest

**After 80–110 years it is time to harvest the trees that are mature for felling. The forest industry provides jobs for some 100,000 people in Sweden often in parts of the country where there are few other employers.**

## Silviculture

**Regular planning and care are required throughout the entire life of a tree. After planting or seeding, the forest is taken care of through cleaning and thinning until it is ready for harvest. About one-fifth of the trees planted remain at felling.**

## Market

**Our forests provide the base for a large part of Sweden's forest industry. Building materials, furniture, floors, doors and windows are examples of important Swedish products from the forest, as well as fuel for energy production and vehicles.**

## Property sales

**Purchases, exchanges and sales of forest properties are part of Sveaskog's operations. Private individuals can buy forest as part of a specific sales programme designed to strengthen private forestry, primarily in thinly populated areas. Exchanges, purchases and sales are also carried out in connection with the formation of nature reserves and in order to improve Sveaskog's zoning.**

## Nature experiences

**The forest offers opportunities for enjoyment and recreation. Sveaskog's work with hunting, fishing and developed nature-based tourism is conducted on commercial terms – work which complements the access to the forest provided by law.**

## Research and development

**Sveaskog develops the different values of the forest. A key part of this involves encouraging new applications and improved methods within forestry. This is achieved by investing in R&D together with universities, colleges and through other industry players.**



Gunnar Olofsson, President:

# Active forestry for sustainable development

**We are facing a global challenge to create prosperity for more people and at the same time be more economical with the earth's resources and reduce emissions that have an adverse climate effect. In order to succeed with this we need profitable industries that contribute to research and development of new, sustainable solutions. In particular, we must find solutions that replace many of today's fossil-based and finite raw materials with renewable alternatives.**

Our rich forest assets give Sweden a unique opportunity to develop a sustainable society. The forest grows from sunlight and is part of a natural cycle. This gives us a renewable raw material that forms the base of the Swedish economy. The Swedish forest industry is competitive and has a leading international position. It provides employment for more than 100,000 people, often in sparsely populated counties, and provides Sweden with substantial export revenues. The industry also contributes to an improved environment since we can use paper, cartonboard and wood instead of finite materials.

In order to quickly reduce climate-affecting emissions, we are increasing the use of biomass for production of heat, electricity and vehicle fuel. Sweden is well in the forefront here. We can also take pole position in the development of new industrial processes where biomass is converted into input materials in everything from car bodies to surgical implants.

Sveaskog's vision is to contribute to long-term sustainable development by leading the way in the utilisation of forest values. We approach this from several angles – partly by making the most of the value of every individual log and encouraging more applications for wood raw material, and partly by creating good conditions for different activities in the forest. Sveaskog seeks to achieve a value-creating co-operation between forestry, the reindeer industry, nature-based tourism, hunting, fishing and outdoor activities. This is done with careful consideration for the natural and cultural values of the forest.

Sveaskog's large forest holdings and unique role in the market give us a responsibility to act in an exemplary manner. We work on the basis of clear commitments for economy, environment and social responsibility. By being professional and creating a return on the forest capital, we can offer good working conditions, make extensive investments in nature conservation and eco-compliant silvicultural methods as well as contributing to research and development that creates prosperity.

During 2005, Sveaskog intensified its work on developing measurable targets, indicators and reporting systems for our social responsibility. This is about how the company performs as an employer, business partner and member of society. Sveaskog has adopted the UN Global Compact and participates in the Swedish government's "Global Responsibility"



initiative. We have adopted a code of conduct that clarifies our responsibility and the importance of ethical and responsible attitudes. This work forms the basis of Sveaskog's first Sustainability Report, that you have in your hand. The Annual Report is published separately with an extensive account of Sveaskog's financial performance, operations, management and governance. Sveaskog's reporting on targets and their achievement within economy, environment and social responsibility, is intended to contribute to increased transparency and knowledge which provide a basis for a dialogue about our activities.

Gunnar Olofsson  
President

# 2005 in summary

## ■ The storm

The impact of the storm fellings at the beginning of the year affected Sveaskog. Operating profit for the Forestry operations was strongly affected. The negative earnings impact eased during the fourth quarter. Most of the processed timber has been delivered to customers, but stocks are still higher than normal.

The storm also brought major challenges from an environmental viewpoint, including increased emissions due to processing and exceptional timber transports.

Work after the storm required extensive safety measures since the risks were considerable, especially for employees with motor saws. Sveaskog worked with preventive measures, training and follow-up and no serious injuries linked to the storm occurred.

## ■ Forestry's effects and significance

Sveaskog produces and supplies renewable raw material to the forest and wood products industry and develops biofuel business, where deliveries increased during the year. Sveaskog's forestry also provides employment opportunities in parts of the country where these are in short supply. Forestry has positive environmental effects since growing forest binds carbon dioxide. Increased use of wood raw material reduces emissions of greenhouse gases.

## ■ Code of conduct

In 2005, Sveaskog's Board adopted a code of conduct that clarifies how Sveaskog should act as an employer, business partner and member of society. The code of conduct clarifies responsibility and the importance of an ethical and responsible attitude both within the organisation and towards the business environment.

## ■ Objectives for social responsibility

Extensive work has resulted in the adoption of new targets for Sveaskog's social responsibility. This work is based on the code of conduct. How well the company lives up to these social targets will be measured and reported annually. Collection of key performance indicators and processing non-conformances will be carried out systematically via the management system for environmental and social responsibility.

## ■ Nature conservation and protection

Five new ecoparks were inaugurated during 2005. This means that eleven of Sveaskog's 34 ecoparks have now been inaugurated. Together with the Swedish Wetlands Conservation Fund and the Swedish Ornithological Society, Sveaskog has started a multi-year project for restoration of a hundred wetlands. Sveaskog's work with ecological landscape planning continued during the year.

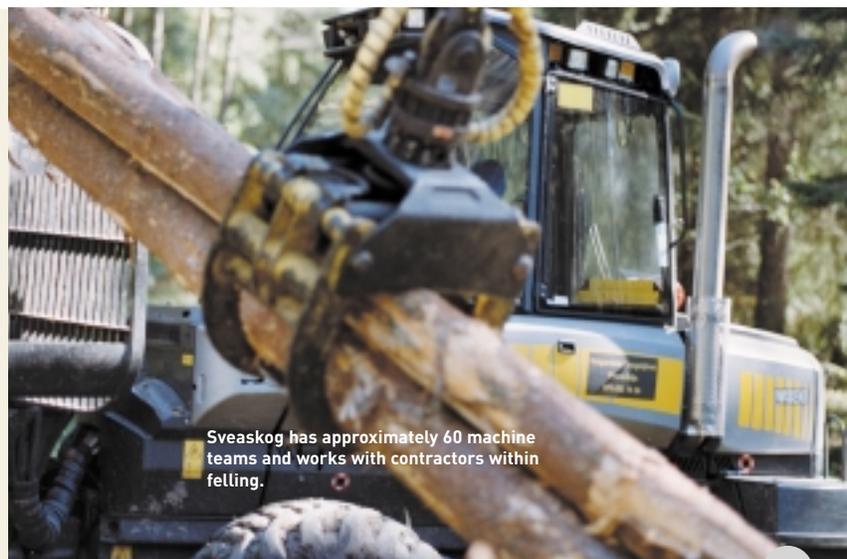
## ■ Partnership with WWF

During the year a decision was made for a renewed and developed partnership between Sveaskog and the World Wide Fund for Nature, WWF, over the next three years. In five tangible projects, Sveaskog and WWF will work for sustainable forestry in Sweden and globally.

## ■ Import policy

Sveaskog has adopted a new policy for timber purchases outside Sweden. Timber purchased by Sveaskog may not come from illegal felling or forests in need of special protection. In order to minimise the risk of this, Sveaskog is working to ensure and control traceability for timber purchased from foreign players.

Key figures, Group	2005	2004
Net sales, MSEK	6,155	6,272
Operating profit before change in value of forest assets, MSEK	691	902
Change in value of forest assets, MSEK	180	206
Operating profit, MSEK	871	1,108
Profit before tax, MSEK	524	683
Net profit for the year, MSEK	616	987
Return on equity, %	4	6
Return on net operating assets, %	3	4
Equity ratio, %	43	44
Number of employees	773	805
Average number of employees	1,116	1,098



Sveaskog has approximately 60 machine teams and works with contractors within felling.

# Vision, mission and core values

## ■ Ownership objective

Sveaskog's forests are to be managed in an exemplary manner from both a production and environmental viewpoint in order to ensure long-term sustainable development. A more detailed description of corporate governance is provided in the Annual Report.

## ■ Vision

Sveaskog will lead the way in the development of forest values. This is the company's vision and the starting point for all its activities. This vision distinguishes Sveaskog from other companies. It clearly indicates that the forest with its different assets is the core business and that Sveaskog looks after several values in the forest. Forest values are about economic growth and returns, biological diversity, reduced climate impact, Swedish cultural history, hunting and fishing and each individual's personal relationship with nature. What forest values have in common is their contribution to long-term sustainable development – economic, environmental and social.

## ■ Mission

Sveaskog has also formulated a new, groupwide mission: Sveaskog will increase the return on its forest capital through sustainable development of the benefits within all forest applications.

## ■ Core values

Sustainable development is part of Sveaskog corporate culture and is strongly linked to the company's three core values: added value, dialogue and respect. The core values are an

attitude that permeates all activities. These values are reflected in the activities of the company and its employees.

## ■ Sveaskog's objectives

Based on its owner's objectives, Sveaskog has developed targets for economy, environment and social responsibility.

Sustainable development requires profitable operations. Over time, Sveaskog will meet market requirements for return on equity. This is reported in the Economic responsibility section.

Sveaskog's environmental objectives and targets mainly relate to the forestry operations but, where applicable, also to the Group's industrial operations. These include the fact that 20% of Sveaskog's productive forest land will be used as nature conservation areas. Other forest land will be cultivated effectively and in an environmentally compliant manner with market profitability targets. Environmental objectives and targets are reported in the Environmental responsibility section.

In 2005, Sveaskog drafted a code of conduct and decided on objectives for the company's social responsibility. These objectives, results and development in 2005 are reported in the Social responsibility section.

## ■ Support for consensus

In spring 2005, Sveaskog's President, Gunnar Olofsson, met all the employees in Sveaskog's Forestry operations at eight district vision and strategy meetings. Sveaskog's role, vision, prerequisites, position, objectives and targets, and values were discussed at these meetings in order to create consensus on these issues.



Ulrica Weberud works as an assistant at the Timber Market operating area.



Morgan Isacson, planner in the south Bergslagen district, makes an inventory of the forest outside Karlskoga.



Marcus Jatko, ecopark co-ordinator in Norrbotten, participates at Forum Sveaskog in Gällivare.

# Sveaskog's approach to sustainable development

The forest is one of Sweden's foremost natural assets and supplies renewable raw material. Increased use of wood raw material can reduce Sweden's oil dependence and environmentally hazardous emissions. The growing forest binds carbon dioxide and thus counteracts the increase of carbon dioxide in the atmosphere.

Sveaskog manages substantial forest assets and supplies renewable raw material to a successful forest and wood products industry, and for production of heat, power, fuel and chemicals.

Forestry must provide a good return on forest capital and long-term increasing, valuable growth. In addition to its long-term economic responsibility, Sveaskog must accept environmental and social responsibility for its business activities. Forestry is conducted in such a manner that the production capacity and biological diversity of the ecosystems is preserved, the forest provides secure employment opportunities, a safe working environment and with respect for the views of local communities as well as the culture and traditional rights of the Sami people. In forestry values such as recreation and outdoor activities, hunting and fishing are also nurtured.

In addition, Sveaskog accepts responsibility for, and continually follows up, the effect its operations have on the environment in the form of emissions.

Forestry also provides employment opportunities in parts of the country where there is a shortage of jobs. A description of how Sveaskog contributes to local employment in Norrbotten is provided on pages 38–39.

Sveaskog's responsibility is forestry and production of renewable raw material with positive effects on economy, environment and society – from a local, national and international perspective.

## ■ Economic responsibility

Sveaskog will be a profitable company. This will provide economic prerequisites for investing in and introducing new, eco-compliant and efficient technology. Both the Forestry operations and the Industrial operations must meet market return requirements.

## ■ Environmental responsibility

The growing forest takes up carbon dioxide and active cultivation of the forest plays a key role from an environmental viewpoint in counteracting the greenhouse effect and climate change. Environmental work is based on the environmental policy and the environmental targets that guide operations. All forestry is conducted according to the Swedish FSC standard. Sveaskog's environmental policy also states, among other things, that 20% of productive forest land must be managed as

land for nature conservation. Other forest land is managed in an effective manner with market-based return requirements.

## ■ Social responsibility

In order to be entrusted to conduct business and develop operations, Sveaskog must be a good partner and employer – for customers, employees, contractors, suppliers and other stakeholders. Sveaskog conducts responsible business activities based on a code of conduct and policies. As an employer, Sveaskog seeks to offer employees stimulating work in a good and safe working environment. Sveaskog will contribute to prosperity and sustainable development in the local communities in which the company operates. Sveaskog will create opportunities for an active outdoor life in the forest. The company seeks an open dialogue with stakeholders both locally and at national level.

## ■ Policies and guidelines

A number of policies and guidelines form the foundation of work with sustainable development. These include:

- Owner guidelines
- Code of conduct
- Policy for timber purchases in Sweden
- Import policy for timber purchases outside Sweden
- Environmental policy
- Guidelines for sustainable forestry
- Personnel policy

These policies and guidelines can be accessed at [www.sveaskog.se](http://www.sveaskog.se)

A unified management function for work with environmental and social responsibility was set up during the year. Ultimate responsibility for sustainable development issues rests with Sveaskog's management which ensures that responsible business is integrated in business plans and strategy. Responsibility for ensuring that sustainability issues permeate the day-to-day business rests with Sveaskog's personnel managers. Sveaskog has adopted the UN Global Compact and participates in the government's "Global Responsibility" initiative.

Since 2002, Sveaskog has reported on the company's environmental performance together with the financial report. In order to highlight the work of securing sustainable development, Sveaskog has chosen to publish a separate Sustainability Report for 2005 which includes financial performance, environmental performance and social responsibility reports.

# Stakeholders and risks

## ■ Stakeholders

Forestry is an activity that changes the landscape and therefore affects many people. Contact with different stakeholders about the use and cultivation of Sveaskog's lands is important.

Sveaskog has many stakeholders: employees, customers, suppliers, contractors, politicians, official representatives, interest groups, partners, reindeer farmers, hunters and the general public.

## ■ Dialogue for transparency and participation

Most stakeholders are local, where Sveaskog has its operating activities. Sveaskog places great importance on information, consultation and dialogue. Dialogue provides Sveaskog with increased knowledge of local conditions and thus a better basis for decision on land usage.

Sveaskog holds regular consultations with Sami representatives on land where reindeer husbandry is conducted. Regular contacts with authorities, researchers, environmental groups, ornithologists, anglers, hunters, tourist entrepreneurs and regional development groups are also a natural part of Sveaskog's operations.

Sveaskog issues invitations to local dialogue meetings, Forum Sveaskog, around the country in order to increase knowledge of the company, create greater transparency and obtain opinions and questions.

Sveaskog has initiated work designed to develop more and new forms of local information and dialogue about the use of land. The aim is to increase the awareness and participation of different stakeholders already at the planning stage relating to production and nature conservation.

Dialogue also takes place internally. During the spring, Sveaskog's president met all the Forestry operations' employees for discussions about the company's vision and strategies. Sveaskog's employee survey provides a valuable basis for the work of developing Sveaskog as an employer and leading forest company.

## ■ Risks

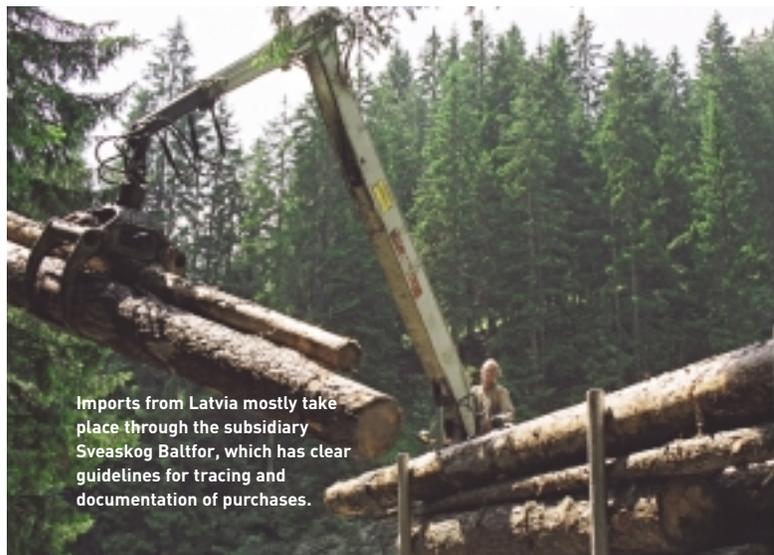
The forest's biological growth and, normally, stable and predictable cash flows from felling, limit the forest owner's financial risks. The risks Sveaskog works with are market-

related risks, financial risks and risks for forest capital. These include biological, weather and climate risks, as well as social risks associated with the company's responsibility and activities. Market-related risks, financial risks and risks for the forest capital are described in the Annual Report.

Social risks associated with Sveaskog's responsibility and activities include, in addition to risks for Sveaskog's operating reliability and its ability meet delivery agreements, risks for the company's brand and reputation capital.

As part of its risk management, Sveaskog has drafted a code of conduct. This makes demands on the activities of the company and its employees as well as for an open attitude towards the business environment with clear reporting of outcome, results and any non-conformances.

For purchasing operations in Russia and the Baltic countries there are inherent risks linked to illegal felling, corruption, human rights abuses and contraventions of labour law. Imports from Latvia are mostly carried out via the subsidiary Sveaskog Baltfor which has clear guidelines for tracing and documentation of purchases. Imports are subject to a quality and environmental system to ensure that handling is both ethically and environmentally correct and that the raw material is not obtained from controversial sources, such as illegal felling or forests in need of protection. Sveaskog cooperates with WWF over questions relating to responsible timber imports. For timber purchases in Sweden, the company has compliance guidelines for all Sveaskog's timber buyers. These guidelines are available on the website.



Imports from Latvia mostly take place through the subsidiary Sveaskog Baltfor, which has clear guidelines for tracing and documentation of purchases.

# Organisation and management system

## ■ New function for environmental and social responsibility

A joint manager function for environmental and social responsibility has been appointed tasked to co-ordinate, plan and be responsible for Sveaskog's activities within environmental and social responsibility. The manager will work to ensure that the targets set by the Board and group management for environmental and social responsibility are met. Working duties include external contacts relating to environmental and social responsibility as well as advising group management and line managers.

Direct responsibility for how environmental issues are managed in the day-to-day operations, as well as social responsibility for employees, contractors, suppliers and other stakeholders, rests with the respective managers in the line organisation.

Sveaskog reports annually on targets and performance regarding environmental and social issues in the Annual Report and the Sustainability Report.

## ■ Management system

Sveaskog applies an environmental management system according to ISO 14001 and has published an environmental report since 2002. Sveaskog's forestry is certified according to the Forest Stewardship Council, FSC. The subsidiary AssiDomän Cartonboard publishes an EMAS report.

Reporting of performance within social responsibility will largely be conducted with the same methods as those used for financial and environmental performance. During 2006, Sveaskog will develop systems for reporting social key figures, data and indicators.

All Sveaskog managers have a direct responsibility to provide figures and documentation related to performance.

## ■ Reporting system

In order to ensure compliance with Sveaskog's code of conduct, there is a reporting system for non-conformances or infringements. The code of conduct must be complied with by employees and business partners. A group, chaired by the head of environmental and social responsibility, will be responsible for handling reports on infringements. In cases that are considered serious, the group will always consult the President.

The group will act proactively by ensuring that knowledge of the code of conduct is spread among employees and business partners.

Infringements, or suspected infringements, can be reported by an employee to their immediate manager or via a form on the intranet. No employee will be discriminated against or punished for reporting a infringement or suspected infringement in good faith. All managers handling such reports are obliged to treat them as confidential. People outside the company can report infringements using the form on Sveaskog's website.

## ■ Continual revision of objectives

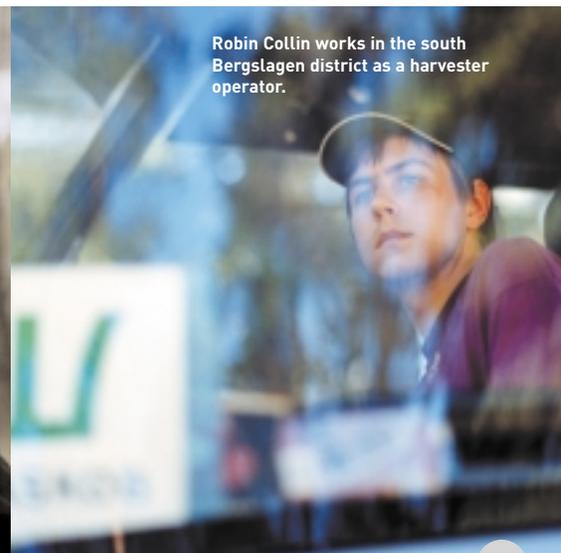
Sveaskog follows up and evaluates objectives and targets for environmental and social responsibility every year. As set targets are achieved, new ones are defined. Responsibility for revision of targets rests with the head of environmental and social responsibility. Objectives and targets are decided by Sveaskog's management and Board.



Olof Johansson is head of environmental and social responsibility at Sveaskog.



Lena Sammeli-Johansson is president of Svenska Skogsplantor.



Robin Collin works in the south Bergslagen district as a harvester operator.

# Economic responsibility

**Sustainable development requires profitable operations.  
Sveaskog must meet market return requirements over time.**

## ■ The economic value of the forest

Sveaskog is Sweden's largest forest owner with approximately 15% of the country's productive forest land. The forest holdings represent substantial economic values. In 2005, these holdings had a book value of MSEK 28,972 with a tax assessment value of MSEK 30,832. With effect from 2005, Sveaskog – in common with other major Swedish forest companies – is applying the new international accounting standards for forest assets (IAS 41 Agriculture).

The annual timber harvest and its allocation over time is the most important factor for determining the economic value of the forest holdings. This allocation also affects the manner in which the total return on the forest value is obtained. Return can be calculated on an annual basis. The timber harvest for the year forms part of the annual total return in the form of a yield. Yield also includes net income from property sales as well as from operations within hunting, fishing and nature experiences. Total return includes – in addition to yield – change in value for the year of forest assets. This change depends on differences between actual harvested volume and felling potential and thus a changed breakdown in time of the timber harvest. As a result of the storm Gudrun in January, the harvest for 2005 exceeded the planned extraction level.

Changes in future timber prices and felling costs also affect the value of the forests. In addition, value can be affected by silvicultural measures designed to improve the composition of the timber harvest, such as improved infrastructure, pre-commercial thinning, fertilising and other growth-enhancing activities.

## ■ Return target

The market total return target for Sveaskog's Forestry operations is calculated as a minimum of 7% (nominal and before tax). The target relates to net operating assets tied up in operations on the basis of a market value of the forest capital. The return target for the Forestry operations includes both yield and change in value of forest assets. The annual yield (excluding property sales) should amount to at least MSEK 800.

Sveaskog's industrial operations have a higher required rate of return than the forestry operations. At present, the return target for the industrial operations amounts to 11% (nominal and before tax) on net operating assets. The forestry and industrial return target have been combined into a long-term return target for the whole of Sveaskog. This Group target amounts to at least 7% (nominal and before tax) on net operating assets tied up in operations. This corresponds to a return of at least 10% (nominal and after tax) on equity.

	Target	2005	2004
Return on equity, %	at least 10	<b>4</b>	6
Return on net operating assets, %	at least 7	<b>3</b>	4
Yield Forestry operations <sup>1)</sup> , MSEK	at least 800	<b>617</b>	1,064
Interest cover, times	at least 2.0	<b>2.3</b>	2.3
Debt/equity ratio, times	c. 1.0	<b>0.42</b>	0.58
Dividend (share of net profit), %	at least 50	<b>58<sup>2)</sup></b>	36

1) Excl. property sales  
2) Proposed dividend

### ■ Earnings 2005

The storm fellings in January 2005 had a major negative impact on Sveaskog's earnings. In the market, substantial supplies in southern Sweden resulted in lower prices. The storm led to higher felling and transport costs, increased costs for road maintenance and higher planting costs.

Net sales for the full year 2005 decreased by 2% to MSEK 6,155 (6,272) due to lower volumes and prices in the Forestry operations.

Operating profit before change in value of forest assets amounted to MSEK 691 (902). Operating profit for Forestry operations was negatively affected by the storm at the beginning of the year.

Sveaskog's share of profit after tax in Setra Group amounted to MSEK -46 (-53). Intense competition with low prices for the wood products industry led to a continued unsatisfactory result. Earnings were charged with restructuring costs.

Operating profit after change in value of forest assets amounted to MSEK 871 (1,108). The earnings effect of change in value of forest assets was MSEK 180 (206). Of this, MSEK 326 (310) relates to consolidated capital gains from the sale of forest properties. Other changes are attributable to restatement of forest value according to IAS 41.

Net financial items amounted to MSEK -347 (-425). Lower interest expenses were mainly an effect of a lower interest rate.

Profit before tax amounted to MSEK 524 (683).

Net tax amounted to MSEK -154 (123). In 2004, tax reserves attributable to earlier restructuring transactions were dissolved.

Net profit for remaining units was MSEK 370 (806).

Net profit for discontinued operations (AssiDomän

Cartonboard) amounted to MSEK 246 (181). In the fourth quarter, the Sveaskog Group was not charged with depreciation of fixed assets in AssiDomän Cartonboard in accordance with IFRS 5. Operating profit for AssiDomän Cartonboard amounted to MSEK 311 (321) including depreciation for the fourth quarter. Higher costs for raw materials and input materials were not fully compensated by higher selling prices and improved efficiency.

### ■ Dividend

The Board of Directors proposes that the cash dividend for 2005 should total MSEK 355 or SEK 3.00 per share, which is in accordance with the dividend policy. The dividend corresponds to 58% of net profit for the year.

### ■ Future development

During 2004, Sveaskog performed calculations relating to long-term sustainable felling volumes. These showed that previous felling levels are not sustainable over time. The annual felling level in Sveaskog's forests in Norrbotten and Västerbotten will therefore be reduced by 15%. The felling organisation in northern Sweden was adjusted to the lower felling levels in 2005.

Conditions for stable development of Sveaskog's Forestry operations in 2005, as described above, were affected by the major storm fellings at the beginning of the year.

The storm will also have an impact on operations during 2006 due to the large stocks of sawlogs and pulpwood in southern Sweden. As an adjustment to this market situation, Sveaskog plans to reduce the extraction level in southern Sweden. Some negative effect is expected to remain with regard to prices and costs.

## ■ Summary income statement

MSEK	2005	2004
Net sales	6,155	6,272
Other operating income	181	14
Raw materials and consumables	-2,568	-2,601
Change in inventories	173	23
Other external costs	-2,600	-2,110
Staff costs	-545	-575
Depreciation	-59	-68
Share in profits of associates	-46	-53
<b>Operating profit before change in value of forest assets</b>	<b>691</b>	<b>902</b>
Change in value of forest assets	180	206
<b>Operating profit</b>	<b>871</b>	<b>1,108</b>
Net financial items	-347	-425
<b>Profit before tax</b>	<b>524</b>	<b>683</b>
Tax	-154	123
<b>Profit after tax but before profit from discontinued operations</b>	<b>370</b>	<b>806</b>
Profit from discontinued operations, net after tax	246	181
<b>Net profit for the period</b>	<b>616</b>	<b>987</b>
<b>Net earnings/share SEK</b>	<b>5.20</b>	<b>8.34</b>
<b>Net earnings/share from remaining units, SEK</b>	<b>3.13</b>	<b>6.81</b>
- based on average number of shares outstanding, millions	118.4	118.4

## ■ Summary balance sheet

MSEK	31 Dec 2005	31 Dec 2004
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible fixed assets	32	11
Forest land	2,070	2,096
Other tangible fixed assets	499	2,900
Biological assets - standing forest	26,902	27,433
Other fixed assets	335	329
	<b>29,838</b>	<b>32,769</b>
<b>Current assets</b>		
Inventories	599	716
Current receivables, etc., non-interest-bearing	1,949	2,216
Current interest-bearing receivables	2,050	-
Cash and cash equivalents	167	653
Assets held for sale	3,354	-
	<b>8,119</b>	<b>3,585</b>
<b>TOTAL ASSETS</b>	<b>37,957</b>	<b>36,354</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>16,275</b>	<b>16,135</b>
<b>Long-term liabilities</b>		
Interest-bearing liabilities and provisions	5,046	7,138
Other liabilities and provisions	7,974	8,529
	<b>13,020</b>	<b>15,667</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	4,237	3,009
Other liabilities	1,425	1,543
Liabilities attributable to assets held for sale	3,000	-
	<b>8,662</b>	<b>4,552</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>37,957</b>	<b>36,354</b>

## ■ Cash flow statement

MSEK	2005	2004
Operating profit	871	1,108
Non-cash items, etc.	-225	-180
Paid interest, taxes	-472	-506
<b>Cash flow from operating activities before change in working capital</b>	<b>174</b>	<b>422</b>
Change in working capital	-357	-258
<b>Cash flow from operating activities</b>	<b>-183</b>	<b>164</b>
Investment in fixed assets	-129	-102
Investment in shares	-23	-1
Discontinued operations	-43	37
Sale of fixed assets	797	628
Change in interest-bearing receivables	293	637
<b>Cash flow from investing activities</b>	<b>895</b>	<b>1,199</b>
Redemption of shares	-	-98
Dividend	-355	-355
Change in interest-bearing liabilities	-808	-576
<b>Cash flow from financing activities</b>	<b>-1,163</b>	<b>-1,029</b>
<b>Cash flow for the year</b>	<b>-451</b>	<b>334</b>
<b>Cash and cash equivalents, opening balance</b>	<b>653</b>	<b>319</b>
<b>Cash and cash equivalents, closing balance <sup>1)</sup></b>	<b>202</b>	<b>653</b>
1) of which discontinued operations	35	-

## ■ Changes in shareholders' equity

MSEK	2005	2004
Equity, 1 January	16,135	15,503
Measurement at fair value of financial instruments	-185	-
Cash dividend	-355	-355
Change in hedging reserve	62	-
Translation difference for the period, etc.	2	0
Net profit for the period	616	987
<b>Closing equity, 31 December</b>	<b>16,275</b>	<b>16,135</b>

## ■ Key figures \*

MSEK	2005	2004
Operating margin, %	14	18
Return on equity, %	4	6
Equity ratio, %	43	44
Debt/equity ratio, times	0.42	0.58
Interest cover times	2.3	2.3
Interest-bearing net debt, MSEK	6,916	9,344
Net earnings per share, SEK <sup>1)</sup>	5.20	8.34
Average number of employees	1,116	1,098
Number of employees	773	805

\* For further information and definitions, see 2005 Annual Report.

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

# Environmental responsibility

## Important events 2005

**Sveaskog's environmental work is permeated by the fact that the forest is the core business. There is therefore a clear focus on forest-related environmental targets, among other things to preserve biological diversity and limit the negative impact on water and land in the forest landscape. But environmental responsibility is broader than this. It is also about various ways of increasing compliance with the ecological cycle and thrifty use of resources in order to strengthen the environmental benefit of Sveaskog's production of renewable resources.**

### ■ Development of biofuels

Through new technology, wood raw material can increasingly be used for heating, electricity and renewable fuel. In 2005, Sveaskog developed its involvement in projects within this area including a plant for black liquor gasification in Piteå and a pilot project in Örnsköldsvik for production of ethanol from biomass from the forest.

### ■ Environmental effects of the storm

The storm in January had substantial environmental consequences, particularly due to increased timber transport and the risk of hauling damage. In the early months of the year, 37 timber trains a week transported storm-felled timber to customers in Sweden and Norway. Despite this, extensive road transport was required and long-distance lorry transport increased substantially in the same period.

Almost 400,000 cubic metres of storm-felled timber were stored with watering in various locations in Småland and Västergötland. The environmental effects of this storage were monitored continuously with Sveaskog taking samples of surface and ground water.

### ■ Agreement about protecting forests

Classification of nature conservation on Sveaskog's land was completed during the year. This classification started in spring

2004 and was carried out in close co-operation between the county administrative boards in Norrbotten and Västerbotten, the Swedish Environmental Protection Agency and Sveaskog. Some 550 forest areas are involved in Norrbotten and Västerbotten, of which over 220 will be set aside as nature reserves. Of the remaining areas, most will be protected on a voluntary basis by Sveaskog. In Götaland, 143 areas of Sveaskog's land are proposed as nature reserves. At the end of the year, Sveaskog sold 20 of these future reserves, totalling over 3,200 ha, to the Swedish Environmental Protection Agency.

### ■ New ecoparks and ecopark agreements

Five new ecoparks were inaugurated during the year: Färna in Bergslagen, Håckren in Jämtland, Naakajärvi in Norrbotten, Käringberget in Västerbotten and Ridö-Sundbyholm Archipelago in Mälaren. This means that eleven of the ecoparks decided by Sveaskog have now been inaugurated. The first long-term ecopark agreement between Sveaskog and the Swedish Forest Agency was signed in June for the Hornslandet Ecopark in Hälsingland.

### ■ 100 wetlands project

A multi-year co-operation between Sveaskog, the Swedish Wetlands Conservation Fund and the Swedish Ornithological Society (SOF) started in the spring. A hundred wetlands will be selected and restored on the basis of their significance for birdlife. The "100 wetlands project" will be one of the largest projects ever in Sweden for wetlands restoration.

### ■ Investment to phase out chemicals

Damage caused by pine weevils to newly planted seedlings costs the forest industry hundreds of millions of kronor a year. At the end of the year, through its subsidiary Svenska Skogsplantor, Sveaskog took a key step towards solving this problem and ending the use of chemical preparations by investing in the Conniflex and BetaQ protective coverings. Trials will be conducted aimed at putting this non-chemical protection into large-scale use within a few years.

## Nature conservation areas and ecoparks

### Target: "PLAN FOR 20% NATURE CONSERVATION AND CONSIDERATION"

During 2005 work continued towards the target of 20% nature protection and nature consideration on the productive forest land within each forest region and on quality assurance of the ecological landscape plans. Sveaskog had already divided its land into some 160 forest landscapes. During the year, these landscapes were divided into four classes where landscapes with high natural values are subject to a higher nature conservation ambition. This division will be reported on the Sveaskog website in 2006.

During 2005, Sveaskog also started work with consideration prioritising. This work will determine which areas are given priority within the framework of nature consideration areas in the different landscapes.

### Target: "CREATE ECOPARKS CORRESPONDING TO 5%"

Sveaskog decided on 34 ecoparks comprising 175,000 ha of forest, which corresponds to 5% of the company's productive forest land. Five new ecoparks were inaugurated in 2005 which means that eleven of the 34 ecoparks have now been inaugurated. Inauguration of four new ecoparks is planned in 2006.

The 2005 ecoparks have the following character and main focus:

**Färna** in north Bergslagen is characterised by an abundance of deciduous trees particularly aspen. The long-term focus is on further strengthening the number of deciduous trees.

**Häckren** in west Jämtland partly comprises montane

forest. The area includes a large number of old spruce and pine woods that will now be saved.

**Naakajärvi** in Pajala municipality has large areas of primeval pine and ravine forest which will now be set aside for nature conservation, including the over 400 years old Manalainen pine woods.

**Käringberget** was the first ecopark in Västerbotten. In time this area will be the birch ecopark, through nature conservation fires in selected areas and by favouring deciduous trees.

**Ridö-Sundbyholmsarchipelago** has a microclimate similar to that of southern Europe which favours deciduous trees and heat-loving insects. Nature conservation here will be conducted with active efforts to nurture the high biological values.

### Target: "IDENTIFY VALUABLE WATER ECOSYSTEMS AND PREPARE ACTION PLANS"

Work on this target includes parts of ecopark work, the 100 wetlands project and development of silvicultural planning of waterways.

The 100 wetlands project which started during the year is designed to restore valuable wetlands for birds, primarily in forest land. Some ten large wetlands will be restored and their development will be followed up. In addition, 90 forest wetlands will be restored within the framework of Sveaskog's ecological landscape planning by 2010. This work started in 2005 with training for people responsible for wetlands within each district.

During the year, Sveaskog also started a project to improve fishing in Lumsån in north Bergslagen and in the old log floatways on the River Pite.

Ecopark co-ordinator Irene Sivertsson, Sveaskog's south Norrland district, visits the recently inaugurated Häckren Ecopark in west Jämtland.

**Name:** Stefan Toterud  
**Age:** 42  
**Profession:** landscape specialist  
**Employed at Sveaskog:** since 1981  
**Background:** internal forestry and nature conservation courses  
**Family:** wife and two children  
**Pet:** dog  
**Interests:** fishing, hunting and photography



# Landscape specialist among aspen and lichen

**Preservation of biodiversity requires active restoration work. It is not enough to leave the forest untouched. Some areas in Färna Ecopark will be taken care of to provide space for aspen and other deciduous trees.**

“Look, this old aspen looks like a skyscraper for birds that live in holes,” shouts Stefan Toterud enthusiastically and in the next second gets out his magnifying glass and has a closer look at a fungus growing on a fallen log.

“This is *Antrodia pulvinascens* which depends on old rotting aspens like this one.”

Stefan Toterud has come up the hard way within Sveaskog. He started cutting forests when he was 18 and by taking inventory work in the summer and a number of courses he has improved his knowledge and skills. Today, he is one of eight landscape specialists at Sveaskog. Stefan is in charge of taking care of the forest in Färna Ecopark.

“It’s a great job,” he says.

## ■ Restoration and felling

The job involves extensive surveying and classification of the landscape. Sveaskog’s forests are divided into four target classes with different nature conservation ambitions. Some forest stands are to be felled, but even here nature consideration is practised. Other stands are to be left untouched, while active restoration of natural values is to take place in other areas.

Like in the area with the aspens where spruce are starting to take over. Here, Stefan Toterud has made sure that the spruce are removed so that the aspens can grow thick and old. The stony ground protects the aspen from elk which have difficulty getting through.

Färna Ecopark was inaugurated in summer 2005. The park contains everything from old moss-grown magic forest hung with lichens to stony ground with delicate aspens that have been saved so that they can grow. The ecopark also has areas of forest without high natural values which will continue to be used for timber production in the future. Here there are traces of old mining in the form of ruined smelting houses and old charcoal stacks. There are numerous species of lichen, fungi and moss. A large number of old trees and dead wood contribute to this diversity. The area is also rich in beavers and woodpeckers. This can be seen from the hour-glass shaped gnawed trees and trees full of holes.

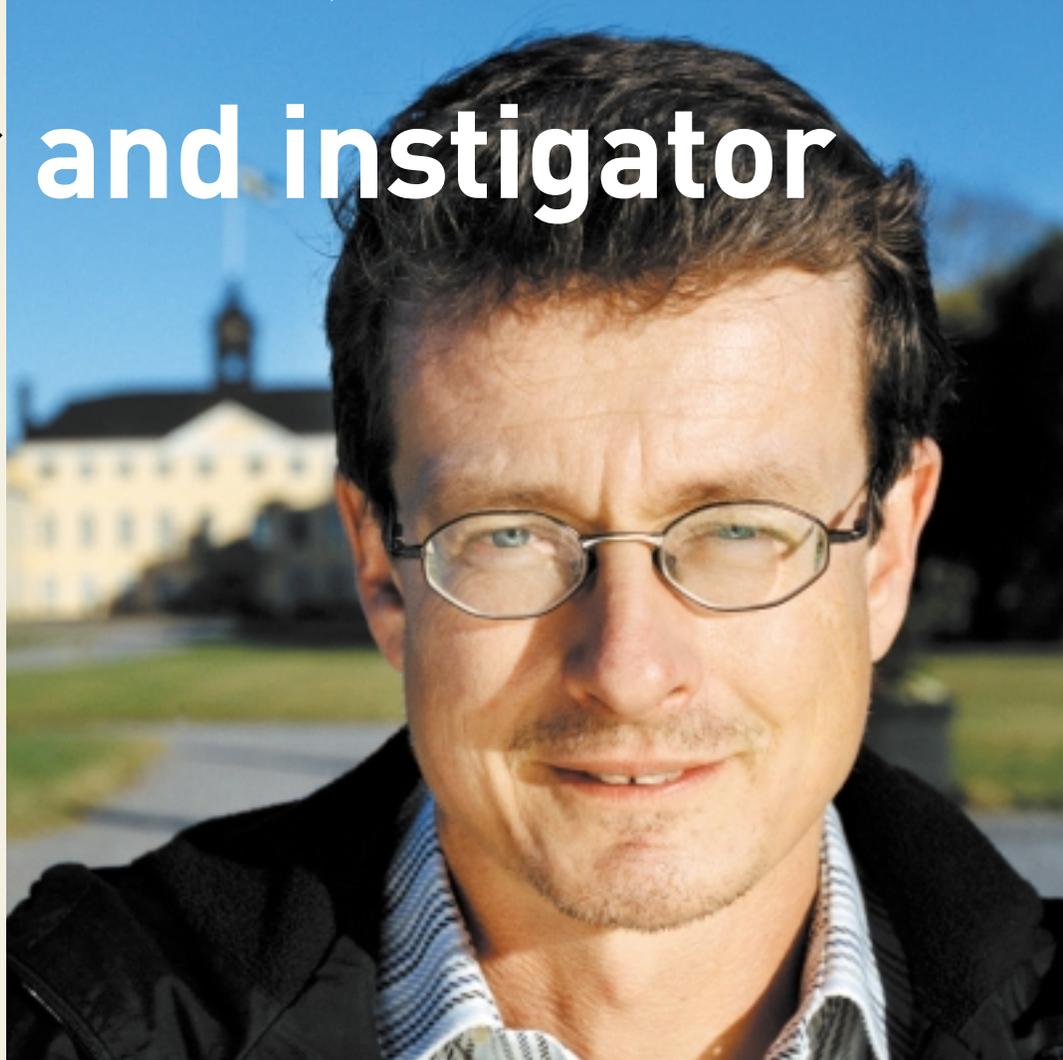
Stefan stops and points again:

“Look, the beaver has just been here.”

## Nature conservation classification

- NO – Unmanaged nature conservation
- NS – Managed nature conservation
- PF – Production with enhanced consideration
- PG – Production with general consideration

# Partner and instigator



**Sveaskog has been co-operating with the World Wide Fund for Nature, WWF, within forestry since 1997. WWF provides the project ideas. Sveaskog provides funding and contributes land for research purposes as well as expertise.**

"We don't always agree, but Sveaskog works seriously with sustainable forestry," says Hans Berglund, Forest Programme Director at WWF.

"Sveaskog should listen more to local opinion and take regional complaints seriously. Sveaskog's dialogue meetings, Sveaskog Forum, are an excellent opportunity for the company to provide in-depth explanations of what they are doing."

Hans Berglund, Forest Programme Director, WWF, is not afraid to criticise. It is part of his job to improve Swedish forestry and push forward development. The fact that Hans has opinions about Sveaskog is understandable. He has excellent insight into the company's activities. The explanation is "Partnership for living forests", a co-operation between Sveaskog and WWF for more sustainable forestry. A co-operation that requires great openness.

"For example, we require access to figures and information about Sveaskog's trading partners," explains Hans Berglund, who feels that his sometimes uncomfortable views are taken into account.

## ■ Double awards

The co-operation between Sveaskog and WWF comprises five projects covering everything from overall policy issues for forestry to measurement methods for nature conservation work. The ideas in this partnership come from WWF, which conducts the projects in close co-operation with researchers.

**Name:** Hans Berglund

**Profession:** Forest Programme Director, WWF (Sweden)

**Background:** ecologist, worked at the Swedish Environmental Protection Agency and as a municipal ecologist

**Age:** 47

**Family:** wife and two children

**Interests:** countryside and music

Sveaskog provides funding and contributes with forest land, expertise and experience. Sveaskog is alone among Swedish forest companies in its partnership with WWF.

"I think that Sveaskog is working seriously to create sustainable forestry," says Hans Berglund. Sveaskog has received the WWF "Gift to the earth" award for its environmental policy where Sveaskog undertakes to set aside 20% of its forest holdings for nature conservation.

The award also applies to Sveaskog's decision to use 5% of its productive forest land for ecoparks, which are large contiguous landscapes with high nature conservation ambitions. But good things can get even better, in Hans Berglund's opinion.

"Sveaskog can improve its decision basis for felling in forests that do not have special natural values, but which have considerable value to local people as a source of outdoor life and recreation, in other words forests with high social values."

## Projects in Partnership for living forests

### 1. Effect 20 – Sveaskog's commitment to set aside 20% of productive land for nature conservation

Sveaskog has ambitious aims for nature conservation. But what impact will its work in this field have? This is the pivotal question in Effect 20. Together with researchers from the Swedish University of Agricultural Sciences, a method will be found to measure the benefits of nature conservation, where birds function as indicators of environmental benefits at landscape level.

The method was developed in a previous WWF project.

### 2. Swedish Forest and Trade Network

WWF has set up a global network of 400 member companies. In Sweden, the network is represented by Sweden Forest & Trade Network. The network disseminates information about responsible forestry, responsible purchasing of forest products, purchasing policies and environmental reporting. Sveaskog is the principal sponsor of this project.

### 3. Responsible timber trade with the Baltic states

In parts of Eastern Europe there is a risk that an organised black-market sector is profiting from short-sighted exploitation of the forest. Importers, i.e. the Swedish forest industry, have a responsibility to work towards sustainable forestry in the Baltic countries and elsewhere. The first step is to be able to trace the origins of the timber so that illegal sources can be avoided. The objective is that all purchased timber must come from responsible forestry. Sveaskog participates actively in this project, both by providing funds and as a participant in round table discussions.

### 4. Living forest waters

This project is intended to increase the significance of water issues for sustainable forestry. The project co-ordinator is WWF. Sveaskog contributes financial resources and also takes an active part in the development work through employees skilled in sustainable forest management, soil conservation and water conservation.

### 5. Policy work in Europe

Work will primarily be conducted through WWF's international organisation, and relates to policy issues of importance for the sustainable management of the world's forests. Key issues include illegal trade in wood products, climate change, bio-energy and nature conservation.

Tree felled by a beaver in the Färna Ecopark.

## Climate impact and emissions

### Target: "REDUCE EMISSIONS FROM COMBUSTION OF FOSSIL FUELS"

The growing forest binds the carbon dioxide that is in the atmosphere. Forest production therefore has a positive impact on the greenhouse effect and climate in the same way as a direct reduction of carbon dioxide emissions. The annual storage of carbon in Sveaskog's forests has been estimated as 50–100 times greater than the emissions from the entire Forestry operations.

Fuel produced from wood raw material provides no net addition of carbon dioxide to the atmosphere and, above all, the emissions that would otherwise be caused by fossil fuels are avoided. Sveaskog's growing biofuel business can therefore reduce the climate-affecting emissions when fossil fuels are replaced by wood raw material for production of heat, power and fuel. Sveaskog actively supports a number of development projects relating to fuel based on wood raw material. In 2005 these mainly involved a project for black liquor gasification in Piteå for production of electricity, DME fuel and chemicals, a pilot project for ethanol production in Örnköldsvik and support to the Biorefinery research programme.

#### ■ Forestry operations' emissions

As regards Sveaskog's own emissions from the Forestry operations, development towards the environmental target to reduce emissions went in the opposite direction in 2005. Emissions increased due to greater use of fossil fuels due to the extent of work with clearance and transport of storm-felled timber after the January storm in southern Sweden.

Transports increased in absolute numbers compared with the previous year. On the other hand, energy consumption per cubic metre transported decreased. One explanation for this is an increased proportion of rail transport. During the first months of the year, Sveaskog co-operated with four train operators. 37 trains a week went from the areas most affected by the storm, corresponding to the capacity of 600 lorries.

In order to enhance the efficiency of efforts to reduce emissions from fossil fuels in Sveaskog's own operations, a number of qualitative indicators have been selected. These were followed up for the first time in 2005 and development will be continuously monitored and compared with the previous year in environmental responsibility accounts. Areas selected include the proportion of vehicles with eco-compliant fuel, the proportion of vehicles in the best environmental class and transport with electric trains as well as average transport distances.

#### ■ Waiting for tax status for EcoPar

EcoPar is a synthetic diesel based on natural gas. In 2003–2004 EcoPar was used on a trial basis in 28 machine-systems in Sveaskog. The results were positive, both with regard to operation and perceived health effects. EcoPar has been shown to reduce emissions of environmentally hazardous substances by up to 90%. During 2005, Sveaskog therefore looked at possibilities for proceeding with EcoPar. Today's environmental classification and taxation disadvantage EcoPar in relation to ordinary MK1 diesel and the absence of notification with regard to future taxation has delayed a possible introduction.



On 23 February, Chemrec's development plant for black liquor gasification was inaugurated in Piteå, supported by Sveaskog. Cabinet minister Mona Sahlin was present at the inauguration.

Here, black liquor which is a by-product from pulp production, is gasified. Using a new gasification technology the black liquor can be used to produce electricity and fuel. If this technology was installed at all Sweden's sulphate pulp mills, they could produce the equivalent of 30% of Sweden's petrol and diesel consumption.

# Biofuel good for business

**Anders Lejdholt is a CHP engineer who started his career in operations when the fuels were oil and coal. Over 30 years later he is working with peat and biofuel and Sveaskog is one of his suppliers. Many see the environmental advantages of biofuel, but Anders Lejdholt also sees opportunities for better business.**

25 years ago only oil was used to fuel the Åby power station in Örebro. Today, more than 70% of the fuel is renewable, mostly wood fuel. The Åby power plant has environmental certification according to ISO 14001. Anders Lejdholt has followed development closely. He started with responsibility for production based on oil and coal. Today he works with peat and biofuel – mostly because this is a new way to do business.

“Environmental awareness and sustainable development are not my main driving forces but a very good side effect. I thought it was interesting with a new market and new business opportunities,” says Anders Lejdholt, who is responsible for fuel at E.ON in a district that stretches from Stockholm to Åmål and Vilhelmina.

## ■ Logistics and planning

For Anders Lejdholt wood fuel is very much a question of logistics. Wood fuel takes up space and E.ON has limited storage facilities. Deliveries to the Åby power station must be frequent and on-time: some 50 lorries each carrying 120 cubic metres of wood fuel arrive at Åby every day, there is also rail transport

with whole logs and deliveries of sawmill by-products.

Sveaskog is one of Åby's wood fuel suppliers. This co-operation stretches back five or six years when the power station was still run by Örebro Energi. Anders Lejdholt made a considerable contribution to this co-operation getting started: “I simply put up a slide showing Örebro Energi's plants with a map of Sveaskog's forest holdings and saw-mills and could see that they were well matched geographically.

So far, Sveaskog is a relatively small wood fuel supplier to E.ON, but interest in biofuel is growing which Anders Lejdholt thinks is a good thing.

“This will give Sveaskog a chance to participate in the conversion to use of renewable energy,” says Anders Lejdholt and underlines the importance of logistics and planning for forest companies as well.

“Felling managers must plan all grades carefully. This also applies to wood that is going to be used for energy.”

## ■ Ash restored

When the wood is taken from the forest some minerals are also removed. The co-operation with Sveaskog therefore also includes methods for restoring these substances to the forest soil. Here the ash formed when burning forest fuel can be used. E.ON delivers the ash to Sveaskog in Mora and Skinnskatteberg. The ash is then spread in the forest.

“Forest fuel is a resource and opportunity for forest owners and it is good that Sveaskog sees applications for forest raw material as fuel.”



**Name:** Anders Lejdholt

**Age:** 56

**Profession:** responsible for fuel at E.ON Heating North and Örebro

**Location:** Åby power station, Örebro

**Background:** heating plant engineer

**Family:** daughter

**Pets:** two Norwegian elkhounds

**Interests:** hunting

## Sveaskog and biofuel

Biofuel business within Sveaskog is growing. In the 2005/2006 biofuel season, Sveaskog expects to deliver fuel corresponding to 1.8 TWh, which corresponds to the energy required to heat 112,500 normal homes for one year. This is a volume increase of approximately 15% compared with the previous season.

## Follow-up and audits

**Sveaskog continuously follows up the effects on production and environment in connection with the timber harvest. The harvesting teams conduct self assessments of all felling and this is followed by a random sample check of tracts selected on a random basis which is carried out by specially trained planning personnel. Non-conformances that differ markedly from Sveaskog's instructions or FSC criteria are noted both at the initial self assessments and subsequent checks.**

In 2005 sample checks were carried out on 180 of approximately 4,000 felling tracts. For most of the parameters examined, the proportion of tracts with no non-performances was 90–100%, including consideration for edge zones, non-productive land, waterways and cultural environments. The proportion of non-performances was greatest within three areas: remaining tree groups, dead wood and sensitive biotopes. The trend compared with 2004 was positive for the first two areas and slightly negative for the last area.

One of Sveaskog's environmental targets is to reduce the volume of significant hauling damage. All districts have action plans for this and this work will be continuously evaluated. The 2005 result indicates some reduction compared with previous years despite extensive transport work in the storm area.

Within production, many non-performances relate to how

thinning is planned and carried out. Leaving far too high stumps is a relatively frequent deficiency in the 2005 self assessments.

### ■ Swedish Forest Agency's assessment of nature consideration

During the year, the Swedish Forest Agency published the results from an inventory of consideration for nature shown by landowners in conjunction with felling at the beginning of the 21st century. For the country as a whole, just over one-third were assessed as having taken more consideration than the law required, while over 20% did not reach this level mainly due to erroneous prioritising of remaining trees. The report of different landowner categories shows, among other things, that Sveaskog more than complied with the legal level in terms of consideration for nature in a high proportion of its felling.

### ■ External audits by FSC and ISO

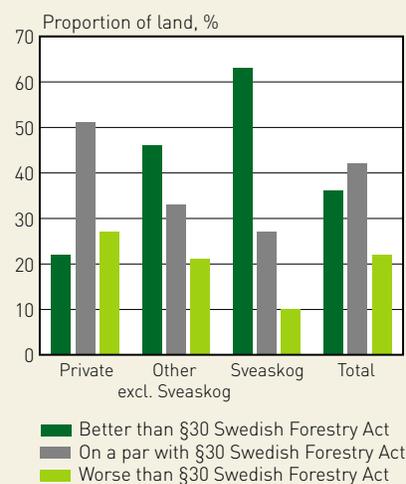
The 2005 audit of Sveaskog's forestry on the basis of the requirements in the Swedish FSC (Forest Stewardship Council) standards was performed in the autumn. In general, Sveaskog's forestry received good grades but with four minor non-performances. The auditors found that in some locations in Norrbotten too few tree groups had been left. This included felling on Tallberget in the municipality of Arvidsjaur, which had been criticised by local stakeholders. In 2006, a follow-up will be carried out in consultation with WWF for quality



Jonas Björklund is Sveaskog's planning specialist in Mora.

Leif Ragnarson is responsible for leases in south Norrland,

CONSIDERATION FOR NATURAL AND CULTURAL ENVIRONMENTS, 2001–2003



Results from the Swedish Forest Agency's follow-up of consideration at felling. The diagram shows the proportion of regeneration felled areas that meet the Swedish Forestry Act's requirements for natural and cultural consideration after felling in the period 2001–2003. The results are broken down by different landowner categories. For achievement of the national sector targets by 2010 the Swedish Forest Agency's assessment is that the proportion of felling that does not totally meet the requirement under the Act should be halved to 10% of the land, while the proportion that achieves better consideration should increase to 50% of the land.

assurance of consideration for nature in felling in Norrbotten. The intention is to obtain an independent picture and detailed knowledge of the extent to which there are inadequacies in planning and felling.

The annual audit of the ISO 14001 environmental management system noted a number of minor non-performances including documentation and internal communication. Work on redressing these matters has now started.

**■ Environmental control of timber storage**

The extensive timber storage following the January storm in southern Sweden resulted in totally new environmental aspects. Immediately after the storm, Sveaskog contacted the relevant municipalities for permits and the selection of suitable locations for terminals for storage of storm-felled timber. During 2005, Sveaskog had three timber terminals in operation. These are located in Ljungby, Värnamo and Uppvidinge municipalities and comprise a total of almost 250,000 m<sup>2</sup>sub.

In consultation with each municipality, Sveaskog monitored the environmental impact from watering at the timber terminals through its self assessment programme. This involves checks of surface and ground water in and surrounding the terminals, registration of water consumption, changes in stored volumes of timber, and so on. Analyses from the results of water tests are regularly sent to the municipality. In no case did the results from the analyses of water samples

result in operations at the terminals being interrupted and there is no indication of a negative impact on adjacent water catchments.

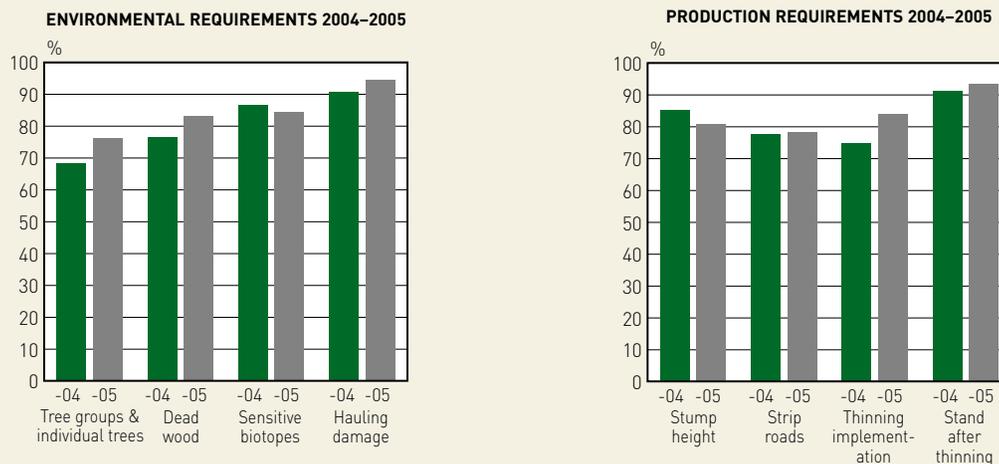
However, in one case there was some impact with increased levels mainly of phosphorous in a surface waterway. The results from these analysis will continue to be studied and Sveaskog has also asked the municipalities concerned to express their opinions about the possible environmental impact of timber storage.

**Environmental targets**

In 2005, Sveaskog worked with the environmental targets listed below. Follow-up of these targets is shown on the pages listed below in the Sustainability Report.

- Plan for 20% nature conservation and consideration on the productive forest land within each forest region (page 12).
- Create ecoparks on the equivalent of 5% of productive forest land within the framework of 20% nature conservation and consideration (page 12).
- Quality assurance for Sveaskog’s ecological landscape plans (page 12).
- Reduce game feeding damage (page 35).
- Reduce the amount of significant hauling damage (page 18).
- Identify valuable water ecosystems and prepare action plans for these (page 12).
- Reduce carbon dioxide emissions from non-renewable fuels (page 16).
- Review the potential of the forest as a carbon sink (page 16).

**PROPORTION OF FELLED TRACTS WITH NO NON-CONFORMANCES**



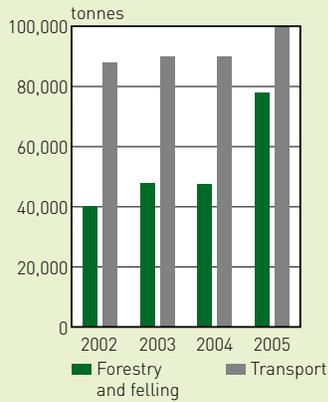
Examples of non-conformances at random checks, broken down by environmental and production requirements. For most criteria, the proportion of tracts with no non-conformances was almost 100%. The diagrams show the criteria with the highest frequency of non-conformances in 2004 and 2005 respectively.

# Environmental facts Forestry operations

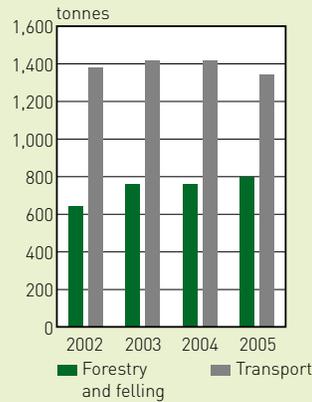


The effects of the storm Gudrun had an impact on environmental facts for 2005. Increased machine operations with storm-felled timber and transport led to a temporary increase in emissions.

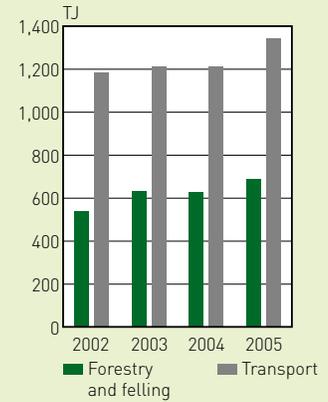
**FOSSIL CO<sub>2</sub> EMISSIONS (tonnes)**



**EMISSIONS OF NO<sub>x</sub> (tonnes)**



**USE OF FOSSIL FUELS (TJ)**



## Environmental facts for forestry operations

	2005	2004	2003	2002	2001
<b>Production *</b>					
Deliveries from own forests, 1,000 m <sup>3</sup>	7,114	6,630	6,852	6,394	5,290
Production of wood fuels, m <sup>3</sup> sub	648,000	599,000	531,000	133,000**	n/a
<b>Raw material use *</b>					
Fertiliser, tonnes nitrogen	815	740	705	450	455
<b>Energy consumption <sup>1) *</sup></b>					
Fossil fuels, TJ	688	631	635	538	408

	2005	2004	2003	2002	2001
<b>Emissions to air <sup>1) *</sup></b>					
Fossil CO <sub>2</sub> , tonnes	78,000	47,553	47,815	40,388	30,492
SO <sub>2</sub> , tonnes <sup>2)</sup>	2.0	1.5	1.5	1.3	1.0
NO <sub>x</sub> , tonnes <sup>2)</sup>	801	760	761	645	489
<b>Land</b>					
Total land area, million ha	4.5	4.5	4.6	4.6	4.4
Of which productive forest land, million ha	3.4	3.4	3.5	3.5	3.3
Proportion of unfelled total growth, % <sup>3) ***</sup>	27	35	35	33	28

1) Excl. transport 2) Estimated figures based on use of fossil fuels \* 2001 only AssiDomän Group \*\* Excl. by-products \*\*\* Incl. uncultivated forest n/a data not available

## Environmental facts AssiDomän Cartonboard

2005 was a good year for AssiDomän Cartonboard from both a production and an environmental viewpoint.

Cartonboard production totalled 365,000 tonnes, which corresponds to 81% of the permitted level.

Cartonboard received an environmental permit for increased production up to 450,000 tonnes per year in 2005. At the same time as the production level was high\*, there was a constant margin between emissions and permitted levels. In several cases emissions for the year were lower than in 2004. One example of this is emissions to water of oxygen-consuming substances (COD) which showed the lowest emissions measured in the history of the mill, 2.4 tonnes/day. The project to reduce use of fossil fuels continued and resulted during the

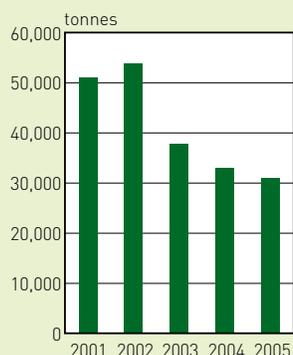
year in boost heating with oil for energy production being further reduced to now amount to 148 m<sup>3</sup>/month.

\* Production of sulphate pulp amounted to 242,358 tonnes, i.e. 97% of permitted production. The new permit for cartonboard production was received in 2005 and production has not yet been adjusted to the new permitted level.

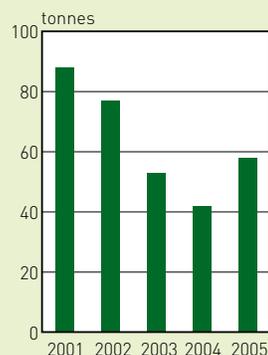


AssiDomän Cartonboard's mill in Frövi publishes an EMAS report, see [www.frovi.com](http://www.frovi.com)

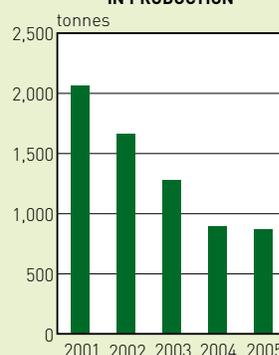
**FOSSIL CO<sub>2</sub> EMISSIONS (tonnes) IN PRODUCTION**



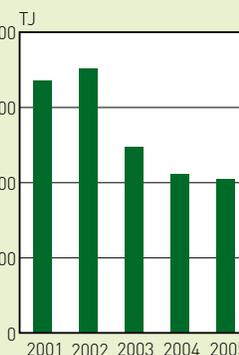
**SO<sub>2</sub> EMISSIONS (tonnes) IN PRODUCTION**



**EMISSIONS OF OXYGEN-CONSUMING SUBSTANCES, COD (tonnes) IN PRODUCTION**



**USE OF FOSSIL FUELS (TJ) IN PRODUCTION**



### Environmental facts for AssiDomän Cartonboard

	2005	2004	2003	2002	2001
<b>Production</b>					
Pulp total, tonnes	242,358	242,646	237,066	231,917	222,378
of which, bleached, tonnes	98,662	97,058	96,064	89,188	87,966
End products, cartonboard, tonnes	364,630	353,207	347,143	329,161	303,841
<b>Raw material use</b>					
Wood raw material, m <sup>3</sup> sub	1,033,833	1,032,803	991,089	954,689	909,839
Purchased pulp, tonnes	74,576	76,419	78,405	76,274	64,713
Chemicals as commodities, tonnes	107,596	108,294	97,203	97,758	96,585
Raw water, million m <sup>3</sup>	17.8	18	17	18	17
<b>Energy consumption</b>					
Fossil fuels, production TJ	410	423	496	705	671
Purchased biofuels, TJ	1,139	1,240	1,041	1,127	931
Own biofuels from wood room and concentrated waste liquor, TJ	4,741	5,122	4,957	4,482	4,441
Own produced electricity, GWh	192	190	172	186	177
Purchased electricity, total, GWh	214	207	216	193	186
Own produced electricity as % of total consumption	47.3	48	44	49	49

	2005	2004	2003	2002	2001
<b>Emissions to air <sup>1)</sup></b>					
Fossil CO <sub>2</sub> , production, tonnes	30,964	32,900	37,832	53,711	51,068
Fossil CO <sub>2</sub> , transports, tonnes	15,738	15,250	15,000	12,225	11,285
Total emissions of S as SO <sub>2</sub> , production, tonnes	58	42	53	77	88
Fossil SO <sub>2</sub> , transports, tonnes	63	61	60	21	19
Total NO <sub>x</sub> emissions, production, tonnes	475	436	414	380	379
Fossil NO <sub>x</sub> , transports, tonnes	199	193	190	79	165
<b>Emissions to water</b>					
COD, tonnes	872	900	1,278	1,668	2,066
AOX, tonnes	0.7	0.5	0.6	0.8	0.7
Suspended solids (SS70), tonnes	26	26	28	33	27
Suspended solids (GF/A), tonnes	211	262	342	569	426
Total N, tonnes	40	41	55	43	32
Total P, tonnes	1.6	1.7	2.0	2.1	1.9

1) The emissions data for transports is based on the IVL report "Emissions from transports linked to AssiDomän Frövi". Emissions are calculated on the basis of tonne-km or vehicle-km. For this reason there is no information about fossil fuel transports. The emissions data includes internal transports, transport of raw material to the mill and transport of finished products to customers. The data is adjusted upwards by 3.2% compared with 2004 (3.2% increased production).

# Social responsibility

## Important events 2005

**During the year, Sveaskog's work on sustainable development focused particularly on social responsibility. Comprehensive efforts were made to clarify Sveaskog's commitments within this area.**

Measurable targets and indicators have been developed for social responsibility. Existing systems for results follow-up and reporting will in future be adapted to handle social performance.

Some key steps taken during the year are summarised below.

Measures for Sveaskog's social responsibility, 2005	Status
Adopt a code of conduct with underlying policies and guidelines	✓
Develop measurable social targets	✓
Development management function for social responsibility	✓
Publish a separate report for social and environmental responsibility	✓
Sveaskog to join Global Responsibility	✓
Update equal opportunities policy	✓
Formulate guidelines for sustainable forestry	✓
Formulate new import policy for responsible timber purchases	✓

### ■ Code of conduct

Sveaskog's Board adopted a code of conduct in 2005 which clarifies how Sveaskog must act as employer, business partner and member of society. The code of conduct clarifies responsibility and the importance of an ethical and responsible attitude, both within the company and towards the business environment.

The code of conduct covers:

- Working environment, health and safety
- Employees, personnel policy, equal opportunities
- Business ethics, customers, suppliers
- Human rights, labour law
- Information and communication

The code of conduct also clarifies the responsibilities that Sveaskog's employees have towards each other and the company. All employees have a responsibility and an obligation to comply with the code of conduct, which is published on the website. Routines for anonymous reporting and handling infringements can be found on the intranet and website.

It will be mandatory to go through the code of conduct when joining the company, at performance reviews, negotiations and follow-up of operations.

The code of conduct is broken down into social targets and key performance indicators (KPIs) that are followed up annually through collection and processing of non-conformances and KPI data.

### ■ Global Responsibility and Global Compact

In 2005 Sveaskog joined Global Responsibility, which is the Swedish government's initiative for promoting Swedish companies' work for human rights and sustainable development. Sveaskog supports the UN Global Compact's ten principles on human rights, fundamental principles and rights at work, anti-corruption and an improved environment. In 2006, Sveaskog will submit a report to the UN Global Compact's secretariat on how the company works with these principles so that the company can join the Global Compact.

#### Swedish Partnership for Global Responsibility

Global Responsibility is the Swedish government's initiative to encourage Swedish companies to conduct themselves in accordance with basic international norms with regard to human rights, labour conditions, environmental consideration and the fight against corruption. These are based on OECD guidelines for international companies and the ten principles in the UN Global Compact. These guidelines should form the starting point for companies' work with Corporate Social Responsibility (CSR). See [www.ud.se/ga](http://www.ud.se/ga)

### Global Compact

Global Compact is the UN initiative designed to convey and encourage responsible corporate citizenship. More than 2,400 companies in more than 80 countries are affiliated to the Global Compact and thus to the platform with ten principles on human rights, fundamental principles and rights at work, anti-corruption and an improved environment. See [www.unglobalcompact.org](http://www.unglobalcompact.org)

#### ■ Responsible timber purchases

Sveaskog purchases timber from both Swedish and foreign timber suppliers.

Timber purchases from Swedish forest owners are regulated by special guidelines. Sveaskog offers small, private forest owners silvicultural services in conjunction with purchases such as replanting, pre-commercial thinning and thinning.

For timber purchases from other countries, laws in the respective country of origin provide a starting point for the requirements set by Sveaskog. During the year, Sveaskog adopted a new import policy for timber purchases outside Sweden. The raw material purchased by Sveaskog may not come from illegal felling, forests in need of special protection or forests where there are extensive conflicts. In order to minimise the risk of this, Sveaskog works to guarantee and control traceability for all timber purchased from foreign

players. Sveaskog has two Chain of Custody (CoC) certificates for traceability – one certificate in accordance with FSC standards and one according to PEFC standards. The traceability certificate enables the origins of the raw material to be guaranteed – from the forest via industry to the consumer. The consumer can choose a certified product and know that there is a system for checking the origins of the raw material. This is done, among other things, through random checks and visits to felling sites.

The aim is that the ongoing work on developing the traceability system with more frequent random sampling and systematic follow-up will be completed by 2007. The traceability system will then include all Sveaskog’s suppliers. One key part of risk elimination is ensuring compliance with Sveaskog’s code of conduct in relations with suppliers.

Measures to achieve the target for responsible timber purchasers in 2005	Status
Update policy for timber purchases outside Sweden	✓
Introduce the traceability system to include all suppliers	Under way
Control of traceability and origins through annual random samples	✓
Traceability certification (FSC) by independent certification company (Baltic countries)	✓

Sveaskog has a new import policy for timber purchases outside Sweden. For example, raw material may not come from illegal felling.

# HUMAN RESOURCES

In 2005, Sveaskog had approximately 770 employees. The average number of employees amounted to approximately 1,100.

## ■ New equal opportunities policy

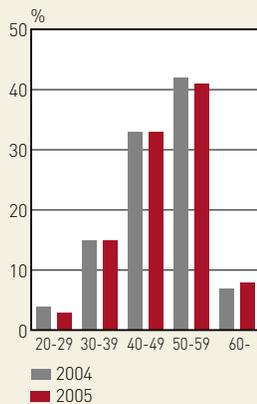
Sveaskog makes efforts to give all employees a stimulating and responsible job in a working environment characterised by respect and confidence in each individual employee. In 2005, Sveaskog clarified its objectives and control documents within human resources, including a new equal opportunities policy adopted by the Board. Work on equal opportunities will be conducted throughout the organisation which means that all employees have a responsibility to make Sveaskog a more equal workplace.

## ■ Employee survey VIS

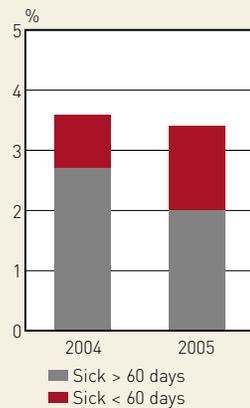
One key tool for measuring how Sveaskog functions and is perceived as an employer is the "Vi i Sveaskog" (Us at Sveaskog, VIS) employee survey. This contains questions relating to a number of areas from company level to employee level. On the basis of results from VIS, each manager in consultation with employees identifies possible areas for improvement and develops action plans for these. VIS is followed up in Group management which formulates a number of prioritised targets. VIS was carried out for the third consecutive year in autumn 2005, with Svenska Skogsplantor taking part for the first time. As in previous years, more than 80% of employees participated in the survey.

## Employees forestry operations

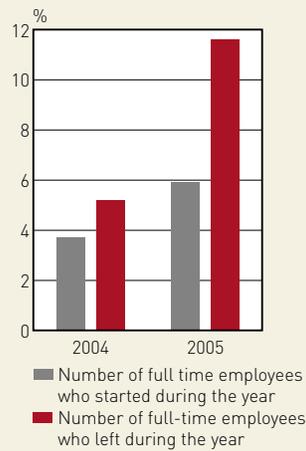
AGE STRUCTURE



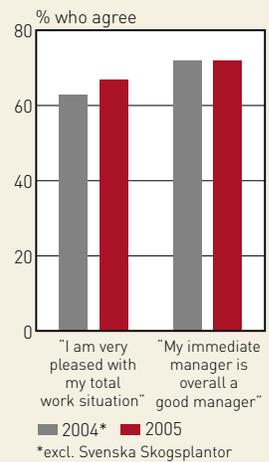
ABSENCE DUE TO ILLNESS



EMPLOYEE TURNOVER



VIS "ASSERTIONS" % WHO AGREE



Twice-weekly gymnastics are organised at the Bergshamra office. Caroline Wejstorp is project manager for the ecoparks.



Jens Chagallo works as a personnel specialist.



Stina Moberg works in Östersund as district manager for Forestry in the south Norrland district.



## Skills development and participation

**The aim is that Sveaskog should be perceived by employees and the business community as an employer that offers stimulating and responsible work. It is important that all employees receive the skills development they need to do a good job. A good reputation as an employer will make it easier for Sveaskog to attract competent employees in the future as well. This helps meet the company's skills procurement needs.**

Every employee must have the right skills for his or her working duties and be offered resources and opportunities for skills development. Sveaskog believes that greater employee participation is good both for employees and the company's business. Sveaskog's employees will be given opportunities to influence their own and the company's development.

### Target: "SKILLS DEVELOPMENT AND PARTICIPATION"

In the 2005 VIS survey, 55% of employees considered that they were given the skills development they feel they need. 60% felt involved when targets and plans are drawn up for operations.

The performance review is an important opportunity to discuss matters such as development of the employee's work or the need of skills development. It is important that these reviews are conducted with high quality.

The 2005 VIS survey showed that 75% of employees had attended a performance review over the past 12 months. Of these, 67% were pleased with the quality of the discussion.

In order to guarantee the quality of performance reviews, managers received training in such reviews on seven

Skills development measures	2005	2004
Update personnel policy	✓	✓
Training days per employee	4.1 days	5.2 days
Internal mobility	✓	✓
Performance reviews	✓	✓
Employee surveys	✓	✓*
Individual skills development plans	✓	✓

\* Excl. Svenska Skogsplantor

### Cutbacks in northern Sweden

During the year Sveaskog implemented an extensive adjustment of resources in the felling organisation in northern Sweden. This process started in 2004 and took longer than estimated due to the storm Gudrun. Sveaskog's machine teams, with some 70 machine operators, as well as contractors were affected.

The aim was to create a felling organisation that remains competitive and to treat redundant employees with responsibility and respect. Employer representatives have conducted this process in close co-operation with the Swedish Wood and Forest Trade Union negotiator. Information has been continuously provided by both the employer and the trade union representative. Co-operation has functioned very well. The employee cutbacks were made using a so-called "tool box". Most redundancies took the form of early retirement.

Once their employment ceased, employees were offered a number of activities through the Job Security Fund.

occasions in 2004 and 2005. 70% of managers attended. This training will continue in 2006.

During the year a number of training programmes were planned and implemented. Within IT, a number of business-related programmes were carried out. In addition, training in driving skills was offered to Sveaskog's machine teams.

In autumn 2005, Sveaskog's recruitment policy was complemented with new guidelines for internal recruitment. Through greater internal mobility, Sveaskog hopes to be able to spread knowledge and good ideas within the organisation as well as create stimulating development opportunities for employees.

In order to guarantee the future recruitment base, Sveaskog co-operates with upper secondary school forest and natural science programmes, professional training programmes and a number of university education programmes.

# Working environment and health

**Healthy employees with a low absence due to illness provide a good foundation for a profitable company. Sveaskog seeks to promote employee health and provide its employees with a good and safe working environment. The intensive work with storm-felled forest put a special focus on working environment issues during the year.**

**Target: "GOOD WORKING ENVIRONMENT WITH WORK TO PREVENT INJURIES AND ACCIDENTS"**

The effects of internal working environment work are followed up and evaluated among other things through the VIS surveys that provide a good picture of how employees perceive their working situation. The 2005 survey showed that 68% of employees consider that they have a good working environment.

Sveaskog reports accident frequency i.e. the number of notified work injuries that led to absence due to illness. In 2005 there were 13 accidents per 1,000 FTEs.

In 2005–2006 all managers with personnel responsibility and safety representatives will attend internal training related to the working environment. In this way Sveaskog is attempting to strengthen the local working environment organisation and systematic working environment work.

The storm Gudrun led to exceptional working efforts. The clearance work meant increased risks in particular for employees who work with motor saws. For this reason a number of preventive measures were taken before this work started. Experienced instructors checked skills and accident preparedness and in the worst hit areas the teams were visited by a company nurse. The working environment for the salaried employees affected was also followed up.

**Target: "HEALTHY EMPLOYEES – LOW ABSENCE DUE TO ILLNESS"**

The total absence due to illness decreased slightly during the year and is now 3.4%. Sveaskog's target is absence due to illness of less than 3.3%.

Measures working environment and health	2005	2004
Follow-up of working environment policy and associated routines	✓	✓
Follow-up of personnel policy	✓	✓

The proportion of absence due to illness among women was 4.2% and the target is that this should be below the national average which is currently 4.7%.

Another health metric is long-term healthy\* employees. Sveaskog had 43.9% long-term healthy employees in 2005.

\* Long-term healthy: proportion of employees who have been employed for at least three years and not been absent due to illness in the past two years.

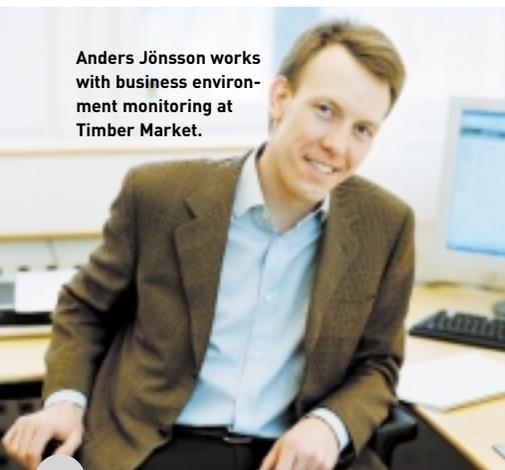
All employees, permanent and project-employed, have access to company health care. Company health care is mainly used as an expert resource in preventive working environment work and adjustment and rehabilitation matters.

All employees have access to subsidised exercise and keep-fit activities.

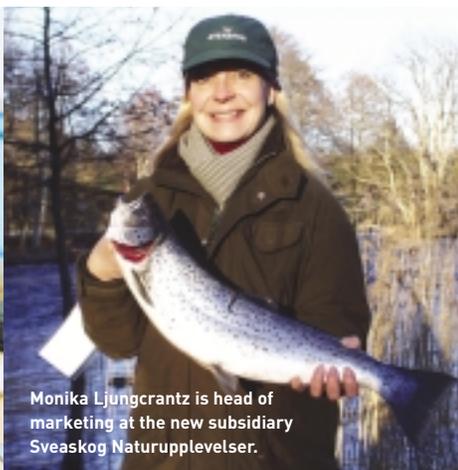
### A tragic fatal accident

A very tragic fatality occurred at the end of the year when a machine operator suffered an accident at work. An investigation into this accident was conducted together with the police and the Swedish Work Environment Authority. Their report stated: "The Swedish Work Environment Authority finds that the immediate relief work, the care taken of the person who found his dead colleague, was handled in an exemplary manner. The company had routines for how such a severe accident should be handled and these were followed."

Within Sveaskog work is now under way to learn from this accident by further improving the working environment in the forest sites. New working environment routines to minimise the risk of this type of accident at work have been introduced.



Anders Jönsson works with business environment monitoring at Timber Market.



Monika Ljungcrantz is head of marketing at the new subsidiary Sveaskog Naturupplevelser.



Leif Nilsson and Gunnar Karlsson are felling managers in the south Norrland district.



# 30 years in the forest

**From muscle power to computer power. During his 30 years in the forest – and 25 years at Sveaskog – Jörgen Stjernkvist’s work has changed. But then it hasn’t.**

Jörgen Stjernkvist shuts off the motor on his forest machine and all is quiet in the Småland forest: a faint breeze in the trees, the branches sway in the wind and the mewing call of a buzzard can be heard in the distance.

For 30 years Jörgen Stjernkvist has worked in the forest. He has witnessed the entire development “from the hewing age to the machine age”.

“When I started, we worked in two or three man teams with motor saws. Today I work alone, with one of these,” says Jörgen and points to his four-million kronor harvester that fells, lops, cuts and stacks in grades in just a few minutes. Technical development has made Jörgen’s work safer.

“Accidents can happen easily with a motor saw,” says Jörgen, who has a scar on his chin to remind him of a motor saw early in his career.

He has been driving forest machines since the end of the 1980s. It is safer than working with a motor saw, but still requires considerable concentration. Jörgen Stjernkvist works in three-hour shifts, then he changes to other tasks, such as planning and manual motor work. Concentration must be perfect, particularly when thinning since the trees that are left must not be damaged.

## □ Alone and responsible

Of his 30 years in the business, Jörgen has worked for Sveaskog and its predecessors for 25. Recruitment of machine operators is low, as is employee turnover.

“I enjoy working for Sveaskog and I like what I do,” says Jörgen, explaining his long employment period.

Despite his years in the company, Jörgen knows few of his colleagues. Jörgen has breakfast with his team mate Larry, but otherwise spends most of the time in his machine with a map of the felling area. He gets information about what is happening in Sveaskog via the intranet.

It is responsible work. The felling manager decides on planned fellings but is not there inspecting in the field. Jörgen Stjernkvist therefore has considerable personal responsibility for consideration for nature according to the FSC. He is also responsible for ensuring that the felled trees are used in the most profitable manner. To help him he has a computer programme in his cab which shows the maximum return for every tree. He can see the length and diameter of every tree he fells.

“I still have to check for knots in the trunk and if there is root damage. It’s mostly the same job today as before, it is really the technology that has changed,” says Jörgen.

**Name:** Jörgen Stjernkvist

**Age:** 45

**Employed at Sveaskog:** since 1980

**Profession:** machine operator, Sveaskog

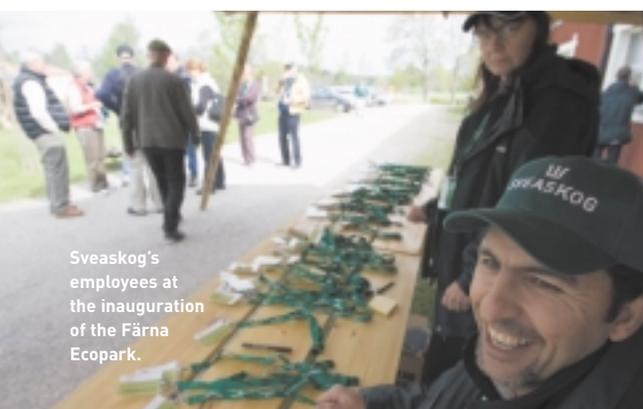
**Workplace:** Kungsgården crown forest area, near Älmhult in Småland

**Family:** wife and two daughters

**Pets:** two dogs, one horse, one cat

**Interests:** hunting

## Employee facts



	2005	2004	Trend
<b>EMPLOYEES</b>			
Average number of employees	1,116	1,098	→
- proportion of women, %	15.2	14.8	→
- proportion of men, %	84.8	85.2	→
Number of employees	773	805	→
Number of training days per employee/year	4.1	5.1	↘
Employee turnover, %	5.9	3.7	↗
Average age	48	48	→
<b>HEALTH AND SAFETY</b>			
Number of reported work accidents*	13	-	
Total absence due to illness	3.4	3.6	→
- proportion of men	3.2	3.3	→
- proportion of women	4.2	5.3	↘
Long-term absence due to illness - % of total absence due to illness	60	78	↘
Long-term healthy, %**	43.9	47.7	→
<b>EQUAL OPPORTUNITIES</b>			
Proportion of women at group management level, %	33	0	↗
<b>EMPLOYEE SURVEY***</b>			
Proportion of satisfied employees regarding performance reviews, %	67	65	→
Proportion of satisfied employees regarding skills development opportunities, %	55	-	
Proportion of satisfied employees regarding participation opportunities, %	60	54	↗
Proportion of employees who perceive that they have a good working environment, %	68	-	

\* Notified work accidents that led to at least one day of absence due to illness/1,000 FTEs.

\*\* Proportion of employees employed for at least three years and not absent due to illness in the past two years.

\*\*\* Svenska Skogsplantor not included in 2004.

# Part-time doctor

**Urban Nordmark recently became a Doctor of Engineering at Luleå University. He has studied and worked in parallel for four years. Sveaskog funded parts of his post-graduate studies. "A fantastic skills development opportunity," says Urban.**

"It's good if you know roughly what the planks are going to look like before you saw them. Then it is possible to increase the value of the wood raw material considerably."

And Urban Nordmark, Sveaskog employee for nine years, knows a lot about what planks look like before they are sawn. He has taken his doctorate in the subject. During working hours.

For four years he has studied for his doctorate 80% and worked with small projects for Sveaskog 20%. This was possible due to Sveaskog's scholarship fund where employees can apply for funding to study for a licentiate or doctorate. As an industrial post-graduate, Urban Nordmark's studies were partly financed by Sveaskog and partly by the state via Vinnova.

"This arrangement worked very well and enabled me to take my degree in the planned time," says Urban Nordmark who defended his doctor's thesis in the summer.

## ■ 20 million kronor per year

The thesis presented alternatives for assessing "how planks look before they are sawn". Or, in other words: more effective techniques for measuring trunks and logs before cutting and sawing.

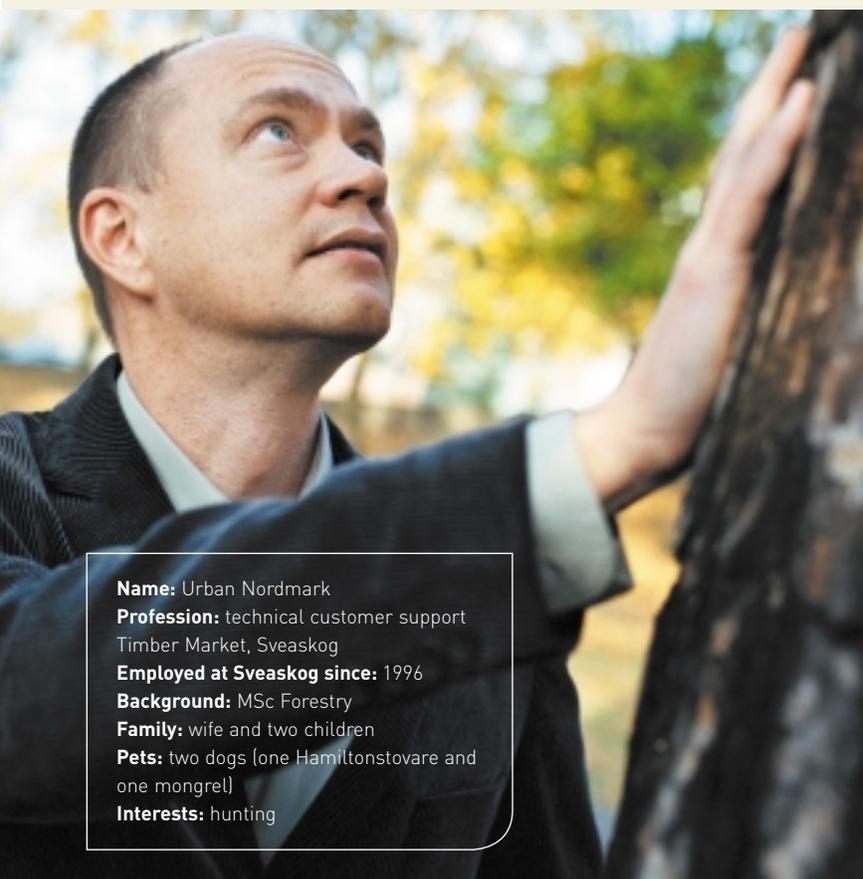
Urban Nordmark has shown that by measuring the logs with a laser and describing them three-dimensionally, it is possible to simulate how the logs should be sawn for maximum return. Previously, standards and rules of thumb were used to estimate what sawn dimensions can be obtained from a log.

"Three-dimensional measurement of the entire tree trunk before it is cut into logs is preferable," says Urban. He explains that the value can increase by SEK 40 per cubic metre of timber through better utilisation of the trunk.

"For a medium-sized sawmill, that processes 500,000 cubic metres of timber per year, this means an annual earnings improvement of about 20 million kronor," Urban explains. "The technology exists today but has to be adapted. Changes will also be required in machines and working methods in order to obtain the entire possible improvement in value."

## ■ Technical customer support

Urban Nordmark is now back at Sveaskog full-time and is no longer conducting any research of his own. "No, but I give a number of presentations," says Urban who also takes part in several external R&D co-operations where he represents Sveaskog. Otherwise, Urban works in Piteå with technical customer support for Sveaskog's account managers and industrial customers on matters related to preparation and properties of the raw material.



**Name:** Urban Nordmark  
**Profession:** technical customer support  
 Timber Market, Sveaskog  
**Employed at Sveaskog since:** 1996  
**Background:** MSc Forestry  
**Family:** wife and two children  
**Pets:** two dogs (one Hamiltonstovare and one mongrel)  
**Interests:** hunting

## Facts: Research and development

By investing in research and development, Sveaskog wishes to encourage developed and new applications for wood raw material.

Sveaskog co-operates with customers, universities and colleges and participates in industry-wide ventures at research institutes such as the Forestry Research Institute of Sweden, Tråteknik (a collective research and development resource for the Swedish timber and wood manufacturing industries) and STFI-Packforsk. Some examples:

- STFI-Tools for wood and fibre streaming which measure and calculate fibre properties so that the best raw material can be chosen depending on the properties that are important in different pulp and paper products.

- WURC-Wood Ultra Structure Research Centre which is a competence centre focused on measuring and describing fibre structure and
- Wood material science and engineering which is a Swedish-Finnish co-operation with both basic and applied research, including development of wood composites for outdoor use.
- Träcentrum Norr which seeks to raise value-added for the wood products industry through new products.
- Swe Tree Technologies which researches into the biology and biochemistry of trees for the development of new products.

## Diversity

**Sveaskog seeks diversity in terms of age, cultural and ethnic background, and educational background. Sveaskog considers that diversity creates added value in employee relationships, which has positive effects for the company and business relations.**

**Target: "DELIBERATE RECRUITMENT FOR A LOWER AVERAGE AGE AND EMPLOYEES FROM DIFFERENT CULTURAL AND ETHNIC BACKGROUNDS"**

Many jobs within Sveaskog have a homogenous recruitment base which is reflected in the organisation. This is a problem that is shared with other industries. Diversity work comprises different efforts, both at Sveaskog and in industry-wide drives, to try to get more and different groups interested in the forest industry.

Sveaskog is an active participant in several industry projects including "best practical work experience for schoolchildren in Sweden" and "the forest at school" designed to increase interest in the forest and related work. Through long-term efforts to attract both young and new groups to the forest industry the trend towards a higher average age will be counteracted and recruitment of employees from different backgrounds made possible. The average age in 2005 was 48.

As a complement to work with schools, Sveaskog seeks additional ways to increase diversity.

Diversity activities in 2005	Status
Action plan to increase cultural and ethnical diversity	-

## Equal opportunities

**The forest industry is traditionally male-dominated. Sveaskog conducts active equal opportunities work in order to achieve a better balance between women and men. In addition to the annual equal opportunities plan, an equal opportunities policy was adopted in 2005.**

**Target: "BALANCE BETWEEN MEN AND WOMEN IN THE COMPANY"**

Women account for 60% of Board members and 33% of group management, two members out of six. The proportion of female managers is 14%. Sveaskog wants to increase the proportion of women in leading positions.

Equal opportunities were discussed at one of Sveaskog's two manager meetings. Questions raised included how employees treat each other at the workplace and the right to be treated with respect both in the professional role and as a private person.

Since 2003, there has been a network within Sveaskog of women working in forestry which has some 30 members. Together, they arrange meetings and activities. During the

year these included a seminar where the theme was equal opportunities and profitability. The network's goal is to improve the exchange of experiences and create clear female role models in the company. In this way, Sveaskog hopes to be able to attract more women to the organisation.

Recruitment guidelines were produced in 2004 which support the aim of increasing the number of female applicants. These include providing the name of a contact from the women's forestry network in advertisements for normally male-dominated jobs.

Equal opportunities activities	2005	2004
Equal opportunities plan incl. salary survey	✓	✓
Updated equal opportunities policy	✓	-
Recruitment guidelines	✓	✓
Extension of parental salary*	✓	✓
* Svenska Skogsplantor has no extended parental salary in addition to statutory and agreements.		



**Name:** Christine Johansson  
**Age:** a certain age  
**Profession:** Timber purchaser  
**Employed at Sveaskog:** since 1996  
**Background:** forest engineer Swedish Forest Agency  
**Family:** husband and two teenage sons  
**Pets:** small-scale kennel, five Gordon Setters  
**Interests:** hunting and gun dog training

# The right stuff

**Christine Johansson spends most of her working hours in the forest or in her car. She is employed at Sveaskog and has worked with timber purchasing from private forest owners in the Malå, Arvidsjaur, Arjeplog and Sorsele area for ten years.**

Planning, making the right selection and buying. That's how a normal day at Sveaskog looks for Christine Johansson. She buys timber from private forest owners that Sveaskog then sells on to sawmills and the pulp industry. It is not as easy as it sounds: making good deals and the right judgements require knowledge of laws and regulations as well as timber quality.

"You need humility and empathy, but also the ability to strike a deal," Christine explains. "The work demands both analytical ability and social skills."

## ■ Responsibility and job satisfaction

Being a timber purchaser is being part of a chain where every link must work. Good co-operation with Sveaskog's felling manager is everything. Christine is responsible to the timber supplier for ensuring that the right forest is felled in the right

way in accordance with the agreed contract. Sveaskog is also responsible for new planting if the forest owner wishes.

Christine shares an office with Setra's Malå sawmill, but she is often out and about. The district is large and covers Malå, Arvidsjaur, Arjeplog and Sorsele, which requires her to structure her work and plan her journeys efficiently. Christine drives 30,000–40,000 km per year in an eco-compliant white Skoda that bears the Sveaskog logotype.

"This is a job that offers a lot of freedom and personal responsibility," says Christine who is one of four female timber purchasers at Sveaskog.

"It's no disadvantage to be a woman, when you are doing business, on the contrary," claims Christine, who shows good results and purchases more timber than most people.

Christine describes herself as competitive and has a background in sports (cycling and skating). This helps her in her work.

"You have to be both forceful and co-operative. A good timber purchaser must be able to communicate and be aware," says Christine.

"There is also a social side. You have to find time for a coffee."

# COMMUNITY RESPONSIBILITY

## Prosperity, local development and outdoor activities

**Sveaskog seeks to contribute to prosperity and sustainable development in the local communities in which the company operates. In addition to creating economic growth through forestry, Sveaskog enables other business segments to work in the forest. The company wishes to develop the economic, ecological and social values of the forest and create conditions for an active outdoor life. Sveaskog seeks an open and active dialogue with different stakeholders, locally and at national level.**

**Target: "THROUGH OUR OPERATIONS ENABLE DIFFERENT BUSINESS SEGMENTS TO OPERATE IN THE FOREST"**

Sveaskog's forestry provides employment opportunities in parts of the country where there is a shortage of jobs. Pages 38–39 describe how Sveaskog contributes to local employment in Norrbotten. In addition to direct jobs, Sveaskog contributes to employment for contractors, suppliers and service industries. In Norrbotten and Västerbotten, Sveaskog has adjusted its felling organisation to lower felling levels. This has been done responsibly in consultation with trade unions. Redundant employees have been offered pension solutions and other alternatives.

■ **Reindeer industry**

Sveaskog complies with the FSC's principles with special obligations with regard to relations with local communities, for example the reindeer industry in Sami villages. Sveaskog has ongoing consultations about forestry activities with the affected Sami villages.

■ **Research and development**

Sveaskog conducts active R&D. Prioritised areas are technology, growth/climate and new applications for wood raw material. For the latter, Sveaskog participates in a project at Smurfit Kappa Kraftliner in Piteå for gasification of black liquor, as well as in a pilot plant in Örnsköldsvik for ethanol production. Sveaskog is also involved in a project to develop a new crane for harvesting machines that increases the machine's performance and improves the driver's working environment, as well as a project involving mass propagation of the genetically very best spruce. Sveaskog has invested in Swe Tree Technologies AB, which conducts research into the biology and biochemistry of trees in order to develop new products for the forest industry. Together with other forest industry players, Sveaskog has formed Träcentrum Norr, which will increase added value for the wood products industry through new and developing products.

Starting in 2006, Sveaskog will contribute to a research project for increased forest production, run by SLU's forest

engineering faculty as well as a research project into Forest and Health. Sveaskog invested a total of MSEK 15 in R&D in 2005.

■ **Nature-based tourism**

Sveaskog leases out approximately 85,000 ha of land and has 105 agreements with entrepreneurs within nature-based tourism. The company will invest further in co-operation with local business in the newly formed subsidiary Sveaskog Naturupplevelser AB. Sveaskog has initiated a co-operation with the Norwegian Forest Authority (Statskog) on a marketplace for nature-based tourism [www.inatur.se](http://www.inatur.se) to be launched in spring 2006. Entrepreneurs will be able to market and sell their products within nature-based tourism via this marketplace.

The focus for Sveaskog's investment in nature-based tourism is initially northern Sweden and to develop leases, models and working methods for co-operation between different uses for Sveaskog's land holdings.

**Target: "DEVELOP FOREST VALUES BY CREATING CONDITIONS FOR AN ACTIVE OUTDOOR LIFE"**

Sveaskog maintains approximately 43,000 km of roads for its forestry activities. These roads also make visiting the forest easier for berry pickers, hunters and others who wish access to the Swedish countryside. During the year Sveaskog invested about MSEK 8.5 in recreation areas – maintenance, picnic areas, paths, signs, guides, etc. – to make the forest more accessible.

Sveaskog's hunting grounds comprise 4.5 million ha and are leased to some 3,200 hunting teams. Approximately 27,000 people hunt on Sveaskog's land each year. In addition, Sveaskog offers hunting to people who do not lease land, among other things in co-operation with entrepreneurs and hunting teams.

Sveaskog is one of the largest owners of waterways in Sweden. Sveaskog's fishing permit offers fishing in approximately 1,000 Swedish waterways. About 57,000 fishing permits

were sold in 2005. Sveaskog has decided to set up 34 ecoparks. Eleven have been inaugurated, including five in 2005. Ecoparks are large contiguous landscapes with major ecological values, where Sveaskog has high environmental ambitions. Sveaskog focuses on facilitating outdoor activities and providing instructive nature experiences in its ecoparks.

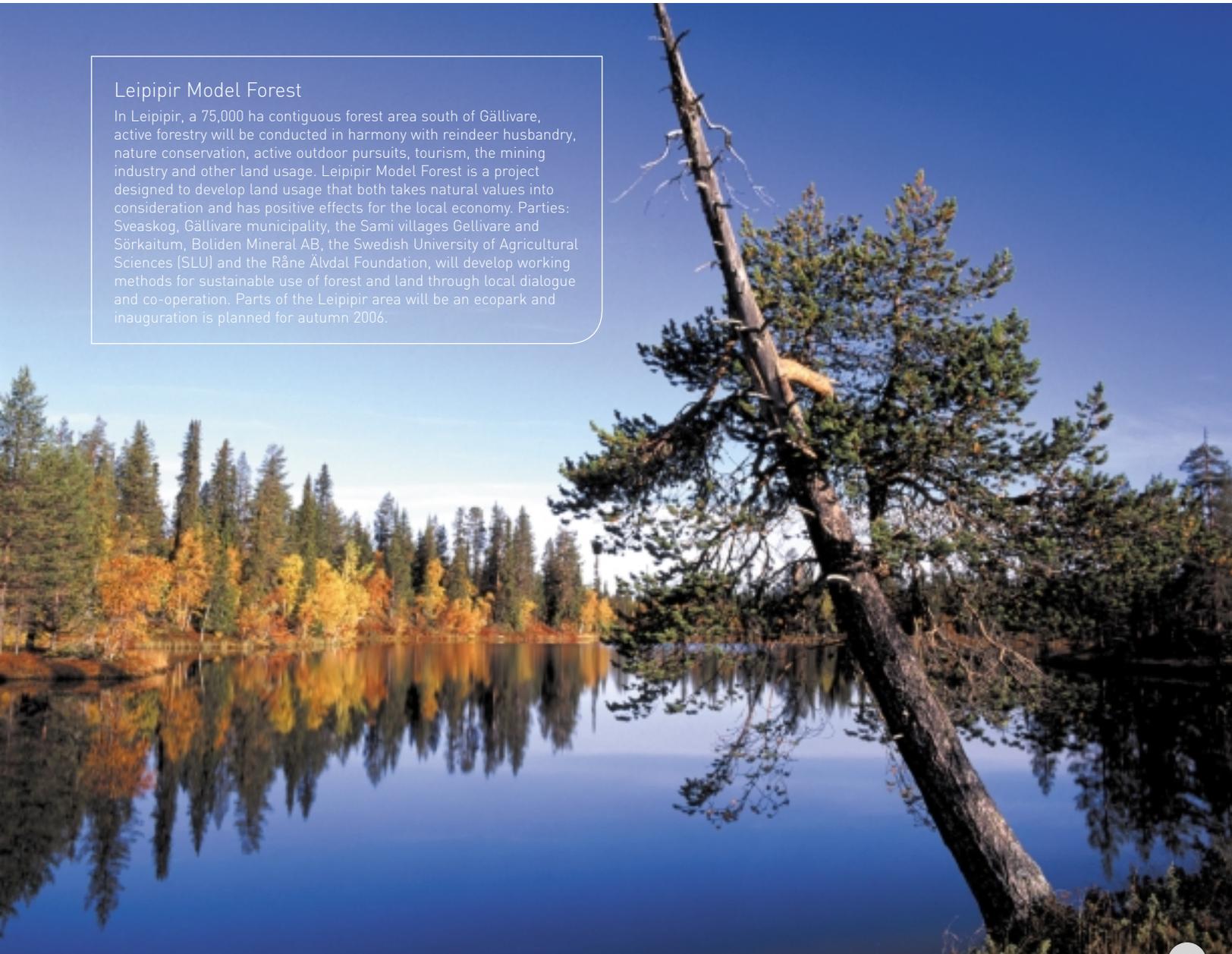
Sveaskog has approximately 20 outdoor recreation areas, some of which have a large number of visitors, such as Omberg by Lake Vättern, Kilsbergen outside Örebro and Storforsen outside Piteå.

Sveaskog and the Swedish Orienteering Federation, SOFT, signed an agreement in 2005 to continue co-operation until

December 2008. Sveaskog will invest about MSEK 7.5 over the next three years to support Swedish orienteering. Most of these funds will be used for the school and youth project, the Forest Adventure. So far, approximately 40,000 children have taken part and learned about the life cycle of the forest, nature conservation, legal right of access and orienteering using a map and compass. The co-operation between Sveaskog and SOFT also extends to the national orienteering team, O-Ringen (five-day competition) and Naturpasset (orienteering map). Sveaskog also supports the Swedish Fly Fishing Team. Sveaskog contributed about MSEK 5 to sponsoring activities in 2005.

#### Leipipir Model Forest

In Leipipir, a 75,000 ha contiguous forest area south of Gällivare, active forestry will be conducted in harmony with reindeer husbandry, nature conservation, active outdoor pursuits, tourism, the mining industry and other land usage. Leipipir Model Forest is a project designed to develop land usage that both takes natural values into consideration and has positive effects for the local economy. Parties: Sveaskog, Gällivare municipality, the Sami villages Gellivare and Sörkaitum, Boliden Mineral AB, the Swedish University of Agricultural Sciences (SLU) and the Råne Älvdal Foundation, will develop working methods for sustainable use of forest and land through local dialogue and co-operation. Parts of the Leipipir area will be an ecopark and inauguration is planned for autumn 2006.



**Target: "AN OPEN AND ACTIVE DIALOGUE WITH DIFFERENT STAKEHOLDERS, LOCALLY AND AT NATIONAL LEVEL"**

In order to encourage the exchange of information with local communities, Sveaskog has held its Forum Sveaskog dialogue meetings at 14 locations in Sweden since 2003. Forum Sveaskog are local meetings to which Sveaskog invites people interested in the forest, customers, politicians, environmentalists, authorities, suppliers, organisations and other players in order to increase knowledge of the company, create greater transparency and note needs, opinions and questions. Meetings arranged by Sveaskog in 2005 were attended by over 400 people. At least seven meetings are planned for 2006.

Sveaskog holds regular consultations with the Sami people on land where reindeer husbandry is conducted. During 2005 about 100 consultations were held with Sami concerning some 34,500 ha of land.

Ongoing dialogue and consultations with authorities, researchers, local residents, environmental groups, ornithologists, anglers, hunters, tourist entrepreneurs, local associations and regional development groups about forest

production, nature conservation and other land usage matters, are a natural part of Sveaskog's operations. These consultations comprised an estimated 530 working days in 2005. Work with Sveaskog's ecoparks is largely based on consultations with experts and local stakeholders. As a local player, Sveaskog participates in a large number of working groups, management groups and associations.

Sveaskog seeks to develop more and new forms for local dialogue about land usage in order to increase the insight and participation of different stakeholders already at the production planning stage and nature conservation.

In addition to its own ecopark inaugurations, forest excursions and school days, Sveaskog took part in a number of trade fairs and events, such as the Elmia Wood fair, the Wilderness Fair, the Angling Fair and the International Symposium on Society and Resource Management (ISSRM). Sveaskog arranged the annual Researcher Day in November – the subject this year was biodiversity. Sveaskog co-operates with schools and takes part in the "Forest in school" project. In 2005, Sveaskog had some 90 co-operations with schools around the country.



Henrik Ekman interviews Christina Lindahl, nature conservation director at the County Administrative Board in Västmanland, at the inauguration of the Färna Ecopark.



Sveaskog co-operates with schools all over Sweden. At the Forest in school in Sveg, students could drive a forest machine.

**COMMUNITY RESPONSIBILITY**

	<b>2005</b>
Number of employees	773
Total salaries paid, incl. payroll overhead	MSEK 545
Stakeholder dialogues	
- number of Forum Sveaskog/number of participants	6/402
- number of consultations with Sami villages/time spent in working days	c. 100/320
Total outdoor recreation areas, ecoparks and nature reserves, ha	c. 210,500
Investments in maintenance of recreation areas, ecoparks and nature reserves	c. MSEK 8.5
Total contribution to R&D	c. MSEK 15

# Hunting for change

**Magnus Johansson is a hunt leader on Sveaskog's land outside Kalmar and has many opinions as to how game management can be developed and changed.**

Ryssby church, Rockneby, north of Kalmar. Magnus Johansson is driving to the meeting place in a white Volvo with his gun dog Nexus in a cage in the back. The journey continues through the forest and the road is lined with tall pines, boulders, scrub and, here and there, a hunting tower. This is Magnus Johansson's hunting area. He runs the Askarmåla hunting team and has been hunting on Sveaskog's land for over ten years. He is actively involved in efforts to influence and change game management.

Sveaskog's aim is to create a good balance where game herds are big enough to be attractive to hunters, while game feeding damage in the forest can be kept at a reasonable level. This can be done, among other ways, by increasing game feed production and Sveaskog is currently developing methods for this.

## ■ Major owner, major responsibility

Magnus Johansson is of the opinion that a major forest owner should also accept a major responsibility for elk stocks.

"If you want to raise the quality of the elk stock you shouldn't just look at the land leased by individual hunting teams, you have to take responsibility for the elk stock in larger areas."

In many respects, Magnus Johansson shares Sveaskog's views on how game stocks can be improved through voluntary measures. Cuttings can be planted as elk feed. Forest roads that are widened contribute to increased feed production for game on the verges. Power line corridors are also good for feed production.

"Improving elk stocks is in the interests of both landowners and hunters," says Magnus Johansson. "Game is not a burden that causes gnawed bark and damage in the forest, it is an important asset."

## ■ Communication

Magnus Johansson enjoys pushing forward development and says that a good dialogue between landowner and hunter is important to create an understanding among hunters for forestry.

"A spirit of co-operation and partnership is needed where hunters are informed about future clearance work on hunting grounds. Sveaskog could also encourage co-operation between different hunting teams."



**Name:** Magnus Johansson

**Age:** 53

**Background:** former head of Samhall, Mörbylånga

**Family:** bachelor

**Interests:** hunting and photography

**Pets:** one dog (Basset Griffon) and two cats

Magnus Johansson advocates a long-term approach to hunting and game management and, unlike Sveaskog, is dubious about hunting events.

"Leasehold hunting is long-term and leads to better consideration for nature. It might be okay to take people out into the forest to hunt for educational purposes," says Magnus Johansson.

## Facts:

Sveaskog's hunting grounds comprise 4.5 million ha. There are some 300,000 hunters in Sweden. Approximately 27,000 people hunt on Sveaskog's lands in 3,200 hunting teams.

Sveaskog works actively with game management, including educational and feed production activities to reduce game damage in the forest. Feed is produced through special clearance measures and by leaving bushes and trees for game. In the crown forest areas, game management and feed producing measures will be tested on a larger scale and in co-operation with game research. Sveaskog has started work in eight crown forest areas and is planning some 15 to 20 areas around the country.

Hunt leaders are offered training arranged by the Swedish Association for Hunting and Wildlife Management. This two-day training includes modern hunt management, ethics, legislation, target practice and taking care of fallen game. About 900 hunters attended this training in 2005.

## Ethics and good business relationships

**Sveaskog's relationships with customers and suppliers must be characterised by high integrity, professionalism, respect and good ethics. Sveaskog's reputation is based on the company being able to meet customers' expectations and preferences.**

**Target: "SVEASKOG'S BUSINESS RELATIONSHIPS WILL BE BASED ON CLEAR, WRITTEN AGREEMENTS WITH SUPPLIERS, CONTRACTORS AND CUSTOMERS"**

### ■ Satisfied customers and suppliers

The Customer Satisfaction Survey (CSS) performed in 2004, reported in the 2004 Annual Report on page 27, showed that the majority of Sveaskog's customers wanted to increase their purchases from Sveaskog in 2005. Many customers felt that Sveaskog could be better at putting itself in the customers' situation and taking the initiative for joint projects. In 2005, Sveaskog completed development of a new business management system, VALS. VALS provides better control of the timber flow. The felling team can see, even before they start work, what grades the customer wants. VALS will be placed on the website which means that suppliers and contractors, such as transport companies, can follow their part of the timber flow in detail.

A clearer role for Sveaskog as an independent player in the timber market was sought. In 2005, Sveaskog worked through its timber market strategy and clarified its role as an independent timber supplier.

The follow-up survey planned for 2006 will show how well Sveaskog has succeeded in improving within these areas.

Sveaskog continuously buys timber from some 8,000 private forest owners. The relationship with these suppliers was examined during the year using a so-called Satisfied Suppliers Index (SSI). The conclusion is that suppliers regard Sveaskog as a reliable and stable business partner with high competence to carry out forest-related services. Better reporting of completed deals and more activities and offerings designed to create relationships were sought. This index will also be a regular tool for continual improvement.

Sveaskog has decided to set up a Customer Centre which will open in March 2006.

### ■ Ethics, agreements and routines

In 2005, Sveaskog developed methods and routines for procurement of contractor services for logging, in order to ensure professionalism, high ethics and encourage development in contractor companies. Within the framework of this project, a procurement model was tested in some Sveaskog districts.

The results from the VIS employee survey show that 65% of employees agree that Sveaskog's activities are characterised

by high integrity and good ethics. Sveaskog has adopted a code of conduct with guidelines for business ethics and affiliated itself to Global Responsibility.

One key question is how Sveaskog's timber suppliers perceive that Sveaskog contributes to sustainable development. An opinion poll carried out in 2005 among 600 suppliers shows that 62% of Sveaskog's timber suppliers consider that Sveaskog combines community responsibility with economic profitability requirements. 47% consider that Sveaskog works actively with ecological and environmental issues and takes part in the debate for an eco-friendly society. This survey will be conducted regularly and therefore provide opportunities for comparison.

**Target: "INTRODUCE AND FOLLOW-UP THE CODE OF CONDUCT IN RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND CONTRACTORS"**

### ■ Code of conduct

Work on introducing the code of conduct started in 2005. Routines for reporting infringements have been adopted. Infringements can be reported on the website with guaranteed anonymity. Training for managers will be carried out in 2006.

Work is under way to develop the traceability system for imported timber to cover all suppliers. Work on more frequent random checks and setting up systematic follow-up and control is expected to be completed in 2007.

Sveaskog has updated its policy for timber purchases outside Sweden. Routine random traceability checks have been carried out, partly using independent assessors.



Bertil Andersson has supplied timber to Sveaskog for many years. He would like this good co-operation to be further developed.

## A more transparent Sveaskog

**Sveaskog will be perceived by employees and stakeholders as an open, competent, reliable and stimulating forest company that combines professionalism, environmental awareness and social responsibility.**

**Target: "MAKE SVEASKOG MORE TRANSPARENT AND VISIBLE IN ORDER TO INCREASE KNOWLEDGE OF SVEASKOG'S OPERATIONS AMONG EMPLOYEES, CUSTOMERS, TIMBER SUPPLIERS AND OTHER STAKEHOLDERS"**

### ■ Proud employees

In order to clarify Sveaskog's role and strengthen the co-operation between the company's different operating areas, Sveaskog formulated a mission and vision during the year. The vision "Sveaskog will lead the way in the development of forest values" distinguishes the company from others and clearly indicates that the forest is the company's core business.

One prerequisite for achieving the vision is that all employees have the same view of what the vision means for the company and their own work. During the spring, Sveaskog's president Gunnar Olofsson met all employees in Sveaskog's Forestry operations at eight district vision and strategy meetings. Sveaskog's assignment, objectives, vision, values, strategies and market conditions were presented and discussed at these meetings in order to create consensus about these matters.

Sveaskog's vision, objectives and strategies are described and illustrated on the company's intranet and are also followed up in the President's letter, that is addressed to all employees and published on the intranet every other week.

The results from the VIS employee survey show that more employees feel informed about what is happening in Sveaskog and that awareness of the company's assignment and objectives has increased. Seven out of ten employees understand how they can contribute to the achievement of Sveaskog's objectives. The proportion of employees who believe in Sveaskog's future as a successful company has increased and a majority say that they are proud to work at Sveaskog.

### ■ Openness and visibility

Despite Sveaskog's long history, it is a young company. The Sveaskog brand is well-known in the forest industry but relatively unknown among Swedish people who have an interest in the forests managed by Sveaskog. Many of Sveaskog's customers, timber suppliers and contractors want to know more about Sveaskog's focus, operations and plans.

In order to increase knowledge of and transparency into Sveaskog's activities, during the year the company developed the website, interim reports and newsletters with several articles that present its operations. Work has started on a company newsletter that will be issued starting in spring 2006



Sveaskog's flag flies over the Kalix office.

to employees as well as contractors, customers and other stakeholders.

Sveaskog's aim is that the media will have sufficient information to be able to describe and report on the company in an accurate and credible manner. During the year Sveaskog has actively provided relevant media with news about its operations and initiated an internal dialogue on how employees in the districts can identify and spread news locally.

The fact that many people are interested in Sveaskog's activities is confirmed at the conferences, forest excursions and trade fairs that Sveaskog arranged and attended during the year. More than 400 people took part in Sveaskog's local dialogue meetings, Forum Sveaskog, and even more came to the five ecopark inaugurations. Sveaskog's open annual general meeting in April and the Researcher Day in November were well attended.

### ■ Awareness of the offering

A survey shows that there is a need to increase awareness among residents and forest owners in northern Sweden about opportunities to buy land from Sveaskog. The company is therefore planning to intensify its information about this offering, starting in spring 2006.

A survey among forest owners and suppliers to the forest industry shows that Sveaskog is a well-known company with a good reputation. On the other hand, they feel that Sveaskog could be better at informing and communicating with forest owners. During the year Sveaskog developed its Kubiken newsletter which is addressed to the company's timber suppliers, and started work with simplified routines for reporting back, a separate website for suppliers and other measures designed to strengthen relationships.

Measures for a more transparent and visible Sveaskog	2005
Formulate vision and mission	✓
Update information policy	Under way
Develop brand and information strategy	✓
Graphic profile guidelines	Under way
Develop company newsletter	Under way
Build a new intranet	Started
Develop website	Ongoing
Dialogue meetings	Ongoing

# Sveaskog's importance for employment in Norrbotten

**Sveaskog's employees in the Swedish county of Norrbotten correspond to 200 full-time equivalents (FTEs) including seasonal workers. But the company's importance for employment in the county is considerably greater. Calculations show that Sveaskog generates approximately 1,700 FTEs in Norrbotten.**

Sveaskog's land in Norrbotten is 2 million ha, of which 1.4 million ha is productive forest land. Sveaskog is the largest single timber supplier to Norrbotten's wood products and pulp industry, from its own forests and via the company's purchases from other forest owners.

In contrast to a manufacturing company, Sveaskog has extensive outsourcing. A large part of work in the field is conducted by contractors, within for example felling, silviculture and planting. Transport of wood raw material to industry is carried out by private hauliers. Investments in roads, which include resurfacing, maintenance and snow clearance, are subcontracted. Sveaskog also purchases materials and other services.

Purchases of timber from private forest owners and organisations via felling assignments or as delivery timber, create employment and incomes for forest owners and their employees.

The direct and indirect employees are consumers of goods and services and are therefore important for other business activities out in the county. Normally, two jobs are estimated to generate approximately one FTE outside the industry, for example within retail and communication, construction, craftsmen and other private services.

The direct and indirect full-time employees and employees

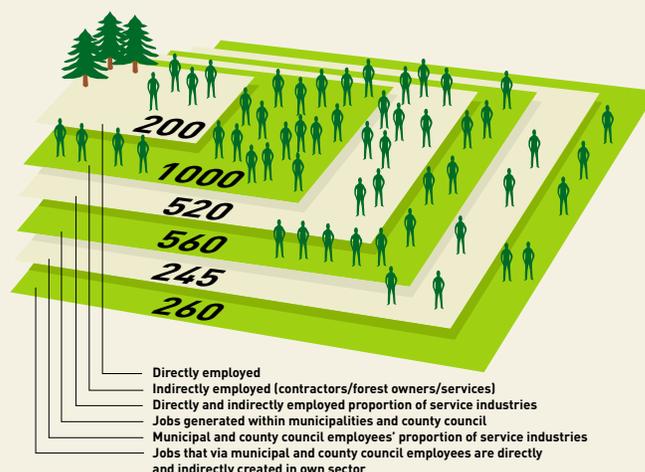
in service industries pay taxes to the municipality and county council and thus contribute to employment within the public sector, for example in healthcare, community services, education and other public services. Municipal and county council employees are in their turn consumers of goods as well as private and public services.

People employed directly and indirectly in Sveaskog's operations in the county of Norrbotten generate, according to employment models, jobs within municipalities and the county council, which in turn have an impact on service industries. Using this model, it can be calculated that Sveaskog generates a total of approximately 2,800 FTEs in the county of Norrbotten.

## ■ Sveaskog's operations in Norrbotten

Sveaskog is an important supplier to Norrbotten's forest and wood products industries. This means approximately 1,100 FTEs at the industries to which Sveaskog is the main supplier. Sveaskog also has significant import operations and conducts timber exchanges with other players in order to optimise the raw material flow to industry in Norrbotten from a transport aspect.

Forest fellings and raw material transports are largely carried out via contractors. The same applies to silvicultural



Source: Incedo

### FTEs from Sveaskog's operations

1. Directly employed within Sveaskog	200
2. Indirectly employed	1,000
of which	
- by felling, silvicultural and planting contractors	190
- by transport contractors	230
- as annual salaries to forest owners for delivery timber	20
- as annual salaries to forest owners for felling assignments	450
- within road maintenance, snow clearance and resurfacing	40
- within silviculture in private forests	10
- purchases of other materials and services	60
3. Directly and indirectly employed effects on service industries	520
4. Total	1,720

**Directly and indirectly employed people in Sveaskog's operations in the county of Norrbotten generate, according to employment models, jobs within municipalities and county council, which in turn have an effect within service industries. Using this model, it can be estimated that Sveaskog generates a total of approximately 2,800 FTEs in the county of Norrbotten.**

activities and road investments. In total, Sveaskog's forestry operations create more than 500 FTEs among contractors and suppliers. Sveaskog's timber purchases provide incomes for forest owners and their employees. The number of full-year salaries generated by these purchasing activities is estimated at almost 500.

In Norrbotten county Sveaskog has a network of approximately 15,000 km of forest roads that make active forestry possible. The road network is available to hunters, anglers, other local residents and tourists.

#### ■ Property sales

Sveaskog's assignment within property sales means that private individuals can buy forest land. Since 2003, Sveaskog in Norrbotten has sold forest properties totalling 40,000 ha with a value of MSEK 240.

The sold forest properties create a source of livelihood in a region with a shortage of jobs. The annual growth (=return) in the land sold so far can be estimated at approximately 60,000 m<sup>3</sup>. The sales value can be estimated at MSEK 22–25.

Forest purchases are financed to some extent by felling at the new owners. In both their original forest land and the purchased forest there is increased activity related to felling and silviculture.

#### ■ Hunting, fishing and nature experiences

Hunting, fishing and nature experiences also contribute to employment in the county, although to a more limited extent. Almost 6,200 people hunt on Sveaskog's lands in Norrbotten, and they bring down 2,500–3,000 elk and a considerable number of small game every year. The utility value of all hunting on Sveaskog's lands in Norrbotten is estimated at MSEK 25.

In addition to recreational values there is also an economic return from hunting and this also contributes to local employment within for example retail and other service industries. These effects are not included in the employment calculations.

Sveaskog leases fishing waters and cabins to interest groups, which creates some employment in many Norrbotten villages. Local retailers and some entrepreneurs are among the beneficiaries here. In eastern and north-east Norrbotten, for example, there are some 15 small businesses within angling. The revenues Sveaskog receives from sales of fishing permits are reinvested in the local waterways. Between 600 and 700 lakes are available for fishing.

Sveaskog is investing in nature-based tourism through a new subsidiary, Sveaskog Naturupplevelser AB. The initial focus is on northern Sweden and development of new forms of leasing, models and working methods for co-operation between different uses of Sveaskog's land.

#### Facts Norrbotten county

**Size:** 98,249 km<sup>2</sup> – c. 25% of the area of Sweden  
**Population:** 252,000 – 2.8% of the total population of Sweden  
**Important natural assets:** forest, ore and rivers  
**Employment:** c. 108,000 jobs

River Kalix

# Glossary

## **Ash restoration**

Returning nutrient-rich ash from wood burnt in biofuel boilers to the forest. This maintains the long-term cycle of certain nutrients.

## **Biodiversity**

Diversity of plant and animal life in all environments and ecological processes of which they are a part. Includes diversity within species, between species and of ecosystems.

## **Biofuels**

Renewable fuels originating from plants, such as from wood, including liquors, bark and tall oil.

## **Biotope**

A region uniform in its environmental conditions and in its population of animals and plants for which it is the habitat.

## **Chain of Custody, CoC**

Traceability certificate that enables the origins of raw material to be guaranteed – from the forest via industry to the consumer.

## **COD (Chemical Oxygen Demand)**

A measure of the amount of oxygen needed for complete breakdown of organic material in water.

## **Code of conduct**

Document that clarifies how the company should act as a business partner, employer and member of society.

## **CSR (Corporate Social Responsibility)**

A company's social responsibility, among other things as a business partner, employer and member of society.

## **Ecological balance sheet**

A systematic, documented, regular and objective examination of the results of environmental protection activities, in forestry for example.

## **Ecological landscape plan**

A forestry plan at landscape level where forestry is conducted in order to maintain the landscape's diversity of plants and animals over time.

## **Ecopark**

A large, contiguous forest landscape with high natural values and nature conservation ambitions. Sveaskog has decided to set up 34 ecoparks around Sweden.

## **Fossil fuels**

Fuels based on organic carbon and hydrogen compounds deposited in sediments or rock deposits – mainly coal, oil and fossil gas.

## **FSC (Forest Stewardship Council)**

International organisation that works to achieve socially beneficial, environmentally appropriate and economically viable forest management.

## **Gross growth**

Volume growth in a forest stand including natural thinning.

## **Ha**

Hectare, an area corresponding to 10,000 m<sup>2</sup>. One km<sup>2</sup> equals 100 ha.

## **Humus layer**

The top layer of soil mainly comprised of dead organic material.

## **Key biotope**

Forest area with high natural values where the presence of (biotope-dependent) red-listed species can be expected. These forests often have an ancient history and the character of a natural forest.

## **m<sup>3</sup>fo**

Forest cubic metre. Volume of timber including tops and bark. 1 m<sup>3</sup>fo corresponds to approximately 0.82 m<sup>3</sup>sub. See also sub.

## **m<sup>3</sup>sub**

Volume unit for timber. Specifies cubic metres of actual wood volume without bark. See also sub.

## **Natural regeneration**

New forest grows from seeds spread from seed trees.

## **Natural thinning**

Trees are driven out, dry and fall over.

## **Natural value area**

Forest with some natural values and major potential to restore high natural values in the near future.

## **Nitrogen oxides (NO<sub>x</sub>)**

A group of gases composed of nitrogen and oxygen that form during combustion. In humid air, nitrogen oxides are converted to nitric acid, which leads to acid rain.

## **PEFC (Programme for the Endorsement of Forest Certification schemes)**

Organisation that promotes certification of forest and recognition of different certification programmes.

## **Photosynthesis**

The process by which green plants form carbohydrates with the aid of solar energy, carbon dioxide and water.

## **Productive forest land**

Forest land that can produce an average of at least 1 m<sup>3</sup>fo per ha and year.

## **Red-listed species**

Species whose long-term survival is uncertain, sometimes due to forestry. Classified according to international threatened species categories in a red list.

## **Site**

An area which has a uniform environment for plants.

## **Site class**

Measure of the production capacity of forest land. Defined as mean growth when it culminates for a specific stand, measured in m<sup>3</sup>fo/ha/year.

## **Stand**

Trees that grow within a specific area and which are mainly characterised by a uniform age and mix of trees.

## **Sub (Solid volume under bark)**

Wood raw material from which bark, tops and other waste has been removed. See m<sup>3</sup>sub, m<sup>3</sup>fo.

## **Unproductive forest**

An area of land which has an average growth of less than 1 m<sup>3</sup>fo/ha/year.



*Sveaskog will lead the way in the development of Swedish forest values. Sveaskog is Sweden's largest forest owner, with 15% of the country's productive forest land, and is a leading supplier of sawlogs, pulpwood and biofuel. Sveaskog is also actively engaged in land transactions, offers hunting and fishing opportunities, and makes land available to local entrepreneurs within nature-based tourism.*

*Sveaskog represents returns and value creation within economy, ecology, environment and social development. Sveaskog's owner requires the company to set an example in the industry and to conduct professional, profitability focused and eco-compliant operations. In this way Sveaskog contributes to the long-term, sustainable development of society.*

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Sveaskog co-operates with WWF to promote conservation and sustainable management of the world's forests.

Sveaskog AB, reg. no. 556558-0031

## GROUP OFFICES

### Sveaskog Förvaltnings AB Stockholm

Pipers väg 2A, Solna  
SE-105 22 Stockholm  
Tel +46 8 655 90 00  
Fax +46 8 655 94 14

### Sveaskog Förvaltnings AB Kalix

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

## FORESTRY OPERATIONS

### DISTRICT OFFICES

#### Sveaskog Norrbotten

Box 123  
SE-952 22 Kalix  
Tel +46 923 696 50  
Fax +46 923 696 69

#### Sveaskog Norrbotten

Nygrensvägen 1  
SE-942 28 Älvsbyn  
Tel +46 929 168 20  
Fax +46 929 168 69

#### Sveaskog Västerbotten

Box 71  
SE-921 22 Lycksele  
Tel +46 950 231 50  
Fax +46 950 231 90

#### Sveaskog Södra Norrland

Storsjöstråket 15  
SE-831 34 Östersund  
Tel +46 63 55 15 00  
Fax +46 63 55 15 01

#### Sveaskog Norra Bergslagen

Box 95  
SE-739 21 Skinnskatteberg  
Tel +46 222 336 50  
Fax +46 222 336 60

#### Sveaskog Södra Bergslagen

Box 404  
SE-701 48 Örebro  
Tel +46 19 19 50 00  
Fax +46 19 19 50 25

#### Sveaskog Västra Götaland

Sjukhusgatan 7  
SE-553 05 Jönköping  
Tel +46 36 34 19 95  
Fax +46 36 34 19 99

#### Sveaskog Östra Götaland

Box 3223  
SE-350 53 Växjö  
Tel +46 470 76 54 50  
Fax +46 470 76 54 76

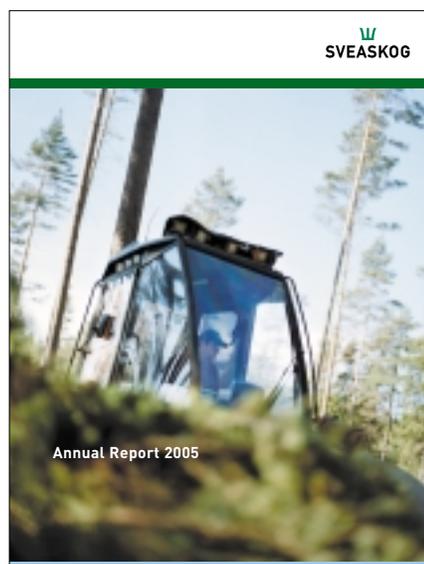
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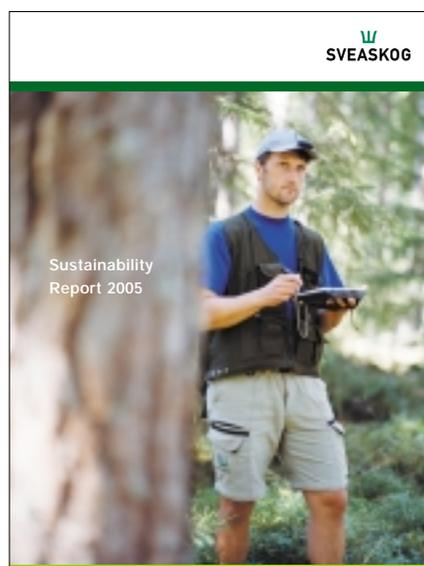
SE-718 80 Frövi  
Tel +46 581 370 00  
Fax +46 581 310 67

[www.sveaskog.se](http://www.sveaskog.se)

Sveaskog is issuing two publications in 2005 – an Annual Report and a Sustainability Report. These are available as web versions and as downloadable PDF files at [www.sveaskog.se](http://www.sveaskog.se)



Annual Report 2005



Sustainability Report 2005

## Financial calendar

Annual General Meeting	27 April 2006
Interim report Jan–March 2006	27 April 2006
Interim report Jan–June 2006	31 August 2006
Interim report Jan–Sept 2005	31 October 2006
Year-end report 2006	31 January 2007
Annual Report 2006	15 March 2007