



Interim Report January – June 2004

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.

MSEK	Quarter			January - June	
	2004 Q2	2004 Q1	2003 Q2	2004	2003
Net sales	2,321	2,029	2,469	4,350	4,703
Operating profit <i>(of which, capital gains from property sales)</i>	529 <i>(91)</i>	371 <i>(68)</i>	515 <i>(73)</i>	900 <i>(159)</i>	927 <i>(108)</i>
Profit after net financial items	398	234	375	632	650
Net profit for the period	286	169	270	455	468
Net earnings per share (SEK)	2.41	1.43	2.28	3.84	3.95

- Operating profit for the second quarter was MSEK 529, an increase of 43% compared with the previous quarter. Earnings for the forestry operations improved mainly due to increased deliveries from own forests and seasonal revenues. Earnings from the cartonboard business (Cartonboard) improved, due among other things to higher delivery volumes. Share of profits from Setra Group also improved. Property sales increased.
- Compared with the second quarter of 2003, operating profit in the second quarter of 2004 rose 3%. Earnings for the cartonboard business were higher (volume increase) while the result for the forestry operations was largely unchanged. Share of profits from Setra Group in 2004 was lower than AssiDomän Timber's operating profit in 2003. Capital gains from property sales increased.
- Operating profit for the first half of the year decreased by 3% compared with the same period in 2003. Earnings declined for the forestry operations due to, among other things, a different product range composition and higher silvicultural costs. A less favourable business climate for sawmill operations meant that the profit share in Setra Group was lower than the earlier result from AssiDomän Timber. Earnings from Cartonboard and property sales rose.

Market

General

The global economic recovery has continued, although at a slower rate than before due to gradually lower stimulation measures. Development has been led by the US and Asia while the eurozone has shown weaker growth. In Sweden increased export orders can be noted as well as higher investment and private consumption. Increased productivity is still lowering demand for manpower.

The market situation for the Swedish pulp and paper industry is on the way to improving, resulting in a higher order backlog. Stocks are still comparatively high, however. High demand for pulp has led to price rises. There were also some price rises within the paper industry.

The market for the sawmill industry remains weak. Price development is negatively affected by continued high production. At the same time, raw material costs have increased. Order bookings increased slightly but the order backlog is still low. Production volumes are expected to remain high, however.

Sveaskog's products

The Swedish timber market in northern Sweden is showing a surplus of pine sawlogs and a shortage of spruce sawlogs and softwood pulpwood. There is also a surplus of pine sawlogs in south Sweden. The market for spruce sawlogs and pulpwood is balanced. Price levels are stable following earlier price increases.

The overall market for Sveaskog's cartonboard products is stable. Development for the sawmill operations in Setra Group has matched general development in the industry with high volumes at lower prices.

For the remainder of 2004, opportunities exist for continued high demand and positive price development for fibre raw material. The market situation for sawlogs is judged to be more uncertain, although some stabilisation is possible. A continued stable development is expected for Sveaskog's cartonboard business. The sawmill operations in Setra Group are expected to be affected by a continued surplus of redwood products while the whitewood market is more stable.

Sales and earnings

Second quarter

Sveaskog's *net sales* in the second quarter of 2004 amounted to MSEK 2,321, an increase of 14% compared with the first quarter. Sales for the forestry operations increased for seasonal reasons, primarily for Svenska Skogsplantor and Hunting, fishing and recreation. In the cartonboard business, higher volumes contributed to increased sales.

Compared with the second quarter of 2003, sales decreased by 6% because sales from the former business area AssiDomän Timber, now part of Setra Group, are not included in sales for 2004. Sales rose for both forestry operations and the cartonboard business.

Operating profit in the second quarter of 2004 was MSEK 529, an increase of MSEK 158 or 43% compared with the previous quarter. Compared with the second quarter of 2003, earnings improved by MSEK 14 or 3%. Sveaskog's operating profit for the first two quarters of 2003 included the operating profit from AssiDomän Timber. Subsequently, Sveaskog's share of profit (share of profit after net financial items) in Setra Group is included.

For the forestry operations delivery volumes during the second quarter were at the same level as in the previous quarter and in the same quarter in 2003. The proportion of deliveries from own forests, which fell sharply in the previous quarter, increased and overall for the first half are at the planned level (approximately 45%).

Operating profit for the forestry operations (excl. property sales) amounted to MSEK 377, an increase of MSEK 105 or 39% in relation to the previous quarter and more or less at the same level as in the same quarter in 2003.

The improvement over the first quarter is mainly due to higher deliveries from own forests. Rental income and earnings from Svenska Skogsplantor rose for seasonal reasons and contributed to the improved earnings. Silvicultural costs also showed a seasonal increase.

Compared with the second quarter of 2003 deliveries from own forests increased slightly which was counteracted by higher silvicultural costs.

Return on net operating assets in the forestry operations (properties valued at tax assessment values) was 4.6% (12-month rolling).

For the cartonboard operations delivery volumes increased in the second quarter by 12%, compared with the first quarter. Compared with the second quarter of 2003, deliveries rose 11%.

Operating profit was MSEK 95, an increase of MSEK 18 compared with the first quarter and MSEK 24 compared with the same quarter in 2003.

The increased earnings compared with the first quarter is mainly due to higher sales volumes, improved internal efficiency and the sale of electricity certificates. Raw material costs increased.

The improvement in relation to the same period in 2003 is mainly due to the higher sales volume and improved internal efficiency as well as the sale of electricity certificates, which compensated for higher fixed costs.

Return on net operating assets in the cartonboard operations was 10.6% (12-month rolling).

Sveaskog's share of profit in Setra Group amounted to MSEK 2, compared with MSEK -18 in the first quarter. Higher delivery volumes and an improvement in the building materials operation contributed to this.

Gains from property sales amounted to MSEK 91, an increase of MSEK 23, compared with the first quarter, mainly due to higher sales of land for the formation of nature reserves. Compared with the same quarter in 2003, capital gains increased by MSEK 18.

Net financial items amounted to MSEK -131 which is an MSEK 6 improvement over the first quarter.

January – June

In the first half of 2004, *net sales* amounted to MSEK 4,350, a decrease of 8% compared with 2003. This decline is due to the effects of the formation of Setra Group. Sales rose for both forestry operations and the cartonboard business.

Operating profit for the first half of the year amounted to MSEK 900, a decrease of MSEK 27 or 3% compared with the same period in 2003.

For the forestry operations total delivery volumes and the proportion of deliveries from own forests were on a par with the first half of 2003. Earnings decreased, however, mainly due to lower deliveries of pine sawlogs from own forests and higher costs due to a higher proportion of thinning. Higher silvicultural costs had a negative impact on earnings.

For the cartonboard operations delivery volumes increased in the first half of the year by 7% compared with 2003. Operating profit was MSEK 172, an increase of MSEK 25 compared with the previous year. The improvement is mainly due to the higher sales volume and higher revenues from the sale of electricity certificates. Higher prices balanced out increased raw material costs.

Share of profit in Setra Group was MSEK -16. In 2003 operating profit from AssiDomän Timber amounting to MSEK 72 was included. Setra Group's results were negatively affected during the first half of 2004 by lower selling prices and higher raw material costs.

Gains from property sales amounted to MSEK 159, an increase of MSEK 51 compared with 2003 due to an increased sales volume. Within the framework of ongoing sales programmes designed to strengthen private forestry, approximately 18,000 ha was sold during the period compared with approximately 8,000 ha in the same period last year.

Net financial items amounted to MSEK -268 (-277). Lower interest expenses contributed to this improvement. *Profit after net financial items* amounted to MSEK 632 (650).

The period's *net tax* is calculated at MSEK -177, corresponding to an average tax rate of 28%. *Net profit for the period* amounted to MSEK 455.

Cash flow, investments and financial position

Cash flow from operating activities in the first half of 2004 amounted to MSEK 133, a decline of MSEK 337 compared with the same period in 2003. The difference is mainly attributable to changed payment dates for interest and a lower operating surplus.

Cash flow from investing activities was MSEK 573, an increase of MSEK 492 over the first half of 2003. The increase is mainly due to increased sales of fixed assets and repayment of loans by Setra Group.

Cash flow from financing activities amounted to MSEK -620, compared with MSEK -567 in the first half of 2003. The larger outflow is due, among other things, to a higher dividend and payment (MSEK 98) of a redemption amount to former minority owners in the former AssiDomän AB.

In total, *interest-bearing net debt* increased by MSEK 23 in the first half of the year.

Financial targets

	Target	2004	2003	2002
		12-month rolling	Full year	Full year
Return on net operating assets, % 1)	Min. 5.0 2)	5.1	5.5	5.4
Interest cover, times	Min. 2.0	2.9	2.9	2.4
Debt/equity ratio, times	Approx. 1.0	0.75	0.76	0.77

1) Excl. property sales. 2) Currently 5.8% taking present group structure into account.

Introduction of IAS/IFRS rules

Sveaskog is affected by introduction of IAS 19 Employee Benefits, IAS 32 Financial Instruments: Disclosure and Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IAS 41 Agriculture. Preparatory work ahead of introduction of the new standards, as described in the 2003 Annual Report, is proceeding according to plan.

Parent Company

Sveaskog AB, which is 100% owned by the Swedish State through Sveaskog Holding AB, owns and manages forest properties and shares in subsidiaries and is responsible for groupwide financing.

On 14 June, the Boards of Sveaskog Holding AB and Sveaskog AB decided on a reverse merger where the intention is to merge Sveaskog Holding AB into Sveaskog AB at the beginning of 2005.

Sveaskog AB's net sales in the first six months of the year amounted to MSEK 42. The company had no net sales during the same period in 2003. Income after financial items amounted to MSEK -217 (-352), of which capital gains on property sales accounted for MSEK 3 (22). The Parent Company's costs mainly comprise interest expenses resulting from the acquisition of AssiDomän AB (now Sveaskog Förvaltnings AB). The company has no employees.

Investments amounted to MSEK 0 during the period, the same as in the corresponding period a year ago. Liquid assets and short-term investments at 30 June 2004 amounted to MSEK 5,638 (2,834) compared with MSEK 3,464 at the start of the year. Interest-bearing net debt amounted to MSEK 14,830 (14,610) compared with MSEK 14,573 at the start of the year.

Stockholm, 25 August 2004

Sveaskog AB (publ.) (556558-0031)

Lars Sköld
President

Financial calendar 2004

Interim Report January – September	25 October 2004
Year-end report January – December	31 January 2005

The interim report is unaudited.

Sveaskog Group

Accounting principles

This interim 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 2003, with the exception that the Swedish Financial Accounting Standards Council's recommendation RR 29 Employee Benefits has been introduced with effect from 1 January 2004. The effects of this change are described in the table "Changes in shareholders' equity" below.

Income statement	3 months			6 months		12 months	
	Q2 2004	Q1 2004	Q2 2003	Jan-June 2004	Jan-June 2003	July 2003- June 2004	Full year 2003
MSEK							
Net sales	2,321	2,029	2,469	4,350	4,703	8,067	8,420
Other operating income	94	70	75	164	111	310	257
Raw materials and consumables	-737	-844	-641	-1,581	-1,373	-2,942	-2,734
Change in inventories	-129	42	-53	-87	-5	27	109
Other external costs	-722	-635	-907	-1,357	-1,669	-2,738	-3,050
Staff costs	-231	-202	-333	-433	-653	-877	-1,097
Share of profits of associated companies	2	-18	-	-16	-	-31	-15
Depreciation according to plan	-69	-71	-95	-140	-187	-280	-327
Operating profit	529	371	515	900	927	1,536	1,563
Financial items	-131	-137	-140	-268	-277	-507	-516
Profit after financial items	398	234	375	632	650	1,029	1,047
Tax	-112	-65	-105	-177	-182	-101	-106
Net profit for the period	286	169	270	455	468	928	941
Net earnings/share, SEK	2.41	1.43	2.28	3.84	3.95	7.84	7.95
- based on number of shares outstanding, millions	118.4	118.4	118.4	118.4	118.4	118.4	118.4

Balance sheet	30 June 2004	30 June 2003	31 Dec 2003
MSEK			
Fixed assets, non-interest bearing	23,741	24,461	23,950
Inventories	949	989	946
Current receivables, etc., non-interest bearing	2,034	1,716	1,646
Liquid assets and interest-bearing receivables	555	322	840
Total assets	27,279	27,488	27,382
Shareholders' equity	12,890	12,838	12,715
Non-interest bearing liabilities and provisions	4,168	4,546	4,184
Interest-bearing liabilities and provisions	10,221	10,104	10,483
Total shareholders' equity and liabilities	27,279	27,488	27,382

Sveaskog Group

Cash flow statement	Jan-June	Jan-June	Full year
MSEK	2004	2003	2003
Operating surplus	888	1,005	1,612
Change in working capital, etc.	-304	-272	-492
Interest paid, taxes, etc.	-451	-263	-423
Cash flow from operating activities	133	470	697
Investments in fixed assets	-110	-117	-302
Acquisitions	-2	0	-4
Sale of fixed assets	314	199	464
Change in interest-bearing receivables	371	-1	-
Cash flow from investing activities	573	81	158
Cash flow from financing activities	-620	-567	-872
Total cash flow	86	-16	-17
Liquid assets, opening balance	319	336	336
Exchange differences in liquid assets	0	0	0
Liquid assets, closing balance	405	320	319

Changes in shareholders' equity	Jan-June	Jan-June	Full year
MSEK	2004	2003	2003
Opening equity, 1 January according to adopted balance sheet	12,715	12,727	12,727
Effect of introduction of RR 29 Employee Benefits, net after tax effect	74	-	-
Restated opening equity	12,789	12,727	12,727
Shareholders' contribution	-	11	11
Cash dividend	-355	-296	-896
Takeover of Svenska Skogsplantor	-	-73	-73
Exchange differences for the period	1	1	5
Net profit for the period	455	468	941
Closing equity at the end of the period	12,890	12,838	12,715

Key figures *	Jan-June	Jan-June	Full year
	2004	2003	2003
Operating margin, %	21	20	19
Return on capital employed, % 1)	7	7	7
Return on equity, % 1)	7	5	7
Equity ratio, %	47	47	46
Debt/equity ratio, times	0.75	0.76	0.76
Interest cover, times	3.3	3.3	2.9
Interest-bearing net debt, MSEK	9,666	9,782	9,643
Net earnings per share, SEK 2)	3.84	3.95	7.95
Average number of employees	1,728	2,529	2,211
Number of employees	1,512	2,377	1,519

1) 12-month rolling.

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

* Definitions, see 2003 Annual Report.

Business areas

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

MSEK	2004		2003				2002		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Forestry operations	1,742	1,523	1,540	1,255	1,681	1,485	1,388	1,149	1,365
Cartonboard	661	588	516	548	587	580	527	548	576
Other and intra-group deliveries	-82	-82	-65	-77	-72	-84	11	-8	66
Total remaining units	2,321	2,029	1,991	1,726	2,196	1,981	1,926	1,689	2,007
Units transferred to									
Setra Group	-	-	-	-	807	769	754	638	727
Other and intra-group deliveries	-	-	-	-	-534	-516	-472	-396	-441
Total Group	2,321	2,029	1,991	1,726	2,469	2,234	2,208	1,931	2,293

Quarterly breakdown of earnings by business area and for the Group

MSEK	2004		2003				2002		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Forestry operations	377	272	293	195	379	324	261	171	308
Cartonboard	95	77	52	83	71	76	14	79	80
Other and eliminations	-36	-28	-55	-59	-32	-73	-6	-78	-26
Total remaining units	436	321	290	219	418	327	269	172	362
Property sales	91	68	98	44	73	35	19	12	10
Operating profit for remaining units including property sales	527	389	388	263	491	362	288	184	372
Units transferred to Setra Group	-	-	-	-	31	41	45	15	18
Share of profits of Setra Group	2	-18	-22	7	-	-	-	-	-
Other and eliminations	-	-	-	-	-7	9	2	10	-1
Operating profit	529	371	366	270	515	412	335	209	389
Financial items	-131	-137	-121	-118	-140	-137	-136	-148	-114
Profit after financial items	398	234	245	152	375	275	199	61	275
Tax	-112	-65	118	-42	-105	-77	-28	-18	-77
Net profit for the period	286	169	363	110	270	198	171	43	198
Net earnings/share, SEK	2.41	1.43	3.07	0.93	2.28	1.67	1.45	0.36	1.67
- 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

Quarterly breakdown of deliveries and production volumes by business area

	2004		2003				2002		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Forestry operations									
Deliveries, 000 m ³ sub 1)	3,746	3,754	3,794	3,165	3,717	3,816	3,581	3,000	3,498
Deliveries, 000 m ³ sub 2)	1,832	1,551	1,777	1,413	1,744	1,649	1,844	1,397	1,587
Cartonboard									
Deliveries, ktonnes	94	84	76	80	85	82	78	78	84
Production, ktonnes	87	88	78	89	87	87	68	84	87
Units transferred to									
Setra Group									
Deliveries, 000 m ³ st	-	-	-	-	399	380	403	330	370
Production, 000 m ³ st	-	-	-	-	417	396	408	315	348

1) Total deliveries

2) Deliveries from own forests

Parent Company

Income statement	6 months		12 months	
	Jan-June 2004	Jan-June 2003	July 2003- June 2004	Full year 2003
MSEK				
Operating income	46	22	337	313
Operating expenses	-1	-4	0	-3
Operating profit	45	18	337	310
Financial items	-262	-370	-241	-349
Loss/profit after financial items	-217	-352	96	-39
Tax	61	99	60	98
Net loss/profit for the period	-156	-253	156	59
Net earnings/share, SEK	neg	neg	1.32	0.50
- based on number of shares outstanding, millions	118.4	118.4	118.4	118.4

Balance sheet	30 June 2004	30 June 2003	31 Dec 2003
MSEK			
Fixed assets, non-interest bearing	25,714	25,878	25,682
Current receivables, etc., non-interest bearing	32	569	539
Liquid assets and interest-bearing receivables	11,152	5,848	9,314
Total assets	36,898	32,295	35,535
Shareholders' equity	10,839	11,606	11,350
Untaxed reserves	72	73	72
Non-interest bearing liabilities and provisions	5	158	226
Interest-bearing liabilities and provisions	25,982	20,458	23,887
Total shareholders' equity and provisions	36,898	32,295	35,535

Cash flow statement	Jan-June 2004	Jan-June 2003	Full year 2003
MSEK			
Cash flow from operating activities	95	-187	245
Cash flow from investing activities	340	-2,625	-2,422
Cash flow from financing activities	1,739	5,634	5,629
Total cash flow	2,174	2,822	3,452
Liquid assets, opening balance	3,464	12	12
Liquid assets, closing balance	5,638	2,834	3,464

Changes in shareholders' equity	Jan-June 2004	Jan-June 2003	Full year 2003
MSEK			
Opening equity, 1 January	11,350	12,144	12,144
Shareholders' contribution	-	11	11
Cash dividend	-355	-296	-896
Group contribution	-	-	44
Tax effect of group contribution	-	-	-12
Net loss/profit for the period	-156	-253	59
Closing equity at the end of the period	10,839	11,606	11,350