

Press release
2 June 2003

Mindab and AssiDomän Timber form Sweden's largest timber business

- **Sveaskog, LRF och Skogsägarna Mellanskog are creating Sweden's largest and Europe's fourth largest company in the timber industry through a merger of AssiDomän Timber and Mindab (Mellanskog Industri AB)**
- **The new company will have annual sales of around SEK 5 billion and 1,450 employees**

Mindab has a strong position within the distribution of timber products to the building industry under the Star brand. The company owns five sawmills and is also active within timber processing. Mindab is owned by Skogsägarna Mellanskog (39.0%) and LRF (49.6%). The remaining 11.4% is owned by around 4,500 individual shareholders.

AssiDomän Timber, a wholly-owned subsidiary of Sveaskog, operates eight sawmills and two processing plants, and is Sweden's largest sawmill group.

Following the merger, ownership of the new company will be as follows: LRF (25%), Skogsägarna Mellanskog (21%), Sveaskog (50%) and other shareholders (4%). The intention of the founders is to maintain a long-term commitment to the new company, but they are prepared to consider a broadened ownership in the future.

The merger will build a strong timber business that will be a significant player on the European market. Through its capacity the company expects to be an attractive partner and supplier for Europe's leading companies in the building materials sector.

The industry needs a new structure

The Swedish sawmill industry is fragmented and profitability has for a long time been unsatisfactory. To be competitive over the long term a business needs efficient units that can meet customer requirements for good service in the form of customised products and efficient distribution solutions. The company will be open to new commercial partnerships and co-operation that can strengthen it in a changing market.

Objectives

The aim of the new company is to be a market leader for appearance timber in selected quality segments for customers in Europe and Japan. The emphasis will be on high quality pine products. The company will also aim to be the leading distributor of processed and sawn timber products to the Scandinavian building materials sector.

The new company will be large enough and have sufficient resources so that it can further develop activities. It will be well equipped to invest in better customisation and product development while enhancing profitability and production efficiency. The merger also creates good conditions for raising the level of added value.

Synergies worth around SEK 100 million per year are estimated from the merger of Mindab and AssiDomän Timber. It is expected that these synergies can be fully achieved within two years.

Terms and timetable

The parties have signed a Letter of Intent concerning the merger, which is dependent on, among other things, the outcome of due diligence and a review by the competition authorities. The final merger agreement is expected to be signed in early July, whereupon an application will be made to the competition authorities. It is expected that the merger will be completed in August/September, providing that official permission is granted. The merger will be registered as per 1 July 2003. It is the parties' intention to present the new management and the board of directors in early July.

Facts about the new company

Activities

Number of sawmills	13	
Number of timber processing plants	5	
Annual volume of sawn timber	2.3	million m ³
Annual volume of processed products	0.4	million m ³
Market share of total Swedish saw capacity	15	%
Employees	1,450	

Financial information

Adjusted equity ratio ¹⁾	45	%
Total assets ¹⁾	SEK 2.9	billion
Operating profit ²⁾	SEK 190	million
Sales	SEK 5	billion

1) Basis balance sheet pro forma for the new group as of 31 December 2003, including additional owners' capital contribution.

2) Operating profit is for last twelve months as of 31 March 2003.

Erneholm & Haskel AB is joint financial advisor to the parties in the transaction

For further information about the companies and the merger reference is made to the companies' websites, respectively. The presentation from the press conference will be available on the websites around noon.

2 June 2003

LRF

Skogsägarna Mellanskog

Sveaskog

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Mindab

Mindab - Mellanskog Industri AB (publ.) is one of Sweden's largest wood industry companies within the production and distribution sectors. Mindab distributes wood-based products from eight sites in Sweden and produces wood products at five sawmills, two planing plants, a glulam plant and a specialist plant. Sweden is the company's largest market and exports go to 25 countries via representatives in the UK, France, Germany and Japan. The Group has sales of SEK 2,500 million and 720 employees. Mindab has around 4,500 shareholders, of whom the largest are LEAB (LRF) and Skogsägarna Mellanskog.

www.mindab.se

AssiDomän Timber

Sveaskog is Sweden's largest forest owner. Its subsidiary, AssiDomän Timber, is the country's largest manufacturer of sawn timber products. Around 1.5 million cubic metres of sawn timber products are produced annually at eight sawmills and two processing plants for the timber processing industry and do-it-yourself chains in Europe and Japan. AssiDomän Timber has sales of SEK 2,900 million and 750 employees.

www.timber.asdo.com

LRF

LRF is a special interest business organisation for people who own or cultivate land and forest and for shared businesses within the Swedish agricultural co-operatives sector. LRF, which has around 152,000 members, aims to create the right conditions for sustainable and competitive businesses, and to develop farming and business environments in the countryside. LRF works to build positive opinion regarding the activities and products of Sweden's farmers, raise know how among members, elected officials and employees, offer personal service to members and, via its own business activities in selected segments, meet needs for high quality services. Activities are conducted within limited companies. Lantbrukarnas Ekonomi AB, LEAB, is the parent company of a number of subsidiaries that have combined sales of around SEK 2,000 million and around 2,000 employees.

www.lrf.se

Skogsägarna Mellanskog

Skogsägarna Mellanskog's 28,000 members own around 1.8 million hectares of forest land. The association sells timber and conducts forestry in the Swedish provinces of Härjedalen, Hälsingland, Dalarna, Gästrikland, Uppland, Södermanland, Västmanland, Närke, Gotland, Värmland, Bohuslän and Dalsland. Mellanskog supports free, active, profitable and environmentally aware family-owned forestry businesses. The annual turnover is SEK 2.6 billion and the timber harvest is approximately 5.1 million m³sub. The association has 220 employees. Skogsägarna Mellanskog is a major owner of Mellanskog Industri AB, which is one of Sweden's largest timber businesses. A subsidiary, Mellanskog Bränsle AB, develops the use of wood as a fuel.

www.mellanskog.se

Sveaskog

Sveaskog is Sweden's largest forest owner. The current forest holding represents 18% of Sweden's total forest land, or 3.5 million hectares of productive forest land. Activities also include property management and commercial activities within hunting, fishing and outdoor recreation. Forestry activities are performed under the Sveaskog name. The Group also has sawmill activities (AssiDomän Timber) and produces carton board (AssiDomän Cartonboard). Sveaskog's role is to manage the State's forests in a model way both in terms of production and environmental impact. The Group is wholly owned by the Swedish State, has around 2,000 employees and annual sales of around SEK 8,000 million.

www.sveaskog.se