

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

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Interim Report

1 January–31 March 2005

	2005:1	2004:1		2004:4
Earnings per share, SEK	2.82	5.89		4.62
Cash flow from current operations per share, SEK	-0.11	3.68		8.24
Net sales, SEK M	22,518	21,687		23,128
Earnings after financial items, SEK M	894	1,883		971
Net earnings, SEK M	662	1,384		1,082

2005 compared with 2004

- Net sales amounted to SEK 22,518 M (21,687).
- Earnings after taxes amounted to SEK 662 M (1,384)¹.
- Earnings per share amounted to SEK 2.82 (5.89).
- Earnings after financial items amounted to SEK 894 M (1,883). Adjusted for items affecting comparability, earnings after financial items amounted to SEK 1,319 M (1,914), a decline of 31%.

Compared with fourth quarter of 2004

- Net sales amounted to SEK 22,518 M (23,128).
- Earnings after taxes amounted to SEK 662 M (1,082)¹.
- Earnings per share amounted to SEK 2.82 (4.62).
- Earnings after financial items amounted to SEK 894 M (971). Adjusted for items affecting comparability, earnings after financial items amounted to SEK 1,319 M (1,597), a decline of 17%.

Rationalization Programs

- Costs during the quarter for the rationalization programs approved in January amounted to SEK 425 M.

¹ As in the first and fourth quarters of 2004, earnings in the quarter were affected by efficiency enhancement measures. In addition, during the fourth quarter, financial items and taxes were affected positively by items affecting comparability, see also page 10.

Effective 2005, the Group reports are prepared in accordance with International Financial Reporting Standards (IFRS). According to an EU directive, the application is obligatory for publicly listed companies. The effects of the transition are reported as an adjustment in the opening balance of shareholders' equity for 2004. All comparative figures for 2004 are recalculated. For additional information, see page 18.

COMMENTS BY THE CEO

The first quarter of 2005 was characterized by strongly shifting trends in different parts of the world. In Europe, the continued weak economic growth was reflected in our operations by low or negative growth, intense competition and continued pressure on prices, particularly within consumer tissue and corrugated board. The much stronger North American economy has resulted in improved demand for our products, with rising prices, which are now offsetting the increases in raw material costs during 2004.

In the hygiene sector, Personal Care in Europe posted low delivery volumes in the beginning of the year; the trend reversed toward the close of the quarter, however, when normal order bookings were reached. For European tissue operations, the beginning of the year was characterized by a continued, although slowly subsiding, decline in prices. The price decline has been offset partly by the ongoing efficiency enhancement and rationalization programs.

Price increases were implemented during the first quarter in the Away-From-Home segment for both the European and North American tissue operations.

Delivery volumes for European packaging operations were low during the first quarter, resulting in a volume loss of 3% compared with the corresponding period in 2004. Prices also continued to decline, falling 1% during the period. Volumes normalized toward the close of the quarter and in the early part of the second quarter.

In the publication paper segment, price increases announced in 2004 have led to increases of about 5% for newsprint and 2% for LWC and SC paper. In parallel, energy and raw material costs have continued to rise.

In terms of market share, some strengthening was noted in certain segments. In the product category comprising baby diapers, SCA strengthened its leadership position in the Nordic market with the Libero brand. The market share in Sweden has increased during the past six months from about 50% to 62%. In the segment comprising retailers' brands for baby diapers, SCA won two major contracts during the quarter and, accordingly, will strengthen its positions, particularly in southern Europe.

In the category comprising incontinence products for the retail trade in Europe, SCA has maintained its market share at 70% over the past six months and strengthened its share of the North American market during the same period.

To improve SCA's competitiveness and market positions, all categories within Personal Care will launch new products during 2005. Examples include a new generation of baby pant diapers to be launched in the European market and new incontinence products for the American retail trade. New feminine hygiene products and a new global brand platform will also be introduced gradually in all markets during 2005 and 2006.

The ongoing cost-savings programs are proceeding according to plan.

MARKET OUTLOOK

Within the tissue segment, demand remains strong but the consumer sector of the market in Europe is characterized by overcapacity and price pressure. Demand in the European packaging market was weak during the quarter, affected partly by delayed deliveries to grocery markets in southern Europe. In North America, price increases were implemented both for tissue and packaging operations. The higher prices will gradually offset cost increases for energy and raw materials. In the segment comprising personal care products, volume growth remained stable in Europe, although combined with intense price competition. The markets in Eastern Europe, Latin America and Asia continue to show strong growth. For publication papers the supply and demand situation is presently less favourable.

EARNINGS TREND

SEK M	2005:1 ¹	2004:1 ²	2004:4 ³
Hygiene Products	908	1,178	998
- Tissue	379	567	408
- Personal Care	529	611	590
Packaging	458	621	580
Forest Products	401	417	457
- Publication papers	121	102	137
- Pulp, timber and solid-wood products	280	315	320
Other	-530	-119	-823
Operating profit	1,237	2,097	1,212
Financial items	-343	-214	-241
Earnings after financial items	894	1,883	971
Income tax	-232	-499	111
Net earnings	662	1,384	1,082
Earnings per share, SEK	2.82	5.89	4.62

¹ Including items affecting comparability, SEK -425 M before taxes and SEK -314 M after taxes.

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

³ Including items affecting comparability, SEK -626 M before taxes and SEK -81 M after taxes.

Compared with first quarter of 2004

Net sales increased by 4%. Currency movements had a negative impact of 2% on net sales.

The operating profit was charged with SEK 425 M for the expansion of the efficiency enhancement program that was approved in January. Combined with costs for measures approved during the fourth quarter of 2004, total costs for the programs amounted to SEK 1,150 M. Savings are expected to total SEK 1,200 M annually, with their full impact beginning in 2006.

Excluding items affecting comparability amounting to an expense of SEK 425 M (exp: 30), the operating profit declined by 22%, while earnings after financial items were down by 31% and net earnings and earnings per share by 30%. Currency movements had a negative impact of about 2% on operating profit.

Return on equity amounted to 8% (10), and the return on capital employed was 8% (10).

Compared with fourth quarter of 2004

Net sales declined by 3%. Currency movements had a marginal impact on net sales.

Excluding items affecting comparability totaling an expense of SEK 425 M (exp: 726), the operating profit declined by 14%. Currency movements had a marginal impact on earnings. The operating profit for Hygiene Products was 9% lower than the preceding quarter, while Packaging's earnings were down 21% and the operating profit of Forest Products declined by 12%.

Financial items amounted to an expense of SEK 343 M (exp: 241). Financial items in the fourth quarter included items affecting comparability totaling SEK 100 M. The Group's consolidated earnings after financial items, accordingly, amounted to SEK 894 M (971), and SEK 1,319 M (1,597) excluding items affecting comparability, a decline of 17%. Currency movements had only a marginal effect on earnings.

Tax expenses during the fourth quarter of 2004 were impacted by a positive non-recurring effect of SEK 320 M.

Earnings per share during the first quarter amounted to SEK 2.82 (4.62).

TISSUE**Compared with first quarter 2004**

Continued intensive competition resulted in lower operating profit. The decline in profit attributed to operations in Europe was mainly a result of lower prices for consumer tissue. This was partly offset, however, by price adjustments within the AFH segment, which were implemented toward the end of the fourth quarter, and lower production costs attributable to the ongoing efficiency enhancement programs.

Favorable trends were noted in the North American AFH operations as a result of higher prices, which were partly offset by rising energy costs. In Latin America, price increases were implemented during the first quarter.

Compared with fourth quarter 2004

Competition remained strong in the European consumer tissue segment, which resulted in lower prices. Delivery volumes were also lower during the quarter, due to a high level of deliveries toward year-end 2004. In the AFH segment, somewhat higher prices had a positive effect on earnings. Price increases and higher capacity utilization led to improved earnings in the North American operations, despite higher energy costs.

PERSONAL CARE**Compared with first quarter of 2004**

Price pressure in the European markets, combined with increased raw material costs, led to a decline in operating profit that was offset in part by more effective raw materials utilization and acquisitions.

Compared with fourth quarter of 2004

High deliveries of incontinence products in December impacted volume trends during the first quarter. Some continued price pressure and cost increases for oil-based input goods also had negative effects on earnings.

PACKAGING**Compared with first quarter of 2004**

Earnings of the European packaging operations declined due to lower volumes and higher energy costs. The structural changes initiated during 2004 resulted in reduced personnel costs and other indirect costs. In the North American packaging operations, cost increases for oil-based raw materials and energy have not been fully offset by gradual price increases.

Compared with fourth quarter of 2004

Operating profit also declined compared with the fourth quarter due to slightly lower volumes, lower prices and higher energy costs.

PUBLICATION PAPERS**Compared with first quarter of 2004**

Despite negative currency effects, an improvement was noted in operating profit of publication paper operations. The improvement was mainly attributable to higher prices and higher capacity utilization, which were offset, however, by slightly higher raw material and energy costs.

Compared with fourth quarter of 2004

Price increases were implemented during the quarter but did not fully offset the effects of lower volumes and higher costs for energy and raw materials.

PULP, TIMBER AND SOLID-WOOD PRODUCTS**Compared with first quarter of 2004**

The operating profit was lower compared with the preceding year due to lower prices for solid-wood products.

Compared with fourth quarter of 2004

First-quarter earnings of pulp operations were impacted negatively by higher raw material costs and the earnings trend for sawmill operations remained weak.

CASH FLOW

SEK M	2005:1	2004:1	2004:4
Net sales	22,518	21,687	23,128
Operating cash surplus	3,087	3,445	3,371
<i>% of net sales</i>	14	16	15
Current capital expenditures, net	-750	-583	-1,596
<i>% of net sales</i>	3	3	7
Change in working capital	-1,266	-1,369	942
Other operating cash flow changes	-156	-78	-195
Operating cash flow	915	1,415	2,522
Tax payment etc ¹	-704	-406	-439
Free cash flow	211	1,009	2,083
<i>Per share, SEK</i>	<i>0.90</i>	<i>4.32</i>	<i>8.91</i>
Interest payment after taxes	-237	-148	-158
Cash flow from current operations	-26	861	1,925
<i>Per share, SEK</i>	<i>-0.11</i>	<i>3.68</i>	<i>8.24</i>
Strategic investments and divestments	-662	-1,538	-2,472
Cash flow before dividend	-688	-677	-547
Conversion of debentures, warrants	-	1	-
Sale of own shares	2	4	6
Net cash flow	-686	-672	-541

¹ Tax attributable to operating profit.

Compared with first quarter of 2004

The operating cash surplus declined compared with the first quarter 2004, while some increase was noted in current capital expenditures. Working capital increased during the first quarter, in line with seasonal trends noted in previous years.

Taxes paid rose compared with the first quarter of 2004, when taxes from earlier years were recovered. Interest payments also increased, mainly as a result of acquisitions during 2004.

Cash flow from current operations, accordingly, amounted to SEK -26 M (861).

Compared with fourth quarter of 2004

Due to seasonal effects, working capital increased during the first quarter, while current capital expenditures were lower than corresponding expenditures during the fourth quarter.

FINANCING

Financial items increased to an expense of SEK 343 M (exp: 214). The increase was mainly attributable to acquisitions.

Net debt amounted to SEK 37,598 M, an increase of SEK 1,775 M from the beginning of the year. Net cash flow showed a deficit of SEK 686 M and negative currency effects, among other things, of SEK 1,089 M.

Consolidated shareholders' equity rose during the period by SEK 2,023 M to SEK 57,088 M. Net earnings for the period increased equity by SEK 662 M. Currency effects impacted positively on shareholders' equity by SEK 1,263 M. The effects from valuation in accordance with IFRS contributed SEK 79 M to the total increase in equity.

The debt/equity ratio, which amounted to 0.65 (0.42) at the beginning of the year, was 0.66 (0.51) at the close of the quarter. The interest coverage multiple was 3.6 (9.8).

PERSONNEL

The average number of employees at the close of the quarter was 52,211, compared with 46,107 at the end of the first quarter in 2004. The increase is due to acquisitions during 2004, while at the same time various efficiency enhancement programs within the Group reduced the number of employees.

RATIONALIZATION PROGRAMS

The programs that were approved by the Board of Directors in January have been started and are proceeding according to plan. Combined with the measures approved during the fourth quarter of 2004, total costs for the programs amount to SEK 1,150 M, of which SEK 425 M was charged against earnings during the first quarter.

The savings effects will be realized gradually during 2005. For full-year 2005, the effects are expected to total approximately SEK 600 M, of which SEK 80 M impacted earnings already during the first quarter. Full effects of the programs, totaling SEK 1,200 M, will be realized during 2006.

OTHER

This report is prepared in accordance with IAS 34 and the Swedish Financial Accounting Standards Council's recommendation RR 31 and, with respect to the Parent Company, RR 32.

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-March 2005 totaled SEK 42 M (40) and earnings before appropriations and taxes amounted to a loss of SEK 263 M (loss: 285). During the period, the Parent Company made no investments in shares and participations. Investments in properties and plant amounted to SEK 2 M (3) during the period. Liquid funds at the end of the period amounted to SEK 18 M (19).

Acquisitions during the period relate to two small packaging companies and adjustment of the purchase price of prior year's acquisitions.

SHARE DISTRIBUTION

31 March 2005	Series A	Series B	Total
Registered number of shares	40.427.755	194.608.943	235.036.698
Of which treasury shares	-	(1.643.117)	(1.643.117)

During the first quarter, 102 Series A shares were converted into Series B shares. The proportion of Series A shares at the end of the quarter totaled 17.2%. Conversions of the shares are made at the request of the shareholders in question and with the support of the reservation for conversion contained in the Articles of Association from 1999.

Computed in accordance with IFRS recommendations, the effects of outstanding employee stock options programs correspond to a maximum dilution effect of 0.1%, which was taken into account in calculations of earnings per share during the period under review.

Stockholm, 26 April 2005

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Jan Åström
President and CEO

This report is unaudited.

BUSINESS AREA HYGIENE PRODUCTS

SEK M	2005:1	2004:1	2004:4
Net sales	11,606	10,545	11,904
Tissue	7,144	6,359	7,336
Personal Care	4,462	4,186	4,568
Operating surplus	1,636	1,791	1,712
Tissue	888	984	907
Personal Care	748	807	805
Operating profit	908	1,178	998
Tissue	379	567	408
Personal Care	529	611	590
Gross margin, %	14	17	14
Tissue	12	16	12
Personal Care	17	19	18
Operating margin, %	8	11	8
Tissue	5	9	6
Personal Care	12	15	13
Volume trend, %			
Tissue	-2.1 ¹	15.3 ²	-0.2 ¹
Personal Care	-2.7 ¹	8.7 ²	10.1 ¹

¹ Compared with the immediately preceding quarter.

² Compared with corresponding period previous year.

BUSINESS AREA PACKAGING

SEK M	2005:1	2004:1	2004:4
Net sales	7,642	7,830	7,804
Operating surplus	898	1,063	1,036
Operating profit	458	621	580
Gross margin, %¹	12	14	13
Operating margin, %¹	6	8	7
Production			
Liner products, kton	666	650	637
Deliveries			
Liner products, kton	651	663	630
Corrugated board, Mm ²	1,052²	1,068 ²	1,062 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.

BUSINESS AREA FOREST PRODUCTS

SEK M	2005:1	2004:1	2004:4
Net sales	3,762	3,813	3,814
Publication papers	1,932	1,905	2,005
Pulp, timber and solid-wood products	1,830	1,908	1,809
Operating surplus	738	740	800
Publication papers	334	317	354
Pulp, timber and solid-wood products	404	423	446
Operating profit	401	417	457
Publication papers	121	102	137
Pulp, timber and solid-wood products	280	315	320
Gross margin, %	20	19	21
Publication papers	17	17	18
Pulp, timber and solid-wood products	22	22	25
Operating margin, %	11	11	12
Publication papers	6	5	7
Pulp, timber and solid-wood products	15	17	18
Production			
Publication papers, kton	367	357	383
Solid-wood products, km ³	372	370	404
Deliveries			
Publication papers, kton	366	370	392
Solid-wood products, km ³	369	340	393

OPERATING CASH FLOW ANALYSIS

1 January–31 March

SEK M	2005	2004
Operating cash surplus	3,087	3,445
Changes in working capital	-1,266	-1,369
Current capital expenditures, net	-750	-583
Other operating cash flow changes	-156	-78
Operating cash flow	915	1,415
Financial items	-343	-214
Income taxes paid	-601	-342
Other	3	2
Cash flow from current operations	-26	861
Acquisitions	-49	-988
Strategic capital expenditures, properties	-601	-465
Strategic structural expenditures	-12	-85
Divestments	-	-
Cash flow before dividend	-688	-677
Conversion of debentures, warrants	-	1
Sale of own shares	2	4
Net cash flow	-686	-672
Net debt at beginning of period	-35,823	-26,533
Net cash flow	-686	-672
Change via shareholders' equity	65	-
Currency effects	-1,154	-1,223
Net debt at end of period	-37,598	-28,428
Debt payment capacity	20 %	43%
Debt/equity ratio	0.66	0.51

STATEMENT OF EARNINGS

	2005:1	2004:1	2004:4
	SEK M	SEK M	SEK M
Net sales	22,518	21,687	23,128
Operating expenses ¹	-19,737	-18,199	-20,222
Operating surplus	2,781	3,488	2,906
Depreciation and write-down, properties and plant ²	-1,550	-1,395	-1,696
Share in earnings of associated companies	6	4	2
Operating profit	1,237	2,097	1,212
Financial items ³	-343	-214	-241
Earnings before taxes	894	1,883	971
Income taxes ⁴	-232	-499	111
Net earnings	662	1,384	1,082
Earnings attributable to:			
Parent company shareholders	658	1,375	1,078
Minority interest	4	9	4
Earnings per share, SEK			
- before dilution effects	2.83	5.90	4.63
- after dilution effects	2.82	5.89	4.62
Return on shareholders' equity	5%	10%	8%
Return on capital employed	5%	10%	5%
Margins (percent)			
Gross margin	12.4	16.1	12.6
Operating margin	5.5	9.7	5.2
Financial net margin	-1.5	-1.0	-1.0
Profit margin	4.0	8.7	4.2
Tax and minority	-1.0	-2.3	0.5
Net margin	3.0	6.4	4.7
Specification of earnings per share			
Net earnings for the period	662.0	1,384.0	1,082.0
Minority interest	-4.0	-9.0	-4.0
Adjusted earnings	658.0	1,375.0	1,078.0
Average number of shares before dilution	233.4	233.3	233.3
Outstanding warrants	0.1	0.2	0.2
Average number of shares after dilution	233.5	233.5	233.5
Specifications of items affecting comparability			
¹ Operating expenses			
- Rationalization costs	-394	-30	-555
² Depreciation and write-down, properties and plant			
- Write-down in connection with rationalization programs	-31	-	-171
³ Financial items			
- Sale of shares in Industrivärden	-	-	100
⁴ Income taxes			
- Tax treatment of loss carryforwards and changed tax rates	-	-	320

STATEMENT OF EARNINGS

	2005:1	2004:1	2004:4
	EUR M ¹	EUR M ²	EUR M ³
Net sales	2,483	2,364	2,568
Operating expenses	-2,176	-1,984	-2,244
Operating surplus	307	380	324
Depreciation and write-down, properties and plant	-171	-152	-188
Share in earnings of associated companies	1	0	0
Operating profit	137	228	136
Financial items	-38	-23	-27
Earnings after financial items	99	205	109
Income taxes	-26	-54	11
Net earnings	73	151	120

¹ The average exchange rate of 9.07 was applied in translation to EUR.

² The average exchange rate of 9.17 was applied in translation to EUR.

³ Isolated quarterly amounts have been calculated as the difference between two accumulated results.

BALANCE SHEET	31 March 2005		31 December 2004	
	SEK M	EUR M ¹	SEK M	EUR M ¹
Assets				
Goodwill	17,831	1,953	17,131	1,906
Other intangible assets	2,114	231	2,025	225
Tangible assets	76,057	8,329	74,714	8,314
Shares and participations	670	73	696	77
Long-term financial receivables ²	1,819	199	1,126	125
Other long-term receivables	809	89	682	76
Total fixed assets³	99,300	10,874	96,374	10,723
Operating receivables and inventories	28,282	3,097	25,774	2,868
Short-term investments	473	51	891	99
Cash and bank balances	1,787	196	2,735	304
Total current assets⁴	30,542	3,344	29,400	3,271
Total assets	129,842	14,218	125,774	13,994
Shareholders' equity				
Equity excluding minority interest	56,299	6,165	54,202	6,031
Minority interest	789	86	768	85
Total equity	57,088	6,251	54,970	6,116
Liabilities				
Provisions for pensions	4,303	471	4,388	488
Other provisions	12,628	1,383	12,346	1,374
Long-term interest-bearing debt	15,276	1,673	19,155	2,131
Other long-term interest-free liabilities	155	17	90	10
Total long-term liabilities⁵	32,362	3,544	35,979	4,003
Short-term interest-bearing debt	21,984	2,407	15,776	1,755
Operating liabilities	18,408	2,016	19,049	2,120
Total current liabilities⁶	40,392	4,423	34,825	3,875
Total liabilities⁷	72,754	7,967	70,804	7,878
Total equity and liabilities	129,842	14,218	125,774	13,994
Debt/equity ratio	0.66		0.63	
Equity/assets	44%		44%	

CHANGE IN SHAREHOLDERS' EQUITY, SEK M	Jan–Mar 2005	Jan–Mar 2004
Shareholders' equity, 1 January ⁸	54,970	49,754
Adjustment to IFRS rules ⁹	95	3,588
Shareholders' equity, 1 January, in accordance with IFRS	55,065	53,342
Result from fair value valuation		
- financial assets available for sale	-16	-
- change in actuarial gains and losses of pensions	76	-
Cash-flow hedging	19	-
Translation differences on hedge instruments of net investments	143	-823
Translation differences	1,120	1,756
Changes in minority interests incl. translation differences	17	65
Conversion of debentures, warrants	-	1
Sale of own shares	2	4
Earnings for the period	662	1,384
Shareholders' equity, 31 March	57,088	55,729

¹ The average exchange rate of 9.13 (8.99) was applied in translation to EUR.

² Of which pension assets

³ Of which derivative instruments

⁴ Of which derivative instruments

⁵ Of which derivative instruments

⁶ Of which derivative instruments

⁷ SCA has contracted committed credit lines amounting to SEK 25.686 M. Commitments exceeding one year of SEK 17,807 M cover short-term interest-bearing liabilities, utilization of syndicated bank loans and amortizations within one year. The remaining committed credit lines of SEK 7,879 M together with centrally available liquid funds of SEK 596 M, comprise the Group's liquidity reserve totaling SEK 8,475 M.

⁸ 2005 in accordance with IFRS as of 31 December 2004. 2004 in accordance with Swedish GAAP.

⁹ 2005 pertains to IAS 32 and IAS 39. 2004 transition to IFRS at 1 January 2004. For more information see page 18.

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

SEK M	2005		2004		
	I	IV	III	II	I
Operating cash surplus	3,087	3,371	3,634	3,658	3,445
Changes in working capital	-1,266	942	554	-771	-1,369
Current capital expenditures, net	-750	-1,596	-1,071	-1,020	-583
Other operating cash flow changes	-156	-195	5	-88	-78
Operating cash flow	915	2,522	3,122	1,779	1,415
Financial items	-343	-241	-330	-299	-214
Income taxes paid	-601	-367	-501	-878	-342
Other	3	11	4	7	2
Cash flow from current operations	-26	1,925	2,295	609	861
Acquisitions	-49	-1,757	452 ¹	-7,047	-988
Strategic capital expenditures, properties	-601	-669	-752	-512	-465
Strategic structural expenditures	-12	-46	-63	-32	-85
Divestments	0	0	0	0	0
Cash flow before dividend	-688	-547	1,932	-6,982	-677
Dividend	-	-	-21	-2,450	-
Cash flow after dividend	-688	-547	1,911	-9,432	-677
Conversion of debentures, warrants	-	-	-	-	1
Sale of own shares	2	6	2	3	4
Net cash flow	-686	-541	1,913	-9,429	-672

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

Quarterly data

Group

STATEMENT OF EARNINGS

SEK M	2005		2004		
	I	IV	III	II	I
Net sales	22,518	23,128	22,812	22,340	21,687
Operating expenses ¹	-19,737	-20,222	-19,099	-18,644	-18,199
Operating surplus	2,781	2,906	3,713	3,696	3,488
Depreciation and write-down, properties and plant ²	-1,550	-1,696	-1,588	-1,473	-1,395
Share in earnings of associated companies	6	2	4	8	4
Operating profit	1,237	1,212	2,129	2,231	2,097
Financial items ³	-343	-241	-330	-299	-214
Earnings after financial items	894	971	1,799	1,932	1,883
Income taxes ⁴	-232	111	-465	-540	-499
Net earnings	662	1,082	1,334	1,392	1,384

Earnings per share, SEK

- before dilution effects	2.83	4.63	5.67	5.93	5.90
- after dilution effects	2.82	4.62	5.67	5.93	5.89

Margins (percent)

Gross margin	12.4	12.6	16.3	16.5	16.1
Operating margin	5.5	5.2	9.3	10.0	9.7
Financial net margin	-1.5	-1.0	-1.4	-1.3	-1.0
Profit margin	4.0	4.2	7.9	8.7	8.7
Tax and minority	-1.0	0.5	-2.0	-2.4	-2.3
Net margin	3.0	4.7	5.9	6.3	6.4

Specifications of items
affecting comparability¹ Operating expenses

- Rationalization costs	-394	-555	-	-14	-30
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² Depreciation and write-
down, properties and plant

- Write-down in connection with rationalization programs	-31	-171	-	-	-
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³ Financial items

- Sale of shares in Industrivärden	-	100	70	-	-
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⁴ Income taxes

- Tax treatment of loss carryforwards and changed tax rates	-	320	-	-	-
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Quarterly data

Business areas

SEK M	2005		2004		
	I	IV	III	II	I
NET SALES					
Hygiene Products	11,606	11,904	11,761	11,149	10,545
Tissue	7,144	7,336	7,249	6,652	6,359
Personal Care	4,462	4,568	4,512	4,497	4,186
Packaging	7,642	7,804	7,928	7,939	7,830
Forest Products	3,762	3,814	3,586	3,741	3,813
Publication papers	1,932	2,005	1,909	1,790	1,905
Pulp, timber and solid-wood products	1,830	1,809	1,677	1,951	1,908
Other	232	298	265	268	256
Intra-group deliveries	-724	-692	-728	-757	-757
Total net sales	22,518	23,128	22,812	22,340	21,687
OPERATING SURPLUS					
Hygiene Products	1,636	1,712	1,878	1,881	1,791
Tissue	888	907	1,056	1,028	984
Personal Care	748	805	822	853	807
Packaging	898	1,036	1,172	1,138	1,063
Forest Products	738	800	773	782	740
Publication papers	334	354	340	317	317
Pulp, timber and solid-wood products	404	446	433	465	423
Other	-491	-642	-110	-105	-106
Total operating surplus	2,781	2,906	3,713	3,696	3,488
OPERATING PROFIT					
Hygiene Products	908	998	1,093	1,186	1,178
Tissue	379	408	495	556	567
Personal Care	529	590	598	630	611
Packaging	458	580	706	697	621
Forest Products	401	457	446	457	417
Publication papers	121	137	127	104	102
Pulp, timber and solid-wood products	280	320	319	353	315
Other	-530	-823	-116	-109	-119
Total operating profit	1,237	1,212	2,129	2,231	2,097

Percent	2005		2004		
	I	IV	III	II	I
GROSS MARGINS					
Hygiene Products	14	14	16	17	17
Tissue	12	12	15	16	16
Personal Care	17	18	18	19	19
Packaging	12	13	15	14	14
Forest Products	20	21	22	21	19
Publication papers	17	18	18	18	17
Pulp, timber and solid-wood products	22	25	26	24	22

OPERATING MARGINS

Hygiene Products	8	8	9	11	11
Tissue	5	6	7	8	9
Personal Care	12	13	13	14	15
Packaging	6	7	9	9	8
Forest Products	11	12	12	12	11
Publication papers	6	7	7	6	5
Pulp, timber and solid-wood products	15	18	19	18	17

FIVE-YEAR SUMMARY

Full year	2004 ¹	2003	2002	2001	2000 ²
Earnings after financial items, SEK M	6,585	6,967	8,078	8,090	9,327
Earnings per share, SEK	22.11	21.84	24.54	24.05	30.64
Earnings per share, before goodwill amortization, SEK	22.11	26.51	29.15	28.40	33.76
Debt/equity ratio, times	0.63	0.44	0.49	0.51	0.39
Return on capital employed, %	9	11	13	14	18
Return on shareholders' equity, %	10	10	12	13	20

¹ Adjusted to IFRS.² Adjusted historically to reflect new issues.

CASH FLOW ANALYSIS

1 January–30 March

SEK M	2005	2004
Current operations		
Earnings after financial items	894	1,883
Adjustment for items not included in cash flow	1,620	1,124
	2,514	3,007
Taxes paid	-601	-342
Cash flow from current operations before changes in working capital	1,913	2,665
Cash flow from changes in working capital		
Change in inventories	-460	-267
Change in current receivables	368	-810
Change in operating liabilities	-1,174	-292
Cash flow from current operations	647	1,296
Investment activities		
Acquisition of subsidiaries	-49	-799
Acquisition of tangible and intangible fixed assets	-1,345	-1,254
Proceeds from sale of equipment	11	206
Payment of loans to external parties	-307	-89
Cash flow from investment activities	-1,690	-1,936
Financing activities		
Sale of own shares	2	4
Borrowings	0	1,812
Amortization of debt	-572	0
Cash flow from financing activities	-570	1,816
Cash flow for the period	-1,613	1,176
Liquid funds at beginning of year	3,498	1,929
Translation differences in liquid funds	56	33
Liquid funds at end of period	1,941	3,138
Reconciliation with the operative cash flow analysis		
Cash flow for the period	-1,613	1,176
Deducted items:		
Payment of loans to external parties	307	89
Increase/amortization of debt	572	-1,812
Added items:		
Net debt in acquired companies	0	-189
Accrued interests	65	63
Investments through financial leasing	-17	0
Conversion of loan to shareholders' equity	-	1
Net cash flow according to operating cash flow	-686	-672

ACCOUNTING PRINCIPLES

Accounting principles and effects of transition to IFRS

As of 2005, SCA prepares its consolidated accounts in accordance with the International Financial Reporting Standards Board (IFRS). A detailed description of the effects of the transition from Swedish GAAP to IFRS, on the opening and closing balances 2004 as well as on 2004 earnings, is provided in the 2004 Annual Report (Note 33).

The transition to IFRS is 1 January 2004, which means that comparable figures for 2004 are adjusted to IFRS rules.

IAS 39 and 32 are applied from 1 January 2005 and forward. The effect on the opening balance 2005 of the application is provided below.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is a new standard that the Group applies as of 2005.

In recent years, Swedish GAAP has adapted largely to IFRS regulations and large sections of IFRS' regulations, accordingly, are already applied in the Group. However, the transition has resulted in the following more significant or principle differences compared with 2004:

- Biological assets, growing trees, are valued and reported at fair value. Fair value is calculated on the current value of the expected future cash flow from the assets. (IAS 41)
- Goodwill is tested annually to identify any impairment requirements and reported at acquisition value less accumulated write-downs; Amortization of goodwill is no longer applied. (IFRS 3)
- Intangible assets can have indefinite lifetime, such assets, currently only trademarks, are treated in the same manner as goodwill and are tested annually to identify any necessary impairment requirement. (IAS 38)
- Derivative instruments, as well as financial assets held for trading, are valued at fair value and reported in the balance sheet. The results from revaluation are reported in the statement of earnings in the period they arise. (IAS 39, for further information see below)
- Securities classified as financial assets available for sale are valued at fair value. Unrealized earnings from revaluation are reported in shareholders' equity, Realized gains as well as any write-downs are recognized in the statement of earnings. (IAS 39, for further information see below)
- Rules for hedge accounting in accordance with IAS 39 are applied and described in detail below.
- Offsetting is no longer reported in securitization. (IAS 32 and IAS 39)
- Actuarial gains and losses from calculation of pensions are reported directly in shareholders' equity. The EU has not yet approved this supplement to IAS 19. The EU's expert authority for accounting, EFRAG, has recommended approval.
- Reported share in earnings of associated companies pertains to the Group's share after tax.
- Minority interests are included in the reported earnings of the period and are part of the Group's shareholders' equity. (IAS 1)

The accounting presented in this report is based on IFRS standards in their current form. Changes and interpretations may be published during 2005 and affect the year's final accounting.

Financial instruments, recognition and measurement in accordance with IAS 39

SCA classifies its financial instruments in the following classes. Classification is determined in conjunction with implementing the transaction.

Financial assets valued at fair value through the statement of earnings. A financial asset is assigned to this category if it is held for trading. Derivative instruments with positive market value are assigned to this category if they are not identified as hedging transactions. Value changes in this category are recognized in the statement of earnings.

Loan receivables and other accounts receivable. This includes financial assets that arise as a result of the Group providing money, goods or services directly to customers without the intention of trading in the resulting receivable. This category does not contain any derivative instruments. These financial assets are reported at accrued acquisition value and are impairment tested.

Available-for-sale financial assets. A financial asset not classified in any of the above and is not a derivative instrument is classified in this category. These financial assets are reported at fair value and the value change is recognized in shareholders' equity.

Financial liabilities valued at fair value through the statement of earnings. Derivative instruments with negative market value are assigned to this category, if they are not identified as hedging transactions. The value changes in these instruments are reported directly in the statement of earnings.

Other liabilities. This includes all liabilities except derivative instruments. Liabilities are reported at the accrued acquisition value, if they are not identified for hedge accounting.

Hedge accounting

Derivative instruments are reported at fair value and the result of revaluations normally affects the statement of earnings continually. The exception to this rule occurs in transactions in which derivative instruments qualify as hedge accounting. The following hedge areas have been identified within the Group:

Cash flow hedging may be applied for hedging of value changes in a highly probable forecast cash flow in a highly probable forecast cash flow. The change in market value of a derivative instruments applied in such a hedging transaction is reported in shareholders' equity.

Hedging of fair value of assets and liabilities. Changes in market values of derivative instruments used to hedge fair values are recognized in the statement of earnings with the changes in fair value on the asset or liabilities for which hedged risk originated.

Hedging of net investments in foreign operations. Gains and losses that arise in revaluation of the derivative instruments used for such hedges, and which are attributable to currency movements, are recognized in shareholders' equity.

To meet the goals and policies for financial risk management in the Group, financial derivative instruments are used. SCA has created hedging relations that meet the conditions for hedge accounting for all derivative instruments that are intended to hedge the Group's net investments, for those derivatives intended to secure desired fixed interest rates and which can be linked to a specific loan and for those derivative instruments intended for hedging of flows linked to investments. The goal for other derivative instruments is to create hedging relations during the year that meet the conditions for hedge accounting in order to limit to the most possible extent short-term earnings volatility where this is possible at a reasonable cost.

Effects on the consolidated balance sheet 1 January 2005 of transition to IAS 32 and IAS 39

In the transition to IAS 32 and 39, previously offset reporting of securitization transactions were recognized gross. No embedded derivatives have been identified in the Group. The effect on the opening balance in other respects is due to market valuation of financial instruments. The starting point is the balance sheet in accordance with IFRS at 31 December 2004 as presented in the annual report.

Effects of transition to reporting financial instruments in accordance with IAS39

BALANCE SHEET, 1 January 2005

SEK M	In accordance with IFRS excl. IAS 39*)	Financial assets available for sale	Financial assets valued at fair value in the statement of earnings	Hedging of fair value	Cash flow hedging	In accordance with IFRS incl. IAS 39	
Assets							
Goodwill	17,131					17,131	
Other intangible fixed assets	2,025					2,025	
Tangible fixed assets	74,714					74,714	
Shares and participations	696	197	0			893	
Long-term financial investments	1,126		1	514		1,641	
Other long-term receivables	682		1			683	
Total fixed assets	96,374	0	197	2	514	97,087	
Operating receivables and inventories	25,774	1,250		64		27,090	
Short-term investments	891			-53	-178	660	
Cash and bank balances	2,735					2,735	
Total current assets	29,400	1,250	0	11	-178	30,485	
Total assets	125,774	1,250	197	13	336	127,572	
Shareholders' equity							
Equity excluding minority interest	54,202	0	197	-87	-4	-11	54,297
Minority interest	768						768
Total equity	54,970	0	197	-87	-4	-11	55,065
Liabilities							
Provisions for pensions	4,388						4,388
Other provisions	12,346			-34	-2	-4	12,306
Long-term interest-bearing debt	19,155			1	549		19,705
Other long-term liabilities	90			7		2	99
Total long-term liabilities	35,979	0	0	-26	547	-2	36,498
Current interest-bearing debt	15,776	1,250		-34	-207		16,785
Operating liabilities	19,049			160		15	19,224
Total current liabilities	34,825	1,250	0	126	-207	15	36,009
Total liabilities	70,804	1,250	0	100	340	13	72,507
Total equity and liabilities	125,774	1,250	197	13	336	2	127,572

*) Agrees with the balance sheet in accordance with IFRS as of 31 December 2004 presented in the 2004 Annual Report.

Effects of transition to IFRS on the consolidated statement of earnings per quarter 2004

STATEMENT OF EARNINGS	January - March 2004			January-June 2004		
	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS
SEK M						
Net sales	21,687	0	21,687	44,027	0	44,027
Operating expenses	1) -18,386	187	-18,199	-37,228	385	-36,843
Operating surplus	3,301	187	3,488	6,799	385	7,184
Depreciation and write-downs, fixed assets 2)	-1,393	-2	-1,395	-2,866	-2	-2,868
Goodwill amortization	-286	286	0	-581	581	0
Share in earnings of associated companies	5	-1	4	17	-5	12
Operating profit	1,627	470	2,097	3,369	959	4,328
Financial items	3) -155	-59	-214	-395	-118	-513
Operating profit before taxes	1,472	411	1,883	2,974	841	3,815
Taxes	-449	-50	-499	-937	-102	-1,039
Minority interest in net earnings for the year	-9	9	0	-14	14	0
Net earnings for the period	1,014	370	1,384	2,023	753	2,776

Earnings attributable to:

Parent company shareholders			1,375			2,762
Minority interest			9			14
			1,384			2,776

1) Operating expenses

Change in fair value of growing trees		63			126	
Changed expenses for pensions as a result of changed treatment of actuarial gains and losses		123			258	
Effect of reclassification of operational leasing contracts to financial		2			4	
Reversal of negative goodwill recognized in income		-1			-3	
		187			385	

2) Depreciation according to plan

Reversal of amortization of trademarks with indefinite lifetimes		0			0	
Effect of reclassification of operational leases to financial		-2			-2	
		-2			-2	

3) Financial items

Changed expenses for pensions as a result of changed treatment of actuarial gains and losses		-58			-117	
Effect of reclassification of operational leases to financial		-1			-1	
		-59			-118	

Earnings per share, SEK

- before full dilution	4.35	1.55	5.90	8.67	3.17	11.84
- after full dilution	4.34	1.55	5.89	8.66	3.17	11.83

Effects of transition to IFRS on the segments' operating profit

	January - March 2004			January - June 2004		
	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS
Hygiene Products	1,153	25	1,178	2,310	54	2,364
Tissue	553	14	567	1,092	31	1,123
Personal Care	600	11	611	1,218	23	1,241
Packaging	533	88	621	1,142	176	1,318
Forest Products	345	72	417	730	144	874
Publication papers	96	6	102	192	14	206
Pulp, timber	249	66	315	538	130	668
Other	-118	-1	-119	-232	4	-228
Operating profit before goodwill amortization	1,913	184	2,097	3,950	378	4,328
Goodwill amortization	-286	286	0	-581	581	0
Operating profit	1,627	470	2,097	3,369	959	4,328
Financial items	-155	-59	-214	-395	-118	-513
Earnings after financial items	1,472	411	1,883	2,974	841	3,815

Effects of transition to IFRS on the consolidated statement of earnings per quarter 2004

STATEMENT OF EARNINGS	January – September 2004			January – December 2004		
	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS
SEK M						
Net sales	66,839	0	66,839	89,967	0	89,967
Operating expenses	1) -56,501	559	-55,942	-76,924	760	-76,164
Operating surplus	10,338	559	10,897	13,043	760	13,803
Depreciation and write-downs, fixed assets 2)	-4,452	-4	-4,456	-6,172	20	-6,152
Goodwill amortization	-895	895	0	-1,213	1,213	0
Share in earnings of associated companies	26	-10	16	32	-14	18
Operating profit	5,017	1,440	6,457	5,690	1,979	7,669
Financial items	3) -666	-177	-843	-851	-233	-1,084
Operating profit before taxes	4,351	1,263	5,614	4,839	1,746	6,585
Taxes	-1,349	-155	-1,504	-1,172	-221	-1,393
Minority interest in net earnings for the year	-24	24	0	-28	28	0
Net earnings for the period	2,978	1,132	4,110	3,639	1,553	5,192

Earnings attributable to:

Parent company shareholders		4,086				5,164
Minority interest		24				28
			4,110			5,192

1) Operating expenses

Change in fair value of growing trees		189				252
Changed expenses for pensions as a result of changed treatment of actuarial gains and losses		383				519
Effect of reclassification of operational leasing contracts to financial		6				8
Reversal of negative goodwill recognized in income		-19				-19
		559				760

2) Depreciation according to plan

Reversal of amortization of trademarks with indefinite lifetimes		0				24
Effect of reclassification of operational leases to financial		-4				-4
		-4				20

3) Financial items

Changed expenses for pensions as a result of changed treatment of actuarial gains and losses		-176				-231
Effect of reclassification of operational leases to financial		-1				-2
		-177				-233

Earnings per share, SEK

- before full dilution	12.76	4.74	17.50	15.59	6.53	22.12
- after full dilution	12.75	4.74	17.49	15.58	6.53	22.11

Effects of transition to IFRS on the segments' operating profit

	January - September 2004			January – December 2004		
	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS	In accordance with previously applied principles	Effects of transition to IFRS	In accordance with IFRS
Hygiene Products	3,378	79	3,457	4,321	134	4,455
Tissue	1,572	46	1,618	1,950	76	2,026
Personal Care	1,806	33	1,839	2,371	58	2,429
Packaging	1,778	246	2,024	2,268	336	2,604
Forest Products	1,104	216	1,320	1,487	290	1,777
Publication papers	313	20	333	442	28	470
Pulp, timber	791	196	987	1,045	262	1,307
Other	-348	4	-344	-1,173	6	-1,167
Operating profit before goodwill amortization	5,912	545	6,457	6,903	766	7,669
Goodwill amortization	-895	895	0	-1,213	1,213	0
Operating profit	5,017	1,440	6,457	5,690	1,979	7,669
Financial items	-666	-177	-843	-851	-233	-1,084
Earnings after financial items	4,351	1,263	5,614	4,839	1,746	6,585

Effects of transition to IFRS on shareholders' equity

	Opening balance				
	2004-01-01	Jan-Mar 2004	Jan-Jun 2004	Jan-Sep 2004	Jan-Dec 2004
Opening shareholders' equity in accordance with previously applied principles	49,754	49,754	49,754	49,754	49,754
Changed accounting principles	-	-	-	-	87
Conversions of debentures, options		1	1	1	1
Sales of own shares		4	7	9	15
Translation differences		1,917	1,083	329	-1,201
Exchange-rate differences in hedging instruments		-823	-474	-155	192
Dividend		-	-2,450	-2,450	-2,450
Net earnings for the period		1,014	2,023	2,978	3,639
Closing shareholders' equity in accordance with previously applied principles	49,754	51,867	49,944	50,466	50,037
Effects of shareholders' equity of transition to IFRS attributable to:					
- change in opening shareholders' equity, 1 January 2004		3,588	3,588	3,588	3,588
- valuation of growing trees at fair value	5,589	45	91	136	181
- changed pension accounting	-	45	98	143	199
- changed pension accounting, nondistributable equity	-2,853	-	-	-	-244
- reclassification of operational leasing contracts to financial	50	-1	1	1	2
- change accounting for negative goodwill	51	-1	-3	-19	-19
- reversal of amortization of trademarks with indefinite lifetimes	-	-	-	-	17
- reversals of goodwill amortization	-	273	552	847	1,145
- changed accounting for successive acquisitions, restricted reserves	-	-	-	36	36
- translation differences on IFRS adjustments	-	-161	-119	-44	11
- minority interests included in shareholders' equity	751	74	30	24	17
Total effect, opening balance 1 January 2004	3,588				
Closing shareholders' equity; in accordance with IFRS	53,342	55,729	54,182	55,178	54,970

Press conference

SCA's interim report for the period 1 January-31 March 2005 will be published on 26 April 2005. A press conference will be held at 10:00 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 April 2005, 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 0185	quote: SCA
Dial-in number US:	+1 334 323 6203	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) at www.sca.com. On 26 April in the evening, a recorded version will be available at www.sca.com/Investors. Requirements: Windows Media Player or Real Player.

For further information please contact:

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