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Interim Report

1 January–30 September 2004

	2004:3	2004:2	2004:1		0409	0309
Earnings per share, SEK	4.09	4.32	4.34		12.75	15.77
Cash flow from current operations per share, SEK	9.59	2.27	3.48		15.34	23.71
Net sales, SEK M	22,812	22,340	21,687		66,839	64,185
Earnings after financial items, SEK M	1,377	1,502	1,472		4,351	5,181
Net earnings, SEK M	955	1,009	1,014		2,978	3,656

Compared with first nine months of 2003

- Net sales amounted to SEK 66,839 M (64,185).
- Earnings after taxes (net earnings) amounted to SEK 2,978 M (3,656)¹.
- Earnings per share amounted to SEK 12.75 (15.77). Adjusted for currency effects and items affecting comparability, the decline was 9%.

Compared with second quarter of 2004

- Net sales amounted to SEK 22,812 M (22,340).
- Earnings per share amounted to SEK 4.09 (4.32).

Other

- It appears that the expected price recovery during the current year will be delayed. Additional cost-reduction measures will be accelerated.

¹ Earnings during 2004 were affected by costs for personnel reductions and sale of shares. During 2003, earnings in the first quarter were affected by sale of shares (see also page 13).

MARKET OUTLOOK AND NEW RATIONALIZATION PROGRAMS

The demand trend in Western Europe has not created the conditions for the broad price recovery that was earlier expected to be implemented during the latter part of the current year. The reason is that the recovery in the general economy in Continental Europe is proceeding slowly, while at the same time the competitive situation continues to be intensive in the Group's most important product areas. In North America it was possible to implement general price increases as of October. However, raw materials and energy costs continue to rise. Growth in demand in publication papers continues, particularly for magazine papers, which results in an improved capacity utilization.

Considering the prolonged margin pressure, a number of cost-reduction measures will be accelerated. In total, it is estimated that the number of employees will be reduced by 1,200 persons, beginning in the fourth quarter of 2004 and to be concluded during 2005. The costs of the program will amount to about SEK 700 M, of which most will be charged in 2004. The annual cost savings are estimated at slightly more than SEK 1,000 M. These will be realized successively during 2005. The program is described in detail on page 8.

NET SALES AND EARNINGS

Earnings per share amounted to SEK 12.75 (15.77) and consolidated net earnings amounted to SEK 2,978 M (3,656). Excluding items affecting comparability of SEK 40 M (154), earnings per share and net earnings declined by 16%. Adjusted for currency effects, the decline was 9%.

Consolidated net sales amounted to SEK 66,839 M (64,185). Adjusted for currency and price effects, net sales rose by 8%.

The Group's operating profit amounted to SEK 5,017 M (5,793). Excluding items affecting comparability (expenses of SEK 44 M during 2004 pertaining to restructuring within Hygiene Products and 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. Adjusted for currency effects, the decline was 4%.

Operating profit for Hygiene Products was SEK 3,378 M (3,636), a decline of 7%, of which 3% was due to currency movements. Operating profit for Packaging amounted to SEK 1,778 M (1,944), a decline of 9%, of which 3% was due to currency movements. Operating profit for Forest Products rose 1% to SEK 1,104 M (1,090); negative currency effects impacted earnings by 19%.

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

Financial items increased by SEK 54 M to an expense of SEK 666 M (expense: 612). The Group's earnings after financial items amounted to SEK 4,351 M (5,181), excluding items affecting comparability, SEK 4,325 M (4,984). Currency movements affected operating profit adversely by 7%.

Return on shareholders' equity was 9% (11) and return on capital employed was 9% (11).

Comparison with second quarter of 2004

Earnings per share during the third quarter amounted to SEK 4.09 (4.32).

Consolidated net sales amounted to SEK 22,812 (22,340) M and, accordingly, were 2% higher than in the second quarter of 2004, due to company acquisitions that were carried out successively during the second quarter.

Operating profit for the Group amounted to SEK 1,648 M (1,742), a decline of 5%. The operating profit for Hygiene Products was 8% lower than in the preceding quarter, while Packaging's earnings increased by 4% and Forest Products' declined by 3%. Currency movements had only a marginal effect on earnings.

Operating margin for the Group declined to 7% (8). The margin for Hygiene Products fell to 9% (10). Packaging was unchanged at 8% and Forest Products at 10%.

Financial items amounted to an expense of SEK 271 M (expense: 240). Consolidated earnings after financial items amounted to SEK 1,377 M (1,502). Currency movements had only a marginal effect on earnings after financial items.

Earnings analysis

SEK M	2004:3 ¹	2004:2 ²	2004:1 ³	0409 ⁴	0309 ⁵
Hygiene Products	1,068	1,157	1,153	3,378	3,636
Packaging	636	609	533	1,778	1,944
Forest Products	374	385	345	1,104	1,090
Other ⁶	-116	-114	-118	-348	-43
Operating profit, before goodwill amortization	1,962	2,037	1,913	5,912	6,627
Goodwill amortization	-314	-295	-286	-895	-834
Operating profit	1,648	1,742	1,627	5,017	5,793
Financial items ⁶	-271	-240	-155	-666	-612
Earnings after financial items	1,377	1,502	1,472	4,351	5,181
Income tax	-412	-488	-449	-1,349	-1,503
Minority interest	-10	-5	-9	-24	-22
Net earnings	955	1,009	1,014	2,978	3,656
Earnings per share, SEK	4.09	4.32	4.34	12.75	15.77

¹ Including items affecting comparability, SEK 70 M before taxes and SEK 70 M after taxes.

² Including items affecting comparability, SEK -14 M before taxes and SEK -9 M after taxes.

³ Including items affecting comparability, SEK -30 M before taxes and SEK -21 M after taxes.

⁴ Including items affecting comparability, SEK 26 M before taxes and SEK 40 M after taxes.

⁵ Including items affecting comparability, SEK 197 M before taxes and SEK 154 M after taxes.

⁶ Including items affecting comparability.

CASH FLOW

The operating cash surplus amounted to SEK 10,366 M (10,160), corresponding to 16% (16) of net sales. Net current capital expenditures amounted to SEK 2,674 M (2,352). Working capital, which was unusually low at the beginning of the year, increased by SEK 1,575 M (693), as a result of such activities as major investments during the latter part of 2003 and the related increased accounts payable, which were paid in the beginning of 2004. Operating cash flow totaled SEK 5,957 M (6,934).

Taxes paid attributable to operating profit amounted to SEK 1,921 M (1,038) and free cash flow, accordingly, totaled SEK 4,036 M (5,896). The deviation in tax payments is attributable to the fact that 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 3,582 M (5,503) or SEK 15.34 per share (23.71).

Company acquisitions amounted to SEK 7,583 M (958) calculated on a debt-free basis and primarily pertain to the acquisitions of hygiene-products companies in Australia, Mexico and Malaysia, additional shares in SCA's Asian packaging company and an Italian packaging company. Strategic investments in plants and machinery, primarily in the hygiene-products area, and structural measures amounted to SEK 1,909 M (2,440).

Comparison with second quarter of 2004

The operating cash surplus amounted to SEK 3,516 M (3,556), corresponding to 15% (16) of net sales. Cash flow from current operations amounted to SEK 2,238 M (531). This deviation is attributable mainly to a favorable working capital trend and lower tax payments.

Cash flow analysis

SEK M	2004:3	2004:2	2004:1	0409	0309
Net sales	22,812	22,340	21,687	66,839	64,185
Operating cash surplus	3,516	3,556	3,294	10,366	10,160
<i>% of net sales</i>	15	16	15	16	16
Current capital expenditures, net	-1,071	-1,020	-583	-2,674	-2,352
<i>% of net sales</i>	5	5	3	4	4
Change in working capital	552	-773	-1,354	-1,575	-693
Other operating cash flow changes	6	-119	-47	-160	-181
Operating cash flow	3,003	1,644	1,310	5,957	6,934
Tax payment etc ¹	-582	-950	-389	-1,921	-1,038
Free cash flow	2,421	694	921	4,036	5,896
<i>Per share, SEK</i>	<i>10.36</i>	<i>2.97</i>	<i>3.95</i>	<i>17.28</i>	<i>25.41</i>
Interest payment after taxes	-183	-163	-108	-454	-393
Cash flow from current operations	2,238	531	813	3,582	5,503
<i>Per share, SEK</i>	<i>9.59</i>	<i>2.27</i>	<i>3.48</i>	<i>15.34</i>	<i>23.71</i>
Strategic investments and divestments	-363	-7,591	-1,538	-9,492	-2,448
Cash flow before dividend	1,875	-7,060	-725	-5,910	3,055
Dividend	-21	-2,450	-	-2,471	-2,235
Conversion of debentures, warrants	-	-	1	1	723
Sale of own shares	2	3	4	9	12
Net cash flow	1,856	-9,507	-720	-8,371	1,555

¹ Tax attributable to operating profit.

FINANCING

Financial items were higher than in the year-earlier period, an expense of SEK 666 M (expense: 612). The change is due to a higher average net debt as a result of company acquisitions. This was partly offset by a capital gain of SEK 70 M on the sale of shares in Industrivärden to a pension foundation. As a result of the acquisitions in the second quarter, financial items increased by SEK 75 M in the third quarter.

Net debt amounted to SEK 31,249 M, an increase of SEK 8,943 M since the beginning of the year. Net cash flow showed a deficit of SEK 8,371 M and negative currency effects of SEK 572 M.

Consolidated shareholders' equity rose during the period by SEK 712 M to SEK 50,466 M. Net earnings for the period increased equity by SEK 2,978 M, while dividends reduced shareholders' equity by SEK 2,450 M. The sale of own shares as part of the employee stock options program and conversion of debenture loans increased shareholders' equity by SEK 10 M and currency effects impacted positively on shareholders' equity by SEK 174 M.

The debt/equity ratio amounted to 0.61 (0.42) at the end of the quarter. At the beginning of the year, the debt/equity ratio was 0.44. The interest coverage multiple was 7.5 (9.5).

HYGIENE PRODUCTS BUSINESS AREA

SEK M	2004:3	2004:2	2004:1	0409	0309
Net sales	11,761	11,149	10,545	33,455	32,450
Consumer Tissue	4,226	3,853	3,721	11,800	11,065
Tissue for bulk consumers – AFH	3,023	2,799	2,638	8,460	8,761
Personal Care	4,512	4,497	4,186	13,195	12,624
Operating surplus	1,855	1,848	1,768	5,471	5,533
Consumer Tissue	669	601	635	1,905	1,782
Tissue for bulk consumers – AFH	374	407	335	1,116	1,328
Personal Care	812	840	798	2,450	2,423
Operating profit, before goodwill amortization	1,068	1,157	1,153	3,378	3,636
Consumer Tissue	327	329	385	1,041	1,014
Tissue for bulk consumers – AFH	153	210	168	531	823
Personal Care	588	618	600	1,806	1,799
Operating surplus margin, %	16	17	17	16	17
Consumer Tissue	16	16	17	16	16
Tissue for bulk consumers – AFH	12	15	13	13	15
Personal Care	18	19	19	19	19
Operating margin, %	9	10	11	10	11
Consumer Tissue	8	9	10	9	9
Tissue for bulk consumers – AFH	5	8	6	6	9
Personal Care	13	14	14	14	14
Volume growth, %					
Consumer Tissue	6.8 ¹	11.8 ¹	-0.6 ¹	11.6 ²	4.1 ²
Tissue for bulk consumers – AFH	6.0 ¹	5.0 ¹	0.4 ¹	2.7 ²	3.6 ²
Personal Care	5.0 ¹	8.9 ¹	2.4 ¹	8.5 ²	-4.0 ²

¹ Compared with the immediately preceding quarter.

² Compared with corresponding period previous year.

See also pages 15 and 20-21.

Net sales amounted to SEK 33,455 M (32,450), and were thereby 3% higher than in the year-earlier period. The positive effect of the completed company acquisitions was offset partly by lower prices and mainly by negative currency movements.

Operating profit amounted to SEK 3,378 M (3,636), a decline of 7%. Adjusted for currency effects, the decline was 4%. Operating profit declined as a result of reduced profit in the AFH tissue area, mainly in North America.

Operating profit in the third quarter was 8% lower than during the second quarter and amounted to SEK 1,068 M (1,157). The earnings decline is attributable to lower operating profit in the AFH tissue area in North America and a seasonal decline for Personal Care.

Consumer Tissue

Operating profit amounted to SEK 1,041 M (1,014). Lower production and distribution costs as well as company acquisitions compensated for lower prices.

Operating profit in the third quarter was at the level reported in the second quarter and amounted to SEK 327 M (329). Competition in many markets outside Europe has intensified, which during the quarter limited the contribution from newly acquired operations, mainly in Mexico.

Tissue for bulk consumers – AFH

Operating profit for tissue for bulk consumers (AFH) amounted to SEK 531 M (823), which was 35% lower than in the preceding year. Higher recovered paper prices in North America and lower prices, mainly in the North American operations, affected operating profit negatively.

Compared with the second quarter, operating profit declined in the third quarter by 27% to SEK 153 M (210). The European operations posted improved results, while operations in North America weakened as a result of increase raw materials prices as well as changes in healthcare and pension plans, with retroactive effect. However, it was possible to increase product prices at the end of the quarter by 4%.

Personal Care

Operating profit amounted to SEK 1,806 M (1,799) and was therefore in line with the year-earlier period. The company acquisitions in Malaysia and Australia/New Zealand, combined with a positive volume had a positive effect on operating profit. The effects of this were offset by generally lower prices for baby diapers in the area of retailers' brands and a changed product mix for feminine hygiene products.

Compared with the second quarter, the operating profit was somewhat lower and amounted to SEK 588 M (618) due mainly to lower prices for baby diapers in the area of retailers' brands as well as lower production due to vacation stoppages in July and August. Company acquisitions affected operating profit positively.

PACKAGING BUSINESS AREA

SEK M	2004:3	2004:2	2004:1	0409	0309
Net sales	7,928	7,939	7,830	23,697	22,570
Operating surplus	1,096	1,046	975	3,117	3,159
Operating profit, before goodwill amortization	636	609	533	1,778	1,944
Operating surplus margin, %¹	14	13	12	13	14
Operating margin, %¹	8	8	7	8	9
Production					
Liner products, kton	644	685	650	1,979	1,885
Deliveries					
Liner products, kton	640	668	663	1,971	1,884
Corrugated board, Mm ²	1,056²	1,060 ²	1,068 ²	3,184²	3,097 ²

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

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

See also pages 15 and 20-21.

Net sales were 5% higher than in the preceding year and amounted to SEK 23,697 M (22,570). Company acquisitions in North America and Asia raised net sales, while lower prices had a negative impact.

Operating profit amounted to SEK 1,778 M (1,944), a decline of 9%. Adjusted for currency effects, the decline was 6%. Lower prices for corrugated board were partly offset by improved productivity and improved paper integration as well as company acquisitions and lower energy costs. The North American packaging operations were affected by a sharp increase in raw materials prices driven by oil prices, which to date could not be offset by price hikes.

Compared with the second quarter, operating profit increased by 4% and amounted to SEK 636 M (609). Certain price increases were implemented in North America and in selected European markets.

FOREST PRODUCTS BUSINESS AREA

SEK M	2004:3	2004:2	2004:1	0409	0309
Net sales	3,586	3,741	3,813	11,140	10,345
Publication papers	1,909	1,790	1,905	5,604	5,376
Pulp, timber and solid-wood products	1,677	1,951	1,908	5,536	4,969
Operating surplus	700	709	667	2,076	1,981
Publication papers	334	309	310	953	1,081
Pulp, timber and solid-wood products	366	400	357	1,123	900
Operating profit, before goodwill amortization	374	385	345	1,104	1,090
Publication papers	121	96	96	313	454
Pulp, timber and solid-wood products	253	289	249	791	636
Operating surplus margin, %	20	19	17	19	19
Publication papers	17	17	16	17	20
Pulp, timber and solid-wood products	22	21	19	20	18
Operating margin, %	10	10	9	10	11
Publication papers	6	5	5	6	8
Pulp, timber and solid-wood products	15	15	13	14	13
Production					
Publication papers, kton	365	366	357	1,088	1,014
Solid-wood products, km ³	326	362	370	1,058	961
Deliveries					
Publication papers, kton	366	344	370	1,080	998
Solid-wood products, km ³	324	443	340	1,107	929

See also pages 15 and 20-21.

Net sales for the Forest Products business area were 8% higher than in the preceding year and amounted to SEK 11,140 M (10,345). The positive effects of higher volumes and the acquisition of Scaninge's forestry and sawmill operations were partly countered by lower paper prices. Currency movements had a negative impact on net sales of 2%.

Operating profit amounted to SEK 1,104 M (1,090) and, accordingly, was on the same level as the year-earlier period despite currency movements had a negative effect of 19%. Lower operating profit in the publication papers business were offset by improved results in the forestry, sawmill and pulp operations.

In the third quarter, operating profit declined by 3% compared with the second quarter and totaled SEK 374 M (385). Improved results in publication papers were offset by maintenance stops in the pulp operations. Currency movements affected earnings positively by 3%.

Publication papers

Operating profit in the publication paper operations totaled SEK 313 M (454), a decline of 31%, of which 28% due to currency effects. The decline in operating profit was primarily attributable to lower prices and higher raw materials costs. However this was offset by somewhat higher volumes and the subsequent higher capacity utilization.

Operating profit in the third quarter amounted to SEK 121 M (96), an improvement due mainly to higher volumes.

Pulp, timber and solid-wood products

Operating profit amounted to SEK 791 M (636) and was thereby 24% higher than in the preceding year. The improvement is mainly attributable to the acquisition of Scaninge's forestry and sawmill operations, but also higher volumes and the related increased capacity utilization. Lower prices for solid wood products and negative currency movements restricted the improvement.

Compared with the second quarter, the operating profit amounted to SEK 253 M (289), a decline of 12%, due mainly to the maintenance stops in the pulp operations.

GOODWILL

Consolidated goodwill amounted to SEK 16,433 M (14,081)¹. Goodwill is amortized over 20 years. Goodwill amortization by business area is presented on pages 12 and 17.

Earnings excluding goodwill amortization

SEK M	2004:3 ¹	2004:2 ²	2004:1 ³	0409 ⁴	0309 ⁵
Operating profit	1,962	2,037	1,913	5,912	6,627
Earnings after financial items	1,691	1,797	1,758	5,246	6,014
Net earnings	1,255	1,291	1,287	3,833	4,453
Earnings per share (SEK)	5.37	5.53	5.51	16.41	19.20

¹ Including items affecting comparability, SEK 70 M before taxes and SEK 70 M after taxes.

² Including items affecting comparability, SEK -14 M before taxes and SEK -9 M after taxes.

³ Including items affecting comparability, SEK -30 M before taxes and SEK -21 M after taxes.

⁴ Including items affecting comparability, SEK 26 M before taxes and SEK 40 M after taxes.

⁵ 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 50,917, compared with 42,962 at the end of the third quarter in 2003². The increase is due to acquisitions carried out during the period, while at the same time various efficiency enhancement programs within the Group reduced the number of employees.

RATIONALIZATION PROGRAM

The previously mentioned cost-reduction measures mainly include the following projects:

Within Personal Care in France, all production of incontinence products from the plant in Macôn is being moved to the plant in Linselles. In addition, production of feminine hygiene products in Europe will be concentrated to Gemerská-Hôrka in Slovakia. These two projects result in personnel reductions in France and the Netherlands. In the European packaging operations, programs comprising savings in administration as well as efficiency enhancement measures in liner production and corrugated board converting have been initiated. With regard to the US tissue operations, the new plant in Barton has now reached full capacity and as a result costs-savings can be realized in other production units. A number of efficiency enhancement measures are being carried out in the Australian tissue operations, including shut down of an older tissue machine at the plant in Box Hill.

ACQUISITIONS DURING THE YEAR

Acquisitions	Purchase price ³	Consolidation date
Vincor	SEK 83 M	1 January 2004
Mark/Heritage	SEK 13 M	1 March 2004
Drypers	SEK 686 M	1 March 2004
Central Package Group (increase by 27,5% to 92,5%)	SEK 266 M	1 April 2004
Carter Holt Harvey Tissue (100%) & Sancell Australia (increase by 50% to 100%)	SEK 4,837 M	19 May 2004
Copamex Tissue (50%)	SEK 1,260 M	1 May 2004
Busto Tema	SEK 309 M	30 June 2004

NOMINATION COMMITTEE

The Nomination Committee, which is assigned to provide proposals regarding the composition of SCA's Board of directors to the 2005 Annual General Meeting, comprises Sverker Martin-Löf, Chairman of SCA, Curt Källströmer, Handelsbankens Personalstiftelse, Handelsbankens Pensionsstiftelse and Pensionkassan SHB Försäkringsförening, Ramsey Brufer, Alecta, Björn Lind, SEB Fonder, Thomas Halvorsen, Fourth AP Fund and Carl-Olof By, Industrivärden.

¹ The acquisition balance for companies acquired during the year are not finalized.

² Including SCA's portion of joint-venture companies.

³ On debt-free basis.

CHANGED ACCOUNTING RULES

In June 2002, the EU's Council of Ministers adopted the so-called IAS 2005 regulation, which requires that all exchange-listed companies within the Union, from and including fiscal year 2005, shall prepare consolidated financial statements fully in compliance with the International Accounting Standards (IAS). The recommendations of the Swedish Financial Accounting Standards Council have in recent years largely been adapted to IAS. Since SCA is compelled to follow the Swedish Financial Accounting Standards Council's recommendations, the company has gradually applied most of the rules.

Comparison and information about effects

The transition from national accounting standards to IAS places special demands on the first reporting submitted in accordance with the new standards. The rules specify that the comparison year 2004 shall also be reported in accordance with IAS, but that this reporting shall be provided no later than in conjunction with the first interim report in 2005.

In SCA's case, the annual report for 2005 will contain two comparison years, in which the balance sheet and income statement for 2004 shall be prepared in accordance with the new rules and for 2003 in accordance with the former rules.

The affected companies are obliged to provide information about the effects of the transition to IAS in conjunction with the first interim report in 2005. However, SCA has chosen to provide an overview describing the transition and its effects, already in conjunction with this report.

The forthcoming rules

SCA already complies with the standard applying to *leases* (IAS 17) in all essential respects. To the extent it can be assessed at this time, there are no leases in SCA for which reclassification will give rise to any material effects at Group level.

SCA already follows the rule regarding *employee benefits* (IAS 19). However, due to the transition rules, the opening balance for 2004 must be zeroed out. This means that the existing pension deficit (difference between pension assets and commitments made in defined-benefit pension plans), which amounts to SEK 4.1 billion, will increase net debt. After taking into account the tax effects, the impact on shareholders' equity is a charge of SEK 2.8 billion. Consequently, there is no longer a need in the income statement to amortize the pension deficit, which results in an improvement in operating profit of about SEK 0.3 billion.

With regard to reporting of *agriculture and forestland* (IAS 41), biological assets shall be reported at fair value on each reporting date. Thereafter, the change in this value will be included in the next period's results. Accordingly, the current income statement will also reflect an assessed net growth and will not only depend on actual felling. The market valuation of forest assets shall reflect the current value of the future net cash flow. SCA's assessment is that the fair value, accounted in accordance with the rules in IAS 41, amounts to SEK 18 billion, thereby exceeding the book value by SEK 9 billion. After deduction of deferred taxes, the effect will be that shareholders' equity increases by SEK 5.8 billion. This new way of earnings reporting results in an increase in reported operating profit by about SEK 0.4 billion.

Rules applying to reporting of *business combinations* (IFRS 3) result in relatively large changes in the manner of reporting company acquisitions. This includes that a more detailed purchase price allocation is made in which value is also assigned to a number of intangible assets that are acquired, such as customer relations, brands, patents, un-patented technology, and more. In addition, the estimated lifetime of these assets is to be determined and amortization applied according to plan. Only if it is probable that the asset has a sustainable value in the business is amortization omitted. Acquisitions carried out in 2004 will be accounted for in accordance with the new rules in reporting during 2005, while acquisitions prior to 2004 do not need to be adjusted. For these acquisitions, the only difference is that goodwill will not be amortized according to plan, but will instead undergo an impairment test annually for any need for write down of goodwill. For SCA, the new standards result in an increase in reported operating profit of about SEK 1.2 billion. For the company acquisitions carried out by SCA in 2004, no major difference in reported earnings is expected to arise as a result of the new rule, other than what was mentioned regarding goodwill amortization.

The aforementioned rules will therefore affect the comparative figures that are shown in the 2005 reporting of earnings. IAS 32 and 39, which both deal with financial instruments, will be applied in reporting for 2005, but not in restating of the 2004 comparative figures.

Summary of transition's financial effects

The preliminary effects of how the restating of the 2004 comparative figures affects the consolidated income statement and balance sheet are shown in the table below.

Change in shareholders' equity, net debt, capital employed and earnings:

(SEK billion, 2004)	Gross	Deferred tax	Shareholders' equity	Net debt	Capital employed	Earnings
Forestland	9.0	3.3	5.8		5.8	0.4
Pension liabilities	4.1	-1.4	-2.8	4.1	1.4	0.3
Goodwill	1.2				1.2	1.2
Earnings impact on equity		0.2	1.7		0.2	
Total		2.1	4.7	4.1	8.6	
Operating profit						1.9
Taxes						-0.2
Net earnings						1.7

Change in key figures

Return on capital employed	+ 1.3 percentage points
Return on equity	+ 2.3 percentage points
Debt/equity ratio increases	0.02
Earnings per share	SEK +7.23

All of the above information is preliminary and could change since a review of the new recommendations is still under way.

OTHER

SCA already follows the recommendations of the Swedish Financial Accounting Standards Council principle RR 29, Employee Benefits. The deficit in the Group's defined-benefit pension plans amounted at the end of the third quarter to approximately SEK 4,330 M and, accordingly, has declined by SEK 86 M since year-end.

In accordance with the guidelines on Interim Reports, RR20, it is noted 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-September 2004 amounted to SEK 108 M (96) and earnings before appropriations and taxes totaled SEK 2,369 M (2,534). During the period, the Parent Company made no investments in shares and participations. Investments in properties and plant amounted to SEK 26 M (38) during the period. Liquid funds at the end of the period amounted to SEK 3 M (11).

SHARE DISTRIBUTION

30 September 2004	Series A	Series B	Total
Registered number of shares	40,427,857	194,608,841	235,036,698
Of which treasury shares	-	(1,668,452)	(1,668,452)

During the third quarter, no Series A shares were converted into Series B shares. The proportion of Series A shares at the end of the quarter totaled 17.2%. Conversion of the shares can be made at the request of the shareholders in question and with support of the reservation for conversion contained in the Articles of Association from 1999.

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

Stockholm, 26 October 2004
SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Jan Åström
President and CEO

Auditors' statement

We have reviewed this six-month report and in this connection have followed the Recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not fulfill the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act.

Stockholm, 26 October 2004
PricewaterhouseCoopers AB

Robert Barnden
Authorized Public Accountant

Reporting dates

The year-end report for 1 January – 31 December 2004 will be published on 27 January 2005. In 2005, interim reports will be published on 26 April, 21 July and 26 October.

STATEMENT OF EARNINGS

	2004:3	2003:3	2004:2	0409	0309
	SEK M	SEK M	SEK M	SEK M	SEK M
Net sales	22,812	21,064	22,340	66,839	64,185
Operating expenses ¹	-19,229	-17,629	-18,842	-56,457	-53,542
Operating surplus	3,583	3,435	3,498	10,382	10,643
Depreciation and write-down, properties and plant	-1,630	-1,397	-1,473	-4,496	-4,113
Goodwill amortization	-314	-276	-295	-895	-834
Share in earnings of associated companies	9	40	12	26	97
Operating profit	1,648	1,802	1,742	5,017	5,793
Financial items ²	-271	-199	-240	-666	-612
Earnings after financial items	1,377	1,603	1,502	4,351	5,181
Income taxes	-412	-465	-488	-1,349	-1,503
Minority interest	-10	-7	-5	-24	-22
Net earnings	955	1,131	1,009	2,978	3,656

Earnings per share, SEK

- before dilution effects	4.09	4.88	4.32	12.76	15.84
- after dilution effects	4.09	4.88	4.32	12.75	15.77

Operating margin	7 %	9 %	8 %	8 %	9 %
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Return on shareholders' equity	9 %	11 %	9 %	9 %	11 %
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Return on capital employed	9 %	11 %	10 %	9 %	11 %
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Specification of earnings per share

Net earnings for the period	955.0	1,131.0	1,009.0	2,978.0	3,656.0
Interest on convertible debentures	0.0	1.6	0.0	0.0	4.6
Adjusted net earnings	955.0	1,132.6	1,009.0	2,978.0	3,660.6
Average number of shares before dilution	233.3	230.9	233.3	233.3	230.9
Employee convertibles	0.0	1.0	0.0	0.0	1.0
Outstanding warrants	0.2	0.3	0.2	0.2	0.3
Average number of shares after dilution	233.5	232.2	233.5	233.5	232.2

Specifications of items affecting comparability

¹ Operating expenses	-	-	-14	-44	197
- Sale of shares in Metsä Tissue	-	-	-	-	197
- Rationalization costs	-	-	-14	-44	-
² Financial items					
- Sale of shares in Industrivärden	70	-	-	70	-

STATEMENT OF EARNINGS

	2004:3	2003:3	2004:2	0409	0309
	EUR M ¹	EUR M ¹	EUR M ¹	EUR M ²	EUR M ³
Net sales	2,491	2,300	2,444	7,299	7,010
Operating expenses	-2,100	-1,925	-2,061	-6,165	-5,848
Operating surplus	391	375	383	1,134	1,162
Depreciation and write-down, properties and plant	-178	-152	-161	-491	-449
Goodwill amortization	-35	-30	-32	-98	-91
Share in earnings of associated companies	1	5	1	3	11
Operating profit	179	198	191	548	633
Financial items	-30	-22	-26	-73	-67
Earnings after financial items	149	176	165	475	566
Income taxes	-45	-51	-53	-147	-164
Minority interest	-1	0	-1	-3	-3
Net earnings	103	125	111	325	399

¹ Isolated quarterly amounts have been calculated as the difference between two accumulated results.

² The average exchange rate of 9.16 was applied in translation to EUR.

³ The average exchange rate of 9.16 was applied in translation to EUR.

OPERATING PROFIT

1 January–30 September

SEK M	2004	2003
Hygiene Products	3,378	3,636
Consumer Tissue	1,041	1,014
Tissue for bulk consumers - AFH	531	823
Personal Care	1,806	1,799
Packaging	1,778	1,944
Forest Products	1,104	1,090
Publication papers	313	454
Pulp, timber and solid-wood products	791	636
Other	-348	-43
Operating profit, before goodwill amortization	5,912	6,627
Goodwill amortization ¹	-895	-834
Total operating profit	5,017	5,793

	2004	2003
¹ Goodwill amortization:		
Hygiene Products	336	302
Packaging	301	280
Common	258	252
Group	895	834

BALANCE SHEET	30 September 2004		31 December 2003	
	SEK M	EUR M ¹	SEK M	EUR M ¹
Assets				
Goodwill	16,433	1,813	14,586	1,607
Other intangible assets	1,909	211	897	99
Tangible assets	65,762	7,255	62,402	6,873
Shares and participations	722	80	658	72
Long-term financial receivables ²	3,134	346	3,247	358
Other long-term receivables	424	47	241	26
Operating receivables and inventories	26,627	2,938	22,880	2,520
Short-term investments	865	95	749	82
Cash and bank balances	1,453	160	1,696	187
Total assets	117,329	12,945	107,356	11,824
Equity, provisions and liabilities				
Shareholders' equity	50,466	5,568	49,754	5,480
Minority interest	775	86	751	83
Provisions for pensions	2,406	266	2,569	283
Other provisions	11,116	1,226	11,051	1,217
Long-term interest-bearing debt	17,067	1,883	15,500	1,707
Other long-term interest-free liabilities	120	13	163	18
Short-term interest-bearing debt ³	17,041	1,880	9,766	1,075
Operating liabilities	18,338	2,023	17,802	1,961
Total equity, provisions and liabilities	117,329	12,945	107,356	11,824
Debt/equity ratio		0.61		0.44
Equity/assets		44 %		47 %

¹ The period-end exchange rate of 9.06 (9.08) was applied in translation to EUR.

² Of which pension assets: 2,364 261 2,289 252

³ SCA has contracted unutilized lines of credit amounting to SEK 24,723 M. Of this, SEK 16,020 M is intended to cover current interest-bearing liabilities and amortization within a year. The remaining unutilized lines of credit totaling SEK 8,587 M, and centrally available liquid assets of SEK 324 M, represent the Group's liquidity reserve totaling SEK 8,911 M. The corresponding contracted unutilized lines of credit at the end of the preceding quarter amounted to SEK 24,172 M and current interest-bearing liabilities and amortization within a year totaled SEK 16,235 M.

CHANGE IN SHAREHOLDERS' EQUITY, SEK M

	Jan–Sept 2004	Jan–Sept 2003
Shareholders' equity, 1 January	49,754	47,983
Conversion of debentures, warrants	1	723
Sale of own shares	9	12
Translation differences	329	-3,295
Exchange rate differences on hedging instruments	-155	1,435
Dividend	-2,450	-2,212
Net earnings for the period	2,978	3,656
Shareholders' equity, 30 September	50,466	48,302

OPERATING CASH FLOW ANALYSIS

1 January–30 September

SEK M	2004	2003
Operating cash surplus	10,366	10,160
Changes in working capital	-1,575	-693
Current capital expenditures, net	-2,674	-2,352
Other operating cash flow changes	-160	-181
Operating cash flow	5,957	6,934
Financial items	-666	-612
Income taxes paid	-1,721	-854
Other	12	35
Cash flow from current operations	3,582	5,503
Acquisitions	-7,583	-958
Strategic capital expenditures, properties	-1,729	-2,106
Strategic structural expenditures	-180	-334
Divestments	0	950
Cash flow before dividend	-5,910	3,055
Dividend	-2,471	-2,235
Cash flow after dividend	-8,381	820
Conversion of debentures, warrants	1	723
Sale of own shares	9	12
Net cash flow	-8,371	1,555
Net debt at beginning of period	-22,306	-23,899
Net cash flow	-8,371	1,555
Currency effects	-572	1,899
Net debt at end of period	-31,249	-20,445
Debt payment capacity	38 %	54 %
Debt/equity ratio	0.61	0.42

Quarterly data

STATEMENT OF EARNINGS Group

SEK M	2004				2003		
	III	II	I	IV	III	II	I
Net sales	22,812	22,340	21,687	21,153	21,064	21,231	21,890
Operating expenses ¹	-19,229	-18,842	-18,386	-17,551	-17,629	-17,838	-18,075
Operating surplus	3,583	3,498	3,301	3,602	3,435	3,393	3,815
Depreciation and write-down, properties and plant ²	-1,630	-1,473	-1,393	-1,369	-1,397	-1,353	-1,363
Goodwill amortization	-314	-295	-286	-296	-276	-273	-285
Share in earnings of associated companies	9	12	5	27	40	24	33
Operating profit	1,648	1,742	1,627	1,964	1,802	1,791	2,200
Financial items	-271	-240	-155	-178	-199	-187	-226
Earnings after financial items	1,377	1,502	1,472	1,786	1,603	1,604	1,974
Income taxes	-412	-488	-449	-358	-465	-466	-572
Minority interest	-10	-5	-9	-9	-7	-8	-7
Net earnings	955	1,009	1,014	1,419	1,131	1,130	1,395
Earnings per share, SEK							
- before dilution effects	4.09	4.32	4.35	6.08	4.88	4.90	6.06
- after dilution effects	4.09	4.32	4.34	6.07	4.88	4.87	6.02

Specification of items affecting comparability

¹Operating 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	-	-	-
² Depreciation and write-down, properties and plant	-	-	-	-57	-	-	-
- Write-down of property, Taiwan	-	-	-	-57	-	-	-
³ Financial items	-	-	-	-	-	-	-
- Sale of shares in Industrivärden	70	-	-	-	-	-	-

Quarterly data**OPERATING CASH FLOW ANALYSIS****Group**

SEK M	2004				2003		
	III	II	I	IV	III	II	I
Operating cash surplus	3,516	3,556	3,294	3,348	3,270	3,291	3,599
Changes in working capital	552	-773	-1,354	1,430	714	-709	-698
Current capital expenditures, net	-1,071	-1,020	-583	-1,550	-817	-928	-607
Other operating cash flow changes	6	-119	-47	-60	-75	-28	-78
Operating cash flow	3,003	1,644	1,310	3,168	3,092	1,626	2,216
Financial items	-271	-240	-155	-178	-199	-187	-226
Income taxes paid	-501	-878	-342	-297	-485	-113	-256
Other	7	5	0	-62	77	-38	-4
Cash flow from current operations	2,238	531	813	2,631	2,485	1,288	1,730
Acquisitions	452 ¹	-7,047	-988	-3,850	-107	-307	-544
Strategic capital expenditures, properties	-752	-512	-465	-843	-797	-756	-553
Strategic structural expenditures	-63	-32	-85	-103	-109	-72	-153
Divestments	0	0	0	11	85	215	650
Cash flow before dividend	1,875	-7,060	-725	-2,154	1,557	368	1,130
Dividend	-21	-2,450	-	-	-19	-2,216	-
Cash flow after dividend	1,854	-9,510	-725	-2,154	1,538	-1,848	1,130
Conversion of debentures, warrants	-	-	1	-	723	-	-
Sale of own shares	2	3	4	4	7	4	1
Net cash flow	1,856	-9,507	-720	-2,150	2,268	-1,844	1,131

¹ Preference shares have been reclassified and are treated as loans.

Quarterly data Business areas**NET SALES**

SEK M	2004				2003		
	III	II	I	IV	III	II	I
Hygiene Products	11,761	11,149	10,545	10,531	10,753	10,791	10,906
Consumer Tissue	4,226	3,853	3,721	3,759	3,618	3,630	3,817
Tissue for bulk consumers - AFH	3,023	2,799	2,638	2,628	2,928	2,920	2,913
Personal Care	4,512	4,497	4,186	4,144	4,207	4,241	4,176
Packaging	7,928	7,939	7,830	7,459	7,434	7,421	7,715
Forest Products	3,586	3,741	3,813	3,736	3,378	3,406	3,561
Publication papers	1,909	1,790	1,905	1,891	1,810	1,802	1,764
Pulp, timber and solid-wood products	1,677	1,951	1,908	1,845	1,568	1,604	1,797
Other	265	268	256	126	155	331	419
Intra-group deliveries	-728	-757	-757	-699	-656	-718	-711
Total net sales	22,812	22,340	21,687	21,153	21,064	21,231	21,890

OPERATING SURPLUS

SEK M	2004				2003		
	III	II	I	IV	III	II	I
Hygiene Products	1,855	1,848	1,768	1,747	1,824	1,814	1,895
Consumer Tissue	669	601	635	614	574	562	646
Tissue for bulk consumers - AFH	374	407	335	340	438	433	457
Personal Care	812	840	798	793	812	819	792
Packaging	1,096	1,046	975	965	1,036	1,023	1,100
Forest Products	700	709	667	763	644	634	703
Publication papers	334	309	310	420	339	316	426
Pulp, timber and solid-wood products	366	400	357	343	305	318	277
Other	-68	-105	-109	127	-69	-78	117
Total operating surplus	3,583	3,498	3,301	3,602	3,435	3,393	3,815

OPERATING PROFIT

SEK M	2004				2003		
	III	II	I	IV	III	II	I
Hygiene Products	1,068	1,157	1,153	1,184	1,169	1,192	1,275
Consumer Tissue	327	329	385	402	308	311	395
Tissue for bulk consumers - AFH	153	210	168	178	264	271	288
Personal Care	588	618	600	604	597	610	592
Packaging	636	609	533	538	631	622	691
Forest Products	374	385	345	469	352	331	407
Publication papers	121	96	96	208	140	103	211
Pulp, timber and solid-wood products	253	289	249	261	212	228	196
Other	-116	-114	-118	69	-74	-81	112
Operating profit before goodwill amortization	1,962	2,037	1,913	2,260	2,078	2,064	2,485
Goodwill amortization ¹	-314	-295	-286	-296	-276	-273	-285
Total operating profit	1,648	1,742	1,627	1,964	1,802	1,791	2,200
¹Goodwill amortization:							
Hygiene Products	126	107	103	110	98	96	108
Packaging	100	102	99	97	93	94	93
Common	88	86	84	89	85	83	84
Group	314	295	286	296	276	273	285

OPERATING SURPLUS MARGINS

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

OPERATING MARGINS, excluding goodwill amortization

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

Group**MARGINS**

1 January–30 September

Percent	2004	2003
Operating surplus margin	15.5	16.3
Operating margin, excl. goodwill amortization	8.8	10.3
Operating margin	7.5	9.0
Financial net margin	-1.0	-1.0
Profit margin	6.5	8.0
Tax and minority	-2.1	-2.3
Net margin	4.4	5.7

MARGINS – quarterly data

Percent	2004				2003		
	III	II	I	IV	III	II	I
Operating surplus margin	15.7	15.7	15.2	17.0	16.3	16.0	17.4
Operating margin, excl. goodwill amortization	8.6	9.1	8.8	10.7	9.9	9.7	11.4
Operating margin	7.2	7.8	7.5	9.3	8.6	8.4	10.1
Financial net margin	-1.2	-1.1	-0.7	-0.9	-0.9	-0.8	-1.1
Profit margin	6.0	6.7	6.8	8.4	7.7	7.6	9.0
Tax and minority	-1.8	-2.2	-2.1	-1.7	-2.3	-2.3	-2.6
Net margin	4.2	4.5	4.7	6.7	5.4	5.3	6.4

FIVE-YEAR SUMMARY

Full year	2003	2002	2001	2000 ¹	1999 ¹
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

¹ 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 September

SEK M	2004	2003
Current operations		
Earnings after financial items	4,351	5,181
Adjustment for items not included in cash flow	5,045	3,851
	9,396	9,032
Taxes paid	-1,721	-854
Cash flow from current operations before changes in working capital	7,675	8,178
Cash flow from changes in working capital		
Change in inventories	-351	34
Change in current receivables	-130	172
Change in operating liabilities	-1,094	-899
Cash flow from current operations	6,100	7,485
Investment activities		
Acquisition of subsidiaries	-6,440	-916
Divested units	-	950
Acquisition of tangible and intangible fixed assets	-4,676	-4,458
Proceeds from sale of equipment	308	-
Repayment of loans from external parties	221	103
Cash flow from investment activities	-10,587	-4,321
Financing activities		
Conversion of debentures, warrants	-	435
Sale of own shares	9	12
Borrowings	7,252	-
Amortization of debt	-	-451
Dividend paid	-2,471	-2,235
Cash flow from financing activities	4,790	-2,239
Cash flow for the period	303	925
Liquid funds at beginning of year	1,929	2,826
Translation differences in liquid funds	13	-59
Liquid funds at end of period	2,245	3,692
Reconciliation between cash flow analysis according to RR 7 and operating cash flow		
Cash flow for the period according to RR 7	303	925
Deducted items:		
Repayment of loans from external parties	-221	-103
Increase/amortization of debt	-7,252	451
Added items:		
Net debt in acquired companies	-1,143	-42
Accrued interests	-24	36
Investments through financial leasing	-35	-
Conversion of loan to shareholders' equity	1	288
Net cash flow according to operating cash flow	-8,371	1,555

Press conference

SCA's interim report for the period 1 January-30 September 2004 will be published on 26 October 2004. A press conference will be held at 11:00 CET in Stockholm, where Jan Åström, President and CEO, will present the results. Venue: Salén Konferenser, Aulan, Norrlandsgatan 15, Stockholm.

Telephone conference

The telephone conference will be held on 26 October 2004, at 15:00 CET, where Jan Åström will comment on the results. To participate, please call the number below at least 5 minutes prior to the conference call.

Dial-in number UK:	+44 (0) 207 162 0180	quote: SCA
Dial-in number US:	+1 334 420 4951	quote: SCA

The interim report and the slide presentation will be available at www.sca.com/Investors.

Webcasting

The telephone conference will be webcasted live (listen-only). On 26 October around 7 p.m. a recorded version will be available on our web site www.sca.com/Investors. Requirements: Windows Media Player or Real Player.

For further information please contact:

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