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Date 21 July 2004  
Company Securities and Exchange Commission  
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To Special Counsel/Office of  
International Corporate Finance  
From Peter Nyquist, Senior VP  
Communications & Investor Relations  
No of pages (inclusive) 21



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SCA

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OFFICE OF INTERNATIONAL  
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SUPPL

Re: Svenska Cellulosa Aktiebolaget SCA - Rule 12g3-2 (b) Exemption  
File No. 82-763

Dear Sirs,

On behalf of Svenska Cellulosa Aktiebolaget SCA ("SCA"), enclosed please find a copy of today's dated press release, "SCA Interim Report 1 January-30 June 2004", which is being furnished to you pursuant to Rule 12g3-2 (b) of the Securities Exchange Act of 1934.

Please acknowledge receipt of this telefax and the enclosure by date-stamping the enclosed copy of this telefax and returning it to our messenger.

Sincerely yours,

Peter Nyquist

/ Carin Posse

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FINANCIAL

Encl.

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## Interim Report

1 January–30 June 2004

|  | 2004:2 | 2004:1 | 0406   | 0306   |
|--|--------|--------|--------|--------|
| Earnings per share, SEK                          | 4.32   | 4.34   | 8.66   | 10.89  |
| Cash flow from current operations per share, SEK | 2.27   | 3.48   | 5.75   | 13.01  |
| Net sales, SEK M                                 | 22,340 | 21,687 | 44,027 | 43,121 |
| Earnings after financial items, SEK M            | 1,502  | 1,472  | 2,974  | 3,578  |
| Net earnings, SEK M                              | 1,009  | 1,014  | 2,023  | 2,525  |

### Compared with first six months of 2003

- Net sales amounted to SEK 44,027 M (43,121).
- Earnings after taxes (net earnings) amounted to SEK 2,023 M (2,525)<sup>1</sup>.
- Earnings per share amounted to SEK 8.66 (10.89).
- Operating cash surplus margin remained unchanged at 16% (16).
- Growth amounted to 7%.

### Compared with first quarter of 2004

- Net sales amounted to SEK 22,340 M (21,687).
- Earnings per share amounted to SEK 4.32 (4.34).
- Operating cash surplus margin improved to 16% (15).
- Improved operating profit for Packaging.

### Other

- The acquisitions of hygiene products companies in Australia/New Zealand and Mexico were completed in May. Accordingly, the total expenditure for the year's acquisitions amounts to SEK 8,035 M.

<sup>1</sup> Earnings during the first six months of 2004 were affected by costs for personnel reductions. During 2003, earnings in the first quarter were affected by sale of shares (see also page 10).

## **NET SALES AND EARNINGS**

Earnings per share amounted to SEK 8.66 (10.89) and consolidated net earnings amounted to SEK 2,023 M (2,525). Excluding items affecting comparability of a negative SEK 30 M (positive: 154), net earnings and earnings per share declined by 13%.

Consolidated net sales amounted to SEK 44,027 M (43,121). Adjusted for currency and price effects, net sales rose by 7%.

The Group's operating profit amounted to SEK 3,369 M (3,991). Excluding items affecting comparability (expenses of SEK 44 M during the first six months of 2004 pertaining to restructuring within hygiene products and earnings of SEK 197 M in the corresponding period in 2003) operating profit declined by 10%. Currency movements had a negative impact of 6% on operating profit.

Operating profit for Hygiene Products was SEK 2,310 M (2,467), a decline of 6%, of which 4% was due to currency movements. Operating profit for Packaging amounted to SEK 1,142 M (1,313), a decline of 13%, of which 5% was due to currency movements. Operating profit for Forest Products fell by 1% to SEK 730 M (738); negative currency effects impacted operating profit by 11%.

Operating margin for the Group was 8% (9). Operating margin for Hygiene Products was 11% (11), 7% (9) for Packaging and 10% (11) for Forest Products.

Financial items improved by SEK 18 M to an expense of SEK 395 M (expense: 413), primarily as a result of lower interest rates. The Group's earnings after financial items amounted to SEK 2,974 M (3,578), excluding items affecting comparability, SEK 3,018 M (3,381). Currency movements affected earnings adversely by 7%.

Return on shareholders' equity was 9 (12) % and return on capital employed was 10% (12).

### **Comparison with first quarter of 2004**

Earnings per share during the second quarter amounted to SEK 4.32 (4.34).

Consolidated net sales amounted to SEK 22,340 (21,687) M and, accordingly, were 3% higher than in the first quarter of 2004. Currency movements had a positive effect on net sales of 1%.

Operating profit for the Group amounted to SEK 1,742 M (1,627), an improvement of 7%. The operating profit for Hygiene Products was on the same level as the preceding quarter, while Packaging's operating profit increased by 14% and Forest Products' by 12%. Currency movements had only a marginal effect on operating profit.

Operating margin for the Group improved somewhat. The margin for Hygiene Products fell to 10% (11), primarily as a result of the increased cost of raw materials. Packaging increased to 8% (7) and Forest Products to 10% (9).

Financial items amounted to an expense of SEK 240 M (expense: 155). The change is attributable to higher average net debt resulting from company acquisitions and share dividend received during the first quarter. Group earnings after financial items amounted to SEK 1,502 M (1,472). Currency movements had only a marginal effect on earnings after financial items.

The tax cost increased somewhat during the quarter as a result of a changed geographic distribution of earnings within the Group.

## Earnings analysis

| SEK M   | 2004:2 <sup>1</sup> | 2004:1 <sup>2</sup> | 0406 <sup>3</sup> | 0306 <sup>4</sup> |
|---|---------------------|---------------------|-------------------|-------------------|
| Hygiene Products                                      | 1,157               | 1,153               | 2,310             | 2,467             |
| Packaging   | 609                 | 533                 | 1,142             | 1,313             |
| Forest Products                                       | 385                 | 345                 | 730               | 738               |
| Other <sup>5</sup>                                    | -114                | -118                | -232              | 31                |
| <b>Operating profit, before goodwill amortization</b> | <b>2,037</b>        | <b>1,913</b>        | <b>3,950</b>      | <b>4,549</b>      |
| Goodwill amortization                                 | -295                | -286                | -581              | -558              |
| <b>Operating profit</b>                               | <b>1,742</b>        | <b>1,627</b>        | <b>3,369</b>      | <b>3,991</b>      |
| Financial items                                       | -240                | -155                | -395              | -413              |
| <b>Earnings after financial items</b>                 | <b>1,502</b>        | <b>1,472</b>        | <b>2,974</b>      | <b>3,578</b>      |
| Income tax  | -488                | -449                | -937              | -1,038            |
| Minority interest                                     | -5                  | -9                  | -14               | -15               |
| <b>Net earnings</b>                                   | <b>1,009</b>        | <b>1,014</b>        | <b>2,023</b>      | <b>2,525</b>      |
| Earnings per share, SEK                               | 4.32                | 4.34                | 8.66              | 10.89             |

<sup>1</sup> Including items affecting comparability, SEK -14 M before taxes and SEK -9 M after taxes.

<sup>2</sup> Including items affecting comparability, SEK -30 M before taxes and SEK -21 M after taxes.

<sup>3</sup> Including items affecting comparability, SEK -44 M before taxes and SEK -30 M after taxes.

<sup>4</sup> Including items affecting comparability, SEK 197 M before taxes and SEK 154 M after taxes.

<sup>5</sup> Including items affecting comparability.

## CASH FLOW

The operating cash surplus amounted to SEK 6,850 M (6,890), corresponding to 16% (18) of net sales. Net current capital expenditures amounted to SEK 1,603 M (1,535). Working capital, which was exceptionally low at the beginning of the year, increased by SEK 2,127 M (1,407), partly due to major investments during the latter part of 2003 and the related increased accounts payable, which were paid in 2004. Operating cash flow totaled SEK 2,954 M (3,842).

Tax attributable to operating profit amounted to SEK 1,339 M (493) and free cash flow, accordingly, totaled SEK 1,615 M (3,349). The deviation in tax payments is attributable to a major portion of the year's estimated tax has been paid during the first half of the year at the same time as the preceding year's low tax payments were affected by recovered taxes from earlier years. Cash flow from current operations – defined as cash flow before strategic investments and dividends – amounted to SEK 1,344 M (3,018) or SEK 5.75 (13.01) per share.

Expenditure for company acquisitions amounted to SEK 8,035 M (851) calculated on a debt-free basis and primarily pertain to the acquisitions of an Australian hygiene-products company, a Mexican tissue company, a Malaysian hygiene-products company, further shares in SCA's Asian packaging company, and an Italian packaging company. Strategic capital investments in plant and machinery, primarily in the hygiene-products area, and structural measures amounted to SEK 1,094 M (1,534).

### Comparison with first quarter of 2004

The operating cash surplus amounted to SEK 3,556 M (3,294), corresponding to 16% (15) of net sales. Cash flow from current operations amounted to SEK 531 M (813). This deviation is attributable mainly to higher current capital expenditures and the period's high tax payments.

### Cash flow analysis

| SEK M                                    | 2004:2        | 2004:1       | 0406           | 0306         |
|--|---------------|--------------|----------------|--------------|
| Net sales                                | 22,340        | 21,687       | 44,027         | 43,121       |
| Operating cash surplus                   | 3,556         | 3,294        | 6,850          | 6,890        |
| % of net sales                           | 16            | 15           | 16             | 16           |
| Current capital expenditures, net        | -1,020        | -583         | -1,603         | -1,535       |
| % of net sales                           | 5             | 3            | 4              | 4            |
| Change in working capital                | -773          | -1,354       | -2,127         | -1,407       |
| Other operating cash flow changes        | -119          | -47          | -166           | -106         |
| <b>Operating cash flow</b>               | <b>1,644</b>  | <b>1,310</b> | <b>2,954</b>   | <b>3,842</b> |
| Tax payment etc <sup>1</sup>             | -950          | -389         | -1,339         | -493         |
| <b>Free cash flow</b>                    | <b>694</b>    | <b>921</b>   | <b>1,615</b>   | <b>3,349</b> |
| Per share, SEK                           | 2.97          | 3.95         | 6.92           | 14.44        |
| Interest payment after taxes             | -163          | -108         | -271           | -331         |
| <b>Cash flow from current operations</b> | <b>531</b>    | <b>813</b>   | <b>1,344</b>   | <b>3,018</b> |
| Per share, SEK                           | 2.27          | 3.48         | 5.75           | 13.01        |
| Strategic investments and divestments    | -7,591        | -1,538       | -9,129         | -1,520       |
| <b>Cash flow before dividend</b>         | <b>-7,060</b> | <b>-725</b>  | <b>-7,785</b>  | <b>1,498</b> |
| Dividend                                 | -2,450        | -            | -2,450         | -2,216       |
| Conversion of debentures, warrants       | -             | 1            | 1              | -            |
| Sale of own shares                       | 3             | 4            | 7              | 5            |
| <b>Net cash flow</b>                     | <b>-9,507</b> | <b>-720</b>  | <b>-10,227</b> | <b>-713</b>  |

<sup>1</sup> Tax attributable to operating profit

## FINANCING

Net debt amounted to SEK 33,308 M, an increase of SEK 11,002 M since the beginning of the year. Net cash flow showed a negative of SEK 10,227 M and negative currency effects of SEK 775 M.

Consolidated shareholders' equity increased during the period by SEK 190 M to SEK 49,944 M. Net earnings for the period increased equity by SEK 2,023 M, while dividends reduced shareholders' equity by SEK 2,450 M. The sale of own shares and conversion of debenture loans increased shareholders' equity by SEK 8 M and currency effects impacted positively on shareholders' equity by SEK 609 M.

The debt/equity ratio amounted to 0.66 (0.49) at the end of the quarter. At the beginning of the year, the debt/equity ratio was 0.44. The interest coverage multiple was 8.5 (9.7).

## HYGIENE PRODUCTS BUSINESS AREA

| SEK M   | 2004:2            | 2004:1            | 0406             | 0306             |
|---|-------------------|-------------------|------------------|------------------|
| <b>Net sales</b>                                      | <b>11,149</b>     | <b>10,545</b>     | <b>21,694</b>    | <b>21,697</b>    |
| Consumer Tissue                                       | 3,853             | 3,721             | 7,574            | 7,447            |
| Tissue for bulk consumers – AFH                       | 2,799             | 2,638             | 5,437            | 5,833            |
| Personal Care   | 4,497             | 4,186             | 8,683            | 8,417            |
| <b>Operating surplus</b>                              | <b>1,848</b>      | <b>1,768</b>      | <b>3,616</b>     | <b>3,709</b>     |
| Consumer Tissue                                       | 601               | 635               | 1,238            | 1,208            |
| Tissue for bulk consumers – AFH                       | 407               | 335               | 742              | 890              |
| Personal Care   | 840               | 798               | 1,638            | 1,611            |
| <b>Operating profit, before goodwill amortization</b> | <b>1,157</b>      | <b>1,153</b>      | <b>2,310</b>     | <b>2,467</b>     |
| Consumer Tissue                                       | 329               | 385               | 714              | 706              |
| Tissue for bulk consumers – AFH                       | 210               | 168               | 378              | 559              |
| Personal Care   | 618               | 600               | 1,218            | 1,202            |
| <b>Operating surplus margin, %</b>                    | <b>17</b>         | <b>17</b>         | <b>17</b>        | <b>17</b>        |
| Consumer Tissue                                       | 16                | 17                | 16               | 16               |
| Tissue for bulk consumers – AFH                       | 15                | 13                | 14               | 15               |
| Personal Care   | 19                | 19                | 19               | 19               |
| <b>Operating margin, %</b>                            | <b>10</b>         | <b>11</b>         | <b>11</b>        | <b>11</b>        |
| Consumer Tissue                                       | 9                 | 10                | 9                | 10               |
| Tissue for bulk consumers – AFH                       | 8                 | 6                 | 7                | 9                |
| Personal Care   | 14                | 14                | 14               | 15               |
| <b>Volume growth, %</b>                               |                   |                   |                  |                  |
| Consumer Tissue                                       | 11.8 <sup>1</sup> | -0.6 <sup>1</sup> | 7.9 <sup>2</sup> | 9.3 <sup>2</sup> |
| Tissue for bulk consumers – AFH                       | 5.0 <sup>1</sup>  | 0.4 <sup>1</sup>  | 0.7 <sup>2</sup> | 3.5 <sup>2</sup> |
| Personal Care   | 8.9 <sup>1</sup>  | 2.4 <sup>1</sup>  | 6.5 <sup>2</sup> | 0.6 <sup>2</sup> |

<sup>1</sup> Compared with the immediately preceding quarter.

<sup>2</sup> Compared with corresponding period previous year.

See also pages 12 and 17-18.

Net sales amounted to SEK 21,694 M (21,697), and were thereby on the same level as in the year-earlier period. The positive effect of the completed company acquisitions were offset by lower prices for tissue and negative currency movements.

Operating profit amounted to SEK 2,310 M (2,467), a decline of 6%. Currency movements affected operating profit negatively by 4%. In addition, operating profit declined as a result of reduced operating profit in the AFH tissue area.

Operating profit in the second quarter was on the same level as during the first quarter and amounted to SEK 1,157 M (1,153). Lower operating profit in the consumer tissue area was offset by higher operating profit in the AFH tissue and personal care areas.

### Consumer Tissue

Operating profit amounted to SEK 714 M (706). Completed company acquisitions and lower raw materials costs compensated for lower prices.

Operating profit in the second quarter was 15% lower than earnings in the first quarter and amounted to SEK 329 M (385) M. The decline is mainly attributable to higher pulp prices that have not yet been offset by the Group's own price increases. The decline has partly been offset by the company acquisitions completed.

### Tissue for bulk consumers – AFH

Operating profit for AFH products amounted to SEK 378 M (559), which was 32% lower than the preceding year. Lower prices, primarily in the North American operations, and higher recovered paper prices in North America impacted the operating profit negatively. The effect of this was partly offset by higher volumes and the resulting higher capacity utilization and completed company acquisitions.

Compared with the first quarter, operating profit in the second quarter increased by 25% to SEK 210 M (168). Price increases in the North American operations and a higher proportion of own-manufactured paper from the new paper machine in Alabama combined with company acquisitions had a positive impact on operating profit. The cost of raw materials in North America, however, continued to rise and recovered fiber prices were on average 4% higher during the second quarter.

### Personal Care

Operating profit amounted to SEK 1,218 M (1,202) and was therefore somewhat higher than during the year-earlier period. The company acquisitions in Malaysia and Australia/New Zealand, combined with a positive volume and positive product mix, mainly in the incontinence area, had a positive impact on the result. The effects of this were offset by generally lower prices and reduced volumes for baby diapers in the area of retailers' brands.

Compared with the first quarter, the operating profit was somewhat higher and amounted to SEK 618 M (600). The second-quarter operating profit was affected positively by company acquisitions.

### PACKAGING BUSINESS AREA

| SEK M  | 2004:2             | 2004:1             | 0406               | 0306               |
|--|--------------------|--------------------|--------------------|--------------------|
| Net sales                                      | 7,939              | 7,830              | 15,769             | 15,136             |
| Operating surplus                              | 1,046              | 975                | 2,021              | 2,123              |
| Operating profit, before goodwill amortization | 609                | 533                | 1,142              | 1,313              |
| Operating surplus margin, % <sup>1</sup>       | 13                 | 12                 | 13                 | 14                 |
| Operating margin, % <sup>1</sup>               | 8                  | 7                  | 7                  | 9                  |
| <b>Production</b>                              |                    |                    |                    |                    |
| Liner products, kton                           | 685                | 650                | 1,335              | 1,263              |
| <b>Deliveries</b>                              |                    |                    |                    |                    |
| Liner products, kton                           | 668                | 663                | 1,331              | 1,249              |
| Corrugated board, Mm <sup>2</sup>              | 1,060 <sup>2</sup> | 1,068 <sup>2</sup> | 2,128 <sup>2</sup> | 2,070 <sup>2</sup> |

<sup>1</sup> Adjusted for the external trading with linerboard, margins increase by about 2 percentage points.

<sup>2</sup> Volumes do not include volumes from protective packaging and other high-value segments.

See also pages 12 and 17-18.

Net sales were 4% higher than in the preceding year and amounted to SEK 15,769 M (15,136). Company acquisitions in North America and Asia, combined with volume increases in the existing operations, raised net sales, while lower prices and currency movements had a negative impact.

Operating profit amounted to SEK 1,142 M (1,313), a decline of 13%. Lower prices for corrugated board were partly offset by higher volumes together with company acquisitions in North America and Asia. Currency movements had a negative impact of 5% on operating profit.

Compared with the first quarter, operating profit increased by 14% and amounted to SEK 609 M (533). Reasons for the improvement included higher capacity utilization in the liner operations and increased integration between corrugated board and liner operations as a result of quality adaptations. In the North American operations, operating profit improved as the result of higher volumes and prices. The currency movements had a marginal positive impact on operating profit.

## FOREST PRODUCTS BUSINESS AREA

| SEK M   | 2004:2       | 2004:1       | 0406         | 0306         |
|---|--------------|--------------|--------------|--------------|
| <b>Net sales</b>                                      | <b>3,741</b> | <b>3,813</b> | <b>7,554</b> | <b>6,967</b> |
| Publication papers                                    | 1,790        | 1,905        | 3,695        | 3,566        |
| Pulp, timber and solid-wood products                  | 1,951        | 1,908        | 3,859        | 3,401        |
| <b>Operating surplus</b>                              | <b>709</b>   | <b>667</b>   | <b>1,376</b> | <b>1,337</b> |
| Publication papers                                    | 309          | 310          | 619          | 742          |
| Pulp, timber and solid-wood products                  | 400          | 357          | 757          | 595          |
| <b>Operating profit, before goodwill amortization</b> | <b>385</b>   | <b>345</b>   | <b>730</b>   | <b>738</b>   |
| Publication papers                                    | 96           | 96           | 192          | 314          |
| Pulp, timber and solid-wood products                  | 289          | 249          | 538          | 424          |
| <b>Operating surplus margin, %</b>                    | <b>19</b>    | <b>17</b>    | <b>18</b>    | <b>19</b>    |
| Publication papers                                    | 17           | 16           | 17           | 21           |
| Pulp, timber and solid-wood products                  | 21           | 19           | 20           | 17           |
| <b>Operating margin, %</b>                            | <b>10</b>    | <b>9</b>     | <b>10</b>    | <b>11</b>    |
| Publication papers                                    | 5            | 5            | 5            | 9            |
| Pulp, timber and solid-wood products                  | 15           | 13           | 14           | 12           |
| <b>Production</b>                                     |              |              |              |              |
| Publication papers, kton                              | 366          | 357          | 723          | 668          |
| Solid-wood products, km <sup>3</sup>                  | 362          | 370          | 732          | 631          |
| <b>Deliveries</b>                                     |              |              |              |              |
| Publication papers, kton                              | 344          | 370          | 714          | 662          |
| Solid-wood products, km <sup>3</sup>                  | 443          | 340          | 783          | 583          |

See also pages 12 and 17-18.

Net sales for the Forest Products business area were 8% higher than in the preceding year and amounted to SEK 7,554 M (6,967). The positive effects of higher volumes and the acquisition of Scaninge's forestry and sawmill operations were partly offset by lower paper prices. Currency movements had a negative impact on net sales.

Operating profit amounted to SEK 730 M (738) and, accordingly, was on the same level as the year-earlier period. The currency movements had a negative effect of 11% on operating profit. Increased volumes and the resulting higher capacity utilization, combined with acquisitions, more than offset the lower prices and higher energy costs in the publication paper business.

In the second quarter, operating profit rose by 12% compared with the first quarter and totaled SEK 385 M (345). The improvement is largely attributable to higher pulp prices. Currency movements had only a marginal effect on the business area's operating profit.

### Publication papers

Operating profit in the publication paper operations totaled SEK 192 M (314), a decline of 39%. The decline in operating profit was primarily attributable to lower prices, higher energy costs and negative currency effects. However, this was offset by somewhat higher volumes and the related higher capacity utilization.

Operating profit in the second quarter was on the same level as in the first quarter and amounted to SEK 96 M (96).

### Pulp, timber and solid-wood products

Operating profit amounted to SEK 538 M (424) and was thereby 27% higher than in the preceding year. The improvement is mainly attributable to the acquisition of Scaninge's forestry and sawmill operations, but also somewhat higher volumes and hence a higher capacity utilization. Lower prices for solid-wood products and negative currency movements restricted the improvement.

Compared with the first quarter, the operating profit amounted to SEK 289 M (249), an increase of 16%. The improvement is largely attributable to a higher pulp price, which was to a certain extent offset by negative currency movements.

## GOODWILL

Consolidated goodwill amounted to SEK 17,298 M (14,753).<sup>2</sup> In addition to company acquisitions, currency movements have contributed to the increase during the year in an amount of SEK 330 M. Goodwill is amortized over 20 years. Goodwill amortization by business area is presented on pages 12 and 17.

### Earnings excluding goodwill amortization

| SEK M                          | 2004:2 <sup>1</sup> | 2004:1 <sup>4</sup> | 0406 <sup>3</sup> | 0306 <sup>4</sup> |
|--------------------------------|---------------------|---------------------|-------------------|-------------------|
| Operating profit               | 2,037               | 1,913               | 3,950             | 4,549             |
| Earnings after financial items | 1,797               | 1,758               | 3,555             | 4,136             |
| Net earnings                   | 1,291               | 1,287               | 2,578             | 3,059             |
| Earnings per share (SEK)       | 5.53                | 5.51                | 11.04             | 13.20             |

<sup>1</sup> Including items affecting comparability, SEK -14 M before taxes and SEK -9 M after taxes.

<sup>2</sup> Including items affecting comparability, SEK -30 M before taxes and SEK -21 M after taxes.

<sup>3</sup> Including items affecting comparability, SEK -44 M before taxes and SEK -30 M after taxes.

<sup>4</sup> Including items affecting comparability, SEK 197 M before taxes and SEK 154 M after taxes.

## PERSONNEL

The average number of employees at the close of the quarter was 46,966, compared with 42,908 at the end of the second quarter in 2003.<sup>3</sup> The increase is attributable to the acquisitions completed during the period. At the same time, the number of employees was reduced through various rationalization programs within the Group.

## RATIONALIZATION PROGRAM

The rationalization program initiated during the fourth quarter of 2003 in the European hygiene operations has proceeded in accordance with the assessment described in the year-end report for 2003. Costs in the first six months of 2004 amounted to SEK 44 M, which means that a total of SEK 202 M affected the result in 2003 and 2004. The total costs are still estimated to amount to SEK 210 M. Savings during the first six months of the year exceeded this year's costs.

## MARKET OUTLOOK

SCA's consumer products continue to show a favorable demand trend. The volume growth in tissue is favorable and price compensation for the rising cost of raw materials is expected to be achieved during the second half of the year.

After a weak start to the year, the market for packaging in Europe has improved and prices are successively rising. In North America, the improvement in volume and price is stronger.

The growth in demand for publication paper continues, in particular for magazine paper, which is leading to better capacity utilization.

## OTHER

SCA follows the recommendations of the Swedish Financial Accounting Standards Council. New recommendations effective in 2004 have not affected the accounting principles applied by the Group, since SCA began applying RR 29, Employee Benefits, earlier.

The deficit in the Group's defined-benefit pension plans amounted at the end of the second quarter to SEK 4,009 M and, accordingly, has declined by SEK 407 M since year-end.

In accordance with the guidelines in Swedish accounting recommendation RR 20, it is reported that the Group's parent company, Svenska Cellulosa Aktiebolaget SCA (publ), owns the forestlands and other fixed properties that are part of the Group's forestry operations and provide felling rights for standing timber to its subsidiary SCA Skog AB. In other respects, the parent company is a holding company whose main task is to own and manage shares in a number of business-group companies and to provide Group-wide management and administration. Operating revenues during the period January-June 2004 amounted to SEK 79 M (75) and earnings before appropriations and taxes totaled SEK 2,616 M (2,860). During the period, the Parent Company made no investments in shares and

<sup>3</sup> The final acquisition balances for the companies acquired during the year will be determined during the second half of the year.

<sup>3</sup> Including SCA's portion of joint-venture companies.

participations. Investments in properties and plant amounted to SEK 11 M (25) during the period. Liquid funds at the end of the period amounted to SEK 19 M (25).

The hygiene operations acquired from Carter Holt Harvey (Australia and New Zealand) were consolidated from 19 May and the Mexican tissue operations acquired from Copamex as of 1 May.

**Acquisitions during the year:**

| Acquisitions  | Purchase price <sup>1</sup> | Consolidation date |
|---|-----------------------------|--------------------|
| Vincor  | 89 Mkr                      | 1 January 2004     |
| Mark/Heritage   | 13 Mkr                      | 1 March 2004       |
| Drypers   | 685 Mkr                     | 1 March 2004       |
| Central Package Group (27,5 %)                        | 239 Mkr                     | 1 April 2004       |
| Carter Holt Harvey Tissue & Sancellia Australia (50%) | 4,837 Mkr                   | 19 May 2004        |
| Copamex Tissue  | 1,777 Mkr                   | 1 May 2004         |
| Busto Tema  | 284 Mkr                     | 30 June 2004       |

<sup>1</sup> On debt-free basis.

**SHARE DISTRIBUTION**

| 30 June 2004                | Series A   | Series B    | Total       |
|-----------------------------|------------|-------------|-------------|
| Registered number of shares | 40,427,857 | 194,608,841 | 235,036,698 |
| Of which treasury shares    | -          | (1,679,283) | (1,679,283) |

During the second quarter, 9,346 Series A shares were converted into Series B shares. The proportion of Series A shares at the end of the quarter totaled 17.2%. The conversion of shares occurred at the request of the shareholders concerned, pursuant to the conversion clause that was added to the Articles of Association in 1999.

Calculated in accordance with the recommendations of the Swedish Financial Accounting Standards Council, the effects of outstanding convertible debenture and options programs amount to a maximum dilution of 0.1%, which was taken into consideration when calculating earnings per share for the period.

Stockholm, 21 July 2004  
SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Jan Åström  
President and CEO

This report has not been subject to examination by the auditors.

**STATEMENT OF EARNINGS**

|  | 2004:2       | 2003:2       | 2004:1       | 0406         | 0306         |
|--|--------------|--------------|--------------|--------------|--------------|
|  | SEK M        |
| Net sales  | 22,340       | 21,231       | 21,687       | 44,027       | 43,121       |
| Operating expenses <sup>1</sup>                      | -18,842      | -17,838      | -18,386      | -37,228      | -35,913      |
| <b>Operating surplus</b>                             | <b>3,498</b> | <b>3,393</b> | <b>3,301</b> | <b>6,799</b> | <b>7,208</b> |
| Depreciation and write-down,<br>properties and plant | -1,473       | -1,353       | -1,393       | -2,866       | -2,716       |
| Goodwill amortization                                | -295         | -273         | -286         | -581         | -558         |
| Share in earnings of<br>associated companies         | 12           | 24           | 5            | 17           | 57           |
| <b>Operating profit</b>                              | <b>1,742</b> | <b>1,791</b> | <b>1,627</b> | <b>3,369</b> | <b>3,991</b> |
| Financial items                                      | -240         | -187         | -155         | -395         | -413         |
| <b>Earnings after financial<br/>items</b>            | <b>1,502</b> | <b>1,604</b> | <b>1,472</b> | <b>2,974</b> | <b>3,578</b> |
| Income taxes   | -488         | -466         | -449         | -937         | -1,038       |
| Minority interest                                    | -5           | -8           | -9           | -14          | -15          |
| <b>Net earnings</b>                                  | <b>1,009</b> | <b>1,130</b> | <b>1,014</b> | <b>2,023</b> | <b>2,525</b> |

**Earnings per share, SEK**

|                           |      |      |      |      |       |
|---------------------------|------|------|------|------|-------|
| - before dilution effects | 4.32 | 4.90 | 4.35 | 8.67 | 10.96 |
| - after dilution effects  | 4.32 | 4.87 | 4.34 | 8.66 | 10.89 |

|                         |           |           |           |           |           |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Operating margin</b> | <b>8%</b> | <b>8%</b> | <b>8%</b> | <b>8%</b> | <b>9%</b> |
|-------------------------|-----------|-----------|-----------|-----------|-----------|

|   |           |            |            |           |            |
|---|-----------|------------|------------|-----------|------------|
| <b>Return on shareholders'<br/>equity</b> | <b>9%</b> | <b>12%</b> | <b>10%</b> | <b>9%</b> | <b>12%</b> |
|---|-----------|------------|------------|-----------|------------|

|                                   |            |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|------------|
| <b>Return on capital employed</b> | <b>10%</b> | <b>12%</b> | <b>10%</b> | <b>10%</b> | <b>12%</b> |
|-----------------------------------|------------|------------|------------|------------|------------|

**Specification of earnings per share**

|  |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
| Net earnings for the period                        | 1,009.0        | 1,130.0        | 1,014.0        | 2,023.0        | 2,525.0        |
| Interest on convertible debentures                 | 0.0            | 1.5            | 0.0            | 0.0            | 3.0            |
| <b>Adjusted net earnings</b>                       | <b>1,009.0</b> | <b>1,131.5</b> | <b>1,014.0</b> | <b>2,023.0</b> | <b>2,528.0</b> |
| Average number of shares before<br>dilution        | 233.3          | 230.4          | 233.3          | 233.3          | 230.4          |
| Employee convertibles                              | 0.0            | 1.2            | 0.0            | 0.0            | 1.2            |
| Outstanding warrants                               | 0.2            | 1.4            | 0.2            | 0.2            | 1.4            |
| <b>Average number of shares after<br/>dilution</b> | <b>233.5</b>   | <b>233.0</b>   | <b>233.5</b>   | <b>233.5</b>   | <b>233.0</b>   |

**Specifications of items affecting comparability**

|                                  |     |   |     |     |     |
|----------------------------------|-----|---|-----|-----|-----|
| <sup>1</sup> Operating expenses  | -14 | - | -30 | -44 | 197 |
| - Sale of shares in Metsä Tissue | -   | - | -   | -   | 197 |
| - Rationalization costs          | -14 | - | -30 | -44 | -   |

**STATEMENT OF EARNINGS**

|  | 2004:2             | 2003:2             | 2004:1             | 0406               | 0306               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | EUR M <sup>1</sup> | EUR M <sup>1</sup> | EUR M <sup>2</sup> | EUR M <sup>3</sup> | EUR M <sup>4</sup> |
| Net sales  | 2,444              | 2,325              | 2,364              | 4,808              | 4,710              |
| Operating expenses                                   | -2,061             | -1,953             | -2,004             | -4,065             | -3,923             |
| <b>Operating surplus</b>                             | <b>383</b>         | <b>372</b>         | <b>360</b>         | <b>743</b>         | <b>787</b>         |
| Depreciation and write-down,<br>properties and plant | -161               | -148               | -152               | -313               | -297               |
| Goodwill amortization                                | -32                | -30                | -31                | -63                | -61                |
| Share in earnings of associated<br>companies         | 1                  | 2                  | 1                  | 2                  | 6                  |
| <b>Operating profit</b>                              | <b>191</b>         | <b>196</b>         | <b>178</b>         | <b>369</b>         | <b>435</b>         |
| Financial items                                      | -26                | -20                | -17                | -43                | -45                |
| <b>Earnings after financial items</b>                | <b>165</b>         | <b>176</b>         | <b>161</b>         | <b>326</b>         | <b>390</b>         |
| Income taxes   | -53                | -51                | -49                | -102               | -113               |
| Minority interest                                    | -1                 | -1                 | -1                 | -2                 | -2                 |
| <b>Net earnings</b>                                  | <b>111</b>         | <b>124</b>         | <b>111</b>         | <b>222</b>         | <b>275</b>         |

<sup>1</sup> Isolated quarterly amounts have been calculated as the difference between two accumulated results.

<sup>2</sup> The average exchange rate of 9.17 was applied in translation to EUR.

<sup>3</sup> The average exchange rate of 9.16 was applied in translation to EUR.

<sup>4</sup> The average exchange rate of 9.16 was applied in translation to EUR.

**OPERATING PROFIT**

1 January–30 June

| SEK M   | 2004         | 2003         |
|---|--------------|--------------|
| <b>Hygiene Products</b>                               | <b>2,310</b> | <b>2,467</b> |
| Consumer Tissue                                       | 714          | 706          |
| Tissue for bulk consumers - AFH                       | 378          | 559          |
| Personal Care   | 1,218        | 1,202        |
| <b>Packaging</b>                                      | <b>1,142</b> | <b>1,313</b> |
| <b>Forest Products</b>                                | <b>730</b>   | <b>738</b>   |
| Publication papers                                    | 192          | 314          |
| Pulp, timber and solid-wood products                  | 538          | 424          |
| <b>Other</b>  | <b>-232</b>  | <b>31</b>    |
| <b>Operating profit, before goodwill amortization</b> | <b>3,950</b> | <b>4,549</b> |
| Goodwill amortization <sup>1</sup>                    | -581         | -558         |
| <b>Total operating profit</b>                         | <b>3,369</b> | <b>3,991</b> |

| <sup>1</sup> Goodwill amortization: | 2004       | 2003       |
|-------------------------------------|------------|------------|
| Hygiene Products                    | 210        | 204        |
| Packaging                           | 201        | 187        |
| Common                              | 170        | 167        |
| <b>Group</b>                        | <b>581</b> | <b>558</b> |

| BALANCE SHEET                                   | 30 June 2004   |                    | 31 December 2003 |                    |
|---|----------------|--------------------|------------------|--------------------|
|   | SEK M          | EUR M <sup>1</sup> | SEK M            | EUR M <sup>1</sup> |
| <b>Assets</b>                                   |                |                    |                  |                    |
| Goodwill  | 17,298         | 1,895              | 14,586           | 1,607              |
| Other intangible assets                         | 1,520          | 166                | 897              | 99                 |
| Tangible assets                                 | 67,019         | 7,343              | 62,402           | 6,873              |
| Shares and participations                       | 644            | 71                 | 658              | 72                 |
| Long-term financial receivables <sup>2</sup>    | 3,310          | 369                | 3,247            | 358                |
| Other long-term receivables                     | 281            | 31                 | 241              | 26                 |
| Operating receivables and inventories           | 26,742         | 2,930              | 22,880           | 2,520              |
| Short-term investments                          | 425            | 47                 | 749              | 82                 |
| Cash and bank balances                          | 1,159          | 127                | 1,696            | 187                |
| <b>Total assets</b>                             | <b>118,398</b> | <b>12,979</b>      | <b>107,356</b>   | <b>11,824</b>      |
| <b>Equity, provisions and liabilities</b>       |                |                    |                  |                    |
| Shareholders' equity                            | 49,944         | 5,472              | 49,754           | 5,480              |
| Minority interest                               | 781            | 86                 | 751              | 83                 |
| Provisions for pensions                         | 2,590          | 290                | 2,569            | 283                |
| Other provisions                                | 11,315         | 1,240              | 11,051           | 1,217              |
| Long-term interest-bearing debt                 | 19,229         | 2,107              | 15,500           | 1,707              |
| Other long-term interest-free liabilities       | 141            | 15                 | 163              | 18                 |
| Short-term interest-bearing debt <sup>3</sup>   | 16,235         | 1,779              | 9,766            | 1,075              |
| Operating liabilities <sup>3</sup>              | 18,163         | 1,990              | 17,802           | 1,961              |
| <b>Total equity, provisions and liabilities</b> | <b>118,398</b> | <b>12,979</b>      | <b>107,356</b>   | <b>11,824</b>      |
| <b>Debt/equity ratio</b>                        |                | <b>0.66</b>        |                  | <b>0.44</b>        |
| <b>Equity/assets</b>                            |                | <b>43%</b>         |                  | <b>47%</b>         |

<sup>1</sup> The period-end exchange rate of 9.13 (9.08) was applied in translation to EUR.

<sup>2</sup> Of which pension assets: 2,351 258 2,289 252

<sup>3</sup> SCA has contracted unutilized lines of credit amounting to SEK 24,172 M. Of this, SEK 16,235 M is intended to cover current interest-bearing liabilities and amortization within a year. The remaining unutilized lines of credit totaling SEK 7,937 M, and centrally available liquid assets of SEK 159 M, represent the Group's liquidity reserve totaling SEK 8,096 M. The corresponding contracted unutilized lines of credit at the end of the preceding quarter amounted to SEK 26,825 M and current interest-bearing liabilities and amortization within a year totaled SEK 12,013 M.

#### CHANGE IN SHAREHOLDERS' EQUITY, SEK M

|  | Jan-Jun 2004  | Jan-Jun 2003  |
|--|---------------|---------------|
| Shareholders' equity, 1 January                  | 49,754        | 47,983        |
| Conversion of debentures, warrants               | 1             | -             |
| Sale of own shares                               | 7             | 5             |
| Translation differences                          | 1,083         | -1,444        |
| Exchange rate differences on hedging instruments | -474          | 592           |
| Dividend   | -2,450        | -2,212        |
| Net earnings for the period                      | 2,023         | 2,525         |
| <b>Shareholders' equity, 30 June</b>             | <b>49,944</b> | <b>47,449</b> |

**OPERATING CASH FLOW ANALYSIS**

1 January–30 June

| SEK M                                      | 2004           | 2003           |
|--|----------------|----------------|
| Operating cash surplus                     | 6,850          | 6,890          |
| Changes in working capital                 | -2,127         | -1,407         |
| Current capital expenditures, net          | -1,603         | -1,535         |
| Other operating cash flow changes          | -166           | -106           |
| <b>Operating cash flow</b>                 | <b>2,954</b>   | <b>3,842</b>   |
| Financial items                            | -395           | -413           |
| Income taxes paid                          | -1,220         | -369           |
| Other                                      | 5              | -42            |
| <b>Cash flow from current operations</b>   | <b>1,344</b>   | <b>3,018</b>   |
| Acquisitions                               | -8,035         | -851           |
| Strategic capital expenditures, properties | -977           | -1,309         |
| Strategic structural expenditures          | -117           | -225           |
| Divestments                                | 0              | 865            |
| <b>Cash flow before dividend</b>           | <b>-7,785</b>  | <b>1,498</b>   |
| Dividend                                   | -2,450         | -2,216         |
| <b>Cash flow after dividend</b>            | <b>-10,235</b> | <b>-718</b>    |
| Conversion of debentures, warrants         | 1              | -              |
| Sale of own shares                         | 7              | 5              |
| <b>Net cash flow</b>                       | <b>-10,227</b> | <b>-713</b>    |
| Net debt at beginning of period            | -22,306        | -23,899        |
| Net cash flow                              | -10,227        | -713           |
| Currency effects                           | -775           | 1,212          |
| <b>Net debt at end of period</b>           | <b>-33,308</b> | <b>-23,400</b> |
| <b>Debt payment capacity</b>               | <b>39%</b>     | <b>55%</b>     |
| <b>Debt/equity ratio</b>                   | <b>0.66</b>    | <b>0.49</b>    |

## Quarterly data

### STATEMENT OF EARNINGS

Group

| SEK M   | 2004         |              |              | 2003         |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | II           | I            | IV           | III          | II           | I            |
| Net sales   | 22,340       | 21,687       | 21,153       | 21,064       | 21,231       | 21,890       |
| Operating expenses <sup>1</sup>                                   | -18,842      | -18,386      | -17,551      | -17,629      | -17,838      | -18,075      |
| <b>Operating surplus</b>  | <b>3,498</b> | <b>3,301</b> | <b>3,602</b> | <b>3,435</b> | <b>3,393</b> | <b>3,815</b> |
| Depreciation and write-down,<br>properties and plant <sup>2</sup> | -1,473       | -1,393       | -1,369       | -1,397       | -1,353       | -1,363       |
| Goodwill amortization   | -295         | -286         | -296         | -276         | -273         | -285         |
| Share in earnings of associated companies                         | 12           | 5            | 27           | 40           | 24           | 33           |
| <b>Operating profit</b>   | <b>1,742</b> | <b>1,627</b> | <b>1,964</b> | <b>1,802</b> | <b>1,791</b> | <b>2,200</b> |
| Financial items   | -240         | -155         | -178         | -199         | -187         | -226         |
| <b>Earnings after financial items</b>                             | <b>1,502</b> | <b>1,472</b> | <b>1,786</b> | <b>1,603</b> | <b>1,604</b> | <b>1,974</b> |
| Income taxes  | -488         | -449         | -358         | -465         | -466         | -572         |
| Minority interest   | -5           | -9           | -9           | -7           | -8           | -7           |
| <b>Net earnings</b>   | <b>1,009</b> | <b>1,014</b> | <b>1,419</b> | <b>1,131</b> | <b>1,130</b> | <b>1,395</b> |
| <b>Earnings per share, SEK</b>                                    |              |              |              |              |              |              |
| - before dilution effects   | <b>4.32</b>  | <b>4.35</b>  | <b>6.08</b>  | <b>4.88</b>  | <b>4.90</b>  | <b>6.06</b>  |
| - after dilution effects  | <b>4.32</b>  | <b>4.34</b>  | <b>6.07</b>  | <b>4.88</b>  | <b>4.87</b>  | <b>6.02</b>  |
| <b>Specification of items affecting comparability</b>             |              |              |              |              |              |              |
| <sup>1</sup> Operating expenses                                   | -14          | -30          | 212          | -            | -            | 197          |
| - Sale of shares in Metsä Tissue                                  | -            | -            | -            | -            | -            | 197          |
| - Release of badwill, Scaninge                                    | -            | -            | 418          | -            | -            | -            |
| - Rationalisation costs   | -14          | -30          | -158         | -            | -            | -            |
| - Write-down of shares, Otor                                      | -            | -            | -48          | -            | -            | -            |
| <sup>2</sup> Depreciation and write-down,<br>properties and plant | -            | -            | -57          | -            | -            | -            |
| - Write-down of property, Taiwan                                  | -            | -            | -57          | -            | -            | -            |

## Quarterly data

### OPERATING CASH FLOW ANALYSIS

Group

| SEK M                                      | 2004          |              |               | 2003         |               |              |
|--|---------------|--------------|---------------|--------------|---------------|--------------|
|  | II            | I            | IV            | III          | II            | I            |
| Operating cash surplus                     | 3,556         | 3,294        | 3,348         | 3,270        | 3,291         | 3,599        |
| Changes in working capital                 | -773          | -1,354       | 1,430         | 714          | -709          | -698         |
| Current capital expenditures, net          | -1,020        | -583         | -1,550        | -817         | -928          | -607         |
| Other operating cash flow changes          | -119          | -47          | -60           | -75          | -28           | -78          |
| <b>Operating cash flow</b>                 | <b>1,644</b>  | <b>1,310</b> | <b>3,168</b>  | <b>3,092</b> | <b>1,626</b>  | <b>2,216</b> |
| Financial items                            | -240          | -155         | -178          | -199         | -187          | -226         |
| Income taxes paid                          | -878          | -342         | -297          | -485         | -113          | -256         |
| Other                                      | 5             | 0            | -62           | 77           | -38           | -4           |
| <b>Cash flow from current operations</b>   | <b>531</b>    | <b>813</b>   | <b>2,631</b>  | <b>2,485</b> | <b>1,288</b>  | <b>1,730</b> |
| Acquisitions                               | -7,047        | -988         | -3,850        | -107         | -307          | -544         |
| Strategic capital expenditures, properties | -512          | -465         | -843          | -797         | -756          | -553         |
| Strategic structural expenditures          | -32           | -85          | -103          | -109         | -72           | -153         |
| Divestments                                | 0             | 0            | 11            | 85           | 215           | 650          |
| <b>Cash flow before dividend</b>           | <b>-7,060</b> | <b>-725</b>  | <b>-2,154</b> | <b>1,557</b> | <b>368</b>    | <b>1,130</b> |
| Dividend                                   | -2,450        | -            | -             | -19          | -2,216        | -            |
| <b>Cash flow after dividend</b>            | <b>-9,510</b> | <b>-725</b>  | <b>-2,154</b> | <b>1,538</b> | <b>-1,848</b> | <b>1,130</b> |
| Conversion of debentures, warrants         | -             | 1            | -             | 723          | -             | -            |
| Sale of own shares                         | 3             | 4            | 4             | 7            | 4             | 1            |
| <b>Net cash flow</b>                       | <b>-9,507</b> | <b>-720</b>  | <b>-2,150</b> | <b>2,268</b> | <b>-1,844</b> | <b>1,131</b> |

## Quarterly data Business areas

### NET SALES

| SEK M                                | 2004          |               |               | 2003          |               |               |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                      | II            | I             | IV            | III           | II            | I             |
| <b>Hygiene Products</b>              | <b>11,149</b> | <b>10,545</b> | <b>10,531</b> | <b>10,753</b> | <b>10,791</b> | <b>10,906</b> |
| Consumer Tissue                      | 3,853         | 3,721         | 3,759         | 3,618         | 3,630         | 3,817         |
| Tissue for bulk consumers - AFH      | 2,799         | 2,638         | 2,628         | 2,928         | 2,920         | 2,913         |
| Personal Care                        | 4,497         | 4,186         | 4,144         | 4,207         | 4,241         | 4,176         |
| <b>Packaging</b>                     | <b>7,939</b>  | <b>7,830</b>  | <b>7,459</b>  | <b>7,434</b>  | <b>7,421</b>  | <b>7,715</b>  |
| <b>Forest Products</b>               | <b>3,741</b>  | <b>3,813</b>  | <b>3,736</b>  | <b>3,378</b>  | <b>3,406</b>  | <b>3,561</b>  |
| Publication papers                   | 1,790         | 1,905         | 1,891         | 1,810         | 1,802         | 1,764         |
| Pulp, timber and solid-wood products | 1,951         | 1,908         | 1,845         | 1,568         | 1,604         | 1,797         |
| <b>Other</b>                         | <b>268</b>    | <b>256</b>    | <b>126</b>    | <b>155</b>    | <b>331</b>    | <b>419</b>    |
| <b>Intra-group deliveries</b>        | <b>-757</b>   | <b>-757</b>   | <b>-699</b>   | <b>-656</b>   | <b>-718</b>   | <b>-711</b>   |
| <b>Total net sales</b>               | <b>22,340</b> | <b>21,687</b> | <b>21,153</b> | <b>21,064</b> | <b>21,231</b> | <b>21,890</b> |

### OPERATING SURPLUS

| SEK M                                | 2004         |              |              | 2003         |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                      | II           | I            | IV           | III          | II           | I            |
| <b>Hygiene Products</b>              | <b>1,848</b> | <b>1,768</b> | <b>1,747</b> | <b>1,824</b> | <b>1,814</b> | <b>1,895</b> |
| Consumer Tissue                      | 601          | 635          | 614          | 574          | 562          | 646          |
| Tissue for bulk consumers - AFH      | 407          | 335          | 340          | 438          | 433          | 457          |
| Personal Care                        | 840          | 798          | 793          | 812          | 819          | 792          |
| <b>Packaging</b>                     | <b>1,046</b> | <b>975</b>   | <b>965</b>   | <b>1,036</b> | <b>1,023</b> | <b>1,100</b> |
| <b>Forest Products</b>               | <b>709</b>   | <b>667</b>   | <b>763</b>   | <b>644</b>   | <b>634</b>   | <b>703</b>   |
| Publication papers                   | 309          | 310          | 420          | 339          | 316          | 426          |
| Pulp, timber and solid-wood products | 400          | 357          | 343          | 305          | 318          | 277          |
| <b>Other</b>                         | <b>-105</b>  | <b>-109</b>  | <b>127</b>   | <b>-69</b>   | <b>-78</b>   | <b>117</b>   |
| <b>Total operating surplus</b>       | <b>3,498</b> | <b>3,301</b> | <b>3,602</b> | <b>3,435</b> | <b>3,393</b> | <b>3,815</b> |

### OPERATING PROFIT

| SEK M  | 2004         |              |              | 2003         |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
|  | II           | I            | IV           | III          | II           | I            |
| <b>Hygiene Products</b>                              | <b>1,157</b> | <b>1,153</b> | <b>1,184</b> | <b>1,169</b> | <b>1,192</b> | <b>1,275</b> |
| Consumer Tissue                                      | 329          | 385          | 402          | 308          | 311          | 395          |
| Tissue for bulk consumers - AFH                      | 210          | 168          | 178          | 264          | 271          | 288          |
| Personal Care  | 618          | 600          | 604          | 597          | 610          | 592          |
| <b>Packaging</b>                                     | <b>609</b>   | <b>533</b>   | <b>538</b>   | <b>631</b>   | <b>622</b>   | <b>691</b>   |
| <b>Forest Products</b>                               | <b>385</b>   | <b>345</b>   | <b>469</b>   | <b>352</b>   | <b>331</b>   | <b>407</b>   |
| Publication papers                                   | 96           | 96           | 208          | 140          | 103          | 211          |
| Pulp, timber and solid-wood products                 | 289          | 249          | 261          | 212          | 228          | 196          |
| <b>Other</b>   | <b>-114</b>  | <b>-118</b>  | <b>69</b>    | <b>-74</b>   | <b>-81</b>   | <b>112</b>   |
| <b>Operating profit before goodwill amortization</b> | <b>2,037</b> | <b>1,913</b> | <b>2,260</b> | <b>2,078</b> | <b>2,064</b> | <b>2,485</b> |
| Goodwill amortization <sup>1</sup>                   | -295         | -286         | -296         | -276         | -273         | -285         |
| <b>Total operating profit</b>                        | <b>1,742</b> | <b>1,627</b> | <b>1,964</b> | <b>1,802</b> | <b>1,791</b> | <b>2,200</b> |
| <b><sup>1</sup>Goodwill amortization:</b>            |              |              |              |              |              |              |
| Hygiene Products                                     | 107          | 103          | 110          | 98           | 96           | 108          |
| Packaging  | 102          | 99           | 97           | 93           | 94           | 93           |
| Common   | 86           | 84           | 89           | 85           | 83           | 84           |
| <b>Group</b>   | <b>295</b>   | <b>286</b>   | <b>296</b>   | <b>276</b>   | <b>273</b>   | <b>285</b>   |

**OPERATING SURPLUS MARGINS**

| Percent                              | 2004 |    |    | 2003 |    |    |
|--------------------------------------|------|----|----|------|----|----|
|                                      | II   | I  | IV | III  | II | I  |
| <b>Hygiene Products</b>              | 17   | 17 | 17 | 17   | 17 | 17 |
| Consumer Tissue                      | 16   | 17 | 16 | 16   | 15 | 17 |
| Tissue for bulk consumers - AFH      | 15   | 13 | 13 | 15   | 15 | 16 |
| Personal Care                        | 19   | 19 | 19 | 19   | 19 | 19 |
| <b>Packaging</b>                     | 13   | 12 | 13 | 14   | 14 | 14 |
| <b>Forest Products</b>               | 19   | 17 | 20 | 19   | 19 | 20 |
| Publication papers                   | 17   | 16 | 22 | 19   | 18 | 24 |
| Pulp, timber and solid-wood products | 21   | 19 | 19 | 19   | 20 | 15 |

**OPERATING MARGINS, excluding goodwill amortization**

| Percent                              | 2004 |    |    | 2003 |    |    |
|--------------------------------------|------|----|----|------|----|----|
|                                      | II   | I  | IV | III  | II | I  |
| <b>Hygiene Products</b>              | 10   | 11 | 11 | 11   | 11 | 12 |
| Consumer Tissue                      | 9    | 10 | 11 | 9    | 9  | 10 |
| Tissue for bulk consumers - AFH      | 8    | 6  | 7  | 9    | 9  | 10 |
| Personal Care                        | 14   | 14 | 15 | 14   | 14 | 14 |
| <b>Packaging</b>                     | 8    | 7  | 7  | 8    | 8  | 9  |
| <b>Forest Products</b>               | 10   | 9  | 13 | 10   | 10 | 11 |
| Publication papers                   | 5    | 5  | 11 | 8    | 6  | 12 |
| Pulp, timber and solid-wood products | 15   | 13 | 14 | 14   | 14 | 11 |

## Group

### MARGINS

1 January–30 June

| Percent                                       | 2004 | 2003 |
|---|------|------|
| Operating surplus margin                      | 15.4 | 16.3 |
| Operating margin, excl. goodwill amortization | 9.0  | 10.5 |
| Operating margin                              | 7.7  | 9.3  |
| Financial net margin                          | -0.9 | -1.0 |
| Profit margin                                 | 6.8  | 8.3  |
| Tax and minority                              | -2.2 | -2.4 |
| Net margin                                    | 4.6  | 5.9  |

### MARGINS – quarterly data

| Percent                                       | 2004 |      |      | 2003 |      |      |
|---|------|------|------|------|------|------|
|   | II   | I    | IV   | III  | II   | I    |
| Operating surplus margin                      | 15.7 | 15.2 | 17.0 | 16.3 | 16.0 | 17.4 |
| Operating margin, excl. goodwill amortization | 9.1  | 8.8  | 10.7 | 9.9  | 9.7  | 11.4 |
| Operating margin                              | 7.8  | 7.5  | 9.3  | 8.6  | 8.4  | 10.1 |
| Financial net margin                          | -1.1 | -0.7 | -0.9 | -0.9 | -0.8 | -1.1 |
| Profit margin                                 | 6.7  | 6.8  | 8.4  | 7.7  | 7.6  | 9.0  |
| Tax and minority                              | -2.2 | -2.1 | -1.7 | -2.3 | -2.3 | -2.6 |
| Net margin                                    | 4.5  | 4.7  | 6.7  | 5.4  | 5.3  | 6.4  |

### FIVE-YEAR SUMMARY

| Full year   | 2003  | 2002  | 2001  | 2000 <sup>1</sup> | 1999 <sup>1</sup> |
|---|-------|-------|-------|-------------------|-------------------|
| Earnings after financial items, SEK M                 | 6,967 | 8,078 | 8,090 | 9,327             | 5,521             |
| Earnings per share, SEK                               | 21.84 | 24.54 | 24.05 | 30.64             | 16.73             |
| Earnings per share, before goodwill amortization, SEK | 26.51 | 29.15 | 28.40 | 33.76             | 19.52             |
| Debt/equity ratio, times                              | 0.44  | 0.49  | 0.51  | 0.39              | 0.69              |
| Return on capital employed, %                         | 11    | 13    | 14    | 18                | 12                |
| Return on shareholders' equity, %                     | 10    | 12    | 13    | 20                | 12                |

<sup>1</sup> Adjusted historically to reflect new issues.

## CASH FLOW ANALYSIS

(in accordance with the Swedish Financial Accounting Standards Council's recommendation, RR 7)

1 January–30 June

| SEK M  | 2004           | 2003          |
|--|----------------|---------------|
| <b>Current operations</b>  |                |               |
| Earnings after financial items   | 2,974          | 3,578         |
| Adjustment for items not included in cash flow   | 3,188          | 2,487         |
|  | <b>6,162</b>   | <b>6,065</b>  |
| Taxes paid   | -1,220         | -369          |
| <b>Cash flow from current operations before changes in working capital</b>                 | <b>4,942</b>   | <b>5,696</b>  |
| <b>Cash flow from changes in working capital</b>   |                |               |
| Change in inventories  | -582           | -359          |
| Change in current receivables  | -1,067         | -563          |
| Change in operating liabilities  | -478           | -485          |
| <b>Cash flow from current operations</b>   | <b>2,815</b>   | <b>4,289</b>  |
| <b>Investment activities</b>   |                |               |
| Acquisition of subsidiaries  | -7,816         | -809          |
| Divested units   | -              | 865           |
| Acquisition of tangible and intangible fixed assets  | -2,781         | -2,844        |
| Proceeds from sale of equipment  | 201            | 0             |
| Payment of loans to external parties   | -97            | -             |
| Repayment of loans from external parties   | -              | 12            |
| <b>Cash flow from investment activities</b>  | <b>-10,493</b> | <b>-2,776</b> |
| <b>Financing activities</b>  |                |               |
| Sale of own shares   | 7              | 5             |
| Borrowings   | 9,589          | -             |
| Amortization of debt   | -              | -446          |
| Dividend paid  | -2,450         | -2,216        |
| <b>Cash flow from financing activities</b>   | <b>7,146</b>   | <b>-2,657</b> |
| <b>Cash flow for the period</b>  | <b>-532</b>    | <b>-1,144</b> |
| Liquid funds at beginning of year  | 1,929          | 2,826         |
| Translation differences in liquid funds  | 20             | -26           |
| <b>Liquid funds at end of period</b>   | <b>1,417</b>   | <b>1,656</b>  |
| <b>Reconciliation between cash flow analysis according to RR 7 and operating cash flow</b> |                |               |
| <b>Cash flow for the period according to RR 7</b>  | <b>-532</b>    | <b>-1,144</b> |
| <b>Deducted items:</b>   |                |               |
| Payment/repayment of loans to/from external parties  | 97             | -12           |
| Increase/amortization of debt  | -9,589         | 446           |
| <b>Added items:</b>  |                |               |
| Net debt in acquired companies   | -219           | -43           |
| Accrued interests  | 15             | 40            |
| Conversion of loan to shareholders' equity   | 1              | -             |
| <b>Net cash flow according to operating cash flow</b>                                      | <b>-10,227</b> | <b>-713</b>   |