

Year-end report

1 January – 31 December 2007

1 JANUARY – 31 DECEMBER 2007 (compared with the previous year)

- The Board of Directors proposes a dividend of SEK 4.40 (4.00) per share.
- Net sales increased by SEK 4,474m and amounted to SEK 105,913m (101,439).
- Profit before tax increased by SEK 1,404m and amounted to SEK 8,237m (6,833).
- Profit for the year increased by SEK 1,694m and amounted to SEK 7,161m (5,467).
- Earnings per share increased by SEK 2.41 and amounted to SEK 10.16 (7.75).
- Operating cash flow increased by SEK 1,736m and amounted to SEK 4,508m (2,772).
- Revaluation of forest assets, acquisition integration costs and action programmes increased net profit before tax by SEK 300m.

EARNINGS TREND

SEKm	0712	0612	%	2007:4	2007:3	%
Net sales	105,913	101,439	4	27,808	26,362	5
Operating surplus	19,818	14,665	35	8,019	4,056	98
Operating profit	10,147	8,505	19	2,891	2,526	14
Financial items	-1,910	-1,672		-549	-507	
Profit before tax	8,237	6,833	21	2,342	2,019	16
Tax	-1,076	-1,366		-204	0	
Net profit for the period	7,161	5,467	31	2,138	2,019	6
Earnings per share, SEK	10.16	7.75	31	3.03	2.87	6

CEO'S MESSAGE

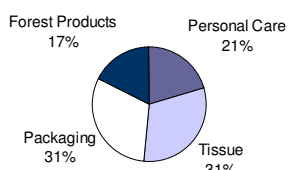
“Operating profit improved by SEK 1,642m to SEK 10,147m. The main contributor to these improved earnings was Packaging which strengthened its operating profit by 28% while Forest Products and Tissue each contributed a 16% improvement in operating profit. The improvement was mainly a result of higher prices and a better product mix.

During the fourth quarter the tissue operations recently acquired from Procter & Gamble were consolidated and contributed to the improved earnings. Profit before tax improved compared with the third quarter and, adjusted for items affecting comparability, amounted to SEK 2,042m.

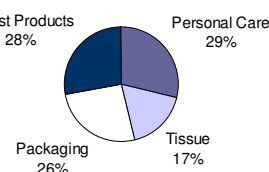
The market for solid-wood products is weakening after the record year of 2007. Otherwise we see a continued favourable market for most of our segments.”

Jan Johansson
President and CEO

SHARE OF NET SALES



SHARE OF OPERATING PROFIT



EARNINGS TREND FOR THE GROUP

SEKm	0712	0612	%	2007:4	2007:3	%
Net sales	105,913	101,439	4	27,808	26,362	5
Operating expenses ¹	-86,095	-86,774		-19,789	-22,306	
Operating surplus	19,818	14,665	35	8,019	4,056	98
Depreciation and write-downs ¹	-9,720	-6,185		-5,143	-1,542	
Share of profits of associated companies	49	25		15	12	
Operating profit	10,147	8,505	19	2,891	2,526	14
Financial items	-1,910	-1,672		-549	-507	
Profit before tax	8,237	6,833	21	2,342	2,019	16
Tax	-1,076	-1,366		-204	0	
Net profit for the period	7,161	5,467	31	2,138	2,019	6

¹Including items affecting comparability.

Earnings per share, SEK - equity holders of the Parent Company

- after dilution effects	10.16	7.75	31	3.03	2.87	6
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Margins (%)

Operating surplus margin	18.7	14.5		28.8	15.4	
Operating margin	9.6	8.4		10.4	9.6	
Financial net margin	-1.8	-1.6		-2.0	-1.9	
Profit margin	7.8	6.8		8.4	7.7	
Tax	-1.0	-1.3		-0.7	0.0	
Net margin	6.8	5.5		7.7	7.7	

OPERATING PROFIT PER BUSINESS AREA

SEKm	0712	0612	%	2007:4	2007:3	%
Personal Care	2,960	2,799	6	781	742	5
Tissue	1,724	1,490	16	508	464	9
Packaging	2,651	2,072	28	692	648	7
Forest Products	2,870	2,475	16	691	766	-10
Other	-58	-331		219	-94	
Total	10,147	8,505	19	2,891	2,526	14

OPERATING CASH FLOW PER BUSINESS AREA

SEKm	0712	0612	%	2007:4	2007:3	%
Personal Care	2,933	2,984	-2	1,220	415	194
Tissue	2,485	1,101	126	321	1,436	-78
Packaging	1,055	324	226	566	582	-3
Forest Products	2,249	2,549	-12	395	922	-57
Other	-595	-654		-263	-271	
Total	8,127	6,304	29	2,239	3,084	-27

KEY RATIOS

	0712	0612	2007:4	2007:3
Debt/equity ratio	0.58	0.62	0.58	0.53
Debt payment capacity, %	35	29	35	35
Return on capital employed, %	11	9	12	11
Return on equity, %	12	9	14	13

Development compared with the previous year:



Packaging

Net sales: +1%

Operating profit: +28%



Forest Products

Net sales: +6%

Operating profit: +16%



Tissue

Net sales: +6%

Operating profit: +16%



Personal Care

Net sales: +4%

Operating profit: +6%

GROUP

Net sales increased by SEK 4,474m compared with the previous year and amounted to SEK 105,913m (101,439). Higher prices, primarily for corrugated board, but also for tissue and solid-wood products, and higher volumes and acquisitions increased net sales by 8% or SEK 8,600m. Net sales were negatively affected by divestments by 3% and by exchange rate fluctuations by 1%. Profit before tax improved by SEK 1,404m or 21% and amounted to SEK 8,237m (6,833). Earnings were affected positively by the revaluation of the Group's forest assets by SEK 5,173m, and negatively by integration costs for acquired companies and efficiency enhancements of SEK 4,873m. These items were reported in the fourth quarter which led to a net increase in profit before tax of SEK 300m. The corresponding increase after tax was SEK 253m.

Compared with the third quarter of 2007, net sales rose by SEK 1,446m and amounted to SEK 27,808m. The increase is an effect of acquisitions and continued price increases for corrugated board and tissue in North America as well as improved volumes for incontinence products to the healthcare sector. Profit before tax increased by SEK 323m and amounted to SEK 2,342m (2,019). Adjusted for items affecting comparability, profit amounted to SEK 2,042m, which is somewhat better than the previous quarter.

CASH FLOW AND FINANCING

Operating cash surplus increased by SEK 1,163m and amounted to SEK 15,286m compared with SEK 14,123m in the previous year. High tied-up working capital had a negative effect on operating cash flow of SEK 1,299m (794). The increase in working capital was greatest within Packaging and is primarily an effect of higher accounts receivable due to implemented price increases. Current capital expenditures were somewhat lower than in the previous year and amounted to approximately 5% of net sales. The operating cash flow improved by SEK 1,823m to SEK 8,127m (6,304).

Financial items increased by SEK 238m and amounted to SEK -1,910m. A lower net debt and higher dividends received did not compensate for higher interest rates. Tax payments were slightly lower than in the same period in the previous year and amounted to SEK 1,719m (1,770). Cash flow from current operations, i.e. before dividend and strategic investments, improved by SEK 1,736m and amounted to SEK 4,508m (2,772).

Strategic investments and acquisitions amounted to SEK 5,887m (1,258), of which SEK 3,289m related to the first part-payment for the acquisition of Procter & Gamble's European tissue operations, and SEK 330m related to the holding in the Chinese tissue company Vinda. Investments included rebuilding the testliner machines in Lucca, Italy, and Aschaffenburg, Germany, as well as construction of a tissue plant outside Moscow, Russia. Divestments during the period amounted to SEK 2,852m, mainly attributable to the packaging operations in North America. Dividend to shareholders amounted to SEK 2,807m. A dividend of SEK 131m was paid to the minority shareholders in SCA Hygiene Products AG during the year. Net cash flow was SEK -1,411m (-1,008).

Net debt at year-end amounted to SEK 37,368m, an increase of SEK 969m since the start of the year. A negative net cash flow of SEK 1,411m and negative exchange rate fluctuations of SEK 571m due to the weakening of the Swedish krona were offset by remeasurements according to IAS 19 for pensions and IAS 39 for financial instruments, which had a combined positive effect of SEK 1,013m, most of which was attributable to pensions. The debt/equity ratio improved and amounted to 0.58 (0.62). The debt payment capacity improved to 35% (29).

EQUITY

Consolidated equity increased during the year by SEK 5,316m to SEK 64,279m. Net profit for the year, and the effects of remeasurements according to IAS 19 for pensions and IAS 39 for financial instruments, increased equity by SEK 7,161m and SEK 673m respectively. Dividends amounted to SEK 2,939m while exchange rate fluctuations increased equity by SEK 421m. Return on equity amounted to 12% (9).

PERSONNEL

At year-end the average number of employees was 50,000 compared with approximately 51,000 in the previous year.

EFFICIENCY ENHANCEMENT PROGRAMME

Additional savings from the efficiency programme started in 2005 affected earnings by SEK 20m in the fourth quarter. Total savings in the fourth quarter amounted to approximately SEK 390m, which corresponds to an annual rate of nearly SEK 1,600m. This means that the planned savings of SEK 1,550m have been achieved and further information about these measures will not be provided. Measures decided during the fourth quarter are reported on page 6.

TAX

Reductions in corporate tax in Germany to start in 2008 were decided at the start of the third quarter. As well as a future lower tax expense, there was a one-time effect of SEK 454m due to revaluation of deferred tax liabilities, which reduced the tax expense in the third quarter.

As a result of investments in Poland, SCA is entitled to a future tax deduction of SEK 212m, which reduced the tax expense for the year. Tax reductions in some countries, such as Italy, led to a revaluation of deferred tax liabilities by a total of SEK 77m. These items thus reduced the tax expense in the fourth quarter by SEK 289m.

ACQUISITIONS AND DIVESTITURES

First nine months of the year

Payment was received for the North American packaging operations, SEK 2,826m, and the operations were deconsolidated on 7 March.

SCA acquired 20% of the Chinese tissue company Vinda for SEK 330m. The company was listed in July in conjunction with a new issue which reduced SCA's stake in the company to 14%.

A joint venture (50/50) was established with Godrej Consumer Products Ltd for manufacture and sales of baby diapers and feminine care products in India, Nepal and Bhutan.

In May, SCA acquired the British company Severn Timber, which supplies value-added wood products to the British builders' merchant market.

In July, a final decision was issued in the ten-year old valuation dispute between the minority shareholders in PWA (now SCA Hygiene Products AG) and SCA. The higher value and raised dividend meant that during the autumn SCA paid an additional purchase price of SEK 490m and retroactively increased dividends to minority shareholders by a total of SEK 131m.

SCA and the Norwegian energy company Statkraft concluded an agreement to form a joint venture to invest in wind power in northern Sweden, where SCA will grant land while Statkraft will be responsible for investment. The plans involve production of 2,800 GWh of wind power electricity annually divided among seven wind power farms.

Fourth quarter

SCA formed a joint venture (50/50) with the Jordan-based industrial group Nuqul. The new company will manufacture and sell feminine care products in the Middle East and Egypt. The purchase price for the 50% stake is SEK 127m.

In September, the European competition authorities approved SCA's acquisition of Procter & Gamble's (P&G) European tissue operations. This is an assets and liabilities acquisition and relates to P&G's operations and facilities in Witzenhausen and Neuss, Germany, Lucca, Italy, Manchester, England, and Orleans, France. The acquisition includes the Tempo brand, the market leader within handkerchiefs in Western Europe and Hong Kong.

The acquisition will be made in three parts and the total purchase price amounts to approximately SEK 4,725m. The first part-acquisition relating to brands, the plants in Germany and Italy, and the operations in Hong Kong, was paid on 1 October and amounted to SEK 3,047m. The remaining two part-acquisitions, totalling approximately SEK 1,688m, relating to the plants in England and France, will take place once certain technical adjustments to these facilities have been carried out. This is expected to take place during the first half of 2008.

A preliminary acquisition balance sheet was prepared, see page 18, after the first part-acquisition which amounted to SEK 3,047m, which including acquisition costs of SEK 145m amounted to SEK 3,192m. The acquired net assets are valued at SEK 2,539m and preliminarily goodwill is assessed as amounting to SEK 653m. As a result of this acquisition, SCA can improve profitability through synergies within sales and marketing and an improved production structure. The synergies from the acquisition are expected to have a full effect after three years when they will amount to approximately SEK 700m. The acquisition includes approximately 1,100 employees.

As of 1 October, the sales from all five facilities are consolidated. Net sales amounted to SEK 1,078m in the fourth quarter. Operating profit for the fourth quarter was SEK 62m, but was affected by the fact that SCA purchased the products from the two P&G plants not yet acquired.

Since this is an acquisition of assets and liabilities, SCA does not have insight into the history of the operations taken over and therefore what the full-year effect would have been if the acquisition had been made on 1 January 2007. SCA's assessment of net sales for 2007 amounts to approximately SEK 4,300m.

In order to meet the European Commission's conditions for its approval of the deal, SCA concluded an agreement for the sale of the Softis brand together with related patents and machines to the Italian tissue company Sofidel. Both the European Commission and the German Federal Cartel Office have approved this transfer which was completed in the first quarter of 2008. The sale also includes a right for Sofidel to use the Zewa brand under licence for three years. SCA will also continue to be entitled to sell Softis outside Germany and Austria in perpetuity.

CAPITAL EXPENDITURES

First nine months of the year

A decision was made to invest in a second tissue machine in Barton, Alabama, USA. The investment amounts to approximately SEK 1,000m.

A decision was made to invest in a new tissue plant south of Moscow, Russia. The investment amounts to approximately SEK 615m.

In Nantes, France, approximately SEK 425m is being invested in a new corrugated board plant. Approximately SEK 129m is being invested in two corrugated board plants in Poland. In Romania, approximately SEK 92m is being invested to upgrade an existing facility into a fully integrated corrugated board plant.

SCA is investing approximately SEK 137m in a new packaging plant in Suzhou, China, and approximately SEK 82m in the construction of a packaging plant in Nanjing, China.

SCA is investing approximately SEK 800m in the paper mill in Ortvikén, Sweden, where production of mechanical pulp will be expanded. The new equipment is scheduled to be installed and in operation in spring 2009.

During the year SCA invested SEK 1,089m in extended capacity and improved technology in response to increased demand for personal care products.

Fourth quarter

A decision was made to invest in additional converting capacity for the tissue plant south of Moscow, Russia. The investment amounts to approximately SEK 152m.

OTHER EVENTS DURING THE FOURTH QUARTER

In the fourth quarter, SCA conducted a review of the valuation of its forest assets and made the assessment that timber prices, following price increases during the year, will

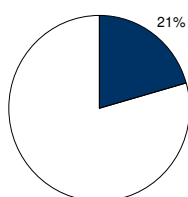
in the long term remain at a higher level than was previously assumed. The new valuation amounts to SEK 23,255m before tax, an increase of SEK 5,173m and is based on higher timber prices but an unchanged discount rate of 6.25%.

In addition to coordination and efficiency improvement measures in conjunction with integration of the P&G acquisition, SCA is carrying out a number of actions designed to enhance competitiveness in the rest of the tissue operations as well as within Packaging and Forest Products. Including integration costs for the P&G acquisition, total costs amount to SEK 4,873m, of which impairments account for SEK 3,542m, SEK 111m for impairments of current assets, and cash expenditure for SEK 1,220m. The improvement in earnings will have full effect after three years when it will amount to approximately SEK 1,400m per year, including synergies from the P&G acquisition.

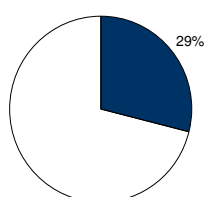
DIVIDEND

The Board of Directors proposes a dividend of SEK 4.40 (4.00) SEK per share or SEK 3,090m (2,807). The Board is of the opinion that the proposed dividend provides scope for the Group to fulfil its obligations and carry out necessary investment. The proposal represents an increase of 10% over the previous year and comprises 43% of earnings per share. Dividend growth over the past 10-year period will then amount to 9%. The record date for entitlement to receive dividends is proposed as 11 April 2008.

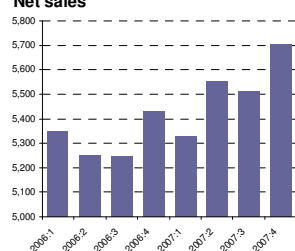
Share of group, net sales



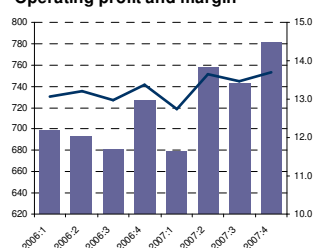
Share of group, operating profit



Net sales



Operating profit and margin



Deviations, operating profit (%)

0712 vs. 0612		6%
Price/mix	8%	
Volume	17%	
Raw material	-5%	
Energy	0%	
Currency	-1%	
Other	-13%	

Deviations, operating profit (%)

2007:4 vs. 2007:3		5%
Price/mix	5%	
Volume	10%	
Raw material	-3%	
Energy	0%	
Currency	-1%	
Other	-6%	

PERSONAL CARE

Net sales amounted to SEK 22,101m which was 4% higher than in the previous year. Increased volumes and higher prices improved net sales by 5%

MARKET

SCA retained or increased its market shares in relevant markets. Sales of incontinence care products to the retail sector increased by double figures, while sales to the healthcare sector were negatively affected by changed purchasing patterns in significant markets such as Russia and Hungary. The strong sales increase for baby diapers in 2006 meant that SCA reached full capacity utilization in Europe and the sales increase in 2007 was therefore considerably lower. SCA's Libero brand continued to perform well in the Nordic region and Russia. Joint ventures were formed during the year for sales of baby diapers (India) and feminine care products (Middle East).

OPERATIONS

January – December (compared with the previous year)

Net sales increased by SEK 829m and amounted to SEK 22,101m compared with SEK 21,272m in the previous year. The sales increase is primarily an effect of increased volumes of incontinence products to the European retail market where sales rose 13%. During the year sales in South America also increased for feminine care products and baby diapers. Sales of baby diapers also increased in Malaysia. Exchange rate fluctuations reduced net sales by 1%.

Operating profit improved by SEK 161m and amounted to SEK 2,960m (2,799). Increasing volumes and higher prices improved operating profit by SEK 487m and SEK 214m respectively, or together 25%. Volume and price improvements were offset by increased costs for continued expansion in new markets in the form of marketing and organizational build up (reported under Other in the deviations analysis) as well as higher production costs, mainly due to rising raw material costs. Exchange rate fluctuations decreased operating profit by 1%.

Operating cash surplus amounted to SEK 3,960m (3,778) and operating cash flow was SEK 2,933m (2,984). An improved operating cash surplus was offset by higher tied-up working capital and slightly higher net current capital expenditures.

Fourth quarter (compared with the previous quarter)

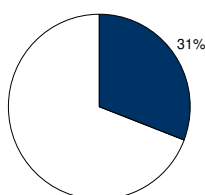
Sales of incontinence products to the healthcare sector developed well during the quarter. Sales to the retail trade also increased in the fourth quarter, driven by high sales of baby diapers in the Nordic region and Russia.

The product mix improved compared with the previous quarter, which was partly an effect of a higher proportion of pant diapers sold under own brands. Volume and product mix developed well during the quarter while manufacturing costs increased, due among other things to the switch to new technology in production of baby diapers. Marketing costs rose slightly during the quarter.

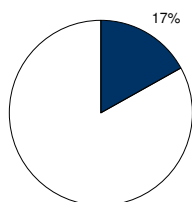
BUSINESS AREA PERSONAL CARE

SEKm	0712	0612	%	2007:4	2007:3	%
Net sales	22,101	21,272	4	5,706	5,510	4
Operating surplus	3,955	3,775	5	1,036	995	4
Operating profit	2,960	2,799	6	781	742	5
Operating surplus margin, %	17.9	17.7		18.2	18.1	
Operating margin, %	13.4	13.2		13.7	13.5	
Volume growth, %	4.5	8.4		3.2	-0.3	

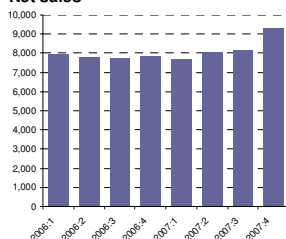
Share of group, net sales



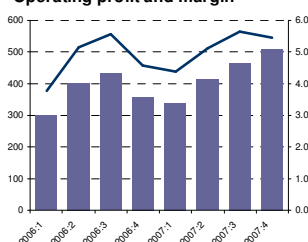
Share of group, operating profit



Net sales



Operating profit and margin

**Deviations, operating profit (%)**

0712 vs. 0612		16%
Price/mix	82%	
Volume	7%	
Raw material	-49%	
Energy	6%	
Currency	-3%	
Other	-27%	

Deviations, operating profit (%)

2007:4 vs. 2007:3		9%
Price/mix	21%	
Volume	3%	
Raw material	-4%	
Energy	-16%	
Currency	-2%	
Other	7%	

TISSUE

Net sales amounted to SEK 33,332m and increased by 6% compared with the previous year. Prices improved by 4% and volumes rose 5% while exchange rate fluctuations offset this improvement.

MARKET

In line with the new strategy for the European tissue market, SCA deliberately prioritized more profitable segments of the market during the year as well as putting price before volume. This meant that volume on Europe remained at the same level as in the previous year. Customer and product mix developed well for AFH tissue. In the US, volume development for AFH tissue was strong during the year but weakened to some extent towards the year-end. The Tork brand was launched in the US in the fourth quarter.

OPERATIONS

January – December (compared with the previous year)

Net sales increased by SEK 1,996m and amounted to SEK 33,332m compared with SEK 31,336m in the previous year. Price increases in Europe averaged approximately 5%. The acquisition of P&G's European tissue operations increased sales by 4%. In North America and Mexico, price and volume improvements were offset by negative exchange rate fluctuations. In total, exchange rate effects had a negative impact on net sales of approximately SEK 800m or nearly 3%.

Operating profit rose SEK 234m and amounted to SEK 1,724m (1,490), an increase of 16% compared with the previous year. Higher prices in Europe, North America and Latin America and the effects of the acquisition from P&G and lower energy costs were offset by higher raw material costs. Exchange rate fluctuations cut operating profit by 3%. Increased depreciation, temporarily lower capacity utilization in North America due to a major rebuilding, higher selling costs and the effects of the P&G acquisition are reported under Other in the deviations analysis.

Operating cash surplus amounted to SEK 3,926m (3,528) and operating cash flow was SEK 2,485m (1,101). An improved operating cash surplus combined with lower tied-up working capital and lower expenditures for the ongoing efficiency programmes as well as lower current capital expenditures contributed to the improvement.

Fourth quarter (compared with the previous quarter)

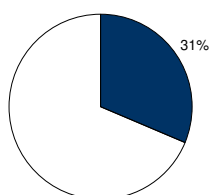
Sales increased during the fourth quarter primarily due to the acquisition of P&G's European tissue operations. A good volume trend in Europe was offset by seasonally lower volumes in North America. In North America and Mexico, higher prices were partly offset by negative exchange rate effects.

The earnings improvement in the fourth quarter amounted to 9%, mainly an effect of the acquisition from P&G. Other positive factors were a strong volume trend in Europe and an improved result for the American operations, driven by price increases and product mix improvements. Energy costs increased during the fourth quarter as did selling costs.

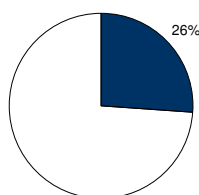
BUSINESS AREA TISSUE

SEKm	0712	0612	%	2007:4	2007:3	%
Net sales	33,332	31,336	6	9,343	8,204	14
Operating surplus	3,949	3,631	9	1,092	1,022	7
Operating profit	1,724	1,490	16	508	464	9
Operating surplus margin, %	11.8	11.6		11.7	12.5	
Operating margin, %	5.2	4.8		5.4	5.7	
Volume growth, %	4.7	1.7		13.2	1.6	

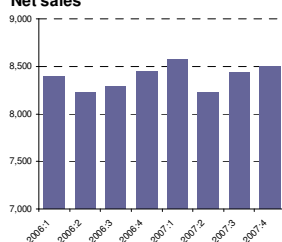
Share of group, net sales



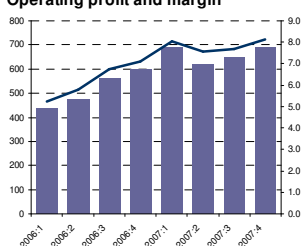
Share of group, operating profit



Net sales



Operating profit and margin



Deviations, operating profit (%)

0712 vs. 0612		28%
Price/mix	83%	
Volume	10%	
Raw material	-48%	
Energy	3%	
Currency	0%	
Other	-20%	

Deviations, operating profit (%)

2007:4 vs. 2007:3		7%
Price/mix	17%	
Volume	-4%	
Raw material	-7%	
Energy	-5%	
Currency	0%	
Other	6%	

PACKAGING

Net sales amounted to SEK 33,728m, an increase of 10% compared with the previous year, adjusted for the sale of the North American packaging operations. Higher corrugated board prices in Europe contributed SEK 1,695m.

MARKET

Demand for corrugated board in Western Europe, above all in Germany, was good in 2007 and market growth for the full year was approximately 2%. SCA saw strong growth in consumer and display packaging segments, among others. Good demand enabled price increases and SCA achieved price increases for corrugated board of approximately 8% for the full year.

OPERATIONS

January – December (compared with the previous year)

Net sales increased by SEK 375m and amounted to SEK 33,728m compared with SEK 33,353m in the previous year. Adjusted for the sale of the North American packaging operations, net sales rose 10%. The rise is mainly explained by implementation of price increases for corrugated board as well as higher sales of consumer and display packaging. Exchange rate fluctuations had a marginal impact on net sales.

Operating profit increased by SEK 579m and amounted to SEK 2,651m (2,072), an increase of 28%. The improvement is due to higher prices, somewhat higher volumes and lower energy costs while raw material costs increased. Exchange rate fluctuations had a marginal impact on earnings. The item Other in the deviations analysis includes the effects of divestments, depreciation, personnel costs and maintenance costs.

Operating cash surplus amounted to SEK 4,041m (3,647) and operating cash flow was SEK 1,055m (324). A higher operating cash surplus and lower expenditure for the ongoing efficiency programmes were offset by higher tied-up working capital.

Fourth quarter (compared with the previous quarter)

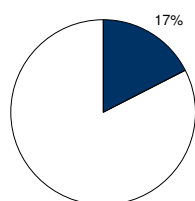
Net sales increased by 1% during the quarter. In the fourth quarter the operations in Southern Europe showed high volumes and implemented price increases have now had a full effect.

Operating profit improved by 7% with continued price increases in all regions. Raw material and energy costs increased during the quarter.

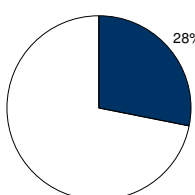
BUSINESS AREA PACKAGING

SEKm	0712	0612	%	2007:4	2007:3	%
Net sales	33,728	33,353	1	8,494	8,434	1
Operating surplus	4,212	3,754	12	1,102	1,044	6
Operating profit	2,651	2,072	28	692	648	7
Operating surplus margin, %	12.5	11.3		13.0	12.4	
Operating margin, %	7.9	6.2		8.1	7.7	
Deliveries						
- Liner products, ktonnes	2,342	2,404	-3	567	583	-3
- Corrugated board, million m ²	4,433	4,375	1	1,105	1,084	2

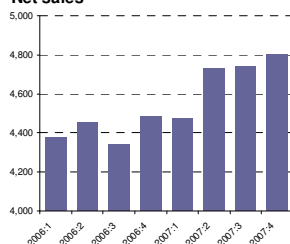
Share of group, net sales



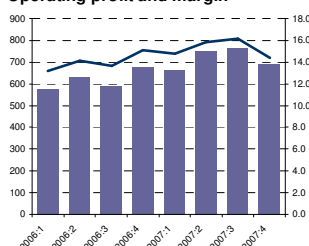
Share of group, operating profit



Net sales



Operating profit and margin



Deviations, operating profit (%)

0712 vs. 0612		16%
Price/mix	27%	
Volume	-4%	
Raw material	-7%	
Energy	9%	
Currency	-10%	
Other	1%	

Deviations, operating profit (%)

2007:4 vs. 2007:3		-10%
Price/mix	3%	
Volume	2%	
Raw material	8%	
Energy	-9%	
Currency	-2%	
Other	-12%	

FOREST PRODUCTS

Net sales amounted to SEK 18,744m, an increase of 6% compared with the previous year.

MARKET

Increased demand for magazine and catalogue paper in Europe during 2007 made price increases ahead of 2008 possible. The markets for pulp and timber remain strong. The solid-wood products market is characterized by continued high stock levels despite production cutbacks implemented or planned by a number of producers. The increased stocks led to price pressure mainly for lower grades.

OPERATIONS

January – September (compared with the previous year)

Net sales increased by SEK 1,093m and amounted to SEK 18,744m (17,651). Higher prices for solid-wood products and pulp as well as newsprint, were offset by negative exchange rate fluctuations which reduced net sales by 1%.

Operating profit increased by SEK 394m or 16% and amounted to SEK 2,870m (2,475). Higher prices for solid-wood products and pulp as well as lower energy costs, partly an effect of the investment in the recovery boiler at the Östrand pulp mill, were offset by higher raw material costs and slightly lower prices within the publication papers business. Exchange rate fluctuations reduced operating profit by 10%.

Operating cash surplus amounted to SEK 3,798m (3,588) and operating cash flow was SEK 2,249m (2,549). A higher operating cash surplus did not fully compensate for higher tied-up working capital and higher net current capital expenditures.

Fourth quarter (compared with the previous quarter)

Sales improved slightly compared with the previous quarter, primarily for newsprint. Prices for magazine and catalogue paper improved during the quarter.

Operating profit decreased by 10% mainly due to lower earnings for the sawmill operations and a long production shutdown in the pulp operations. The effects of continued high volumes were offset by lower prices and costs for production cutbacks in the sawmill operations. For the publication papers operations, higher prices were mainly offset by higher energy costs.

BUSINESS AREA FOREST PRODUCTS

SEKm	0712	0612	%	2007:4	2007:3	%
Net sales	18,744	17,651	6	4,803	4,743	1
Operating surplus	4,194	3,808	10	1,021	1,082	-6
Operating profit	2,870	2,475	16	691	766	-10
Operating surplus margin, %	22.4	21.6		21.3	22.8	
Operating margin, %	15.3	14.0		14.4	16.2	
Deliveries						
- Publication papers, ktonnes	1,534	1,534	0	400	405	-1
- Solid-wood products, km ³	1,653	1,731	-5	406	395	3

SHARE DISTRIBUTION

The Annual General Meeting decided to carry out a split whereby each existing share was divided into three shares of the same class. The split was carried out on 9 May 2007.

31 December 2007	Class A	Class B	Total
Registered number of shares	112,905,207	592,204,887	705,110,094
- of which treasury shares		3,154,812	3,154,812

During the quarter no Class A shares were converted to Class B shares. At the end of the quarter, the proportion of Class A shares was 16.0%. As a result of the exercise of employee options, the number of treasury shares was reduced to 3,154,812 (3,759,414) during the year.

Calculated according to IFRS recommendations, the effects of outstanding employee option programmes correspond to a maximum dilution of 0.04%, which was taken into account when calculating earnings per share for the period.

RISKS AND UNCERTAINTIES

SCA's financial risk management is presented in the 2006 Annual report on pages 66–69. The Group's operations and the inherent risks are described in other sections of the Annual Report. No significant changes have occurred that have changed the risks as reported in the Annual Report.

Strategic risks

Risks in conjunction with company acquisitions are analyzed in the due diligence processes that SCA carries out prior to all acquisitions. Acquisitions that might affect the assessment of SCA's financial and operational risks are described under the heading "Acquisitions and Divestitures" in this report.

Operational risks

Management of operational risks is primarily carried out by SCA's business managers. SCA's internal audit function is tasked with examining compliance with internal control processes.

RELATED PARTY TRANSACTIONS

No transactions have been carried out between SCA and related parties that had a material impact on the company's financial position and results.

ACCOUNTING PRINCIPLES

This year-end report is prepared according to IAS 34 and according to the Swedish Financial Accounting Standards Council's standard RR 31 and, with regard to the Parent Company, RR 32. The accounting principles applied comply with those presented in the 2006 Annual Report.

FUTURE REPORTS

In 2008, interim reports will be published on 29 April, 24 July and 29 October.

NOMINATION COMMITTEE

The Nomination Committee, whose tasks include providing proposals regarding the composition of SCA's Board of Directors to the 2008 Annual General Meeting, comprises Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee, Curt Källströmer, Handelsbanken's funds and foundations, Anders Oscarsson, SEB funds, Hans Sterte, Skandia Liv, Magnus Landare, Alecta and Sverker Martin-Löf, Chairman of SCA.

ANNUAL GENERAL MEETING

The Annual General Meeting of SCA will be held in Stockholm on Tuesday, 8 April 2008 at 15:00 CET. Venue: Aula Magna, Stockholm University.

Stockholm, 30 January 2008
SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Jan Johansson
President and CEO

OPERATING CASH FLOW ANALYSIS

SEKm	0712	0612
Operating cash surplus	15,286	14,123
Change in working capital	-1,299	-794
Current capital expenditures, net	-5,165	-5,672
Restructuring costs, etc.	-695	-1,353
Operating cash flow	8,127	6,304
Financial items	-1,910	-1,672
Income taxes paid	-1,719	-1,770
Other	10	-90
Cash flow from current operations	4,508	2,772
Acquisitions	-4,545	-323
Strategic capital expenditures, fixed assets	-1,342	-935
Strategic structural expenditures	0	-24
Divestments	2,852	48
Cash flow before dividend	1,473	1,538
Dividend	-2,939	-2,625
Cash flow after dividend	-1,466	-1,087
Sale of treasury shares	55	79
Net cash flow	-1,411	-1,008
Net debt at the start of the period	-36,399	-39,826
Net cash flow	-1,411	-1,008
Remeasurement to equity	1,013	2,426
Currency effects	-571	2,009
Net debt at the end of the period	-37,368	-36,399
Debt/equity ratio	0.58	0.62
Debt payment capacity, %	35	29

CASH FLOW STATEMENT

SEKm	0712	0612
Operating activities		
Profit before tax	8,237	6,833
Adjustment for non-cash items ¹	4,470	4,188
	12,707	11,021
Paid tax	-1,719	-1,770
Cash flow from operating activities before changes in working capital	10,988	9,251
Cash flow from changes in working capital		
Change in inventories	-1,765	-801
Change in operating receivables	-1,968	-1,407
Change in operating liabilities	2,480	1,414
Cash flow from operating activities	9,735	8,457
Investing activities		
Acquisition of operations	-4,371	-323
Sold operations	2,785	48
Acquisition tangible and intangible assets	-6,991	-7,081
Sale of tangible assets	502	503
Payment of loans to external parties	-397	-1,146
Cash flow from investing activities	-8,472	-7,999
Financing activities		
Sale of treasury shares	55	79
Borrowings	3,015	2,084
Dividends paid	-2,939	-2,625
Cash flow from financing activities	131	-462
Cash flow for the period	1,394	-4
Cash and cash equivalents at the beginning of the year	1,599	1,684
Exchange differences in cash and cash equivalents	30	-81
Cash and cash equivalents at the end of the period	3,023	1,599
Reconciliation with operating cash flow analysis		
Cash flow for the period	1,394	-4
Deducted items:		
Payment of loans to external parties	397	1,146
Borrowings	-3,015	-2,084
Added items:		
Net debt in acquired and divested operations	-107	0
Accrued interest	-62	-37
Investments through finance leases	-18	-29
Net cash flow according to operating cash flow analysis	-1,411	-1,008
¹ Depreciation and write-downs, fixed assets	9,720	6,185
Fair value valuation of forest assets	-5,645	-304
Unpaid related to efficiency programmes	1,330	-
Payments related to efficiency programmes previously recognized as liabilities	-684	-1,353
Other	-251	-340
Total	4,470	4,188

CONSOLIDATED INCOME STATEMENT

SEKm	2007:4	2006:4	2007:3	0712	0612
Net sales	27,808	25,650	26,362	105,913	101,439
Other income	664	730	515	2,231	2,305
Change in fair value of biological assets ¹	5,327	43	107	5,645	304
Change in inventories of finished goods and work in progress	-515	-326	-116	-506	-590
Work performed and capitalized	19	8	48	182	156
Raw materials and consumables ²	-10,240	-8,901	-10,004	-39,743	-35,405
Personnel costs ³	-5,930	-4,870	-4,802	-20,584	-19,761
Other operating expenses ⁴	-9,114	-8,516	-8,054	-33,320	-33,783
Depreciation	-1,602	-1,532	-1,534	-6,186	-6,151
Impairments ⁵	-3,541	-29	-8	-3,534	-34
Share of profits of associated companies	15	4	12	49	25
Operating profit	2,891	2,261	2,526	10,147	8,505
Financial items	-549	-458	-507	-1,910	-1,672
Profit before tax	2,342	1,803	2,019	8,237	6,833
Tax ⁶	-204	-352	0	-1,076	-1,366
Net profit for the period	2,138	1,451	2,019	7,161	5,467
Earnings attributable to:					
Equity holders of the Parent Company	2,130	1,443	2,014	7,138	5,437
Minority interests	8	8	5	23	30
Earnings per share, SEK - equity holders of the Parent Company					
- before dilution effects	3.03	2.06	2.87	10.17	7.76
- after dilution effects	3.03	2.05	2.87	10.16	7.75
Average no. of shares before dilution, millions	701.8	701.1	701.8	701.8	701.1
Warrants	0.4	0.4	0.4	0.4	0.4
Average no. of shares after dilution	702.2	701.5	702.2	702.2	701.5
Specification of items affecting comparability					
¹ Change in fair value of biological assets	5,173	-	-	5,173	-
² Raw materials and consumables	-111	-	-	-111	-
³ Personnel costs	-867	-	-	-867	-
⁴ Other operating expenses	-353	-	-	-353	-
⁵ Impairments	-3,542	-	-	-3,542	-
⁶ Tax	-47	-	-	-47	-

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

SEKm	0712	0612
Actuarial gains and losses related to pensions, incl. payroll tax	1,230	2,351
Available-for-sale financial assets:		
- Gains from fair value measurement taken to equity	-255	210
- Transferred to income statement at sale	-34	-38
Cash flow hedges		
- Gains from remeasurement of derivatives taken to equity	63	58
- Transferred to profit or loss for the period	-25	-99
Transferred to cost of hedged investments	2	5
Translation difference in foreign operations	23	-2,461
Gains from hedging of net investments in foreign operations	360	-352
Tax on items taken to/transferred from equity	-308	-705
Total transactions taken to equity	1,056	-1,031
Net profit for the period recognized in the income statement	7,161	5,467
Total income and expenses recognized for the period	8,217	4,436
<i>Attributable to:</i>		
- <i>Equity holders of the Parent Company</i>	<i>8,158</i>	<i>4,444</i>
- <i>Minority interests</i>	<i>59</i>	<i>-8</i>
	8,217	4,436
<i>Other changes in equity</i>		
- <i>sale of treasury shares</i>	<i>55</i>	<i>79</i>
- <i>dividend</i>	<i>-2,939</i>	<i>-2,625</i>
- <i>change in Group structure</i>	<i>-17</i>	<i>-41</i>
- <i>remeasurement owned portion at successive acquisitions, within window period</i>	<i>0</i>	<i>4</i>

CONSOLIDATED BALANCE SHEET

	31 December 2007	31 December 2006
	SEKm	SEKm
Assets		
Goodwill	18,161	16,997
Other intangible assets	3,455	3,054
Tangible assets	80,352	74,670
Shares and participations	1,018	518
Non-current financial assets ¹	3,663	2,970
Other non-current receivables	1,164	861
Total non-current assets	107,813	99,070
Operating receivables and inventories	33,793	29,907
Current financial assets	366	409
Non-current assets held for sale	55	2,559
Cash and cash equivalents	3,023	1,599
Total current assets	37,237	34,474
Total assets	145,050	133,544
Equity		
Equity holders of the Parent Company	63,590	58,299
Minority interests	689	664
Total equity	64,279	58,963
Liabilities		
Provisions for pensions	1,987	2,793
Other provisions	12,212	11,447
Non-current financial liabilities	20,247	16,852
Other non-current liabilities	133	157
Total non-current liabilities	34,579	31,249
Current financial liabilities ²	21,943	21,537
Non-current liabilities held for sale	0	55
Operating liabilities	24,249	21,740
Total current liabilities	46,192	43,332
Total liabilities	80,771	74,581
Total equity and liabilities	145,050	133,544
Debt/equity ratio	0.58	0.62
Visible equity/assets ratio	44%	44%
Return on capital employed, %	11	9
Return on equity, %	12	9
¹ Of which pension assets	2,137	1,419
² Contracted committed credit lines amount to SEK 25,821m.		
Capital employed	101,647	95,362
- of which working capital	11,623	9,870
Net debt	37,368	36,399
Shareholders' equity	64,279	58,963
Provisions for restructuring costs are included in the balance sheet as follows:		
- Other provisions	869	423
- Operating liabilities	1,040	797

NET SALES

SEKm	2007:4	2007:3	2007:2	2007:1	2006:4	2006:3	2006:2	2006:1
Personal Care	5,706	5,510	5,554	5,331	5,429	5,246	5,249	5,348
Tissue	9,343	8,204	8,060	7,725	7,844	7,743	7,787	7,962
Packaging	8,494	8,434	8,229	8,571	8,445	8,288	8,231	8,389
Forest Products	4,803	4,743	4,726	4,472	4,480	4,339	4,454	4,378
- Publication papers	2,259	2,225	2,149	2,082	2,167	2,279	2,339	2,145
- Pulp, timber and solid-wood products	2,544	2,518	2,577	2,390	2,313	2,060	2,115	2,233
Other	318	320	341	357	336	326	296	233
Intra-group deliveries	-856	-849	-782	-841	-884	-847	-723	-910
Total net sales	27,808	26,362	26,128	25,615	25,650	25,095	25,294	25,400

OPERATING SURPLUS

SEKm	2007:4	2007:3	2007:2	2007:1	2006:4	2006:3	2006:2	2006:1
Personal Care	1,036	995	991	933	961	925	939	950
Tissue	1,092	1,022	966	869	913	944	924	850
Packaging	1,102	1,044	1,003	1,063	1,024	988	888	854
Forest Products	1,021	1,082	1,088	1,003	1,008	911	970	919
- Publication papers	318	327	347	337	412	371	456	426
- Pulp, timber and solid-wood products	703	755	741	666	596	540	514	493
Other ¹	3,768	-87	-88	-85	-88	-83	-80	-52
Total operating surplus	8,019	4,056	3,960	3,783	3,818	3,685	3,641	3,521

¹ Including items affecting comparability**OPERATING PROFIT**

SEKm	2007:4	2007:3	2007:2	2007:1	2006:4	2006:3	2006:2	2006:1
Personal Care	781	742	758	679	726	681	693	699
Tissue	508	464	413	339	358	431	401	300
Packaging	692	648	622	689	598	560	476	438
Forest Products	691	766	750	663	676	591	631	577
- Publication papers	124	143	141	128	208	168	237	205
- Pulp, timber and solid-wood products	566	623	609	535	468	423	394	372
Other ¹	219	-94	-95	-88	-97	-87	-88	-59
Total operating profit	2,891	2,526	2,448	2,282	2,261	2,176	2,113	1,955
Financial items	-549	-507	-435	-419	-458	-423	-405	-386
Profit before tax	2,342	2,019	2,013	1,863	1,803	1,753	1,708	1,569
Tax	-204	0	-443	-429	-352	-227	-387	-400
Net profit for the period	2,138	2,019	1,570	1,434	1,451	1,526	1,321	1,169

¹ Including items affecting comparability**OPERATING SURPLUS MARGIN**

%	2007:4	2007:3	2007:2	2007:1	2006:4	2006:3	2006:2	2006:1
Personal Care	18.2	18.1	17.8	17.5	17.7	17.6	17.9	17.8
Tissue	11.7	12.5	12.0	11.2	11.6	12.2	11.9	10.7
Packaging	13.0	12.4	12.2	12.4	12.1	11.9	10.8	10.2
Forest Products	21.3	22.8	23.0	22.4	22.5	21.0	21.8	21.0
- Publication papers	14.1	14.7	16.1	16.2	19.0	16.3	19.5	19.9
- Pulp, timber and solid-wood products	27.6	30.0	28.8	27.9	25.8	26.2	24.3	22.1

OPERATING MARGIN

%	2007:4	2007:3	2007:2	2007:1	2006:4	2006:3	2006:2	2006:1
Personal Care	13.7	13.5	13.6	12.7	13.4	13.0	13.2	13.1
Tissue	5.4	5.7	5.1	4.4	4.6	5.6	5.1	3.8
Packaging	8.1	7.7	7.6	8.0	7.1	6.8	5.8	5.2
Forest Products	14.4	16.2	15.9	14.8	15.1	13.6	14.2	13.2
- Publication papers	5.5	6.4	6.6	6.1	9.6	7.4	10.1	9.6
- Pulp, timber and solid-wood products	22.3	24.7	23.6	22.4	20.2	20.5	18.6	16.7

INCOME STATEMENT PARENT COMPANY

SEKm	0712	0612
Net sales	142	97
Operating expenses	-655	-437
Operating profit	-513	-340
Financial items	95	738
Profit before tax	-418	398
Appropriations and taxes	601	385
Net profit for the period	183	783

BALANCE SHEET PARENT COMPANY

	31 December 2007	31 December 2006
	SEKm	SEKm
Intangible assets	5	11
Tangible assets	6,205	6,129
Financial investments	62,576	62,346
Total fixed assets	68,786	68,486
Total current assets	1,604	1,474
Total assets	70,390	69,960
Restricted equity	10,996	10,996
Unrestricted equity	9,496	11,930
Total shareholders' equity	20,492	22,926
Untaxed reserves	128	124
Provisions	1,330	1,575
Long-term liabilities	0	0
Current liabilities	48,440	45,335
Total equity and liabilities	70,390	69,960

Summary preliminary acquisition balance sheet:**P&G European
Tissue operations**

SEKm	Market Value
Intangible assets	818
Tangible assets	1,561
Other non-current receivables	29
Fixed assets	2,408
Operating receivables and inventories	264
Cash & cash equivalents	2
Current assets	266
Assets	2,674
Equity & liabilities	135
Non-current liabilities	110
Current liabilities	25
Net asset value	2,539
Goodwill	653
Final acquisition price	3,192
Unpaid acquisition costs	5
Total acquisition price - payment	3,187
Less cash & cash equivalents in acquired companies	-2
Plus acquired debt including provisions for pensions	104
Acquisition of operations for the year	3,289

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Note

This information is such that SCA must disclose in accordance with the Securities Markets Act. This report has been prepared in both Swedish and English. In case of variation in the content of the two versions, the Swedish version shall prevail. The report has not been reviewed by the company's auditors.
