

## 1 JANUARY–31 DECEMBER 2008 (compared with corresponding period a year ago)

- Net sales rose 4% to SEK 110,449m (105,913)
- Profit before tax was SEK 6,237m (8,237)
- Profit for the period was SEK 5,598m (7,161)
- Earnings per share were SEK 7.94 (10.16)
- Operating cash flow was SEK 3,810m (4,508)
- The Board of Directors proposes a dividend of SEK 3.50 per share (4.40)

### EARNINGS TREND

SEKm	0812	0712	%	2008:4	2007:4	%
<b>Net sales</b>	<b>110,449</b>	105,913	4	<b>28,159</b>	27,808	1
<b>Gross contribution</b>	<b>20,765</b>	21,101	-2	<b>5,035</b>	5,355	-6
<b>Operating profit<sup>1</sup></b>	<b>8,554</b>	10,147	-16	<b>1,838</b>	2,891	-36
Financial items	-2,317	-1,910		-688	-549	
<b>Profit before tax<sup>1</sup></b>	<b>6,237</b>	8,237	-24	<b>1,150</b>	2,342	-51
Tax	-639	-1,076		276	-204	
<b>Net profit for the period<sup>1</sup></b>	<b>5,598</b>	7,161	-22	<b>1,426</b>	2,138	-33
Earnings per share, SEK	7.94	10.16	-22	2.02	3.03	-33

<sup>1</sup> The fourth quarter of 2007 includes items affecting comparability totalling SEK 300m before tax and SEK 252m after tax.

### CEO'S COMMENTS

Net sales rose 4% compared with the same period a year ago. Operating profit for the fourth quarter amounted to SEK 1,838m (preceding year 2,591 excluding items affecting comparability), and was SEK 8,554m for the full year (preceding year 9,847 excluding items affecting comparability). Profit before tax was SEK 1,150m (excluding items affecting comparability 2,042) for the fourth quarter and SEK 6,237m (excluding items affecting comparability 7,937) for the full year.

SCA's hygiene operations are showing favourable growth compared with a year ago and are showing considerable resilience to the economic downturn. However, in the packaging operations in particular, earnings have fallen, and the negative trend became accentuated at the end of the fourth quarter. Our Forest Products business posted a poorer result than a year ago, mainly due to weak development for solid-wood products, although earnings for the unit improved somewhat during the fourth quarter compared with the third quarter.

In the hygiene operations, Tissue showed a strong improvement in sales and operating profit compared with a year ago, driven by acquisitions and price increases. SCA's positions in consumer tissue have developed well. The Away-From-Home segment (AFH) remains stable. Development for Personal Care is favourable, with growth of 6%. Our most important segment, incontinence care with the world-leading Tena-brand, grew 7% during the year and 11% during the fourth quarter. Margins came under pressure during the year due to the technological shift in baby diaper production and higher raw material costs.

In our packaging operations, we increasingly saw the effects of the recession during the latter part of the fourth quarter. The industry is struggling with a deteriorating demand scenario and high producer inventories. As a result, pressure is rising on prices for containerboard (liner) as well as corrugated board. Earnings deteriorated significantly compared with the preceding year and quarter. To address these problems, SCA streamlined its production and cut production of liner during the year by a total of 149,000 tonnes, including 92,000 tonnes during the fourth quarter.

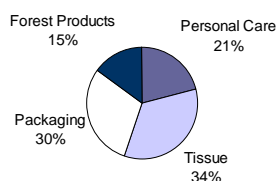
Our overriding priorities in 2009 will be to improve cash flow in part by cutting back on capital expenditures and in part by cutting costs and reducing working capital.

For 2009 we expect our hygiene operations to show continued favourable development. If the negative demand balance continues in our packaging operations, we see the risk of an earnings decline. The forest products business is expected to show stable performance in 2009.

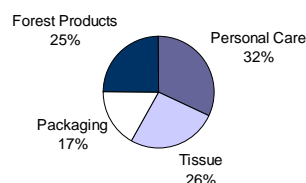
Against the backdrop of the above and of the major uncertainty about the economy and within the financial systems, combined with lower earnings, the Board proposes a dividend of SEK 3.50 per share for 2008.

Jan Johansson, President and CEO

### SHARE OF NET SALES 0812



### SHARE OF OPERATING PROFIT 0812



## EARNINGS TREND FOR THE GROUP

SEKm	0812	0712	%	2008:4	2007:4	%
<b>Net sales</b>	<b>110,449</b>	105,913	4	<b>28,159</b>	27,808	1
Cost of goods sold	-89,684	-84,812		-23,124	-22,453	
<b>Gross contribution</b>	<b>20,765</b>	21,101	-2	<b>5,035</b>	5,355	-6
Sales, general and administration <sup>1</sup>	-12,211	-10,954		-3,197	-2,464	
<b>Operating profit<sup>1</sup></b>	<b>8,554</b>	10,147	-16	<b>1,838</b>	2,891	-36
Financial items	-2,317	-1,910		-688	-549	
<b>Profit before tax<sup>1</sup></b>	<b>6,237</b>	8,237	-24	<b>1,150</b>	2,342	-51
Tax	-639	-1,076		276	-204	
<b>Net profit for the period<sup>1</sup></b>	<b>5,598</b>	7,161	-22	<b>1,426</b>	2,138	-33

<sup>1</sup> The fourth quarter of 2007 includes items affecting comparability totalling SEK 300m before tax and SEK 252m after tax.

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

- after dilution effects	7.94	10.16	-22	2.02	3.03	-33
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### Margins (%)

<b>Gross margin</b>	<b>18.8</b>	19.9		<b>17.9</b>	19.3	
<b>Operating margin</b>	<b>7.7</b>	9.6		<b>6.5</b>	10.4	
Financial net margin	-2.1	-1.8		-2.4	-2.0	
<b>Profit margin</b>	<b>5.6</b>	7.8		<b>4.1</b>	8.4	
Tax	-0.6	-1.0		1.0	-0.7	
<b>Net margin</b>	<b>5.0</b>	6.8		<b>5.1</b>	7.7	

## OPERATING PROFIT PER BUSINESS AREA

SEKm	0812	0712	%	2008:4	2007:4	%
Personal Care	2,912	2,960	-2	712	781	-9
Tissue	2,375	1,724	38	619	508	22
Packaging	1,493	2,651	-44	109	692	-84
Forest Products	2,207	2,870	-23	518	691	-25
- <i>Publication papers</i>	402	537	-25	150	125	20
- <i>Pulp, timber and solid-wood products</i>	1,805	2,333	-23	368	566	-35
Other <sup>1</sup>	-433	-58		-120	219	
<b>Total</b>	<b>8,554</b>	10,147	-16	<b>1,838</b>	2,891	-36

<sup>1</sup> The fourth quarter of 2007 includes items affecting comparability totalling SEK 300m.

## OPERATING CASH FLOW PER BUSINESS AREA

SEKm	0812	0712	%	2008:4	2007:4	%
Personal Care	2,591	2,933	-12	851	769	11
Tissue	2,434	2,485	-2	778	772	1
Packaging	1,267	1,055	20	334	566	-41
Forest Products	1,697	2,249	-25	700	395	77
Other	-176	-595		23	-263	
<b>Total</b>	<b>7,813</b>	8,127	-4	<b>2,686</b>	2,239	20

## GROUP

### MARKET

Performance compared with January–December 2007:



#### Personal Care

Sales: +6%  
Operating profit: -2%



#### Tissue

Sales: +15%  
Operating profit: +38%



#### Packaging

Sales: -1%  
Operating profit: -44%



#### Forest Products

Sales: -11%  
Operating profit: -23%

The global economy continued to weaken during the fourth quarter. The weaker economy has a lesser effect on the hygiene operations, where demand is relatively constant for everyday products. In a deep recession, the product mix may change in response to higher demand for simpler grades. SCA has a strong position also in these product areas. However, the packaging operations and solid-wood products are more sensitive to changes in the economy.

**Personal Care:** Demand in Europe remained positive in 2008. The home care sector continued to develop well. There are considerable growth opportunities in Eastern Europe. The competition is generally fierce throughout Europe, with aggressive pricing strategies. In Southeast Asia, the baby diaper market is growing by 8%–10% per year.

SCA's incontinence care business developed well, and sales increased by 11% during the year. Sales of baby diapers and feminine care products also grew. In Southeast Asia, SCA strengthened its positions during the year and is now the market leader in Malaysia and Singapore. SCA also strengthened its market positions in South America, where sales of baby diapers as well as feminine care products showed double-digit growth.

**Tissue:** As in the early part of the year, demand for consumer tissue was stable during the fourth quarter in mature markets, and continued to grow in emerging markets such as Latin America and Russia.

In the AFH segment, demand in Europe was stable in 2008 and during the fourth quarter. In the USA, demand has fallen among hotels and restaurants, while the fast food segment remained strong.

In Europe, SCA maintained or strengthened its positions in the consumer tissue segment, driven by acquisitions. In Latin America, SCA strengthened its market shares in Colombia, among other markets, where Familia is now the Group's third-largest consumer tissue brand.

In the AFH sector, the Tork-brand strengthened its positions in all regions, and the product mix developed well. In North America, SCA delivered lower volumes compared with a year ago, but in line with the market development.

**Packaging:** Demand for containerboard (liner) weakened in 2008, and liner prices have fallen by EUR 40–110/tonne, depending on the grade. As a result of the weakening demand scenario, manufacturers have not yet succeeded in reducing their inventories, which are still considerably higher than a year ago. This caused prices to continue falling during the fourth quarter, a trend that was strengthened by a sharp drop in the price of recycled fibre.

Weak European demand for corrugated board deteriorated further during the fourth quarter, and consumption fell sharply. In Western Europe, volumes decreased by 3.5%–4% compared with a year ago. Prices of corrugated board fell steadily during the second half of the year.

During the fourth quarter SCA cut its liner production by 92,000 tonnes, of which testliner accounted for 87,000 tonnes, corresponding to approximately 19% of testliner capacity. SCA thereby drew back its production in 2008 by a total of 149,000 tonnes, of which testliner accounted for 144,000 tonnes, corresponding to 8% of testliner capacity.

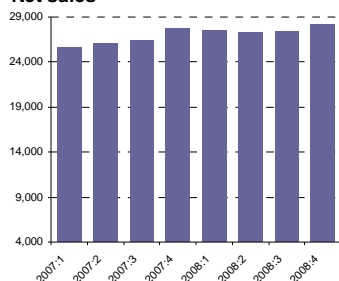
**Publication papers:** The European advertising market weakened steadily during the year. During the fourth quarter, SCA maintained high production and high deliveries of both LWC and SC paper, and has managed to contract substantial volumes of all publication paper grades for 2009.

**Solid-wood products:** All of the major European countries saw a decline in home construction in 2008. The number of building permits points to a continued low level of activity, and most sawmills have issued redundancy notices, while several closures are in progress. No recovery is expected in the market until the end of 2009.

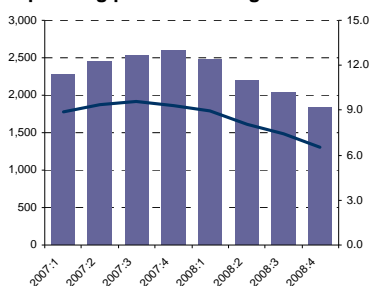
## SALES AND EARNINGS

Net sales increased by 4%, or SEK 4,536m, compared with the preceding year and amounted to SEK 110,449m (105,913). Volume growth was 2%. Acquisitions contributed 3% to net sales, while the divestment of the packaging operations in North America and the UK and Ireland, as well as the sale of the Softis brand, decreased net sales by 1%. Higher prices primarily for tissue and corrugated board increased net sales by 2%. Net sales were favourably affected by exchange rate movements, by 1%. In the 2008 income statement, reclassifications have been made pertaining to SCA's transport operations, which had a negative effect on net sales by 1%. Excluding the preceding year's items affecting comparability, totalling SEK 300m, operating profit fell 13% to SEK 8,554m (10,147, adjusted 9,847). Higher prices and larger volumes failed to compensate for higher manufacturing costs. An improved product mix and price increases resulted in a SEK 2,400m improvement in earnings, while raw material and energy costs increased by SEK 2,300m and SEK 1,200m, respectively. Financial items amounted to SEK -2,317m (-1,910), and the tax expense was SEK -639m (-1,076). Profit for the year amounted to SEK 5,598m (7,161), and earnings per share were SEK 7.94 (10.16).

Net sales



Operating profit and margin



Excluding items affecting comparability

Compared with the fourth quarter of 2007, net sales rose 1% to SEK 28,159m (27,808). Higher prices added 1% to sales, while sales decreased by 3% as a result of lower volumes. The divestment of the packaging operation in the UK and Ireland resulted in a 2% decline in sales. Exchange rate movements had a favourable effect on sales, by 6%. The reclassification of SCA's transport operations had a negative effect on SCA's net sales, by 1%. Excluding the preceding year's items affecting comparability, operating profit fell 29%, to SEK 1,838m (2,891, adjusted 2,591). Higher prices failed to compensate for lower volumes and higher energy and other manufacturing costs. Financial items amounted to SEK -688m (-549), and taxes to SEK 276m (-204). Profit for the period amounted to SEK 1,426m (2,138), and earnings per share were SEK 2.02 (3.03).

## CASH FLOW AND FINANCING

Operating cash surplus decreased by 9% to SEK 13,869m (15,286). Tied-up working capital amounted to SEK -19m (-1,299), despite the inventory build-up during the year ahead of a shift in production to a new generation of baby diapers. Working capital in relation to net sales was unchanged at 11%. Current capital expenditures were slightly higher than a year ago and amounted to SEK 5,353 (5,165), which corresponds to just under 5% of net sales. Operating cash flow fell slightly to SEK 7,813m (8,127).

Financial items increased by SEK 407m to SEK -2,317m – an effect of higher interest rates and a higher level of net debt. Tax payments were level with a year ago and amounted to SEK 1,702m (1,719). Cash flow from current operations thereby amounted to SEK 3,810m (4,508).

Strategic investments and acquisitions amounted to SEK 4,873m (5,887). Outlays during the year pertained primarily to the second and third instalments for the acquisition of Procter & Gamble's (P&G) European tissue business, the installation of a second paper machine at the tissue plant in Barton, Alabama, USA, investments in the hygiene operations in Russia, and broadened ownership in the Chinese tissue company Vinda. The divestment of the corrugated board operations in the UK and Ireland was completed as per the end of September, and total divestments amounted to SEK 1,140m (2,852). The dividend paid to the shareholders and minority owners was SEK 3,128m (2,939). Net cash flow was SEK -3,023m, compared with SEK -1,411m a year ago.

Net debt at year-end was SEK 47,002m, compared with SEK 37,368m at the start of the year. Net cash flow impacted net debt by SEK -3,023m. In addition, net debt was affected in the amount of SEK -3,523m by the remeasurement of pension assets and liabilities and financial instruments to fair value. Exchange rate movements caused by the weaker Swedish krona resulted in an increase in SEK net debt, by SEK -3,088m. The net debt/equity ratio was 0.70 (0.58 at the start of the year).

As per 31 December 2008, SCA had outstanding commercial paper worth SEK 10,200m with maturity in six months. On this same date, unutilized long-term credit facilities amounted to SEK 20,684m. In addition, cash and cash equivalents amounted to SEK 5,738m.

## EQUITY

Consolidated equity increased during the year by SEK 2,973m to SEK 67,252m. Net profit for the year increased equity by SEK 5,598m, while the dividend payout reduced equity by SEK 3,128m. Equity decreased through the remeasurement to fair value after tax of the net pension liability, totalling SEK 2,385m, and financial instruments, totalling SEK 782m. Exchange rate movements including hedges of net capital expenditures abroad, etc., increased equity by SEK 3,670m.

## TAX

During the fourth quarter, Swedish Parliament decided to lower the company tax rate from 28% to 26.3%. The recalculation of SCA's deferred tax liability in Sweden resulted in a positive tax effect of SEK 466m. Adjusted for this one-time effect, SCA reported a tax charge of 18% for the year.

## ACQUISITIONS AND DIVESTMENTS

### Previous events during the year:

During the second quarter SCA signed an agreement on the sale of its conventional corrugated business in the UK and Ireland. The buyer was the Spanish company SAICA, and the deal was completed on 30 September after clearance was obtained from the competition authorities. The purchase price was SEK 1,200m (GBP 100m). See also the press release dated 18 June 2008.

During the first quarter, SCA acquired an additional 5% stake in the Chinese tissue company Vinda for SEK 119m. SCA's ownership after the acquisition amounts to approximately 19%.

To meet the European Commission's conditions for approving the acquisition of P&G's European tissue operation, during the first quarter the Softis brand along with accompanying patents and machines was sold to the Italian tissue company Sofidel, in accordance with the established plan.

## CAPITAL EXPENDITURES

### Fourth quarter:

To support continued growth in the diapers segment in markets such as Russia and Ukraine, SCA is investing approximately SEK 260m in new production capacity in Tula, Russia. The plant is scheduled for start-up in 2010.

### Previous events during the year:

To strengthen its competitiveness and profitability, SCA is investing SEK 1,525m in a new tissue plant in Mexico. SCA has a strong market position in Mexico of 18%, and annual market growth of 4%–5% in recent years is expected to continue. The plant is expected to be operating by 2010.

SCA's half-owned company Productos Familia, with operations in Colombia, Ecuador, Peru and Venezuela, is investing SEK 420m in a new tissue machine to meet strong growth in sales in the region.

To increase capacity in the Personal Care segment, investments totalling SEK 1,050m were decided on during the year in plants in the Netherlands, Russia and the USA.

A new automated sorting facility will be installed at SCA's Tunadal sawmill in Sweden. This investment is worth SEK 210m.

## OTHER EVENTS DURING THE PERIOD

### Previous events during the year:

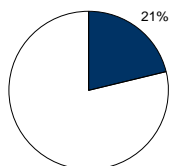
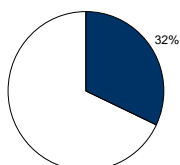
On 1 April and 1 July, the last two units of the P&G acquisition – in Orléans, France, and in Manchester, UK – were taken over. The acquisition is thereby complete. Payment for the Orléans unit, totalling SEK 529m (EUR 56m) was made on 1 April, and payment for the Manchester unit, totalling SEK 1,150m (EUR 123m), was made on 1 July.

As a consequence of the integration work in the European tissue operations, SCA has shut down capacity in the UK equivalent to 30,000 tonnes.

In June SCA announced that it intends to close its containerboard mill (testliner) in New Hythe, England, in 2010. The mill has a capacity of 240,000 tonnes of paper.

From 1 January 2008 SCA has made a changeover to a function-based income statement. See also the interim report published on 29 April 2008.

During the second quarter, SCA's Class B shares were delisted from the London Stock Exchange and are now listed on the OMX Nordic Exchange in Stockholm and through an ADR (American Depositary Receipt) programme in the US.

Share of Group, net sales  
0812Share of Group, operating profit  
0812

## PERSONAL CARE

SEKm	0812	0712	%	2008:4	2007:4	%
Volume growth	-	-	5.0	-	-	3.4
Net sales	<b>23,331</b>	22,101	6	<b>6,289</b>	5,706	10
Operating surplus	<b>3,928</b>	3,955	-1	<b>990</b>	1,036	-4
Operating profit	<b>2,912</b>	2,960	-2	<b>712</b>	781	-9
Operating margin, %	<b>12.5</b>	13.4		<b>11.3</b>	13.7	

### January–December 2008 (compared with corresponding period a year ago)

Net sales rose 6% to SEK 23,331m. Higher volumes contributed 5% to the sales increase. Higher prices and an improved product mix contributed 1%. Exchange rate movements had only a marginal impact on net sales. Sales in emerging markets increased by 15%.

Operating profit was 2% lower than the preceding year and amounted to SEK 2,912m (2,960). The effect of the improved volumes and product mix was reduced by higher raw material and manufacturing costs. The operating margin was lower compared with a year ago.

Operating cash surplus was SEK 3,940m (3,960). Operating cash flow decreased to SEK 2,591m (2,933) as a result of a higher level of tied-up working capital and higher current capital expenditures.

### Fourth quarter 2008 (compared with fourth quarter 2007)

Sales rose 10% to SEK 6,289m (5,706). The sales increase is mainly attributable to higher volumes for incontinence care products, but also to an improved product mix. Exchange rate movements increased sales by 5%.

The sales increase for Tena-brand incontinence products was 11%. Sales of products to the healthcare sector rose 12%. Growth was favourable in Russia and in the more rapidly growing markets in Eastern Europe. Sales to the retail sector showed continued favourable growth.

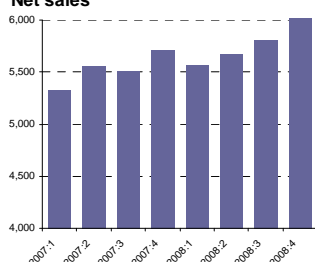
The sales increase for baby diapers was 11%. Sales in emerging markets such as South America and Malaysia remained very strong, with double-digit growth. The generation shift that is taking place in Europe towards new products along with changes in production had a dampening effect on growth, while the changed product mix had a positive effect.

Sales of feminine care products increased by 7%. Favourable price and volume development was offset by higher raw material costs.

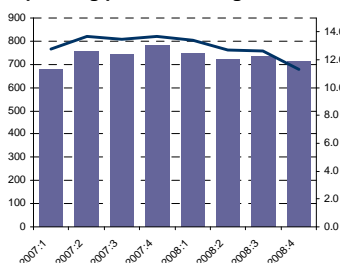
Operating profit fell 9% to SEK 712m (781). The earnings decline is mainly attributable to baby diapers, which continued to be hurt by the generation shift towards new products. An improved product mix and higher volumes failed to fully compensate for higher raw material and manufacturing costs. In the baby diapers segment, the improved product mix was mainly attributable to a higher share of branded products. For incontinence care products, the improvement can be credited to a higher share of sales of pant model incontinence products. Foreign exchange movements decreased profit by 2%.

Operating cash surplus was SEK 993m (1,037), while operating cash flow increased to SEK 851m (769). The lower operating cash surplus has been compensated by a lower level of tied-up capital. However, this has been partly counteracted by a higher level of current capital expenditures.

Net sales

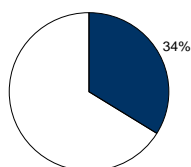
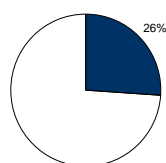


Operating profit and margin

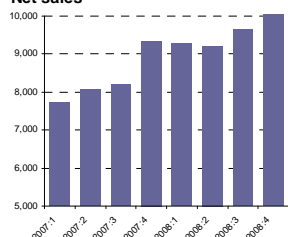
Deviations, operating profit (%)  
0812 vs. 0712

	-2
Price/mix	1
Volume	15
Raw material	-8
Energy	-1
Currency	0
Other	-9

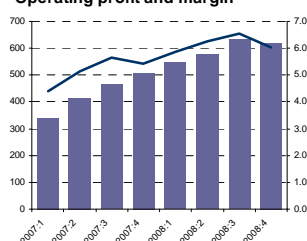


Share of Group, net sales  
0812Share of Group, operating profit  
0812

Net sales



Operating profit and margin



Deviations, operating profit (%)

0812 vs. 0712	
Price/mix	113
Volume	1
Raw material	-41
Energy	-34
Currency	0
Other	-1

## TISSUE

SEKm	0812	0712	%	2008:4	2007:4	%
Volume growth	-	-	8.6	-	-	-1.6
Net sales	<b>38,380</b>	33,332	15	<b>10,256</b>	9,343	10
Operating surplus	<b>4,555</b>	3,949	15	<b>1,218</b>	1,092	12
Operating profit	<b>2,375</b>	1,724	38	<b>619</b>	508	22
Operating margin, %	<b>6.2</b>	5.2		<b>6.0</b>	5.4	

### January–December 2008 (compared with corresponding period a year ago)

Net sales rose 15% to SEK 38,380m (33,332). Sales increased by 10% as a result of acquisitions. Higher prices boosted sales by 6%, while exchange rate movements had an adverse impact on net sales by 1%. Sales in emerging markets increased by 18%.

Operating profit improved by 38%, or SEK 651m, to SEK 2,375m (1,724). Acquisitions and higher prices accounted for approximately SEK 2,400m of this improvement, while higher raw material and energy costs lowered earnings by SEK 1,300m.

Operating cash surplus amounted to SEK 4,446m (3,926), and operating cash flow was SEK 2,434m (2,485). An improved operating cash surplus was offset by a higher level of tied-up working capital and slightly higher net current capital expenditures.

### Fourth quarter 2008 (compared with fourth quarter 2007)

Sales rose 10% to SEK 10,256m (9,343). Higher prices accounted for 5% of the sales improvement. Slightly lower volumes reduced sales by 2%. Exchange rate movements had a favourable impact on sales by 7%.

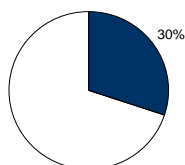
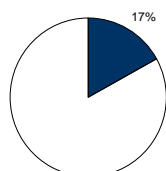
Sales of consumer tissue rose 10% as a result of higher prices and volumes. Volume growth was high in Eastern Europe and Latin America.

Sales of AFH tissue rose 9%. Adjusted for exchange rate movements, sales decreased by 2%. Higher prices in all regions were offset by negative volume development.

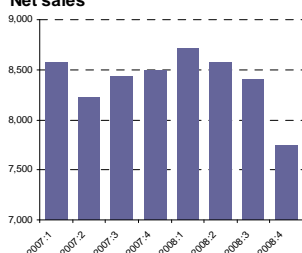
Operating profit rose 22%, or SEK 111m, to SEK 619m (508), mainly as a result of higher prices and synergies achieved through acquisitions. Higher costs for raw materials, energy and transports had a lowering effect on operating profit. Exchange rate movements had a favourable impact on operating profit, by 11%.

Operating cash surplus was SEK 1,252m (1,092), and operating cash flow was SEK 778m (772). The higher operating cash surplus and lower level of net capital expenditures was counteracted by a higher level of tied-up capital.

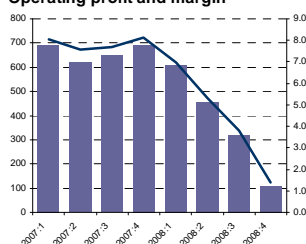


Share of Group, net sales  
0812Share of Group, operating profit  
0812

Net sales



Operating profit and margin



Deviations, operating profit (%)

0812 vs. 0712	
Price/mix	30
Volume	-8
Raw material	-35
Energy	-14
Currency	1
Other	-18

## PACKAGING

SEK m	0812	0712	%	2008:4	2007:4	%
Deliveries						
- Liner products, ktonnes	2,305	2,342	-2	528	567	-7
- Corrugated board, million m <sup>2</sup>	4,116	4,433	-7*	855	1,105	-23*
Net sales	33,441	33,728	-1	7,746	8,494	-9
Operating surplus	3,132	4,212	-26	535	1,102	-51
Operating profit	1,493	2,651	-44	109	692	-84
Operating margin, %	4.5	7.9		1.4	8.1	

\*) Adjusted for the change in volume resulting from the divestment of operations in the UK and Ireland, the change was -4% and -11%, respectively.

### January–December 2008 (compared with corresponding period a year ago)

Net sales were down slightly and amounted to SEK 33,441m (33,728). Adjusted for the divestment of operations in North America in 2007 and in the UK and Ireland in 2008, net sales increased by 3%. The increase is mainly attributable to price increases, which for corrugated board amounted to approximately 3%. Lower volumes reduced net sales by 1%. Exchange rate movements had a 2% positive effect on net sales.

Operating profit amounted to SEK 1,493m (2,651), a decrease of SEK 1,158m. Higher prices for corrugated board failed to compensate for higher raw material, energy and transport costs. During the year, SCA cut production of liner by 149,000 tonnes, which had a negative impact on earnings. Foreign exchange movements had a 1% positive effect on operating profit.

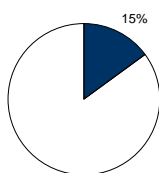
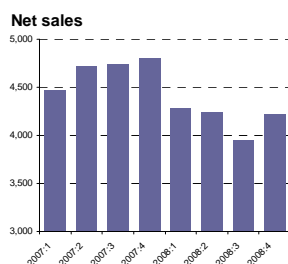
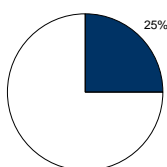
Operating cash surplus amounted to SEK 3,062m (4,041), and operating cash flow was SEK 1,267m (1,055). A lower operating cash surplus and higher current capital expenditures were compensated above all by a lower level of tied-up working capital and also by lower payments for efficiency-improvement programmes.

### Fourth quarter 2008 (compared with fourth quarter 2007)

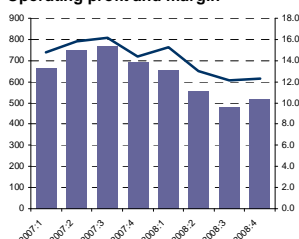
Sales fell 9% to SEK 7,746m (8,494). Lower volumes and the divestment of the operations in the UK and Ireland decreased sales by 7% and 7%, respectively. Lower prices resulted in a 1% decrease in sales. Foreign exchange movements had a positive effect on net sales, by 6%.

Operating profit decreased by SEK 583m to SEK 109m (692). Operating profit was hurt by lower volumes. Slightly higher prices for corrugated board failed to compensate for higher raw material, energy and transport costs. In addition, during the fourth quarter SCA cut liner production by 92,000 tonnes, which had a negative impact on earnings. As an additional measure to lower the surplus inventory in the liner market, during the fourth quarter SCA increased its external sales of liner. Foreign exchange movements had a favourable impact on operating profit, by 2%.

Operating cash surplus was SEK 528m (1,046). The lower operating cash surplus was counteracted by a lower level of tied-up capital and slightly lower current capital expenditures. Operating cash flow was SEK 334m (566).

Share of Group, net sales  
0812Share of Group, operating profit  
0812

Operating profit and margin



Deviations, operating profit (%)

0812 vs. 0712	
Price/mix	-14
Volume	1
Raw material	-15
Energy	-8
Currency	1
Other	12
<b>Total</b>	<b>-23</b>

## FOREST PRODUCTS

SEK m	0812	0712	%	2008:4	2007:4	%
Deliveries						
- Publication papers, ktonnes	1,572	1,534	2	415	400	4
- Solid-wood products, km <sup>3</sup>	1,636	1,653	-1	426	406	5
Net sales	16,710	18,744*	-5*	4,225	4,803*	-6*
Operating surplus	3,494	4,194	-17	853	1,021	-16
Operating profit	2,207	2,870	-23	518	691	-25
Operating margin, %	13.2	15.3		12.3	14.4	

\*) Net sales in 2007 include SEK 1,202m and SEK 291m, respectively, for SCA's transport operations. Starting in 2008, these sales are reported as other income, which is why the percentage difference above is stated exclusive of these sales.

### January–December 2008 (compared with corresponding period a year ago)

Adjusted for the fact that SCA's transport operations are reported as other income starting in 2008, net sales fell 5% to SEK 16,710m (18,744, adjusted 17,542). Sales of publication papers rose 3% as a result of higher prices and volumes. Sales of solid-wood products reduced sales by 19% as result of lower prices and volumes.

Operating profit decreased by SEK 663m to SEK 2,207m (2,870). Despite higher prices, profit for the publication papers business fell due to higher costs for raw materials and energy. Operating profit for solid-wood products decreased due to lower prices and higher timber prices. Operating profit for the pulp operations was lower than in the preceding year, which was offset by an improved profit for the forest operations.

Operating cash surplus amounted to SEK 2,880m (3,798), and operating cash flow was SEK 1,697m (2,249). A lower operating cash surplus was offset by a lower level of tied-up working capital and lower net current capital expenditures.

### Fourth quarter 2008 (compared with fourth quarter 2007)

Adjusted for the handling of the transport operations, sales fell 6% to SEK 4,225m (4,803, adjusted 4,512).

Sales of publication papers increased compared with the fourth quarter a year ago. Improved prices and higher volumes contributed to the increase. Exchange rate movements had a positive effect on sales.

Sales for the sawmill operations decreased as a result of lower prices. Sales for the pulp operations were level with the same period a year ago, mainly due to positive exchange rate movements, which compensated for lower prices.

Operating profit fell 25% to SEK 518m (691). The earnings decline is mainly attributable to the sawmill operations, which hurt earnings by approximately SEK 190m. The decline is mainly attributable to lower prices and production limitations aimed at balancing the inventory situation. Operating profit for the pulp operations fell as a result of lower prices and higher raw material costs, while foreign exchange movements had a positive effect. The improved earnings for publication papers can be credited to higher prices, larger volumes and positive exchange rate effects, which together compensated for higher energy and raw material costs. Operating profit for forest operations fell as a result of lower prices and higher felling costs. During the fourth quarter, an annual appraisal of standing trees was conducted in accordance with IAS 41. The appraisal did not result in any adjustment of the planned change in fair value of forest assets, which is reported on a current basis. During the fourth quarter, as in preceding quarters, the change in value offset higher costs for purchases of forests as well as felling as a result of lower than planned harvesting of own forests.

Operating cash surplus was SEK 886m (907). A lower level of tied-up capital compensated for the lower level of operating cash surplus, and operating cash flow was SEK 700m (395).

## SHARE DISTRIBUTION

31 December 2008	Class A	Class B	Total
Registered number of shares	110,940,207	594,169,887	705,110,094
- of which treasury shares		2,767,605	2,767,605

At the end of the period, the proportion of Class A shares was 15.7%. As a result of the exercise of employee options, the number of treasury shares decreased during the year to 2,767,605 (3,154,812).

Calculated according to IFRS recommendations, the effects of outstanding employee option programmes correspond to a maximum dilution of 0.01%, which has been taken into account when calculating earnings per share for the period.

After the end of the quarter, at the request of shareholders, 300 Class A shares were converted to Class B shares. The total number of votes in the company thereafter amounts to 1,703,569,257.

## RISKS AND UNCERTAINTIES

SCA's financial risk management is presented on pages 72–77 of the 2007 Annual Report. The Group's operations and inherent risks are described on pages 55–57 of the Annual Report. No significant changes have occurred that have changed the risks as reported in the Annual Report.

The recent, dramatic developments in the financial markets have caused a higher level of general uncertainty, which also entails risks and uncertainties for the operations.

### Strategic risks

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

### Operational risks

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

## RELATED PARTY TRANSACTIONS

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

## ACCOUNTING PRINCIPLES

This year-end report is prepared in accordance with IAS 34 and recommendation RFR 1.1 of the Swedish Financial Reporting Board, and with regard to the Parent Company, according to RFR 2.1. The accounting principles applied correspond to those described in the 2007 Annual Report.

## FUTURE REPORTS

Interim reports will be released in 2009 on 28 April, 23 July and 27 October.

The company's Annual Report will be available upon request from the company and on the company's website, [www.sca.com](http://www.sca.com), by 19 March 2009 at the latest.

## NOMINATION COMMITTEE

SCA's Nomination Committee, which is tasked with – among other things – submitting recommendations to the 2009 Annual General Meeting regarding the composition of SCA's board, consists of the following members: Carl-Olof By, AB Industrivärden, Committee Chair; Håkan Sandberg, Handelsbanken's Pension Foundation, and others; Anders Oscarsson, SEB Fonder; Hans Sterte, Skandia Liv; Helen Olausson, AB Skrandan and others; and Sverker Martin-Löf, Chairman of the Board of SCA.

## **ANNUAL GENERAL MEETING**

SCA's Annual General Meeting will be held on Thursday, 2 April 2009, in Stockholm.

### **Dividend**

The Board of Directors proposes a dividend of SEK 3.50 per share (4.40), or SEK 2 458m (3,089). Dividend growth during the last ten-year period was thus 6%. The record date for the right to the dividend has been proposed as 7 April 2009.

Stockholm, 29 January 2009  
SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Jan Johansson  
President and CEO

**OPERATING CASH FLOW ANALYSIS**

SEKm	0812	0712
Operating cash surplus	13,869	15,286
Change in working capital	-19	-1,299
Current capital expenditures, net	-5,353	-5,165
Restructuring costs, etc.	-684	-695
<b>Operating cash flow</b>	<b>7,813</b>	<b>8,127</b>
Financial items	-2,317	-1,910
Income taxes paid	-1,702	-1,719
Other	16	10
<b>Cash flow from current operations</b>	<b>3,810</b>	<b>4,508</b>
Acquisitions	-1,764	-4,545
Strategic capital expenditures, fixed assets	-3,109	-1,342
Divestments	1,140	2,852
<b>Cash flow before dividend</b>	<b>77</b>	<b>1,473</b>
Dividend	-3,128	-2,939
<b>Cash flow after dividend</b>	<b>-3,051</b>	<b>-1,466</b>
Sale of treasury shares	28	55
<b>Net cash flow</b>	<b>-3,023</b>	<b>-1,411</b>
<b>Net debt at the start of the period</b>	<b>-37,368</b>	<b>-36,399</b>
Net cash flow	-3,023	-1,411
Remeasurement to equity	-3,523	1,013
Currency effects	-3,088	-571
<b>Net debt at the end of the period</b>	<b>-47,002</b>	<b>-37,368</b>
<b>Debt/equity ratio</b>	<b>0.70</b>	<b>0.58</b>
<b>Debt payment capacity, %</b>	<b>26</b>	<b>35</b>

**CASH FLOW STATEMENT**

SEKm	0812	0712
<b>Operating activities</b>		
Profit before tax	6,237	8,237
Adjustment for non-cash items <sup>1</sup>	4,812	4,470
	11,049	12,707
Paid tax	-1,702	-1,719
<b>Cash flow from operating activities before changes in working capital</b>	<b>9,347</b>	<b>10,988</b>
<b>Cash flow from changes in working capital</b>		
Change in inventories	-363	-1,765
Change in operating receivables	798	-1,968
Change in operating liabilities	-454	2,480
<b>Cash flow from operating activities</b>	<b>9,328</b>	<b>9,735</b>
<b>Investing activities</b>		
Acquisition of operations	-1,763	-4,371
Sold operations	1,129	2,785
Acquisition tangible and intangible assets	-8,635	-6,991
Sale of tangible assets	210	502
Payment of loans to external parties	-1,170	-397
<b>Cash flow from investing activities</b>	<b>-10,229</b>	<b>-8,472</b>
<b>Financing activities</b>		
Sale of treasury shares	28	55
Borrowings	6,615	3,015
Amortization of debt	-	-
Dividends paid	-3,128	-2,939
<b>Cash flow from financing activities</b>	<b>3,515</b>	<b>131</b>
<b>Cash flow for the period</b>	<b>2,614</b>	<b>1,394</b>
Cash and cash equivalents at the beginning of the year	3,023	1,599
Exchange differences in cash and cash equivalents	102	30
<b>Cash and cash equivalents at the end of the period</b>	<b>5,739</b>	<b>3,023</b>
<b>Reconciliation with operating cash flow analysis</b>		
<b>Cash flow for the period</b>	<b>2,614</b>	<b>1,394</b>
<b>Deducted items:</b>		
Payment of loans to external parties	1,170	397
Borrowings	-6,615	-3,015
<b>Added items:</b>		
Net debt in acquired and divested operations	10	-107
Accrued interest	-166	-62
Investments through finance leases	-36	-18
<b>Net cash flow according to operating cash flow analysis</b>	<b>-3,023</b>	<b>-1,411</b>
<sup>1</sup> Depreciation and impairment, fixed assets	6,211	9,720
Fair value valuation of forest assets	-720	-5,645
Payments related to efficiency programmes	-616	-684
Other	-63	-251
<b>Total</b>	<b>4,812</b>	<b>4,470</b>

**CONSOLIDATED INCOME STATEMENT**

SEKm	2008:4	2007:4	2008:3	0812	0712
<b>Net sales</b>	<b>28,159</b>	27,808	27,438	<b>110,449</b>	105,913
Cost of goods sold <sup>2</sup>	-23,124	-22,453	-22,312	-89,684	-84,812
<b>Gross contribution</b>	<b>5,035</b>	5,355	5,126	<b>20,765</b>	21,101
Sales, general and administration <sup>1,2</sup>	-3,197	-2,464	-3,080	-12,211	-10,954
<b>Operating profit<sup>1</sup></b>	<b>1,838</b>	2,891	2,046	<b>8,554</b>	10,147
Financial items	-688	-549	-608	-2,317	-1,910
<b>Profit before tax<sup>1</sup></b>	<b>1,150</b>	2,342	1,438	<b>6,237</b>	8,237
Tax	276	-204	-185	-639	-1,076
<b>Net profit for the period<sup>1</sup></b>	<b>1,426</b>	2,138	1,253	<b>5,598</b>	7,161

<sup>1</sup> The fourth quarter of 2007 includes items affecting comparability totalling SEK 300m before tax and SEK 252m after tax

**Earnings attributable to:**

Equity holders of the Parent Company	1,419	2,130	1,248	5,578	7,138
Minority interests	7	8	5	20	23

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

- before dilution effects	2.02	3.03	1.78	7.94	10.17
- after dilution effects	2.02	3.03	1.78	7.94	10.16

<sup>2</sup> Where of depreciations

	-1,643	-1,603	-1,553	-6,199	-6,186
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	2008:4	2007:4	2008:3	0812	0712
Gross margin	<b>17.9</b>	19.3	18.7	<b>18.8</b>	19.9
Operating margin	<b>6.5</b>	10.4	7.5	<b>7.7</b>	9.6
Financial net margin	-2.4	-2.0	-2.2	-2.1	-1.8
Profit margin	<b>4.1</b>	8.4	5.3	<b>5.6</b>	7.8
Tax	1.0	-0.7	-0.7	-0.6	-1.0
Net margin	<b>5.1</b>	7.7	4.6	<b>5.0</b>	6.8

<b>Calculation of earnings per share</b>	2008:4	2007:4	2008:3	0812	0712
Earnings attributable to equity holdings of the Parent Company	1,419	2,130	1,248	5,578	7,138
Average no. of shares before dilution, millions	702.2	701.8	702.1	702.2	701.8
Warrants	0.2	0.4	0.2	0.2	0.4
Average no. of shares after dilution	702.4	702.2	702.3	702.4	702.2



**CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

SEKm	0812	0712
Actuarial gains and losses related to pensions, incl. payroll tax	-3,322	1,230
Available-for-sale financial assets:		
- Gains from fair value measurement taken to equity	-599	-255
- Transferred to income statement at sale	0	-34
Cash flow hedges		
- Gains from remeasurement of derivatives taken to equity	-312	63
- Transferred to profit or loss for the period	58	-25
Transferred to cost of hedged investments	-5	2
Translation difference in foreign operations	2,885	23
Gains from hedging of net investments in foreign operations	763	360
Tax on items taken to/transferred from equity	1,013	-308
Total transactions taken to equity	481	1,056
Net profit for the period recognized in the income statement	5,598	7,161
Total income and expenses recognized for the period	<b>6,079</b>	<b>8,217</b>
<i>Attributable to:</i>		
- Equity holders of the Parent Company	5,921	8,158
- Minority interests	158	59
	<b>6,079</b>	<b>8,217</b>
<i>Other changes in equity</i>		
- sale of treasury shares	28	55
- dividend	-3,128	-2,939
- change in Group structure	-6	-17

**CONSOLIDATED BALANCE SHEET**

	31 December 2008	31 December 2007
	SEKm	SEKm
<b>Assets</b>		
Goodwill	19,374	18,161
Other intangible assets	3,786	3,455
Tangible assets	88,411	80,352
Shares and participations	1,056	1,018
Non-current financial assets <sup>1</sup>	2,499	3,663
Other non-current receivables	1,239	1,164
<b>Total non-current assets</b>	<b>116,365</b>	<b>107,813</b>
Operating receivables and inventories	36,121	33,793
Current financial assets	642	366
Non-current assets held for sale	102	55
Cash and cash equivalents	5,738	3,023
<b>Total current assets</b>	<b>42,603</b>	<b>37,237</b>
<b>Total assets</b>	<b>158,968</b>	<b>145,050</b>
<b>Equity</b>		
Equity holders of the Parent Company	66,450	63,590
Minority interests	802	689
<b>Total equity</b>	<b>67,252</b>	<b>64,279</b>
<b>Liabilities</b>		
Provisions for pensions	3,443	1,987
Other provisions	9,849	12,212
Non-current financial liabilities	38,859	20,247
Other non-current liabilities	857	133
<b>Total non-current liabilities</b>	<b>53,008</b>	<b>34,579</b>
Current financial liabilities <sup>2</sup>	13,170	21,943
Operating liabilities	25,538	24,249
<b>Total current liabilities</b>	<b>38,708</b>	<b>46,192</b>
<b>Total liabilities</b>	<b>91,716</b>	<b>80,771</b>
<b>Total equity and liabilities</b>	<b>158,968</b>	<b>145,050</b>
Debt/equity ratio	0.70	0.58
Visible equity/assets ratio	42%	44%
Return on capital employed	8%	11%
Return on equity	9%	12%
<sup>1</sup> Of which pension assets	843	2,137
<sup>2</sup> Contracted committed credit lines amount to SEK 32,059m, of which unutilized SEK 20,684m.		
Capital employed	114,254	101,647
- of which working capital	11,818	11,623
Net debt	47,002	37,368
Shareholders' equity	67,252	64,279
Provisions for restructuring costs are included in the balance sheet as follows:		
- Other provisions*	643	869
- Operating liabilities	652	1,040
*) whereof provisions for taxrisks	246	250

**NET SALES**

SEKm	2008:4	2008:3	2008:2	2008:1	2007:4	2007:3	2007:2	2007:1
Personal Care	6,289	5,807	5,671	5,564	5,706	5,510	5,554	5,331
Tissue	10,256	9,642	9,203	9,279	9,343	8,204	8,060	7,725
Packaging	7,746	8,400	8,582	8,713	8,494	8,434	8,229	8,571
Forest Products	4,225	3,956	4,239	4,290	4,803	4,743	4,726	4,472
- Publication papers	2,373	2,245	2,198	2,199	2,259	2,225	2,149	2,082
- Pulp, timber and solid-wood products	1,852	1,711	2,041	2,091	2,544	2,518	2,577	2,390
Other	379	369	351	369	318	320	341	357
Intra-group deliveries	-736	-736	-707	-702	-856	-849	-782	-841
<b>Total net sales</b>	<b>28,159</b>	<b>27,438</b>	<b>27,339</b>	<b>27,513</b>	<b>27,808</b>	<b>26,362</b>	<b>26,128</b>	<b>25,615</b>

**OPERATING PROFIT**

SEKm	2008:4	2008:3	2008:2	2008:1	2007:4	2007:3	2007:2	2007:1
Personal Care	712	734	721	745	781	742	758	679
Tissue	619	633	577	546	508	464	413	339
Packaging	109	319	457	608	692	648	622	689
Forest Products	518	481	553	655	691	766	750	663
- Publication papers	150	78	91	83	125	143	141	128
- Pulp, timber and solid-wood products	368	403	462	572	566	623	609	535
Other <sup>1</sup>	-120	-121	-109	-83	219	-94	-95	-88
<b>Total operating profit<sup>1</sup></b>	<b>1,838</b>	<b>2,046</b>	<b>2,199</b>	<b>2,471</b>	<b>2,891</b>	<b>2,526</b>	<b>2,448</b>	<b>2,282</b>
Financial items	-688	-608	-496	-525	-549	-507	-435	-419
<b>Profit before tax<sup>1</sup></b>	<b>1,150</b>	<b>1,438</b>	<b>1,703</b>	<b>1,946</b>	<b>2,342</b>	<b>2,019</b>	<b>2,013</b>	<b>1,863</b>
Tax	276	-185	-321	-409	-204	0	-443	-429
<b>Net profit for the period<sup>2</sup></b>	<b>1,426</b>	<b>1,253</b>	<b>1,382</b>	<b>1,537</b>	<b>2,138</b>	<b>2,019</b>	<b>1,570</b>	<b>1,434</b>

<sup>1</sup> The fourth quarter of 2007 includes SEK 300m in items affecting comparability, specified per business area in the 2007 annual report.

<sup>2</sup> The fourth quarter of 2007 includes SEK 252m in items affecting comparability.

**OPERATING MARGIN**

%	2008:4	2008:3	2008:2	2008:1	2007:4	2007:3	2007:2	2007:1
Personal Care	11.3	12.6	12.7	13.4	13.7	13.5	13.6	12.7
Tissue	6.0	6.6	6.3	5.9	5.4	5.7	5.1	4.4
Packaging	1.4	3.8	5.3	7.0	8.1	7.7	7.6	8.0
Forest Products	12.3	12.2	13.0	15.3	14.4	16.2	15.9	14.8
- Publication papers	6.3	3.5	4.1	3.8	5.5	6.4	6.6	6.1
- Pulp, timber and solid-wood products	19.9	23.6	22.6	27.4	22.2	24.7	23.6	22.4

**CONSOLIDATED INCOME STATEMENT**

SEKm	2008:4	2008:3	2008:2	2008:1	2007:4
<b>Net sales</b>	<b>28,159</b>	<b>27,438</b>	<b>27,339</b>	<b>27,513</b>	<b>27,808</b>
Cost of goods sold	-23,124	-22,312	-22,120	-22,128	-22,453
<b>Gross contribution</b>	<b>5,035</b>	<b>5,126</b>	<b>5,219</b>	<b>5,385</b>	<b>5,355</b>
Sales, general and administration <sup>1</sup>	-3,197	-3,080	-3,020	-2,914	-2,464
<b>Operating profit<sup>1</sup></b>	<b>1,838</b>	<b>2,046</b>	<b>2,199</b>	<b>2,471</b>	<b>2,891</b>
Financial items	-688	-608	-496	-525	-549
<b>Profit before tax<sup>1</sup></b>	<b>1,150</b>	<b>1,438</b>	<b>1,703</b>	<b>1,946</b>	<b>2,342</b>
Taxes	276	-185	-321	-409	-204
<b>Net profit for the period<sup>2</sup></b>	<b>1,426</b>	<b>1,253</b>	<b>1,382</b>	<b>1,537</b>	<b>2,138</b>

<sup>1</sup> The fourth quarter of 2007 includes SEK 300m in items affecting comparability.

<sup>2</sup> The fourth quarter of 2007 includes SEK 252m in items affecting comparability.

**INCOME STATEMENT PARENT COMPANY**

SEKm	<b>0812</b>	0712
Administration costs	-461	-513
Other operating income	126	142
Other operating expenses	-126	-142
<b>Operating profit</b>	<b>-461</b>	-513
Financial items	-78	95
<b>Profit before tax</b>	<b>-539</b>	-418
Appropriations and taxes	800	601
<b>Net profit for the period</b>	<b>261</b>	183

**BALANCE SHEET PARENT COMPANY**

	31 December 2008	31 December 2007
	SEKm	SEKm
Intangible assets	2	5
Tangible assets	6,328	6,205
Financial investments	62,538	62,576
<b>Total fixed assets</b>	<b>68,868</b>	<b>68,786</b>
Total current assets	1,731	1,604
<b>Total assets</b>	<b>70,599</b>	70,390
Restricted equity	10,996	10,996
Unrestricted equity	7,241	9,496
<b>Total shareholders' equity</b>	<b>18,237</b>	20,492
Untaxed reserves	136	128
Provisions	580	1,330
Long-term liabilities	0	0
Current liabilities	51,646	48,440
<b>Total equity and liabilities</b>	<b>70,599</b>	70,390

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**Note**

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SCA discloses the information provided herein pursuant to the Securities Markets Act. This report has been prepared in both Swedish and English. In case of variation in the content of the two versions, the Swedish version shall take precedence. The report has not been reviewed by the company's auditors.

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