



SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

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Reg. no. 556012-6293

Year-end report 1 January–31 December 2006

Dividend/Split

- The Board of Directors proposes a dividend of SEK 12.00 per share (11.00) and a 3:1 split

Period 1 January – 31 December 2006 compared with previous year

- Net sales amounted to SEK 101,439m (96,385).
- Profit before tax amounted to SEK 6,833m (433). Adjusted for items affecting comparability the improvement was 18%.
- Net profit for the period amounted to SEK 5,467m (454).
- Earnings per share amounted to SEK 23.25 (1.84).
- Debt/equity ratio amounted to 0.62 (0.70).

Fourth quarter of 2006 compared with third quarter of 2006

- Net sales amounted to SEK 25,650m (25,095).
- Profit before tax amounted to SEK 1,803m (1,753).
- Net profit for the period amounted to SEK 1,451m (1,526).
- Earnings per share amounted to SEK 6.16 (6.51).

EARNINGS TREND¹

SEKm	0612	0512	2006:4	2006:3	2006:2	2006:1
Net sales	101,439	96,385	25,650	25,095	25,294	25,400
Operating expenses	-86,774	-85,811	-21,832	-21,410	-21,653	-21,879
Operating surplus	14,665	10,574	3,818	3,685	3,641	3,521
Depreciation and write-downs	-6,185	-8,671	-1,561	-1,516	-1,537	-1,571
Share of profits of associated companies	25	25	4	7	9	5
Operating profit	8,505	1,928	2,261	2,176	2,113	1,955
Financial items	-1,672	-1,495	-458	-423	-405	-386
Profit before tax	6,833	433	1,803	1,753	1,708	1,569
Tax	-1,366	21	-352	-227	-387	-400
Net profit for the period	5,467	454	1,451	1,526	1,321	1,169
Earnings per share, SEK	23.25	1.84	6.16	6.51	5.62	4.96
<i>Of which operating profit per business area</i>						
Personal Care	2,799	2,474	726	681	693	699
Tissue	1,490	1,577	358	431	401	300
Packaging	2,072	1,775	598	560	476	438
Forest Products	2,475	1,886	676	591	631	577
- Publication papers	818	662	208	168	237	205
- Pulp, timber and solid-wood products	1,657	1,224	468	423	394	372
Other	-331	-5,784	-97	-87	-88	-59
Total	8,505	1,928	2,261	2,176	2,113	1,955

¹ 2005 includes items affecting comparability: operating expenses SEK -3,013m, write-downs SEK -2,352m and tax effects SEK 1,384m. Tax expense for the third quarter was affected positively by SEK 185m in changed assessments regarding tax provisions. Tax expense for the fourth quarter was affected positively by SEK 80m by a tax reduction in the Netherlands and a changed country mix.

CEO'S MESSAGE

The Group's net sales rose 5% to SEK 101,439m. This made 2006 SCA's first year with sales in excess of SEK 100 billion.

During 2006 SCA improved its profit before tax by 18% compared with the previous year, adjusted for items affecting comparability. This earnings boost is due to an improved market situation, favourable growth and implementation of efficiency enhancement programmes. Three out of the four business areas showed a clear improvement in earnings. This was achieved through a large number of product launches, a positive price trend and effects from efficiency enhancement programmes. Raw material and energy costs rose sharply during the year.

Personal Care showed an earnings improvement of 13% due to strong volume growth, primarily for incontinence products but also for baby diapers and feminine hygiene products. In Packaging, capacity utilization improved substantially due to extensive closures among other things. Prices recovered and continued price increases are expected in 2007. Earnings improved by 17% in 2006. In addition, a concentration is taking place towards segments with higher value content. Earnings for Forest Products improved by 31%. The sawmill operations had their strongest year ever, driven by a growing construction market and rising prices for solid-wood products. The productivity development in our publication papers business also contributed to the improved result.

Tissue for bulk consumers, AFH, developed well during the year, particularly the North American operations. There is still intense competition within European consumer tissue. Price increases have been implemented, but these are far from sufficient to meet the substantial cost increases for energy and raw material. Brand positions such as Edet, Zewa and Velvet developed well during the year and efforts are being made to further strengthen these brands.

The growth markets Eastern Europe, China and Latin America all showed positive development during the year. In Eastern Europe, SCA's growth within personal care products and tissue is more than 10%. A new tissue plant is planned during 2007 outside Moscow to meet increased demand. Growth is also high in our packaging operations in Eastern Europe where among other things we are building a new corrugated board plant in Romania. In China, the sales increase for the packaging operations was 20%. We are building new plants in Suzhou and Nanjing in order to meet increased demand. In Latin America, market shares within personal care and tissue strengthened during the year and earnings improved.

After the end of the period, the packaging operations in North America were sold for USD 400m. This sale is in line with the Group's strategy to concentrate SCA's packaging operations to Europe and Asia, where we see major opportunities to develop and expand the business. The investment has met the Group's return requirement. Since the sales proceeds match the book value, there is no capital gain.

In my opinion, the positive market development and the opportunities for favourable growth will continue in 2007. During 2007 we will continue to carry out product launches, strengthen our brands, improve service and reduce our costs.

GROUP

NET SALES AND EARNINGS

Net sales increased by 5% compared with 2005 and amounted to SEK 101,439m (96,385). Volume growth was 4% and contributed SEK 3,400m. Higher prices had a positive effect of SEK 2,100m while exchange rate fluctuations had a negative impact on net sales of SEK 350m. Profit before tax improved by 18% to SEK 6,833m (5,798), adjusted for previous year's items affecting comparability. Higher prices and a changed product mix improved earnings by SEK 1,500m while higher volumes contributed SEK 1,100m. The effects of the efficiency programme contributed SEK 1,265m. Increased costs for energy and raw materials had a negative earnings impact of SEK 1,700m. Exchange rate fluctuations only had a marginal effect on earnings.

Net sales in the fourth quarter amounted to SEK 25,650m compared with SEK 25,095m in the third quarter. The increase is explained by higher volumes and the gradual effect of price increases within Packaging. Exchange rate fluctuations had a negative impact on net sales of 1%. Profit before tax

amounted to SEK 1,803m (1,753) in the fourth quarter, an increase of 3%. Exchange rate fluctuations had a negative earnings impact of 1%.

CASH FLOW AND FINANCING

The operating cash surplus was SEK 14,123m, compared with SEK 13,113m in the previous year. Consolidated operating cash flow amounted to SEK 6,304m (7,471). Working capital increased during the year due to growth and implemented price increases. Current capital expenditures, net amounted to SEK 5,672m (4,859) which corresponds to 6% of net sales. The increase is partly a result of investments in conjunction with the efficiency programmes. Expenditures for the ongoing efficiency programmes are being made at a slightly faster rate than planned and amounted to SEK 1,329m during the year compared with SEK 972m in the previous year.

Cash flow from operations amounted to SEK 2,772m (4,362). Financial items rose by SEK 177m compared with the previous year and amounted to SEK 1,672m (1,495). The increase is due to higher interest rates. Tax payments were slightly higher than in the previous year and amounted to SEK 1,770m (1,629). This includes payment of additional tax in Germany of SEK 446m in the third quarter. Additional information is provided under the heading "Other" on page 7.

Net cash flow for the year was SEK -1,008m (-967). Strategic investments amounted to SEK 1,234m (2,594). These primarily relate to investments within the incontinence and tissue operations. The dividend totalled SEK 2,625m (2,478).

Net debt at year-end amounted to SEK 36,399m, a decrease of SEK 3,427m since the start of the year. A negative net cash flow of SEK 1,008m increased the net debt. Currency effects resulting from a strengthening of the Swedish krona reduced net debt by SEK 2,009m. Remeasurements according to IAS 19 for pensions and IAS 39 for financial instruments, had a combined positive effect of SEK 2,426m, most of which is attributable to pensions.

SHAREHOLDERS' EQUITY

Consolidated shareholders' equity increased during the year by SEK 1,853m to SEK 58,963m. Net profit for the period and the effects of remeasurements according to IAS 19 for pensions and IAS 39 for financial instruments, increased equity by SEK 5,467m and SEK 1,430m respectively. Dividends and currency effects had a negative impact on equity of SEK 2,625m and SEK 2,419m respectively.

KEY RATIOS

Return on capital employed amounted to 9% (2%) and return on equity to 9% (1%). The interest coverage ratio amounted to 5.1 (1.3). The debt/equity ratio amounted to 0.62 (0.70) while as visible equity/assets ratio amounted to 44% (42%).

PERSONNEL

At year-end, the average number of employees was almost 50,000 (51,000). While the number of employees in Europe decreased, the number of employees in China and Latin America increased.

EFFICIENCY ENHANCEMENT PROGRAMME

Additional savings from the ongoing efficiency programme affected earnings by SEK 80m in the fourth quarter. Additional savings for 2006 compared with 2005 for this program thus totalled SEK 665m and the annual rate in the fourth quarter amounted to SEK 1,100m. As previously announced, annual savings of SEK 1,550m will be achieved with full impact in 2008.

PERSONAL CARE

SCA strengthened its market positions within personal care during 2006. Sales increased in the European retail sector, with baby diapers, feminine hygiene products and incontinence products showing high growth rates. SCA's sales to retailers' brands in Europe developed well. SCA was able to raise prices for most products and markets, which compensates for higher raw material costs.

In Mexico and Central and South America, sales of feminine hygiene products and baby diapers increased and profitability strengthened. In Malaysia, SCA's sales of Drypers baby diapers rose sharply, while sales of personal care products in the markets in Australia and New Zealand were stable. Sales of

incontinence protection products to the healthcare sector continued to develop favourably, in both Europe and North America.

Net sales totalled SEK 21,272m in 2006 and increased by 10% compared with 2005, of which volume growth accounted for 8 percentage points and price effects, primarily in the European operations, for 2 percentage points.

Net sales in the fourth quarter increased by 3% to SEK 5,429m. Higher volumes, mainly within incontinence products in both Europe and North America, had a positive impact on net sales, together with a good sales trend for retailers' brands. Sales development for baby diapers was positive in all SCA's markets. Sales of feminine hygiene products were good during the quarter in markets such as Europe, Australia and New Zealand. Volume growth made a total contribution of 6%. Currency effects had a negative impact of 3 percentage points.

Operating profit rose 13% in 2006 compared with 2005 and amounted to SEK 2,799m, mainly due to increased volumes, 24 percentage points, and positive price effects in the Latin American operations, 5 percentage points. Higher raw material costs and substantial costs for new product launches reduced the improvement in earnings.

Operating profit in the fourth quarter amounted to SEK 726m, which corresponds to an increase of 7%, primarily due to higher volumes within all segments of the European operations.

Operating cash surplus amounted to SEK 3,778m (3,427) and operating cash flow was SEK 2,984m (2,455). An improved operating cash surplus and lower tied-up working capital were offset by slightly higher current capital expenditures.

TISSUE

Intense competition and higher costs for raw materials and energy continued to put pressure on profitability in the European consumer tissue operations. SCA raised its prices during the year and retailers' consumer prices were also increased in several markets. Demand for consumer tissue was good during the year. Growth was approximately 3% in Western Europe, and 7% in Central and Eastern Europe where most of Europe's retail grocery chains have intensified their plans to open stores in the region. In this region, SCA has been growing more than the market. SCA's brand in Russia, Zewa, is the clear market leader. In autumn 2006, SCA decided to invest in 30,000 tonnes of new tissue capacity in Russia in order to meet demand. In Western Europe, retailers' brands continue to capture market shares and the retail trade is continuously reducing the number of branded goods on its shelves. In markets where SCA has its own brands, positions are strong. Marketing campaigns designed to strengthen SCA's own brands intensified during the year.

In South America, the positive development for this segment continues due to new product launches that were well received by consumers.

In tissue for bulk consumers, AFH, in Europe, demand increased during the year due to the strong economy. SCA's sales to hotels, restaurants and catering developed well. Other segments, such as industrial wiping products, increased due to the expanding car industry in Eastern Europe.

The American AFH operations strengthened both sales and earnings for the full year 2006. Price increases during the year compensated for higher raw material costs. During 2006, Tork was launched globally, in countries including Mexico and China. In the US and in Australasia, conversion of earlier brands to Tork is under way.

Net sales increased during the year by 2% compared with the previous year and amounted to SEK 31,336m, of which positive price effects contributed 2 percentage points, increased volume 1 percentage point and negative currency effects 1 percentage point.

Net sales for the fourth quarter amounted to SEK 7,844m, an increase of 1% compared with the third quarter of 2006. Sales of consumer tissue increased by 7%, mainly as an effect of increased volumes but also due to higher prices and a positive product mix. This was offset by seasonally lower sales in North America and negative currency effects.

Operating profit amounted to SEK 1,490m a decrease of 6% compared with the previous year. Higher prices and improved volumes, primarily in North America, had a positive impact on earnings. Despite this improvement, earnings declined due to substantially higher energy costs as well as increased raw material costs in the European operations.

In the fourth quarter, operating profit decreased by 17% and amounted to SEK 358m. Higher prices and increased volumes in Europe were offset by higher raw material and energy costs. Further price increases have been announced in Europe, which had a positive effect on volume at the end of the quarter. Seasonally lower volumes in the North American operations led to lower earnings that were partly compensated by lower raw material costs.

Operating cash surplus amounted to SEK 3,528m (3,628) and operating cash flow was SEK 1,101m (1,772). The discrepancy is mainly attributable to the ongoing efficiency enhancement programmes in the form of higher costs for current capital expenditures and restructuring measures.

PACKAGING

In 2006, demand for corrugated board rose in Western Europe after a number of weak years. Volumes increased in pace with an improved industrial climate. Germany, Sweden, Italy and Spain are all markets with favourable development. During 2006 the trend of falling prices was also reversed. SCA raised corrugated board prices in Europe by approximately 8%. Profitability remains under pressure from rising costs for raw material, energy and transport, but the positive price trend is continuing in 2007 and announced price increases will continue to have an effect.

The market balance for testliner improved due to good demand and substantial capacity closures. Capacity utilization in the market is estimated at 94% for 2006. Containerboard prices are on average 15% higher than in the previous year. Demand for European kraftliner is very good. Prices were raised three times in 2006 by a total of approximately EUR 100 per tonne. Testliner prices were also raised several times during the year and are approximately EUR 80 per tonne higher than at year-end 2005.

In the North American packaging operations, sales to the industrial segment decreased slightly during the year, while sales of temperature-assurance packaging solutions increased. The Chinese packaging market continues to develop well. SCA increased its sales by 20%. The customer mix is good with Asian, American and European customers. A new plant in Suzhou, near Shanghai, was built during the year and will go into operation during the first quarter of 2007. In addition, a new plant is started up in Nanjing during 2007.

Net sales increased by 3% compared with the previous year and amounted to SEK 33,353m, of which price contributed 2 percentage points and volume growth 2 percentage point. Closure of units, within the framework of the efficiency programme, led to a decrease of 2 percentage points.

Net sales in the fourth quarter amounted to SEK 8,445m, which corresponds to an increase of 2% compared with the third quarter of 2006 due to higher prices and good volume development for conventional and display packaging. In the US, sales were seasonally somewhat lower than in the previous quarter. SCA's Chinese operations continued to develop well during the quarter with good volume growth.

Operating profit rose 17% during the year and amounted to SEK 2,072m. Significantly higher prices, increased volumes and effects from the efficiency enhancement programmes contributed to this improvement despite substantially higher energy and raw material costs.

Despite a seasonally weaker quarter, operating profit rose 7% in the fourth quarter to SEK 598m due to higher prices in the European packaging operations and improved capacity utilization. A number of planned production shutdowns with related maintenance work took place in the fourth quarter which together with higher raw material costs reduced the earnings improvement. In the US, costs of oil-based raw materials increased. In China, earnings improved primarily due to increasing volumes.

Operating cash surplus amounted to SEK 3,647m (3,509) and operating cash flow was SEK 324m (2,215) MSEK. An improved operating cash surplus did not compensate for the effects of higher expenditure for restructuring, current capital expenditures and higher tied-up working capital.

FOREST PRODUCTS

The European advertising climate strengthened. Demand for magazine paper was relatively good during the year with stronger demand for SC paper. Demand for newsprint is good in Western Europe and rising sharply in Eastern Europe. Prices were raised at the beginning of the year.

SCA's sales increased during the year and profitability strengthened. All SCA's paper mills had record-high production which contributed to the stronger earnings.

The market for pulp strengthened during the year and prices were raised in stages, although this did not have a full impact on earnings due to negative currency effects. Consumption of solid-wood products in Europe increased during the year due to a strong construction market. Access to high-quality sawlogs is limited in the external market and prices rose during the year. SCA's sawmill operations, which are entirely supplied from its own forests, noted improved sales and earnings.

Publication papers:

Net sales amounted to SEK 8,930m, an increase of 12% compared with the previous year due to price increases for newsprint and increased volumes, primarily for LWC paper.

Net sales in the fourth quarter amounted to SEK 2,167m, a decrease of 5% compared with the previous quarter. The decrease was mainly due to slightly lower volumes for SC and LWC paper.

Operating profit amounted to SEK 818m and increased by 24% in 2006 compared with 2005. Higher prices for newsprint, increased volumes and better capacity utilization compensated for rising energy costs.

Operating profit amounted to SEK 208m in the fourth quarter, an increase of 24% compared with the third quarter of 2006. The paper mills in Ortviken, Sweden, and Laakirchen, Austria, achieved record-high production figures which combined with good cost control contributed to the earnings improvement. Prices of SC paper and LWC paper were stable.

Pulp, timber and solid-wood products:

Net sales rose 10% during the year compared with 2005 and amounted to SEK 8,721m. Higher prices and volumes for sawmill and forestry operations contributed to the increase.

Net sales in the fourth quarter amounted to SEK 2,313m, an increase of 12% due to increased volumes. The strong development for the pulp operations continued. Demand for sawlogs remains strong and sales within the sawmill operations increased substantially.

Operating profit in 2006 amounted to SEK 1,657m, an increase of 35% compared with the previous year, due to higher prices and higher capacity utilization.

In the fourth quarter, operating profit amounted to SEK 468m, an increase of 11% compared with the third quarter. The improvement mainly comprised higher volumes and reduced production costs. The new soda recovery boiler in Östrand, Sweden, went into operation in the fourth quarter and initially had a positive impact on earnings through increased electricity production.

Operating cash surplus for Forest Products amounted to SEK 3,588m (3,509) and operating cash flow was SEK 2,549m (1,595). The improvement is mainly an effect of lower expenses for current capital expenditures.

OTHER

In January, SCA signed an agreement for the sale of its North American packaging operations. The purchaser is Metalmark Capital and the purchase price amounted to USD 400m. Since the purchase price corresponds to the Group's book value for these operations, no capital gain will arise. The North American operations have annual sales of approximately USD 430m. The deal is scheduled for completion during the first quarter 2007. The purchase price will be paid in cash. The sold operations comprise protective packaging, consumer packaging and temperature-assurance packaging solutions and have a total of approximately 2,100 employees. The operations account for approximately 10% of SCA's total sales within the Packaging business area. Completion of the deal is subject to approval from the American authorities and to normal terms and conditions being met.

Financially, the sale means that the sales proceeds and cash flow during the holding period met the Group's return requirement for the total packaging investment in North America. This corresponds to a weighted average cost of capital (WACC) of 7% after tax, including a required rate of return on equity of 9%. Earnings per share will be affected in the short term by SEK -0.2 on an annual basis, while net debt will be reduced by approximately SEK 2.8 billion.

As part of the restructuring of the European tissue operations, an agreement was concluded in December for the sale of the plant in Roanne, France.

During the quarter, SCA acquired a small tissue converting company, Mapacasa, Canary Islands. The acquisition was approved by the relevant competition authorities in October. Converting capacity corresponds to 9,000 tonnes and will strengthen SCA's ability to further improve the level of service to significant customers in the Iberian market. SCA also acquired the outstanding shares in Cool Logistics, UK, a company specialized in protective packaging for temperature-sensitive products.

Following a ruling in the administrative court of appeal on 7 December 2006, SCA was charged with additional taxes, including charges and interest, totalling SEK 229. The dispute with the Swedish Tax Agency concerned deductions for capital losses in conjunction with a restructuring of the Group's operations in 1996. The Group's reserves for tax risks in connection with restructuring, acquisitions and charges were reversed by a corresponding amount.

A review of outstanding tax risks was conducted during the third quarter which resulted in reversal of SEK 185m as a lower tax expense. This was due, among other things, to a positive outcome in a tax dispute, changes in provisions and changed assessments regarding future loss carry forwards. In 2000, SCA sold its 50% holding in the fine paper company MoDo Paper AB. The transaction was preceded by a merger of SCA's then Swedish and German fine paper operations. The German tax authorities have re-examined the valuation on which the transaction was based. As a consequence of the tax authorities' decision, SCA must pay capital gains tax of EUR 48m including interest. EUR 8m of this amount can be recovered in future years. The decision, which is final, means that SCA is paying a capital gains tax of 11% on the transaction. The EUR 40m tax expense incurred in the third quarter, is matched by the tax reserve allocated earlier for the transaction concerned.

This year-end report is prepared according to IAS 34 and the Swedish Financial Accounting Standards Council's recommendation RR 31 and, with regard to the Parent Company, RR 32. Applied accounting principles are in accordance with the Annual Report for 2005.

The Group's Parent Company, Svenska Cellulosa Aktiebolaget SCA (publ), owns the forest land and other real property that are part of the forestry operations and grants felling rights for standing timber to its subsidiary SCA Skog AB. The Parent Company is in other respects a holding company whose key task is to own and manage shares in a number of business-group companies and exercise Group-wide management and administration. Operating income during the period January – December 2006 amounted to SEK 97m (118) and profit before appropriations and tax was SEK 397m (340). During the quarter the Parent Company's net divestment of shares and participations was SEK 2m (0). Investments in properties and plant totalled SEK 133m (69) during the period. Cash and cash equivalents at the end of the period amounted to SEK 52m (42).

SHARE DISTRIBUTION

SHARE DISTRIBUTION

31 December 2006	Class A	Class B	Total
Registered number of shares	37,635,069	197,401,629	235,036,698
- of which treasury shares		1,253,138	1,253,138

During the year 810,466 Class A shares were converted to Class B shares. At the end of the year, the proportion of Class A shares was 16.0%. As a result of share purchases through the exercise of options, the number of treasury shares decreased by 349,145 to total 1,253,138.

Calculated according to IFRS recommendations, the effects of outstanding employee option programmes correspond to a maximum dilution of 0.06%, which was taken into account when calculating earnings per share for the period.

ANNUAL GENERAL MEETING

The Annual General Meeting of SCA will be held at 15.00 CET on Thursday, 29 March 2007 in Aula Magna at Stockholm University.

Dividend

The Board of Directors proposes a dividend of SEK 12.00 (11.00) SEK per share or SEK 2,801m (2,571). The Board is of the opinion that the proposed dividend provides scope for the Group to fulfil its obligations and carry out necessary investment. The proposal represents an increase of 9% over the previous year and comprises 52% of earnings per share. The record date for entitlement to receive dividends is proposed as 3 April 2007.

Split

Price development for SCA shares in recent years means that trading in full round lots is difficult for shareholders with small holdings. The Board of Directors therefore proposes that the Company carries out a share split through which each share is split up into 3 shares of the same share class. The split is expected to be carried out in May 2007.

FUTURE REPORTS

The interim report for January-March 2007 will be published on 27 April.

Stockholm, 30 January 2007
SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Jan Åström

President and CEO

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

This report has been prepared in both Swedish and English. In case of variation in the content of the two versions, the Swedish version shall prevail.

CONSOLIDATED INCOME STATEMENT

SEKm	2006:4	2005:4	2006:3	0612	0512
Net sales	25,650	25,141	25,095	101,439	96,385
Other income	730	278	454	2,305	1,902
Change in fair value of biological assets	43	40	87	304	286
Change in inventories of finished goods and work in progress	-326	-108	-268	-590	-417
Work performed and capitalized	8	-23	54	156	167
Raw materials and consumables ¹	-8,901	-8,974	-8,617	-35,405	-34,748
Personnel costs ¹	-4,870	-5,139	-4,884	-19,761	-21,912
Other operating expenses ¹	-8,516	-7,628	-8,236	-33,783	-31,089
Depreciation	-1,532	-1,611	-1,514	-6,151	-6,299
Write-downs ²	-29	-9	-2	-34	-2,372
Share of profits of associated companies	4	8	7	25	25
Operating profit	2,261	1,975	2,176	8,505	1,928
Financial items	-458	-401	-423	-1,672	-1,495
Profit before tax	1,803	1,574	1,753	6,833	433
Tax ³	-352	-377	-227	-1,366	21
Net profit for the period	1,451	1,197	1,526	5,467	454
Earnings attributable to:					
Equity holders of the Parent Company	1,443	1,182	1,521	5,437	430
Minority interests	8	15	5	30	24
Earnings per share, SEK					
- before dilution effects	6.17	5.06	6.51	23.27	1.84
- after dilution effects	6.16	5.06	6.51	23.25	1.84
Margins (%)					
Operating surplus margin	14.9%	14.3%	14.7%	14.5%	11.0%
Operating margin	8.8%	7.9%	8.7%	8.4%	2.0%
Net financial margin	-1.8%	-1.6%	-1.7%	-1.6%	-1.6%
Profit margin	7.0%	6.3%	7.0%	6.8%	0.4%
Tax	-1.4%	-1.5%	-0.9%	-1.3%	0.0%
Net margin	5.6%	4.8%	6.1%	5.5%	0.4%
Calculation of earnings per share					
Earnings attributable to equity holdings of the Parent Company	1,443.0	1,182.0	1,521.0	5,437.0	430.0
Average no. of shares before dilution, millions	233.7	233.4	233.7	233.7	233.4
Warrants	0.1	0.1	0.1	0.1	0.1
Average no. of shares after dilution	233.8	233.5	233.8	233.8	233.5

Specification of items affecting comparability

¹ Operating expenses					
- Costs related to efficiency programmes	-	-	-	-	-3,013
² Write-downs					
- Write-downs in conjunction with efficiency programmes	-	-	-	-	-2,352
³ Tax					
- Effects of efficiency programmes	-	-	-	-	1,384

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

SEKm	January - December	
	0612	0512
Actuarial gains and losses related to pensions, incl. payroll tax	2,351	-238
Available-for-sale financial assets:		
- Gains from fair value measurement taken to equity	210	191
- Transferred to income statement at sale	-38	-
Cash flow hedges		
- Gains from remeasurement of derivatives taken to equity	58	64
- Transferred to profit or loss for the period	-99	3
Transferred to cost of hedged investments	5	-24
Translation difference in foreign operations	-2,461	3,355
Gains from hedging of net investments in foreign operations	-352	567
Tax on items taken to/transferred from equity	-705	38
Total transactions taken to equity	-1,031	3,956
Net profit for the period recognized in the income statement	5,467	454
Total income and expenses recognized for the period	4,436	4,410
<i>Attributable to:</i>		
- Equity holders of the Parent Company	4,444	4,333
- Minority interests	-8	77
	4,436	4,410
<i>Other changes in equity</i>		
- sale of treasury shares	79	-
- transition to IAS 32 and IAS 39 as of 1 January 2005	-	95
- dividend	-2,625	-2,478
- change in Group structure	-41	-50
- remeasurement owned portion at successive acquisitions, within window period	4	-

FIVE YEAR SUMMARY

SEKm	IFRS		Swedish accounting standards		
	0612	0512	0412	0312	0212
Profit before tax	6,833	433	6,585	6,967	8,078
Earnings per share, SEK	23.25	1.84	22.11	21.84	24.54
Earnings per share, before goodwill amortization, SEK	23.25	1.84	22.11	26.51	29.15
Debt/equity ratio	0.62	0.70	0.63	0.44	0.49
Return on capital employed, %	9	2	9	11	13
Return on equity, %	9	1	10	10	12

CONSOLIDATED BALANCE SHEET

	31 December 2006		31 December 2005	
	SEKm	EURm ¹	SEKm	EURm ¹
Assets				
Goodwill	16,997	1,879	19,823	2,104
Other intangible assets	3,054	338	2,431	258
Tangible assets	74,670	8,255	77,843	8,261
Shares and participations	518	58	573	61
Financial investments held as fixed assets ²	2,970	328	2,035	216
Other long-term receivables	755	83	1,170	124
Total fixed assets	98,964	10,941	103,875	11,024
Operating receivables and inventories	29,907	3,306	29,356	3,116
Short-term financial assets	409	45	237	25
Fixed assets held for sale	2,665	294	68	7
Liquid funds	1,599	177	1,684	179
Total current assets	34,580	3,822	31,345	3,327
Total assets	133,544	14,763	135,220	14,351
Shareholders' equity				
Equity holders of the Parent Company	58,299	6,445	56,343	5,980
Minority interests	664	73	767	81
Total shareholders' equity	58,963	6,518	57,110	6,061
Liabilities				
Provisions for pensions	2,793	309	4,810	510
Other provisions	11,447	1,265	12,225	1,298
Long-term financial liabilities	16,852	1,863	18,638	1,978
Other long-term liabilities	157	17	208	22
Total long-term liabilities	31,249	3,454	35,881	3,808
Short-term financial liabilities ³	21,537	2,381	20,190	2,143
Liabilities held for sale	55	7	0	0
Operating liabilities	21,740	2,403	22,039	2,339
Total current liabilities	43,332	4,791	42,229	4,482
Total liabilities	74,581	8,245	78,110	8,290
Total equity and liabilities	133,544	14,763	135,220	14,351
Debt/equity ratio	0.62		0.70	
Visible equity/assets ratio	44%		42%	
Return on capital employed, %	9		2	
Return on equity, %	9		1	
¹ Closing day rate 9.05 (9.45) was applied in translation to EUR.				
² Of which pension assets				
	1,419		470	
³ Contracted committed credit lines amount to SEK 25,295m.				
Capital employed	95,362		96,936	
- of which working capital	9,870		9,573	
Net debt	36,399		39,826	
Shareholders' equity	58,963		57,110	
Of which provisions for restructuring costs:				
- Other provisions	423		834	
- Operating liabilities	797		1,776	

CASH FLOW STATEMENT

1 January - 31 December

SEKm 0612 0512**Operating activities**

Profit before tax	6,833	433
Adjustment for non-cash items ¹	4,188	10,064

	11,021	10,497
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Paid tax	-1,770	-1,629
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Cash flow from operating activities before change in working capital	9,251	8,868
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Cash flow from changes in working capital

Change in inventories	-801	-499
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Change in operating receivables	-1,407	1,023
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Change in operating liabilities	1,414	-286
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Cash flow from operating activities	8,457	9,106
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Investing activities

Acquisition of operations	-408	-353
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Sold operations	48	1
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Acquisition tangible and intangible fixed assets	-7,081	-7,482
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Sale of tangible fixed assets	503	560
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Payment of loans to external parties	-1,146	-154
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Cash flow from investing activities	-8,084	-7,428
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Financing activities

Sale of treasury shares	79	13
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Borrowings	2,169	-
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Amortization of debt	-	-1,187
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Dividends paid	-2,625	-2,478
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Cash flow from financing activities	-377	-3,652
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Cash flow for the period	-4	-1,974
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Cash and cash equivalents at the beginning of the year	1,684	3,498
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Exchange differences in cash and cash equivalents	-81	160
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Cash and cash equivalents at the end of the period	1,599	1,684
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Reconciliation with operating cash flow analysis

Cash flow for the period	-4	-1,974
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Deducted items:

Payment of loans to external parties	1,146	154
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Borrowings	-2,169	-
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Amortization of debt	-	1,187
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Added items:

Net debt in acquired companies	0	-75
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Accrued interest	-37	34
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Investments through finance leases	-29	-23
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Net cash flow according to operating cash flow analysis	-1,093	-697
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¹ Depreciation and write-downs, fixed assets	6,185	8,671
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Fair value valuation of forest assets	-304	-286
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Unpaid related to efficiency programmes	-	1,928
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Payments related to efficiency programmes previously recognized as liabilities	-1,353	-
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Other	-340	-251
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Total	4,188	10,062
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CONSOLIDATED EARNINGS TREND, supplementary disclosures

	2006:4	2005:4	2006:3	0612	0512
	EURm ¹	EURm ¹	EURm ¹	EURm ²	EURm ³
Net sales	2,812	2,661	2,721	10,972	10,398
Operating expenses	-2,394	-2,279	-2,321	-9,386	-9,257
Operating surplus	418	382	400	1,586	1,141
Depreciation and write-downs	-171	-169	-165	-669	-935
Share of profits of associated companies	1	1	0	3	3
Operating profit	248	214	235	920	209
Financial items	-50	-42	-46	-181	-161
Profit before tax	198	172	189	739	48
Tax	-39	-41	-25	-148	2
Net profit for the period	159	131	164	591	50

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

² Average exchange rate of 9.25 was applied in translation to EUR.

³ Average exchange rate of 9.27 was applied in translation to EUR.

CONSOLIDATED EARNINGS TREND

SEKm	2006:4	2006:3	2006:2	2006:1	2005:4	2005:3	2005:2	2005:1
Net sales	25,650	25,095	25,294	25,400	25,141	24,740	23,986	22,518
Operating expenses ^{1,2}	-21,832	-21,410	-21,653	-21,879	-21,554	-23,809	-20,711	-19,737
Operating surplus	3,818	3,685	3,641	3,521	3,587	931	3,275	2,781
Depreciation and write-downs ³	-1,561	-1,516	-1,537	-1,571	-1,620	-3,937	-1,564	-1,550
Share of profits of associated companies	4	7	9	5	8	3	8	6
Operating profit	2,261	2,176	2,113	1,955	1,975	-3,003	1,719	1,237
Financial items	-458	-423	-405	-386	-401	-393	-358	-343
Profit before tax	1,803	1,753	1,708	1,569	1,574	-3,396	1,361	894
Tax ⁴	-352	-227	-387	-400	-377	985	-355	-232
Net profit for the period	1,451	1,526	1,321	1,169	1,197	-2,411	1,006	662
Earnings per share, SEK								
- before dilution effects	6.17	6.51	5.62	4.96	5.06	-10.32	4.23	2.86
- after dilution effects	6.16	6.51	5.62	4.96	5.06	-10.31	4.24	2.85
Margins (%)								
Operating surplus margin	14.9%	14.7%	14.4%	13.9%	14.3%	3.8%	13.7%	12.4%
Operating margin	8.8%	8.7%	8.4%	7.7%	7.9%	-12.1%	7.2%	5.5%
Net financial margin	-1.8%	-1.7%	-1.6%	-1.5%	-1.6%	-1.6%	-1.5%	-1.5%
Profit margin	7.0%	7.0%	6.8%	6.2%	6.3%	-13.7%	5.7%	4.0%
Tax	-1.4%	-0.9%	-1.5%	-1.6%	-1.5%	4.0%	-1.5%	-1.0%
Net margin	5.6%	6.1%	5.3%	4.6%	4.8%	-9.7%	4.2%	3.0%

¹ Incl. Change in net value of biological assets

	43	87	88	86	40	81	82	83
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Specification of items affecting comparability

² Operating expenses								
- Costs related to efficiency programmes	-	-	-	-	-	-2,619	-	-394
³ Write-downs								
- Write-downs in conjunction with efficiency programmes	-	-	-	-	-	-2,321	-	-31
⁴ Taxes								
- Effects of efficiency programmes	-	-	-	-	-	1,273	111	-

OPERATING CASH FLOW ANALYSIS

SEKm	0612	0512
Operating cash surplus	14,123	13,113
Change in working capital	-794	238
Current capital expenditures, net	-5,672	-4,859
Restructuring costs, etc.	-1,353	-1,021
Operating cash flow	6,304	7,471
Financial items	-1,672	-1,495
Income taxes paid	-1,770	-1,629
Other	-90	15
Cash flow from current operations	2,772	4,362
Acquisitions	-323	-428
Strategic capital expenditures, fixed assets	-935	-2,086
Strategic structural expenditures	-24	-81
Divestments	48	1
Cash flow before dividend	1,538	1,768
Dividend	-2,625	-2,478
Cash flow after dividend	-1,087	-710
Sale of treasury shares	79	13
Net cash flow	-1,008	-697
Net debt at the start of the period	-39,826	-35,823
Net cash flow	-1,008	-697
Remeasurement to equity	2,426	-66
Currency effects	2,009	-3,240
Net debt at the end of the period	-36,399	-39,826
Debt/equity ratio	0.62	0.70
Debt payment capacity	29%	27%

OPERATING CASH FLOW PER BUSINESS AREA

SEKm	0612	0512	Förändring
Personal Care	2,984	2,455	22%
Tissue	1,101	1,772	-38%
Packaging	324	2,215	-85%
Forest Products	2,549	1,595	60%
Other	-654	-566	16%
Total	6,304	7,471	-16%

OPERATING CASH FLOW ANALYSIS

SEKm	2006:4	2006:3	2006:2	2006:1	2005:4	2005:3	2005:2	2005:1
Operating cash surplus	3,736	3,509	3,497	3,381	3,446	3,425	3,155	3,087
Change in working capital	973	120	-326	-1,561	1,395	284	-175	-1,266
Current capital expenditures, net	-2,358	-1,274	-1,106	-934	-2,161	-785	-1,163	-750
Restructuring costs, etc.	-431	-358	-271	-293	-332	-364	-169	-156
Operating cash flow	1,920	1,997	1,794	593	2,348	2,560	1,648	915
Financial items	-458	-423	-405	-386	-401	-393	-358	-343
Income taxes paid	-233	-712	-492	-333	-346	-478	-204	-601
Other	-6	-85	0	1	30	-16	-2	3
Cash flow from current operations	1,223	777	897	-125	1,631	1,673	1,084	-26
Acquisitions	-189	-94	-31	-9	-76	-47	-256	-49
Strategic capital expenditures, fixed assets	-324	-218	-185	-208	-633	-379	-473	-601
Strategic structural expenditures	6	-12	-9	-9	-26	-31	-12	-12
Divestments	44	0	4	0	0	1	0	0
Cash flow before dividend	760	453	676	-351	896	1,217	343	-688
Dividend	-2	-49	-2,574	0	-2	-21	-2,455	0
Cash flow after dividend	758	404	-1,898	-351	894	1,196	-2,112	-688
Sale of treasury shares	15	2	3	59	7	3	1	2
Net cash flow	773	406	-1,895	-292	901	1,199	-2,111	-686

PERSONAL CARE

SEKm	2006:4	2006:3	2006:2	2006:1	0612	0512
Net sales	5,429	5,246	5,249	5,348	21,272	19,351
Operating surplus	961	925	939	950	3,775	3,429
Operating profit	726	681	693	699	2,799	2,474
Operating surplus margin, %	17.7	17.6	17.9	17.8	17.7	17.7
Operating margin, %	13.4	13.0	13.2	13.1	13.2	12.8
Volume growth	6.0	0.0	0.6	2.8	8.4	8.2

TISSUE

SEKm	2006:4	2006:3	2006:2	2006:1	0612	0512
Net sales	7,844	7,743	7,787	7,962	31,336	30,701
Operating surplus	913	944	924	850	3,631	3,720
Operating profit	358	431	401	300	1,490	1,577
Operating surplus margin, %	11.6	12.2	11.9	10.7	11.6	12.1
Operating margin, %	4.6	5.6	5.1	3.8	4.8	5.1
Volume growth	1.5	0.8	0.2	-1.4	1.7	10.1

PACKAGING

SEKm	2006:4	2006:3	2006:2	2006:1	0612	0512
Net sales	8,445	8,288	8,231	8,389	33,353	32,359
Operating surplus	1,024	988	888	854	3,754	3,558
Operating profit	598	560	476	438	2,072	1,775
Operating surplus margin, %	12.1	11.9	10.8	10.2	11.3	11.0
Operating margin, %	7.1	6.8	5.8	5.2	6.2	5.5
Production						
- Liner products, kt	578	585	557	644	2,364	2,612
Deliveries						
- Liner products, kt	559	575	622	648	2,404	2,589
- Corrugated board, million m ²	1,104	1,078	1,097	1,096	4,375	4,309

FOREST PRODUCTS

SEKm	2006:4	2006:3	2006:2	2006:1	0612	0512
Net sales	4,480	4,339	4,454	4,378	17,651	15,935
- Publication papers	2,167	2,279	2,339	2,145	8,930	7,998
- Pulp, timber and solid-wood products	2,313	2,060	2,115	2,233	8,721	7,937
Operating surplus	1,008	911	970	919	3,808	3,259
- Publication papers	412	371	456	426	1,665	1,540
- Pulp, timber and solid-wood products	596	540	514	493	2,143	1,719
Operating profit	676	591	631	577	2,475	1,886
- Publication papers	208	168	237	205	818	662
- Pulp, timber and solid-wood products	468	423	394	372	1,657	1,224
Operating surplus margin, %	22.5	21.0	21.8	21.0	21.6	20.5
- Publication papers	19.0	16.3	19.5	19.9	18.6	19.3
- Pulp, timber and solid-wood products	25.8	26.2	24.3	22.1	24.6	21.7
Operating margin, %	15.1	13.6	14.2	13.2	14.0	11.8
- Publication papers	9.6	7.4	10.1	9.6	9.2	8.3
- Pulp, timber and solid-wood products	20.2	20.5	18.6	16.7	19.0	15.4
Production						
- Publication papers, kt	379	383	389	390	1,541	1,470
- Solid-wood products, km ³	461	449	393	399	1,702	1,530
Deliveries						
- Publication papers, kt	375	398	385	376	1,534	1,463
- Solid-wood products, km ³	476	450	424	381	1,731	1,539

Net sales

SEKm	2006:4	2006:3	2006:2	2006:1	2005:4	2005:3	2005:2	2005:1
Personal Care	5,429	5,246	5,249	5,348	5,136	5,026	4,727	4,462
Tissue	7,844	7,743	7,787	7,962	8,109	7,917	7,531	7,144
Packaging	8,445	8,288	8,231	8,389	8,272	8,351	8,094	7,642
Forest Products	4,480	4,339	4,454	4,378	4,071	3,986	4,116	3,762
- Publication papers	2,167	2,279	2,339	2,145	2,067	2,034	1,965	1,932
- Pulp, timber and solid-wood products	2,313	2,060	2,115	2,233	2,004	1,952	2,151	1,830
Other	336	326	296	233	301	247	288	232
Intra-group deliveries	-884	-847	-723	-910	-748	-787	-770	-724
Total net sales	25,650	25,095	25,294	25,400	25,141	24,740	23,986	22,518

Operating surplus

SEKm	2006:4	2006:3	2006:2	2006:1	2005:4	2005:3	2005:2	2005:1
Personal Care	961	925	939	950	983	889	809	748
Tissue	913	944	924	850	941	999	892	888
Packaging	1,024	988	888	854	841	900	919	898
Forest Products	1,008	911	970	919	910	853	758	738
- Publication papers	412	371	456	426	456	420	330	334
- Pulp, timber and solid-wood products	596	540	514	493	454	433	428	404
Other	-88	-83	-80	-52	-88	-2,710	-103	-491
Total operating surplus	3,818	3,685	3,641	3,521	3,587	931	3,275	2,781

Operating profit

SEKm	2006:4	2006:3	2006:2	2006:1	2005:4	2005:3	2005:2	2005:1
Personal Care	726	681	693	699	719	655	571	529
Tissue	358	431	401	300	379	428	391	379
Packaging	598	560	476	438	418	444	455	458
Forest Products	676	591	631	577	553	516	416	401
- Publication papers	208	168	237	205	222	206	113	121
- Pulp, timber and solid-wood products	468	423	394	372	331	310	303	280
Other	-97	-87	-88	-59	-94	-5,046	-114	-530
Total operating profit	2,261	2,176	2,113	1,955	1,975	-3,003	1,719	1,237

Operating surplus margin

%	2006:4	2006:3	2006:2	2006:1	2005:4	2005:3	2005:2	2005:1
Personal Care	17.7	17.6	17.9	17.8	19.1	17.7	17.1	16.8
Tissue	11.6	12.2	11.9	10.7	11.6	12.6	11.8	12.4
Packaging	12.1	11.9	10.8	10.2	10.2	10.8	11.4	11.8
Forest Products	22.5	21.0	21.8	21.0	22.4	21.4	18.4	19.6
- Publication papers	19.0	16.3	19.5	19.9	22.1	20.6	16.8	17.3
- Pulp, timber and solid-wood products	25.8	26.2	24.3	22.1	22.7	22.2	19.9	22.1

Operating margin

%	2006:4	2006:3	2006:2	2006:1	2005:4	2005:3	2005:2	2005:1
Personal Care	13.4	13.0	13.2	13.1	14.0	13.0	12.1	11.9
Tissue	4.6	5.6	5.1	3.8	4.7	5.4	5.2	5.3
Packaging	7.1	6.8	5.8	5.2	5.1	5.3	5.6	6.0
Forest Products	15.1	13.6	14.2	13.2	13.6	12.9	10.1	10.7
- Publication papers	9.6	7.4	10.1	9.6	10.7	10.1	5.8	6.3
- Pulp, timber and solid-wood products	20.2	20.5	18.6	16.7	16.5	15.9	14.1	15.3