



Year-end report 2003

Sveaskog conducts forestry and timber sales based on its holdings of approximately 3.5 million ha of productive forest land. The forestry operations also include property management as well as commercial activities relating to hunting, fishing and recreation. The forestry operations are conducted under the Sveaskog name. The Group also includes industrial operations in the form of cartonboard manufacture, AssiDomän Cartonboard. In addition, Sveaskog has a 50% stake in the wood products industry company Setra Group AB which was formed on 1 July 2003.

MSEK	Quarter			Full year	
	2003 Q 4	2003 Q 3	2002 Q 4	2003	2002
Net sales	1,991	1,726	2,208	8,420	8,390
Operating profit (of which, capital gains from property sales)	366 (98)	270 (44)	335 (19)	1,563 (250)	1,261 (43)
Profit after net financial items	245	152	199	1,047	766
Net profit for the period	363	110	171	941	579
Net earnings per share (SEK)	3.07	0.93	1.45	7.95	4.89

- Operating profit for the fourth quarter amounted to MSEK 366, a primarily seasonal increase of MSEK 96 or 36%, compared with the previous quarter. Compared with the previous quarter, earnings from Forestry operations increased for seasonal reasons. Earnings for the cartonboard business (Cartonboard) decreased as a result of lower production due to the annual maintenance shutdown. Share of profits of Setra Group was also lower than in the previous quarter. Gains from property sales increased. Compared with the fourth quarter of 2002, operating profit increased by MSEK 31 or 9%.
- Operating profit for the full-year 2003 was MSEK 1,563, an increase of MSEK 302 or 24% compared with 2002. Earnings improved for Forestry operations and Cartonboard.

Property sales increased substantially. Earnings from the sawmill operations (Setra Group and AssiDomän Timber in 2003) decreased.

Changes in the Group

Following a parliamentary decision, as of 1 April 2003 the shares in the wholly state-owned company Svenska Skogsplanter AB were transferred to Sveaskog in order to complete a reconstruction of the company. This transfer had a negative effect on Sveaskog's shareholders' equity of MSEK -73, although without charge against Sveaskog's earnings. Svenska Skogsplanter has been included in Sveaskog's consolidated accounts since the start of the second quarter of 2003.

As of 1 July 2003, Sveaskog's sawmill operations in AssiDomän Timber Holding AB were merged with the sawmill company Mellanskog Industri AB (Mindab) through a non-cash issue. The latter company then changed its name to Setra Group AB. The company is owned 50% by Sveaskog, 25% by The Federation of Swedish Farmers (LRF) via Lantbrukarnas Ekonomi AB, approximately 24% by Mellanskog ekon. Förening, and about 1% by 2,400 small shareholders. Setra Group is Sweden's largest wood products company with approximately 15% of Swedish sawmill capacity. Sveaskog's accounts include AssiDomän Timber as a wholly owned subsidiary until 30 June 2003. With effect from 1 July, Sveaskog's holding in Setra Group is reported according to the equity method. The non-cash transfer of AssiDomän Timber is assessed as an exchange of similar assets and reported at book value.

Sales, earnings and profitability

Market

The international economic recovery remains slow, despite an expansive economic policy in many regions and pent-up investment and consumer demand. Development in the US is more positive than in the eurozone. Some improvement can be noted in Asia.

The market for the Swedish pulp and paper industry weakened gradually during 2003 resulting in falling prices for many product grades. At present there is a wait-and-see market situation although capacity utilisation in Swedish forest industry is high. Market assessments for 2004 are cautious with largely unchanged production volumes and prices.

For the Swedish sawmill industry the first half of 2003 was favourable due to continued high demand and low supplies from some competing countries. The market weakened somewhat in the second half, primarily for whitewood products. A stronger Swedish krona, higher production and a build-up of stocks and some weakening in demand in some export markets, are moderating expectations for 2004.

Sveaskog developed well during 2003. Demand for sawlogs was high in both north and south Sweden. The market for fibre raw material was largely balanced, although with some excess supplies in north Sweden. For the Group's cartonboard products, the market for packaging board weakened during the year. The sawmill operations, due to a focus on redwood products, enjoyed a very good market situation in the first part of the year, which weakened somewhat in the second half.

Despite the uncertain general business climate for the forest industry, conditions are judged to exist for a continued stable development primarily for Sveaskog's forestry operations during 2004.

Fourth quarter

Net sales amounted to MSEK 1,991 for the quarter, an increase of 15%, compared with the previous quarter. Sales increased for seasonal reasons for Forestry operations, but

decreased slightly for Cartonboard due to the annual maintenance shutdown during the period.

Compared with the fourth quarter of 2002, the Group's sales decreased by 10%. Sales within Forestry operations increased due to higher delivery volumes. Total sales fell, however, since AssiDomän Timber's sales were previously included in the accounts, while sales in Setra Group are not included.

Operating profit (excluding property sales) was MSEK 268, an increase of MSEK 42 or 19% compared with the previous quarter. Earnings improved for seasonal reasons for Forestry operations. Delivered volumes from both own forests and external sources rose. Earnings from Hunting, Fishing and Recreation were also higher. Cartonboard's earnings decreased, however, due to the annual maintenance shutdown during the period. In Setra Group, operating profit before restructuring costs remained positive in the fourth quarter. Share of profits in Setra Group decreased, on the other hand, due among other things to restructuring costs which were anticipated in conjunction with the establishment of the new company.

Compared with the fourth quarter of 2002, total earnings decreased by MSEK 48 or 15%. Earnings from Forestry operations increased mainly due to higher delivery volumes. Cartonboard's earnings also rose due to a higher production volume and lower costs. Share of profits in Setra Group was lower than Timber's operating profit in 2002. Group-wide costs increased.

Capital gains from property sales amounted to MSEK 98, and increase of MSEK 54, compared with the previous quarter. Sales activities were high towards the end of the year, due among other things to earlier build-up activities which started to have a full impact. Sales operations during 2002 were limited.

Net financial items amounted to MSEK -121, which was largely on a par with the previous quarter.

Net tax for the period amounted to MSEK +118. In earlier quarterly results during 2003 a standard tax rate of 28% was used. The difference in tax rates is due to reversal of tax reserves, attributable to earlier structural deals. *Net profit* was MSEK 363.

Full year

Net sales for the full-year 2003 amounted to MSEK 8,420, on a par with 2002. The Forestry operations' sales mainly increased due to higher volumes. Consolidated sales were negatively affected, however, by the establishment of Setra Group, even though earlier intra-group sawlog deliveries from the Forestry operations are now reported as external sales.

Operating profit (excluding property sales) amounted to MSEK 1,313, an increase of MSEK 95 or 8% compared with 2002. Earnings from Forestry operations increased by MSEK 166 or 16%, mainly as a result of higher deliveries of both own and externally purchased timber but also due to positive earnings in Svenska Skogsplantor. Cartonboard's earnings also increased (MSEK +42 or 18%), mainly due to more efficient production. Group-wide costs increased. Sveaskog's share of profits in Setra Group was MSEK 25 before restructuring costs. After restructuring costs, share of profits amounted to MSEK -15. The total sawmill operations reported lower earnings.

Gains from *property sales, etc.* amounted to MSEK 250, compared with MSEK 43 in 2002 when the sales activities were being built up.

Net financial items amounted to MSEK -516, a decrease of MSEK -21, compared with the previous year. The effects of a positive cash flow in 2003 were negatively affected by interest expenses from the Korsnäs acquisition which were charged to finance costs for only part of 2002. In addition, there were positive exchange rate differences in 2002.

Profit after net financial items amounted to MSEK 1,047, an improvement of 37% compared with 2002.

Tax expense was MSEK -106, corresponding to an average tax rate of 10%. The low tax rate was due to reversal of tax reserves, attributable to structural deals carried out earlier. *Net profit* amounted to MSEK 941.

The average number of employees for remaining units was 1,759 in 2003, an increase of 80 compared with 2002. The increase is attributable to the Forestry operations (Svenska Skogsplantor).

Cash flow, investments and financial position

Fourth quarter

Cash flow from operating activities during the quarter amounted to MSEK 72, a decrease of MSEK 83, compared with the previous quarter. The difference is mainly attributable to increased tied-up working capital.

Investments in fixed assets excluding shares amounted to MSEK 119, of which MSEK 85 within Cartonboard.

Sales of fixed assets amounted to MSEK 207.

In total, *interest-bearing net debt* increased by MSEK 406 during the period mainly due to the extra dividend of MSEK 600 paid in December and amounted to MSEK 9,643 at the end of the quarter.

Net operating assets decreased by MSEK 77 and amounted to MSEK 23,897 at the end of the quarter.

Full year

Cash flow from operating activities was MSEK 697, which is MSEK 620 lower than in 2002. This decrease is mainly attributable to increased tied-up working capital.

Investments amounted to MSEK 302, which is MSEK 77 lower than in the previous year. The lower investments are attributable to Cartonboard and the fact that AssiDomän Timber's investments were only included in the consolidated accounts for half the year. Of investments, Cartonboard accounted for 60% (major investments included reel and sheet packaging equipment as well as IR dryers and disc filters) and the Forestry operating area for 19% (mainly road improvements).

Sales of fixed assets amounted to MSEK 464, predominantly forest land.

Interest-bearing net debt was MSEK 9,643 at year end.

Net operating assets amounted to MSEK 23,897 at year-end, a decrease of MSEK 177 during the year. The change was mainly due to the establishment of Setra Group.

Financial targets

	Target	2003	2002
		Result	Result
Return on net operating assets, % ¹⁾	Min. 5.0 ²⁾	5.5	5.4
Interest cover, times	Min. 2.0	2.9	2.4
Debt/equity ratio, times	Approx. 1.0	0.76	0.77

1) Excl. property sales

2) Currently 5.8% taking present group structure (forestry and industrial operations) into account.

Business areas

Forestry operations

In general, the timber market was relatively stable in 2003 with good demand for almost all products. In northern Sweden sawlog prices rose by approximately 3% while pulpwood prices decreased slightly. In southern Sweden, price development was generally positive with an average price rise of 4%.

In northern Sweden, demand for pine sawlogs exceeded supplies. For spruce sawlogs the pattern was normal in 2003 with a well-balanced market in the first half of the year which was replaced by a shortage in the autumn. For softwood fibre there was a balance between supply and demand at the beginning of the year, which gradually developed into a surplus due to high domestic production during the winter and low industrial consumption.

In southern Sweden the market in the first half of 2003 was largely balanced for all timber grades. However, the ice situation at the beginning of the year caused some shortages of imported raw material. At the same time access to Swedish hardwood pulp was unusually good. The second half of the year was mainly characterised by a clear shortage of sawlogs. The pulpwood range was largely balanced in the market, partly due to planned maintenance shutdowns at several customers. The shortage of sawlogs in the autumn led to some supply problems in the Bergslagen area.

Fourth quarter

Total *delivery volumes* amounted to 3,794 km³sub, an increase of 20% or 629 km³sub, compared with the previous quarter. This increase relates to both own forests and externally purchased raw material, primarily sawlogs, and is seasonal. Deliveries from own forests increased from 45% to 47%. Compared with the same quarter last year, deliveries increased by 6%. The increase is entirely attributable to externally purchased timber.

Deliveries from *own forests* totalled 1,777 km³sub, which is 26% higher than in the previous quarter. The increase mainly relates to sawlogs. The higher proportion of own forests in total deliveries is mainly due to the fact the sawlog deliveries mainly come from own forests. Compared with the final quarter of 2002, volumes from own forests decreased slightly.

Overall, operating profit from the entire forestry operations (excl. property sales) amounted to MSEK 293, an increase of MSEK 98 or 50% compared with the previous quarter and an increase of MSEK 32 or 12% compared with the same quarter in 2002.

The improvement compared with the previous quarter is mainly seasonal and attributable to all operating areas. Timber Market's delivery volumes increased for both timber from own forests and externally purchased timber. The timber proportion in own forests also increased. Forestry's costs for forestry work decreased. The Hunting, Fishing and Recreation operating area invoiced for annual rents during the period.

The improvement compared with the same quarter in 2002 is mainly due to higher deliveries in own forests and a higher average sawlogs price.

Full year

Total *delivery volumes* in 2003 amounted to 14,492 km³sub, an increase of 943 km³sub or 7%, compared with 2002. Deliveries from *own forests* totalled 6,583 km³sub, an increase of 189 km³sub or 3% due to forest land acquired in 2002. Deliveries of biofuel increased. The own forest proportion of total volume decreased from 47% to 45% between 2002 and 2003.

Operating profit (excluding property sales) was MSEK 1,191, which is MSEK 166 or 16% higher than in 2002. This improved result is mainly due to increased delivery volumes. Earnings were also positively affected by Svenska Skogsplantor.

Return on net operating assets (forest properties at tax assessment value) amounted to 4.9%.

AssiDomän Cartonboard

Market development was positive at the beginning of 2003 with good order bookings for both liquid packaging board and packaging board. During the spring, order bookings for packaging board fell while the Swedish krona strengthened against the USD and GBP. The weak order situation continued in summer/autumn with a trend-related levelling out. Deliveries of packaging board in Western Europe decreased for the entire industry by just over 1% in 2003.

Fourth quarter

Delivery volumes totalled 76,000 tonnes, which is 4,000 tonnes lower than in the previous quarter and 2,000 tonnes lower than in the fourth quarter of 2002. The decrease compared with the previous quarter is mainly related to lower deliveries of liquid packaging board as well as a lower production volume due to the annual maintenance shutdown during the period. Packaging board accounted for approximately 22%.

Operating profit was MSEK 52, a decrease of MSEK 31 compared with the previous quarter but an increase of MSEK 38 compared with the fourth quarter of 2002. The operating margin was 10%, compared with 15% in the previous period. In the fourth quarter of 2002, the operating margin was 3%.

The decline in earnings compared with the previous quarter is due to a slightly lower delivery volume but mainly to lower production due to the annual maintenance shutdown.

The improvement compared with the previous year is mainly due to higher production and lower costs compared with 2002 when the annual maintenance shutdown was more extensive.

Full year

Delivery volumes totalled 323,000 tonnes which is 1,000 tonnes higher than in 2002. Packaging board accounted for approximately 24%.

Operating profit was MSEK 282, an increase of MSEK 42 or 18% compared with 2002. The operating margin amounted to 13% (11% in 2002). The improvement is mainly due to more efficient production which compensated for higher fixed costs. The effect of higher selling prices was counteracted by higher raw material prices.

Return on net operating assets was 10% in 2003.

AssiDomän Timber/Setra Group

Sveaskog's accounts for 2003 include the former business area AssiDomän Timber for the first half of the year. From 1 July 2003, the accounts include Sveaskog's share of profits in Setra Group AB.

AssiDomän Timber

The European market for sawn timber remained strong in the first half of 2003 due to earlier low supplies from the former Eastern Bloc countries and Finland, as well as good demand, primarily in the Scandinavian markets. Some weakening of the whitewood market was noted towards the end of the period. The competitive situation for processed products was intense, however.

Total deliveries in the first half of the year amounted to 779,000 m³ of sawn timber, which was 86,000 m³ higher than in the same period in 2002. The increase was partly attributable to acquisitions.

Operating profit was MSEK 72, an increase of MSEK 59 from the same period in the previous year. This improvement was mainly due to increased delivery volumes and higher net delivery prices.

Setra Group

In the second half of 2003 there was a general market decline in Europe which included a strong build-up of stocks due to high production. This especially applied to the whitewood market with falling prices. The redwood market was more resistant with continued high demand and a retained price level. However, this market also declined towards the end of the year. The general market decline was also noted in the building materials trade in Scandinavia and this had a negative impact on the interiors market.

In the fourth quarter profit after net financial items but before restructuring costs in Setra Group amounted to MSEK 33. Profit for the fourth quarter was charged, however, with restructuring costs of MSEK -81. Sveaskog's share of profits after change in intra-group profit amounted to MSEK -22 in the fourth quarter, compared with MSEK 7 in the previous quarter.

Total profit after net financial items but before restructuring costs amounted to MSEK 47 in the second half of the year. Before restructuring costs and after adjustment for change in intra-group profit, Sveaskog's share of profits was MSEK 25. After restructuring costs Sveaskog's share of profits in Setra Group amounted to MSEK -15.

Dividend

Sveaskog's target is that ordinary dividend over a business cycle should correspond to at least 50% of profit after tax. Sveaskog's consolidation requirements and financial position in general are taken into account.

The Board of Directors and President propose that the dividend for 2003 be MSEK 355, corresponding to SEK 3.00 per share.

The ordinary dividend for 2002 amounted to MSEK 296. In addition, an extra dividend of MSEK 600 was issued in 2003 following a decision at an extraordinary general meeting held in December that year.

Annual Report

The Annual Report is scheduled for publication in mid-March 2004. The report can be ordered from Sveaskog AB's offices in Solna and Kalix and can be accessed on Sveaskog's Internet website: www.sveaskog.se

Annual General Meeting

The Annual General Meeting of Sveaskog AB will be held on 28 April 2004.

Stockholm, 18 February 2004
Sveaskog AB (publ.) (556558-0031)

Lars Sköld
President

Financial calendar 2004

Interim Report January - March	28 April 2004
Interim Report January – June	25 August 2004
Interim Report January – September	25 October 2004

Sveaskog Group

Accounting principles

The year-end report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20 Interim Financial Reporting, and applying the same accounting and valuation principles as the annual report for 2002, with the addition of the new recommendations that came into force in 2003. Application of the new accounting principles has not had any material effect on the accounts.

Income statement	3 months			12 months	
	Q 4 2003	Q 3 2003	Q 4 2002	Full year 2003	Full year 2002
MSEK					
Net sales	1,991	1,726	2,208	8,420	8,390
Other operating income	100	46	22	257	51
Raw materials and consumables	-716	-645	-657	-2,734	-2,740
Change in inventories	58	56	-42	109	-44
Other external costs	-755	-626	-784	-3,050	-2,871
Staff costs	-217	-227	-318	-1,097	-1,160
Share of profits of associated companies	-22	7	-	-15	-
Depreciation according to plan	-73	-67	-94	-327	-365
Operating profit	366	270	335	1,563	1,261
Financial items	-121	-118	-136	-516	-495
Profit after financial items	245	152	199	1,047	766
Tax	118	-42	-28	-106	-187
Net profit for the period	363	110	171	941	579
Net earnings/share, SEK	3.07	0.93	1.45	7.95	4.89
- based on the number of shares outstanding, millions	118.4	118.4	118.4	118.4	118.4

Balance sheet	31 Dec 2003	31 Dec 2002
	MSEK	MSEK
Fixed assets, non-interest bearing	23,950	24,525
Inventories	946	851
Current receivables, etc., non-interest bearing	1,646	1,525
Liquid assets and interest-bearing receivables	840	337
Total assets	27,382	27,238
Shareholders' equity	12,715	12,727
Non-interest bearing liabilities and provisions	4,184	4,353
Interest-bearing liabilities and provisions	10,483	10,158
Total shareholders' equity and liabilities	27,382	27,238

Sveaskog Group

Cash flow statement	Full year	Full year
MSEK	2003	2002
Operating surplus	1,612	1,558
Change in working capital, etc.	-492	-105
Net financial items, taxes, etc.	-423	-136
Cash flow from operating activities	697	1,317
Investments in fixed assets	-302	-379
Acquisitions	-4	-2,047
Sale of fixed assets	464	85
Cash flow from investing activities	158	-2,341
Cash flow from financing activities	-872	-5,201
Total cash flow	-17	-6,225
Liquid assets, opening balance	336	6,561
Exchange differences in liquid assets	0	0
Liquid assets, closing balance	319	336

Changes in shareholders' equity	Full year	Full year
MSEK	2003	2002
Opening equity, 1 January	12,727	12,083
Shareholders' contributions	11	64
Cash dividend	-896	-
Takeover of Svenska Skogsplantor	-73	-
Exchange differences for the period	5	1
Net profit for the period	941	579
Closing equity, 31 December	12,715	12,727

Key figures *	Full year	Full year
	2003	2002
Operating margin, %	19	15
Return on capital employed, %	7	5
Return on equity, %	7	5
Equity ratio, %	46	47
Debt/equity ratio, times	0.76	0.77
Interest cover, times	2.9	2.4
Interest-bearing net debt, MSEK	9,643	9,821
Net earnings per share, SEK 1)	7.95	4.89
Average number of employees	2,211	2,433
Number of employees	1,519	2,245

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

* Definitions, see 2002 Annual Report.

Business areas

Quarterly breakdown of net sales by business area and for the Group

	2003					2002				
	Full year	Q 4	Q 3	Q 2	Q 1	Full year	Q 4	Q 3	Q 2	Q 1
MSEK										
Forestry operations	5,961	1,540	1,255	1,681	1,485	5,202	1,388	1,149	1,365	1,300
Cartonboard	2,231	516	548	587	580	2,212	527	548	576	561
Other and intra-group deliveries	-298	-65	-77	-72	-84	-9	11	-8	66	-78
Total remaining units	7,894	1,991	1,726	2,196	1,981	7,405	1,926	1,689	2,007	1,783
Units transferred to										
Setra Group	1,576	-	-	807	769	2,735	754	638	727	616
Other and intra-group deliveries	-1,050	-	-	-534	-516	-1,750	-472	-396	-441	-441
Total group	8,420	1,991	1,726	2,469	2,234	8,390	2,208	1,931	2,293	1,958

Quarterly breakdown of earnings by business area and for the Group

	2003					2002				
	Full year	Q 4	Q 3	Q 2	Q 1	Full year	Q 4	Q 3	Q 2	Q 1
MSEK										
Forestry operations	1,191	293	195	379	324	1,025	261	171	308	285
Cartonboard	282	52	83	71	76	240	14	79	80	67
Other and eliminations	-219	-55	-59	-32	-73	-123	-6	-78	-26	-13
Total remaining units	1,254	290	219	418	327	1,142	269	172	362	339
Property sales	250	98	44	73	35	43	19	12	10	2
Operating profit for remaining units including property sales	1,504	388	263	491	362	1,185	288	184	372	341
Units transferred to Setra Group	72	-	-	31	41	73	45	15	18	-5
Share of profits of Setra Group	-15	-22	7	-	-	-	-	-	-	-
Other and eliminations	2	-	-	-7	9	3	2	10	-1	-8
Operating profit	1,563	366	270	515	412	1,261	335	209	389	328
Financial items	-516	-121	-118	-140	-137	-495	-136	-148	-114	-97
Profit after financial items	1,047	245	152	375	275	766	199	61	275	231
Tax	-106	118	-42	-105	-77	-187	-28	-18	-77	-64
Net profit for the period	941	363	110	270	198	579	171	43	198	167
Net earnings/share, SEK	7.95	3.07	0.93	2.28	1.67	4.89	1.45	0.36	1.67	1.41
- based on average number of shares, millions	118.4	118.4	118.4	118.4	118.4	118.4	118.4	118.4	118.4	118.4

Quarterly breakdown of deliveries and production volumes by business area

	2003					2002				
	Full year	Q 4	Q 3	Q 2	Q 1	Full year	Q 4	Q 3	Q 2	Q 1
Forestry operations										
Deliveries, 000 m ³ sub 1)	14,492	3,794	3,165	3,717	3,816	13,549	3,581	3,000	3,498	3,470
Deliveries, 000 m ³ sub 2)	6,583	1,777	1,413	1,744	1,649	6,394	1,844	1,397	1,587	1,566
Cartonboard										
Deliveries, ktonnes	323	76	80	85	82	322	78	78	84	82
Production, ktonnes	341	78	89	87	87	322	68	84	87	83
Units transferred to										
Setra Group										
Deliveries, 000 m ³	779	-	-	399	380	1,426	403	330	370	323
Production, 000 m ³	813	-	-	417	396	1,413	408	315	348	342

1) Total deliveries

2) Deliveries from own forests