SVEASKOG

Our business operations 2007

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 works with land sales, offers hunting and fishing opportunities and makes land available to local entrepreneurs within eco-tourism. The forest is Sveaskog's core business and the company's vision is to lead the way in the development of forest values. Sveaskog has annual sales in excess of SEK 7 billion and 726 employees. Sveaskog is owned by the Swedish state.

Contents

2007 at a glance

- Profit before tax improved to MSEK 1,860, which corresponds to an increase of 39%. Net sales rose 20% to MSEK 7,263. An extra dividend of MSEK 2,000 was paid in December. Net profit for the year was MSEK 1,419 (2,138). **Pages 12–13**
- Successful clearance after the storm Per when approximately one million m^3 of forest was felled on Sveaskog's land, primarily in Götaland. Processing and clearance was carried out without any personal injuries. **Page 28**
- Independent FSC and ISO audits of Sveaskog's forestry pointed out, among other things, the high quality of both planning and implementation by machine teams. **Page 48**
- 300,000 hectares of nature conservation forests were set aside, as part of Sveaskog's environmental target. This was communicated externally during the autumn. Information and maps of the areas affected can be seen on the website. **Page 33**
- A new wind power co-operation was started with Vattenfall. This can result in 550 wind farms. 15 wind farms are already established on Sveaskog's land. **Page 17**
- Biofuel sales rose 48% compared with the previous year due to deliberate efforts to develop this business. **Page 28**
- Felling in Norrbotten and Västerbotten was reduced in line with Sveaskog giving priority to long-term sustainable forestry. **Pages 20–21**
- Four new ecoparks were inaugurated: Ejheden, Dubblabergen, Kilsbergen and Jovan. **Page 48**

Key figures, Group

	2007	2006	Change %
Net sales, MSEK	**7,263**	6,030	+20
Operating profit before change in value of forest assets, MSEK	**1,361**	782	+74
Change in value of forest assets, MSEK	**762**	842	–10
Operating profit, MSEK	**2,123**	1,624	+31
Profit before tax, MSEK	**1,860**	1,338	+39
Profit from discontinued operations, MSEK	**–**	1,152	–
Profit for the year, MSEK	**1,419**	2,138	–34
Return on equity, %	**8.8**	13.0	–32
Return on net operating assets, %	**9.3**	5.3	+76
Equity ratio, %	**48**	51	–6
Number of employees	**726**	731	–0,7
Average number of employees	**1,027**	1,027	0

Bo Dockered, Chairman of Sveaskog

Sveaskog safeguards the value of the forest

Sweden will continue to be a leading forest nation and must therefore be a role model within forestry for other countries. Sveaskog plays a key role with regard to investments in modern forest technology, new silvicultural methods, research into biotechnology and refinements that safeguard the value of the forest.

HOW IS SVEASKOG PERFORMING?
Sveaskog's returns and financial results have showed positive development since the company's formation. The operating profit for 2007 was the best ever. The company's good cash flow and financial position enabled an extra dividend of SEK 2 billion to be paid during the year. In total, Sveaskog distributed almost SEK 5 billion to its owner in 2006 and 2007.

At the same time, Sveaskog has developed into a pure-play forest owning company. As an active player in the timber market Sveaskog contributes to increased competition and transparency. The company also develops the forest industry through substantial investments in modern technology, new forestry methods and eco-compliant production.

We have sold Frövi's cartonboard operations at a high price and placed the company in an ownership structure that will strengthen the competitiveness of the Swedish forest industry. The sawmill operations have been merged with Mellanskog's former sawmills in Setra Group AB, where Sveaskog owns 50%. Further broadening of the ownership base in planned.

Our intention with the formation of Setra and broadening ownership of the company is to create a profitable wood products industry that has the strength to compete internationally with value-added sawn timber. Since the wood products industry is the most important customer group economically for Sveaskog and other forest owners, it is important that Setra continues to be developed as an independent company, primarily independent of the wood fibre industry.

WHAT WERE SVEASKOG'S KEY ACHIEVEMENTS IN 2007?
Sveaskog has donned the leader's jersey in two important questions for the forest industry. One relates to raised timber prices for increased profitability in forestry. For three decades we have seen a downward trend for raw material prices in the forest sector. The price increases implemented during the year, which were often initiated by Sveaskog, give forest owners better scope to invest in silviculture, increased growth, more effective technology and extraction of new grades – in other words activities that benefit the entire industry. Prices must be raised still further, particularly since demand is rising and timber prices in the Swedish market are still lower than in all neighbouring countries.

The second question relates to the market's long-term confidence in the forest industry and wood raw material. During the year Sveaskog took up the cudgels for FSC certification and responsible forestry where economic, social and environmental values are safeguarded. Among other things we drew attention to the importance of a rapid changeover to non-toxic forestry. One example is Sveaskog's intensive efforts to develop a technique for mechanical plant protection against the pine weevil and plans to change all our own production over the next few years. The fact that we have been a driving force here feels natural in view of Sveaskog's role and assignment. By helping Sweden to continue to be a leading forest nation that is also a role model for other countries, we are safeguarding the value of our own forests.

HOW IS THE ASSIGNMENT TO SELL LAND FOR PRIVATE FARMING AND FORESTRY GOING?
Sveaskog's programme to strengthen private farming and forestry by offering additional purchases and reconsolidation of land started in 2002. Since then, and until the end of 2007, Sveaskog has sold 197,000 hectares, or a total of about 5% of its forest holdings, to 1,230 buyers. The total purchase price is just over SEK 2.8 billion. Land sales will amount to 5–10% of Sveaskog's forest land.

Demand for forest land is very high throughout the country. In northern Sweden there was a marked increase in interest after Sveaskog's information campaigns which were carried out to ensure a high awareness among forest owners and local residents of the possibility of buying land.

We have carried out extensive sales of land on the basis of a policy with a clear framework drawn up by the board. An evaluation and the reception we have received in the market show that implementation has been successful.

SHOULD SVEASKOG ACCEPT SPECIAL RESPONSIBILITY FOR THE NATIONAL OBJECTIVE FOR PROTECTED FORESTS?
Yes, that is reasonable. This is why in 2001 Sveaskog's board decided that

20% of the company's productive forest land should be set aside for nature conservation. This decision has been implemented through a unique strategy that has won international acclaim.

Sveaskog is setting up 36 ecoparks with high natural and cultural values that cover a total area of 175,000 hectares and which are protected through legally binding agreements with the Swedish Forest Agency. In addition, the company sets aside 300,000 hectares of nature conservation forests that are left untouched or developed with silvicultural activities that conserve natural values. In all felling, in Sveaskog's own forests and those belonging to other owners, Sveaskog now complies with the consideration for nature that is included in the FSC standard for responsible forestry.

Sveaskog also contributes to the national environmental objective Living Forests by transferring nature reserve land and replacement land to the state. Replacement land is offered to private forest owners with a maximum holding of 5,000 hectares as compensation for nature reserve formation on their land. All transfers are made on market terms and in accordance with the agreement concluded between the Swedish Environmental Protection Agency and Sveaskog.

COMPETITION FOR FOREST RAW MATERIAL IS A FREQUENT SUBJECT FOR DEBATE. HOW DOES SVEASKOG VIEW DEVELOPMENT FOR THE SWEDISH FOREST AND WOOD PRODUCTS INDUSTRY?

The Swedish forest and wood products industry has good future prospects. In Sweden, there are plenty of forests that are cultivated responsibly. This makes the wood raw material – and therefore the industry's value-added products – competitive in the marketplace. Society's ambition to reduce consumption of oil benefits an industry that bases its products on renewable raw material. Unlike many of its international competitors, the Swedish forest and wood products industry is also self-sufficient to a large extent and even a net exporter of energy.

In this favourable situation, to depict the rising demand for wood raw material as a threat is something I regard as an expression of a lack of innovative skills. Given the right attitude, the industry can lead development. And there are some good examples. But far too much effort is being put into complaining about prices of energy and raw materials.

Far-sighted mills have realised that residual products from their own production can be used to produce fuel, electricity and sought-after input materials for the food, pharmaceutical and other industries. They are not afraid of competition for timber but instead see new opportunities to develop their business.

HOW DOES SVEASKOG CONTRIBUTE TO VALUE CREATION?

Sveaskog contributes to returns, employment and prosperity by developing the different values of the forest. In addition to producing wood raw material, the company has focused on making things easier for other activities in the forest. For example, Sveaskog co-operates with the reindeer industry by adapting forestry methods and development consultations.

In order to promote eco-tourism, Sveaskog grants land and fishing waters to local entrepreneurs. Since this industry is not yet sufficiently developed, Sveaskog makes active efforts to identify entrepreneurs and offer them training and support in business development. We have also developed the marketplace www.inatur.se where tourism companies can show their products and services to a wider market.

One prerequisite for long-term sustainable tourism in Sweden is active game and fish management. Sveaskog has a far-sighted model to preserve and develop attractive game stocks in harmony with forestry, hunting and other community interests. This is based on significant investments in training hunting teams, performing inventories of game availability and development projects for feed production through adapted forestry.


Bo Dockered,
Chairman of Sveaskog.

WHAT IS SVEASKOG'S MOST IMPORTANT CHALLENGE IN THE FUTURE?

Sveaskog has both a responsibility and an opportunity to continue to focus on measures that offset the greenhouse effect and climate change. This can be done partly by cultivating the forests so that they grow more and bind more carbon dioxide. Partly by new technologies and methods for cost-effective extraction of biofuels.

In principle, most products that are based on oil today can be produced from renewable biomass. Sweden, as a forest nation and a forerunner in environmental technology, can hardly afford not to lead this development. Sveaskog has a key role to play here in terms of investments in research and development into biotechnology and further processing that safeguards the value of the forest.

Sveaskog manages the Swedish state's forest in a manner that is sustainable over time and creates value for the owner, the industry and society. I would like to thank Sveaskog's board, employees, business partners and stakeholders. Your dedication has contributed to the company developing as a model player in many areas. It has been a pleasure to co-operate with you and it is with pride over what we have achieved together that I now hand over the baton.

Gunnar Olofsson, CEO Sveaskog

A strong year with sustainability in focus

Sveaskog contributes to healthy economic development through long-term, sustainable forest management, with good social responsibility. FSC certification is a key tool in the work of developing responsible forestry. FSC takes economic, environmental and social values into account and has a positive impact on the development of society in general.

Gunnar Olofsson, CEO Sveaskog.

2007 was a successful year for Sveaskog. We increased operating profit before tax by 39% to MSEK 1,890. Both yield and return on net operating assets and equity outperformed target and Sveaskog was able to distribute SEK 2.48 billion to its owner.

Independent audits and follow-ups show that the 2007 financial year also gave a positive performance regarding objectives for the environment and social responsibility. For Sveaskog, sustainable forestry also means that we welcome dialogue with our stakeholders. Assessments of how our customers, timber suppliers, contractors and other stakeholders perceive Sveaskog indicate that we have clarified our role in the market, developed as co-operation partners and strengthened business relationships.

THE STORM PER IN JANUARY 2007. WHAT DID THIS MEAN FOR SVEASKOG?

The storm had a considerable impact on both market work and production during the year. A total of approximately 1 million m^3 fell on Sveaskog's land and the storm fellings also led to an increased risk of attack from the spruce bark beetle. We were able to clear the storm-felled and affected timber without any personal injuries. And the good business climate in the forest and wood products industry during 2007 meant that we could keep the timber value at an acceptable level. On the other hand, these efforts led to higher costs, primarily for felling and transport, which were charged against the forestry operations' earnings.

HOW ARE SVEASKOG'S BUSINESSES DEVELOPING?

Demand for wood raw material was high during most of 2007. Sveaskog's timber sales increased by 4% compared with 2006, but the increase in timber prices had the greatest impact on our results. We continue to make active efforts to achieve a price scenario in the Swedish timber market that is in balance with other countries around the Baltic.

In the fourth quarter of 2007 and at the beginning of 2008 we can see signs that the recession is affecting the forest and wood products industry.

Demand for sawn timber is weakening temporarily which also affects Sveaskog's sales volumes. In the long term, however, the market for both sawlogs and pulpwood is very strong with high demand throughout the Baltic region.

Sveaskog's biofuel operations comprise an energy delivery corresponding to 2 TWh. In terms of value, sales increased by 48% during 2007 compared with the previous year. In pace with market development, Sveaskog plans to double both volume and sales of biofuels.

One important development area in the timber business during 2007 was logistics optimisation. Customers' increased specialisation, with requirements for a specific grade, type of wood, lengths and thickness, means that timber flows affect increasingly large geographic areas. Sveaskog has identified areas where logistics can be improved which will reduce transport costs, raise the quality of deliveries and provide positive environmental gains. This work will continue in 2008.

Svenska Skogsplantor AB enjoyed positive development during 2007 with improved earnings. Demand for both seedlings and silvicultural services was good and sales increased. We expect high demand in 2008 as well.

The 2007 result for Sveaskog Naturupplevelser AB was slightly lower than the year before, mainly due to lower sales of leases. Rental prices for hunting grounds vary considerably today between different parts of the country and in 2008 Sveaskog will adjust its prices to better reflect market demand.

WHY IS SVEASKOG FOCUSING ON WIND POWER?

Wind energy represents a value in the forest that can generate considerable revenues. Since wind farms only utilise small areas of land, it is possible to combine a extensive focus on wind energy with forestry.

During 2007 Sveaskog received some hundred new enquiries from different developers about co-operation in setting up wind farms and we signed an agreement with Vattenfall to grant land-use rights in southern Sweden, which will open the door for the country's largest wind power investment so far.

On Sveaskog's lands there are at least 2,000 suitable locations for wind farms. Today, there are 15 wind farms established on our lands. Sveaskog also has agreements with some 20 companies on planning and permit applications to build up to 1,000 wind farms around the country.

WHAT NEW APPLICATIONS FOR THE FOREST IS SVEASKOG DEVELOPING?

Sveaskog makes every effort to facilitate the establishment of other activities in the forest. Eco-tourism is one example. Sveaskog leases land to tourism companies and carries out a number of activities to develop the industry by providing access to good training, support for business development and marketplaces. The reindeer industry is another example. Sveaskog has an active dialogue and a number of development projects together with the National Sami Federation of Sweden designed to facilitate co-operation in the forest.

HOW ARE THE PLANS GOING TO SELL SETRA GROUP?

The associated company Setra Group AB reports its best result since its formation in 2003. Operating profit of MSEK 771 (257) was affected by a strong business climate with high price levels and by internal efficiency enhancements. The company is well positioned as a leading player in its markets.

During 2007 preparations to broaden ownership in the company were carried out. This work will continue until the right market conditions are in place for a successful broadening of ownership. Sveaskog's aim is both to obtain a good value for this asset and to create a stable ownership structure for Setra that supports the company's long-term competitiveness.

WHAT ARE THE SUCCESS FACTORS FOR SVEASKOG?

Sveaskog's key task is to increase the value of the forest. This applies to land, standing forest and the wood raw material that we sell. In order to be able to increase returns in a sustainable manner requires long-term nurturing of the forest based on a good knowledge of the forest holding. One success factor for Sveaskog is therefore the work on keeping the company's forestry register up-to-date and a geographical information system.

Our strategy is to establish close, strategic and long-term co-operation with customers who see the potential in the wood raw material. This provides conditions to create cost-effective solutions and added value in our deliveries. At the same time, it is important for Sveaskog to be able to exploit the opportunities offered by temporary economic fluctuations in order to obtain the best possible value from the wood raw material.

Another factor for success is a long-term focus on research and development. Sveaskog is a driving force in the industry in the development of modern technology and new forestry methods. We also invest in research into seedling processing, biotechnology and new applications that ensure access to and demand for the forest.

Sveaskog is reducing felling in its own forests as part of prioritising sustainable forestry. At the same time we have high ambitions within silviculture and nature conservation. To succeed in this with no loss of profit will require continuous efficiency enhancements in our operations.

Sveaskog has a well dimensioned and smooth-functioning organisation that realises its objectives and creates value in a cost-effective manner. A survey conducted in 2007 shows, however, that employees perceive a certain lack of clarity about the company's future development, linked among other things to the sale of the industrial operations and the company's strategy to reduce felling in its forests. Since employees' belief in the future is decisive for Sveaskog's continued success, the internal dialogue about the company's role, objectives and strategy has high priority. For this reason, as in previous years, I will be inviting all employees to vision meetings.

Owner objectives and guidelines

Sveaskog belongs to a group of state-owned companies whose operations are subject to market terms and requirements. These requirements include a long-term approach, efficiency, profitability, the ability to develop, and environmental and social responsibility.

The Swedish state owns forests because long-term ownership of forest land is a key national priority. The forest is important as a source of raw material and provides new business opportunities, employment and recreational possibilities.

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. Operations are to be conducted on market terms and generate a return that is at least on a par with comparable operations.

Special guidelines

In addition to its ownership objective, Sveaskog's owner has stipulated special conditions for the company's operations. These are stated in the articles of association and are described in more detail below.

INDEPENDENT PLAYER
Sveaskog is to be an independent player and contribute to increased competition in the timber market. All customers are to be treated in a professional and even-handed manner.

STRENGTHEN PRIVATE FARMING AND FORESTRY
Sveaskog's substantial and geographically widespread land holdings mean that Sveaskog will make active efforts to offer consolidation and add-on purchasing opportunities for land in order to strengthen private farming and forestry. The intention is that sales of land to private individuals will facilitate livelihoods and local development in the forests and countryside. Sparsely populated areas will be prioritised. Over time, such sales will comprise 5–10% of the land held by Sveaskog at its formation.

REPLACEMENT LAND
Sveaskog also offers replacement land to the state in conjunction with the formation of nature reserves and when land is set aside for other purposes for the common good. All transfers of land from Sveaskog are made at market prices.

ECO-TOURISM
Opportunities for experiences of various kinds based on the forest and its resources, create conditions for Sveaskog to conduct extended operations within eco-tourism, recreation and experiences by inviting tourism companies to lease land and water resources. These operations are conducted on commercial terms. In an introductory phase, Sveaskog's lands in northern Sweden will be given priority.

TRANSFER INDUSTRIAL OPERATIONS
Sveaskog's owner does not aim to be a long-term owner of industrial operations within forestry For this reason existing industrial operations will be placed in new structures. In the work of changing the ownership structures, Sveaskog will ensure opportunities to obtain a good payment for these assets.

Four more ecoparks were inaugurated during 2007: Jovan, Dubblabergen, Ejheden and Kilsbergen. Sveaskog has decided to set up a total of 36 ecoparks throughout Sweden. The picture is from the inauguration of the Ejheden ecopark.


SVEASKOG

Mission, vision and strategic direction

Sveaskog's strategic direction is based on owner guidelines, operational targets and market conditions.

Mission

Sveaskog will increase the return on its forest capital through sustainable development of the benefits within all forest applications.

Vision

Sveaskog will lead the way in the development of forest values.

The company's vision is 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. 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.

Sveaskog's intention is to lead the way which means pushing forward development and being a role model.

Sveaskog has 170 employed harvester operators. The company also engages 198 felling contractors with some 600 employees around the country.

Strategic direction

Sveaskog's strategic direction is based on owner guidelines, operational targets and market conditions.

Sveaskog's core business is the forestry operations with a focus on silviculture, timber harvests, sales of wood raw material and development of the forest's other values, among other things by leasing land for hunting, fishing and eco-tourism.

LONG-TERM, SUSTAINABLE FORESTRY

Sveaskog manages and develops its own forest holdings in a long-term perspective. This means that the company conducts sustainable forestry, where profitability is balanced with high aims for nature conservation. Sveaskog seeks to increase the value of its forest holdings. This is achieved, among other ways, by making efforts to achieve good land consolidation, investing in silvicultural measures for improved quality and forest growth, and developing technologies and methods that raise productivity in forestry and facilitate co-operation with other businesses and operations in the forests.

Sveaskog will set aside 20% of its productive land as land for nature conservation. This work will be done to high standards and based on considerable knowledge of the company's own land holdings.

In line with efforts to conduct sustainable forestry, Sveaskog has decided to reduce extraction from its own forests, primarily in northern Sweden.

One reason is that the forest has an uneven age structure, with a low proportion of forest ready for final felling in some areas. Possible timber extraction is also affected by land set aside for nature conservation and by reductions in the company's holdings through Sveaskog's land sales programme.

INNOVATIVE AND RELIABLE PARTNER

By developing close, strategic and long-term co-operation with customers who realise the potential of the wood raw material, Sveaskog will create a high return on its forest capital. Sveaskog wants to be a reliable and sought-after partner that can offer an innovative and value-creating range of products and services. This applies, for example within logistics and service.

In order to offer developing and competitive customer solutions, Sveaskog complements raw material volumes from its forests with raw material from other forest owners, by-products from sawmills in Sweden and through imports.

Through its active and independent role in the timber market Sveaskog can contribute to increased competition and cost-effective raw material flows from forest to industry. This encourages the development of a competitive industry while raising the value of the forest assets.

DEVELOPED BIOFUEL BUSINESS

Sveaskog is developing its biofuel operations in terms of both volume and profitability. The company increases the long-term return on its forest capital by co-ordinating production, logistics and use of biofuels in co-operation with customers. Wood raw material is a valuable energy asset with a partly unexploited potential in energy supplies.

INCREASED PRODUCTIVITY AND NEW APPLICATIONS

Sveaskog invests in research and development that ensure long-term demand for wood raw material thereby increasing the value of the company's forest capital.

Following the rich cone harvest in 2006, Sveaskog has had continuous cone seed extraction in 2007. This replenished pine and spruce seed material with high growth and good quality.

Sveaskog is a driving force in research and development into new methods, technologies and products that enhance efficiency and productivity in forestry. Another prioritised area for the company's R&D is new applications for both the forest and the wood raw material. In its R&D investments, Sveaskog co-operates with companies and industry-wide bodies.

PROMOTE ECO-TOURISM

In co-operation with local entrepreneurs, Sveaskog develops hunting and fishing opportunities and makes attractive land available for eco-tourism. Leasing land on commercial terms to private entrepreneurs for different tourism products creates employment opportunities in sparsely populated areas. Co-operation with other state land managers and players in the tourism industry is designed to encourage the development of eco-tourism.

BROADEN OWNERSHIP IN SETRA GROUP AB

Sveaskog and the other part owners of the company are seeking broader ownership for Setra Group AB. The formation of Setra Group in 2003 marked the start of placement of Sveaskog's sawmill industry in a new ownership structure. Setra Group was formed through a merger of what was then AssiDomän Timber and Mellanskog's sawmill operations. Today, Sveaskog owns 50% of Setra Group, whose other owners are Skogsägarana Mellanskog with 26%, LRF with 22%, and other shareholders with 2%.

Operational targets

Based on the objectives of its owner, the company's vision and strategy and principles for sustainable development, Sveaskog has developed defined operational targets for its financial and environmental performance and social responsibility.

The financial targets were revised in 2006 after Sveaskog sold its industrial operations, AssiDomän Cartonboard, and became a pure-play forest owning company. Sveaskog has worked on the basis of new financial targets since 1 January 2007.

The matrix on the right shows Sveaskog's financial, environmental and social responsibility targets. A summary of work in 2007 is provided under results and development.

Financial results for 2007 are reported in the annual report. A multi-year summary, definitions and comments on the multi-year summary are provided on pages 12–13.

FINANCIAL TARGETS

Yield	Target a minimum of 3.5%. Operating profit before change in value of forest assets, divided by average net operating assets (excl. deferred tax).
Return on net operating assets	Target a minimum of 7% while the land sales and nature reserve formation programmes are being carried out. Operating profit divided by average net operating assets (excl. deferred tax).
Return on equity	Target a minimum of 6% while the land sales and nature reserve formation programmes are being carried out. Profit after tax expressed as a percentage of average equity.
Interest cover	The long-term target is 2.0, but this can vary within the band 1.5–2.5. Operating profit before change in value of forest assets plus financial income divided by financial expenses.
Debt/equity ratio	Target should be 0.3–0.7. Interest-bearing net debt divided by equity.
Dividend	The ordinary dividend should in the long term correspond to at least 60% of profit after tax, excluding non-cash changes in value according to IFRS. Sveaskog's funding requirements and financial position in general will be taken into account.

ENVIRONMENTAL OBJECTIVES AND TARGETS

Biodiversity	▪ Plan for 20% nature conservation and consideration on productive forest land in each forest management region. ▪ Create ecoparks corresponding to 5% of productive forest land.
Water and land	▪ Identify valuable water ecosystems and prepare action plans. ▪ Reduce significant hauling damage in connection with felling.
Climate impact and emissions	▪ Reduce emissions of carbon dioxide from burning fossil fuels.

SOCIAL TARGETS

Skills development and participation	Employees must have the right skills and be offered opportunities for skills development, influence and participation in their own and the company's development. Spread knowledge and experience through greater internal mobility.
Working environment and health	Employees must have a good and safe working environment. Employee health is a priority at Sveaskog.
Diversity	Sveaskog seeks diversity in terms of age, educational, cultural and ethnic background.
Equal opportunities	Improved balance between women and men, among other things, by raising the proportion of women in male-dominated units and personnel management positions.
Social responsibility	Contribute to prosperity and sustainable development. Create opportunities for other business enterprises to operate in the forest. Develop the values of the forest and create conditions for an active outdoor life. Have an open dialogue with stakeholders.
Ethics and good business relationships	Relationships with customers and suppliers are to be characterised by high integrity, professionalism, respect and ethics. Meet customers' expectations and satisfy their wishes.
Information and communication	Employees and stakeholders are to perceive Sveaskog as an open, competent, reliable and stimulating company that combines professionalism, environmental awareness and social responsibility.

RESULTS AND DEVELOPMENT 2007

Yield for the year was 6.0% and reflects a largely strong price trend in the Group's market segment in 2007.

Return on net operating assets was higher than in 2006 which is partly due to a change in definition (See Return on net operating assets). The result for 2007 was 9.3%.

The previous year's high return on equity (13.0%) was mostly attributable to capital gains from the sale of AssiDomän Cartonboard AB. The 2007 return of 8.8% was not affected by any single event.

Interest cover for the year was 4.8, which reflects the strong yield in 2007.

The debt/equity ratio rose to 0.47 (0.35) which is a result of increased borrowing ahead of an extra dividend to Sveaskog's owner in December 2007.

During 2007 a total of MSEK 2,480 was distributed to the owner. A new dividend policy came into effect on 1 January 2007.

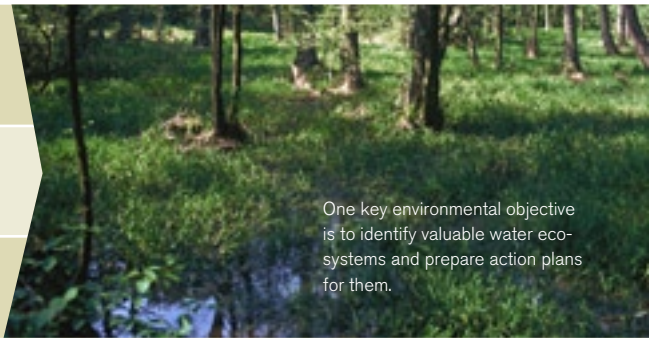
Sveaskog's yield should be at least 3.5%. This target was achieved in 2007.

RESULTS AND DEVELOPMENT 2007

300,000 hectares of nature conservation forest was set aside in 2007. These are forests with high natural values where no traditional forestry is conducted. Four new ecoparks were inaugurated, bringing the total number of ecoparks to 19. A decision was made to establish a further two ecoparks. Sveaskog will have a total of 36 ecoparks.

The "100 Wetlands Project" continued and 5 large and 20 small wetlands were wholly or partly recreated. A new instruction designed to reduce hauling damage in conjunction with felling. The number of non-conformances detected in Sveaskog's own random checks for hauling damage on cultivated land increased in 2007.

Total carbon dioxide emissions from the forestry operations was 128,000 tonnes, which is the same level as in 2006 and a stabilised lower level compared with previous years. Timber transport accounts for 65% of emissions and felling for just over 30%.



One key environmental objective is to identify valuable water eco-systems and prepare action plans for them.

RESULTS AND DEVELOPMENT 2007

According to the VIS employee survey: improved quality of performance reviews 72% (67), lower proportion who feel that they receive the skills development they need 53% (55), higher proportion who feel involved when targets and action plans are drawn up 61% (60), increased internal mobility 45%. Manager programme. Internal training.

No serious accidents. 6 accidents per 1,000 FTEs which is a reduction (11.9). Took part in the Swedish Athletic Association's exercise campaign "Livslunken". Absence due to illness decreased to 3.2% (3.9). Proportion of long-term well employees was 50%. According to VIS 61% (68) consider that they have a good working environment.

Average age 48. Employee turnover 7.5%, an increase (3.0). Long-term efforts to raise interest in the industry and attract younger people and new groups. Survey among younger employees in the company.

Women on the Board 50%, in Group management 38%, in managerial positions 20%. Proportion of women in the company: 18%. Long-term efforts to raise interest in the industry among women. Reduced travel through different types of meetings. Paid parental leave. Both genders represented at employment interviews.

100 consultations with Sami villages, research projects into land use. Establishment of a model forest for co-operation. Continuous cover forestry. Development of eco-tourism through launch of marketplace. Focus on open-air recreation areas. Hunting and fishing leases. Support to schoolchildren in the forest. Some 20 local information and dialogue meetings and four ecopark inaugurations with 430 participants.

Group-wide checklist with company's requirements for contractors. Survey with felling contracts showed 65 as a satisfaction index. The Satisfied Supplier Index rose to 70 (57). Higher requirement for FSC standard for timber purchases. Quality assured purchasing process. Operational management system covers the entire company.

Employee awareness of the vision and the company is increasing according to VIS. New intranet. Popular company magazine according to reader survey. Good knowledge of property sales programme.

Annette Waara is a production manager in Västerbotten and Anders Berglund is a machine opearator in Västerbotten.

Multi-year summary

	According to IFRS*				According to annual report*
	2007	2006	2005	2004	2003
Income statements, MSEK					
Net sales	**7,263**	6,030	6,155	6,272	8,420
Other operating income	**110**	58	181	14	257
Operating expenses	**–6,194**	–5,309	–5,540	–5,263	–6,772
Depreciation/impairment	**–66**	–93	–59	–68	–327
Share of profits of associates	**248**	96	–46	–53	–15
Operating profit before change in value of forest assets	**1,361**	782	691	902	1,563
Change in value of forest assets	**762**	842	180	206	–
Operating profit	**2,123**	1,624	871	1,108	–
Net financial items	**–263**	–286	–347	–425	–516
Profit before tax	**1,860**	1,338	524	683	1,047
Tax	**–441**	–352	–154	123	–106
Profit after tax, but before profit from discontinued operations	**1,419**	986	370	806	–
Profit from discontinued operations, net after tax	**0**	1,152	246	181	–
Profit for the year	**1,419**	2,138	616	987	941
Balance sheets, MSEK					
Non-current assets, non-interest bearing	**29,587**	29,548	29,688	32,619	23,950
Inventories	**668**	599	599	716	946
Current receivables, etc., non-interest bearing	**2,242**	1,940	1,949	2,216	1,646
Cash and cash equivalents and interest-bearing receivables	**185**	776	2,367	803	840
Assets held for sale	**–**	–	3,354	–	–
Total assets	**32,684**	32,863	37,957	36,354	27,382
Equity	**15,586**	16,620	16,275	16,135	12,715
Non-interest bearing liabilities	**9,615**	9,610	9,399	10,072	4,184
Interest-bearing liabilities	**7,483**	6,633	9,283	10,147	10,483
Liabilities attributable to assets held for sale	**–**	–	3,000	–	–
Total equity and liabilities	**32,684**	32,863	37,957	36,354	27,382
Net operating assets	**30,841**	30,406	30,641	33,693	23,974
Cash flow					
Cash flow from operating activities	**–20**	399	–183	164	697
Cash flow from investing activities	**1,122**	4,497	895	1,199	158
Cash flow from financing activities	**–1,543**	–4,472	–1,163	–1,029	–872
Cash flow for the year	**–441**	424	–451	334	–17
Interest-bearing net debt	**7,299**	5,856	6,916	9,344	9,643
Key figures					
Return on equity, %	**8.8**	13.0	3.8	6.2	7.4
Yield Forestry Operations (excl. property sales), MSEK	**1,271**	922	617	1,064	1,191
Return on net operating assets (incl. change in value of forest assets), % **	**9.3**	5.3	2.8	3.6	6.5
Debt/equity ratio, times	**0.47**	0.35	0.42	0.58	0.76
Equity ratio, %	**48**	51	43	44	46
Capital turnover, times	**0.24**	0.20	0.20	0.20	0.36
Interest cover, times	**4.8**	4.7	2.3	2.3	2.9
Gross margin, %	**27**	27	16	20	23
Operating margin, %	**29**	27	14	18	19
Dividend					
Approved dividend total, MSEK ***	**810**	2,480	1,894	355	355
Investments, MSEK					
Company acquisitions and investments in shares	**3**	2	23	1	4
Other investments	**87**	114	129	102	302
Personnel					
Number of employees	**726**	731	773	805	1,519
Average number of employees	**1,027**	1,027	1,116	1,098	2,211
Expensed salaries and other remuneration, MSEK	**352**	349	361	370	731

** Not restated to IFRS.
*** From 2007 deferred tax is also deducted from net operating assets.
**** For 2007, proposed dividend. 2006 includes approved additional dividend MSEK 1,989.

Definitions

Adjusted equity
Equity plus minority interests.

Capital turnover
Net sales divided by average net operating assets.

Debt/equity ratio
Interest-bearing net debt divided by adjusted equity.

Equity ratio
Adjusted equity divided by total assets, all calculated at year-end.

Gross margin
Operating profit before depreciation and share of profits of associates expressed as a percentage of net sales.

Interest cover
Operating profit plus financial income divided by financial expenses.

Interest-bearing net debt
Interest-bearing liabilities minus interest-bearing assets, all calculated at year-end.

Net earnings per share
Profit for the year after tax divided by the average number of shares during the year.

Net operating assets
Total assets excl. interest-bearing assets, tax assets and assets held for sale, minus non-interest-bearing assets excluding tax liabilities, all calculated at year-end.

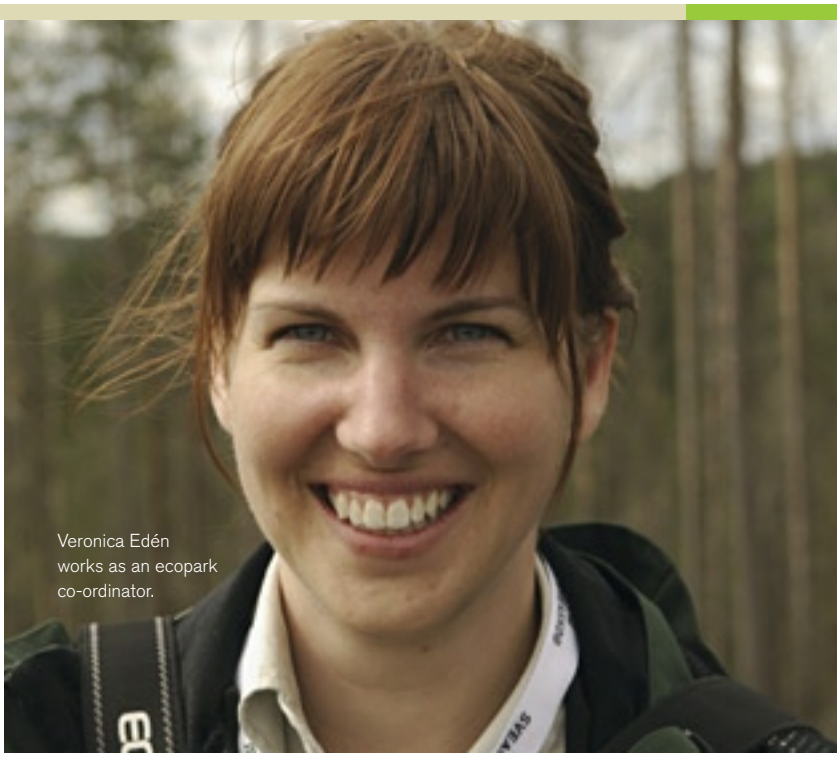
Operating margin
Operating profit expressed as a percentage of net sales.

Return on equity
Reported profit after tax expressed as a percentage of average adjusted equity.

Return on net operating assets
Operating profit divided by average net operating assets (excluding deferred tax).

*** Effect of changed principle**
Sveaskog is particularly affected by IFRS rules relating to biological assets with their requirement for recognition of standing forest at fair value. "Change in value of forest assets" is shown in the income statement. In the balance sheet the balance sheet items non-current assets, equity and non-interest bearing liabilities are mainly affected.

Comments on the multi-year summary


Veronica Edén works as an ecopark co-ordinator.

2003
The state-owned company Svenska Skogsplantor AB was acquired by Sveaskog at the beginning of April. The intention was to reconstruct the company. At the end of the first half of the year, Sveaskog's sawmill operations, Assi-Domän Timber Holding AB, were transferred through a non-cash issue to Mellanskog Industri AB. The company changed its name to Setra Group AB and became the largest wood products company in Sweden.

High demand for the Group's main products led to improved earnings

2004
Development for Sveaskog's products was favourable during the year with good demand from both the pulp and paper industry and the sawmills. Due to the changed Group structure in 2003, sales in 2004 were slightly lower than in the previous year. Profitability remained satisfactory.

2005
The year started with the dramatic storm Gudrun which felled a total of more than 62 million m^3sub in southern Sweden. The storm-felled volume on Sveaskog's land was over 2.5 million m^3sub.

The cost of processing and delivering this large volume of storm-damaged timber was very high for all forest owners. Furthermore, the substantial excess supplies of timber led to a marked negative price trend.

Sales decreased slightly and the impact on the Group's earnings was very negative.

An agreement was signed with Korsnäs AB in November for the sale of AssiDomän Cartonboard AB. In addition, ScandFibre Logistics AB was transferred to five Swedish forest industry companies at the beginning of the year.

2006
The effects of the storm Gudrun gradually abated but had some negative effects during 2006. Demand for Sveaskog's products was good and operating profit improved considerably.

The deal with Korsnäs AB relating to AssiDomän Cartonboard AB was finalised in May, which generated a substantial capital gain. During the spring extensive work was started to adjust the organisation to the new circumstances as a pure-play forest-owning company.

The divestments carried out in recent years of businesses in the Group, combined with a positive cash flow, led to a significant reduction in the net debt. A comprehensive overview of Sveaskog's capital structure led to new financial targets and an extra dividend of MSEK 1,539 was paid to the owner.

2007
The beginning of 2007 was significantly affected by the storm Per which swept over parts of Götaland and Bergslagen. Approximately 12 million m^3fo was felled, of which almost one million on Sveaskog's land. This storm and the subsequent clearance and processing had a negative impact on costs for both felling and logistics. This was compensated, however, by a gradually higher price level and good demand for sawlogs and pulpwood during the year. The storm led to a delay of over nine months in the earnings improvement programme initiated in 2006. Despite this, operating profit rose 74%, despite the change in value of the forest assets which is calculated at the end of each quarter. Sveaskog has chosen not to change the valuation model in 2007 since new, long-term felling calculations will be made in the first half of 2008.

The land sales programme continued as planned and totalled 37,309 hectares. Including the formation of nature reserves and provision of replacement land, total income was MSEK 1,060 during 2007.

An additional focus was placed on R&D with growth and new applications for wood raw material as prioritised areas.

Other parts of the Group also showed a satisfactory earnings trend. Svenska Skogsplantor increased its sales volume and noted some improvement in earnings. For Sveaskog Naturupplevelser, however, the trend was not as positive since costs among other things for the marketplace www.inatur.se affected earnings. The 50%-owned sawmill group Setra Group AB posted a substantial improvement in operating profit which more than doubled Sveaskog's share of profits from the company.

Due to the good earnings trend and a continued favourable cash flow, an extraordinary general meeting decided on an extra dividend for 2007 as well. This amounted to SEK 2 billion and was paid to the owner in December.

Business environment and market

Wood raw material prices increased in 2007 both in Sweden and internationally, primarily due to strong demand and changed global timber flows. The market for bioenergy grew and demand for wood raw material rose. New market trends include multiple use of forest resources where the economic value of using the forest and land for wind power, tourism or ecosystem services is increasing.

MARKET IN 2007

The market in 2007 was characterised by very strong demand for sawn timber. This demand led to high prices for finished products until the final quarter when demand and prices fell. In total, prices rose by almost 20% compared with 2006.

GLOBAL TRADE FLOWS

The strong and rapid development in China and India is affecting global trade flows with wood raw material. For several years, China has boosted its production of value-added wood products, paper and cartonboard and therefore its roundwood imports. For example, Russia has redirected exports of forest products to China. This has led to falling supplies of sawn timber to the European wood products market from Russia and the Baltic countries despite increased demand. The timber flow from the Baltic region to Europe has also decreased due to the Baltic countries' own investments in forest industry.

Chinese demand for paper pulp has also led to an expansion of pulp mills in South America.

A relatively good economic situation in Europe with a strong construction sector has driven demand for sawn timber. In the short term, wood product prices are expected to fall slightly, but demand remains good in the long term.

The American construction market, on the other hand, is showing a sharp decline and exports of wood products from Europe to the US have decreased.

The global timber flows are also affected by the restructuring in the Canadian pulp industry. In western Canada insect damage has destroyed large areas of forest. Furthermore, excessive felling has been carried out in eastern Canada for several years. The maximum permitted felling levels have now been reduced and forced up prices of pine sawlogs. This has led, among other things, to the closure of sawmills and pulp mills, primarily in eastern Canada.

INCREASED COMPETITION AND STRUCTURAL DEALS

The growing biofuel sector is leading to increased competition for raw material. Among other things, this may knock out unprofitable European board industry which is based on sawdust and chips

EXAMPLE OF GLOBAL TRADE FLOWS OF WOOD PRODUCTS

from the sawmill industry.

There are many indications that structural deals will take place within both sawmills and the pulp and paper industry. Many companies are financially strong after a couple of years of high prices for finished goods and relatively low raw material costs due to large storm volumes. When the economy recedes, several companies may encounter problems which will lead to restructuring.

IMPORTS AND EXPORTS

Imports of roundwood to Sweden in 2007 remained at roughly the same level as in 2006. Fibre raw material is the main import, primarily in the form of hardwood pulpwood since availability in Sweden is far lower than demand.

The long-term trend, however, is that imports are decreasing primarily from Russia in pace with increased raw material prices and duties on timber. As an effect of the storms Gudrun and Per as well as rising raw material prices in Europe, Sweden has acquired a stronger role as an exporter of sawlogs and pulpwood to countries that include Finland, Norway and Germany. Both Swedish and foreign customers are increasingly competing for the Swedish raw material. Competition will intensify since several companies have reorganised by putting buyers in the field in order to guarantee access to raw material.

Imports of chips from South America continued at much the same volume as in the previous year. Several industries are being established in South America, however, in order to convert wood raw material into pulp on site. Nordic forest companies are also investing in the region.

Logistics are playing an increasingly important role in the commodities market. From a raw material flow that was previously relatively local, there is now long-distance transport which is also combined with rail and sea transport. This is a consequence of increased globalisation and specialisation.

SAWMILL INDUSTRY

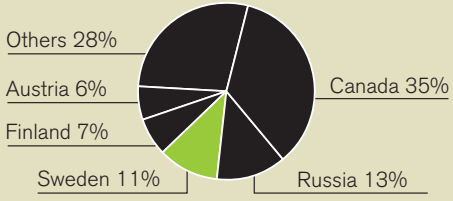
In economic terms the sawmills are forestry's most significant customers. This is because timber revenues account for the largest proportion of net stumpage which is the value of felled forest after costs for felling and transport to a road.

The sawmill industry in Europe is marked by the German sawmill industry's rapid expansion, which will make it well placed to supply the North American market when growth increases. After a number of storms on the European continent, raw material availability has fluctuated considerably. Availability is also a decisive issue for the Austrian industry. Sawmills in Austria have been dependent on imports from Eastern Europe. This has now decreased in pace with the build up of a modern sawmill industry in Romania and other countries.

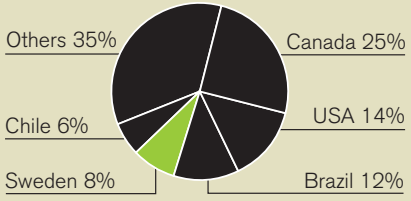
The sawmill industry in Sweden is fragmented with small units. Meeting international competition will require larger companies that can offer customers volume, logistics and customised products. At the same time, a specialisation is under way with the sawmills increasingly focusing on a specialised offering in terms of product range and grades. Examples of this include a focus on a single type of wood, production of building products for DIY chains or high-quality products for the joinery industry. New sawmills have been announced in the market, putting further pressure on the need for restructuring.

Increased demand and rising prices for sawn timber mean that the Swedish sawmills enjoyed good profitability over

WORLD'S LARGEST EXPORTERS OF SAWN AND PLANED SOFTWOOD SAWN TIMBER, 2005



WORLD'S LARGEST EXPORTERS OF PAPER PULP, 2005



Sweden is a leading producer and exporter of forest products. The diagrams show the largest export countries in the world.

Source: Forest Statistics Yearbook 2007.

the past year. Since the end of the year, however, a weaker trend has been noted. Sawmill by-products, such as sawdust, cellulose chips and bark, are also of major significance for the industry's economy. Several sawmills focus on the biofuel market by manufacturing fuel pellets from by-products.

PULP AND PAPER INDUSTRY

The expansion of the fibre industry in South America continues, which is intensifying competition for the forest industry in Europe. The weak dollar has also reduced profitability for European pulp and paper mills. European paper mills, which do not have their own pulp production, are hard pressed by this competition. This applies in particular to paper mills that depend on recycled paper which today is exported to China to a large extent. Canadian players have started shipping paper products to Europe where profitability is better. At the same time, the capacity expansion in the major paper mills in both Europe and Asia indicates lower prices for finished paper products.

Economic development was favourable for the Swedish pulp and paper industry in 2007. Pulp prices rose primarily due to low producer stocks and lower supplies of long-fibre pulp from Canada. Sales prices for the pulp and paper industry may recede in the years ahead when new capacity is added in South America. At the same time, prices for raw material are expected to remain stable or to rise. High prices for chemicals and increased energy costs also affect results.

Many of the Swedish pulp and paper industries are well-invested and ranked highly in the major global groups. They are expected to maintain their positions despite comparatively low capacity utilisation in Europe.

During the past year the market was relative good for fine paper, while the market for newsprint was less favourable.

BIOFUEL

The market for biofuels is growing fast in Europe. Firm political action designed to handle emissions of greenhouse gases is driving this development. The EU has a binding target that 20% of its total energy consumption must come from renewable sources by 2020. This is expected to create a major need for biomass, corresponding to approximately 880 million cubic metres of biofuel at EU level. Approximately 250 million cubic metres or approximately 500 TWh of this biomass is expected to come from the forest.

The Swedish government has stated that Sweden will be a leading country in the switch to a renewable energy system. The climate issue and the associated energy changeover will therefore affect the timber market of the future to a very great extent. The Swedish system with so-called green certificates has further encouraged investments in power production based on biomass.

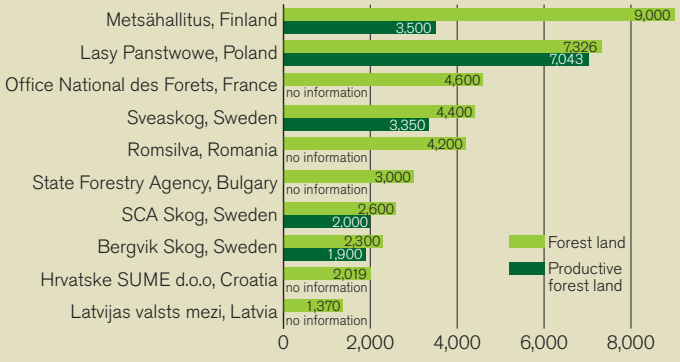
The forest accounts for the dominant part of the renewable fuels used in Sweden today. There is also major potential for the future. In 2007, 120 TWh of biofuel from the forest was used. This corresponds to about 26% of the country's total energy requirement.*

Demand for biofuel is expected to remain good with a number of planned investments in various biofuel-based plants. Calculations show that new investments in the next few years will generate an increased requirement of 10 to 12 TWh.

Investments to produce electricity from biofuel have previously mainly been made by the forest industry. In 2007 investment decisions were made for new or expanded power production by a number of privately owned or municipal energy companies.

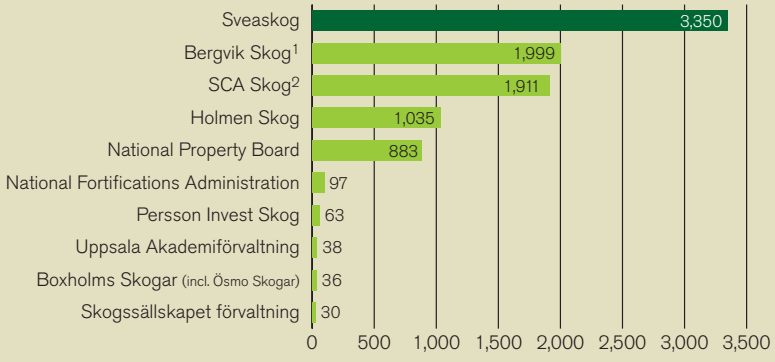
* Source: Energy supply in Sweden – short-term forecast ER 2007: 25

MAJOR FOREST OWNERS IN EUROPE
TOTAL AND PRODUCTIVE FOREST LAND, 1,000 HECTARES



Source: Pöyry Forest Industry Consulting 2008.

MAJOR FOREST OWNERS IN SWEDEN
PRODUCTIVE FOREST LAND, 1,000 HECTARES



[1] Company that includes Stora Enso's and Korsnäs' forest land holdings.
[2] Incl. Scaninge Timber. Source: Swedish Agency.

WIND POWER

When production of renewable energy is to increase, wind power will have a key role. Sweden has excellent conditions in which to expand wind power on a large scale. Interest in establishing wind farms in a forest environment is rising sharply since there are many excellent locations in sub-montane forest environments. The costs of building a wind farm in the forest are lower than for sea-based wind power and there is seldom a problem with locations close to built-up areas. Wind power farms only have a negligible impact on traditional forestry. Instead, wind power can substantially increase the return on the forest land.

TOURISM

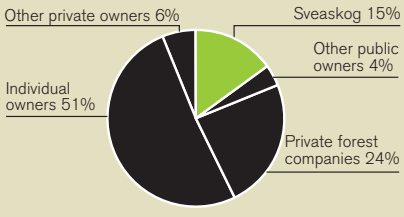
Tourism is showing strong development both internationally and within Sweden. Swedish tourism has risen by 57% in sales since 1995**. The tourism industry accounts for 2.6% of GDP, which is low in an international perspective (the EU average is about 6%).

The market for eco-tourism and experiences is growing. Surveys show that both international and Swedish travellers are looking for an active holiday and are prepared to pay for experiences

** Source: Mid Sweden University, ETOUR.

Interest in setting up wind farms in forest environments is rising sharply.

SWEDISH FOREST OWNERSHIP STRUCTURE
OWNER CATEGORY, %



Players in the Swedish timber market

The Swedish timber market is characterised by a few large forest industries, a large number of wood products companies and about 350,000 forest owners, of whom 90,000 are affiliated to forest owner associations with their own production.

As a large, independent forest owner without any industry of its own, Sveaskog has an independent role in the market which contributes to increased competition.

and exotic environments. Sweden's forests, mountains, coasts and so on offer opportunities for commercial tourism and there are a number of products in the market. Existing services include riding, kayaking, dog sleigh rides, elk hunting, wildlife watching and fishing.

Eco-tourism, hunting and fishing provide experiences with a financial value that can be conducted in parallel with modern forestry. Interests among local tourism companies in signing leases with owners of land and water courses is rising.

ECOSYSTEM SERVICES

As environmental issues become increasingly important, there is growing interest in the forest's ecological functions or ecosystem services. The world's forests are decreasing due to substantial deforestation in the areas around the equator. Population growth leads to a growing need for agricultural land which leads to reductions in forest land. The annual global decline in forest land corresponds to one-third of Sweden's productive forest land. The growing forest binds carbon dioxide which opens up opportunities for companies and private individuals to invest in silvicultural measures. These ecosystem services are particularly significant in developing countries where the forests are decreasing at a rapid rate. Business opportunities for forest owners can be to offer ecosystem services relating to increased carbon dioxide sequestration through increased growth.

Other ecosystem services might include developing the forest's ability to purify water and to maintain or develop biological diversity. There is already a growing market for such services in North America and this is expected to spread to Europe in time. The international co-operation Forest Trends also encourages sustainable development of the world's forests by bringing together players from different sectors, providing information and supporting business projects within this area. Sveaskog is represented in Forest Trends.

Facts

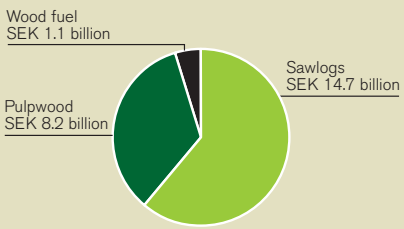
Green certificates and trading with emission rights

Green certificates are a Swedish system that will give Sweden increased electricity production from renewable energy sources. The aim of electricity certificates is to increase annual electricity production from renewable energy sources by 17 TWh by 2016 compared with the level in 2002.

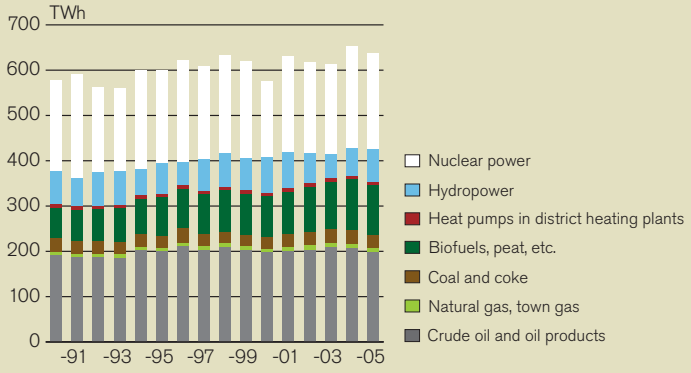
The system is built up so that producers of renewable electricity receive a certificate for each MWh of electricity they produce. In order to increase demand for certificates it is mandatory for electricity suppliers and some electricity consumers to buy a specific number of electricity certificates in relation to their electricity deliveries/consumption, known as the quota obligation. The sale of certificates means that producers receive extra revenue in addition to revenues from electricity sales which creates better economic conditions for eco-compliant electricity production. The European system with trading in emission rights also encourages greater use of biofuels.

Source: Swedish Energy Agency

VALUE BY PRODUCT GROUP IN THE SWEDISH TIMBER MARKET, SEK BILLION



SWEDEN'S ENERGY SUPPLIES, TWh



Marlene Lidén is a forest ecologist at Sveaskog. She is responsible for work with nature conservation issues in Norrbotten.

Forest capital

Sveaskog's aim is to increase the return on its forest capital. Changes in value are affected by forest growth, felling and sales and acquisitions of forest properties.

FOREST CAPITAL

In 2007 the book value of Sveaskog's forest holdings was MSEK 28,606. The book value decreased during the year by MSEK 181. This was mainly due to the fact that Sveaskog sold more land than it acquired.

Since 2005, Sveaskog has also reported the value of its biological assets. Biological assets refer to standing trees – not the land on which they grow. This means that a financial valuation is made of the growing forest based on future costs and revenues. Sveaskog applies international accounting rules for forest assets in this valuation (IAS 41 Agriculture).

For 2007 the value of the biological assets (the value of the trees) was MSEK 26,591, which is on a par with the previous year.

In addition to these values, forest land also has a value for the grant of leases, for hunting and fishing for example, nature experiences through tourism entrepreneurs, wind power and ecosystem services.

INVESTMENTS IN FOREST CAPITAL

The value of the forest capital is affected by the growth and value-enhancing measures carried out over time. These comprise silvicultural measures such as regeneration – with soil scarification, seeding and planting – as well as pre-commercial thinning and fertilising. In 2007, Sveaskog increased the proportion of seeding as a regeneration method and extended its fertilised areas. Read more in the chapter Forestry Operations on page 32.

Annual growth on Sveaskog's productive forest land is 11.5 million m^3fo or 3.5 m^3fo/ha. Timber reserves on productive forest land total 310 million m^3fo or 94 m^3fo/ha. In recent years timber extraction has averaged 70% of growth on cultivated land. This means that timber reserves increase in volume every year.

LONG-TERM SUSTAINABLE FELLING LEVEL

From an economic perspective the forest capital can be seen as a stock of products that can be sold partly in the short term and partly in the long term, depending on the age structure of the forest. Sveaskog has performed careful calculations in order to achieve a felling level that is sustainable over time. The value of the forest capital is based on these long-term felling calculations. Since 2004 the company has started to reduce felling levels in accordance with the felling plan. This has led to an adjustment

Sveaskog's forest capital

	2007	2006	2005	2004	2003
Total areas of land, million ha	**4.40**	4.45	4.48	4.54	4.60
- of which productive forest land, million ha	**3.31**	3.35	3.37	3.40	3.46
- of which cultivated, million ha	**2.88**	2.98	3.02	3.05	3.11
Book value, MSEK	**28,606**	28,787	28,972 [1)]	29,529 [1)]	20,783 [2)]
Tax assessment value forest land, MSEK	**29,589**	29,756	30,832	24,006	23,300
Timber reserves*, million m^3fo	**256**	267	268	270	275
Timber reserves*, m^3fo/ha	**89**	90	89	88	88
Net growth*, million m^3fo	**10.6**	11.0	11.2	11.3	11.7
Timber extraction from own forest, million m^3sub	**5.65**	5.85	7.11	6.60	6.62
Timber extraction as proportion of net growth on cultivated land*, %	**66**	65	78	72	70

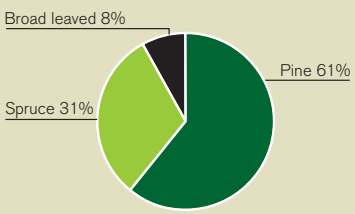
* Cultivated land

[1] Fair value according to IFRS.

[2] According to previous accounting principles.

1 m^3fo corresponds to approximately 0.82 m^3sub.

TYPE OF TREE SVEASKOG



of felling resources and lower deliveries in northern Sweden.

Over the next ten to fifteen years the company will maintain a considerably lower felling level in northern Sweden than that which might be calculated as feasible.

RETURN ON FOREST CAPITAL

The annual timber harvest and its allocation over time is the most important factor for determining the economic value of the forest land. The timber harvest for the year forms part of the annual total return in the form of a yield. This also includes other items in current operations such as land sales and rental income.

The total return also includes the year's change in the value of the forest capital. This change depends on differences between the actual harvested volume and felling potential. Change in value of forest assets is the volume-related change in timber reserves after felling and biological growth. As described above, net extraction in recent years has been approximately 70% of biological growth, which means that the value of the forest capital increases.

In a longer perspective the value of the forest capital is also affected by investments in silvicultural measures and an improved infrastructure.

ECONOMIC VALUATION OF FOREST CAPITAL

Calculations of the value of the forest capital are updated every quarter and based on Sveaskog's long-term felling calculations. Calculations are performed on volumes expected to be used for felling over an average rotation period for the forest. The rotation period is assumed to be 60–120 years depending on where in the country the forest is located. Selling prices and costs are then applied to the volumes and grades expected to be felled each year. Felling has a substantial effect on operating profit. The sum of the rotation period's discounted cash flows is the value of the biological assets, i.e. the value of the trees.

Levels of revenues and costs are based on an historical average. The estimated cash flow for each year is discounted to a present value using a cost of capital. In the 2007 calculation a nominal rate of 6.25% was applied. Annual inflation was assumed to be 2%.

PROPERTY SALES

Sveaskog works actively with purchases, exchanges and sales of forest properties. As a result of the property deals, the structure of Sveaskog's own forest holdings is more efficient. In 2007, Sveaskog sold a total of 46,387 hectares of land for just over SEK 1 billion. The largest portion of these sales, 37,100 hectares, was land sold within Sveaskog's land sales programme which is intended to strengthen private farming and forestry particularly in sparsely populated areas. Read more about this on page 34.

LAND FOR FORMATION OF NATURE RESERVES

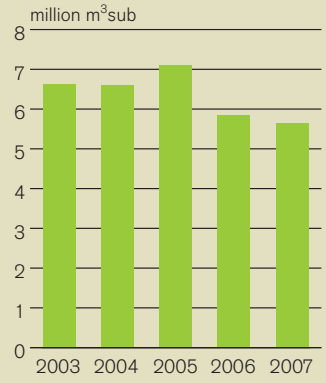
Sveaskog transfers land when the state wishes to acquire land for various purposes for the common good. The Swedish Environmental Protection Agency buys forest with high natural values at market prices for the formation of nature reserves. In this way Sveaskog contributes to the formal protection of forest land in accordance with the national environmental objective Living Forests.

During the year Sveaskog and the Swedish Environmental Protection Agency signed an agreement related to 55 areas totalling 5,520 hectares. The selling price amounts to MSEK 201,339.

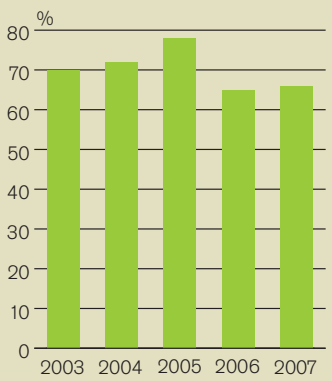
REPLACEMENT LAND

According to an agreement between Sveaskog and the Swedish Environmental Protection Agency, the agency can acquire replacement land from Sveaskog. This land is handed over as exchange

TIMBER EXTRACTION FROM OWN FOREST MILLION m³sub



TIMBER EXTRACTION AS PROPORTION OF NET GROWTH ON CULTIVATED LAND, %



Reduced extraction

Sveaskog's extraction of timber from its own forests is decreasing as shown in the diagram far left. The higher extraction in 2005 stems from the large volume of timber cleared after the storm Gudrun in January 2005.

Timber extraction's share of net growth is also decreasing which means that growth in Sveaskog's forests is higher than the volumes taken out.

land to private landowners as compensation when they transfer land to the state for the formation of nature reserves. Transfer of land to the Swedish Environmental Protection Agency takes place at market prices. Nineteen such sales totalling 1,192 hectares were carried out in 2007.

OTHER DEALS

In addition to the land sales programme and sales to the Swedish Environmental Protection Agency, Sveaskog sells land for use other than forestry. Among other things, Sveaskog sells to municipalities, companies and private individuals when industry or housing is being established or sites extended. During 2007, 152 such property sales were made for a total of approximately MSEK 154. One goal in conjunction with sales, purchases and exchanges of land is that these deals give Sveaskog improved consolidation, i.e. that the structure and location of the forest land benefits the company. A well consolidated land holding increases the value of the forest and the efficiency of Sveaskog's operations.

WIND POWER

There is considerable interest in co-operation over setting up wind power farms on Sveaskog's land. The company has leased land for wind power since 2001 and works with several players on such grants of land. In 2007 co-operation was initiated with Vattenfall which may result in 550 wind farms which could meet the electricity requirements of 800,000 households.

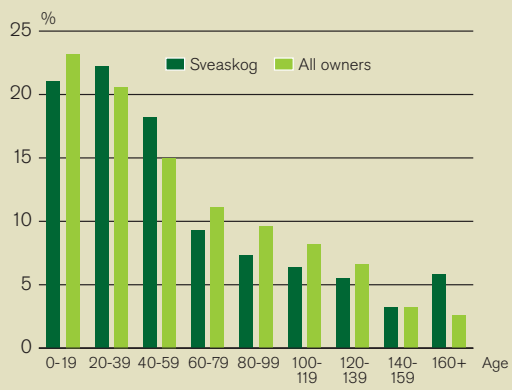
Sveaskog owns 15% of Sweden's forest land

Sweden has a total land area of approximately 41 million hectares. Of this area, 22.9 million hectares comprises productive forest land.* Sveaskog owns about 4.4 million hectares of land, of which approximately 3.3 million hectares is productive forest land. This means that Sveaskog's share of total productive forest land in Sweden is almost 15%. This makes the company Sweden's largest forest owner. In a global comparison, Sveaskog is also a significant forest owner.

* As defined in the Swedish Forestry Act. In international contexts a different definition is used and the figure is 27.3 million hectares. In the Swedish definition a limit is drawn at a production capacity of 1 m^3fo/ha/year. The international definition focuses on crown coverage and height of the trees.

Source: Swedish Forest Agency, Forest Statistics Yearbook 2007.

AGE CATEGORY BREAKDOWN SWEDEN AS A WHOLE. SVEASKOG AND ALL OWNERS



Forest age structure

The age structure in Swedish forests is uneven. Forests in the age category 50–100 years are under-represented while forests in the age category 0–50 years and over 100 years are over-represented. The background is that silvicultural methods applied at the end of the 19th century and in the early 20th century created weak growing, thin and low-productive forests. Major restoration work was started in 1950 which led to large areas of high-growth forest that are not yet mature.

A relatively large portion of Swedish forest older than 100 years is set aside for nature conservation purposes.

Source: Swedish Forest Agency.

Leif Nyman is a harvester operator in Bergslagen. Seen here preparing for thinning by measuring the height of the trees.

Research and development

Sveaskog makes active efforts to develop the values of the forest. Increased growth and more efficient technology for harvesting wood raw material were prioritised areas for research and development at Sveaskog in 2007.

INCREASED GROWTH – THE ROLE OF THE FOREST IN CLIMATE WORK

The proportion of forest land in the world is decreasing. At the same time, efforts to fight climate change increase the demand on society to use renewable energy sources, where biofuels comprise an important part. This presents researchers with challenges.

If wood raw material is to be able to meet increased demand, production-enhancing methods must be developed and introduced in forestry. Increased growth is therefore a prioritised area of research.

Towards the end of 2007, Sveaskog in co-operation with the Swedish University of Agricultural Sciences, SLU, started trials into growth-enhancement methods. The trials will be carried out at landscape level and involve Sveaskog setting aside two to three large trial areas of about 1,000 hectares each. The aim is to increase growth over time by 50% in these so-called growth parks by using different silvicultural measures. In these trials Sveaskog will examine how a broad and intensive silviculture affects the forest ecosystem at landscape level. Effects on ecology, environment, production and economy will be studied. Measures included in the silvicultural programme can be fertilising, processed seedlings, changed pre-commercial thinning methods or a higher proportion of deciduous trees. SLU carries out the day-to-day management and environmental monitoring. Researchers from other universities are also welcome to carry out tests within the growth parks. The first forest activities will start in 2009.

Biotechnology can create forest growth in various ways. Sweden is the world leader within forest biotechnology and Sveaskog is a partner is several innovative projects. Sveaskog is a part owner of the biotechnology company SweTree Technologies (STT) which among other things co-operates with Umeå Plant Science Centre (UPSC) to build up and make commercial use of knowledge of basic tree biology. During 2007, STT completed a project on new eco-friendly fertilisers for nurseries based on the amino acid arginine. The project shows good results for cultivation of spruce and pine seedlings in nurseries. Among other things, nitrogen leakage is reduced while the seedlings' root systems are more well-developed. During 2008 a trial will also be carried out using arginine in forest fertiliser for mature forests. Another example of biotechnology developed by STT is vegetative propagation of seedlings using somatic embryogenes. This method opens opportunities for mass propagation of processed spruce seedlings with high growth and attractive quality characteristics.

The growing forest binds carbon dioxide. When the carbon is sequestered in trunks and soil the forest can function as a carbon sink. During the past year, in co-operation with SLU, Sveaskog started a modelling project centred around carbon sequestration. The project will calculate the total carbon sequestration which the forest, various silvicultural measures and applications for wood raw material can provide. The results are expected to be ready in spring 2008. The detailed model also takes into account development of timber reserves, changes in below-ground carbon, fuel consumption in silvicultural measures and the use of the raw material.

Sveaskog is taking part in a Carbon Sink project in Norrbotten which will run until 2010. Sveaskog took the initiative together with SLU, LKAB, the County Administrative Board in Norrbotten, Norrbotten County Council and Syvab. The project will examine the possibilities of binding carbon in the ground and trees through various growth-enhancing measures. 600 hectares have been set aside for the project. In an initial stage bio-nutrients and minerals will be applied. To allow comparisons with normal management, 300 hectares will be set aside as a control areas.

MORE EFFICIENT TECHNOLOGY

Sveaskog is involved in several projects related to the development of forestry technology and methods. This includes development of new technology to enable biofuels to be harvested in an environmentally compliant and cost-effective manner.

In 2007, Sveaskog decided to invest MSEK 10 in the forest engineering cluster in Västerbotten for the development of new forest machines. The 14 small companies in the cluster are world leaders in their specialised fields and co-operate over skills development, research and development. One example of a project is a prototype for a new bio-harwarder. This will facilitate extraction of thin logs for biofuel.

During 2007 Sveaskog also tested a new unit for utilising stumps for biofuel. The company continued its trial extraction of stumps that started in 2006. Knowledge acquired on the effects of this extraction has been compiled. This will

form the basis of an environmental analysis to be completed in 2008. During the year Sveaskog purchased the first prototype of an electric hybrid forwarder, El-Forest. The forwarder which was developed by Thordab in Örnsköldsvik consumes less fuel and emits less carbon dioxide than a traditional forwarder. The vehicle is partly battery-driven. This allows fuel consumption to be reduced by up to 25%. The forwarder's design also means it can manoeuvre more easily in difficult terrain while damage to the ground is reduced.

During the year Sveaskog also took part in continued tests of the driverless harvester robot, known as Besten. The robot is part of a system for final felling which also includes two unmanned forwarders that act as couriers to the robot. Robot technology gives the operators a better working environment, costs savings and environmental gains due to less hauling damage to the ground.

Sveaskog is an external investor for the crane head steering project being conducted by the Intelligent Vehicle Off Road, IFOR, unit at Umeå University. Crane head steering will open up opportunities for further automation of work with forest machines which will improve performance and reduce the load on the operator.

NEW APPLICATIONS

Wood raw material is becoming increasingly important in the changeover from fossil to renewable materials and fuels, both as a biofuel and as a component in modified material produced through biotechnology. Development within biotechnology will probably increase the value of wood raw material through additional applications. Sveaskog is therefore an active participant in a number of bioenergy and biotechnology projects. In the future the pulp mills can become "bio refineries" where wood raw material and by-products from the mills are converted into electricity, "green" chemicals and biofuels.

Sveaskog also supports research into better durability for wood-based products. These operations are conducted at the Ecobuild Institute Excellence Centre. The research base is SP Trätek's premises at the Royal Institute of Technology, KTH, in Stockholm. The assignment is to develop eco-compliant methods such as heat treatment to protect wood products. Modified wood and fibre products and biocomposites can in their turn replace plastic products, for example. Wood-based composites are already being used to replace plastic in cars. Car manufacturers Volvo and Mercedes use wood fibre in headlinings. Modified fibre material can replace the plastic layer in nappies. Modified material with new surface and moulding properties is also used for clothes and furniture.

Research into nanotechnology with the aim of developing new applications for fibre raw material is under way at the Biofibre Materials Centre at KTH. The research is supported by Sveaskog in co-operation with other forest companies and research institutes.

Sveaskog is one of the stakeholders in a national pilot project for black liquor gasification at Smurfit Kappa Group in Piteå. The project involves making more effective use of the high-energy black liquor that is a by-product in sulphate pulp mills. Gasified black liquor can be used to produce synthetic gas that can generate electricity, vehicle fuels and renewable inputs for the food and pharmaceutical industries. The project studies how lignin, which is a component of wood, can be gasified to produce the vehicle fuel dimetylether, DME, as a replacement for today's diesel.

EU'S TECHNOLOGY PLATFORM

Research into biofuel is a key part of the EU's strategic research programme which involves a total of MSEK 440 until 2013. The vision for 2030 is that 25% of vehicle fuel in Europe will be biofuel. Sveaskog's research director, Ann-Britt Edfast, is a member of the steering committee for the EU's technology platform for biofuel. A strategic research agenda was developed in 2007. This will guide the European research focus with regard to biofuels.

ENVIRONMENTAL ASSESSMENTS AND CONTINUOUS COVER FORESTRY

Sveaskog participates in environmental assessments of how forestry methods affect wetlands, wildlife and fauna. Sveaskog is currently participating in assessments of fertilisation of young forests and extraction of stumps.

Ditch maintenance is a project that started in 2007. Maintenance of ditches can be an important production-enhancing measure. The project analyses the effects of ditch maintenance on water quality and benthos. The studies are being carried out in locations in Sweden together with the Swedish Environmental Research Institute (IVL), the World Wide Fund for Nature, WWF, the Swedish Environmental Protection Agency and the Swedish Forest Agency.

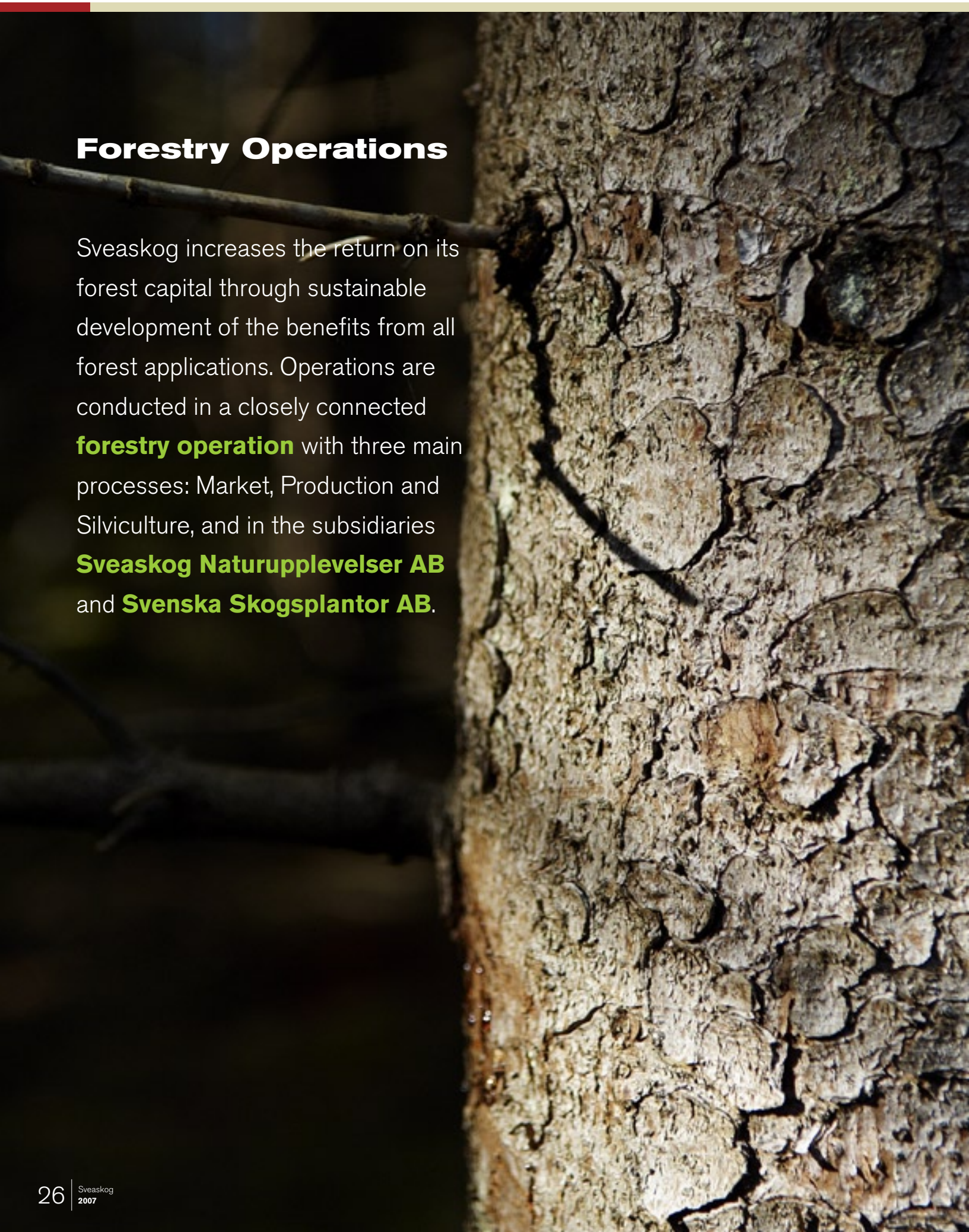
Sveaskog is studying a complement to the dominant clear felling in a large-scale trial with continuous cover forestry. This is being carried out in co-operation with the Swedish Forest Agency and SLU.

Facts
Sveaskog's R&D

In order to achieve the best possible impact and business benefit, a major part of Sveaskog's research is conducted in co-operation with universities, colleges, and industry-wide research institutes such as the Forestry Research Institute of Sweden (Skogforsk), the Swedish Pulp and Paper Research Institute (STFI-Packforsk), and SP Trätek (a collective research and development resource for the Swedish timber and wood products industries). Sveaskog has set aside 8,000 hectares of land for different research parks. The company also supports industry-related postgraduate studies and thesis work and conducts development work together with a number of private companies.

Forestry Operations

Sveaskog increases the return on its forest capital through sustainable development of the benefits from all forest applications. Operations are conducted in a closely connected **forestry operation** with three main processes: Market, Production and Silviculture, and in the subsidiaries **Sveaskog Naturupplevelser AB** and **Svenska Skogsplantor AB**.



Forestry Operations – Market

Sveaskog works with production, acquisition and sales of sawlogs, fibre raw material and biofuel. The company is Sweden's leading seller of wood raw material in Sweden. The main customer base is Swedish sawmills and pulp and paper mills. Biofuel products are sold to heating plants, combined power and heating plants and forest companies.

INDEPENDENT PLAYER

By playing an active and independent role in the timber market, Sveaskog contributes to cost-effective raw material flows from forest to value-added product. Sveaskog's presence in the timber market leads to greater competition for wood raw material. This is partly because the company has no industrial operations and partly because Sveaskog buys and exchanges timber with other players. By being an independent player, also when purchasing raw material, Sveaskog can obtain a better return from its own forests.

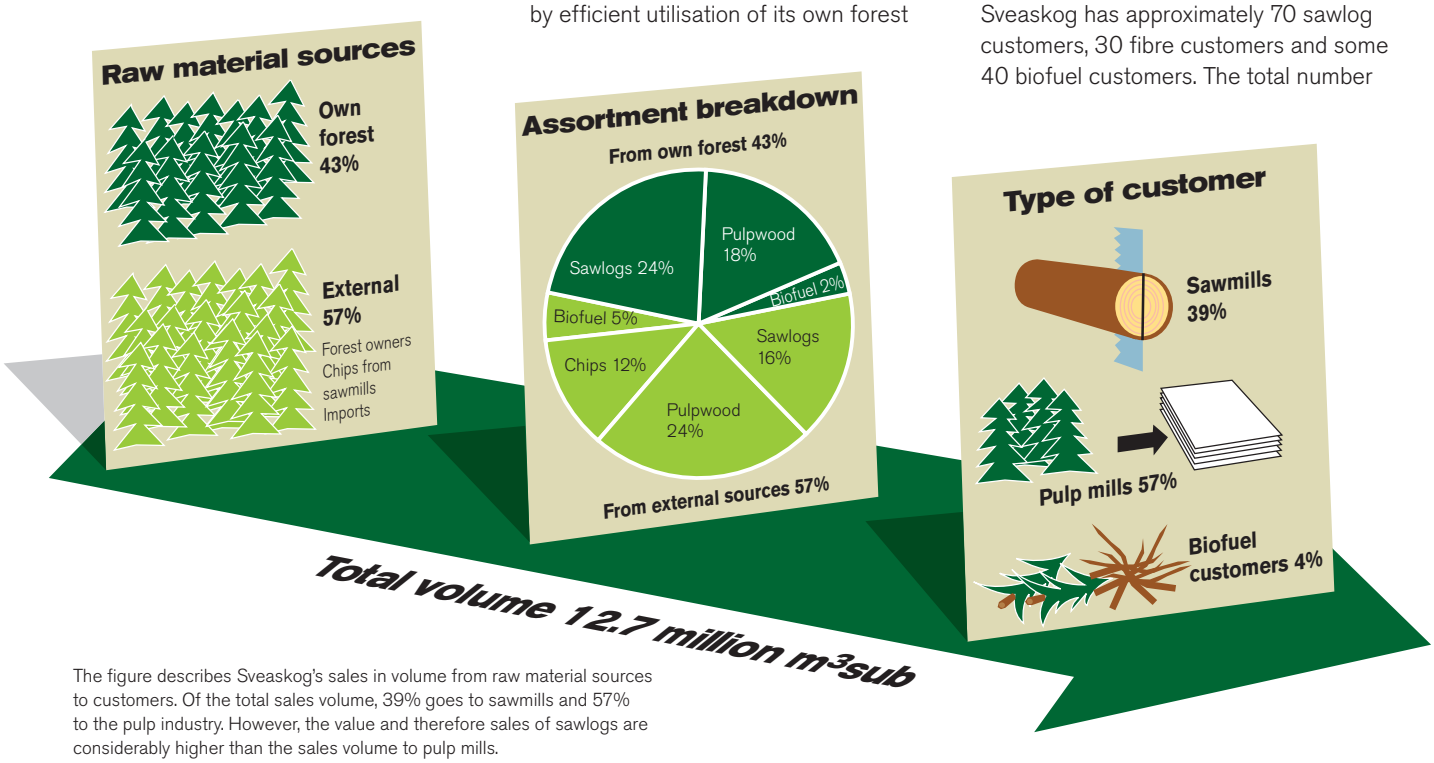
Despite increased timber supplies and the good business climate for wood raw material, increased competition also requires Sveaskog to strengthen its offering and performance in the market. Sveaskog was therefore more active in its marketing in the home market in 2007. Approximately 57% of Sveaskog's sales volumes come from external raw material sources.

CUSTOMISED SERVICES PROVIDE ADDED VALUE

In order to be an attractive business partner, Sveaskog must offer its customers the right volumes, quality, grades, freshness, lengths and dimensions. Sveaskog meets customers' demands by efficient utilisation of its own forest holdings combined with timber procured from other forest owners and imports. Competitiveness is based on increased customisation of services, within for example production, timber preparation, logistics and service. This gives customers added value in the form of increased cost efficiency or improved results from processing, which in turn helps Sveaskog over time to increase the value of its own deliveries and forest holdings. In order to guarantee demand for wood raw material in the long term, Sveaskog works with active customer selection and export alternatives.

MARKET 2007

Sveaskog has approximately 70 sawlog customers, 30 fibre customers and some 40 biofuel customers. The total number



The figure describes Sveaskog's sales in volume from raw material sources to customers. Of the total sales volume, 39% goes to sawmills and 57% to the pulp industry. However, the value and therefore sales of sawlogs are considerably higher than the sales volume to pulp mills.

of customers is on a par with the previous year while total sales volumes have risen.

In 2007 the Swedish timber market was affected by the storm Per, which primarily affected Götaland. Approximately 12 million m^3fo was felled, including approximately one million m^3fo on Sveaskog's land. The effects of the storm were reflected in Sveaskog's work in the region during the year. There are still timber stocks in the storm area that upset the timber balance, but most of these are expected to be sold in 2008.

A further complication in southern Sweden was the extensive damage caused by the spruce bark beetle which arose in the wake of the storm Gudrun in 2005. Spruce bark beetles have also attacked living trees. This contributed to the increased supply of spruce pulpwood and spruce sawlogs during 2007.

Timber prices rose in stages throughout 2007.

INCREASED BIOFUEL DELIVERIES

In 2007, Sveaskog's biofuel deliveries corresponded to 2 TWh, which is a volume increase of 25% compared with the previous year. Sales rose 48%. The volume increase was mainly to existing customers which was a deliberate strategy. Sveaskog sells biofuel to heating plants, CHP plants and customers in the forest industry.

The biofuel business is now established throughout Sweden, from Kiruna in the north to Skåne in the south. Customers' plants are usually close to Sveaskog's forest holding and their annual requirement varies from 5 GWh to over 300 GWh. Production and sales of biofuel were slightly lower than expected in Götaland. This is mainly due to the effects of the storms which made it difficult to extract felling residues and other biofuel from the storm-felled forest.

Biofuel consists of felling residues (branches and tops), parts of trees, fuelwood and by-products from the sawmill industry. In autumn 2007 Sveaskog continued its large-scale pilot project with extraction and sale of stumps.

TIMBER SUPPLIES

Of Sveaskog's deliveries in 2007, 43% came from raw material from its own forests and the remainder was from external sources. This means that the proportion of Sveaskog's timber volumes sourced externally rose 2% compared with 2006. The main reason for this is that the proportion of mature forest ready for felling is decreasing on Sveaskog's land.

A key part of the timber volume Sveaskog buys from other suppliers comes from private forest owners. Sveaskog has a total of approximately 8,000 suppliers, most of whom are private forest owners. Sveaskog's timber purchases from Swedish forest owners are controlled by special guidelines. A survey carried out in 2007 with a selection of suppliers shows that Sveaskog is an appreciated business partner.

Sveaskog also offers services such as forestry plans, felling plans, felling, transport, soil scarification and regeneration.

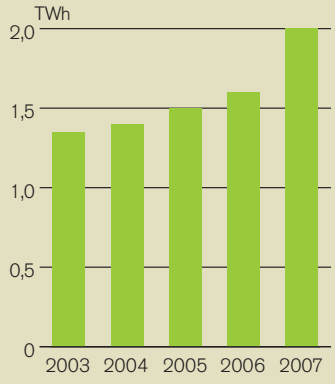
Sveaskog purchases by-products such as bark and sawdust from the sawmills. Purchases and exchanges with other Swedish forest companies optimise Sveaskog's logistics and transport costs. Over 9% of Sveaskog's timber sales comprise imported timber, primarily from the Baltic countries. This is an increase of 2% compared with 2006. Imports in 2007 totalled about 1.2 million m^3sub, much of which was delivered from Sveaskog's subsidiary, Sveaskog Baltfor. The main imports are pulpwood, cellulose chips and a growing volume of biofuel.

An important part of Sveaskog's strategy when sourcing external timber is to be a long-term and attractive partner in the market, primarily to players without their own forest holdings.

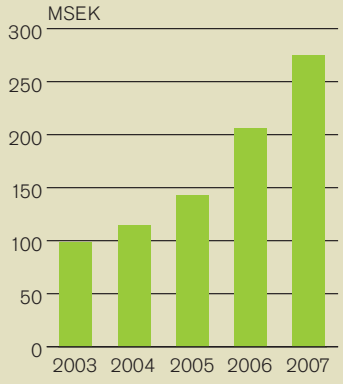
VALS CONTROLS THE TIMBER FLOW

Planning, control and follow-up are

SVEASKOG'S BIOFUEL DELIVERIES, EXCL. IMPORTS, TWh



BIOFUEL SALES, MSEK



The diagrams show how Sveaskog's biofuel deliveries are rising continuously in terms of both volume and sales. In 2007 the volume was 872 m^3fub. Source: Sveaskog.

important in order to optimise Sveaskog's timber and biofuel business. The VALS business management system is used for this. It includes all management of sales, purchases, felling and logistics.

In 2007 Sveaskog reviewed its logistics. A number of potential improvements were identified which in addition to lower costs will also provide environmental gains. Some of these areas are location exchanges, improved stock management and optimising transport routes in order to avoid empty runs as much as possible. This also led to more efficient handling of biofuel and VALS has been adapted for this.

Work started for a transfer of the business management system to a new technical platform. This will make the system more user friendly, easier to administer and improve the efficiency of the work flow.

The wording of contracts for field purchases, i.e. timber purchases from private land owners, was reviewed. Sveaskog also started new procedures for managing and planning machine resources. The function for forest machine resources will be introduced at the beginning of 2008.

NEW SAWLOGS INSTRUCTION

During the autumn Sveaskog trained 240 employees in new classification rules for sawlogs that have been drawn up by the Swedish Timber Measurement Council. Suppliers were provided with information about the classification rules and the changeover to them at special information days.

Presenting FSC*

FSC is an independent international organisation for certification of responsible forestry. The aim is that the forest should be managed in a responsible manner that is socially beneficial, environmentally appropriate and economically viable. FSC's logo on products represents independent certification of forestry and product manufacture according to FSC rules.

* © 1996 Forest Stewardship Council, www.fsc.org certification number: SGS-COC-0110.

Support for safer imports

Sveaskog has an import policy for timber that is sourced outside Sweden. Purchased raw material may not come from illegal fellings or other controversial sources as defined by the FSC. In order to minimise the risks, Sveaskog works to guarantee and control traceability for all timber purchased from players outside Sweden. Sveaskog has two certificates for traceability, called Chain of Custody or CoC, one certificate according to the FSC standard and one according to the PEFC standard. Traceability certificates make it possible to guarantee the origins of the raw material – from forest via the mill to the consumer.

Sveaskog also co-operates with the World Wide Fund for Nature, WWF, over development of responsible timber trading in the Baltic region. This co-operation provides added security to follow-up and control of raw material flows.

SIA Sveaskog Baltfor

SIA Sveaskog Baltfor is one of the largest Swedish-owned timber purchasing companies in Latvia. The company has been operating for over ten years and has 22 employees. The head office is in Riga.

Sveaskog imported approximately 1.2 million m^3sub in 2007. Most of the timber came through the subsidiary SIA Sveaskog Baltfor, which is responsible for imports from the Baltic market. Imports mainly consist of pulpwood, cellulose chips and a growing volume of biofuel. Just over 9% of Sveaskog's timber sales come from imported timber.

SIA Sveaskog Baltfor is certified according to ISO 14001 and has its own traceability system to ensure that purchases are made in compliance with Sveaskog's import policy. The system is audited by external auditors.

Forestry operations – Production

Sveaskog plans its harvests of wood raw material using felling plans, the tract bank with information about the company's forest stands and customer demand.

TIMBER HARVESTS

In order to see which forest stands will be available for sale and harvest, Sveaskog uses a so-called tactical felling plan. This contains felling volumes that correspond to five annual fellings in own forests and approximately one year for purchased timber. On the basis of the tactical felling plan, Sveaskog prepared both business and operational plans for the years ahead.

One to two years prior to felling a detailed plan is prepared of each felling area in the field. The detailed plan is placed in an information bank, known as the tract bank. The bank then provides the basis for rolling three-month production and delivery plans based on sales and customer orders. During the year Sveaskog worked to find more efficient methods for collecting data ahead of forestry activities. These included tests of scanning using an airborne laser and several other methods for automatic interpretation of aerial photographs. The aim is to be able to improve the precision in stand selection and to improve knowledge of the results that can be expected from different forest stands. This is important to enable an effective business and delivery planning for different time horizons.

In 2007 Sveaskog carried out felling activities (pre-commercial thinning and regeneration felling) on 43,798 hectares. Sveaskog's own felling organisation consists of 44 machine teams with 170 operators. This is slightly less than in the previous year due to reduced felling, more efficient machines and increased co-operation with contractors. Co-operation with contractors is important, more than 150 machine groups with 600 employees are engaged throughout Sweden.

DEVELOPMENT FOR MORE EFFICIENT HARVESTS

Sveaskog is a driving force for development and efficiency enhancements in order to raise productivity in the industry. Sveaskog also supports local contractors with innovations so that faster results can be achieved in everyday rationalisation. Major projects include IFOR, Intelligent Vehicle Off Road. Another major project is the international traceability project to trace the timber from forest to product. Another technology development project is "Timber measurement with harvesters" which means paying the landowner on the basis of the harvester's measurement data, i.e. closing the deal in the forest instead of as today at the mill. This will lead to faster payment and allow the right product to be prepared for the right industry. This project was completed in 2007 and is going into operation. A follow-up project is the investment in a second generation measurement tool in harvesters, using non-contact measurement. Sveaskog has driven development within this area.

During the year the company ordered a prototype of the electric hybrid forwarder El-Forest. This consumes less fuel, has lower carbon dioxide emissions and causes less ground damage than its

Calipering sawlogs in order to synchronise with and check the measurement equipment in the harvester.

predecessors. The forwarder, which is being developed by the company Thordab in Örnsköldsvik, will be delivered in spring 2008. Another example is the purchase of a Fibercut unit for felling. In the Forestry Research Institute of Sweden's (Skogforsk) tests this unit was best at safeguarding wood value in timber preparation.

MORE EFFICIENT PLANNING

Good information documentation is essential for effective felling plans. Sveaskog uses a GIS-based (geographic information system for forest planning) database system for collection and storage of geographic data and information on tree types, volumes, measures and information on consideration for nature and ancient monuments.

During 2007 Sveaskog and Skogforsk started a project designed to improve quality assurance of planning work and find more efficient methods for felling planning. This project will be completed in 2008.

OPEN CONTRACTOR PROCUREMENT

During the past year Sveaskog completed its tender negotiations for felling services throughout Sweden, work which started in 2006. The aim of open contractor procurement was to improve the quality of contracts and felling. Sveaskog's assessment of the bids was based on price, quality, delivery reliability and willingness to develop. These are key parameters for faster and quality assured deliveries.

Sveaskog has provided its felling managers with training in business development dialogue and carried out a survey as a basis for development of co-operation with contractors. For roads, invitations to tender have been used for a long time when new roads are to be built.

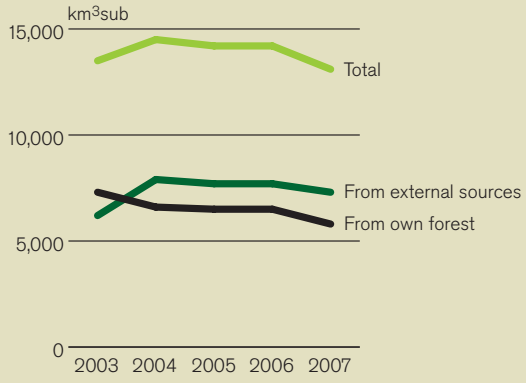
TIMBER ACCESSIBILITY

Sveaskog is Sweden's largest private road operator. In 2007, the company invested MSEK 68 in maintenance and improvements to the existing road network. In addition, MSEK 34 was invested to build 390 kilometres of new roads to improve accessibility. Sveaskog also works to develop machine concepts for road maintenance including a machine for recovering gravel. During the year the company increased its efforts to recover surface course gravel that collects in verges. This saves money and the environment.

The focus was on updating and quality assurance of the road database which is the foundation for the business system for timber transports. Sveaskog has started an inventory of all the company's bridges and their status.

Between 2004 and 2006, Sveaskog took part in a CTI, Central Tyre Inflation, project. With CTI the driver of a timber vehicle can vary the tyre pressure in transit. This allows the vehicle to be driven on poorer roads which leads to less wear. Sveaskog ordered a number of CTI vehicles in 2007. This investment will allow the company to access timber volumes where a road investment is not motivated.

SVEASKOG'S DELIVERIES FROM OWN FOREST, EXTERNAL SOURCES AND TOTAL



Customers and sales at a glance

- In 2007 Sveaskog delivered a total of 12.7 million m^3sub timber. Of this sales volume 11.1 million m^3sub was roundwood which corresponds to approximately 14% of all industrial sales of roundwood in the Swedish timber market.
- Deliveries of wood raw material, including biofuel, from own forest amounted to 5.7 million m^3sub, which is slightly less than in the previous year.
- Sveaskog's raw material imports rose 21% compared with 2006 to 1.2 million m^3sub. This corresponds to 11% of total Swedish imports of wood raw material.
- Sveaskog delivered to approximately 70 sawlog customers, 30 fibre raw material customers and some 40 biofuel customers.

Forestry operations – Silviculture

In the silvicultural process the operational decisions are made as to which areas of forest land should be used for forestry or set aside for nature conservation.

One key task is to create new, strong growth forests in a cost-effective manner after felling and to care for the growing forests so that they provide the best possible returns from thinning and final felling.

During 2007, Sveaskog carried out competitive procurement of forestry services such as regeneration and stand treatment. In all market areas invitations to tender were issued for land scarification, seeding and planting.

LAND USAGE

According to Sveaskog's environmental policy, 20% of the company's productive forest land shall be set aside for nature conservation. Effective and long-term sustainable forestry is to be conducted on the rest of the land.

REGENERATION

The company's regeneration strategies were further developed in 2006. In order to put these strategies into practice, regeneration planners in all market areas received training in 2007.

Regeneration strategies are designed to obtain higher growth with good quality in the stands. This includes a higher proportion of seeding and the use of modified material. Seeding provides good regeneration at relatively low costs compared with planting. The goal is for seeding to account for approximately 30% of regeneration areas by 2012.

STAND TREATMENT

Pre-commercial thinning is a prioritised activity for Sveaskog. The assessment is that pre-commercial thinning areas are largely on a par with thinning requirements. Sveaskog participates in the development of new methods such as strip and central zone thinning.

ASH RESTORATION

The ash that remains when forest fuel is burned contains the nutrient that was originally in the fuel, with the exception of nitrogen. The ash also has a high pH which counteracts acidification. One key part of Sveaskog's biofuel business is therefore restoring the ash to the forest which is carried out in according with the Swedish Forest Agency's recommendation. The company accounts for a significant part of ash restoration in Sweden. During the year 9,000 tonnes was spread over an areas of 3,000 hectares.

INCREASED GROWTH

Sveaskog's aim is to increase growth and one way to achieve this is to increase fertilised areas. During the year instructions were issued and fertilisation planning was improved. A total of 15,000 hectares was fertilised during 2007, which is an increase of 50% compared with 2006. All fertilisation is carried out with GPS support and high precision.

In order to maintain growth it is important to maintain ditches in previously ditched forest areas. Sveaskog therefore started a ditch maintenance project in 2007 where effects on the environment will also be studied.

Other measures to boost growth include a focus on successful regeneration, processed seed and seedlings and good stand treatment.

SPRUCE BARK BEETLE MAJOR RISK

In the wake of the storms Gudrun and Per, the spruce bark beetle showed a strong increase in southern Sweden. A total of 800,000 cubic metres of spruce forest was infested in 2007, including 75,000 on Sveaskog's land. The volume of forest damaged by the spruce bark beetle was considerably less than feared, due to the comparatively wet and cold summer which reduced the spread. How this damage develops in future years depends on the weather and the success of various measures.

Sveaskog worked intensively to clear infested trees and stands at risk throughout southern Sweden. The company also granted land to researchers and carried out its own evaluations of different preventive measures against spruce bark beetle attacks. Among other things, some 1,000 timber traps have been placed on Sveaskog's land.

OTHER INFESTATION AND MEASURES

Major infestation from the rust fungi *Cronartium flaccidum* was noted during the year primarily in Norrbotten. This fungus previously mainly infected the tops of older pines but is now infesting young pine forests. During the summer the Swedish Forest Inventory made an inventory that shows that some 50,000 hectares of young pine forest on the Norrland coast has damage that affects more than 10% of the trees in the stand, of which an estimated 35,000 hectares on Sveaskog's land. Sveaskog is assessing the scope of this and will not leave infested trees as seed or special consideration trees.

NATURE CONSERVATION WORK

Nature conservation work is conducted by Sveaskog forming ecoparks, setting aside nature conservation forests and generally taking nature into consideration in the production forests. Nature consideration at felling includes leaving trees, tree groups and edge zones after felling. The aim of nature conservation work is not only to protect existing forests with high natural values, but also to

Silvicultural measures, 2007

Soil scarification	25,300 ha
Planting	17,400 ha
No. of seedlings planted	38.3 million
Seeding	4,400 ha
Pre-commercial thinning	27,400 ha
Fertilising	15,000 ha
Ditch maintenance	37,100 metres

re-create forest habitats of which there is a shortage in the country.

Nature conservation work is conducted from a landscape perspective. This makes it easier to create habitats that provide endangered animals and plant species with a chance to survive and spread. All Sveaskog's land holdings have been analysed and divided into 196 ecological landscapes that are between 1,500 and 100,000 hectares in size. Each landscape has been assessed and assigned an ambition level for nature conservation.

ECOPARKS

36 of the ecological landscapes have been set aside as ecoparks where at least 50% of the land will be used for nature conservation purposes. The ecoparks cover a total area of 175,000 hectares or 5% of Sveaskog's land. For each ecopark an agreement is concluded with the Swedish Forest Agency. The agreements run for 50 years and guarantee a long-term approach to nature conservation.

An extensive inventory has been carried out and so far 19 ecoparks have been inaugurated. Four ecoparks were inaugurated in 2007: Dubblabergen, Ejheden, Kilsbergen and Jovan, corresponding to a total of approximately 23,000 hectares. Inventories of ecoparks to be inaugurated in future years are under way. The plan is to inaugurate four ecoparks per year until 2012.

NATURE CONSERVATION FORESTS

10% of Sveaskog's productive forest land is set aside as nature conservation forests that are totally excluded from traditional forestry. This is a unique focus on forests with high natural values or with potential to develop high natural values. Total set-aside land comprises approximately 300,000 hectares of nature conservation forests.

Nature conservation work is ensured by so-called consideration prioritising. This is the method used by Sveaskog to select the forest areas in each ecological landscape that are most important for the preservation and development of biodiversity. Consideration is also paid to protection of particularly valuable areas with other values such as outdoor activities and cultural environments.

In autumn 2007 Sveaskog announced externally which areas had been selected as nature conservation forests at dialogue, press and information meetings. These took place within three of the company's five market areas. Sveaskog attaches considerable importance to public opinion in order to further raise the quality of the nature conservation forests. Maps of these areas are available on Sveaskog's website. Nature conservation forests in remaining land areas will be announced in spring 2008.

BURNING AND FOREST FIRES

The Swedish FSC standard provides a foundation for all forestry within Sveaskog. In order to meet FSC requirements, Sveaskog must burn 5% of the regeneration areas of dry and healthy land as an average over five years. In 2007, over 500 hectares of controlled burning and conservation burning was carried out. This was less than planned which is explained by the wet summer which made it difficult to carry out conservation burning. During 2007 approximately 50 hectares burned as a result of forest fires.

CO-OPERATION WITH REINDEER INDUSTRY

In 2007 work was carried out in a co-operation project with the National Union of the Swedish Sami People (SSR). The project is in two parts. One part involves committee meetings with minutes, maps, document management and implementation of committee decisions. The second sub-project is intended to develop and establish silvicultural methods that facilitate the work of the reindeer industry. The project group works with joint development projects designed to increase awareness of current land usage issues. During the year Sveaskog bought a patent for a unit for gentle soil scarification. Development work started on the Huminmix unit.

WORK TO PREVENT DAMAGE CAUSED BY GAME

Sveaskog makes active efforts to reduce damage caused by game. One forestry target is that there should be at least 1,200 to 1,500 undamaged main stems per hectare when the stand has grown above elk grazing height. The result from the Swedish Forest Agency's elk grazing inventory provides information about grazing pressure and is therefore an important decision factor in management of elk herds. Silvicultural issues linked to game management are considered in close co-operation with Sveaskog Naturupplevelser. In 2007 trials with the provision of game feed were initiated. The aim is to have game stocks that are attractive for hunting but at the same time do not cause a problem for forestry. Read more on page 36.

Forestry operations – Property deals

Sveaskog has been conducting extensive sales of land to farmers and forest owners, as well as people living in sparsely populated areas of Norrland and southern Sweden, since 2002.

LAND SALES PROGRAMME

The purpose of the so-called land sales programme is to strengthen private farming and forestry and thus offer people greater opportunities to live and make a living in sparsely populated areas.

The land sales programme was founded in a parliamentary decision in 2001 that Sveaskog should sell 5–10% of its own land. This makes Sveaskog a major player in the forest property market in Sweden. All land sales are conducted at market prices.

In 2007, 238 deals were carried out involving approximately 37,100 hectares. Since 2002, approximately 1,180 deals have been finalised for approximately 192,000 hectares.

In order to raise awareness of the programme, Sveaskog carried out an information campaign in northern Sweden, which included advertisements and meetings. Surveys show that awareness has increased substantially as well as the number of applications to purchase land received in the latter half of the year.

The size of Sveaskog's land holdings varies in different parts of the country. The largest holdings are in Norrbotten and inner Västerbotten as well as in parts of Bergslagen. Demand for forest properties also varies in different parts of the country, with the greatest demand in southern Sweden.

On the basis of the market scenario and its own holdings, Sveaskog carries out its land sales programme differently in southern and northern Sweden.

In the south, Sveaskog selects suitable areas that are offered to the market via an estate agent. The size of these areas is 50 to 200 hectares. Sveaskog has offered approximately one percent of its land holdings for sale per year.

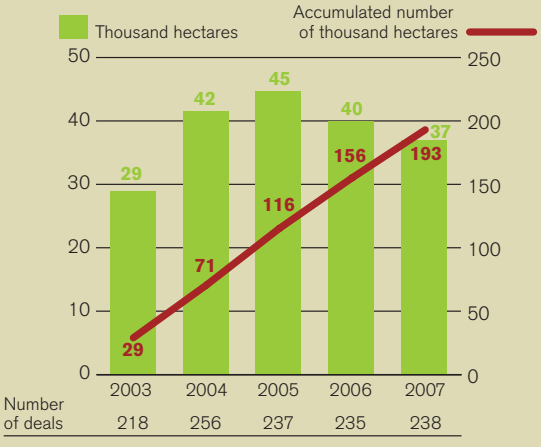
In the north of Sweden, Sveaskog offers suitable land to applicants who have submitted an application. The size of the parcels sold is usually a maximum of 500 hectares.

To read more about the land sales programme, visit www.sveaskog.se

OTHER PROPERTY TRANSACTIONS

Sveaskog also conducts other property sales. These relate to land for the formation of nature reserves, replacement land and other land usage, such as for public construction and infrastructure or site enlargement. Read more about this in the Forest capital section, page 20.

SVEASKOG'S PROPERTY DEALS NUMBER OF THOUSAND HECTARES AND NUMBER OF DEALS



Within its land sales programme in 2007, Sveaskog completed 238 land deals for approximately 37,100 hectares, which is a slightly lower area than in the previous year. The diagram shows the number of land deals per year and how sales have risen in number of deals and scope since the land sales programme started in 2002. The target is that Svesakog will sell 5–10% of its own land holdings. All sales are made at market prices.

Sveaskog will sell 5–10% of its own land holdings. All land sales are made at market prices.

Sveaskog Naturupplevelser AB

Making land available for hunting, fishing and nature experiences is a key part of Sveaskog's vision to develop all the values of the forest. The website www.inatur.se was launched in 2007.

Sveaskog's subsidiary Sveaskog Naturupplevelser AB was formed on 1 January 2006. Operations previously conducted at Sveaskog with leasing of land and water for hunting and fishing were transferred to the company.

Sveaskog Naturupplevelser has three main tasks:

- to manage leases of land and fishing waters in a manner that creates a higher return on the forest capital
- to manage game and fishing stocks
- to promote development of eco-tourism in Sweden.

The operations have 10,000 leases for land and water throughout Sweden. The company also offers tourism entrepreneurs opportunities to lease land and water assets on Sveaskog's land. Sveaskog does not, on the other hand, conduct its own tourism activities.

Sveaskog Naturupplevelser is based in Östersund. The company has annual sales of MSEK 55 and the average number of employees is 39. The company's employees are spread around the country in order to have close contact with tourism entrepreneurs, hunting teams, fishing associations and the local communities where tourism will be developed.

LEASES

Sveaskog Naturupplevelser works with leases that grant rights of use and enjoyment on hunting grounds, fishing lakes or holiday cottages. Most of the company's rental income comes from grants of hunting rights.

During 2007 the company worked to make its management of leases more efficient which will provide leaseholders with a better service. The company also reviewed its lease prices on the basis of demand and availability.

MANAGEMENT OF GAME STOCKS

During 2007 a pilot project was started to provide game feed in five different areas in the country. The purpose is to create levels of game stocks that are attractive for hunting but at the same time do not cause extensive grazing damage to young forests. This project is a multi-year co-operation between Sveaskog and the Swedish University of Agricultural Sciences, SLU.

A nationwide inventory of elk was also started. This material provides essential data for elk management and silviculture. The target is that inventories will be completed on 40% of Sveaskog's land in 2008. This work is mainly carried out using helicopters.

A basic training programme on game management was started in 2007 both for employees from Sveaskog Naturupplevelser and stand treatment managers and silvicultural managers from Sveaskog. This programme will create increased understanding of the needs and movements of game.

MANAGEMENT OF FISHING STOCKS

The wet Swedish summer was beneficial for fishing. Sveaskog operates an angling facility at the Mörrum River. The Mörrum salmon fishing attracts 250,000 visitors a year from all over the world, of whom 10,000 are active anglers. Sales of fishing permits increased during the year. Sveaskog has invested in fish management measures to improve spawning areas in the river and also carried out a small-scale release of salmon trout. The company works actively to restrict fishing with nets at the mouth of the river, which has improved salmon fishing at Mörrum.

From 1 January 2008 drift nets will be prohibited for commercial fishing in the Baltic Sea. This is expected to have a positive impact on fishing in the Mörrum River.

The angling facility in Harasjömåla in Småland was leased to a tourism company in 2007.

DEVELOPMENT OF ECO-TOURISM

A growing number of Swedes are seeking relaxation and enjoyment in forests and countryside. Sveaskog works actively to promote the development of eco-tourism. This mainly takes the form of granting land to and co-operating with tourism entrepreneurs. In the first quarter of 2007, Sveaskog launched www.inatur.se which will be Sweden's biggest internet marketplace for eco-tourism. By year-end over 800 activities were available on the portal, which has approximately 25,000 unique visitors per month.

In total, Swedish eco-tourism consists of a couple of thousand small companies that are often unable to offer a reservations and payment function via their website. The aim of www.inatur.se is to help them with sales and marketing and thus make it easier for them to reach a wider market.

At www.inatur.se the user can find nature experiences and accommodation throughout Sweden. Examples of activities that can be booked and paid for online including fishing, dog sleigh rides, hunting, kayaking, trekking and riding. With the aid of a sophisticated map database, customers can plan their

Sveaskog works actively to promote the development of eco-tourism. This mainly takes the form of granting land to and co-operating with tourism entrepreneurs.

visits to the countryside.

The portal is operated by Inatur Sverige AB, a subsidiary of Sveaskog Naturupplevelser. The project is a close co-operation between the Norwegian state forest company Statsskog and Sveaskog. A corresponding marketplace is established in Norway at www.inatur.no. The marketplace co-operates with among others the Federation of Swedish Farmers (LRF), Friluftsfrämjandet which promotes outdoor activities throughout Sweden, Naturkompaniet, the Swedish Eco-Tourism Association and Nature's Best.

Starting in 2007, in co-operation with the National Property Board, Sveaskog offered a new fishing customised fishing permit, "Sverigefiskekortet". This permit provides access to more than 1,000 fishing waters in 50 of Sweden's municipalities from north to south. 6,587 such fishing permits were sold during the year, an increase of about 900.

PARTNERS

Sveaskog co-operates with the Swedish University of Agricultural Sciences, SLU, in Umeå, Mid Sweden University and the European Tourism Research Institute, ETOUR, in Östersund, through funding of two professorships in tourism. During the past year Göran Eriksson was appointed Professor of Game and Fishing Tourism at SLU in Umeå, and Peter Fredman as Professor of Eco-tourism at Mid Sweden University in Östersund. Sveaskog also co-operates with the Swedish Eco-tourism Association in order to strengthen business ventures within eco-tourism. During the year the company co-operated with other players such as the Swedish Association for Hunting and Wildlife Management, the Swedish Anglers' Association and the Federation of Swedish Farmers (LRF).

HJÄLMARE CANAL

Hjälmare Kanal AB is a Sveaskog subsidiary. Hjälmare Canal was completed in 1639 and is Sweden's oldest artificial waterway. The canal is 13 km long and has nine locks between lakes Mälaren and Hjälmaren. Hundreds of pleasure boats and larger passenger boats pass through the canal every year. The canal area attracts some 40,000 tourists per year.

The canal has been restored and this work was completed in 2007. The new visitors centre was opened in May with information about nature experiences available in the areas. New nature trails and a cycle track start from the centre.

For further information, visit www.sveaskog.se

Svenska Skogsplantor AB

Svenska Skogsplantor is a leading producer of seedlings in Sweden. The company has nine nurseries, one seed unit and a network of approximately 70 supply terminals. The company has just over 100 employees.

During 2007 Svenska Skogsplantor sold more than 140 million seedlings in Sweden. This corresponds to a market share of approximately 36%. Sveaskog is the company's biggest customer. Other customers are forest companies and private forest owners throughout Sweden.

During the year the company acquired the Grönbo nursery in Västerbotten. At the same time the number of supply terminals was reduced compared with the previous year, which made distribution more efficient.

CONTINUED HIGHER DEMAND FOR SEEDLINGS.
Svenska Skogsplantor's operations during 2007 were characterised by increased demand for seedlings, primarily in southern Sweden as a result of the storm Gudrun in 2005. The increase in volume was already clear in 2006 and rose further during 2007. Despite this the volume increase during the year was slightly less than expected due to the storm Per in January 2007 which disrupted landowners' regeneration work in southern Sweden. The storm created large new regeneration areas which are expected to contribute to continued high demand for forest seedlings in 2008.

SILVICULTURAL SERVICES
Svenska Skogsplantor also offers silvicultural services. In order to meet the needs of today's various landowner categories, the company works continuously to develop its services such as soil scarification, planting, clearing and preparing forestry plans. The mild autumn was favourable for silvicultural services and demand rose, particularly from absentee landowners.

During the year the company developed its marketing to enable more efficient handling of different customer categories.

EXPANSION OF SEED PLANTATIONS
Svenska Skogsplantor is actively involved in the extensive, nationwide build-up of new seed plantations for future access to high-quality processed seed. Sustainable genetic modification of forest cultivation materials and physiological development of seed and seedlings are important for the entire forest industry. The programme involves a total of 360 hectares which will be laid out until 2015, of which over 20 hectares were added in 2007. Svenska Skogsplantor owns and manages over 1,000 hectares of seed plantations.

Due to the very good cone harvest in 2006 the company received a much-needed replenishment of processed spruce seed with properties for high growth and good quality. Access to pine seed also improved and is now needed to meet increased demand for seed for forest seeding.

DEVELOPMENT FOR IMPROVED GROWTH
Genetically improved forest cultivation material can increase forest growth per unit area. In addition, timber quality is enhanced while the tree's ability to adapt and its resistance to different types of damage are improved.

The focus on increasing the proportion of rooted planting material grown in open cultivation systems continued. The design of the pot in the new open cultivation systems allows root systems to develop more naturally and leads to faster establishment after planting.

MECHANICAL PINE WEEVIL PROTECTION
Development is under way of machinery for the mechanical insecticides Conniflex and BetaQ. A first prototype line will be ready in autumn 2008 which means that deliveries of large volumes of mechanically pine weevil-protected seedlings can start in 2009.

Svenska Skogsplantor is a leading producer of seedlings in Sweden and also offers silvicultural services.

Setra Group is Sweden's largest wood products company and offers high-quality wood products for interiors and construction based on eco-certified raw material.

Setra Group AB

Setra Group is Sweden's largest wood products company. The company is also a significant player in the European market. Sveaskog owns 50% of Setra Group AB.

CUSTOMER BASE IN EUROPE
Setra Group offers high-quality wood products for interiors and construction based on eco-certified raw material. The company's customer base is the building materials trade and manufacturing in Europe, and prioritised markets in the rest of the world, such as Japan.

FRAGMENTED INDUSTRY
The Swedish sawmill industry is still fragmented. Long-term competitiveness will require efficient production units and distribution solutions. Setra's aim is to position itself as an active player in this restructuring. Consolidation among customers continues. Customers in both the building materials trade and industry are becoming fewer and larger. Major customers are developing into increasingly global players. This places demands on increased specialisation and customisation of products.

INCREASED VALUE-ADDED
Setra Group has a clear strategy to increase the value-added of its wood products. Natural steps in line with this strategy were taken during the year with the integration of Rolfs Såg & Hyvleri AB, which complements Setra's competence and capacity within processing. The decision to invest MSEK 220 in a new, integrated planing mill at Hasselfors sawmill is also a step in this direction. Buildings systems is a newly established operating area and part of Setra's strategic focus on raising market shares in the growing market for multi-storey wooden buildings.

PRODUCTION CUTBACKS
Demand for sawn and planed wood products was strong during the year. Demand decreased in the fourth quarter which led to a build up of stocks and price pressure. In order to adjust production to both the market situation and a regional shortage of raw material, Setra decided to implement extensive production cutbacks.

The cutbacks correspond to a total volume of 300,000 m^3 of sawn timber. Of this total, approximately 100,000 m^3 is the result of measures that mainly took effect in the fourth quarter. The long-term production cutbacks, which include cutbacks at the sawmills in Vimmerby, Hasselfors and Malå, and closure of the Seskarö sawmill, corresponds to a reduction in production of 200,000 m^3 on an annual basis.

RESULTS
Setra Group's net sales for 2007 amounted to MSEK 6,059 (5,844). The increase over the previous year was mainly due to higher prices.

Consolidated operating profit amounted to MSEK 771 (257) which is an improvement of MSEK 514 over the previous year.

The market was strong which provided scope for good price development. The improved earnings are also an effect of extensive work at Setra Group to sharpen the business focus through efficiency enhancements and efforts on both the costs and revenues side. Profit for the year was charged with MSEK 64 in restructuring costs, of which MSEK 55 in the fourth quarter.

Profit after tax amounted to MSEK 528 (222).

SETRA'S OWNERSHIP STRUCTURE
Setra Group has some 2,400 shareholders. The largest are Sveaskog AB (50%), Skogsägarna Mellanskog ekonomisk förening (26%) and LRF, Lantbrukarnas Ekonomi AB (22%). Other shareholders own about 2% of the shares. The principal owners are planning to broaden ownership and during the year internal work was carried out to prepare the company for a possible broadening of the ownership base in 2008.

Operations

	2007	2006
Number of production units (sawmills and processing)	**16**	17
Annual volume of sawn timber, million m^3	**2.1**	2.3
Annual volume of processed wood products, m^3	**350,000**	289,000
Number of employees	**1,449**	1,411

Key figures

	2007	2006
Net sales, MSEK	**6,059**	5,844
Operating profit, MSEK	**771**	257
Profit after financial items, MSEK	**735**	212
Profit after tax, MSEK	**528**	222
Equity ratio, %	**44**	29
Investments, MSEK	**129**	89

Olof Johansson, head of environment and social responsibility:

Sustainability issues 2007

Dialogue and communication are key tools for the creation of support and benefits, for both the company and society, in the districts where Sveaskog operates.

The forest's many values also mean that there are many stakeholders. These range from Sveaskog's customers, employees and contractors to suppliers, the reindeer industry, politicians, authorities and the private individuals who uses the forest for recreation and experiences. It is in this light that Sveaskog's efforts to achieve dialogue, including employee surveys, supplier and customer surveys, local dialogue meetings, consultations with the reindeer industry and field trips, should be viewed.

In our work with the sustainability report we have also tried to prioritise information that we believe our stakeholders want. In autumn 2007, Sveaskog carried out a stakeholder dialogue to obtain guidance as to how the report can be improved. In 2008 the sustainability report will be further developed according to the reporting guidelines for companies in state ownership published during the year. This includes increasing transparency by adapting to the guidelines in the Global Reporting Initiative (GRI) and through independent review and certification of the actual report.

Supporting international initiatives for sustainable development that include other stakeholders is also a way to create transparency and openness. Sveaskog is affiliated to the UN's Global Compact and supports its principles on human rights, rights at work, anti-corruption and an improved environment. For many years Sveaskog's own forests have been certified according to the Forest Stewardship Council, FSC, standard for socially beneficial, environmentally appropriate and economically viable forest management.

Sveaskog emphasised its strong support for FSC in various contexts during 2007. This is about accepting responsibility for forestry in Sweden and for a system that can provide a better development for many people in other parts of the world. Sveaskog is also totally convinced that business benefit will increase if we can show our customers that we sell high-class raw material produced in a sustainable manner.

During the year Sveaskog initiated a debate on the value of FSC and of non-toxic forestry which is part of the Swedish FSC standard. At the Swedish FSC, this issue has been in focus ever since the first Swedish FSC standard was adopted ten years ago. Sveaskog and its subsidiary Svenska Skogsplantor are now leading the development of mechanical seedling protection against attacks by the spruce bark beetle, and the company's assessment is that the changeover to forestry without chemical pesticides on a large scale should be able to start in 2009.

This year's FSC audit gave Sveaskog's employees and contractors confirmation that their work in recent years and training in nature conservation have yielded results. One important event for Sveaskog in 2007 was the setting aside of 300,000 hectares of nature conservation forests and the announcement of this on the website with a special map function. As part of the dialogue with external stakeholders, this mapping will be invaluable. Now for the first time there is an easily accessible description of how Sveaskog plans to remove areas from conventional forestry within different landscapes.

The stakeholder dialogue in 2007 wanted to see a greater openness in reporting of negative events and conflicts of interest. Examples from the past year are two cases of felling where Sveaskog had purchased timber from a private landowner. In Sjulsmark sufficient consideration was not given to the smallholding in the forest and in Kiskamavaara the forest area should never have been felled because of high natural values. Both these incidents indicated a need to ensure that consideration for nature extends to timber purchases. This is something that the company focused on especially in autumn 2007. Another example is some of the consultations with Sami villages during the year where conflicts in some areas became clearer between the reindeer industry's assessments and forestry planning. Here the challenge ahead of 2008 is to improve long-term planning and develop understanding and co-operation when we make use of Sami land.

The greatest challenge in a wider perspective is global climate change and how we exploit what the forest can offer in this context. In 2007, Sveaskog increased its biofuel sales by 25% and a co-operation was started with Vattenfall that will allow a major investment in wind power. At the same time it became clear that there is a growing need of renewable energy at European level to reduce carbon dioxide emissions. According to the EU's energy and climate plan, by 2020 20% of the entire EU's energy requirements will be met with renewable energy where forest biofuels will play a key role. This represents new business opportunities for forest owners at the same time as we can expect new appraisals of different types of economic, environmental and social benefits. Here too a generous measure of open dialogue and communication will be essential.

Olof Johansson, head of environment and social responsibility at Sveaskog.

The forest's many values also mean that there are many stakeholders. These range from Sveaskog's customers, employees and contractors to suppliers, the reindeer industry, politicians, authorities and the private individuals who uses the forest for recreation and experiences. It is in this light that Sveaskog's efforts to achieve dialogue should be viewed.

Sveaskog's approach to sustainable development

Sveaskog contributes to sustainable development. This involves simultaneous efforts to achieve economic growth, a healthy environment and social development.

Sveaskog reports on the achievement of its objectives and targets within economy, environment and social responsibility in order to contribute to greater transparency and awareness as a basis for a dialogue about its operations.

ECONOMIC RESPONSIBILITY

The term "economy" means thrift and management. Economic responsibility for Sveaskog is sustainable forestry with a financial return in the short and long term.

Economic responsibility includes managing and developing the forest holdings, providing returns to the owner, being a long-term and stable seller of wood raw material. It is also about investing in new, eco-compliant and efficient technology, conducting land sales at market prices and creating job opportunities in sparsely populated areas through a profitable business.

Sveaskog's forest holdings represent major economic values. The forest is a unique long-term resource and today's forestry is of major significance for financial returns in the future. What is sown and planted today will be harvested in 60–120 years.

The basis for this requires respect for the forest's ecology and a balance between objectives. The land Sveaskog sets aside for environment, nature conservation and recreational purposes means less opportunities to extract wood raw material and costs for the organisation. At the same time this is part of responsible forestry which has an intrinsic value in an environmentally aware market. Preserved biodiversity can also provide better resistance against storms and disease and therefore reduce risks.

ENVIRONMENTAL RESPONSIBILITY

Environmental work is based on the environmental policy and the environmental targets that guide operations. 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 financial return requirements. The growing forest absorbs carbon dioxide and active cultivation of the forest also plays a key role from an environmental aspect in counteracting the greenhouse effect and climate change.

SOCIAL RESPONSIBILITY

In order to be entrusted to conduct business and develop operations, Sveaskog must be a good partner and employer.

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. Sveaskog will create opportunities for active outdoor pursuits in the forest. The company seeks an open dialogue with stakeholders both locally and at national level.

Dead wood is lying or standing dead trees that are left to decay in the forest. Dead wood is very important for biodiversity since it is home to many species such as moss and wood fungi, insects, beetles and grubs which in turn are important food for birds and other creatures.

Economic responsibility

Important events 2007

STRONG RESULT
Sveaskog reports a strong result for 2007. The market situation was favourable with price increases for wood raw material. The greatest economic threat to Sveaskog during 2007 was the storm Per. Despite this, Sveaskog achieved a substantial improvement in earnings.

Net sales amounted to MSEK 7,263 and increased by 20% while sold volumes rose by approximately 4% to 12.7 million m^3fo. The average timber price was approximately 20% higher than in 2006. Operating profit before change in value of forest assets amounted to MSEK 1,361, which is an increase of 74% compared with 2006. After change in value of forest assets, operating profit amounted to MSEK 2,123, which is an improvement of 31% compared with 2006.

Net financial items also increased by 39% and amounted to MSEK 1,860.

EXTRA DIVIDEND
A review of Sveaskog's capital structure in 2006 indicated an opportunity to distribute funds in addition to the ordinary dividend without reducing the company's creditworthiness. This led to payment of an extra dividend in December 2006 of SEK 1.5 billion and an additional extra dividend of SEK 2 billion in December 2007.

STORM PER
The storm Per swept over Götaland and parts of Bergslagen in January 2007. A total of 12 million m^3fo was felled by the storm, including almost one million on Sveaskog's land. In addition to the intensive work of taking care of the felled timber, special measures were required to prevent additional damage from insects and other quality-reducing damage.

Sveaskog's operations were affected considerably by extra costs for handling storm-felled trees and additional soil scarification during the first part of the year. However, the strong demand for the company's products and higher timber prices limited the negative earnings impact.

INCREASED BIOFUEL DELIVERIES
Sales of biofuels increased by 25% in volume and 48% in value compared with the previous year as a result of a deliberate focus on the biofuel business.

REDUCED FELLING
Felling in Norrbotten and Västerbotten was reduced as planned. This is in line with Sveaskog's priorities for long-term sustainable forestry.

LAND SALES PROGRAMME
In 2007 Sveaskog completed 238 deals within the land sales programme. Sales totalled 37,100 hectares of land and the selling price amounted to MSEK 652. In this way, Sveaskog offers people improved opportunities to live and earn a living in sparsely populated areas.

DEAL TO EXPAND WIND POWER
There is considerable interest in wind power co-operation on Sveaskog's land where 15 wind farms are already established. Sveaskog started a co-

operation with Vattenfall which can result in 550 wind farms that will produce enough electricity to meet the needs of 800,000 households. Sveaskog is also working on some hundred enquiries from developers about contracts for more installations around Sweden.

BALANCE BETWEEN OBJECTIVES

Sustainability requires a number of factors to work together. One of the cornerstones of this interaction is finances.

Sveaskog's finances are relevant within three areas:

- business administration
- governance and organisation
- effects on the surrounding community, the regional and economic consequences.

Sveaskog must meet the objectives that apply to management, use and development of the forest assets, employee skills and capacity as well as returns, combined with appreciation of the financial assets. The base for all this requires respect for the ecology of the forest and long-term sustainable use.

Governance of Sveaskog is based on the company meeting its owner's objectives and ensuring that financial requirements are in balance with the demands for long-term sustainability.

KEY ROLE

Sveaskog is Sweden's largest forest owner. Due to its ownership structure, size and competitive operations, the company plays a key role in a regional and national economic perspective. The company means a lot for direct and indirect employment.

Sveaskog is present throughout the country and has 726 employees. The total of paid salaries including social security contributions in 2007 was MSEK 505. All over Sweden the company has contractors who are key partners. Sveaskog co-operates with some 400 contactors within silviculture and felling. In addition, Sveaskog grants land leases to tourism companies. The number of jobs that Sveaskog creates indirectly is substantial. For example, according to a study by Indeco in 2005, in Norrbotten alone where the company's own employees average 172, some 1,700 additional FTEs are created.

As a company, Sveaskog plays a key role in Sweden's sustainable economic, industrial and social development.

Key financial figures

	2007	2006	Change %
Net sales, MSEK	**7,263**	6,030	+20
Operating profit before change in value of forest assets, MSEK	**1,361**	782	+74
Change in value of forest assets, MSEK	**762**	842	–10
Operating profit, MSEK	**2,123**	1,624	+31
Profit before tax, MSEK	**1,860**	1,338	+39
Profit from discontinued operations, MSEK	**–**	1,152	–
Profit for the year, MSEK	**1,419**	2,138	–34
Return on equity, %	**8.8**	13.0	–32
Return on net operating assets, %	**9.3**	5.3	+76
Equity ratio, %	**48**	51	–6
Number of employees	**726**	731	–0,7
Average number of employees	**1,027**	1,027	0

Financial targets

	target 2007
Yield, %	minimum **3.5**
Return on equity, %	minimum **6**
Return on net operating assets, %	minimum **7**
Interest cover, times	approx. **1.5–2.5**
Debt/equity ratio, times	approx. **0.3–0.7**
Dividend (share of profit for the year), %	at least **60**[1]

[1] Proposed.

Environmental responsibility

Important events 2007

GOOD CONSIDERATION FOR NATURE ON SVEASKOG'S LAND

The controls and monitoring of consideration for nature on Sveaskog's productive forest land carried out in 2007 all showed that consideration for nature functions well. Reports from the independent FSC and ISO audits also mention the high quality of both planning and machine teams' work in the forest.

FOCUS ON MECHANICAL PLANT PROTECTION

Sveaskog holds patents for the mechanical plant protection systems BetaQ and Conniflex and tested Conniflex in the field with positive results in 2007. The aim is to start a changeover on a larger scale from chemical to mechanical protection against the pine weevil from 2009.

THE FIRST ELECTRIC HYBRID IN THE FOREST

Just before the summer, Sveaskog purchased the first prototype of an electric hybrid forwarder. The forwarder is used to remove timber from the forest to a road. Using electric hybrid forwarders would reduce fuel consumption and carbon dioxide emissions by 30% compared with conventional forwarders. The prototype will be tested on Sveaskog's land in 2008.

NATURE CONSERVATION FORESTS PRESENTED

The work on nature conservation forests was presented to the market during the autumn. Information including maps over the areas in southern and central Sweden is now available on the company's website www.sveaskog.se. The selection in northern Sweden will be presented in March 2008.

CHANGED FOCUS FOR TIMBER PURCHASES

During the year attention was drawn to a couple of cases of incorrect felling on land owned by other landowners in conjunction with Sveaskog's purchase of felling rights. In one case, felling took place on a summer cottage site outside Sjulsmark, close to Luleå. In another the Swedish Society for Nature Conservation (SSNC) drew attention to felling at Kiskamavaara in Norrbotten, where Sveaskog purchased the timber and was responsible for the harvest. The area contains high nature values and when the information from the SSNC reached Sveaskog, the felling was stopped. The existence of high natural values was later confirmed by the company's own investigation.

Both these events led to a change in Sveaskog's guidelines for timber purchases on land not owned by the company, with a clearer requirement for consideration for nature and stricter controls.

NEW ECOPARKS

Four new ecoparks were inaugurated: Ejheden, Dubblabergen, Kilsbergen and Jovan, bring the total number of ecoparks now in place to 19. Sveaskog decided on an additional two ecoparks during the year. There will be a total of 36 ecoparks around Sweden.

Environmental targets

Sveaskog worked with the following environmental targets in 2007:

- Plan for 20% nature protection and nature consideration on the productive forest land within each forest region.
- Create ecoparks corresponding to 5% of productive forest land.
- Identify valuable water ecosystems and prepare action plans.
- Reduce the volume of significant hauling damage.
- Reduce emissions of carbon dioxide from burning fossil fuels.

Social responsibility

Important events 2007

STORM CLEARANCE WITHOUT PERSONAL INJURY
Successful clearance of windthrown timber after the storm Per was carried out without personal injury. Approximately one million m^3 was felled on Sveaskog's land, primarily in Götaland.

VIS EMPLOYEE SURVEY
VIS is Sveaskog's employee survey. 85% of all employees took part in the 2007 survey. An overall index was 64, which is a relatively good result although it represents a decline since 2005, when the index was 69. Results improved in relation to follow-up of performance reviews, leadership from immediate managers, stress and knowledge of Sveaskog. Prioritised areas for improvement are work in the process organisation and local co-operation.

MANAGEMENT PROGRAMME
About 70 employees attended an internal management programme. The content of the programme is linked to Sveaskog's business, objectives and targets and assignment, but also includes different tools for exercising good leadership.

CUTBACKS
The felling organisations in Bergslagen and Götaland were reduced during the year, which affected some 40 employees. The process was carried out in close co-operation with the trade unions. Most of those affected took early retirement. There were no redundancies.

CONTRACTORS
An assessment of felling contractors was carried out for the first time during the autumn, with a good overall result.

SATISFIED SUPPLIERS
A survey among timber suppliers shows that Sveaskog is an appreciated customer with a so-called Satisfied Suppliers Index, SSI, that increased from 57 (2005) to 70 in the 2007 survey.

TOURISM PROFESSORSHIP
Sveaskog financed two newly established professorships. These were filled in 2007: Peter Fredman was appointed Professor of Eco-tourism at Mid Sweden University in Östersund and Göran Eriksson was appointed Professor of Fishing and Hunting Tourism at the Swedish University of Agricultural Sciences, SLU, in Umeå.

CHANGED GUIDELINES FOR TIMBER PURCHASES
On a felling assignment outside Sjulsmark, Sveaskog felled too close to a summer cottage area. Following this incident, Sveaskog changed its routines in order to avoid similar mistakes being made again. Since September new routines have applied for timber purchases and a training programme is being carried out for employees and contractors.

CODE OF CONDUCT
During 2007 six reports were received concerning possible non-conformances or deviations from the code of conduct. These were examined in relation to the content and intentions of the code. No case led to any sanctions.

LOCAL DIALOGUE MEETINGS
Three local dialogue meetings, known as Forum Sveaskog, were held in 2007 with a total of 140 participants. Matters considered ranged from silviculture and timber trade to game management and eco-tourism.

Approximately 200 people attended 20 local meetings about Sveaskog's nature conservation forests. The response to these conservation forests was positive. Information will continue to be provided to relevant stakeholders and target groups.

DIALOGUE ON THE SUSTAINABILITY REPORT
In order to improve the sustainability report, a stakeholder dialogue was carried out. The results of this were worked into the 2007 report and will be included in future work on sustainability issues.

Management and organisation

Sveaskog has 726 employees. The Group consists of Forestry Operations, staffs, the subsidiaries Sveaskog Naturupplevelser AB and Svenska Skogsplantor AB and associates.

PROCESS-MANAGED ORGANISATION
Since 2006 Sveaskog's forestry operations have comprised three processes: Market, Production and Silviculture. The process organisation was introduced to achieve greater efficiency, increased profitability and better internal co-operation. Property sales were integrated into the Silviculture process in 2007.

MARKET AREAS
The forestry operations are divided into five market areas: Norrbotten, Västerbotten, South Norrland, Bergslagen and Götaland. The main towns in the five market areas are Kalix, Lycksele, Östersund, Örebro and Växjö. There are also a number of local offices around the country.

The three main processes are represented in each market area and work towards a common objective, which means that the company can make more effective use of local resources.

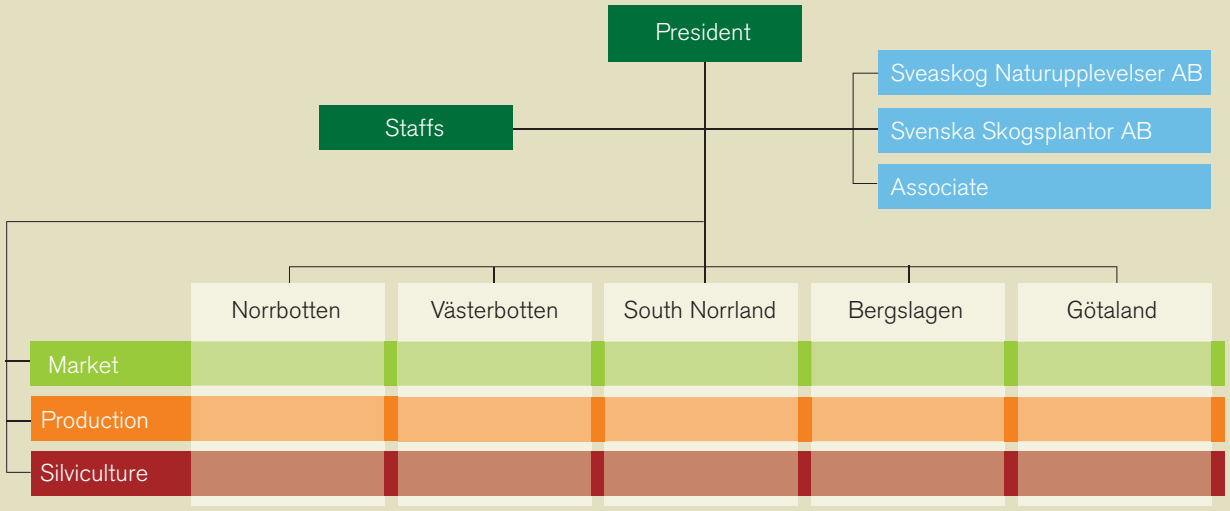
GROUP MANAGEMENT
Sveaskog is headed by the President in accordance with the objectives and instructions adopted by the Board. The President is not a member of the Board, but presents reports and provides the Board with information as a basis for its work. The President's responsibilities include day-to-day operations and contacts with the company's Chairman and external stakeholders.

Group Management comprises, in addition to the President, an Executive Vice President and the heads of the staffs Finance, Communications, Legal Affairs, Environment and Social Responsibility, Human Resources and Forest Capital.

Group Management held 8 meetings in 2007. During the year management also had two theme days with a focus on issues of strategic importance to the company. The operating subsidiaries Svenska Skogsplantor AB and Sveaskog Naturupplevelser each have their own management groups headed by each company's president. Once a quarter Sveaskog's President has an operational follow-up with the management of each subsidiary, the management of the forestry operations and the head of each Group staff.

EMPLOYEES
Sveaskog has 726 employees. The

ORGANISATION



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Sveaskog's managers meet twice a year and discuss business, operational development and issues relating to HR responsibility. The picture shows a managers' meeting held at Skansen in Stockholm in November 2007.

average age was 48 in 2007. Employee turnover during the year was 9.2%. Absence due to illness was 3.2%.

INTERNAL INFORMATION

Sveaskog's managers meet twice a year at managers' meetings. These are important forums for a uniform corporate culture and developed leadership where objectives and business are also discussed.

In addition to the regular workplace meetings Sveaskog's employees receive information about the company via the intranet, which was launched with a new version with an integrated operational management system in March. All employees also receive Sveaskog's company magazine Forum Sveaskog posted to them at home.

An annual performance review is held between managers and employees. Every other year an employee survey, VIS, measures how Sveaskog functions and is perceived as an employer. VIS was carried out in the autumn.

TRADE UNION CO-OPERATION

Dialogue with the employee organisations is important. In order to facilitate information and consultation within the company between management and trade union representatives, there are cross-union information groups, called reference groups. In order to adapt the agreement between employer and employee organisations about consultation, a new reference group agreement has been in place since January 2007.

As a complement to working environment legislation and central working environment agreements, parties within Sveaskog have also drawn up a local working environment agreement. All union organisations are affected and the agreement in mainly intended to clarify forms of co-operation in order to encourage a good working environment.

Board of Directors

Board members elected by a general meeting

Bo Dockered, Chairman of the Board
Born 1941, elected 1999. Hon. Doctor of Agriculture. Deputy Chairman of the Second Swedish National Pension Fund. Board member of the Royal Swedish Academy of Agriculture and Forestry. Former Chairman of the Federation of Swedish Farmers, Chairman of AB Trav och Galopp, Lernia AB and the Swedish University of Agricultural Sciences, SLU, among others. Chairman of the Property Committee (PC) and the Remuneration Committee (RC). Attendance at Board meetings in 2007: 9 of 9. PC 6 of 6 and RC 1 of 1.

Håkan Ahlqivst
Born 1943, elected 2003. Degree in Agronomics and Economics. Former President and CEO of Cerealia and long experience as company manager from the food industry. Chairman of Förpacknings- och Tidningsinsamlingen AB, Svensk Returkartong AB and Svenska Metallkretsen AB. Board member of Coop Norden and Coop Sverige. Board member of the Royal Swedish Academy of Agriculture and Forestry. Member of the Audit Committee (AC). Attendance at Board meetings in 2007: 8 of 9 and AC 6 of 6.

Lars-Johan Cederlund
Born 1941, elected 1999. MSc, Stockholm School of Economics. Head of Division at the Ministry of Industry. Previously various positions in the Swedish Government Offices. Chairman of OECD Working Group on Privatisation and Corporate Governance of State-Owned Assets and Förvaltningsbolaget Stattum. Board member of Civitas Holding AB/Vasakronan AB. Member of the Property Committee (PC). Attendance at Board meetings in 2007: 9 of 9 and PC 6 of 6.

Thomas Hahn
Born 1964, elected 2007. PhD Agronomics at Swedish University of Agricultural Sciences 2001. Researcher and Director of Studies at Centre for Transdisciplinary Environmental Research (CTM), attached to Stockholm Resilience Centre. Chairman of Economists for the Environment. Previously involved in The Millennium Ecosystem Assessment. Attendance at Board meetings in 2007: 6 of 6.

Lena Johansson
Born 1955, elected 1999. Agronomist at the Swedish University of Agricultural Sciences. Director General of the National Board of Trade. Previously Director General of the Swedish Institute for Food and Agricultural Economics, SLI. Board member of the Swedish Industrial Design Foundation and the Board for International Development Co-operation. Member of the Property Committee (PC). Attendance at Board meetings in 2007: 8 of 9 and PC 6 of 6.

Birgitta Johansson-Hedberg
Born 1947, elected 2001. BA., Psychology Degree at Lund University. Chairman of Umeå University, Vinnova and the Swedish Road Administration Advisory Council. Deputy Chairman of A-banan, Board member of Botniabanan, Fortum, the Swedish Financial Supervisory Authority and NAXS Nordic Access Buyout Fund. Former President and CEO of Föreningssparbanken and Lantmännen. Member of the Remuneration Committee (RC). Attendance at Board meetings in 2007: 9 of 9 and RC 1 of 1.

Christina Liffner
Born 1950, elected 1999. MSc, Stockholm School of Economics. Former Finance Director Asea Group, vice president and CFO AssiDomän AB. Chairman of Svensk Adressändring AB, Swedish Endometriosis Association, vice chairman of AB Svenska Exportkredit, Board member of Länsförsäkringar Bergslagen, Civitas Holding AB/Vasakronan AB, Prevas AB and SJR in Scandinavia AB. Chairman of the Audit Committee (AC). Attendance at Board meetings in 2007: 8 of 9 and AC 6 of 6.

Anna-Stina Nordmark-Nilsson
Born 1956, elected 2006. B.Sc. Economics. CEO of Företagarna. Previously authorised public accountant, Healthcare Director Stockholm County Council, President of Piteå-Tidningen, County Council Director in Norrbotten and Director of Roads, Swedish Roads Administration North and Västerbotten Region. Deputy Chairman of Svenska Kraftnät and Board member of Diös Fastigheter AB. Attendance at Board meetings in 2007: 9 of 9.

Employee representatives

Eva-Lisa Lindvall
Born 1951, elected 2007. Board member, Association of Managerial and Professional Staff. Planning Manager, Sveaskog. Member of the Property Committee (PC). Attendance at Board meetings in 2007: 8 of 9 and PC 3 of 4.

Sture Persson
Born 1957, elected 2003. Board member, Swedish Forest and Wood Trade Union, Harvester Operator, Sveaskog. Member of the Audit Committee (AC). Attendance at Board meetings in 2007: 9 of 9 and AC 6 of 6.

Kurt Larsson
Born 1952, elected 2003. Deputy, Swedish Forest and Wood Trade Union. Harvester Operator, Sveaskog. Attendance at Board meetings in 2007: 9 of 9.

Ola Lassemo
Born 1974, elected 2006. Deputy, SACO, CF. Head of Timber Administration, Sveaskog. Attendance at Board meetings in 2007: 9 of 9.

Åsa Domeij and Maria Norrfalk resigned from their assignments as members of the Board at the 2007 Annual General Meeting. Their attendance at Board members until then was 2 of 3 and 3 of 3, respectively.

Auditors

Torsten Lyth. Born 1952, elected 1999. Authorised Public Accountant, Ernst & Young.

Torbjörn Köhler. Born 1952, elected 1999. Authorised Public Accountant, Ernst & Young.

Filip Cassel. Born 1947, appointed 2004. Authorised Public Accountant, State Audit Institution.


Bo Dockered
Håkan Ahlqvist
Lars Johan Cederlund
Thomas Hahn
Lena Johansson
Birgitta Johansson-Hedberg
Christina Liffner
Anna-Stina Nordmark-Nilsson
Sture Persson
Eva-Lisa Lindwall
Kurt Larsson
Ola Lassemo

△
Sveaskog's Group Management. From left: Karin Ericsson, Linda Andersson, Olof Johansson, Urban Eriksson, Herman Sundqvist, Gunnar Olofsson, Peder Zetterberg and Solveig Aspholm.

Group Management

Gunnar Olofsson
President and CEO since 2004.
Born 1955. Employed since 2001.
MSc Forestry. Previous employment includes Head of Forestry, Sveaskog, President of Persson Invest Skog and Senior Administrative Officer at the Swedish Forest Agency. Chairman of Sveaskog's subsidiaries Sveaskog Naturupplevelser AB and Svenska Skogsplantor AB and Board member of Setra Group AB.

Urban Eriksson
Vice President.
Born 1959
Employed since 2003.

Linda Andersson
Head of Communications.
Born 1971.
Employed since 2004.

Solveig Aspholm
Head of Legal Affairs.
Born 1957.
Employed since 2006

Karin Ericsson
Head of Human Resources.
Born 1956.
Employed since 2001.

Olof Johansson
Head of Environment and Social Responsibility.
Born 1958.
Employed since 1988.

Herman Sundqvist
Head of Forest Capital.
Born 1963.
Employed since 1994.

Peder Zetterberg
Head of Finance and Treasury.
Born 1951.
Under contract since 2006.

Glossary

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

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

Biological diversity
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 ecosystems.

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.

Chips
Wood which is cut into pieces of suitable size using a machine. Applications include pulp manufacture, chipboard production or combustion.

Code of conduct
Document that clarifies how the company should act 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.

Ecoparks
A large, contiguous forest landscape with high natural values and nature conservation ambitions. Sveaskog has decided to set up 36 ecoparks around Sweden

Felling assignment
The forest owner assigns the purchaser to carry out harvesting. The purchaser is responsible for harvesting and transport to a road while pricing and measurement of the timber is carried out in the same manner as for delivery stumpage purchases.

Felling right (delivery stumpage purchase)
The forest owner allows an impartial person to mark out a forest area for harvesting. The purchaser is responsible for harvesting and transport from the site. Volumes are measured and settled on arrival at the mill.

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

Forest region
Sveaskog's holdings are divided into five forest regions: montane forests, northerly coniferous forests. southerly coniferous forests, central Swedish coniferous forests and southerly deciduous forests. In each region 20% is set aside for nature conservation and protection.

FSC (Forest Stewardship Council)
International organisation that works to achieve socially beneficial, environmentally appropriate and economically viable forest management.

Gross felling
Wood harvested from a forest stand with the addition of remaining felled trees and parts of trunks.

Gross growth
Volume growth in a forest stand including natural thinning.

Habitat
An area that has a uniform environment for plants.

Hardwood pulpwood
Normally birch. Has shorter fibres than softwood pulpwood. Used particularly in production of newsprint and office paper.

Hectare, ha
Hectare, an area corresponding to 10,000 m^2. One km^2 equals 100 ha.

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

Impediment
An area of land which has an average growth of less than 1 m^3fo/ha/year.

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.

Land consolidation
Relative positioning of forest properties.

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

m^3sub
Volume unit for timber. Specifies cubic metres of actual wood volume without bark. See also sub.

Market pulp
Dried pulp that is sold in bales in the market.

Marking (for cross cutting)
Scaling of sawlogs into assortment. This measurement is made to ensure that the greatest possible financial return is obtained

Natural regeneration
New forest grows from seeds spread from seed trees.

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

Nature conservation forests
Forests set aside within the framework of Sveaskog's target of 20% nature conservation land because they have high natural values (such as key biotopes and nature value areas) or because they have good potential to develop such natural values.

Nitrogen oxides (NOX)
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 for 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^3fo per ha and year.

Pulpwood
Wood grade intended for production of paper pulp. Both hardwood (especially birch) and softwood (pine and spruce) are used. Pulpwood is normally measured in falling lengths 25–55 dm or in 3-metre lengths.

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.

Roundwood
Felled and trimmed timber, also debarked, cut and split.

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

Softwood pulpwood
Pine or spruce pulpwood. Provides longer and stronger fibres than hardwood pulpwood.

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^3sub, m^3fo.

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 wholly 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.

In 2006, Sveaskog sold AssiDomän Cartonboard in Frövi to Kinnevik's wholly owned subsidiary Korsnäs. As a result of this sale, Sveaskog became a pure-play forest-owning company.

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

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