

Year in brief

SCA's cash flow from operations remained strong and amounted to SEK 6,652 M.

Accordingly, cash flow target for the year was exceeded.

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Earnings after financial items was the best ever, amounting to SEK 9,327 M.

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SCA acquired the US-based hygiene products company Johnson & Johnson's incontinence products operations in the US and Canada.

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SCA sold its interest in the Modo Paper fine paper company to Metsä-Serla of Finland, resulting in a capital gain of SEK 2,656 M.

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SCA acquired Metsä-Serla's corrugated board division, and became the largest corrugated board producer in Europe.

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Jointly with Graninge, SCA formed the Scaninge Timber forestry and sawmill company.

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In the beginning of 2001, SCA acquired Georgia-Pacific's American tissue operations in the Away From Home area and bid to acquire the Tuscarora packaging company.

SCA IN BRIEF

SCA is an integrated paper company that produces and sells absorbent hygiene products, packaging solutions and publication papers. Based on customer needs, value-added products are produced for private consumers, institutions, industry and the retail trade. Net sales amount to SEK 67 billion annually.

Western Europe is SCA's main market. The Group has acquired several companies in the region in recent years, thus strengthening the market positions for its Hygiene Products and Packaging business areas. Concurrently, selective expansion is under way in America, Central and Eastern Europe as well as in Asia. SCA strives to increase the proportion of high-value-added products in order to generate stable and healthy profitability.

Kev ratios

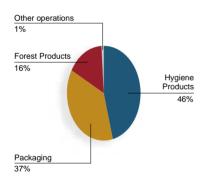
	2000	1999	1998
Net sales, SEK M	67,157	64,896 ¹	61,273 ¹
Earnings after financial items, SEK M	9,327	5,521	5,169
Earnings per share after tax, SEK2	30.86	16.85	16.11
Cash flow from current operations, per share, SEK2	28.69	31.45	18.46
Dividend, SEK ²	7.753	6.80	6.14
Strategic investments, SEK M	3,801	13,385	5,041
Shareholders' equity, SEK M	40,457	34,133	28,404
Return on shareholders' equity, %	20	12	13
Debt/equity ratio, multiple	0.39	0.69	0.83
Average number of employees	37,700	37,679	32,082

- ¹ Incl. net sales in SCA's former fine paper operations.
- ² For prior years, adjusted taking into account new issue in 1999.
- 3 Board proposal.

See page 73 for definitions.

Net sales by business area 2000

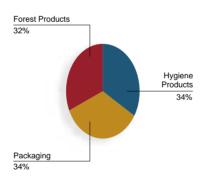
(excl. intra-Group deliveries)



The Hygiene Products and Packaging business areas combined account for 83% of operations, an increase of 11 percentage points compared with a year earlier.

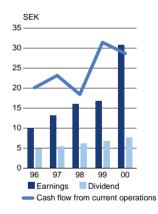
Operating profit by business area 2000

(adjusted for central items)



The Hygiene Products and Packaging business areas combined account for 68 % of operations. an increase of 3 percentage points compared with

Earnings, dividend and cash flow per share



Earnings per share, including gain on the divestment of Modo Paper, rose to SEK 30.86

SCA also strives to minimize the use of natural resources. Renewable and recyclable materials account for more than 95% of the Group's products. Equal quantities of recycled and fresh wood fibers are used in production. SCA owns 1.6 million hectares of productive forestland and conducts sawmill operations.

At the beginning of 2001, the number of employees was approximately 35,000, in some 40 countries.

The SCA share is listed on the stock exchanges in Stockholm and London, and can be traded in the US in the form of ADRs (American Depositary Receipts).

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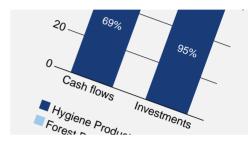
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Sverker-Martin Löf and SCA can look back on the best year to date in terms of earnings. The expansion in the US was also started in 2000.



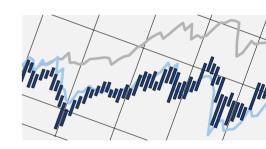
Strategy and business control 7-10

SCA's overall goal is to create value for its shareholders. The value is determined by the future cash flows generated by the Group. All acquisitions are evaluated using SCA's cash-flow-based control model.



SCA share 12-13

The SCA share performed slightly weaker than the general index and the forestry index. During the second half of the year, the SCA share developed better than the general index.



Hygiene Products Business Area 16–23

SCA Hygiene Products is focusing on global expansion within certain product segments. Cooperation with Johnson & Johnson provided access to the major North American market.



Packaging Business Area 24–29

Through selling a packaging solution rather than packaging, SCA Packaging creates added value for its customers. This is accomplished through participating actively in the entire logistics chain.





Forest Products Business Area 30–35

SCA Forest Products generated a very strong cash flow during 2000. The business area focuses mainly on customers demanding high product quality and delivery reliability.



IT 36

Information technology enhances the efficiency of operations in all the business areas. This yields savings while at the same time quality increases and environmental impact declines.



Research and Development 37

Research and development efforts are decisive for SCA's long-term survival. In recent years, the pace of innovation has accelerated and a record number of patent applications were submitted during 2000.



Human resources 38-39

Involved and committed employees are a company's most important asset. An increasingly global organization, concurrent with customers demanding local service, places even greater demands on SCA's personnel.



Environment 40-41

Profitability and environmental consideration are related and codependent. SCA is included in the environment-related Dow Jones Sustainability Group Index for the second consecutive year and SCA received the highest rating in a survey of the environmental work of 800 global companies.



President's letter

GLOBAL VALUE CREATING

Strategic US acquisitions create conditions for global expansion within selected product segments.

SCA reported its best results ever in 2000, with earnings after financial items of SEK 9,327 M. The year was characterized by a favorable business climate, with strong demand and sharply rising raw materials and energy prices. However, the effect of the higher costs could be offset by increased volumes, price increases on end-products and rationalization of production.

The Group's cash flow target for 2001 has been adjusted for expansion investments carried out in 2000. Accordingly, the cash flow target from current operations was increased by 9 percent compared with 2000, to SEK 4.8 billion. The effect of the recent acquisitions in North America must be added to this figure as soon as the exact schedule for the takeover is known. During the past four years, SCA's cash-flow target has been increased by an average of 13 percent annually.

STRATEGIC EVENTS IN 2000

Johnson & Johnson

Cooperation with the American hygiene company Johnson & Johnson was a breakthrough in North America for the incontinence operations and is an example of global value creation. SCA acquired Johnson & Johnson's incontinence business in the US and Canada and signed a sales agreement for consumer products that opened the doors to the enormous North American retail market. SCA purchased Johnson & Johnson's Serenity incontinence brand and we will successively introduce our own incontinence products on the American retailer market.

Modo Paper

When SCA and Holmen combined its fine papers operations into Modo Paper, the intention was to list the newly formed company on the stock exchange. Plans to list the company were cancelled at the beginning of last year due to the stock markets anticipated low valuation. Instead, the sale to an industrial buyer was considerably more attractive. Agreement was reached with Finnish Metsä-Serla to sell SCA's share of Modo Paper for a price of about SEK 6,500 M. The divestment yielded a capital gain of SEK 2,656 M. As a result of the trans-

action, a favorable value appreciation was secured on an asset that was acquired in 1995 in conjunction with SCA's acquisition of German PWA, while at the same time a desired streamlining of SCA's product structure could be achieved.

Metsä Corrugated/Metsä Tissue

The agreement with Metsä-Serla also involved SCA acquiring Metsä-Serla's corrugated board operations, as a result of which we become Europe's largest corrugated board producer. Following the transaction, we became established on several new markets, such as Finland, Greece and Russia.

We also reached agreement with Metsä-Serla to acquire a 65 percent interest in Metsä Tissue. However, this deal was not approved by the EU Commission, which announced its decision on 31 January 2001. Since the Commission, despite our concessions, did not approve our structuring of the transaction, it was no longer attractive from a market or a commercial standpoint.

Scaninge Timber AB

The sawmill industry in northern Sweden has been burdened by profitability problems for some time and is in great need of restructuring. During the year, SCA and Graninge AB formed the sawmill company Scaninge Timber AB and consequently took a step in the right direction toward a better industry structure. The company comprises all of Graninge's forest and sawmill operations, while SCA contributes the Lugnvik Sawmill and 150,000 hectares of forest land. This transaction freed SEK 916 M in capital previously tied-up in forest land that can be used instead for other investments.

Laakirchen

SCA decided during the year to replace a 40-year-old machine with a new machine for production of SC paper in Laakirchen, Austria. Laakirchen produces paper in the high-quality segment and reports favorable profitability. The investment increases the value of the entire facility since the investment cost per ton of capacity is only half as high as building a new plant.

CONTINUED EXPANSION IN 2001

SCA has expanded considerably in recent years. The past three years, we have carried out strategic investments amounting to about SEK 22 billion and acquired 30 companies. The year 1999 was very active, including purchases of British AM Paper, Danish Danapak and Danisco Pack, Irish Lenpak, French Nicolett, Portuguese Nisa and Spanish Panosa.

The pace of acquisitions slowed during 2000 when efforts shifted to integration of the previous acquisitions into the Group and to increasing profitability through ongoing rationalization measures.

Acquisitions in the US

After the close of the fiscal year, two highly important American deals were announced in the hygiene products and packaging fields. The acquisitions are strategically significant since they represent the start of a broader focus in North America.

In the tissue segment, SCA acquired the assets of Georgia Pacific Corporation (GP) in the Away From Home (AFH) tissue segment. As a result, SCA achieves a strong position as third in the AFH segment in the highly consolidated US market with a 17 percent market share. The acquired units provide good national coverage and the products are of high quality.

The acquisition is a significant step in SCA's globalization of product areas and creates a platform for further expansion in the US. We purposely chose to focus on the AFH segment rather than the even more demanding consumer market where proprietary brands are decisive. Moreover, the American retailers' brand market is small and less developed than in Europe.

In the packaging segment, we made an offer in January to acquire exchange-listed Tuscarora, the leading supplier in the US of packaging solutions for protecting electronic and industrial products. Tuscarora's Board has recommended its shareholders to accept the offer. The protective packaging segment has developed rapidly in the US and the acquisition means that we gain valuable knowledge in the area that can be transferred to our other operations. A global division for protective pack-



aging is being formed to better capitalize of the synergies that exist between Tuscarora and SCA Packaging's European and Asian operations. Tuscarora fits well into our strategy to offer customers complete packaging solutions and to increase the degree of refinement of the packaging.

In total, the purchase price for the two companies, on a debt-free basis, is SEK 10.5 billion.

The acquisitions are historic milestones for SCA. We have now secured a strong breakthrough in the North American market. Initially, SCA will have annual net sales in North America of about SEK 12 billion. A separate business area, SCA North America, is being formed in the Group to ensure the necessary management focus on the North American market.

More information about the US acquisition is available on our website www.sca.se

SCA remains interested in acquisition prospects that offer profitable growth. We do not carry out any acquisitions that do not comply with our return demands and always strive to also avoid any short-term negative effects on our earnings. Our balance sheet and current assessment of future cash flow provides scope for continued expansion in the years immediately ahead.

OTHER

Environment

Environmental awareness permeates all of SCA's operations, encompassing, in addition to the environment, the benefits we gain ourselves. Environmental consideration and profitability are strongly linked and are interdependent, a factor that is considered by asset managers and environmental experts.

SCA is included for the second consecutive year in the Dow Jones Sustainability Group Index, which is based on an annual global ranking of 2,000 companies in 33 countries. The New York-based research company Innovest gave SCA the highest rating in a ranking of the environmental efforts of 800 global companies and we were ranked first among forestry companies. More information is provided in our separate environmental report.

Personnel

SCA's strong expansion places demands on employees. Equally high demands are placed on SCA as an employer to be able to attract skilled personnel. Accordingly, we invest major resources in skills development in all segments of our operations and focus increasingly on greater delegation of decision-

making. Our goal is to provide scope for each employee's entrepreneurship and innovativeness and broad personal freedom in their own work. Financial incentives are a factor in efforts to create committed and skilled personnel.

Cash flow and dividend growth

Our overall goal is to create value for the shareholders. Consequently, work is characterized by actions aimed at continually strengthening the operations' cash flow, which is essentially a function of the rate of growth and profitability. In addition, with the selected product program we seek to reduce the risk level in order to increase the current value of the future flows.

Cash flow from current operations can be applied for strategic investments and for dividends. The Board has proposed an increase in the dividend for 2000 of 14 percent to SEK 7.75. This corresponds to 27 percent of the cash flow from current operations and is in line with the Group's dividend policy.

Outlook for 2001

Market conditions are expected to remain favorable in the beginning of 2001, with a good demand situation for the Group's products, although a weakening in volume is anticipated compared with the fourth quarter.

The price picture for Packaging and Hygiene Products is relatively stable, while at the same time raw material cost increases have leveled out. In contrast, energy and transport costs are expected to continue to rise during the first quarter. Recovered paper and pulp prices were corrected downward early in the year. Concurrently, increased competition is being noted in the Hygiene Products and Packaging business areas, among other factors, in anticipation of a general economic decline.

The market for publication papers remains strong, which resulted in price increases at the beginning of the current year.

Stockholm, February 2001

Sverker Martin-Löf President and CEO

Strategic orientation

SCA shall offer its customers high-quality, customized hygiene products, packaging solutions and publication paper. The company focuses on growth combined with solid profitability and low risk.

Business concept

SCA sells hygiene products, packaging solutions and publication paper. Based on knowledge of end-users' needs, and of the properties of papers, SCA offers high-quality products and services. The products designed for private individuals shall add to the quality of life; SCA's products and service for institutions and companies shall offer increased product quality, safety, productivity and profitability.

Objectives

SCA's overall objective is to create value for its shareholders. This is being done based on the principle that the value of the company is determined by the future cash flows that the company generates and by the level of risk in the business. Future cash flows, in turn, are a function of profitability and growth.

Profitable growth

During 2000 SCA generated a cash flow from current operations (cash flow available for strategic investments and dividends) amounting to SEK 6.7 billion. Since 1997 the cash flow has increased, on average, by 17% per year. Growth and profitability are important components in SCA's strategy to ensure that the cash flow will continue to grow.

SCA is growing both organically and through acquisitions. Expansion is taking place primarily in the Hygiene Products and Packaging business areas and the company's ambition is that an increasing percentage of its cash flow will be generated by these two units.

Tissue and incontinence products for adults have special priority as growth areas in hygiene products.

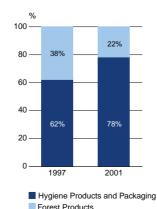
The European market for tissue is undergoing a process of consolidation, which offers SCA favorable opportunities to grow through acquisitions. Since 1996 SCA's share of this market has increased from 17 to 20%, mainly as a result of acquisitions. The objective is to increase the market share to approximately 30%.

Continued expansion in Europe will focus mainly on Southern and Eastern Europe. At the same time, priority will be given to the large and highly consolidated North American market, where the Group, after the acquisitions from Georgia-Pacific, secured a significant position as a tissue supplier. Accordingly, opportunities to carry out complementary and profitable acquisitions within the North American tissue operations will be closely reviewed.

The world market for incontinence products is growing rapidly. As the global leader in this market, SCA intends to contribute actively to its growth by focusing on product development and new capacity. SCA also intends to increase its presence in the North American market for incontinence products.

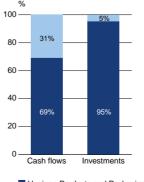
The European supplier structure for corrugated board packaging is relatively fragmented, which gives SCA an opportunity to acquire small and medium-size companies. Since 1997 SCA's market share for packaging in Western Europe has grown from 12% to 15%, predominantly through acquisitions. The objective is to achieve a market share of 20 to 25%. SCA wants to

Rebalancing the Group



The chart shows the distribution of cash flow objectives as if the full-year effect of the acquisitions of Georgia-Pacific and Tuscarora is included.

Cash flows and investments 1997–2000



Between 1997 and 2000 Hygiene Products and Packaging accounted for 69% of the cash flow that was generated. During the same period 95% of all strategic investments were made within the two business

Hygiene Products and Packaging

grow primarily in the more highly processed segments of the packaging market, such as heavy duty packaging and high-quality printing. Additionally, there is service-intensive protective packaging and other solutions for the rapidly expanding subcontracting industry.

The Forest Products business area will maintain its market shares and continue to report solid profitability as a result of cost-effective production and high product quality. The business area is producing a substantial cash flow that is being used for expansion within Hygiene Products and Packaging and to maintain the competitiveness of Forest Products.

SCA is playing an active role in the consolidation of the European corrugated board and tissue markets, a consolidation that should gradually result in an improvement in profitability in these markets.

In addition, SCA's concentration on more highly refined products is contributing to improved profitability since these products in general have higher margins and show greater growth. This is taking place in the Hygiene Products business area, in part as the result of a sharper focus on research and development that is designed to yield even higher-quality products. The profitability of the Packaging business area is improving as a result of the fact that growth is taking place mainly in the more highly processed segments, and by offering customers more service and complete logistics and packaging solutions.

Synergies

The common fiber base constitutes an important resource for all the business areas. 56% of the virgin fiber consumed in the Group is supplied by SCA's own forest holdings. This situation results in a more stable trend of raw material costs, making an efficient industrial process possible, as well as a return on the Group's forest assets that would otherwise be difficult to realize. SCA consumes approximately 3.3 million tons of recovered paper per year, of which the Packaging business area accounts

for around 70%, Hygiene products for 20% and Forest Products for 10%. Because the collecting, procurement and processing is done jointly through SCA Recycling, substantial synergies are gained. Research and development, joint procurement of energy, and the coordination of logistics are additional examples of fields in which important synergies can be utilized.

Strong cash flows from the Forest Products business area are enabling more rapid growth in Hygiene Products and Packaging than would otherwise be possible. Since 1997 the Forest Products business area has generated a cash flow from current operations of about SEK 9 billion which has largely been invested for purposes of expansion in Hygiene Products and Packaging. A strong cash flow also offers greater possibilities to take advantage of unique acquisition opportunities, regardless of the capital market situation.

Low risk

The traditional forest products industry is highly cyclical. The fluctuation between good profitability in prosperous times and weak profitability during recessions results in high risk in the business. This has created uncertainty for the shareholders with respect to the trend of future cash flows. To reduce the level of risk in its operations, SCA focuses its growth on the sector's less cyclical business segments, and on an increasingly integrated industrial structure.

SCA's work to consolidate the European tissue and corrugated board markets is contributing to a more stable trend in these markets. SCA has substantial experience in both evaluating potential acquisitions and integrating acquisitions that have been made with existing operations. This increases the likelihood of successful company acquisitions. To minimize risk in connection with the establishment of operations in new markets, SCA often works with local entrepreneurs who know the markets well, while SCA provides product concepts and technical know-how.

Business control and financial goals

SCA's overall goal is to provide shareholders with good growth in value and a rising dividend. Financial evaluation of both current operations and strategic development features on control methods based on cash flow.

Measuring profitability

To steer investment resources to the projects within the Group's core operations that generate the highest yields, SCA must have a good understanding of which operations are profitable and therefore fulfill the Group's profitability requirements. This requires a clear definition of the return requirement that should be placed on investments.

SCA uses cash flow to measure profitability. Cash flow from current operations (cash flow available for strategic investments and dividends after operating expenses, interest and taxes are paid) is the best measure on the profitability of investments. In contrast to accounting-based profitability measures (return on capital employed, return on shareholders' equity, etc.), measurement based on cash flow is not affected by depreciation, costs accruals or other accounting or tax adjustments. Measurement based on cash flow also takes current capital expenditures into account, which in turn affect cash flow from current operations.

Return requirements on shareholders' equity and borrowed capital

SCA's return requirements are based on the capital market's return requirement on an investment in SCA shares. This is determined as follows: All investors demand a return that at least is comparable to the return they would receive from, in principle, risk-free government bonds. During 2000, the average return on 10-year Swedish government bonds was about 4.7%. Moreover, the investor demands a risk premium for the

risk they take in investing in SCA shares. Based on the long-term historical return on the stock market, and taking into account SCA's risk profile, this risk premium is estimated at 4.4%. This results in a return requirement for the SCA share of about 9%.

The shareholders are not the only interest group that contributes capital. Banks and other financial institutions also demand a return on their investments in the form of interest. Debt in relation to the funds from shareholders is designated debt/equity ratio. It plays a key role for the return to shareholders in a company.

The return requirement on SCA's debt-financed capital is calculated based on the return on risk-free 10-year government bonds, currently 4.7% in Sweden, and an estimated SCA-specific risk premium of 1.7%, resulting in a return requirement on borrowed funds of 6.4%. However, since interest expenses reduce the profit on which taxes are paid, in reality the costs after tax is lower. With a corporate income tax of 28%, the return requirement after tax is reduced to 4.6%.

Weighted return

Since SCA's long-term goal is that about 40% of the Group's capital should be financed through loans (corresponding to a debt/equity multiple of 0.7) the Group's weighted capital cost (WACC) and thus its basic return requirement amounts to 7.3%. This means that all investments must generate a free cash flow (cash flow after payment of all operating expenses and taxes are paid but before interest expenses) of at least

Calculation of capital cost

Example: Sweden	
Risk-free interest	4.7%
SCA's risk premium	4.4%
Cost of capital, equity	9.1%
Risk-free interest	4.7%
Premium	1.7%
Tax deduction	28.0%
Cost of capital, debt	4.6%
Debt/equity ratio	0.7
Debt portion	41.0%
Equity portion	59.0%
Weighted average cost of capital (WACC)	7.3%

7.3% on the initial investment to be profitable. A return in excess of this level creates value. This applies primarily in Sweden. Other borrowing expenses and tax rates affect return requirements in other countries.

The current debt/equity goal of a multiple of 0.7 was chosen taking into consideration the cyclical nature of SCA's operations. A less cyclical product portfolio can provide SCA the possibility to increase the debt/equity multiple.

Strategic investments

All of SCA's strategic investments (expansion investments in machinery and plants or company acquisitions) are evaluated in accordance with SCA's cash-flow based control model, Cash Value Added (CVA), which means that these investments must generate a return that covers the capital cost. The future cash flow of each investment is calculated and discounted based on the return requirement. This provides a present value for the future cash flow. If the present value is higher than the expenditure for the investment (that is, the price of the company to be acquired or the cost of the plant to be built), then the investment creates value.

Cash-flow requirements

Based on the return on historical investments and the return requirement on new strategic investments, SCA has established cash-flow targets for the three business areas as well as the Group as a whole. The target is expressed as cash flow from current operations, that is, the flow after interest expenses and tax, and is determined by adjusting the year-earlier target without taking into account the prevailing economy. This so-called

sustainable cash-flow target for 2000 was SEK 4.4 billion. Strategic investments and divestments yielded a net of SEK 4 billion during the year which, after adjustment for inflation of the year-earlier target, increases the sustainable cash flow target for 2001 by SEK 0.4 billion to SEK 4.8 billion. The effect of the recent acquisitions in North America must be added to this figure as soon as the exact schedule for the takeover is known. The year's targets for return on capital employed and shareholders' equity, which are 12 and 11 respectively for 2001, are also derived from the cash flow target.

Dividend

Shareholders' return requirements are met through dividends and the growth in the value of SCA shares. Under normal circumstances, over a business cycle about one-third of operating cash flow (after interest expenses and taxes) is used for a dividend (direct return) and two-thirds for value-generating strategic investments. In addition to self-financing from operating cash flow, scope for further strategic investments is created through additional borrowing at the same level of debt/equity ratio. The current situation, with favorable prospects for acquisitions within Hygiene Products and Packaging, means that a major portion of cash flow will continue to be reinvested in these two business areas.

If, over the long term, the cash flow from operations exceeds the amount the company can place in profitable strategic investments, the funds will be returned to the shareholders, through a higher dividend portion or, if approved by a general meeting, repurchase of shares.

Key ratios and financial goals*

Key ratios are reported from 1997, the first year for which a cash-flow requirement was established.

					Average	
	Result				result	Req.
	1997	1998	1999	2000	4 yrs	2001
Cash flow from current operations						
Result (SEK bn)	4.9	4.31	6.7	6.7	_	_
Sustainable requirement (SEK bn)	3.0	3.2	3.8	4.4	-	4.8
Requirement increase (%/yr)	-	7	19	16	14	9
Result/Requirement (%)	162	134	176	152	156	-

			Result			Average result	Goal	/Req.
	1996	1997	1998	1999	20002	5 yrs	2000	2001
Rates of return								
Capital employed (%)	11	12	14	12	18	13	12	12
Shareholders' equity (%)	10	12	13	12	20	13	11	11
Financial measurements								
Debt/equity ratio (multiple)	0.8	0.9	0.8	0.7	0.4	0.7	0.7	0.7
Market-adjusted debt/								
equity ratio (multiple)	0.7	0.6	0.7	0.4	0.3	0.5	-	_
Debt payment capacity (%)	30	33	32	33	45	35	35	35

¹ Incl. nonrecurring items of SEK 400 M.

² Incl. nonrecurring items of SEK 2,031 M

^{*} See page 73 for definitions of key ratios.

Sensitivity factors

Many factors influence SCA's profitability and, consequently, the value of the company. Volume, prices of end-products and operating expenses have the greatest impact. Strategic investments is another item of major significance for future cash flows.

SCA has relatively stable net sales. The Hygiene Products and Packaging business areas, which comprise approximately 80% of the Group's total net sales, report a steady price trend compared with traditional forest products.

Organic volume growth in many hygiene products is closely related to population growth in SCA's main markets in Europe, and is consequently very stable. Demand for packaging and forest products follows economic growth to a greater degree, and is therefore more fluctuating. Accordingly, most of SCA's volume growth in the Hygiene Products and Packaging business areas takes place through acquisitions.

In 2000, total operating expenses were approximately SEK 55 billion, of which costs of raw materials and consumables amounted to SEK 27 billion. Pulp and recycled paper account for the largest raw-materials costs, and the prices tend to be highly fluctuating.

SCA consumes approximately 2.2 million tons of pulp a year, of which 1.8 million tons are attributable to internal production and 450,000 tons are purchased from external suppliers. Accordingly, variations in the world market price for pulp impact the Group's profitability. SCA also consumes approximately 3.3 million tons of recovered paper per year. This is provided partly through internal collection and partly through purchasing from external suppliers. Internal collection results in variation in the price of recovered paper having a limited and delayed effect on SCA's profitability.

SCA also consumes oil-based semi-finished goods – primarily superabsorbents for use in fluff products. The prices vary with the world-market price of oil.

Salaries and other personnel expenses amount to approximately SEK 12 billion per year. The trend in these expenses is stable, however, and historically the Company has succeeded in offsetting salary increases through increased productivity.

Current capital expenditures in plants are relatively stable and account for 4–5% of net sales. Working capital – the net of funds tied up in operating receivables, inventories and operating liabilities – is normally stable and has little effect on SCA's cash flow.

The earnings trend of acquired units have considerable impact on SCA's profitability. The ability to integrate and recover

synergies from acquired units affects profit. In developing countries, economic conditions can change relatively quickly, resulting in sudden changes in profitability for units in these countries.

Cash flow statement 2000

	SEK M
Net sales	67,157
Operating expenses	-54,774
Operating cash surplus	12,383
Current capital expenditures, net	-2,245
Change in working capital	-1,109
Other operating cash flow	-24
Operating cash flow	9,005
Net financial items	-1,207
Taxes	-993
Other	153
Cash flow from current operations	6,652

Pulp: consumption and supply

Projected 2001	000 tons
Mechanical	675
Unbleached chemical	420
Bleached chemical	675
SCA's own pulp production	1,770
Total pulp consumption	2,220
Net purchasing	450

Corrugated board: consumption and supply

Projected 2001	000 tons
Kraftliner	650
Testliner	1,050
Fluting	900
SCA's own production	2,600
Total consumption of liner products	2,500
Net selling	100

Consumption of remaining raw materials¹

Timber/chips (million cubic meters)	7.6
of which from SCA's own forests	4.4
Recovered paper (million tons) ²	3.3
Fossil fuel (TWh)	10.0
Purchased electricity (TWh)	4.4

¹ Excluding Georgia-Pacific and Tuscarora.

² The acquisition of Georgia-Pacific's tissue units in North America increases consumption by about 450,000 tons.

SCA share

Public trading in SCA shares

Trading in SCA shares is concentrated on the OM Stockholm Exchange and London Stock Exchange. There is also a Level 1 ADR (American Depositary Receipt) program in the US, which was established in 1995. In addition to those indexes linked directly to the Stockholm and London exchanges, SCA is included in such other indexes as the Dow Jones Global Indexes, Dow Jones Sustainability Group Indexes and the Morgan Stanley Company Index Europe (MSCI-Europe).

The volume of trading in SCA shares on the Stockholm and London exchanges in 2000 rose to 237 million shares (184), corresponding to a value of approximately SEK 47 billion. The OM Stockholm Exchange accounted for 65% (70) of the total volume of trading in 2000. The B share accounted for 98% of the number of shares traded during the year.

Price performance in 2000

The price of the SCA B share fell 20% in 2000. The last-paid price at year-end 2000 on the OM Stockholm Exchange was SEK 200.50. This price corresponds to a market capitalization of about SEK 47 billion.

After peaking at SEK 272 on 10 January 2000, the value of the SCA share fell sharply in the spring and summer to later stage a recovery in the autumn.

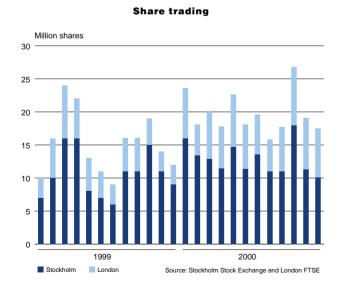
Foreign ownership represented 21% of share capital, a decline of 4 percentage points compared with year-end 1999. SCA's Annual General Meeting in 2000 resolved to grant holders of A shares the right to convert these to B shares. Custos AB decided in 2000 to distribute its holding in SCA to its shareholders through redemption of its own shares.

New index classification on OM Stockholm Exchange

Effective 1 January 2001, the OM Stockholm Exchange implemented a new industry classification based on the Industry Classification Standard (CIS). Adopting a classification similar to the international standard facilitates comparisons with other foreign exchanges. SCA is included in the Paper Products subsection.

ADR program in the US

In order to make the SCA share more readily available to American investors, SCA established a Level 1 ADR Program in the US in December 1995. This means that B shares are available as depositary receipts in the US without any formal stock exchange registration. These receipts, which are listed in USD, are regarded as US securities (symbol SVCBY). One ADR corresponds to one share. The custody bank is the Bank of New York.



An average of 20 million SCA shares were traded every month during year 2000. The percentage of shares traded on the London Stock Exchange rose from 30 to 35%.



The price of SCA's B share declined 20% during 2000. The price fell sharply in the spring and the summer, but recovered during the second half of the year, when it showed better growth than Affärsvärlden's General Index.

Data per share

All earnings figures include nonrecurring items and are adjusted for the new issue in 1999.

SEK per share unless otherwise noted	2000	1999	1998	1997	1996
Earnings per share after full tax:					
After dilution effects	30.86	16.85	16.11	13.20	10.11
Before dilution effects	31.03	16.94	16.16	13.20	10.11
Quotation for Series B shares:					
Average quotation	196.80	202.50	179.40	159.70	120.50
Year-end quotation, 29 December	200.50	252.00	167.10	168.50	130.70
Cash flow from current operations ¹	28.69	31.45	18.46	23.17	20.11
Dividend	7.752	6.80	6.14	5.43	4.96
Dividend growth rate, % ³	12	14	14	13	11
Direct return, %	3.9	2.7	3.7	3.2	3.8
P/E ratio ⁴	6	15	10	13	13
Price/EBIT ⁵	6	12	9	11	11
Beta value ⁶	0.62	0.79	0.94	0.93	0.95
Pay-out ratio after dilution effects, %	25 ²	43	38	41	49
Shareholders' equity after dilution effects	174	159	135	118	109
Shareholders' equity before dilution effects	176	148	136	118	110
Average number of shares after dilution effects (in millions)	231.9	214.3	210.0	209.3	209.3
Number of registered shares, 31 December (in millions)	230.4	230.3	197.4	197.4	197.4
Number of shares after full conversion (in millions)	233.3	233.4	212.2	209.3	209.3

¹ See definitions of key ratios on page 73.

International stock market review

	Change in 2000, percent		Change in 2000, pe	ercent
Exchange	Index		Paper/Forest Index	
Stockholm	Affärsvärlden	-12	Affärsvärlden Forest	-14
Helsinki	HEX Portfolio	-25	HEX-Forest Index	-19
London	FTSE-100	-10		
New York	S&P 500 Composite	-10	S&P Paper & Forest	-20

Ten largest shareholders

According to the VPC official share register for directly-registered and trustee-registered shareholders, as of 29 December 2000, the following companies, foundations and mutual funds were the ten largest registered shareholders based on voting rights¹. Approximately 67% (64) of the share capital was owned by Swedish institutions and about 21% (25) by foreign owners. Through redemption of its own shares, Custos will distribute 12,170,874 SCA shares to its shareholders during the first quarter of 2001.

		Interest		Interest
	No. of votes	%	No. of shares	%
AB Industrivärden	190,748,632	24	19,910,632	9
AB Custos	158,446,910	20	15,844,691	7
Svenska Handelsbanken ²	84,985,944	11	14,820,612	6
Fjärde AP-Fonden	46,400,000	6	15,980,000	7
SEB ²	35,204,816	4	8,914,286	4
Tredje AP-Fonden	23,623,037	3	2,473,037	1
Skandia ²	17,262,425	2	6,520,547	3
AMF Pensionsförsäkring AB	12,991,475	2	11,210,852	5
Nordea ²	11,104,047	1	9,268,947	4
Försäkringsbolaget SPP	10,787,680	1	7,418,422	3

¹ Adjusted for other information available to SCA.

Percent of foreign ownership

1996	1997	1998	1999	2000
16%	20%	24%	25%	21%

Ownership structure

			No. of share-			
Shareholding	No. of shares	%	holders	%	No. of votes	%
1-500	7,934,722	3.45	47,783	74.44	18,139,741	2.31
501-1,000	6,069,362	2.63	7,967	12.41	13,379,684	1.70
1,001-2,000	6,400,510	2.78	4,454	6.94	15,223,264	1.94
2,001-5,000	7,522,642	3.27	2,424	3.78	17,564,923	2.24
5,001-10,000	5,077,200	2.20	695	1.08	9,366,654	1.19
10,001-20,000	4,726,076	2.05	330	0.51	7,830,023	1.00
20,001-50,000	7,492,494	3.25	238	0.37	11,879,229	1.51
50,001-100,000	7,303,322	3.17	103	0.16	13,238,723	1.69
100,001-	177,875,227	77.20	193	0.30	678,904,111	86.43
Total	230,401,555		64,187		785,526,352	

Source: VPC AB

² Board proposal.

³ Five-year rolling total.

⁴ Year-end quotation divided by earnings per share after full tax and dilution effects.

⁵ Market value plus net debt and minority interest divided by operating profit. (EBIT = earnings before interest and taxes).

⁶ Change in share price compared with overall market (based on 48-month rolling total).

² Including funds and pension foundations.

Operations in brief 2000



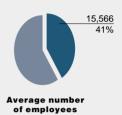
Share of Group total











PACKAGING

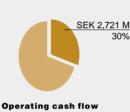
Share of Group total

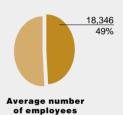






25%





FOREST PRODUCTS

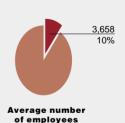
Share of Group total











Group total¹

SEK 67,157 M

SEK 11,263 M

SEK 57,612 M

SEK 9,005 M

37,700

Net sales

Operating profit before goodwill amortization

Average capital employed

Operating cash flow Average number of employees

Reporting of the business areas

To facilitate comparison with competing companies in the hygiene and packaging sectors, which apply a 40-year amortization period for goodwill or the pooling method, effective with the year-end accounts 1999, SCA reports operating profit for the business areas excluding goodwill amortization.

Comparable to the treatment of goodwill amortization, capital employed is also reported for the business areas throughout excluding goodwill. Specification of the business areas' goodwill is shown on page 70.

¹ Consolidated net sales does not include intra-Group deliveries. Net sales reported for the business areas include intra-Group deliveries, however. The Group totals also cover other operations not included in the business areas. The Group's operation profit includes nonrecurring items.

pages 16-23

Products

Tissue products Baby diapers Feminine hygiene products Incontinence products

Markets and production

Largest in Europe in tissue segment (market share 20%).

World leader in incontinence products (market share 24%).

Second in Europe in fluff products (market share 18%).

Total average market share in Europe of 19%.

Strongest positions in Western Europe. Future expansion in America, Central and Eastern Europe and Asia.

Total of 41 production plants in 22 countries in Europe, North America, Latin America, Africa, Australia and Southeast Asia for production of fluff products and a capacity of 1.2 million tons of tissue.



pages 24-29

Products

Corrugated board Containerboard EPS and moulded pulp Packaging services

Markets and production

Market leader in the European corrugated board packaging market (15 percent market share). Number one in Scandinavia and number two in the rest of Western Europe.

The largest producer of containerboard in Europe (15 percent market share). Expansion mainly in Western Europe and Southeast Asia.

Corrugated board is produced in 190 production plants in 29 countries, with a total capacity of approximately 4 billion square meters per year. 2.6 million tons of liner is produced in ten mills, situated in seven European countries.



pages 30-35

Products

LWC paper SC paper Newsprint Pulp Solid wood products Timber Forest fuel

Markets and production

One of the ten largest among European producers of publication papers.

Main market is the Nordic region

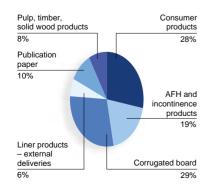
Main market is the Nordic region and rest of Western Europe.

Europe's largest supplier of forest

Three paper mills in the UK, Sweden and Austria, with a total capacity of 1.5 million tons of publication papers, a pulp plant in Sweden, with a capacity of 0.4 million tons of pulp, three sawmills in Sweden, with a capacity of 0.7 million cubic meters of solid wood products and 2.1 million hectares of forest land in Sweden.

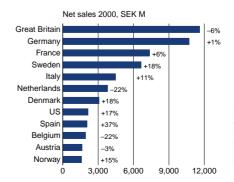


Net sales by product group 2000



Hygiene products account for 47% of the Group's net sales.

Group's 12 largest markets

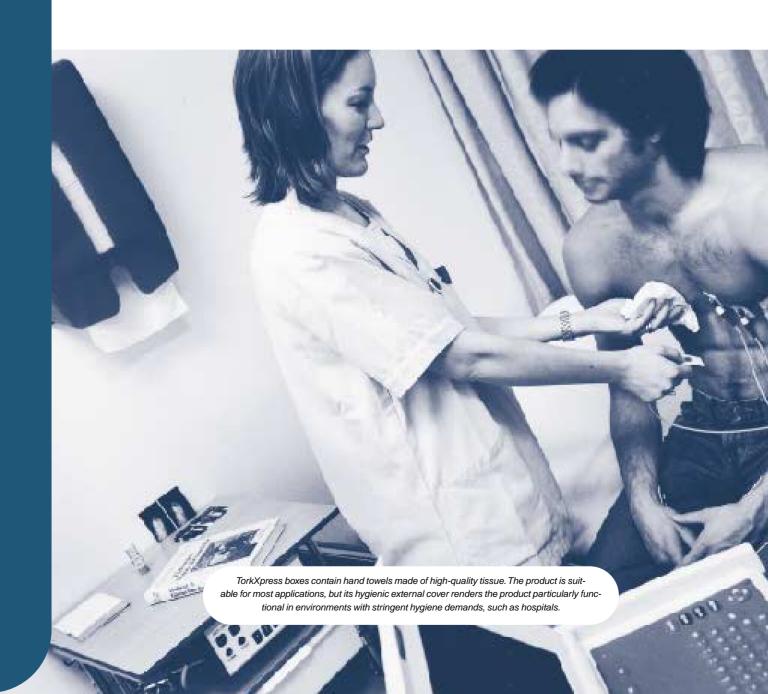


SCA's 12 largest markets in 2000 combined accounted for 85% of net sales. Slightly more than 90% of sales are outside Sweden. (Percentages indicated change from preceding year.)



BREAKTHROUGH IN NORTH AMERICA

Strategic breakthrough in North American market strengthens global expansion.



Senior executives



Nils Lindholm, Rijk Schipper, Gunnar Johansson and Stefan Angwald.

Gunnar Johansson

President, SCA Incontinence Products Employed in SCA since 1981.

Stefan Angwald

President, SCA Hygiene Products and head of Consumer Products Division
Employed in SCA since 1976.
Previous employment:
International Paint Ltd.

Key ratios (SEK M)	2000	Group share %	1999
Net sales	31,040	46	27,327
Operating cash surplus Change in working capital	4,461 -719	36	3,921 -39
Current capital expenditures Other operating cash flow	-645	29	– 531
changes	-74		72
Operating cash flow	3,023	34	3,423
Operating profit Operating margin (%)	2,909 9	32	2,613 10
Capital employed Return (%)	18,066 16	31	12,803 20
Strategic investments – plants – restructuring expenses	891 299	79 90	1,997 348
 company acquisitions Average no. of employees 	446 15,566	15 41	3,466 15,353

Data for comparison is adjusted in accordance with the principles on page 14.

Production capacities shown on page 75.

Nils Lindholm

Hygiene Products

Rijk Schipper President, AFH Tissue

Bekol, Amsterdam.

Chief Financial Officer, SCA

Employed in SCA since 1989.

Previous employment: Frigoscandia SA. Paris.

Employed in SCA since 1980.

Previous employment: Fetim-

Net sales and	Net sales, SEK M		Av. no. of employees	
number of employees	2000	1999	2000*	
Consumer products AFH and incontinence	18,373	15,727	8,854	
products	12,667	11,600	3,811	
Total	31,040	27,327	12,665	

^{*} Excluding employees in joint-venture companies and staff functions.

-			Change,
Deliveries, tons	2000	1999	%
Tissue			
Consumer products	707,200	628,100	13
AFH products	275,700	270,700	2

PRODUCTION FACILITIES

Tissu

Austria, Belgium, France, Germany, Great Britain, the Netherlands, the Philippines, Poland, Portugal, Russia, Spain, Sweden and the US, and by joint-venture companies in Colombia and Ecuador.

Incontinence products

Canada, France, Great Britain, Greece, the Netherlands, the Philippines, Sweden and the US, and by joint-venture companies in Australia and Colombia.

Baby diapers and feminine hygiene products

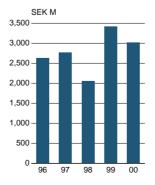
France, the Netherlands, Norway, Slovakia and Sweden, and by joint-venture companies in Australia, Chile, Colombia, Jamaica, Mexico, South Africa and Tunisia.

Net sales and operating profit



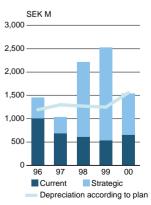
Operating profit rose 11% to SEK 2,909 M.

Operating cash flow



Operating cash flow amounted to SEK

Capital expenditures



Strategic capital expenditures in the prioritized Hygiene Products business area have risen in recent years.

HE HYGIENE PRODUCTS BUSINESS AREA is one of Europe's leading manufacturers of tissue and fluff products for personal hygiene and other applications. Toilet tissue, household towels, handkerchiefs, facial tissue, napkins, baby diapers, feminine hygiene products and incontinence protection for private consumers are sold through retail outlets. Complete systems for tissue products for wiping and cleaning, as well as personal hygiene are sold to customers in companies and industries, hotels, restaurants and catering operations as well as institutions, known as the Away-From-Home (AFH) market. In addition to sales to private persons through retail outlets and pharmacies, incontinence products are sold primarily to the health and nursing care sectors.

The business area has sales in more than 40 countries, with Europe as its main market. SCA continuously launches innovative, new products and services to strengthen its competitiveness. SCA holds a world-leading position in incontinence products and is Europe's largest supplier of tissue.

MARKET

The world market for absorbent hygiene products amounts to nearly SEK 460 billion in the production chain, of which Europe accounts for slightly more than one quarter.

Sales of tissue and fluff products in Europe amount to approximately SEK 75 billion and SEK 62 billion, respectively. Market growth for tissue products amounts to about 2% annually. Among the fluff products, incontinence products shows annual growth of about 7%. Sales of baby diapers are rising in Central and Eastern Europe, while demand is increasing only marginally in Western Europe. The same conditions reflect sales trends for feminine hygiene products.

American producers of hygiene products such as Procter & Gamble and Kimberly-Clark market their products mainly under their own brands. US-based Georgia-Pacific, like SCA, sells its products under its own brands and retailers' brands.

The four largest suppliers control a total of 62% of the European market for absorbent hygiene products. The sector is continuing its consolidation process and one of the clearest examples of this is Georgia-Pacific's acquisition of Fort James, which created the world's largest producer of tissue products.

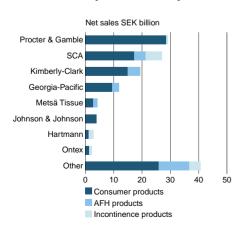
SCA's STRATEGY AND MARKET POSITION

The Hygiene Products business area will strengthen its position as a leading international manufacturer of customer-oriented hygiene products through organic growth and acquisitions. During the year, SCA focused its strategy on increased global expansion for several product areas. This global expansion is based on the creation of value growth through a strong presence in important markets. A successful example of SCA's global ambitions is the world-leading market position of the Incontinence Products division.

The continuous development and launch of new products is a core part of the strategy for increasing competitiveness, as is offering customers excellent service, while reducing production costs at the same time. SCA's dual strategy means offering both the Group's own brands and products for sale under retailers' brand names. This makes it possible to fulfill the various needs of the retail trade and to create larger economies of scale within its production.

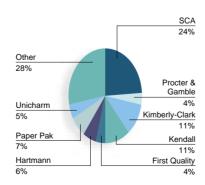
SCA's average share of the market for hygiene products in Europe in 2000 was 19%. SCA has its strongest positions in the northern and central regions of Western Europe.

Tissue and fluff products Competitors – Europe



The four largest companies have a combined 62% share of the European market for absorbent hygiene products.

Incontinence products Market shares – the world



SCA has retained its position as the world's leading supplier of incontinence products.

Market shares in Europe and North America

		North
Market shares	Europe	America
Tissue		
SCA	20%	7%
Georgia-Pacific (incl. Fort James) 15%	35%
Kimberly-Clark	18%	24%
Procter & Gamble	4%	18%
Fluff		
Procter & Gamble	40%	32%
SCA	18%	3%
Kimberly-Clark	8%	35%
Johnson & Johnson	6%	4%

SCA is Europe's largest supplier of tissue products and No. 2 in the fluff sector. Figures include SCA's acquisition of Georgia-Pacific's AFH operations.

SCA's market shares generally rose during 2000. Sales volume increased 10%, of which acquired companies accounted for 7%. Sales outside Europe rose by 25%, due to rapidly rising sales in Latin America and the acquisition of Serenity (see "Acquisitions" below).

Three important programs aimed at increasing productivity were completed during 2000. Within the baby diaper segment, five out of eight production units have been closed since 1997, while productivity has doubled. The Network project has led to tissue production being concentrated to a smaller number of larger units. The logistics section of the project will continue during 2001 and 2002. An internal efficiency program for sales and administration was also concluded. The three programs have resulted in a total reduction in the number of employees of 1,900 persons since 1997, of which 600 were released during 2000. Cost savings correspond to a margin improvement of approximately 2% and contributed to offseting rapidly rising raw material costs.

Efforts to improve productivity continue. In the near future, the distribution structure will be reviewed, with the aim of increasing delivery efficiency and reducing logistics costs. Within the area of logistics, SCA is also focusing on the use of IT and Internet developments in its transactions with customers and suppliers.

Acquisitions

SCA entered a cooperation agreement with the US hygiene company Johnson & Johnson. As a result of this agreement, SCA is buying Johnson & Johnson's Serenity incontinence brand in the North American market and the American Company will provide the support of its sales organization to SCA. In addition, SCA will market Johnson & Johnson's consumer

products to the retail trade in the Nordic countries. Effective 2002, the license for o.b. tampons, which has been held by SCA, will be returned to Johnson & Johnson. The acquisition of Serenity provides access to the North American consumer products market and SCA will gradually introduce its own incontinence products in the US retailer market.

SCA acquired a majority interest in the exchange-listed Metsä Tissue during the year. However, the EU commission did not approve the acquisition. The decision does not affect the group's previous holding of 19.3% of the shares in the Finnish company.

New joint-venture companies were established in Chile and Jamaica (feminine hygiene products). Operations in the joint-venture companies in South Africa and Tunisia were expanded to include new product ranges.

In 1999, the UK's AM Paper, Spain's Panosa and Portugal's Nisa were acquired, and their integration into the SCA Group was completed in 2000. The integration of AM Paper, in particular, enhanced SCA's use of capacity by improving the balance between tissue production and conversion, and the acquisition resulted in a doubling of market share in the UK private label market.

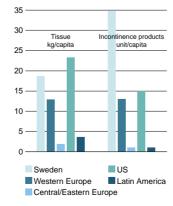
After the close of the fiscal year, in January 2001, SCA acquired US-based Georgia-Pacific's tissue paper operations in the AFH area for SEK 8.1 billion. The acquisition gave SCA national coverage in the US and a market share of 17% in the AFH segment. This results in a ranking of third in the market after the merged Georgia-Pacific/Fort James and Kimberly-Clark.

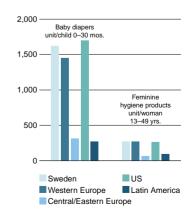
Tissue and fluff products Sales by customer segment – Europe



SCA sells mainly its hygiene products to the retail sector.

Annual per capita consumption of hygiene products





Less developed countries consume feminine hygiene products and tissue products first. As living standards rise, consumption of baby diapers and incontinence products begin.

CONSUMER PRODUCTS

Market

The European market for absorbent hygiene products, which are sold through the retail trade, is valued at SEK 100 billion. The growth rate is 2–3% per year. The demand for hygiene products is governed, in principle, by general consumption trends, disposable income and demographic factors. The variations in demand are small, since the products satisfy basic human needs.

Tissue products are sold in the same amounts using the manufacturer's brands as under the retailers' own brands. On average, 15% of baby diapers and feminine hygiene products are sold using retailers' brands. However, there are large variations between products and countries.

The European retail sector has been characterized by consolidation and internationalization in recent years. This trend continued in 2000 and in the countries where the consolidation has progressed furthest, the three largest retailers represent up to 85% of the market. The chains have a growing interest in selling high-quality hygiene products using their own brand names. Retailing is more fragmented outside the West European and US markets. Branded products are undergoing strong growth in these areas.

SCA's strategy and market position

SCA is the second-largest supplier of absorbent hygiene products to the European retail sector, with a market share of 19%, and the group is Europe's largest supplier of hygiene products that are sold under retailers' own brand names. Through joint venture companies, SCA also maintains favorable positions in some 20 markets in Latin America, Australia and Africa, primarily for feminine hygiene products. The sales volume increased by 11% during the year.

Approximately 60% of SCA's total sales of hygiene products are made through the retail trade. The segment of the range marketed as SCA's own brands consists of Zewa, Edet and Velvet for toilet and household tissue, Libero for diapers, and Nana, Nuvenia, Bodyform, Nosotras and Libresse for feminine hygiene products.

In 1999, SCA launched a new household tissue, which is produced using the Through-Air-Dried process, and is sold under the Zewa and Edet brands. It has been a sales success, as a result of improved product qualities and an innovative marketing program. Market share has increased in most markets and Zewa recaptured market leadership for household tissue in Germany.

SCA launched an improved, stronger toilet tissue using the brand name Velvet in the competitive UK market. This in-





creased sales by more than 10%, thereby strengthening SCA's position as second on the market.

Launches using retailers' own brands included a softer and stronger toilet tissue with a spot embossing decoration in France. This is part of SCA's strategy to also position itself as a supplier of products in the highest quality segment in the retail area.

Requests from consumers led to SCA developing a panty liner for string panties in 1999. The launch continued in 2000 in countries such as France, Poland, the Czech Republic and Baltic States. SCA also introduced a sanitary pad for string panties.

The market position for Libero diapers was further strengthened in the Nordic region. An important factor underlying this success is the new marketing program, with awardwinning TV commercials and advertising. The pant diaper segment is expanding in Western Europe and SCA has launched better-fitting products and more sizes to maintain its strong position in the segment. The open diapers were improved with a backside material that can breathe. The volume for the Group's retailers' brands of diapers increased by 19%.

INCONTINENCE PRODUCTS

The market

Incontinence products are used for protection against mild and more serious incontinence problems, a condition that afflicts 5–7% of the world's population. In pace with the populations in many countries becoming increasingly older, the need for such protection rises. There are several ways to medically treat incontinence, but incontinence protection is an important complement for most persons, and for many it is the only way to deal with incontinence.

Incontinence products are distributed to hospitals and nursing facilities as well as to individual consumers through pharmacies and retail outlets, depending on the health insurance system in each country.

The market in Europe is valued at approximately SEK 11 billion and in North America at slightly more than SEK 10 billion, with growth of approximately 6–7% each. The institutional markets in Europe and North America grew slowly during 2000, while the market for mild incontinence products grew by 10–30% in Europe and by 13% in the US, with the highest level of growth being in the retail sector.

Products for heavy incontinence problems are being developed to become increasingly high quality, modern products, which increases the value added in the segment. Incontinence products sold under retailers' own brands are common in the US and are starting to emerge in Europe, although on a small scale.

SCA's strategy and market position

SCA is a world-leading supplier of incontinence products, with a total market share of 24% and a market share of 42% in Europe. The products are mainly marketed under the Tena brand name. The product line comprises all types of products for protection against mild and more serious incontinence problems. The latter products are in Europe sold primarily for use in institutional and home-care programs, while products offering protection against mild incontinence are sold through pharmacies and the retail outlets. Sales rose by 11% in 2000.

Pant diapers and products for mild incontinence continue to be the fastest-growing segments. SCA continued to improve its position in both segments, partly by expanding into new markets and partly by improving the products. Through the acquisition of the Johnson & Johnson Serenity brand, SCA has obtained access to the North American retail sector. In the US, 45% of all incontinence products are sold through retailers.

In the segment for serious incontinence problems, SCA launched a new generation of products under the Tena Flex brand. This product is easier to use, simplifying the situation for care personnel and those being cared for.

In the rapidly expanding market for mild incontinence problems, SCA introduced a small, very slim incontinence towel in the Tena Lady product family.

AWAY FROM HOME (AFH)

The Market

In the AFH market, mainly tissue products are sold to companies in the industrial, administration and service sectors, hotels, restaurants and catering (HoReCa), healthcare institutions and other public establishments. Tissue products for handwiping and toilet tissue dominate, as do products for wiping and cleaning in industry. The products are distributed via wholesalers and service companies, or directly to individual

customers. A consolidation and internationalization process is also in progress among these customers.

The AFH market in Europe, which accounts for 30% of global sales of tissue products, is valued at slightly more than SEK 23 billion.

Market growth amounts to about 3–4% annually, and is controlled largely by economic conditions. Textiles represent one-third of the drying materials in the AFH market, but are increasingly being replaced by tissue products. Awareness of good hygiene habits at work sites and in offices and public buildings also affects growth potentials as well as legislation governing food handling hygiene. HoReCa is showing the strongest growth today, supported by the growing number of people who dine outside their homes.

Important competitive advantages include offering customers a complete concept of installation-ready products (paper and dispenser, etc.) along with good service and rapid deliveries.

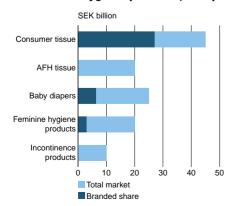
SCA's strategy and market position

SCA is Europe's next largest supplier of tissue products for the AFH market, with a 18% market share. SCA's sales comprise a complete range for toilets and bathrooms, consisting of paper towels, toilet tissue, soap with matching dispensers, face towels and towels. The products are sold under the Tork brand. This range is sold to industry in combination with products for cleaning and wiping. Sales in 2000 increased by a total of 10%.

A new product range, Tork Multi, was launched during the year, mainly with the aim of strengthening SCA's position in the industry segment. Increased focus on the HoReCa segment resulted in an improved market position.

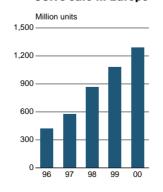
The Box 2000 dispenser system was launched in all SCA's European markets. Sales increased by 16% and the concept will be introduced in the US and Canada in 2001.

Retailers' brands, share of total market for hygiene products, Europe



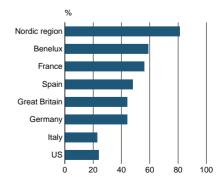
Retailers' brands account for 30% of the combined European market for hygiene products.

Baby diapers – retailer's brands SCA's sale in Europe



SCA's sales of baby diapers under the retailers own brands has increased significantly in past

Consolidation of the retail sector (top 3)



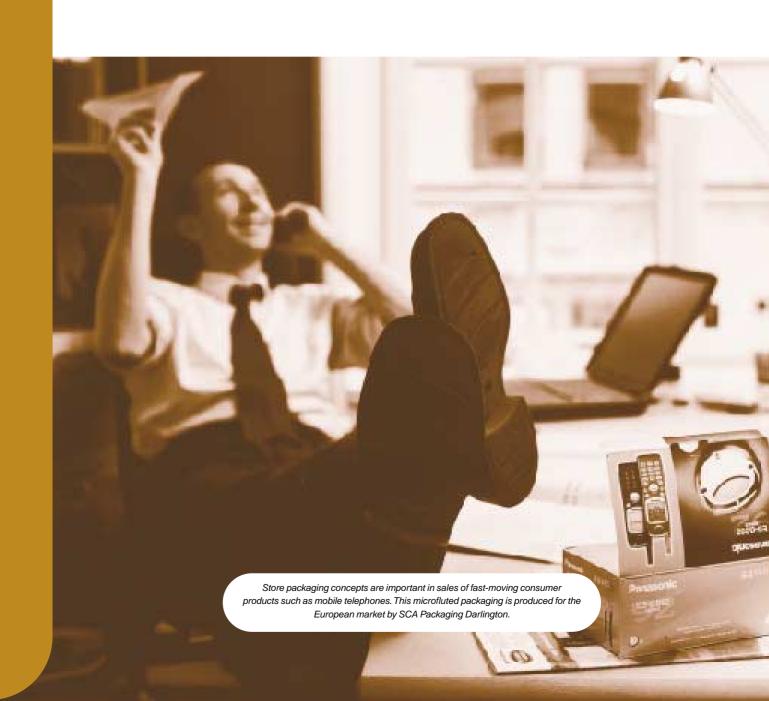
The European retail sector is characterized by growing consolidation. The consolidation trend has been most prominent in the Nordic countries and the rest of Western Europe.





EXPANSION AND BROADER PRODUCT OFFERING

Packaging continues expansion in Europe and increases its logistics offering.



Senior executives

Gunnar Haglund

Chief Financial Officer, SCA Packaging Employed in SCA since 1989.

Previous employment: Stora.

Colin J. Williams

President, SCA Packaging Employed in SCA since 1988.

Previous employment: Johnson & Johnson.



Gunnar Haglund, Colin J. Williams, Rob Jan Renders and Ole Terland.

Rob Jan Renders

President, Containerboard Division Employed in SCA since 1990. Previous employment: Plant Manager, SCA Packaging, De Hoop mill.

Ole Terland

President, Corrugated Board Division Employed in SCA since 1987. Previous employment: Research engineer, STFI.

Key ratios (SEK M)	2000	Group share %	1999
Net sales	24,636	37	19,858
of which, intra-Group	341		326
Operating cash surplus	4,220	34	3,311
Change in working capital	-448		216
Current capital			
expenditures	-1,060	47	-616
Other operating cash flow			
changes	9		-172
Operating cash flow	2,721	30	2,739
Operating profit	2,977	32	2,216
Operating margin (%)	12		11
Capital employed	14,237	25	13,289
Return (%)	21		17
Strategic investments			
- plants	189	17	412
- restructuring expenses	32	10	23
- company acquisitions	1,897	66	6,368
Average on. of employees	18,346	49	15,209

Data for comparison is adjusted in accordance with the principles on page 14.

Production capacities shown on page 75.

Net sales and	Net sales, SEK M		Av. no. of employees
number of employees	2000	1999	2000
Corrugated board	19,655	16,288	15,770
Containerboard Other, incl. intra-Group	8,484	6,369	2,081
deliveries	-3,503	-2,799	495
Total	24,636	19,858	18,346

			Change,
Produced volumes	2000	1999	%
Corrugated board (Mm²)	3,756	3,389	11
Kraftliner (ktons)	695	703	-1
Testliner/fluting (ktons)	1,810	1,564	16

			Change,
Deliveries	2000	1999	%
Corrugated board (Mm ²)	3,782	3,396	11
Kraftliner (000 tons)	680	719	-5
Testliner/fluting (000 tons)	1,792	1,581	13
of which, intra-Group1	1,210	1,225	-1

¹ Pertains to kraftliner/testliner

PRODUCTION FACILITIES

Corrugated board

Production of corrugated board packaging in Austria, Belgium, Czech republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Lithuania, the Netherlands, Poland, Romania, Russia, Slovakia, Sweden and Switzerland. Minority holdings in plants in China, Indonesia, Malaysia, Singapore, Spain, Thailand and Turkey.

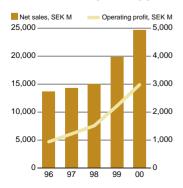
Containerboard

Production of testliner and kraftliner in Sweden (Obbola and Munksund). Production of testliner/fluting in Denmark (Djursland), Germany (Aschaffenburg and Witzenhausen), Great Britain (New Hythe), Italy (Lucca and Castelfranco), the Netherlands (De Hoop), Switzerland (Argovia) and minority holdings in Turkey (Izmir).

EPS, moulded pulp

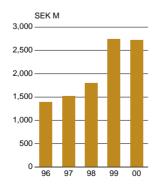
Production in China, Denmark, Finland, Great Britain, Indonesia, Malaysia, Singapore and Sweden.

Net sales and operating profit



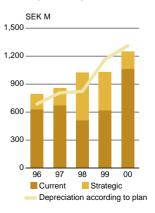
Compared with 1999, operating profit rose 34% to SEK 2,977 M.

Operating cash flow



Operating cash flow amounted to SEK

Capital expenditures



Current capital expenditures rose sharply during the year.

HE PACKAGING BUSINESS AREA is Europe's leading producer of corrugated-board packaging and containerboard, with a market share of 15%. SCA offers customized transport and packaging solutions to its customers, featuring IT-based design, with local service close to customer facilities. Transport packaging is conceived to provide customers with the optimum solution for packing, transporting, storing and protecting products along the entire supply chain. Brands and other information are displayed on the outer package. SCA also offers service and speciality packaging, displays, shelf consumer packs and high-quality printed micro-fluting boxes used, for example, for more exclusive consumer products.

Customers are primarily European food companies, producers of industrial products and consumer goods. Thirtyfive million packaging units are delivered daily for products ranging from washing powder, perfume, food products, TVs and electronics or large automotive components and other industrial products. They are delivered daily from SCA's more than 200 plants in Europe and Asia.

The Packaging business area produces containerboard: kraftliner, testliner and fluting. Fresh wood fiber from the Group's own forest resources in Sweden and recycled fiber recovered by SCA paper collection facilities across Europe and through external procurement is used as raw material.

MARKET

Primary packaging is intended to be marketed and sold with the product and can comprise, for example, cartons, glass jars and PET bottles. Transport packaging, the segment in which SCA is mainly active, is intended for use in the shipment of goods and the market in Europe is estimated at about SEK 200 billion. Transport packaging is normally divided into corrugated board, plastic, wood and other. Corrugated board is the dominant packaging material, with 60% of the market. Transport packaging is projected to grow 3–4% annually during the next five years.

SCA's STRATEGY AND MARKET POSITION

SCA Packaging strategy is to be a solutions provider to the various supply chains, which have different requirements. These needs may be high quality printing, complete logistics and full-service, such as packing of the actual product, special fittings and other logistics services.

SCA focuses on corrugated board packaging and the benefits of the material are substantial, Corrugated board is flexible and easy to shape and design to customer specifications. It weighs little in relation to its strength and can be adapted easily to different production lines. Corrugated board packaging can be collapsed for shipment and, moreover, it is produced from recyclable resources.

SCA will continue to focus on productivity and costefficiency. Among other measures, this will be accomplished through increased integration of the corrugated board and containerboard operations.

CORRUGATED BOARD

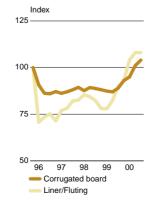
Market

The European corrugated board market is valued at approximately SEK 120 billion. Shipments in Western Europe increased 3.2% during the year, which was in line with the economic growth. A strong increase in demand is occurring in China and Southeast Asia, in pace with the region's economic activity. The development of e-business is expected to further increase demand for corrugated board packaging.

Certain segments grow faster than the corrugated board market as a whole. Industrial packaging is expected to show average growth of 3–4% in the 1999–2004 period. Microflute (for example, perfume packaging) is projected to increase 5.5% and display packaging by 3.5%.

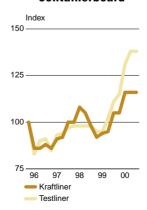
Packaging customers demand fast and reliable delivery, which means that packaging be produced locally, near the customers' facilities. Packaging must be custom-designed for spe-

Price trends for corrugated board packaging



Prices for corrugated board rose during the year, but not as much as liner/fluting prices.

Price trends for containerboard



Prices rose during the year for kraftliner and increased even sharper for testliner.

cific needs. In addition to product protection, packaging must be optimally designed for storage, transportation and the marketing of products.

Packaging customers often need complete logistics solutions from their packaging suppliers, by which the packaging provider analyses the total supply chain to its customers and the final consumer. SCA Packaging responds to this by specialized supply chain teams.

The corrugated board industry in Europe comprises more than 500 companies. SCA is the largest supplier on the market with a market share of 15%. Combined, the five largest producers hold nearly 50% of the market.

The restructuring and consolidation of the industry, to which SCA contributes, has enhanced the industry's ability to respond to customer development and increase profitability. 2000 saw a continuation of this process.

SCA's strategy and market position

SCA Packaging offers its customers "more than the box." By understanding the needs, requirements and trends of corrugated packaging throughout the supply chain, SCA adds value for manufacturers, retailers and consumers.

SCA is actively engaged in the ongoing consolidation process and has secured strong positions in most Western European markets.

The goal in Europe is to increase market coverage from 15% to 20–25%. This will be accomplished through acquisitions and organic growth.

SCA is focusing its expansion on two fast-growing segments of the market, namely packaging for industrial goods and speciality products. Packaging for industrial goods includes boxes for bulk chemical products to valuable automotive parts. Packaging for speciality products includes mainly "point of sale" packaging units for products as diverse as portable telephones, consumer electronics and household appliances,

washing tablets, wines and liquors or perfumes. Compared with plastic, corrugated board has an advantage since it is printable. France, Italy and Germany are the largest markets.

SCA has also upgraded its product lines to include corrugated fittings, EPS and other carton fittings. Logistics service to the customer can go deep upstream to the production line in order to optimize packaging design and the total production logistics. This yields time and costs savings for customers throughout the entire supply chain. This packaging concept received prizes at European trade fairs in 2000 and can be applied to entire ranges of appliances.

A large number of customers demand standardized packaging containers. SCA also offers these types of containers through its e-business sites. It increases service and reduces transaction costs.

Production costs are being reduced at all plants through ongoing action plans.

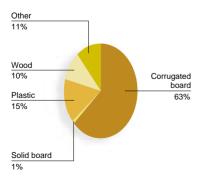
Corrugated board plants in Sweden, the UK and Germany were rationalized during the year. Plants were closed, machinery moved and personnel reduced to enhance the efficiency of operations and strengthen SCA's positions.

Cost savings have been made through coordinated procurement with SCA's other business areas, of transportation, starch, printing ink and chemicals. Energy is now procured centrally by SCA's head office. Combined, these actions are building the platform of profitability and cash generation required for continued expansion in and outside Europe.

Acquisitions

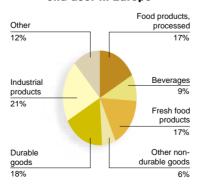
During the year, SCA acquired the corrugated board operations of the Finnish forestry company Metsä-Serla. As a result, SCA Packaging expanded into Finland, Estonia, Lithuania, Russia and Greece. SCA's market share in these countries is 25–30%.

Transport packaging (types of material) in Europe



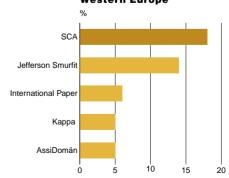
Corrugated board is the predominant packaging material.

Demand for corrugated board by end-user in Europe



Food packaging in various forms represents nearly half the end-uses of corrugated board packaging.

Market shares for store and window display packaging materials in Western Europe



SCA is Western Europe's largest producer of store and window display packagings, so-called point-of-sale packaging.

Two plants in Denmark which were included in the acquisition as well as two plants from prior acquisitions were divested due to anti-trust laws in accordance with a decision from the European Commission. SCA retained a plant in Denmark for speciality packaging from Metsä-Serla, which complements SCA's European network for that product segment.

SCA also acquired the remaining 51% of the shares in the Czech packaging company Obalex and a plant owned by Obalex's largest customer Crystalex, glassware and crystal. Obalex mainly produces consumer goods packaging with high-quality printing.

In Asia, SCA uses Singapore-based Central Package as its acquisition vehicle. SCA increased its ownership in Central Package during the year, from 20% to slightly more than 32% and holds an option to acquire a share majority in the future.

After the close of the fiscal year, in January 2001, SCA made a bid for the American packaging company Tuscarora. SCA offered to acquire shares in the company for SEK 2.2 billion. Tuscarora is the leading supplier in the US of packaging solutions for protection of electronic and industrial products and has been listed on the Nasdaq exchange since 1988.

SCA could also consider further expansion in the US if an opportunity with the right strategic fit arises.

CONTAINERBOARD

Market

The paper component in corrugated board packaging, containerboard, is a global product that is traded on world markets.

The five largest European producers of containerboard hold 39% of the European market. The majority of companies sup-

ply containerboard to their own packaging production units, but also sell to external corrugated board producers.

The supply and price of kraftliner is influenced to a considerable extent by US deliveries to Europe and the Far East, while the price of testliner and fluting is strongly affected by the availability and price of recovered paper.

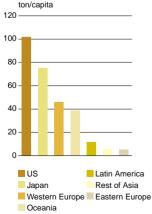
SCA's strategy and market position

SCA Packaging is Europe's leading producer of containerboard, with two kraftliner mills in Sweden and nine testliner mills in Europe and Turkey. Market share is 12%. SCA produced 2.5 million tons of liner and fluting in 2000, of which 1.2 million tons, or 48%, were used internally. Internal sales are at market prices.

SCA's stratregy is to adapt containerboard in line with developments occurring in corrugated board, which means increased demand for paper with high printability. As a consequence, investments were made at mills in Munksund – Sweden, Djursland – Denmark, Oftringen – Switzerland and New Hythe – UK. These measures resulted in improved product quality and rebalancing toward lighter grades and white-top products that are increasingly demanded.

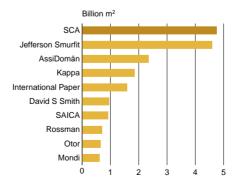
SCA's recovered paper operations is one of the largest in Europe. Collection of various grades of recovered paper is carried out by wholly or partly owned companies in the UK, Netherlands, Sweden, Austria, Italy and Turkey. The collection volume in the companies totals about 2.3 million tons, of which SCA's share is 1.5 million tons, corresponding to half of the Group's total consumption.

Annual per capita consumption corrugated board



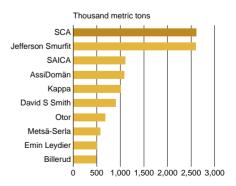
The prosperity and GDP of a country is closely linked to the consumption of corrugated board.

Corrugated board Competitors – Europe Production capacity

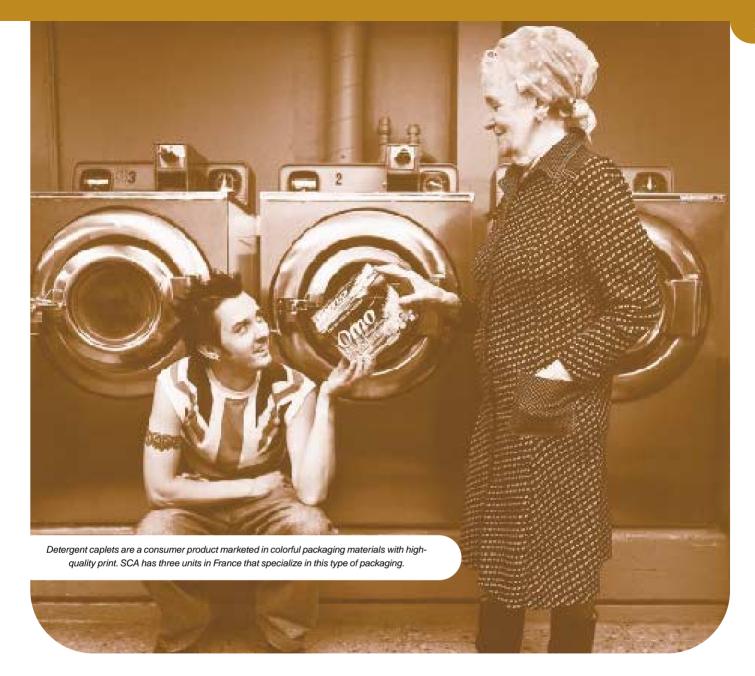


Following its acquisition of Metsä Corrugated, SCA is the largest producer of corrugated board in

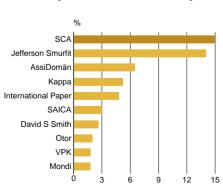
Containerboard Competitiors – Europe Production capacity



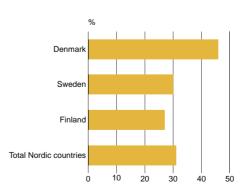
SCA is the largest producer of containerboard in Europe.



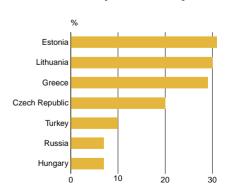




SCA's market shares, corrugated board Nordic countries



SCA's market shares, corrugated board Eastern Europe incl. Turkey





FAVORABLE SALES AND HIGH MARGINS

Strong cash flow and earnings from publication papers and pulp.



Alvar Andersson

Production Manager, Ortviken Paper Mill Employed in SCA since 1971.

Mark Lunabba

President, SCA Graphic Laarkirchen AG Employed in SCA since 1988. Previous employment: Product Manager, Nobel Industrier.

Jerker Karlsson

Key ratios (SEK M)

of which, intra-Group

Operating cash surplus

Change in working capital

Other operating cash flow

Operating cash flow

Operating margin (%)

Strategic investments

- restructuring expenses

Production capacities shown on page 75.

company acquisitions
 Average no. of employees

Operating profit

Capital employed

Return (%)

- plants

on page 14.

Net sales

Current capital

expenditures

changes

Vice President, SCA Forest Products Employed in SCA since 1970. Previous employment: Researcher, Royal College of Forestry.

Group

19

30

23

35

29

23

4

19

10

1999

11,532

1.935

3.169

-50

-620

-110

2,389

2,123

13 385

18

16

206

510

3,533

share %

2000

12,876

1.899

3.759

-15

-509

-82

3,153

2.720

13 331

21

20

41

550

3,658

Data for comparison is adjusted in accordance with the principles

Senior executives



Alvar Andersson, Mark Lunabba, Jerker Karlsson, Ola Hildingsson, Kenneth Eriksson and Anders Färnqvist.

Net sales and		sales, EK M	Av. no. of employees	
number of employees	2000	1999	2000*	
Publication papers	7,243	6,677	1,519	
of which, intra-Group	-86	-93		
Pulp, timber and solid				
wood products	7,227	6,228	1,823	
of which, intra-Group	-1,508	-1,280		
Total	12,876	11,532	3,342	
* Excluding staff functions				

Excluding staff functions

Produced volume	es, tons 2000	1999	Change,
Newsprint*	543,000	530,000	2
SC paper	322,000	323,000	0
LWC paper	421.000	369.000	14

^{*} Including SCA's share in Aylesford Newsprint Ltd (50%).

			Change,
Deliveries, tons	2000	1999	%
Newsprint*	546,000	529,000	3
SC paper	322,000	326,000	-1
LWC paper	425,000	371,000	15

^{*} Including SCA's share in Aylesford Newsprint Ltd (50%).

Solid wood products	2000	1999	Change, %
Produced volume, m ³	654,000	681,000	-4
Deliveries, m ³	647,000	670,000	-3

Ola Hildingsson

Director, Sales and Marketing, SCA Graphic Sundsvall Employed in SCA since 1985. Previous employment: Division Manager, Billerud.

Kenneth Eriksson

President, SCA Forest Products Employed in SCA since 1979. Previous employment: President, Sunds Defibrator AB.

Anders Färnqvist

Chief Financial Officer, SCA Forest Products Employed in SCA since 1991. Previous employment: Group Controller, Priab AB.

Wood consumption					
and fellings, million m3 fub	2000	1999			
Consumption					
 SCA Forest Products 	6.02	5.84			
Fellings					
 on own forest land 	3.85	4.06			
- as a % of wood consumption	64	70			

PRODUCTION FACILITIES

Publication papers

LWC paper is produced in Ortviken, Sweden. SC paper is produced in Laarkirchen, Austria, and newsprint is produced in Ortviken and Avlesford. in Great Britain.

Pulp, timber and solid wood products

Pulp in Östrand, Sweden.

Six forest districts, two wood procurement units, a plant nursery and a forest-fuel service unit.

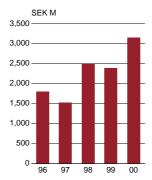
Sawmills are situated in Holmsund (Umeå), Munksund (Piteå) and Tunadal (Sundsvall).

Net sales and operating profit



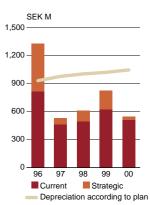
Operating profit rose 28% to SEK 2,720 M.

Operating cash flow



Operating cash flow rose sharply to SEK 3,153 M.

Capital expenditures



Strategic capital expenditures within Forest Products amounted to SEK 41 M.

HE FOREST PRODUCTS BUSINESS AREA, which was formed in January 2000, produces publication papers, pulp and solid wood products and is responsible for the Group's forest management, wood procurement and transport organization. The new business area coordinates these closely linked operations and capitalizes on further synergy gains with SCA's other business areas.

The business area controls the entire chain, from raw material to the end-product at the customer. This is of major importance to product development, product quality and efficient production, and applies to sawmills and pulp production as well as the hygiene and publication paper operations. Through controlling transport and logistics, the customer is guaranteed reliable deliveries, which enhances the value of the products.

Publication paper production comprises the highest quality segments. Customers are mainly in the European market and comprise newspaper and magazine publishers as well as printing houses with high demands for product quality and delivery reliability. The range includes LWC, SC paper and newsprint used in the production of trade and popular magazines, catalogs, advertising printing and daily newspapers.

Forest Products manages the Group's forest assets, conducts extensive sawmill operations and is Europe's largest supplier of forest fuel. The operations of the sawmills are based mainly on sawlogs from SCA's own forests.

PUBLICATION PAPERS

Market

The market for publication papers in Europe is valued at slightly more than SEK 100 billion. Newsprint accounts for nearly 40%, while other uncoated and coated publication papers account for the remainder. The customers are publishing houses with their own printing plants, which are often combined with commercial printing of other publications, and printing plants that work solely with external assignments. The general trend is that the publishing houses are increasingly outsourcing printing to external suppliers.

Magazines and daily newspapers depend on advertising revenues. The volume of advertising is linked strongly to the state of the economy.

The market for publication paper was very strong during the year. By grade, sales by European producers rose 11% for LWC, 10% for SC paper and 4% for newsprint.

The market for publication paper is largely regional. Only small volumes of publication paper is delivered to other continents. The publication paper market is Europe is well consolidated. The ten largest companies account for slightly more than 95% of production, which ensures a relative favorable balance between production capacity and demand.

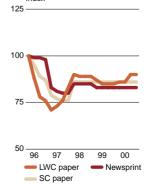
Consolidation among publication paper producers was intensive during 2000. In Europe, Swedish Holmen acquired the



Spanish newsprint producer Papelera Peninsular and Swedish/ Finnish StoraEnso acquired the North American publication paper producer Consolidated Papers. Finnish UPM-Kymmene acquired North American Repap and Norske Skog purchased Fletcher Challenge of New Zealand. As a result of these acquisitions, production capacity of slightly more than 5 million tons was consolidated among fewer suppliers.

Three new publication paper machines were started up in Europe during the year, corresponding to 1–2% additional capacity in each segment, which is lower than market growth.

Price trend for newsprint, LWC and SC paper



The average price for LWC paper rose 3% in 2000. Prices for SC paper and newsprint were unchanged.

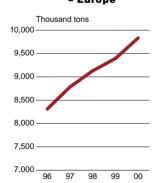


SCA's strategy and market position

SCA concentrates mainly on magazine and newspaper publishers, preferably in Europe, with high demands on product quality and delivery reliability. In many instances, the publisher requests a paper grade that is adapted for a specific publication, which strengthens the bond between supplier and customer. Combined with high productivity and cost efficiency, this strategy has made SCA one of the most profitable suppliers of publication papers in Europe.

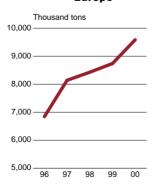
Since the synergy gains from conducting publication paper production on several continents are limited, SCA focuses on the European market. SCA's paper mill in Laakirchen, Austria, produces SC paper in the highest quality segment. The mill has been highly profitable for many years, with cost-efficient production and high productivity. Consequently, SCA decided to strengthen this position by replacing a 40-year-old machine with a new machine for the production of SC paper. The capacity addition will be 150,000 tons, corresponding to one year of demand increase within the product segment in Europe. Compared with building an entirely new facility, the investment expense per ton of capacity is only half. In future, the machine can also be converted to LWC production, if this is justified by market trends.

Demand for newsprint - Europe



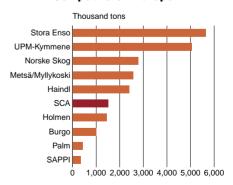
Demand for newsprint rose 5% in 2000

Demand for magazine paper - Europe



Demand for magazine paper (LWC and SC paper) increased 10% in 2000.

Publication papers Competitors – Europe



SCA is not among the largest players in publication papers, but focuses on product quality, cost-efficient production and efficient logistics. Figures show the companies' capacity in Europe.

Production was high at all SCA publication paper mills during the year. The Ortviken mill, Sweden, reported record high production volume and during the past three years production has increased by nearly 20% without any significant investment. The paper mills in Aylesford, UK, with production based on 100% recovered paper, and Laakirchen broke their production record.

An extensive efficiency enhancement and rationalization program was carried out at all paper mills, which has contributed to the favorable profitability trend. Efficiency enhancement efforts offset the impact of the major price hikes during the year for recovered paper and kraft pulp.

The Ortviken paper mill is the only mill in the world offering significant volumes of newsprint and LWC paper that fulfills the environmental certification requirements in accordance with the Forest Stewardship Council (FSC). All of SCA's publication papers is based on totally chlorine free (TCF) pulp. The FSC-certified products are in demand on the market, in which customers included the British publisher BBC Magazines, which printed its first magazine, Wildlife, on FSC-certified paper. The publisher plans to produce additional FSC-labeled titles.

Development of new paper grades is based on customer specifications. Many significant future projects are conducted in cooperation with customers. For example, the German publisher Druck- und Verlagshaus Frankfurt am Main, whose publications include the Frankfurter Rundschau daily, has carried out extensive work with developing better color printing in cooperation with SCA. This has resulted in the publisher's printing plant receiving a highly prestigious award for its color printing.

PULP, TIMBER AND SOLID WOOD PRODUCTS

Market

The market for bleached softwood kraft pulp (NBSK) in Western Europe amounts to SEK 38 billion, while the corresponding figure for bleached hardwood kraft pulp (NBHK) is SEK 14 billion. The largest customers are non-integrated producers of paper and hygiene products. The long-term trend is that the degree of integration is rising since many pulp producers are increasing their own production of fine papers. This trend continued during the year, as well as a trend toward increased consolidation among pulp producers.

The Western European market for solid wood products amounts to about SEK 90 billion, or 75 million cubic meters, annually. The growth in volume in 2000 was 2%. The European sawmill industry is dominated by many small and midsize mills, which complicates efforts to maintain a balance between supply and demand.

Major customer groups are wood-processing companies and joineries as well as building-product wholesalers and building-supply centers that demand increased adaptation and product specialization.

Competition from such alternative construction and joinery materials as plastics and steel is severe. In certain markets, such



Price trend pulp (NBSK)



Pulp prices rose from USD 630/ton to USD 710/ton during 2000.



as the Nordic countries and Japan, the percentage of wood used in the construction sector is increasing at the expense of steel and concrete.

SCA's strategy and market position

Initially, SCA was one of the world's largest pulp producers, but today it is a major net purchaser of pulp. Own production at the Östrand pulp plant, Sweden, is mainly intended for SCA's production of hygiene products and publication papers. Östrand produces TCF pulp and in addition fulfills the requirements for FSC-certified pulp. The Östrand pulp plant produced more pulp than ever.

SCA conducts cost-effective forest management and is continuously rationalizing its sawmill operations. In recent years SCA has substantially increased its production of Developed Timber – sawn timber products that are adapted to customers' specifications. This adaptation may involve kilning, sorting and length dimensioning for the joinery industry. Developed Timber accounted for 43% (32%) of total production in 2000. The Nordic countries and the rest of Western Europe, together with Japan, are SCA's principal markets for solid wood products. SCA 's production focuses mainly on visible wood, that is, wood products for the manufacture of furniture, joinery products, panel and other interior furnishings and fixtures.

SCA and Graninge AB formed the Scaninge Timber AB forestry and sawmill company during the year. Scaninge Timber comprises Graninge's entire forest and sawmill operations and the Lugnvik Sawmill and 150,000 hectares of forest land from SCA. Scaninge Timber is one of Sweden's largest sawmill companies, with production capacity after decided investments of nearly 800,000 cubic meters of sawn timber, of which 280,000 cubic meters is refined products. As a result of this transaction, SCA released SEK 916 M for other investments – capital previously tied up in forest land.

SCA's sawmill operations comprise the Holmsund, Tunadal and Munksund sawmills. The production of sawn redwood in the completely new production facility at Munksund exceeds the planned level and the anticipated improvements in productivity and product quality have been achieved.

SCA successfully introduced sales of solid wood products via the Internet at www.scawoodshop.com. Sales via this electronic woodyard increased steadily during the year and the volume corresponds to 6–8 truckloads weekly. The website facilitates improved service to customers and a potential for rationalization of its own business administration.

Both Munksund and Tunadal sell FSC-certified wood products, that are in demand particularly in the British and Scandinavian markets, and they carry a higher price.

Rain and flooding disturbed forestry operations and wood transport in Sweden during the summer and late autumn. SCA was able to maintain raw material supply to its industries, due among other factors to its large forest holdings.

Rationalization and efficiency improvements in felling and silviculture continue to hold costs at a low level. The cost for felling a cubic meter of timber today is at the same level as at the end of the 1970s, calculated at current prices.

IT enhances productivity and quality

SCA uses information technology (IT) in all areas of its business. This has resulted in substantial efficiency gains in all activities, from the planting of forests, development and design of new products, production, orders and transport of finished products, to an extended and more efficient service for customers. The flow of raw materials and services throughout the production chain – supply chain management – can be managed and used more efficiently than previously.

The advent of IT has helped SCA to lessen its environmental impact through reduced emissions and consumption of raw materials and energy. Today's computer-controlled transportation, for example, produces positive environmental effects, in that recently felled trees are collected almost immediately after cutting. Previously, trees could lie at the side of a road for weeks before being collected, which meant having to bleach the yellowing trees with strong chemicals in order to make paper from them. The pulp must still be bleached, but not to the same extent and in a much more environmentally compatible way than earlier.

Production

Forest management, production of solid wood products, pulp and paper, as well as the storage of these products, are some examples of areas in which IT has generated major savings in the past decade. In certain cases, production has expanded substantially, while the workforce has been reduced and the quality of the end-product has been enhanced.

Advanced systems have been applied to automate time-consuming planning procedures prior to the felling of forests. High-tech cutting reduces environmental impact, while the quality of the timber can be enhanced. Computers analyze every single log

at the sawmill, in order to increase productivity and quality.

The production of pulp and paper is completely based on advanced IT systems, which optimize the entire process. Production can proceed at a considerably increased speed, while costs are cut, due in part to the reduced consumption of raw materials and energy.

Within SCA's packaging operations, an online system is used, through which the customer and the product developer can jointly design and technically analyze the most appropriate type of packaging. This process, which previously lasted several weeks, can now be completed in a few hours.

Customer relations

SCA has introduced an IT-based administrative system to assist nursing homes with the inventory, selection and consumption of SCA's hygiene products. More time can be devoted to the care of patients, while the nursing homes achieve more efficient cost-control of consumables.

Approximately 80% of SCA's retail customers use Electronic Data Interchange (EDI). This computer system manages inventories by automatically sending a restocking order when, for example, the number of diaper packages in a store has fallen to a certain level.

SCA has a number of e-commerce sites, where customers can order goods directly over the Internet. These e-commerce sites sell standard packaging in corrugated board and sawn timber products. (www.dpack.dk, www.scastabox.nl, www. Scaverpackungsmittelservice.de, www.scawoodshop.se)

SCA has also been active in the international cooperation efforts to develop a standard for e-commerce within the paper and printing industry, the so called PapiNet project.



Research and Development – a strategic activity

Last year Group R&D expenditure in the three business areas amounted to slightly more than SEK 700 M.

Hygiene Products

The Hygiene Products business area conducts operations consumer-related segments, placing high demands on product changes. Development intensity is high and work, especially product development, is conducted largely by the business area itself. Many products in the hygiene sector have short life cycles, making R&D a strategically competitive factor. Research aims mainly at generating ideas and knowledge within current and future core areas of expertise, such as absorption and skincare.

Hygiene Products is generally a patent-intensive area, which is also reflected in SCA. In recent years, SCA received 60 to 80 patents annually, with this figure rising to 93 during 2000. The increase resulted from the steep rise in the pace of innovation in the tissue paper area. Fluff pulp operations already had a high innovation pace.

During the past five years, SCA conducted a strategic biotechnology program that was finalized during 2000. The program involved R&D expenditure of SEK 45 M and was aimed at developing renewable raw materials primarily for hygiene and packaging operations.

Packaging

The Packaging business area focuses its research work on identifying comprehensive solutions. In cooperation with customers, the business area develops customized packaging with the focus on effective distribution. This may involve packing customer products directly at production facilities, or developing lighter packaging to reduce handling and transport costs.

The Packaging business area conducts development in the IT area, notably in display and radio frequency (RFID) labelling. Among other innovations, SCA and IRD – a Danish development company – have developed an RFID label for antitheft alarms. The label functions largely like an anti-theft alarm in a garment store but its production cost is extremely low, and SCA has applied for a patent on the product. Under the general designation Intelligent Products, the company is further developing these products and efforts are aimed at adding to the number of functions and thus increasing the added value of packaging products.

Forest Products

SCA Graphic Research mainly conducts research and development focusing on publication papers, but it also carries out significant fiber research aimed at hygiene products. In conjunction with the investment in a new paper machine at the mill in Laakirchen, a new production process was developed that contributed considerably to a reduction in investment costs for the machine.

Greater cooperation

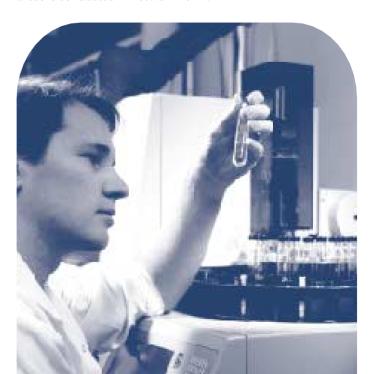
Contacts with institutes of technology and universities are crucial components in development programs. During 2000, SCA Graphic Research and SCA Packaging Research relocated to a new center for forest industry research at the Central Sweden Institute of Technology. This adjoins a new center for forest industry research which was established at the Institute of Technology, with considerable financial support from SCA. Hereby, closer links are achieved between primary research, applied research and product development.

SCA views cooperation with customers and suppliers as a key aspect of its efforts to raise the pace of new product development and innovations. For example, the development of a new panty diaper to alleviate mild incontinence problems is conducted in cooperation with the Japanese hygienic company Uni-Charm, which contributes with its latest technology in the area.

During the past two years, a significantly large share of process development has been carried out in cooperation with suppliers. SCA also conducts development work in other areas with other research companies such as Acreo in Sweden and Medialab in Boston, as well as with suppliers.

New organization

SCA Research – the central research company – has been phased out and research responsibility has been moved completely to the development units of the three business areas. The new decentralized research organization is designed to create closer contact with the market, as well as adding to the development pace of new products and increasing involvement among employees. The exchange among the three business areas is conducted in network form.



Human resources

SCA's personnel policy is highly important for achieving the goals set in the Group's overall value-creation strategy.

The primary aim is to meet the need for greater know-how, expertise and involvement on the part of all employees. Strategic planning in the human resources sphere shall create favorable prospects in these areas and facilitate future generation shifts and business challenges.

An important part of this work is to achieve a better understanding of SCA's strategic and financial objectives and greater awareness of how every employee can contribute to value creation in the Group. Financial and other incentives should reward employee efforts and result in greater motivation, participation and involvement in their everyday work.

Globalization and local adaptations

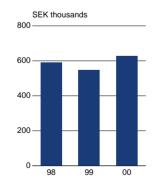
SCA's rapid expansion and globalization, with business operations in all parts of the world, is creating continuous change in the Group. Present employees see how their company's own structure is changing, while new personnel are added to the Group through frequent company acquisitions. As a result, it is essential to integrate this globalization process with required adaptations in local operations in order to secure continued optimal service standards for our customers. It is also import-

ant for SCA's continued business development that all employees understand the role of local operations in the Group's overall strategy. These are critical elements in SCA's development programs and recruitment work.

The Hygiene Products business area conducts annual International Business Programs, primarily for middle management personnel, to increase their understanding of a global and local approach to Group operations. Systematic efforts are also conducted to offer job rotation plans at different levels to provide participants with experience and knowledge from different functions in different countries and cultures. The Forest Products business area takes a similar approach, with trainee and leadership development programs focused on both local and global aspects of its business operations.

SCA Packaging conducts local leadership development programs combined with individual development programs for a number of persons with exceptional leadership qualities. The business area also conducts programs of long-term cooperation, primarily with universities in Europe, such as Lund University in Sweden and the University of Manchester in the UK, to improve its recruitment foundation and stimulate research focused on packaging.

Value added per employee



Value added per employee rose 14% during 2000.

Global and local





Tomas Nilsson, 36 SCA Forest Products, Sweden

"I regard SCA as a large international company. My opinion of SCA is influenced by what I see here at the Ortviken paper mill. We have a good organization and clearly defined job assignments."

Xavier Taillefer, 31 **SCA Packaging, France**

"I am grateful to SCA for retaining Nicollet's corporate culture after the acquisition. We all know each other here at the plant. SCA realizes this and has not taken a self-assertive approach. SCA has created trust. I think it's a good sign that SCA has chosen a slow process of integration with its own culture."

Marcus Stoian, 33 SCA Hygiene Products, Germany

"We should have more international transfers in the company. It's extremely important in creating the cement that bonds management throughout the entire Group."

Xu Chen, 42 SCA Packaging, China

"We will need years to establish communications and understanding between SCA and the people of Asia. Both parties are encountering cultural, language and remote distance problems. We appreciate the respect we receive from the company."

All of SCA's skills enhancement programs are designed to actively support the personal development of employees during their terms of employment with the Company. Programs for personal development and improved management skills are supplemented by support programs for special job functions and assignments.

In all, SCA invested SEK 180 M, corresponding to SEK 5,000 per employee, during 2000 in further training and other measures to improve skills and expertise.

Hearts and minds

Financial incentives and sophisticated skills are important tools used to develop committed and knowledgeable employees to support the Company's development and fulfill the Group's objectives. People, however, also have a strong need to feel an emotional connection with their employer in order to derive job satisfaction and produce good results. Both the heart and mind must be committed to achieving favorable results. This is particularly important for SCA, since the Group's rapid expansion places increasingly stringent demands on its employees. A good educational background is becoming increasingly important in this development, and the percentage of employees with a college education, which now amounts to slightly more than 9%, is increasing constantly.

SCA is aware of the challenge it faces as an employer. The goal of Group efforts in this area is to create scope for each employee's entrepreneurial spirit and powers of personal initiative, and to provide a large degree of personal freedom in their work assignments.

Work and private life

SCA assigns high priorities to health and safety issues. Group guidelines for Health and Safety emphasize the correlation between healthy employees and a safe work environment, both in physical and psychosocial terms. The main emphasis in the guidelines, accordingly, is focused on preventive measures and constant improvements, as well as support programs for employees injured on the job or faced with other problems that may affect their work situation.

Good health, a general sense of well-being and a balance between work and leisure time are prerequisites for good job performance standards in a person's professional life. SCA believes considerations for employee values in this area, and clearly formulated strategies for health and welfare, are important tools in the competition for qualified personnel. The Group has a primary responsibility to provide a safe and non-discriminatory work environment for its employees and their families.



Magnus Larsson, 44 SCA Forest Products, Sweden

"To get the best out of the company, I believe it's important to have people with different opinions, different skills, attitudes, backgrounds and personalities. The interaction and cross-cultivation between them will create power and strength in the organization."

Ariane Kristof, 37 SCA Hygiene Products, Germany

"At times, I think SCA underestimates the values it has developed in Sweden over the years. As a personnel manager (and a woman), however, I'm disappointed in the lack of women's opinions expressed in past annual reports. We work hard to be an attractive company for women seeking new employment opportuni-

Maria Zevgren, 26 SCA Forest Products, Belgium

"Based on my experience, I think SCA is perhaps a bit traditional in its approach to business operations, but I enjoy working for the company."

Lido Ferri, 44 SCA Packaging, Italy

"I regret that I have not devoted more time to my private life through the years. I should spend more time with my two children, but it's easy to get involved in exciting job assignments."

Work and private life

Thomas Glatz, 36 **SCA Hygiene Products, Switzerland**

"My only recommendation in the personnel sphere is that SCA should develop a program focused on employee health issues. The company should not just pay for the general welfare and skills development of its employees. SCA should also try to create a general awareness of the importance of good mental and physical health."

Growth with environmental consideration

SCA offers customized, high-quality products, which provide the company with positive and stable profitability. The company's products and operations form a part of the closed-loop society.

Environmental efforts are managed and coordinated by an environmental council, with representatives of the most senior Group management and the business areas.

SCA believes that the profitable performance of the Group and environmental considerations are closely related and codependent. This approach has been highlighted by fund managers and analysts of environmental work.

For the second consecutive year, SCA was included in the Dow Jones Sustainability Group Index, which is based on a global survey that ranks 2000 companies in 33 countries. An assessment is made of the companies' ability to combine financial growth with a successful environmental program in order to create sustainable growth. The companies' sense of responsibility for social issues is also taken into consideration. SCA was assessed as being considerably better than average among the companies in its sector. SCA is also included in several environmental mutual funds.

The New York-based research institute, Innovest, gave SCA its highest ranking – AAA – in a listing of the environmental programs of 800 global companies. SCA was judged to be the best of all forest products companies according to the research model, which analyzes 60 environmental issues and the companies' future share-price performance.

SCA's environmental program comprises all aspects of the Company's work, from the use of raw materials and energy and other components, to the production and transport of the finished products and their recycling. A brief summary of SCA's environmental program is provided below. More information is provided in the Group's Environmental Report for 2000, which can be ordered by e-mail: enviro@graphic.sca.se or fax: +43-7613 8800 208. The report can also be read on SCA's website: www.sca.se

Forestry and nature conservation

SCA sold part of its forestry holdings to the partly owned Scaninge Timber AB sawmill company, which means the Group now owns 2.1 million hectares of land, of which 1.6 million hectares is used for timber production. The forest is a vital source of raw materials, which has developed favorably, and the total inventory of standing timber and the sustainable long-term harvesting level continue to increase.

SCA's forestry operations are aimed at achieving a balance between a sustainable high level of timber production and the preservation of biological diversity. SCA applies the approach known as ecological landscape planning to large continuous areas of land in order to preserve biological diversity. Inventories of the forest lands are supplemented by surveys of areas of high nature value, which are either entirely excluded from forestry operations or managed using specially adapted methods. In the remainder of the forest areas, SCA applies forest management methods incorporating extensive nature-conservation measures. SCA invests SEK 70 M in nature conservation measures each year within its forestry operations.

Energy

The closed-loop concept is also a hallmark of SCA's energy utilization. Production based on timber and wood fiber yields various byproducts that are used as biofuel instead of being transported to waste disposal sites.

SCA prioritizes the use of renewable energy in the form of biofuels and the efficient production of electrical power and piped natural gas. This reduces the amounts of oil and coal transported and used, which in turn reduces the environmental impact. The combined power and heat generation capacity is highly developed at SCA's pulp and paper mills. The installation of a new biofuel-based co-generation power plant at the liner mill in Munksund, Sweden, was started during the year, in cooperation with the Swedish energy company, Vattenfall. Vattenfall recovers waste from the liner mill and sawmill for use as biofuel and in return delivers electricity and steam back from its plant, which is estimated to cost about SEK 400 M.

Certification

SCA's environmental work is one of the fundamental criteria that persuade customers to choose the Group's products, and is thus crucial for competitiveness. It is therefore important that success in this area be verified by an independent party.

SCA has environmentally certified all its forestry operations in accordance with ISO 14001 (the international standard for environmental management systems) and its management of its own forest holdings in accordance with Forest Stewardship Council (FSC) criteria. As a result, SCA now offers FSC-certified pulp and paper products and solid wood products. A considerable portion of production processes are certified in accordance with ISO 14001 or registered in accordance with the European Union's eco-management and environmental audit scheme (EMAS). Within the Group, 21 plants and 10 conversion plants for hygiene and corrugated board products are certified in accordance with ISO 14001 and/or EMAS registered. Newly acquired production plants are being continuously incorporated into the certification program.

SCA products

Renewable materials such as wood, wood fiber and recycled fiber comprise 95% of SCA's products. Non-renewable materials consist of oil-based materials, which are used to increase absorption of hygiene products, for example, or of inorganic material, such as clay and marble, which are used in paper production.

THE SCA CLOSED LOOP



SCA assesses its products' environmental impact, from raw material status through final disposal, using life-cycle assessments. These assessments affect the choice of materials, production processes and methods of transportation. In addition, they provide knowledge about the most advantageous choices for handling a product throughout its entire life cycle.

Transport

The raw materials that are transported to SCA's production plants each year are transported over relatively short distances. The finished products that are delivered to SCA's customers are often shipped over longer distances. The major portion of SCA's transportation is procured from external suppliers.

About 68% of SCA's total transport operations are carried out using ships, 24% using trucks and 8% using rail transport. Transport has been made considerably more efficient during the past three years, in order to reduce costs and also to reduce environmental impact. The orders and transportation of components and finished products to customers are controlled by a comprehensive IT system, which optimizes all logistics. Above

all, transport vehicles can be loaded more efficiently and fewer trucks return empty after an assignment.

Environmental investments and future costs

SCA invests in plant and machinery mainly to improve the properties of the products and to reduce production costs. These investments, in turn, often produce positive environmental effects. In addition to this, SCA makes substantial investments each year to comply with legislation, protect the environment and increase the efficiency of energy use. During the past five years, SCA has invested a total of SEK 1.8 billion for this purpose. An example is converting from coal-firing to natural gas in Kostheim, Germany. Moreover, in cooperation with various partners, SCA carries out projects that have a positive effect on the environment. One example is the construction of the biofuel-fired co-generation plant in Munksund, Sweden.

An inventory of the Group's production plants to investigate the possible need for clean-up measures did not reveal any reason to plan for more than limited costs in the future.

SCA's environmental policy

- SCA shall assume responsibility for the environment.
- All decisions must include environmental considerations.
- Environmental responsibility shall be a natural aspect of all operations.
- Information about SCA's environmental efforts shall be open and freely available.
- SCA's environmental initiatives shall be characterized by continuous improvement and review.
- SCA shall meet customer expectations of environmentally sound products and actively disseminate information aimed at stimulating demand for these products.

SCA's environmental strategy

SCA's environmental policy and closed-loop concept play a central role in SCA's environmental strategy. The aim is to reduce the utilization of nonrenewable and nonrecoverable resources in SCA's production and distribution, in terms of both materials and energy.

Financial risk management

SCA is exposed to financial risk through its international and capital-intensive operations.

The term financial risk is used to denote variations in SCA's cash flows due to changes in foreign exchange rates and interest rate levels, refinancing and counterparty risks.

ORGANIZATION AND ACTIVITIES

SCA's financial activities are centralized to capitalize on economies of scale and synergy effects in the financial sector and to minimize management risks. Financial activities are coordinated within the treasury organization and the two subsidiaries AB SCA Finans and SCA Coordination Center N.V. These companies manage external financial transactions and operate as the Group's in-house banks for financial transactions in foreign currency, interest and raw materials markets.

The Group's financial policy constitutes a framework of guidelines and regulations for the management of financial risks and financial activities in general. Each business area has also formulated its own financial policy in compliance with the SCA Group's general policy.

CURRENCY RISKS

Transaction exposure

Transaction exposure, defined as the commercial currency flow after net calculations of counterflows in the same currencies, amounts to SEK 8,034 M annually. The most important individual currency relations are SEK against EUR and GBP (see table below). SCA applies a decentralized system to manage the Group's transaction exposure, whereby each business area selects the most appropriate strategy for its subsidiaries within a centrally stipulated framework. A minimum requirement calls for the hedging of booked accounts receivable and accounts payable. Centrally, there is a mandate to deviate from the subsidiaries' positions within established risk limits.

During 2000, flows representing a maximum of 8.6 months and a minimum of 2.3 months were hedged against SEK. At

year-end 2000, flows representing 8.1 months were hedged, corresponding to a volume of SEK 5,451 M.

Foreign assets

Capital employed in foreign currencies at 31 December 2000 amounted to SEK 44,814 M. The distribution between different currencies is shown in the tables below.

In accordance with SCA's policy for financing of foreign assets, capital employed is matched by borrowings and forward contracts so that the booked debt/equity ratio is unaffected by foreign exchange rate fluctuations. In combination with this policy, SCA strives to optimize capital structure based on the Group's tax situation in each country, which means that a higher debt/equity ratio is selected in certain countries. Overall, this means that, based on present currency distribution and debt/equity ratio, about 40% of the foreign capital employed must be matched.

On 31 December 2000, foreign assets were matched by loans in foreign currencies corresponding to SEK 18,622 M, equivalent to a matching ratio of 42%.

Certain countries in which SCA has investments are characterized by high inflation or other economic instability (see Accounting principles, page 55). Capital employed in these countries at year-end 2000 amounted to SEK 1,343 M, corresponding to 2% of the Group's total capital employed. The geographic distribution of capital employed is shown in the table below.

Long-term currency sensitivity

The distribution of SCA's net sales and operating costs among different currencies shows the Group's long-term currency sen-

Currency exposure

		Capital	
	Transaction	employed,	Net debt,
Currency	flows, SEK M	SEK M	SEK M
EUR	4,058	24,640	7,522
GBP	2,028	11,756	5,625
DKK	439	2,431	2,415
USD	-109	2,168	1,298
Other	1,618	3,819	1,762
SEK	-8,034	12,134	-2,742
Total	0	56,948	15,880

Capital employed - geographical distribution

Region	Capital employed, SEK M	Share %
Western Europe	51,970	91
North America	1,486	2
Total	53,456	93
Central Europe + Russia	1,405	3
Asia	701	1
South America	1,079	2
Others	307	1
Total	3,492	7
Total capital employed	56,948	100

sitivity. With the exception of SEK, SCA maintains a balance between revenues and expenses in all major currencies. SCA Group earnings are also affected indirectly by foreign exchange rate trends for USD, CAD and EUR, since forest industry companies in North America and Finland are major exporters.

INTEREST-RATE RISKS

Interest-rate fluctuations have a direct impact on SCA's consolidated earnings due to changes in net interest, but there is also an indirect effect as a result of the impact of interest levels on the economy as a whole. SCA's policy is to maintain a short fixed-interest term, since the company believes this approach leads to lower borrowing costs and a more stable earnings trend in the long term.

Management of the Group's interest-rate exposure is a centralized function, whereby the central treasury organization is responsible for identifying and managing this exposure. During 2000, the average fixed-interest term was approximately 4 months. At year-end the fixed interest term was 4.2 months.

REFINANCING RISKS AND LIQUIDITY

At 31 December 2000, gross debt amounted to SEK 18,694 M. After the addition of pension liabilities and deduction for liquid funds, interest-bearing receivables and capital investment shares, net debt was SEK 15,880 M.

Liquidity risk is defined as the risk of being unable to meet payment commitments as a result of inadequate liquidity or difficulties in obtaining credit from external sources.

SCA applies a centralized approach to management of Group financing, whereby the central treasury organization is responsible for external borrowing and external investment.

The aim is that liquid funds and committed credit facilities should amount to at least 10% of the Group's projected annual sales, and that average maturity for the Group's gross debt should exceed three years.

At year-end, the average maturity amounted to 3.5 years. Liquid funds and unutilized committed credit facilities amounted to SEK 8,529 M at year-end, corresponding to 13% of Group sales in 2000.

Secured credit lines amount to SEK 6,964 M, with an average maturity period of 2.6 years.

Most of SCA's medium-term refinancing requirements are covered by two syndicated bank loans, with one loan of DEM 2,500 (SEK 11,300 M) due in year 2003, and the other totaling EUR 700 M (SEK 6,200 M) due in year 2006.

SCA's short-term borrowing consists of a Swedish commercial paper program with a framework credit line of SEK 10,000 M, a Belgian commercial paper program with a framework credit line of EUR 400 M (SEK 3,500 M) and a Polish commercial paper program totaling PLN 200 M (SEK 450 M).

SCA has a long-term rating of A3/A- and a short-term rating of P2/A2 from Moody's and Standard & Poor's, respectively, and a short-term Standard & Poor's K1 rating in Sweden.

CREDIT RISKS

Financial risk management exposes SCA to credit risks. This exposure arises from lending within the framework of liquidity management, and through claims on banks attributable to derivative instruments. Special counterparty rules stipulate maximum credit risks allowed against various counterparties.

Credit exposure in derivative instruments is defined as the market value plus an additional amount based on credit risk factors that reflect the risk of increased exposure to foreign currency and interest-rate fluctuations.

SCA applies ISDA Master Agreements that permit net calculation of receivables and liabilities in countries where such applications are permissible.

At 31 December 2000, credit exposure in derivative instruments amounted to SEK 2,513 M.

RISK MANAGEMENT AND INSURANCE

The goal of SCA's Risk Management function (RM) is to minimize total costs for the Group's property damage risks and optimize financing for the coverage of insurable risks. This is achieved through continuous development of damage claims prevention and limitation programs in Group operations, as well as development and implementation of Group insurance solutions. SCA's own insurance companies, or Captive companies, play a key role in this work.

Net sales and operating expenses per currency

	Net sales, %	Operating expenses, %
EUR	52	49
GBP	18	14
SEK	10	19
USD	6	8
DKK	4	3
NOK	2	1
Other	8	6
Total	100	100

Redemption structure for interest-bearing debt

Year	SEK M
2001	2,069
2002	4,137
2003	4,304
2004	2,533
2005	2,720
2006–	2,931
Total	18,694

The average maturity period at year-end was 3.5 years.

Board of Directors' Report*

STRUCTURAL CHANGES AND DIVESTMENTS

In line with the Group's strategy of expanding in the fields of hygiene products and packaging, the 50% holding in Modo Paper was sold for SEK 6,522 M during the year, yielding a capital gain of SEK 2,656 M.

To improve the structure in the sawmill industry in northern Sweden, SCA formed the Scaninge Timber AB together with Graninge AB. SCA conveyed approximately 8% of the Group's forest holdings and the Lugnvik Sawmill to the new company. The transaction reduced SCA's net debt by SEK 916 M.

The Raw Materials and Logistics unit was formed in 1995 to ensure that business units took maximum advantage of coordination between business areas. Because the objectives set at that time have, in all essential respects, been achieved, operations of the unit were integrated with those of the business areas during the year. To ensure continuing development in a number of areas that are important for the Group, a number of networks were established – for energy procurement, among other purposes.

INVESTMENTS AND ACQUISITIONS

Net current capital expenditures in plants during the year amounted to SEK 2,245 M, while strategic investments totaled SEK 1,121 M. The greater part of the strategic investments were made in Hygiene Products, where a total of SEK 891 M was invested, mainly for continued expansion of incontinence-products operations. Strategic investments in the packaging operation amounted to SEK 189 M, while investments in Forest Products amounted to SEK 41 M.

Corporate acquisitions totaling SEK 2,349 M were made during the year. They included the acquisition of Metsä Corrugated, the corrugated board division of Metsä-Serla, and the remaining outstanding shares of Obalex, a Czech packaging company. Metsä Corrugated's operations have now been integrated in the Packaging business area. For competitive reasons, the Danish corrugated board plants that were included in the transaction were sold.

The acquisitions in Hygiene Products pertained mainly to Johnson & Johnson's North American incontinence products operations.

NET SALES AND EARNINGS

Consolidated net sales amounted to SEK 67,157 M (64,896), 3% higher than on the preceding year. Adjusted for the effect

of fine-paper operations, which was included in the first three quarters of the preceding year, net sales for the Group's other operations increased by 20%. Expansion through company acquisitions and organic growth resulted in a net sales increase of 12%, while the remaining increase was attributable to higher selling prices. Changes in exchange rates reduced Group net sales by 2%.

The Group's operating profit amounted to SEK 10,534 M (6,733). Excluding nonrecurring items totaling SEK 2,031 M, operating profit amounted to SEK 8,503 M, an increase of 26% compared with 1999. Currency movements had a marginally negative impact on profit. Operating profit rose in all business areas. Hygiene Products reported operating profit of SEK 2,909 M (2,613), an increase of 11%. Operating profit for Packaging amounted to SEK 2,977 M (2,216), up 34%, and to SEK 2,720 M (2,123), up 28%, in Forest Products. Operating profit includes SCA's share of earnings in Modo Paper for the period January–July, amounting to SEK 644 M. Operating profit in 1999 included SEK 491 M pertaining to SCA's former fine-paper business, as well as the share of earnings in Modo Paper. Operating profit in the fourth quarter also includes gains on a leasing transaction involving the pulp mill at Östrand of about SEK 140 M. This amount was reported in financial operations.

Financial expense amounted to SEK 1,207 M (expense: 1,212). Higher interest rates during the period offset the effect of average lower net debt.

Group profit after financial items amounted to SEK 9,327 M (5,521). Excluding nonrecurring items, profit after financial items amounted to SEK 7,296 M, an improvement of 32% compared with 1999.

Profit after tax amounted to SEK 7,148 M (3,602), equal to SEK 30.86 (16.85) per share after full tax and dilution. Excluding nonrecurring items, profit after tax increased by 37%, to SEK 4,917 M, equal to SEK 21.24 per share after full tax and dilution, an improvement of 26%. The comparable profit per share, excluding amortization of goodwill, amounted to SEK 24.38 (19.66).

The return on shareholders' equity amounted to 20% (12) and the return on capital employed was 18% (12). Excluding nonrecurring items, the return on shareholders' equity was 14% (12), and the return on capital employed was 15% (12).

^{*} In addition to these pages, the Board of Director's report includes the discussions and analyses accompanying the cash flow statement, statement of earnings and balance sheet (pages 49,51 and 53).

CASH FLOW

The operating cash surplus amounted to SEK 12,383 M (11,101), equal to 18% (17%) of net sales.

The operating cash flow amounted to SEK 9,005 M (8,707). Working capital increased by SEK 1,109 M (226) during the year. The trend in working capital during the year was affected by the exceptionally low level of tied-up working capital at year-end 1999, when it amounted to 10.3% of net sales. The amount of working capital tied up at year-end 2000 amounted to 11.3%. Current capital expenditures, net, amounted to SEK 2,245 M (2,046).

Cash flow from current operations, that is, before strategic investments and dividends, amounted to SEK 6,652 M (6,740), equal to SEK 28.69 (31.45) per share.

Company acquisitions during the period amounted to SEK 2,349 M and pertained mainly to the acquisitions of Metsä Corrugated and of Johnson & Johnson's North American incontinence products operations. Divestments, including SCA's holding in Modo Paper, yielded SEK 7,758 M. Strategic investments in plant and machinery and restructuring costs amounted to SEK 1,452 M and primarily involved expansion expenditures in hygiene operations. This resulted in a net inflow from strategic investments, company acquisitions and divestments of SEK 3,957 M, compared with an outflow of SEK 10,500 M a year earlier.

FINANCING

Net debt at the close of the period amounted to SEK 15,880 M, which was SEK 8,193 M lower than at the beginning of the year. The change reflects the net of cash flow from current operations amounting to SEK 6,652 M, net inflow for strategic investments and divestments, etc., totaling SEK 3,957 M, dividends paid of SEK 1,585 M and negative effects of currency movements etc., amounting to SEK 831 M.

The weakening of the Swedish krona increased share-holders' equity by approximately SEK 800 M.

The debt/equity ratio amounted to 0.39 (0.69). The interest coverage multiple was 7.0 (5.6), excluding the effect of non-recurring items.

HYGIENE PRODUCTS BUSINESS AREA

Net sales amounted to SEK 31,040 M (27,327), an increase of 14% compared with a year-earlier. Acquired companies and organic growth increased net sales by 11%. The increase due to price hikes and improved product mix was 5%, while currency movements affected net sales adversely by 2%. Operating profit, which improved by 11%, amounted to SEK 2,909 M (2,613). The improvement was primarily attributable to acquired companies and expansion in non-European markets. Implemented price increases, productivity increases and volume growth offset sharp increases in raw material and energy prices during the year as well as increased depreciation as a result of expansion investment.

Consumer products

Earnings from consumer products increased by 26%, to SEK 1,394 M (1,108). The rise is primarily attributable to acquisitions, as well as from efficiency-enhancement gains and organic growth in the fluff area.

Away From Home (AFH) and incontinence products

Operating profit for AFH and incontinence products was at the year-earlier level, amounting to SEK 1,515 M (1,505). The volume trend was favorable for incontinence operations, while tissue volumes were largely unchanged.

SEK M	00/Q4	00/Q3	00/Q2	00/Q1	2000	1999
Net sales	8,291	7,848	7,499	7,402	31,040	27,327
Operating surplus	1,283	1,131	1,001	1,036	4,451	3,877
Operating profit	865	740	631	673	2,909	2,613
Gross margin, %	15	14	13	14	14	14
Operating margin, %	10	9	8	9	9	10
Growth in volume, %						
 Consumer products 	1.01	0.71	0.21	4.31	11.12	8.02
 AFH and incontinence 						
products	2.71	1.5 ¹	4.11	1.61	6.92	8.02

¹ Compared with immediately preceding quarter.

² Compared with year-earlier period.

PACKAGING BUSINESS AREA

Net sales in 2000 amounted to SEK 24,636 M (19,858), an increase of 24%. The increase was attributable to acquired companies, 16%, and increased sales prices, 11%, while currency movements reduced sales by 3%.

Operating profit amounted to SEK 2,977 M (2,216), an improvement of 34%. The improvement was attributable to both higher selling prices and company acquisitions. Costs of raw materials and energy increased substantially during the year, which limited the improvement in profits. The business area's net sales of liner products amounted to approximately 200,000 tons during the year.

Corrugated board packaging

Market growth in Europe amounted to 3.4% during 2000. The large markets, Germany, France, Italy and Spain, grew by 5–6%, while corrugated board demand in the UK fell by slightly less than 3%.

Price increases for corrugated board were implemented gradually during the year. Prices stabilized during the fourth quarter.

Containerboard

After a year of good volume growth and rising prices, the market stabilized in the fourth quarter. Raw material costs, mainly for recycled fiber, have increased significantly. This also applies to energy prices, which continued to rise at the end of the year.

Production limits were implemented during the second half of the year to balance the inventory situation.

SEK M	00/Q4	00/Q3	00/Q2	00/Q1	2000	1999
Net sales	6,752	6,093	6,015	5,776	24,636	19,858
Operating surplus	1,197	1,067	982	1,002	4,248	3,390
Operating profit	854	787	671	665	2,977	2,216
Gross margin, %	18	18	16	17	17	17
Operating margin, %	13	13	11	12	12	11
Production						
- Liner products, tons, 000s	612	615	631	647	2,505	2,267
Shipments						
- Liner products, tons, 000s	601	604	620	647	2,472	2,300
 Corrugated board, m² million 	s 992	903	967	920	3,782	3,396

FOREST PRODUCTS BUSINESS AREA

Net sales of the business area amounted to SEK 12,876 M (11,532), an increase of 12%. The operating profit was SEK 2,720 M (2,123), an increase of 28%. The profits for pulp and LWC improved, while the profit for SC paper declined slightly.

The formation of Scaninge, the forest and sawmill company to which SCA transferred the sawmill in Lugnvik and approximately 8% of its forest holding, resulted in a decrease of SEK 916 M in SCA's net debt. Since Scaninge is reported as an associated company, interest of SEK 28 M was charged against the business area's operating profit in the second half of the year.

Publication paper

Operating profit in the publication paper operations amounted to SEK 1,348 M (1,306), up 3%. Higher delivery volumes and sales prices for LWC offset increased costs of pulp and recycled fiber, as well as increased energy prices.

The market for publication paper is strong and prices for SC paper and newsprint were raised at year-end.

Pulp, timber and solid wood products

Operating profit amounted to SEK 1,372 M (817) and was thus nearly 70% higher than in 1999. The greater part of the improvement was due to increased earnings in the pulp operations. Operating profit in forest operations was slightly lower than in the preceding year while operating profit in sawmill operations improved.

SEK M	00/Q4	00/Q3	00/Q2	00/Q1	2000	1999
Net sales	3,376	3,228	3,177	3,095	12,876	11,532
Operating surplus	997	942	950	869	3,758	3,144
Operating profit	734	693	686	607	2,720	2,123
Gross margin, %	30	29	30	28	29	27
Operating margin, %	22	21	22	20	21	18
Production						
- Publication paper, tons, 000s	325	323	319	319	1,286	1,222
 Sawn timber, km³ 	147	150	187	170	654	681
Shipments						
- Printing paper, tons, 000s	343	310	329	311	1,293	1,226
 Solid wood products, km³ 	160	125	178	184	647	670

PREPARATIONS FOR INTRODUCTION OF THE EURO

Preparations are proceeding according to plan for the sectors of SCA's operations that are in the EMU area and which are thus affected by conversion of the local currencies to the euro, and no significant problems are anticipated.

ENVIRONMENTAL IMPACT

SCA conducts operations in ten licensed facilities and nine that are required to submit reports in accordance with the environmental code in Swedish legislation. The licensed and "report-required" production in these facilities account for 23% of the Company's net sales.

Seven licenses pertain to the production of pulp and paper. These operations impact on the environment through emissions into the air and water and through solid waste and noise. Three licenses pertain to production of sawn timber. These operations impact on the environment through noise and emissions into the air and water.

The operations that are required to submit reports pertain to production of corrugated boxes (three plants), EPS packaging (three plants), fiber-packaging (one plant), display packaging (one plant) and fluff products (one plant).

Production of corrugated boxes, EPS packaging, fiber packaging and display packaging affect the external environment through emissions into the air and water, and through solid waste

Production of fluff products affects the exterior environment through solid waste.

RESEARCH AND DEVELOPMENT

SCA Research, the central research company, has been liquidated and its activities have been transferred to the development units of the three business areas. The new decentralized research organization is designed to offer closer proximity to the market, help accelerate the development of new products and increase the sense of involvement on the part of employees.

OTHER

The tax authority in Gothenburg decided in 1998 not to deduct for a capital loss incurred in 1996 in connection with the restructuring of Group operations in France. The decision involves a demand for taxes due amounting to approximately SEK 370 M, plus additional taxes and other charges totaling SEK 100 M. In SCA's opinion, which is supported by independent tax experts, there are no grounds for the authority's decision, which SCA has appealed. Against this background, SCA is not making any provision for the tax authority's claim in the 2000 accounts.

In 1995 the EU Commission started a cartel investigation of most European producers of publication paper. In March 1999 the Commission completed a so-called statement of objections that was issued to the companies that were considered to have breached prevailing competition rules. All of the objections relate to the newsprint area. The statement of objections comprises a total of ten alleged breaches of the EU's competition rules. SCA is affected by five of them. Considering SCA's assessment of the Group's liability and the uncertainty regarding the result of any court case of this type, SCA does not believe that there is sufficient cause to make any provision with regard to the Commission's future ruling.

EVENTS FOLLOWING THE END OF 2000

In January, an agreement was reached with Georgia-Pacific covering the acquisition of parts of the company's tissue business. SCA has also made a bid for the shares of Tuscarora, an

American packaging company. The total purchase price for the two transactions amounts to approximately SEK 10.5 billion on a debt-free basis. This will increase the Group's debt/equity ratio by 0.26. Thus, the debt/equity ratio, which amounted to 0.39 at 31 December, 2000, would have risen to 0.65 if the new acquisitions had been taken into account.

The acquired units are being coordinated with the present hygiene product operations in North America in a new business area, SCA North America.

SCA acquired a majority interest in the exchange-listed Metsä Tissue during the year. However, the EU commission did not approve the acquisition. The decision does not affect the group's previous holding of 19.3% of the shares in the Finnish company.

A new estimate has been made with respect to the provision of SEK 625 M that was made for restructuring in the tissue field in the third quarter of 2000. In view of the structural measures that are still deemed necessary for the Group's continued development of the Nordic tissue paper operations, as well as costs that may be incurred in conjunction with the future disposal of the Group's involvement in Metsä Tissue, the provision will be retained in its entirety.

In February, through a ruling by the Swedish Supreme Administrative Court on an advanced ruling application, SCA was granted relief for a tax loss on the liquidation of a subsidiary. The tax effect, exceeding SEK 800 M, has been allocated to a reserve for tax risks related to restructuring measures, acquisitions and divestments.

MARKET OUTLOOK

The market situation is expected to remain favorable in the early part of 2001, with favorable demand for the Group's products although a certain weakening in volume is expected compared with the fourth quarter.

The price situation for Packaging and Hygiene Products is relatively stable and recycled fiber prices have stabilized while costs for energy and transport continue to rise during the first quarter. Recovered paper and pulp prices were corrected downward early in the year. However, increased competition is being noted in Hygiene Products and Packaging due partly to the risk of a slowdown in the business climate.

The publication papers market remains strong, which resulted in price increase for SC paper and newsprint at the beginning of the year.

DIVIDEND

It is proposed that the dividend be increased by 14%, to SEK 7.75 (6.80) per share, amounting to a total of SEK 1,786 M. The average growth in dividend during the past five years has thus amounted to 12% per year, including the dividend proposed for 2000.

Cash flow statement

CONSOLIDATED

OPERATIONS Net sales 67,157 7,960 64,896 7,371 7,372 7,3	61,273 50,953 – 10,320 –360	6,858 -5,703 1,155 -40 1,115 -67 1 -38 -104
Net sales 67,157 7,960 64,896 7,371 6 Operating expenses -54,714 -6,485 -53,900 -6,122 -5 Operating surplus 12,443 1,475 10,996 1,249 Adjustment for significant non-cash items -60 -7 105 12 Operating cash surplus 12,383 1,468 11,101 1,261 Changes in - -1,177 -139 -1,145 -130 - Inventories -437 -52 -323 -37 - Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	-50,953 - 10,320 - -360 9,960 - -596 5 - -341 -932	-5,703 1,155 -40 1,115 -67 1 -38
Operating expenses -54,714 -6,485 -53,900 -6,122 -6 Operating surplus 12,443 1,475 10,996 1,249 1,249 Adjustment for significant non-cash items -60 -7 105 12 Operating cash surplus 12,383 1,468 11,101 1,261 Changes in -1,177 -139 -1,145 -130 - Inventories -437 -52 -323 -37 - Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	-50,953 - 10,320 - -360 9,960 - -596 5 - -341 -932	-5,703 1,155 -40 1,115 -67 1 -38
Operating surplus 12,443 1,475 10,996 1,249 Adjustment for significant non-cash items -60 -7 105 12 Operating cash surplus 12,383 1,468 11,101 1,261 Changes in - Current receivables - Inventories - Inventories - Current receivables - 1,177 -139 -1,145 -130 - Inventories - 1,177 -52 -323 -37 - Operating liabilities - 1,242 141 141 Change in working capital - 1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	-360 9,960 -596 5 -341 -932	1,155 -40 1,115 -67 1 -38
Adjustment for significant non-cash items -60 -7 105 12 Operating cash surplus 12,383 1,468 11,101 1,261 Changes in - -1,177 -139 -1,145 -130 - Inventories -437 -52 -323 -37 - Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	-360 9,960 -596 5 -341 -932	-40 1,115 -67 1 -38
Changes in -1,177 -139 -1,145 -130 - Inventories -437 -52 -323 -37 - Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	9,960 -596 5 -341 -932	1,115 -67 1 -38
Changes in - Current receivables -1,177 -139 -1,145 -130 - Inventories -437 -52 -323 -37 - Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	-596 5 -341 -932	-67 1 -38
- Current receivables -1,177 -139 -1,145 -130 - Inventories -437 -52 -323 -37 - Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	5 -341 -932	1 –38
- Inventories -437 -52 -323 -37 - Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	5 -341 -932	1 –38
- Operating liabilities 505 60 1,242 141 Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232 -	-341 -932	-38
Change in working capital -1,109 -131 -226 -26 Current capital expenditures, net -2,245 -267 -2,046 -232	-932	
Current capital expenditures, net -2,245 -267 -2,046 -232 -		-104
	-2 058	
Other engating each flow changes	_,000	-230
Other operating cash flow changes -24 -3 -122 -14	-291	-33
OPERATING CASH FLOW 9,005 1,067 8,707 989	6,679	748
Financial items -1,207 -143 -1,212 -138 -	-1,259	-141
Income taxes paid -993 -118 -951 -108	-1,279	-143
Other -153 -18 196 22	-266	-30
CASH FLOW FROM CURRENT OPERATIONS 6,652 788 6,740 765	3,875	434
STRATEGIC, RESTRUCTURING EXPENSES,		
INVESTMENTS AND DIVESTMENTS		
Restructuring expenses -331 -39 -370 -42	_	-
	-2,248	-252
Company acquisitions —2,349 —279 —10,400 —1,181 —	-2,793	-313
Total strategic investments -3,801 -451 -13,385 -1,520 -	-5,041	-565
Divestments 7,758 920 2,885 328	1,511	169
Cash flow from strategic investments and divestments 3,957 469 -10,500 -1,192	-3,530	-396
CASH FLOW BEFORE DIVIDEND AND NEW ISSUE 10,609 1,257 -3,760 -427	345	38
Convertible loan, New issue 15 2 4,579 520	_	_
Dividend to shareholders -1,585 -188 -1,304 -148 -	-1,145	-128
NET CASH FLOW* 9,039 1,071 -485 -55	-800	-90
* Supplementary information in accordance with recommendation of the Swedish Financial Accounting Standards Council on reporting cash flow (RR7):		
Net cash flow 9,039 1,071 -485 -55 Change in debt -9,306 -1,103 247 28	-800 1,097	-90 123
Change in cash and bank balances -9,306 -1,103 247 26 Change in cash and bank balances -267 -32 -238 -27	297	33
Cash and bank balances at beginning of period 1,630 191 1,819 192	1,582	182
Cash and dank balances at beginning of period 1,630 191 1,819 192 Change in cash and bank balances –267 –32 –238 –27	297	33
Currency effect on cash and bank balances 77 4 49 26	-60	-23
Cash and bank balances at close of period 1,440 163 1,630 191	1,819	192

NET DEBT

	2000		1999		1998	
	SEK M	EUR M ¹	SEK M	EUR M ¹	SEK M	ECU M ¹
Net debt, 1 January	-24,073	-2,817	-21,370	-2,257	-19,018	-2,186
Net cash flow	9,039	1,071	-485	-55	-800	-90
Net debt in acquired operations	_	_	_	_	-325	-36
Pension provisions	_	_	-2,573	-292	_	_
Currency effects etc.	-846	-49	355	-213	-1,227	55
Net debt, 31 December	-15,880	-1,795	-24,073	-2,817	-21,370	-2,257

 $^{^{\}rm 1}\,$ The average exchange rate of 8.44 (8.80;8.93) was applied in translation to EUR and ECU.

DISCUSSION AND ANALYSIS OF CASH FLOW STATEMENT

- Strong increase in operating cash surplus.
- Cash flow from operations clearly above target.

Operating cash flow

Operating cash flow amounted to SEK 9,005 M (8,707; 6,679). An increase in working capital reduced cash flow by SEK 1,109 M (226; 932). The increase in working capital was mainly due to the fact that working capital at the beginning of the year – 10.3% of net sales – was exceptionally low compared with a more normal 11.5%. Current capital expenditures amounted to SEK 2,245 M (2,046; 2,058).

Cash flow from current operations

Cash flow from current operations, defined as cash flow before strategic investments, dividends and new issue, amounted to SEK 6,652 M (6,740; 3,875), or SEK 28.69 (31.45; 18.46) per

share. Accordingly, SCA thereby surpassed its established cash flow goals.

Cash flow from strategic capital investments and divestments

Expansion investments in plants and machinery as well as company acquisitions amounted to SEK 3,470 M (13,015; 5,041). Company acquisitions during the year totaled SEK 2,349 M, including SEK 446 M in Hygiene Products and SEK 1,897 M in Packaging. The acquisitions in Hygiene Products pertained mainly to Johnson & Johnson's North American incontinence products operations, the largest acquisition in Packaging involved Metsä Corrugated.

Strategic capital expenditures in plant and machinery totaled SEK 1,121 M (2,615; 2,248) with Hygiene Products accounting for SEK 891 M and Packaging for SEK 189 M.

Divestments of units during the year yielded a cash flow of SEK 7,758 M

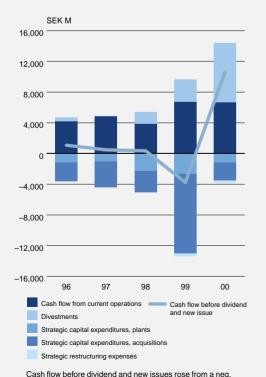
(2,885; 1,511) of which SEK 6,522 M pertained to SCA's holding in Modo Paper and SEK 916 M was the capital released as a result of the formation of Scaninge Timber AB, a forest and sawmill company.

The total cash flow from strategic investments and divestments, including restructuring costs, amounted to SEK 3,957 M, compared with negative cash flows of SEK 10,500 M in 1999 and SEK 3,530 M in 1998.

Net debt

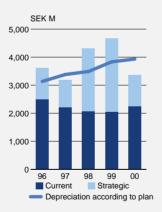
Net debt at year-end amounted to SEK 15,880 M, which is SEK 8,193 M lower than at 1 January, 2000. The change is a net of cash flow from current operations of SEK 6,652 M, a net inflow of SEK 3,957 M from strategic investments and divestments, a dividend of SEK 1,585 M paid to shareholders, and the negative effects of changes in currency movements and other factors amounting to SEK 831 M.

Cash flow



SEK 3.8 billion to a positive SEK 10.6 billion, partly due to company divestments.

Capital expenditures



Strategic capital expenditures declined in 2000 to SEK 1.1 billion.

Analysis of value development

SEK M	2000	1999	1998 ¹
Net sales	67,157	64,896	61,273
Operating cash surplus	12,383	11,101	9,960
% of net sales	18	17	16
Current capital			
expenditures, net	-2,245	-2,046	-2,058
% of net sales	3	3	3
Change in working capital	-1,109	-226	-932
Other operating cash flow			
changes	-24	-122	-291
Operating cash flow	9,005	8,707	6,679
Tax payment, etc ²	-1,391	-1,351	-1,694
Free cash flow	7,614	7,356	4,985
per share, SEK	32.83	34.33	23.74
Interest payment after taxes	-962	-616	-1,110
Cash flow from current			
operations	6,652	6,740	3,875
per share, SEK	28.69	31.45	18.46
Strategic investments			
and divestments	3,957	-10,500	-3,530
per share, SEK	17.06	-49.00	-16.81
Cash flow before dividend	10,609	-3,760	345

- ¹ Adjusted to reflect SCA's new cash flow analysis.
- ² Taxes attributable to operating profit.

Statement of earnings

CONSOLIDATED

		2000		1999		1998	
		SEK M	EUR M1	SEK M	EUR M ¹	SEK M	ECU M ¹
Net sales		67,157	7,960	64,896	7,371	61,273	6,858
Change in inventories		734	87	702	80	470	53
Work performed and capitalized		134	16	159	18	103	12
Other operating revenues		352	42	376	43	350	39
		68,377	8,105	66,133	7,512	62,196	6,962
Operating expenses	Note 1						
Raw materials and consumables		-27,167	-3,220	-27,627	-3,138	-23,354	-2,614
Other external costs		-16,065	-1,904	-12,786	-1,526	-13,196	-1,477
Personnel costs		-12,359	-1,465	-13,986	-1,515	-12,479	-1,397
Depreciation of tangible and intangible assets	Note 2	-4,652	- 551	-4,441	-504	-4,013	-449
Other operating expenses		-343	-41	-738	-84	-2,847	-319
Total operating expenses		-60,586	-7,181	-59,578	-6,767	-55,889	-6,256
Nonrecurring items	Note 1	2,031	241	_	_	_	_
Share in earnings of associated companies	Note 3	712	84	178	20	121	13
OPERATING PROFIT		10,534	1,249	6,733	765	6,428	719
Financial items	Note 4						
Income from shares and participations		87	10	76	9	69	8
Interest income and similar profit/loss items		444	53	246	28	211	24
Interest expense and similar profit/loss items		-1,738	-206	-1,534	-175	-1,539	-173
Total financial items		-1,207	-143	-1,212	-138	-1,259	-141
EARNINGS AFTER FINANCIAL ITEMS		9,327	1,106	5,521	627	5,169	578
Taxes	Note 5	-2,133	-253	-1,849	-210	-1,680	-188
Minority interest	Note 6	-46	-6	-70	-8	-110	-12
NET EARNINGS FOR THE YEAR		7,148	847	3,602	409	3,379	378

BY BUSINESS AREA

		Operating profit				
SEK M	2000	1999	1998	2000	1999	1998
Hygiene Products	31,040	27,327	26,164	2,909	2,613	2,463
- Consumer products	18,373	15,727	15,313	1,394	1,108	1,046
AFH and incontinence products	12,667	11,600	10,851	1,515	1,505	1,417
Packaging	24,636	19,858	15,035	2,977	2,216	1,510
Forest Products	12,876	11,532	11,479	2,720	2,123	2,046
 Pulp, timber and solid wood products 	5,719	4,948	4,943	1,372	817	724
- Publication paper	7,157	6,584	6,536	1,348	1,306	1,322
Fine paper, paper merchanting	-	7,795	10,276	644	491	528
Other	1,484	1,685	1,647	-18	-108	285
Divested units	_	_	144	_	_	3
Intra-Group deliveries	-2,879	-3,301	-3,472	_	_	_
Goodwill amortization	_	_	_	-729	-602	-407
Nonrecurring items	_	-	_	2,031	-	_
TOTAL	67.157	64.896	61.273	10.534	6.733	6.428

 $^{^{\}rm 1}\,$ The average exchange rate of 8.44 (8.80; 8.93) was applied in translation to EUR and ECU.

DISCUSSION AND ANALYSIS OF STATEMENT OF EARNINGS

- Earnings after financial items were the highest in the Group's history.
- Earnings per share after taxes amounted to SEK 30.86 (16.85; 16.11).

Net sales

Net sales amounted to SEK 67,157 M (64,896; 61,273), an increase of 3% compared with 1999. Adjusted for the effect of the fine-paper operation, which was consolidated for nine months in 1999, the increase was approximately 20%. The increase was 24% in Packaging and 14% in Hygiene Products. Of the increases, 12% was attributable to acquisitions and organic growth, while the remainder was obtained through higher prices. Foreign exchange movement affected net sales negatively by 2%. The value of deliveries to customers outside Sweden amounted to 90% (91; 91) of net sales.

Operating profit

Operating profit amounted to SEK 10,534 M (6,733; 6,428). Excluding nonrecurring items of SEK 2,031 M, operating profit amounted to SEK 8,503 M, an increase of 26% compared with 1999.

Operating profit in Hygiene Products improved by 11% compared with 1999. The increase was attributable primarily

to company acquisitions and expansion in markets outside Europe.

Operating profit in Packaging improved by 34% compared with 1999. The increase was due primarily to company acquisitions and price increases. Adjusted for company acquisitions, the increase was 22%. The sharply higher raw material and energy costs kept operating profit down.

Operating profit in Forest Products rose by 28% compared with 1999. The greater part of the improvement was attributable to higher earnings in the pulp segment.

Operating profit included share in earnings of Modo Paper in the amount of SEK 644 M for the January–July period (full-year 1999, 491, including earnings from SCA's fine-paper operations).

Nonrecurring items pertained in part to the sale of the holding in Modo Paper amounting to SEK 2,656 M and in part to a provision of SEK 625 M for restructuring measures.

Earnings after financial items

Earnings after financial items amounted to SEK 9,327 M (5,521; 5,169). Excluding nonrecurring, earnings after financial items amounted to SEK 7,296 M, an improvement of 32% relative to 1999. Net financial expense amounted to SEK

1,207 M (1,212; 1,259). Higher interest rates during the year were offset by a lower average net debt.

Net earnings and tax expense

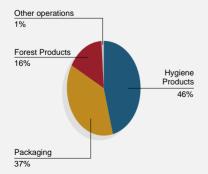
Net earnings amounted to SEK 7,148 M (3,602; 3,379). Minority interest amounted to SEK 46 M (70; 110). Total tax expense amounted to SEK 2,133 M (1,849; 1,680), of which taxes payable amounted to SEK 1,854 M (1,037; 920), changes in deferred tax expense accounted for SEK 49 M (750; 726), and taxes attributable to share in earnings of associated companies amounted to SEK 230 M (62; 34). The tax rate was 23% (33; 33). The low tax rate in 2000 was due to tax-exempt capital gains.

Key ratios

The return on capital employed was 18% (12; 14). Excluding nonrecurring items, the return was 15% (12; 13). The return on shareholders' equity was 20% (12: 13). Excluding nonrecurring items, the return on shareholders' equity in 2000 was 14%. Earnings per share after full tax and dilution amounted to SEK 30.86 (16.85; 16.11). Excluding nonrecurring items, earnings per share in 2000 amounted to SEK 21.24. The interest-coverage ratio was 7.0 (5.6; 5.1).

See page 73 for definitions of key ratios.

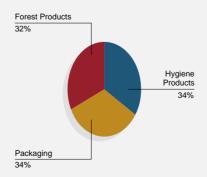
Net sales by business area in 2000 (excluding intra-Group deliveries)



The Hygiene Products and Packaging business areas combined accounted for 83% of net sales, an increase of 11 percentage points compared with a year earlier.

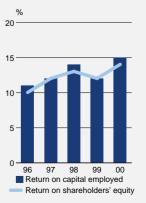
Operating profit by business area in 2000

(adjusted for central items)



The Hygiene Products and Packaging business areas combined accounted for 68% of the operating profit, an increase of 3 percentage points compared with 1999.

Return on capital employed and shareholders' equity



The return on capital employed rose to 18% and the return on shareholders' equity to 20%.

Balance sheet

CONSOLIDATED

		31 Dec	c. 2000	31 De	c. 1999	31 De	c. 1998
		SEK M	EUR M ¹	SEK M	EUR M ¹	SEK M	ECU M ¹
ASSETS							
FIXED ASSETS							
Intangible assets	Note 7						
Goodwill		11,218	1,268	10,431	1,221	6,134	648
Patents, trademarks and similar rights		1,160	131	904	106	1,021	108
Tangible assets	Note 8	12,378	1,399	11,335	1,327	7,155	756
Buildings and land	Note o	16,417	1,856	16,867	1,973	18,838	1,989
Machinery and equipment		27,330	3,090	27,098	3,171	26,427	2,791
Construction in progress		840	95	606	71	1,547	163
		44,587	5,041	44,571	5,215	46,812	4,943
Financial assets							
Shares and participations	Note 9, 10	1,920	217	5,057	592	1,022	108
Other long-term receivables Capital investment shares	Note 9, 11	371 1,105	42 125	102 967	12 113	158 1,112	17 117
Interest-bearing receivables	Note 9, 11	659	75	311	36	373	39
mileset searing receivables		4,055	459	6,437	753	2,665	281
Total fixed assets				· · · · · · · · · · · · · · · · · · ·		•	
Total fixed assets		61,020	6,899	62,343	7,295	56,632	5,980
CURRENT ASSETS							
Inventories	Note 12	6,636	750	5,798	678	6,157	650
Accounts receivable		11,693	1,322	10,202	1,194	10,043	1,061
Other current receivables	Note 13	2,736	309	2,312	270	2,590	273
Short-term investments		502	57	2,929	343	1,132	120
Cash and bank balances		1,440	163	1,630	191	1,819	192
Total current assets		23,007	2,601	22,871	2,676	21,741	2,296
TOTAL ASSETS		84,027	9,500	85,214	9,971	78,373	8,276
EQUITY, PROVISIONS							
AND LIABILITIES							
SHAREHOLDERS' EQUITY	Note 15						
Nondistributable equity							
Share capital		2,304	261	2,303	270	1,974	208
Restricted reserves		15,215	1,721	14,845	1,737	11,787	1,245
B 1.11.11.11		17,519	1,982	17,148	2,007	13,761	1,453
Distributable equity Retained earnings		15,790	1,745	13,383	1 570	11,264	1,168
Net earnings for the year		7,148	847	3,602	1,578 409	3,379	378
The carming for the year		22,938	2,592	16,985	1,987	14,643	1,546
Total shareholders' equity		40,457	4,574	34,133	3,994	28,404	2,999
,			·	·	•	•	
MINORITY INTEREST		612	69	587	69	1,386	146
PROVISIONS							
Provisions for pensions	Note 16	891	101	1,029	120	3,386	358
Provisions for deferred tax liabilities	Note 5	6,115	691	6,063	710	6,353	671
Other provisions	Note 17	2,238	253	1,540	180	1,167	123
Total provisions		9,244	1,045	8,632	1,010	10,906	1,152
LIABILITIES	Note 40	10.004	2.114	20.004	2 270	2F 906	0.705
Interest-bearing debt Accounts payable	Note 18	18,694 7,207	2,114 815	28,881 6,732	3,379 788	25,806 6,330	2,725 669
Other interest-free liabilities	Note 19	7,813	883	6,249	731	5,541	585
Total liabilities		33,714	3,812	41,862	4,898	37,677	3,979
TOTAL EQUITY, PROVISIONS AND LIABILITIES				· · · · · · · · · · · · · · · · · · ·			
TOTAL ENGIT I, I NOVISIONS AND LIABILITIES		84,027	9,500	85,214	9,971	78,373	8,276
CONTINGENT LIABILITIES	Note 20	141		345		460	
ASSETS PLEDGED	Note 21	652		1,175		1,454	

 $^{^{\}rm 1}\,$ The year-end exchange rate of 8.85 (8.55; 9.47) was applied in translations to EUR and ECU.

DISCUSSION AND ANALYSIS OF BALANCE SHEET

Assets and capital employed

The Group's total assets declined slightly during the year. The change amounted to the net of the decrease resulting from the sale of the Modo Paper associated company plus the year's amortization of loans, and the increase that is a function of acquisitions and a larger amount of tied-up working capital.

Capital expenditures amounted to SEK 3,366 M (4,661; 4,306). Of these investments, SEK 1,121 M (2,615; 2,248) were strategic in character – major expansion investments and investments related to the changeover to new technology. The remaining amount, SEK 2,245 M (2,046; 2,058) was attributable to current capital expenditures – investments in maintenance.

The value in Swedish kronor of the Group's net foreign assets amounted at 31 December 2000 to SEK 31,001 M (25,755; 27,456). Capital employed, which declined by SEK 1,845 M, amounted to SEK 56,948 M (58,793; 54,546). The distribution of capital employed, by currency, is shown in the accompanying table.

Capital employed, by currency

SEK M	31 Dec. 2000	%	31 Dec. 1999	%	31 Dec. 1998	%
OLIV IVI	2000	/0	1333	/0	1330	
EUR	24,640	43	22,808	39	27,220	50
SEK	12,134	21	19,462	33	15,371	28
GBP	11,756	21	10,662	18	7,660	14
DKK	2,431	4	2,153	4	16	0
USD	2,168	4	1,990	3	1,985	4
CHF	601	1	559	1	612	1
Other	3,218	6	1,159	2	1,682	3
Total	56 948	100	58 793	100	54 546	100

Financing

As of 31 December, 2000, SCA's gross debt amounted to SEK 18,694 M (28,881; 25,806). The average term of SCA's gross loan debt was 3.5 years. Liquid funds and unutilized credit commitments at year-end amounted to SEK 8,529 M, equal to 13% of net sales.

Net debt as of 31 December amounted to SEK 15,880 M, a decrease of SEK 8,193 M compared with 1 January. The change represented the net of cash flow of SEK 6,652 M from current operations, a net inflow of SEK 3,957 M from strategic investments and divestments, etc., a dividend of SEK 1,585 M paid to the shareholders, and negative effects of

currency movements, etc., amounting to SEK 831 M.

Minority interest amounted at yearend to SEK 612 M (587; 1,386).

Shareholders' equity

Shareholders' equity increased by SEK 6,324 M during the year and amounted at year-end to SEK 40,457 M. The increase was attributable to the following factors:

SEK M

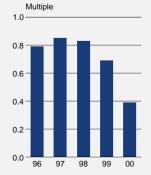
Total	6,324
Other changes	746
Conversion of loan	15
Dividend	-1,585
Net earnings for the year	7,148

"Other changes" pertain primarily to translation effects of transactions in foreign subsidiaries that were not fully hedged during the year.

Key ratios

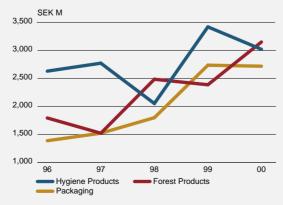
The debt/equity multiple was 0.39 (0.69; 0.83). Including surplus values, the debt/equity ratio was 0.30 (0.52; 0.59).

Debt/equity ratio



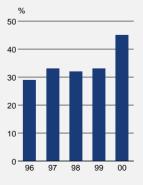
The debt/equity ratio was significantly lower than a year earlier.

Operating cash flow by business area



Operating cash flow developed very favorably in 2000 in the Forest Products business area.

Debt-payment capacity



Debt-payment capacity improved significantly in 2000.

Parent Company

CASH FLOW STATEMENT

SEK M	2000	1999
Operating surplus	-303	-2,498
Other cash flow from operations	1,701	3,355
Company acquisitions and divestments	102	-4,588
Group contributions	358	97
Conversion of loan/New issue	15	4,579
Dividend to shareholders	-1,566	-1,283
Net cash flow	307	-338

STATEMENT OF EARNINGS

SEK M		2000	1999
Revenues		171	50
Operating expenses			
Other external costs		-148	-140
Personnel costs		-112	-119
Depreciation of tangible assets	Note 2	-39	-37
Other operating expenses, net	Note 1	214	-2,289
Total operating expenses		-513	-2,585
OPERATING PROFIT		-342	-2,535
Financial items	Note 4		
Income from shares and			
participations, Group companies Interest income and similar		2,086	3,549
profit/loss items Interest expense and similar		368	215
profit/loss items		-583	-466
Total financial items		1,871	3,298
EARNINGS AFTER FINANCIAL			
ITEMS		1,529	763
Appropriations		157	162
Taxes	Note 5	104	301
NET EARNINGS FOR THE YEAR		1,790	1,226

BALANCE SHEET

SEKM	31 Dec., 2000		31 Dec., 1999
ASSETS			_
FIXED ASSETS			
Tangible assets	Note 8		
Buildings and land		3,984	3,967
Machinery and equipment		7	4
Construction in progress			54
Financial assets		3,991	4,025
Shares and participations	Note 9, 10	29,059	29,161
Interest-bearing receivables	14010 0, 10	330	63
5		29,389	29,224
Total fixed assets		33,380	33,249
CURRENT ASSETS			
Receivables from subsidiaries		3,308	4,475
Other current receivables	Note 13	116	33
Cash and bank balances		2	2
Total current assets		3,426	4,510
TOTAL ASSETS		36,806	37,759
EQUITY, PROVISIONS AND LIABILITIES			
SHAREHOLDERS' EQUITY	Note 15	23,835	23,615
UNTAXED RESERVES	Note 14	115	272
PROVISIONS		176	104
LIABILITIES			
Interest-bearing debt	Note 18	1,875	1,789
Liabilities to subsidiaries		9,816	11,814
Accounts payable Other interest-free liabilities	Note 10	38	9
	Note 19	951	156
Total liabilities		12,680	13,768
TOTAL EQUITY, PROVISIONS AND LIABILITIES		36,806	37,759
CONTINGENT LIABILITIES	Note 20	13,727	22,937
ASSETS PLEDGED	Note 21	542	543

Accounting principles

The SCA Group financial statements are prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations.

CONSOLIDATED ACCOUNTS

Group composition

The consolidated financial statements include the accounts of the Parent Company and all subsidiaries, in accordance with the definitions in the Swedish Annual Accounts Act. In addition, SCA's share in joint-venture companies is included (see below).

Purchase method

The consolidated accounts have been prepared in accordance with the purchase method. The shareholders' equity in acquired subsidiaries is determined on the basis of a market valuation of assets and liabilities at the time of acquisition (a so-called purchase analysis). In those instances in which the market valuation of assets and liabilities results in significantly different values than the acquired company's book values, these values constitute the Group's acquisition cost. The difference between the acquisition cost of shares in the subsidiaries and the value of the shareholders' equity according to the purchase analysis is reported as goodwill or negative goodwill in consolidation.

If necessary, an allocation to a provision for future costs of reorganization and staff reductions in the acquired operations may be made at the time of the purchase analysis.

Divested subsidiaries are included in the consolidated balance sheet up to and including the date of divestment.

Translation of foreign subsidiary accounts

The balance sheets and statement of earnings of foreign subsidiaries are translated in accordance with the current method. The assets and liabilities in foreign subsidiaries are translated at the year-end exchange rates. All items in the statement of earnings are translated at

the average exchange rate for the year. Translation differences are not reported in the statements of earnings but are charged directly to consolidated shareholders' equity.

The financial statements of companies in highly inflationary countries or countries with other economic instability are translated first to the region's functional currency (normally USD or EUR) according to the monetary method. Any exchange rate differences which arise are reported in the statement of earnings. Thereafter, the translation is carried out to the reporting currency applying the current method.

The acquisition value of nonmonetary assets are reported in the functional currency in the region (USD or EUR) at the currency rate prevailing at the time of acquisition.

Minority interest

Minority interest in the consolidated statement of earnings is reported as a share in net earnings.

Minority interest in shareholders' equity in the subsidiaries is reported as a separate item in the balance sheet. This item also includes minority interest in the shareholders' equity portion of untaxed reserves in subsidiaries.

Taxes

Deferred tax is estimated and reported in accordance with the so-called balance sheet method. In accordance with this method, deferred tax is calculated based on the difference between the taxable value and the reported value of assets and liabilities. However, tax on differences between the reported value and the tax value of long-term nondepreciable assets is not reported, to the extent that it is not probable that the assets will be realized in the foreseeable future. Valuations are at the tax rate prevailing at the closing date. In the balance sheet, the estimated liability is reported to the tax authorities as current. Deferred tax liabilities are reported as provisions.

The tax expenses reported for the year include the tax that is payable on

the taxable income for the year, changes in deferred taxes and the tax on the share of earnings of associated companies.

Associated companies

An associated company is a long-term shareholding representing at least 20% of the voting rights of the shares outstanding. Accounting for associated companies is according to the equity method.

In the consolidated statement of earnings, SCA's share in earnings of associated companies is reported on two levels:

- The Group's share in earnings after financial items is included in consolidated operating profit.
- The share in income tax expenses at associated companies, is included in the consolidated income tax expense.

The Group's share in earnings of an associated company is computed on the basis of SCA's equity portion in that particular associated company.

In the consolidated balance sheet, shares in associated companies are reported separately under Shares and participations. The book value of the shareholdings changes to reflect SCA's share in net earnings of the respective companies, reduced by dividends received and amortization of goodwill. Non-distributed earnings of associated companies are included under nondistributable equity.

Joint-venture companies

Joint-venture companies are defined as companies in which the shareholding amounts to 50% and in which SCA is liable for its share of the financial risk. Joint-venture companies are reported in accordance with the proportional consolidation method.

In applying the proportional consolidation method, 50% of all statements of earnings and balance sheet items are included in the SCA Group's statement of earnings and balance sheet.

PRINCIPLES OF VALUATION

Receivables and liabilities in foreign currencies

In the consolidated financial statements, receivables and liabilities in foreign currencies are valued using year-end exchange rates. Gains and losses on current receivables and operating liabilities are netted and included in operating profit. To the extent that forward contracts are used to hedge operating receivables and liabilities, the contract rate is used for valuation of the corresponding receivables and liabilities. Gains and losses on financial receivables and liabilities are reported as other financial items.

SCA hedges to a certain extent its investments in foreign net assets, including goodwill. Hedging is implemented through loans in foreign currencies and forward exchange contracts. These are valued at the exchange rate prevailing at year-end. Exchange rate differences on hedging operations, as well as differences that arise when foreign net assets are translated, are carried directly to shareholders' equity in the balance sheet.

Inventories and accounts receivable

Inventories consist of finished and semifinished goods, raw materials, fuels, warehouse supplies and felling rights. These are valued at the lower of cost or market value in accordance with the first-in, first-out principle. The acquisition costs of inventories of finished and semi-finished goods, raw materials and fuels are based on the average production or acquisition costs for the year. Interest is not included in the inventory values.

Felling rights are calculated at contract prices which, on average, do not exceed market value.

Doubtful accounts receivable are reported in the amount which, after a careful assessment, is deemed likely to be paid.

Tangible assets

Tangible assets are reported at acquisition cost after deducting accumulated depreciation according to plan.

Unlike acquisition values for other capital expenditures, acquisition costs for property and plant related to major projects shall also include funds appropriated for start-up and commissioning work and for interest expenses during the construction and assembly period.

Depreciation according to plan is based on the historical cost and estimated economic lives of the assets.

The following depreciation rates are used on property and plant:

	%
Pulp and paper mills and sawmills	5–10
Converting machinery	7–14
Mobile and other light equipment	20
Buildings	2-6
Land improvements	5

Intangible assets

Goodwill is amortized according to plan. The economic life is normally 20 years. SCA selected this time frame since the company acquisitions represent a long-term strategic value. Other intangible assets (primarily patents and trademarks) are amortized 5–20% per year.

Pension liabilities

Pension liabilities are calculated in accordance with the applicable international accounting recommendation (IAS 19, Employee benefits). Accordingly, the calculation of pension liabilities takes into account such factors as anticipated future wage increases and inflation.

Notes to the financial statements

PARENT COMPANY

The Parent Company's statement of earnings, balance sheet and cash flow statement are shown in condensed form on page 54. The following notes pertain to the financial statements of the Parent Company and the SCA Group.

STATEMENT OF EARNINGS

NOTE 1 Operating expenses

Operating expenses include capital gains from divestments amounting to SEK 0 M (0; 400).

Operating expenses include R&D expenses amounting to SEK 736 M (753; 784) for the Group.

Other operating expenses in the Parent Company include a capital loss of SEK 79 M on divestments. In 1999, SEK 2,094 M pertains to write-downs of shares in subsidiaries.

Leasing

Future payment obligations in the Group as of 31 December 2000 for operational leasing contracts were distributed per year as follows:

	SEK M
2001	384
2002	447
2003–2005	380
2006 and later	289

Costs during the year for leasing of assets amounted to SEK 371 M.

Auditing expenses

Auditing expenses can be specified as follows:

	Gr	oup	Parent Company	
SEK M	2000	1999	2000	1999
Öhrlings PricewaterhouseCoopers				
Auditing assignments	21	33	1	1
Other assignments	15	15	5	7
Other auditors				
Auditing assignments	3	3	_	_
Other assignments	2	1	-	
Total	41	52	6	8

Nonrecurring items

The amount shown pertains to a capital gain of SEK 2,656 M on the sale of the shareholding in Modo Paper and restructuring costs of SEK 625 M in the tissue sector.

NOTE 2 Depreciation of tangible and intangible assets

		Group		Parent Co	mpany
SEK M	2000	1999	1998	2000	1999
Buildings	461	513	515	3	2
Land	56	54	52	34	33
Machinery and equipment	3,263	3,117	2,912	2	2
Subtotal	3,780	3,684	3,479	39	37
Goodwill Patents, trademarks and	729	602	407	-	-
similar rights	143	155	127	_	_
Total	4,652	4,441	4,013	39	37

Depreciation according to plan is based on the historical cost and estimated economic lifetimes of the assets concerned, as specified in the accounting principles on page 56.

NOTE 3 Share in earnings of associated companies

SCA's interest in associated companies' earnings and shareholders' equity is reported applying the equity method, as described on page 55

Shares in pre-tax earnings are included in consolidated operating profit and amount to SEK 712 M (178; 121).

Dividends amounting to SEK 11 M (4; 6) were received from associated companies.

NOTE 4 Financial items

		Group		Parent C	ompany
SEK M	2000	1999	1998	2000	1999
Income from shares and participations in Group companies Dividends from subsidiaries	_	_	_	2,086	3,549
Income from shares and participations in other companies Dividends from other companies	87	76	69	-	_
Interest income and similar profit/loss items Interest income, external Interest income, subsidiaries	295	158 –	182 –	9 115	0 127
Other financial income, external Other financial income, subsidiaries	149	88	29 _	95 149	- 88
Interest expense and similar profit/loss items Interest expense, external Interest expense, subsidiaries Other financial expenses,	-1,564 -	-1,436 -	-1,502 -	-123 -301	–118 –271
external	-174	-98	-37	-159	-77
Total	-1,207	-1,212	-1,259	1,871	3,298

NOTE 5 Taxes Tax expense

Group, SEK M	2000	1999	1998
Current taxes	1,854	1,037	920
Deferred taxes	49	750	726
Taxes attributable to shares in earnings			
of associated companies	230	62	34
Tax expense	2.133	1.849	1.680

Note 5 Taxes, cont.

Tax expense amounted to 23% (33; 33) of earnings before taxes. The difference between reported tax expenses and taxes charged to consolidated earnings before taxes calculated with local tax rates for Sweden (28%) is explained below:

	2000	1999
Tax expenses	23%	33%
Expected tax expense	28%	28%
Difference	-5%	5%
The difference is explained by:		
Local tax rates in other countries	3%	8%
Taxes related to earlier periods	-2%	-3%
Nondeductible amortization of goodwill	3%	3%
Other tax-exempt/nondeductible items	-8%	-2%
Other	-1%	-1%

The change in the effect of various local rates compared with a year earlier is attributable to divestment of the fine paper operations. Other tax-exempt/nondeductible items include tax-exempt capital gains.

Current tax expense

Group, SEK M	2000	1999
Income tax for the period	1,877	1,042
Adjustment for prior periods	-23	-5
Current taxes	1,854	1,037

Current tax liabilities (shown in Note 19)

The changes in current tax liabilities during the period are explained below.

Group, SEK M	2000	1999
Opening balance	336	204
Adjustment for prior periods	-23	-5
Taxes paid	-993	-951
Income tax for the period	1,877	1,042
Other changes	42	158
Translation differences	34	-112
Closing balance	1,273	336

Deferred taxes

The changes in deferred tax liabilities during the period are explained below.

Group, SEK M	2000	1999
Opening balance	6,063	6,353
Adjustment for prior periods	-111	-183
Deferred taxes for the period	160	933
Other changes	-136	-739
Translation differences	139	-301
Closing balance	6,115	6,063

Other changes include the effects of acquisitions and divestments amounting to minus SEK 35 M (minus 906).

Parent Company

Parent Company's reported taxes comprise the share of the Group's Swedish taxes attributed to the Company.

NOTE 6 Minority interest

	31 Dec.,	31 Dec.,	31 Dec.,
Interest, %	2000	1999	1998
SCA Laakirchen AG, Austria	_	_	22
Uni-Charm/Mölnlycke B.V.	60	60	60
SCA Hygiene Products AG	4	4	4
Sodipel SARL	12	12	12
SCA Graphic Paper Polska SP.Z.O.O.	_	45	45

Minority interest in net earnings are reported in the statement of earnings in an amount of SEK 46 M (70; 110), as specified below:

SEK M	2000	1999	1998
Minority interest in:			
 earnings after financial items 	66	89	152
income taxes	-20	-19	-42
Minority interest	46	70	110

BALANCE SHEET

NOTE 7 Intangible assets

		Goodwil		narks Ihts		
Group, SEK M	2000	1999	1998	2000	1999	1998
Acquisition value, 1 Jan.	13,009	8,706	7,141	2,128	1,928	1,790
Capital expenditures	1,259	5,310	779	348	84	115
Sales and disposals	-6	-102	_	-43	-17	-65
Reclassifications	_	-434	_	_	434	39
Translation differences	111	-471	786	106	-301	49
Accumulated acquisition value, 31 Dec.	14,373	13,009	8,706	2,539	2,128	1,928
Amortization, 1 Jan.	-2,578	-2,572	-2,058	-1,224	-907	-695
Sales and disposals	-1	75	_	43	35	11
Reclassifications	-	319	_	_	-319	_
Amortization during the year	-729	-602	-407	-143	-155	-127
Translation differences	153	202	-107	-55	122	-96
Accumulated amortization, 31 Dec.	-3,155	-2,578	-2,572	-1,379	-1,224	-907
Residual value according to plan, 31 Dec.	11,218	10,431	6,134	1,160	904	1,021

NOTE 8 Tangible assets

							N	lachinery a	and	С	onstructio	on
		Buildings	5		Land			equipmer	nt	i	n progres	s
Group, SEK M	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Acquisition value, 1 Jan.	12,513	13,986	12,566	5,582	6,290	5,861	47,487	47,256	42,404	606	1,547	569
Capital expenditures	537	1,550	824	131	361	382	2,455	7,126	3,682	923	594	1,412
Sales and disposals	-307	-2,483	-178	-951	-930	-323	-1,458	-5,781	-1,411	-141	-196	0
Reclassifications	210	244	20	77	-4	66	328	945	369	-615	-1,210	-455
Translation differences	372	-784	754	202	-135	304	1,261	-2,059	2,212	67	-129	21
Accumulated acquisition												
value, 31 Dec.	13,325	12,513	13,986	5,041	5,582	6,290	50,073	47,487	47,256	840	606	1,547
Depreciation, 1 Jan.	-3,680	-3,909	-3,299	-609	-590	-535	-20,289	-20,729	-17,488	_	_	_
Sales and disposals	130	532	96	31	17	17	1,299	2,674	569	_	_	_
Reclassifications	-167	15	-7	_	2	_	167	8	7	_	_	_
Depreciation during the year	-461	-513	-515	-56	-54	-52	-3,263	-3,117	-2,912	-	-	-
Translation differences	-127	195	-184	–71	16	-20	-557	875	-905	_	-	
Accumulated depreciation,												
31 Dec.	-4,305	-3,680	-3,909	-705	-609	-590	-22,643	-20,289	-20,729	-	-	-
Write-ups, 1 Jan.	_	_	_	3,100	3,100	3,100	_	_	_	_	_	_
Accumulated write-ups,												
31 Dec.	-	-	-	3,100	3,100	3,100	-	-	-	-	-	-
Write-downs, 1 Jan.	-39	-39	_	_	_	_	-100	-100	_	_	_	_
Write-downs for the year	_	_	-39	_	-	-	-	-	-100	-	_	_
Accumulated write-downs,												
31 Dec.	-39	-39	-39	-	-	-	-100	-100	-100	-	-	-
Residual value according to plan, 31 Dec.	8,981	8,794	10,038	7,436	8,073	8,800	27,330	27,098	26,427	840	606	1,547

		_			Machine	-	Constr	
	Build	lings	La	ınd	equip	ment	in prog	Jress .
Parent Company, SEK M	2000	1999	2000	1999	2000	1999	2000	1999
Acquisition value, 1 Jan.	59	59	1,207	1,083	12	11	54	_
Capital expenditures	1	_	-36	139	5	1	31	54
Sales and disposals	-1	_	4	-15	-1	_	_	_
Reclassifications	85	_	_	_	_	_	-85	-
Accumulated acquisition value, 31 Dec.	144	59	1,175	1,207	16	12	0	54
Depreciation, 1 Jan.	-32	-30	-367	-334	-8	-6	_	_
Sales and disposals	1	_	_	_	1	_	_	_
Depreciation during the year	-3	-2	-34	-33	-2	-2	_	_
Accumulated depreciation, 31 Dec.	-34	-32	-401	-367	-9	-8	-	_
Write-ups, 1 Jan.	_	_	3,100	3,100	-	_	-	_
Accumulated write-ups, 31 Dec.	-	_	3,100	3,100	-	-	-	_
Residual value according to plan, 31 Dec.	110	27	3,874	3,940	7	4	_	54

NOTE 9 Financial assets

		Capital investment shares						
		Group		Parent C	ompany		Group	
SEK M	2000	1999	1998	2000	1999	2000	1999	1998
Acquisition value, 1 Jan.	5,059	1,022	870	32,357	25,675	939	1,084	1,084
Investments	480	4,042	481	743	6,682	144	_	_
Sales	-3,903	-49	-48	-845	_	-6	-145	_
Net increase in associated companies during the year	471	120	30	_	_	-	_	_
Reclassifications to joint venture or subsidiary	-92	-1	-336	_	_	-	_	_
Other reclassifications	-108	_	-39	_	_	_	_	_
Translation differences	15	-75	64	_	-	_	-	_
Accumulated acquisition value, 31 Dec.	1,922	5,059	1,022	32,255	32,357	1,077	939	1,084
Write-ups, 1 Jan.	_	_	_	140	140	29	29	29
Accumulated write-ups, 31 Dec.	-	-	-	140	140	29	29	29
Write-downs, 1 Jan.	-2	_	_	-3,336	-1,242	-1	-1	-1
Write-downs during the year	_	-2	-	_	-2,094	_	_	-
Accumulated write-downs, 31 Dec.	-2	-2	-	-3,336	-3,336	-1	-1	-1
Residual value according to plan, 31 Dec.	1,920	5,057	1,022	29,059	29,161	1,105	967	1,112

NOTE 10 Shares and participations

Group and Parent Company holdings of shares and participations were as follows:

		Group		Parent C	ompany
SEK M	2000	1999	1998	2000	1999
Subsidiaries	_	_	_	28,983	29,085
Associated companies	1,157	4,286	773	-	_
Other companies	763	771	249	76	76
Total	1,920	5,057	1,022	29,059	29,161

For specification, see page 66.

Major changes in the Parent Company's and Group's holdings were as follows:

2000

Subsidiaries

The decline in value of shares in subsidiaries in the Parent Company is attributable to liquidation of SCA Hedging AB and intra-Group transfers

Associated companies

The decline is mainly due to the sale of the holding in Modo Paper.

Other companies

Other companies included the shareholding in Metsä Tissue in 2000 as well as 1999.

1999

Subsidiaries

Parent Company book value of shares in subsidiaries rose SEK 4,588 M which constituted mainly a capital contribution to AB SCA Finans.

Associated companies

The increase was attributable mainly to the shareholding of SEK 3,430 M in Modo Paper AB, which was reported as an associated company.

NOTE 11 Capital investment shares

Group, SEK M	Number	Book value
AB Industrivärden	12,444,748	1,105
Total	12,444,748	1,105

Of the holding in AB Industrivärden, 5,984,832 shares have been reserved for possible redemption in accordance with the so-called exchangeable bonds issued during spring of 1997. The market value of shares in AB Industrivärden, adjusted for the value of the rights related to the exchangeable bonds, exceeds the consolidated book value by SEK 840 M.

NOTE 12 Inventories

Group, SEK M	2000	1999	1998
Raw materials and consumables	2,014	1,979	1,493
Work in progress	407	334	379
Finished goods	3,106	2,483	3,224
Spare parts and warehouse supplies	864	815	897
Felling rights	245	187	164
Total	6,636	5,798	6,157

NOTE 13 Other current receivables

		Group		Parent Co	mpany
SEK M	2000	1999	1998	2000	1999
Bills receivable	660	595	831	_	
Prepaid expenses and					
accrued income	721	610	660	38	21
Other receivables	1,355	1,107	1,099	78	12
Total	2,736	2,312	2,590	116	33

NOTE 14 Untaxed reserves in Parent Company

Untaxed reserves in the Parent Company include an allocation of SEK 0 M (158) to a tax equalization reserve and SEK 115 M (114) in accumulated depreciation in excess of plan.

NOTE 15 Shareholders' equity

	Share	Share premium	Legal	Equity proportion	Other restricted	Translation	Distributable	
Group, SEK M	capital	reserve	reserve	reserve	reserves	differences	equity	Total
2000								
Balance, 1 Jan.	2,303	6,120	826	1,325	8,120	-1,546	16,985	34,133
Conversion of loan	1	14	_	_	_	-	_	15
Translation differences	_	_	_	_	-	955	218	1,173
Exchange rate differences								
on hedging instruments	_	_	_	_	-	-427	_	-427
Transfer between distributable and								
nondistributable shareholders' equity	_	_	18	_	-137	-	119	0
Equity in associated companies	_	_	_	471	-	-	-471	0
Adjustment of equity participations	_	_	_	-524	-	-	524	0
Dividend paid	_	_	_	_	_	_	-1,585	-1,585
Net earnings for the year	-	_	_	_	_	-	7,148	7,148
Balance, 31 Dec.	2,304	6,134	844	1,272	7,983	-1,018	22,938	40,457
1999								
Balance, 1 Jan.	1,974	1,870	783	1,375	8,337	-578	14,643	28,404
New issue	329	4,250	_	_	_	_	-	4,579
Translation differences	_	-	_	_	_	-1,453	-190	-1,643
Exchange rate differences						.,		.,
on hedging instruments	_	_	_	_	_	485	_	485
Transfer between distributable and								
nondistributable shareholders' equity	_	_	33	_	-217	_	184	0
Equity in associated companies	_	_	_	120		_	-120	0
Adjustment of equity participations	_	_	_	-170	_	_	170	0
Other	_	_	10	_	_	_		10
Dividend paid	_	_	_	_	_	_	-1,304	-1,304
Net earnings for the year	_	_	_	_	_	_	3,602	3,602
Balance, 31 Dec.	2,303	6,120	826	1,325	8,120	-1,546	16,985	34,133
1998								
Balance, 1 Jan.	1,974	1,870	737	1,345	8,758	-1,284	11,253	24,653
Translation differences	1,574	-	-	-	0,700	1,566	765	2,331
Exchange rate differences						1,000	700	2,001
on hedging instruments	_	_	_	_	_	-860	_	-860
Transfer between distributable and						000		000
nondistributable shareholders' equity	_	_	_	_	-421	_	421	0
Equity in associated companies	_	_	_	30	-	_	-30	0
Calculated premium on personnel				00			00	0
convertibles	_	_	46	_	_	_	_	46
Dividend paid	_	_	-	_	_	_	-1,145	-1,145
Net earnings for the year	_	_	_	_	_	_	3,379	3,379
Balance, 31 Dec.	1,974	1,870	783	1,375	8,337	-578	14,643	28,404

The Share premium reserve, Legal reserve, Equity proportion reserve, Translation differences and Other restricted reserves amount in total to SEK 15,215 M (14,845; 11,787) and are reported as Restricted reserves. Unrestricted equity includes a positive translation difference of SEK 570 M (352; 542).

Parent Company, SEK M	Share capital	Share premium reserve	Legal reserve	Write-up reserve	Distributable equity	Total
2000						
Balance, 1 Jan.	2,303	6,120	451	806	13,935	23,615
Conversion of loan	1	14	_	_	_	15
Dividend paid	_	-	_	_	-1,566	-1,566
Group contribution	_	-	_	_	-19	-19
Net earnings for the year	-	-	-	_	1,790	1,790
Balance, 31 Dec.	2,304	6,134	451	806	14,140	23,835

SCA's share capital consists of 230,401,555 shares with a par value of SEK 10 each. The issues, etc., for the period 1991–2000 are presented below. For additional information on SCA shares, see page 12.

Issues, etc. 1991-2000

Since 1991, the share capital and number of shares, have increased through new issues and conversions as follows:

SEK M	(except no. of shares)	No. of shares	share capital	payment
1991	Conversion of debentures and new subscription through Series 1 warrants	371,118	3.7	10.5
1992	Conversion of debentures and new subscription through Series 1 warrants	777,453	7.8	19.6
1993	Conversion of debentures and new subscription through Series 1 warrants	4,030,286	40.3	119.1
	New issue 1:10	17,633,412	176.3	1,410.7
1994	Conversion of debentures	16,285	0.2	_
1995	Conversion of debentures	3,416,113	34.2	_
1996	-	_	_	_
1997	-	_	_	_
1998	-	_	_	_
1999	New issue 1:6	32,899,989	329.0	4,579.0
2000	Conversion of debentures	101,631	1.0	15.0

SCA's share capital, 31 December 2000

	No. of		Nominal
	votes	No. of shares	amount SEK M
Series A shares	10	61,626,133	616
Series B shares	1	168,775,422	1,688
Total		230,401,555	2,304

Upon full conversion of convertible debentures outstanding at 31 December 2000 and warrants outstanding, the number of Series B shares would increase to a maximum of 171,686,536.

NOTE 16 Provisions for pensions

SCA has defined-benefit pension plans in those countries where the Group has substantial operations. In many cases, these pension plans cover all employees and provide benefits based on the average remuneration and period of employment the employees have at or near retirement (so-called defined-benefit pension plans).

The total pension costs for the most important defined benefit pension plans are shown below.

SEK M	2000	1999
Current service cost, excluding premiums paid by employees	269	293
Past service cost	-	-5
Interest expense	628	578
Estimated return on pension assets	-819	-539
Accrual accounting of gains and losses on changed		
actuarial assumptions	-28	3
Pension cost	50	330

The actual return on pension fund assets in 2000 was a loss of SEK 167 M.

Gains and losses based on changed actuarial assumptions are distributed evenly over the employee's estimated remaining period of employment, to the extent that the total gain or loss falls outside a band corresponding to 10% of the higher of the pension obligation or the market value of the pension fund assets.

The following table shows the book value stated in the balance sheet for the main defined-benefit pension plans, divided between fully or partially funded pension plans and non-funded pension plans.

31 December 2000, SEK M	Fully or partially funded pension plans	Non-funded pension plans	Total
		•	
Defined benefit obligation	10,007	2,140	12,147
Market value of fund assets	-11,458	_	-11,458
Funded status	-1,451	2,140	689
Net gains and losses not included			
in earnings	-102	43	-59
Pension liability, net	-1,553	2,183	630
Pension plans reported according			
to local rules			261
Provision for pensions			891

	Fully or partially funded	Non-funded pension	
31 December 1999, SEK M	pension plans	plans	Total
Defined benefit obligation Market value of fund assets	8,499 -11,249	2,036	10,535 -11,249
Funded status Net gains and losses not included	-2,750	2,036	
in earnings	1,464	86	1,550
Pension liability, net Pension plans reported according	-1,286	2,122	836
to local rules			193
Provision for pensions			1,029

The actual market value of the plans' assets as of 31 December 2000 includes SEK 865 M pertaining to financial instruments issued by the Company.

The following table shows the trend of pension liability during the year.

	Fully or partially funded	Non-funded pension	
2000, SEK M	pension plans	plans	Total
Balance, 1 January	-1,286	2,122	836
Pension costs	-114	164	50
Settlements	35	-36	-1
Payments made	-145	-131	-276
Translation effects		64	21
Balance, 31 December Pension plans in accordance	-1,553	2,183	630
with local rules			261
Provision for pensions			891

Main actuarial assumptions 2000 and 1999 (weighted average)

	2000	1999
Market interest rate	5.5%	5.9%
Estimated return on pension fund assets	7.5%	7.2%
Future pay increases	3.3%	3.3%
Future cost-of-living increases	2.3%	2.1%

NOTE 17 Other provisions

Other provisions amounted to SEK 2,238 M (1,540; 1,167).

This includes provisions of SEK 625 M allocated during the year for the restructuring programs within the tissue operations.

Provisions amounting to SEK 700 M were utilized for the ongoing restructuring measures within Hygiene Products and Packaging business areas. SEK 600 M in provisions arose during the year for restructuring measures in connection with acquisitions.

In addition, SEK 174 M in surplus funds from SPP were allotted to the Group. These funds were allocated to provisions for future pensions measures. Combined with provisions in prior years, provisions for future broadened pension programs, in addition to the provisions shown under the line item "Provisions for pensions," amount to SEK 520 M.

NOTE 18 Interest-bearing debt

		Group		Parent Co	ompany
SEK M	2000	1999	1998	2000	1999
Amortization within one year	2,069	153	986	1	2
Loans maturing within one year	_	5,117	5,643	-	_
Total short-term interest-					
bearing debt	2,069	5,270	6,629	1	2
Bond loans	1,287	1,406	1,338	7	7
Convertible loans	274	296	292	273	295
Other long-term loans	15,064	21,909	17,547	1,594	1,485
Total long-term interest-					
bearing debt	16,625	23,611	19,177	1,874	1,787
Total	18,694	28,881	25,806	1,875	1,789

Assets have been pledged as collateral for SEK 24 M (122; 1,208) of the long- and short-term loans.

Redemption structure for interest-bearing debt

Year	SEK M
2001	2,069
2002	4,137
2003	4,304
2004	2,533
2005	2,720
2006 and later	2,931
Total	18,694

Gross debt by currency

Taking into account currency swaps and other derivatives for hedging of foreign assets, SCA's gross debt is distributed among the following currencies:

	Gross debt, SEK M				
Currency	2000	1999	1998		
EUR	6,424	9,302	13,344		
GBP	7,458	7,781	5,247		
SEK	-984	6,925	4,740		
DKK	2,510	2,344	29		
USD	1,336	869	1,102		
CHF	421	352	262		
Other	1,529	1,308	1,082		
Total	18,694	28,881	25,806		

Convertible loans

SEK M	2000	1999	1998
1990 GBP 10,516,384 at 10% Subordinated bond loan convertible to SCA Class B share: between 1 October 1990 and 31 July 2000. On the final co version date, holders of debentures equal to 101,631 share elected to convert. The other debenture holders chose repayment of the nominal amount plus accrued interest.	n-	31	35
1998 SEK 296,933,616 at 0% Subordinated debenture loan (personnel convertibles) which may be converted to SCA Class B shares on 30 Sep tember 2003. Application to convert must be made not earlier than 2 June 2003 and not later than 25 August 2003 Conversion price at 31 December 2000 was SEK 255.80.		264	255
Total loans issued by Parent Company	273	295	290
Bond loan issued by SCA Group Holding B.V. 1989 ECU 101 M at 4.25% Subordinated bond loan convertible to SCA Class B share: between 25 April 1989 and 10 January 2004. The con- version price at 31 December 2000 was SEK 122.70.	1 s	1	2
Total loans issued by Group	274	296	292

Conversion of the 1998 convertible debenture loan means that a maximum of 1,160,804 Class B shares will be issued. In addition, 1.5 warrants were issued for each convertible, which means that another 1,741,206 Series B shares may be issued. The estimated premium,

SEK 46 M, is reported in restricted shareholders' equity as a reserve. Conversion of outstanding portions of the 1989 ECU loan means that a maximum of 9,104 B shares will be issued.

NOTE 19 Other interest-free liabilities

		Group		Parent Co	mpany
SEK M	2000	1999	1998	2000	1999
Accrued expenses and					
prepaid income	3,712	3,521	3,058	77	56
Current tax liabilities	1,273	336	204	866	95
Other operating liabilities	2,258	1,787	1,873	6	2
Total interest-free current					
liabilities	7,243	5,644	5,135	949	153
Long-term interest-free liabilities	570	605	406	2	3
Total	7,813	6,249	5,541	951	156

Accrued expenses and prepaid income

		Group		Parent Co	mpany
SEK M	2000	1999	1998	2000	1999
Accrued social costs	400	455	586	7	9
Accrued vacation pay liability	482	466	451	6	6
Accrued financial expenses	252	337	289	14	17
Other items	2,578	2,263	1,732	50	24
Total	3,712	3,521	3,058	77	56

NOTE 20 Contingent liabilities

_	Group			Parent Company	
SEK M	2000	1999	1998	2000	1999
Discounted bills	6	12	109	_	
Guarantees for					
employees	5	4	15	3	3
 associated companies 	55	186	10	_	_
 customers and others 	27	31	146	4	9
 subsidiaries 	-	_	_	13,720	22,925
Other contingent liabilities	48	112	180	-	-
Total	141	345	460	13,727	22,937

A so-called Control Agreement was established during 1997 between SCA, through its German holding company SCA Group Holding (Deutschland) GmbH, and PWA (name changed to SCA Hygiene Products AG) effective 1 January 1998. The agreement is valid until further notice with a mutual cancellation notice period of six months. The offer to the remaining shareholders to purchase their shares for DEM 281 per share still applies pending legal consideration of the underlying valuation. The Control Agreement entails a liability for the German holding company to carry any losses that arise in SCA Hygiene Products AG during the period of the agreement. SCA has provided a surety for this commitment and to pay an annual dividend of DEM 17.15 per share to the remaining shareholders in SCA Hygiene Products AG.

SCA entered into lease-out/lease-in transactions during 1996 with American banks as counterparties pertaining to the two LWC plants in Ortviken, Sweden. The terms of the contracts are 32 and 36 years. However, SCA has the opportunity to cancel the transactions after about 18 years without incurring any financial consequences. At the time the transactions were effected, the net present value of the leasing amount which SCA has undertaken to pay amounts to about SEK 4 billion. This amount, in accordance with the agreements, is partly deposited in accounts in banks with at least AA rating, and partly in U.S. securities with an AAA rating. SCA carries the credit risk against the depositary banks, but this is considered, as a result of the structure of the agreements, to be insignificant. Should the rating of a depositary bank decline in the future, SCA has the possibility to transfer the deposit to another bank with a better rating. Moreover, SCA is liable to take such action if the depositary bank's rating falls below A. The

Note 20 Contingent liabilities, cont.

counterparties have accepted that the deposited funds are applied for the leasing undertakings. The advance payments and deposits were netted during 1996 in the balance sheet. Should SCA as the result of extraordinary events (of a force majeure nature) elect not to fulfill, or cannot fulfill the leasing contracts, SCA is liable to compensate the counterparties for financial losses which may be incurred as a result. Compensation varies during the lifetime and can amount to a maximum of about 20% of the present value of the leasing amount. The agreements were composed and examined by legal experts in Sweden and the U.S. and are considered to follow the standard practice for lease-out/lease-in transactions.

During 2000, SCA entered into a leasing transaction with American banks as counterparties pertaining to the Östrand pulp mill in Timrå, Sweden. The term of the transaction is 30 years. However, SCA has the opportunity to cancel the transactions after about 16 years without incurring any financial consequences. At the time the transactions were effected, the current value of the leasing amount which SCA has undertaken to pay amounts to about SEK 4 billion. SEK 3.6 billion of this amount, in accordance with the agreement, is partly deposited in accounts in banks with at least AA rating, and partly in U.S. securities with a AAA rating. SCA carries the credit risk against the depositary banks, but this is considered, as a result of the structure of the agreements, to be insignificant. Should the rating of a depositary bank decline in the future, SCA has the possibility to transfer the deposit to another bank with a better rating. The counterparties have accepted that the deposited funds are applied for the leasing undertakings. The advance payments and deposits were netted during 2000 in the balance sheet. Should SCA as the result of extraordinary events (of a force majeure nature) elect not to fulfill, or cannot fulfill the leasing contracts, SCA is liable to compensate the counterparties for economic losses that may be incurred as a result. Compensation varies during the lifetime and can amount to a maximum of about 15% of the present value of the leasing amount. The agreements, as in the 1996 transactions, were composed and examined by legal experts in Sweden and the U.S. and are considered to follow the standard practice for this type of transaction.

The three ships which are included in SCA's distribution system are owned and financed by three bank-controlled companies. The vessels are operated by Gorthon Lines AB under three so-called bare-boat charters and are placed at the disposal SCA Transforest by Gorthon Lines AB under three time charters. In the event that Gorthon Lines AB does not fulfill its obligations to the owners, SCA Transforest is committed to assume the bare-boat charters on behalf of Gorthon Lines AB or acquire the vessels.

In raising certain credits, at the request of the lender, companies in the Group provided letters of comfort and other, similar support letters. To the extent that similar documents are not reported as contingent liabilities, the assessment was made that said documents cannot serve as a basis for payment obligations. In addition, a negative clause was included in certain loan agreements, with the consequence that the borrower cannot, without the approval of the lender, pledge collateral for other commitments during the credit period.

In the sale of companies and operations SCA provided the customary seller guarantees.

NOTE 21 Assets pledged

	Group			Parent Company	
SEK M	2000	1999	1998	2000	1999
Real estate mortgages	571	980	1,176	481	481
Chattel mortgages	26	46	7	20	20
Other mortgages	55	149	271	41	42
Total	652	1,175	1,454	542	543

Certain of these assets were pledged as collateral for debt amounting to SEK 24 M (122; 1,208) at year-end 2000.

NOTE 22 Tax assessment values

Tax assessment values relate to assets in Sweden, as follows:

	Group			Parent Company		
SEK M	2000	1999	1998	2000	1999	
Buildings	3,459	3,843	4,363	12	11	
Land and other property	7,984	8,077	7,329	7,829	7,264	
Total	11,443	11,920	11,692	7,841	7,275	

NOTE 23 Value of forest land

SEK M	2000	1999	1998	1997	1996
Book value	3,831	4,702	4,582	4,570	4,187
Taxed forestry value	6,231	6,777	6,779	10,209	9,588

NOTE 24 Number of employees and wages, salaries and remuneration

	2000 1	1999	1998
Average number of employees			
SCA Group total	37,700	37,679	32,082
of whom, women	22%	20%	21%
Sweden	6,416	6,687	7,209
of whom, women	23%	21%	21%
of which, Parent Company	71	66	59
of whom, women	44%	41%	41%
Number of municipalities	24	26	26
Outside Sweden	31,284	30,992	24,873
of whom, women	22%	20%	21%
Number of countries	41	41	27
SEK M	2000	1999	1998
Wages, salaries and remuneration			
Parent Company			
Board of Directors ² , President and Exec. VPs	22	18	18
of which, variable salary	8	3	3
Other employees	42	37	30
Total, Parent Company	64	55	48
Subsidiaries			
Boards of Directors, Presidents and Exec. VPs	192	195	144
of which, variable salary	42	38	20
Other employees	10,030	10,543	9,314
Total, subsidiaries	10,222	10,738	9,458
Group total	10,286	10,793	9,506
of which, Boards of Directors,			
Presidents and Exec. VPs	214	213	162
of which, variable salary	50	41	23
SEK M	2000	1999	1998
Statutory and contractual payroll expenses			
Parent Company	46	39	47
of which, pension costs ³	30	22	31
Subsidiaries	2,734	3,071	2,961
of which, pension costs	638	721	683
Group total	2,780	3,110	3,008
of which, pension costs4	668	743	714

- ¹ Including SCA's share in joint-venture companies.
- ² Includes SEK 2.7 M (2.0; 2.0) Board fees approved by the Annual General Meeting.
- ³ SEK 22 M (18; 15) of Parent Company pension costs pertain to the Board, President and Exec. VPs. Former Presidents, Exec. VPs and their survivors are included. The company's outstanding pension commitments to them amount to SEK 107 M (68: 67).
- ⁴ SEK 58 M (39; 49) of pension costs pertain to the Boards, Presidents and Exec. VPs. Former Presidents, Exec. VPs and their survivors are included. The company's outstanding pension commitments to them amount to SEK 241 M (234; 228).

1% of SCA's employees are under the age of 20, and 2% are older than 60.

Distribution of employees by age groups	21–30	31–40	41–50	51–60
	16%	32%	28%	21%

NOTE 25 Executive management conditions of employment

The Chairman of the Board of Directors, who previously held the position of Chief Executive Officer (CEO), received contractual pension payments during 2000, and as Board Chairman of SCA he received a Board fee of SEK 900,000 (750,000).

During 2000, the CEO received SEK 6,519,736 (6,026,610), car benefits (fuel excluded) and housing benefits. The CEO, as well as other senior executives in the Group, are parties to a bonus agreement which is described in detail in Note 26. The bonus system, in regard to the CEO, has during 2000 resulted in a bonus corresponding to 30 (40)%.

The pension agreement for the CEO is formulated so that the old age pension (including general pension benefits) is paid from the age of 65 at 70% of salary at retirement. This is contingent upon employment being sustained during at least 20 years from the date the CEO reached 40 years of age. Upon termination at the request of the Company, the pension age may be reduced to not lower than 55. Upon termination of employment at the CEO's request between the ages of 55 and 60, a paid-up policy is received for pension payments from age 60. In the case of the CEO, the company also paid out SEK 105,255 (104,908) in 2000 pertaining to supplementary pension commitments.

Moreover, the agreement with the CEO stipulates that, in the event of termination of employment after age 55, he is entitled to be transferred to a position as expert advisor. Pension benefits are not paid while serving in the position of expert advisor.

The agreement with the CEO stipulates a period of notice of termination of five years if such notice is given prior to age 60. This notice period, which is mutual and accordingly also applies upon termination at the request of the employee, is reduced to two years after age 60. The agreement does not contain any stipulations with regard to severance pay.

In the case of other senior executives in the Group there is a pension plan which, in the normal case, grants the executive the right at age 65 to receive a pension (including general pension benefits) at up to 70% of the salary. Normally, full pension requires the executive having been employed in the Group for 20 years. Upon termination of employment prior to reaching retirement age, a paid-up policy is received for pension payments from age 65, under the condition that the executive, after reaching the age of 40, has been employed in the Group for at least three years.

NOTE 26 Executive incentive system

With SCA's incentive system, a strong link is established between the individual's opportunity to receive a bonus and the appreciation in value of SCA's shares that accrues to the shareholders. The program involves some 60 executives at the Group and business area level. The incentive system involves two parts: a long-term component (3 years) and a short-term component (1 year).

The long-term element is based on a rolling earnings period of three years. The outcome depends on how the value (so-called effective return) on the SCA Class B shares develops during a three-year period in relation to the growth in value of SCA's competitors in Sweden and other countries, and on the stock exchange as a whole. For the CEO and the presidents of Hygiene Products, Packaging and Forest Products business areas, after a three-year period, the maximum bonus can

amount to 45% of base salary, which is paid in its entirety in SCA shares. For the other executives included in the program, the maximum outcome can be 35% of the base salary, of which 30% paid in SCA shares, and 5% in cash. A general condition for payment of a bonus is that the dividend on the SCA Class B shares not be reduced in relation to the year-earlier bonus.

For 2000, the maximum possible result was 20% for the CEO and the three presidents of business areas referred to earlier, and 15% for the other executives covered by the system. The basis for the 20% and 15% increments is a comparison of the growth in value the SCA Class B shares and the growth in value of SCA's competitors, as well as the stock exchange as a whole. For 2001, the maximum result is 45% of the base salary for the CEO and the three business area presidents, and 35% of the base salary for the other executives covered by the system. The maximum outcome for the current program has been secured with regard to an increase in the price of SCA shares.

The short-term component is based on an earnings period of one year. The bonus amount, which cannot exceed a maximum of 15% of the base salary, is related to whether or not targets established for operating cash flow are achieved during the year. The bonus payments deriving from the short-term component are paid in cash. The targets for the short-term component for the CEO and the three presidents of the business areas are established each year by the Salary Committee of the Board of Directors. The targets for the other executives are set by the CEO.

NOTE 27 Part ownership and option program

In 1998, employees in ten countries were offered the chance to invest in so-called options convertibles in order to become part-owners in SCA with a limited amount of risk. Subscription could occur in blocks of not less than SEK 9,756 (1 lot) and not more than SEK 487,800 (50 lots). In total, approximately 12,000 employees subscribed for options totaling SEK 296 M. The program will be in effect for five years. Each subscription lot consists of 36 convertibles and 54 options, each carrying the right for conversion/subscription to one Class B share in SCA. Conversion can be effected during the period 2 June – 25 August 2003, while subscription through exercise of the warrants can be effected during the period 1 October 1998 – 25 August 2003. Conversion price/subscription price was set at SEK 271. After adjustment for new issues in 1999, each convertible carries rights to 1.06 shares and each warrant to subscribe for 1.06 shares. The new conversion/ exercise price is SEK 255.80 per share.

In 1999, senior executives in the Group were invited to participate in a five-year option program. Custos, Industrivärden and Skandia issued a total of 942,000 call options, of which 100,000 were subscribed by the CEO and between 1,000 and 60,000 options were subscribed by the 83 other senior executives in Sweden and abroad. The price of the options was established at SEK 20 per option, which was the market price. Each call option grants the right, from 26 April 2004 through 28 May 2004, to acquire one B share in SCA at a redemption price of SEK 283. After adjustment for the new issue in 1999, each call option carries rights to acquire 1.06 shares at an exercise price of SEK 266.79 per share. The exercise price will be adjusted if dividend growth deviates from the assumed level of 13% annually.

Specification to Note 10

Parent Company shareholdings in subsidiaries 31 Dec. 2000

	Registered	No. of		Book value,
Org. no.	office	shares	Capital %	SEK M
				_
556146-6300	Stockholm	1,000	100	0
556108-5688	Stockholm	420,750	100	4,650
556449-7237	Stockholm	1,000	100	0
556047-8520	Stockholm	1,000	100	0
516401-8540	Stockholm	140,000	100	14
556537-5739	Stockholm	1,000	100	0
556351-6029	Stockholm	1,000	100	0
33181970	Amsterdam	246,347	100	24,203
168575	Dublin	5,000,000	100	116
	556146-6300 556108-5688 556449-7237 556047-8520 516401-8540 556537-5739 556351-6029	Org. no. office 556146-6300 Stockholm 556108-5688 Stockholm 556449-7237 Stockholm 556047-8520 Stockholm 516401-8540 Stockholm 556537-5739 Stockholm 556351-6029 Stockholm 33181970 Amsterdam	Org. no. office shares 556146-6300 Stockholm 1,000 556108-5688 Stockholm 420,750 556449-7237 Stockholm 1,000 556047-8520 Stockholm 1,000 516401-8540 Stockholm 140,000 556537-5739 Stockholm 1,000 556351-6029 Stockholm 1,000 33181970 Amsterdam 246,347	556146-6300 Stockholm 1,000 100 556108-5688 Stockholm 420,750 100 556449-7237 Stockholm 1,000 100 556047-8520 Stockholm 1,000 100 516401-8540 Stockholm 140,000 100 556537-5739 Stockholm 1,000 100 556351-6029 Stockholm 1,000 100 33181970 Amsterdam 246,347 100

Parent Company shareholdings in subsidiaries

28,983

Group holdings of shares and participations in associated companies 31 Dec. 2000

		Registered	No. of		Book value,	
Company name	Org. no.	office	shares	Capital %	SEK M	
SCA Weyerhauser Packaging Holding Co Asia Ltd		Hong Kong	158,720	50	77	
SCA Packaging India Ltd		India	7,731,882	50	29	
Centrale Eerbeek		Eerbeek		50	22	
Staper Ltd	1130403	Aylesford	100,000	50	7	
Welpa Wellpappenfabrik Ges.m.b.H	FN 108934	Vienna		48	54	
Packaging Italy		Arcore		40	29	
Atkasan		Izmir	44,625	35	3	
Kaplamin Ambalaj Sanayi ve Ticaret AS		Izmir	8,750,000	29	61	
Ova SCA Packaging Ambalais Ticaret AS		Tarsus	3,783,000	29	26	
Lantero Carton		Madrid	10,000	25	59	
Selkasan Kagit ve Paketleme Malzemeleri						
Imalati Sanayi ve Ticaret AS		Manisa	9,277,800	15	37	
IL Returpapper AB	556056-2687	Stockholm	28,000	29	3	
Central Package Singapore Private Ltd.		Singapore	1,111,111	33	166	
OAO Sojuz		Russia		23	6	
Bio Energi i Norrland AB	556129-8885	Härnösand	4,250	43	10	
Les Bois de la Baltique SA		Rochefort	75,000	33	14	
Paredes	B955 509 609	Genas	43,747	23	62	
Papyrus	FN124517p	Vienna		33	7	
GAE Smith	1075198	Leicester	44,300	50	55	
Sundsvallshamn AB	556015-8072	Sundsvall	27,000	45	11	
Scaninge Timber AB	556584-5194	Bollsta Bruk	665,348	41	337	
Other associated companies					82	

Group holdings of shares and participations in associated companies

1,157

The difference between the book value in the Group and the Group's share in shareholders' equity of associated companies amounts to SEK 77 M.

Group holdings of shares and participations in other major companies 31 Dec. 2000

Company name	Org. no.	Registered office	Capital %	
SCA GROUP HOLDING B.V.	33181970	Amsterdam		
SCA Graphic Holding AB	556479-2058	Stockholm	100	
SCA Forest Products AB	556379-3586	Sundsvall	100	
SCA Graphic Sundsvall AB	556093-6733	Sundsvall	100	
SCA Timber AB	556047-8512	Sundsvall	100	
SCA Skog AB	556048-2852	Sundsvall	100	
SCA Transforest AB	556431-6965	Sundsvall	100	
SCA Graphic Laakirchen AG	FN 171841H	Laakirchen	100	
Aylesford Newsprint Holdings Ltd	2816412	Aylesford	50	
SCA Hygiene Products Holding BV	33305322	Amsterdam	100	
SCA Hygiene Holding AB	556479-2181	Stockholm	100	
SCA Hygiene Products AB	556007-2356	Härryda	100	
 SCA Hygiene Products Falkenbergsfabriken AB 	556412-1035	Härryda	100	
– Libero AB	556239-3719	Härryda	100	
 SCA Hygiene Products S.A. 	A-28451383	Madrid	100	
– SCA Mölnlycke Ltd	47636	Dunmanway	100	
– Uni-Charm Mölnlycke KK	660779	Tokyo	50	
– SCA Hygiene Products Kft	13-09-063186	Nagykata	100	
- SCA Hygiene Products spol.s.r.o.	31723837	Gemerská-Hôrka	100	
- SCA Hygiene Products Lda	PT 503237612	Linda-a-Velha	100	
- SCA UK Holdings Ltd	366535	Aylesford	100	
AM Paper Ltd.	3444286	Manchester	100	
– SCA Mölnlycke Holding B.V.	185911	Ar Zeist	100	
SCA Hygiene Products AG	020.3.917.992-8	Regensdorf	100	
– SCA Hygiene Products A/S	915620019	Tönsberg	100	
– SCA Hygiene Products Inc.	421987	Ontario	100	
- Productos Sanitarios Sancela S.A.	890937981-1	Medellin	49	
- Sancela SA de CV	SAN-790424-8KI	Mexico City	49	
– Uni-Charm Mölnlycke BV	330631	Hoogezand	40	
- Sancella SA	950464	Charguia	49	
 SCA Hygiene Products Taiwan SCA Hygiene Products o.o.o. 	16093200 7704173838	Taipei Moscow	100 100	
•	HRB4014	Mettman	100	
SCA Group Holding Deutschland GmbH SCA Hygiene Products AG	HRB42709	Munich	96	
– SCA Hygiene Products Holding GmbH	HRB10455	Raubling	100	
SCA Hygiene Products Troiding Offish - SCA Hygiene Products Corp.	18818	Manila	100	
– SCA Hygiene Paper Poland	Wroclaw Abt. B 7243	Wroclaw	100	
– ooo Svetogorsk	P-11430.17	Svetogorsk	100	
– SCA Hygiene Products S.A.	475581948	Linselles	100	
SCA Packaging Deutschland Holding GmbH	HRB61506	Berlin	100	
PWA Packaging Beteiligungen GmbH	HRB5220	Mannheim	100	
SCA Packaging Deutschland AG & Co KG	HRA3009	Mannheim	100	
SCA Packaging Containerboard Deutschland	HRB 3097	Traunstein	100	
SCA Raw Materials and Logistics Holding BV	196416	Amsterdam	100	
SCA Finance BV		Eerbeek	100	
SCA Packaging International BV		Amsterdam	100	
SCA Packaging Obbola AB	556147-1003	Umeå	100	
SCA Packaging Munksund AB	556237-4859	Piteå	100	
SCA Packaging Belgium NV	153373	Ghent	100	
SCA Packaging France SA	B 858800386	Eragny	100	
SCA Packaging Sweden AB	556036-8507	Värnamo	100	
SCA Packaging Finanziaria Spa		Arcore	100	
SCA Packaging Ltd	53913	Aylesford	100	
SCA Raw Materials and Logistics Holding AB	556513-8590	Stockholm	100	
SCA Raw Materials and Logistics Holding BV	33287945	Amsterdam	100	
SCA Recycling UK Ltd	214967	Aylesford	100	
SCA Recycling France SA	B404148439	Suresnes	100	
SCA RML Europe NV	593097	Zaventem	100	
SCA Recycling Belgium NV	608601	St Stevens Woluwe	100	
Italmaceri Srl	737369	Turin	50	
SCA Coordination Center NV	547534	Brussels	100	
PWA Holding AB	556204-5434	Stockholm	100	

The complete statutory specifications are included in the Annual report submitted to the National Swedish Patent and Registration Office. This specification for the years 1997-2000 is available from SCA, Corporate Communications, Box 7827, SE-103 97 Stockholm.

Proposed disposition of earnings

As shown in the consolidated balance sheet, distributable shareholders' equity amounts to SEK 22,938 M.

Distributable shareholders' equity at the Parent Company:

retained earnings earnings for the year	12,349,370,092 1,790,108,392
Total SEK	14,139,478,484
The Board of Directors and the President recommend:	
to be distributed to the shareholders, a dividend of SEK 7.75 per share retained earnings to be carried forward	1,785,612,051 12,353,866,433
Total SEK	14,139,478,484

Stockholm, 22 February 2001

Christer Gardell

Lars Ramqvist

Clas Reuterskiöld

Alf Söderlund

Sverker Martin Löf

Auditor's report

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Reg.No: 556012-6293

We have audited the Parent Company and the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of Svenska Cellulosa Aktiebolaget SCA (publ) for 2000. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. As a basis for our opinion, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President. We have also examined whether any Board member or the President acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the Parent Company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Group's results and financial position in accordance with Swedish GAAP.

We recommend that the General Meeting adopt the income statements and the balance sheets of the Parent Company and the Group, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 22 February 2001

PRICEWATERHOUSECOOPERS AB

Robert Barnden
Authorized Public Accountant

Quarterly data

BUSINESS AREAS

		2000			1999			
	IV	III	II	l	IV	III	II	ı
NET SALES (SEK M)								
Hygiene Products	8,291	7,848	7,499	7,402	7,275	6,764	6,679	6,609
Consumer products	4,828	4,662	4,440	4,443	4,284	3,894	3,774	3,775
AFH and incontinence products	3,463	3,186	3,059	2,959	2,991	2,870	2,905	2,834
Packaging	6,752	6,093	6,015	5,776	5,587	4,862	4,664	4,745
Forest Products	3,376	3,228	3,177	3,095	3,087	2,892	2,812	2,741
Pulp, Timber and Solid wood products	1,399	1,499	1,410	1,411	1,304	1,272	1,187	1,185
Publication paper	1,977	1,729	1,767	1,684	1,783	1,620	1,625	1,556
Fine paper, paper merchanting ¹	_ 265	- 200	- 247	-	-	2,558	2,616	2,621
Other operations Intra-Group deliveries	365 -754	390 –775	347 –687	382 -663	383 –670	440 –913	487 –869	375 –849
Total net sales	18,030	16,784	16,351	15,992	15,662	16,603	16,389	16,242
	10,000		. 0,00	.0,00=	.0,002	. 0,000	. 0,000	. •,= .=
OPERATING SURPLUS (SEK M)	4 202	4 404	1 001	1.026	4 4 4 7	0.40	007	005
Hygiene Products Consumer products	1,283 <i>7</i> 31	1,131 <i>645</i>	1,001 <i>536</i>	1,036 <i>571</i>	1,117 <i>624</i>	948 <i>44</i> 9	907 <i>406</i>	905 <i>424</i>
AFH and incontinence products	552	486	465	465	493	449 499	501	424 481
Packaging	1,197	1,067	982	1,002	1,075	823	793	699
Forest Products	997	942	950	869	896	797	742	709
Pulp, Timber and Solid wood products	<i>4</i> 37	462	444	353	377	328	227	211
Publication paper	560	480	506	516	519	469	515	498
Fine paper, paper merchanting ¹	_	-	_	-	-	228	236	222
Other operations	78	2,007	-30	-38	-35	-13	– 51	-2
Total operating surplus	3,555	5,147	2,903	2,869	3,053	2,783	2,627	2,533
OPERATING PROFIT (SEK M)								
Hygiene Products	865	740	631	673	747	649	602	615
Consumer products	<i>455</i>	361	267	311	380	260	218	250
AFH and incontinence products	410	379	364	362	367	389	384	365
Packaging	854	787	671	665	737	550	505	424
Forest Products	734	693	686	607	625	552	488	458
Pulp, Timber and Solid wood products	359	389	355	269	278	255	141	143
Publication paper	375	304	331	338	347	297	347	315
Fine paper, paper merchanting ¹ Other operations	- 77	120 2,005	306 29	218 -40	136 -33	125 –19	122 –40	108 –16
Operating profit before goodwill amortization	2,530	4,345	2,265	2,123	2,212	1,857	1,677	1,589
Goodwill amortization*	-196	-189	-172	-172	-188	-147	-132	-135
Total operating profit – of which nonrecurring items	2,334	4,156	2,093	1,951	2,024	1,710	1,545	1,454
Total operating profit excluding nonrecurring items	2,334	2,031 2,125	2,093	- 1,951	2,024	1,710	_ 1,545	1,454
1 01 0 0	2,334	2,125	2,093	1,951	2,024	1,710	1,545	1,404
* Goodwill amortization:	F4	40	40	40	45	27	40	10
Hygiene Products Packaging	51 63	48 62	43 51	46 47	45 63	27 40	19 31	19 37
Fine paper, paper merchanting	_	-	-	-	-	1	1	0
Common	82	79	78	79	80	79	81	79
Group	196	189	172	172	188	147	132	135
MARGINS (%)								
Operating surplus margin	4.5	4.4	10	4.4	45	4.4	4.4	1.1
Hygiene Products	15	14	13	14	15 15	14	14	14
Consumer products AFH and incontinence products	15 16	14 15	12 15	13 16	15 17	12 17	11 17	11 17
Packaging	18	18	16	17	19	17	17	15
Forest Products	30	29	30	28	29	28	26	26
Pulp, Timber and Solid wood products	31	31	31	25	29	26	19	18
Publication paper	28	28	29	31	29	29	32	32
Fine paper, paper merchanting ¹	n.a.	n.a.	n.a.	n.a.	n.a.	9	9	8
Operating margin excl. goodwill amortization						-	-	-
Hygiene Products	10	9	8	9	10	10	9	9
Consumer products	9	8	6	7	9	7	6	7
AFH and incontinence products	12	12	12	12	12	14	13	13
Packaging	13	13	11	12	13	11	11	9
Forest Products	22	21	22	20	20	19	17	17
Pulp. Timber and Solid wood products	26	26	25	19	21	20	12	12
Publication paper	19	18	19	20	19	18	21	20
Fine paper, paper merchanting ¹	n.a.	n.a.	n.a.	n.a.	n.a.	5	5	4

As of 1 October 1999, fine paper operations are reported as a share in earnings of Modo Paper AB, but is included in net sales, operating profit, etc. for earlier periods. Accordingly, the margins for the fine paper operations are not shown for the fourth quarter of 1999 and 2000.

GROUP

		200	00	1999				
	IV	III	II	I	IV	III	II	I
EARNINGS (SEK M)								
Net sales	18,030	16,784	16,351	15,992	15,662	16,603	16,389	16,242
Operating surplus	3,555	5,147	2,903	2,869	3,053	2,783	2,627	2,533
Depreciation according to plan	-1,244	-1,138	-1,124	-1,146	-1,186	-1,078	-1,093	-1,084
Share in earnings of Modo Paper AB1	_	120	306	218	136	_	_	_
Share in earnings of other associated companies	23	27	8	10	21	5	11	5
Operating profit	2,334	4,156	2,093	1,951	2,024	1,710	1,545	1,454
Financial items	-286	-320	-320	-281	-313	-315	-258	-326
Earnings after financial items	2,048	3,836	1,773	1,670	1,711	1,395	1,287	1,128
 excluding nonrecurring items 	2,048	805	1,773	1,670	1,711	1,395	1,287	1,128
Income taxes	-648	-349	-587	-549	-555	-497	-425	-372
Minority interest	-11	-7	-16	-12	-24	-15	-21	-10
Net earnings after tax	1,389	3,480	1,170	1,109	1,132	883	841	746
 excluding nonrecurring items 		1,249						
Earnings per share, SEK	6.00	15.02	5.05	4.79	5.10	4.19	4.01	3.55
 excluding nonrecurring items 		5.40						
MARGINS (%) ² excluding nonrecurring items								
Operating surplus margin	19.7	18.6	17.8	17.9	19.5	16.8	16.0	15.6
Operating margin, excl. goodwill amortization	14.0	13.8	13.9	13.3	14.1	11.2	10.2	9.8
Operating margin	13.0	12.7	12.8	12.2	12.9	10.3	9.4	9.0
Financial net margin	-1.6	-1.9	-1.9	-1.8	-2.0	-1.9	-1.6	-2.0
Profit margin	11.4	10.8	10.9	10.4	10.9	8.4	7.8	7.0

- 1 As of 1 October 1999, fine paper operations are reported as a share in earnings of Modo Paper AB, but are included in net sales operating profit, etc. for earlier periods.

 2 Because, effective 1 October 1999, the margins for the fine paper operations are reported as a share of earnings in Modo Paper AB, Group margins are not fully comparable over time.

Group by country

		alaa	_		A.,	Salaries*				
	Net sales SEK M SEK M				Average n					
	2000	%	SEK M 1999	%	2000	f whom, wo	men of v 1999	whom, women %	SEK M 2000	SEK M 1999
Sweden	6,631	10	5,606	9	6,416	23	6,687	21	1,924	1,964
EU excl. Sweden										
Great Britain	11,618	17	12,361	19	6,306	18	6,928	17	2,091	2,130
Germany	10,736	16	10,642	16	5,026	17	5,818	15	1,748	1,885
France	7,356	11	6,936	11	3,353	24	3,598	21	899	934
Italy	4,500	7	4,049	6	1,350	19	1,377	19	307	440
The Netherlands	3,789	6	4,845	8	2,368	11	2,559	11	732	801
Denmark	3,067	5	2,594	4	1,878	20	1,955	31	634	347
Spain	2,056	3	1,497	2	488	24	457	30	102	93
Belgium	1,919	3	2,474	4	1,145	20	1,244	21	359	491
Austria	1,636	2	1,680	3	1,434	16	2,135	14	496	785
Finland	938	1	737	1	488	31	129	56	49	36
Greece	742	1	507	1	577	20	168	40	48	38
Ireland	732	1	464	1	102	34	18	17	24	4
Portugal	525	1	303	0	202	25	64	43	24	5
Luxembourg	57	0	55	0	_	-	-	_	_	
Total EU, excl. Sweden	49,671	74	49,144	76	24,717	19	26,450	19	7,513	7,989
Rest of Europe										
Norway	1,585	2	1,378	2	267	44	279	44	106	120
Switzerland	895	1	947	1	417	24	385	22	160	168
Poland	665	1	849	1	404	34	552	28	47	52
Czech Republic	523	1	241	0	825	48	77	61	35	8
Hungary	465	1	553	1	236	40	242	37	22	22
Slovakia	85	0	83	0	339	29	300	31	13	11
Latvia	72	0	39	0	_	_	_	_	_	_
Turkey	66	0	103	0	_	_	-	_	_	_
Rumania	66	0	102	0	_	_	_	_	_	_
Other	353	1	276	1	417	36	_	-	7	
Total rest of Europe	4,775	7	4,571	6	2,905	37	1,835	32	390	381
Rest of world										
United States	2,161	3	1,840	3	411	40	415	39	233	271
Canada	687	1	603	1	197	42	205	27	66	64
Colombia	633	1	621	1	913	18	_	_	55	_
Russia	347	1	229	0	1,068	39	_	_	20	_
Mexico	325	0	14	0	120	33	_	_	12	_
Japan	286	0	194	0	35	68	_	_	16	_
Other	1,641	3	2,074	4	918	26	2,087	29	57	124
Total rest of world	6,080	9	5,575	9	3,662	32	2,707	31	459	459
SCA GROUP	67,157	100	64,896	100	37,700	22	37,679	20	10,286	10,793

^{*} Including SCA's share in joint-venture companies.

Ten-year comparison

SEK M	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
STATEMENT OF EARNINGS										
Net sales	67,157	64,896	61,273	58,595	55,405	65,317	33,676	33,420	32,137	32,760
Operating profit 1	10,534	6,733	6,428	5,568	4,581	7,350	1,810	2,172	8,608	2,605
Hygiene Products	2,909	2,613	2,463	2,611	2,277	1,254	676	1,012	781	662
Packaging	2,977	2,216	1,510	1,219	939	2,370	910	680	462	607
Forest Products	2,720	2,123	2,046	1,259	1,352	2,483	-	-	-	_
Graphic Paper	_	_	-	_	-	-	495	35	-313	186
Forest and Timber	_	-	-	-	-	-	869	515	375	468
Fine Paper and paper merchanting	644	491	528	438	-235	739	-	-	-	_
Other operations	-18	-108	285	384	436	299	193	-11	197	224
Divested units	-	_	3	29	100	210	175	204	777	776
Goodwill amortization	-729	-602	-407	-372	-288	-301	-288	-287	-248	-200
Nonrecurring items ²	2,031	_	-	-	-	296	-1,220	25	6,577	-118
Financial income	531	322	280	280	319	296	252	217	319	320
Financial expense	-1,738	-1,534	-1,539	-1,391	-1,327	-1,915	-1,002	-1,179	-1,899	-1,740
Earnings after financial items	9,327	5,521	5,169	4,457	3,573	5,731	1,060	1,210	7,028	1,185
Income taxes	-2,133	-1,849	-1,680	-1,337	-1,144	-1,915	-423	-79	-796	-150
Minority interest	-46	–70	-110	-361	-312	-352	-82	-60	-32	-134
Net earnings for the year ³	7,148	3,602	3,379	2,759	2,117	3,464	555	1,071	6,200	901
BALANCE SHEET	50.050	04.005	FF 447	50.054	40.500	40.000	04.000	00.000	00.040	00.000
Fixed assets (excl. financial receivables)	59,256	61,065	55,147	50,351	48,599	46,822	31,336	30,983	30,613	30,820
Receivables and inventories Financial receivables	21,065	18,311	18,790	16,726	15,461	16,435	10,606 131	10,409 175	10,775 212	11,022 247
Short-term investments	1,764 502	1,278 2,930	1,485 1,132	1,370 676	1,072 1,469	1,128 1,692	1,873	1,296	3,435	672
Cash and bank balances	1,440	1,630	1,819	1,582	1,393	2,053	982	1,388	1,064	806
Total assets	84,027	85,214	78,373	70,705	67,994	68,130	44,928	44,251	46,099	43,567
	•						,			
Shareholders' equity Minority interests	40,457 612	34,133 587	28,404 1,386	24,653 1,496	22,906 3,331	22,024 3,493	19,590 853	19,963 916	18,284 807	11,144 688
Provisions 4	9,244	8,632	10,906	10,452	9,441	3,493	000	910	007	000
Interest-bearing debt	18,694	28,881	25,806	22,647	21,396	22,439	13,559	13,673	15,510	19,281
Operating- and other interest-free liabilities	15,020	12,981	11,871	11,457	10,920	20,174	10,926	9,699	11,498	12,454
Total shareholders' equity and liabilities	84,027	85,214	78,373	70,705	67,994	68,130	44,928	44,251	46,099	43,567
	•									
Capital employed ⁵ Net debt, incl. pension provisions	57,612 15,880	54,616 24,073	47,400 24,756	44,840 22,254	43,311 20,615	47,408 20,363	31,780	31,459	29,581	30,918
Net debt, excl. pension provisions	15,660	24,073	24,730	22,254	20,615	20,303	10,573	10,814	10,799	17,556
, , ,							,	,	,	,
CASH FLOW										
Operating cash flow	9,005	8,707	6,678	6,631	5,959	6,533	2,422	2,689	2,930	2,329
Cash flow from current operations	6,652	6,740	3,875	4,850	4,210	4,772	1,174	1,313	1,388	633
Cash flow before dividend	10,609	-3,760	345	482	2,006	-3,673	504	2,285	5,278	1,738
Current capital expenditures	2,245	2,046	2,058	2,207	2,489	2,927	1,377	1,479	1,461	1,495
Strategic capital expenditures Acquisitions	1,121 2,349	2,615 10,400	2,248 2,793	983 3,431	1,126 1,558	1,849 7,698	1,599 821	74 520	316 383	462 1,928
Acquisitions	2,043	10,400	2,750	0,401	1,000	7,000	021	020	505	1,520
KEY RATIOS 6										
Equity/assets, %	49	41	38	37	39	37	46	47	41	28
Interest coverage, multiple	8.7	5.6	5.1	5.0	4.5	4.5	2.4	2.3	5.5	1.8
Debt payment capacity, incl. pension provisions, %	45	33	32	33	30	31	-	-	-	-
Debt/equity ratio, incl. pension provisions, multiple	0.39	0.69	0.83	0.85	0.79	0.80				
Debt/equity ratio, excl. pension provisions, multiple	-	- 40	-	-	-	-	0.52	0.52	0.57	1.44
Return on capital employed, %	18	12	14	12	11	16	6	7	29	8
Return on shareholders' equity, %	20	12	13	12	10	17	3	6	47	8
Operating margin, %	16	10	11	10	8	11	5	6	27	8
Net margin, %	11	6 1 10	6 1 20	5 1 21	4	5 1 2 9	1.06	1.06	19	1.06
Capital turnover rate, multiple Operating cash flow per share, SEK	1.17 28.69	1.19 31.45	1.29 18.46	1.31 23.17	1.28 20.11	1.38 23.62	1.06 5.61	1.06 6.55	1.09 6.99	1.06 3.09
Earnings per share, SEK	30.86	16.85	16.11	13.20	10.11	16.57	2.78	5.49	31.37	4.69
Dividend, SEK per share	7.75 ⁷	6.80	6.14	5.43	4.96	4.48	3.54	3.49	2.93	2.93
Dividona, OLIX por dilaro	1.13	0.00	J. 1 4	J. - -J	7.50	7.70	J.J -	J.Z I	2.33	2.33

¹ Operating profit has been distributed (pro forma) for 1995–1999.
2 Not reported separately in 1996–1998.
3 Earnings in Sweden were charged with 28% deferred tax in 1994–2000 and 30% in 1991–1993.
4 The provisions are included in operating- and other interest-free liabilities in 1991–1995.
5 Calculation of average return on capital employed and shareholders' equity is based on five measurements during 1993–2000. Four measurements were used in 1991 and 1992.
6 Key ratios are defined on page 73.
7 Board proposal.

Definitions and key ratios

Calculation of key ratios are based mainly on the recommendations issued by the Swedish Society of Financial Analysts. Averages are calculated based on five measuring points.

CAPITAL DEFINITIONS

Capital employed

The Group's and business areas' capital employed is calculated as an average of assets according to the balance sheet, excluding interest-bearing assets reduced by current operating and tax liabilities and other noninterest-bearing liabilities.

Goodwill is included in capital employed by the Group as a consolidated asset.

Shareholders' equity

The shareholders' equity reported in the consolidated balance sheet consists of taxed shareholders' equity increased by the equity portion of the Group's untaxed reserves.

Deferred tax liability in untaxed reserves has been calculated at a 28% rate for Swedish companies and at the applicable tax rate for foreign companies in each country outside Sweden.

Net deb

Net debt is the sum of consolidated interest-bearing liabilities, including pension liabilities, less liquid funds and interest-bearing short-term and long-term receivables and capital investment shares.

FINANCIAL MEASUREMENTS

Equity/assets ratio

The equity/assets ratio corresponds to shareholders' equity plus minority interest expressed as a percentage of total assets.

Debt/equity ratio

The debt/equity is expressed as net debt in relation to shareholders' equity, including minority interests.

Interest coverage ratio

Interest coverage is calculated in conformity with the net method according to which operating profit is divided by financial items.

Cash earnings

Cash earnings are calculated as earnings before tax, with a reversal of depreciation of tangible and intangible assets, share in earnings of associated companies, nonrecurring items, reduced by tax payments.

Debt payment capacity

Debt payment capacity is expressed as cash earnings in relation to average net debt.

Operating surplus

Operating surplus is expressed as operating profit before depreciation/amortization of tangible and intangible fixed assets and share in earnings of associated companies.

Operating cash flow

Operating cash flow includes the total of operating surplus, change in operating capital, with deduction for current capital expenditures in property and plant and restructuring costs.

Cash flow from current operations

Cash flow from current operations comprises operating cash flow less net financial items and tax payments and taking into account other financial cash flow.

Strategic investments

Strategic investments are designed to increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or in new technologies that boost SCA's competitiveness.

Current capital expenditures

Current capital expenditures are investments to maintain competitiveness, such as maintenance, rationalization and replacement measures or investments of an environmental nature.

MARGINS, ETC.

Gross margin

Operating surplus as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Net margin

Net earnings as a percentage of net sales.

Capital turnover

Net sales divided by average capital employed.

RATES OF RETURN

Return on capital employed

Return on capital employed is calculated for the Group and business areas as operating profit as a percentage of average capital employed.

Return on shareholders' equity

Return on shareholders' equity is calculated for the Group as net earnings after tax as a percentage of average shareholders' equity.

OTHER MEASUREMENTS

Value added per employee

Operating profit plus salaries, wages and payroll expenses divided by the average number of employees.

Earnings per share in SEK

Earnings per share is calculated after tax and full dilution as shown below:

SEK M	2000	1999	1998
Net profit for year	7,148	3,602	3,379
Reversal of interest expense, after tax,			
on option and convertible loans	7	9	6
Total	7,155	3,611	3,385
Average no. of shares after full dilution,			
millions	231.9	214.3	210.0
Earnings per share after taxes and full			
dilution, SEK	30.86	16.85	16.11

SCA in the world

Headquarter

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ) Box 7827 SE-103 97 STOCKHOLM Sweden Stureplan 3 Tel +46-8 788 51 00 Fax +46-8 660 74 30 www.sca.se from 1 June: www.sca.com Sverker Martin-Löf, President and CEO

Hygiene Products

SCA HYGIENE PRODUCTS AG München Airport Center Postfach 241540 DE-85336 MÜNCHEN FLUG-HAFEN Germany Tel +49-8035 804 00 Fax +49-8035 805 98 Stefan Angwald, President

Packaging

SCA PACKAGING Excelsiorlaan 81 BE-1930 ZAVENTEM Belgium Tel +32-2 718 3711 Fax +32-2 725 5953 Jan Åström, acting President

Forest Products

SCA FOREST PRODUCTS SE-851 88 SUNDSVALL Sweden Skepparplatsen 1 Tel +46-60 19 30 00 Fax +46-60 19 33 21 Kenneth Eriksson, President

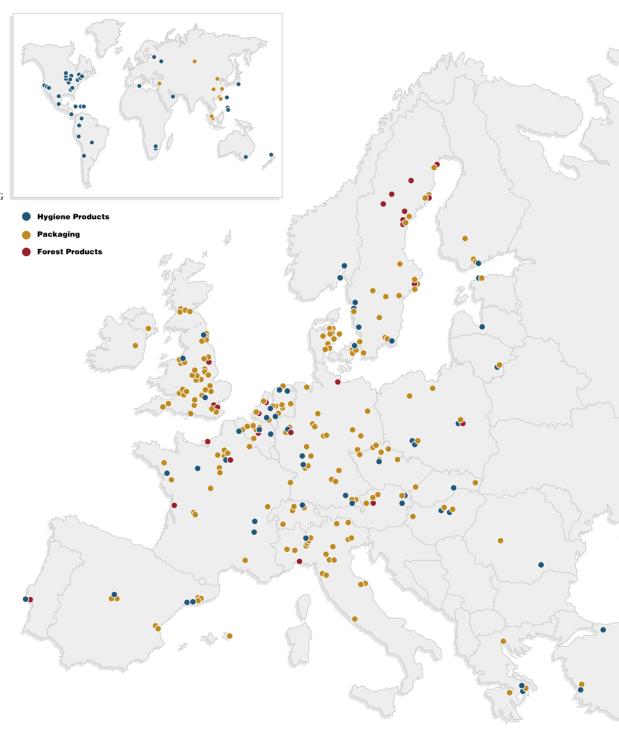
SCA North America

500 Baldwin Tower EDDYSTONE, PA 19022 US Tel +1 610 499 3700 Fax +1 610 499 3410 Colin J. Williams, President

Other companies

AB SCA FINANS Box 7827 SE-103 97 STOCKHOLM Sweden Stureplan 3 Tel +46-8 788 51 00 Fax +46-8 679 86 60 Carl-Axel Olson

SCA FÖRSÄKRINGS-AKTIEBOLAG Box 7827 SE-103 97 Stockholm Sweden Stureplan 3 Tel +46-8 788 52 43 Fax +46-8 611 99 32 Per Larsson



Production capacities

Solid wood products risk (excluding fluff products) Total Dalik and Dalike A. ... SC Std In Chape Natetoul CTMP PUR Capacities are shown in thousand metric tons unless specified otherwise. S. Chillips Weneshirt Tissue Mill Country Ortmann * ** Austria 118 118 Stembert Belgium 64 64 77 12 59 34 339 77 Medellin (JV) Colombia Lasso (JV) Ecuador 12 Le Theil France 59 34 Roanne France 339 Mannheim 1 ** Germany 109 Mainz-Kostheim ** Germany 109 Great Britain 86 32 30 32 8 9 30 24 6 8 86 Prudhoe Chesterfield 32 **Great Britain** Skelmersdale Great Britain 30 Tilburg Friesland * ** Netherlands 32 **Hygiene Products** Netherlands 8 Cavite Philippines 8 Benavente Portugal 9 30 Svetogorsk Russia 24 La Riba Spain Gualba de Dalt Spain 6 8 Torrelavit Spain 19 Villalonga Spain 94 Lilla Edet * ** Sweden 94 Nättraby * ** Sweden 32 Menasha US 220 220 30 70 US 30 Gary Alsip ÜŠ Flagstaff US 50 50 Total 1,600 1,600 Asia² 46 Austria 34 34 137 Belgium 137 Czech Republic 46 46 Corrugated board and converting plants 171 Denmark 171 17 60 Estonia 17 60 Finland 205 205 France Germany Great Britain 361 361 491 491 Greece 60 60 Hungary³ 11 11 Ireland Italy 457 457 Lithuania 35 Netherlands 112 112 **Packaging** Poland3 9 52 2 52 2 Russia Slovakia3 152 152 Spain Sweden 100 37 100 37 Switzerland 57 Turkey Djursland * Denmark 100 200 100 325 Lúcca * Italy 240 85 Castelfranco 70 70 Italy Aschaffenburg* Germany 290 290 Liner mills Witzenhausen Germany 240 85 325 Aylesford * **Great Britain** 140 100 240 Eerbeek ' Netherlands 175 145 320 Munksund * Sweden 350 350 Obbola 3 Sweden 300 100 400 40 Oftringen * 100 Switzerland 60 Total 2,660 650 1,055 915 5,280 Laakirchen * ** Austria 335 335 Aylesford 5 * Great Britain 410 410 Ortviken ' 420 Sweden 350 770 Östrand ' 380 70 **Forest Products** Sweden 450 300 Tunadal Sweden Holmsund Sweden 80 Munksund Sweden 300 Total 760 755 380 70 1,965 680 TOTAL 1,600 2,660 650 1,055 915 760 755 70 8,845 680

Fluff products are produced at the following facilities: Australia (Melbourne JV), Colombia (Cauca JV, Rio Negro JV), Philippines (Cavite), France (Linselles, Macon), Greece (Avlon), Canada (Drummondville), Mexico (Ecatepec JV), Netherlands (Gennep*), Hoogezand), Norway (Tonsberg), Slovakia (Gemerska Horka), UK (Dunstable), Sweden (Falkenberg*, Mönlycke), South Africa (Johannesburg) JV), Tunisia (Ksibel el Mediouni JV) and the U.S. (Bowling Green).

- ¹ Including 50,000 tons packaging and oven paper.
- ² Through SCA-Weyerhaeuser joint venture in China and Through Central ackage Group in China, Indonesia, Singapore, Thailand and Malaysia.
- Only converting plants.
- SCA's ownership interest in Scaninge is not included.
- Capacity data corresponds to the mill's full production, while SCA's ownership Is only 50%.

Certified in accordance with ISO 14001.

^{**} EMAS certified (EU system for environmental management and auditing.)

Board of Directors and Auditors

Elected by Annual General Meeting



Bo Rydin, b. 1932. Chairman; SCA Board member since 1972 (Deputy member 1970–1972). Other board memberships in listed Swedish companies: Chairman of AB Industrivärden, Skanska AB, Graninge AB and SAS Assembly of Representatives, Vice Chairman of Svenska Handelsbanken. SCA shares held: 66,000.



Sverker Martin-Löf, b. 1943. President and CEO, SCA; SCA Board member since 1986.
Other board memberships in listed Swedish companies: Telefonaktie-bolaget LM Ericsson.
SCA shares held: 10,233.
Convertibles: 1,800, corresponding to 1,907 shares.
Options: 102,700, corresponding to 108,936 shares.



Erik Engström, b. 1963. President and COO of Random House Inc.; SCA Board member since 2000. Other Board memberships in listed foreign companies: Audible Inc., Telemedia Corporation. SCA shares held: 1,000.



AB Custos; SCA Board member since 1997. Other board memberships in listed Swedish companies: Chairman of Perbio Science; Board member of Bilia AB, HQ.SE, AB Custos, Perstorp AB and Svedala Industri AB. SCA shares held: 11,356.



Sören Gyll, b. 1940. SCA Board member since 1997.
Other board memberships in listed Swedish companies: Chairman of Genesis-ITAB, DHJ Media AB and Carpedal AB. Board member of AB Volvo, AB SKF, Skanska AB and Askus AB; Board membership in foreign company: Oresa Ventures S.A.
Also: Chairman of the Swedish Federation of Industries.
SCA shares held: 119.

Tom Hedelius, b. 1939. Chairman, Svenska Handelsbanken; SCA Board member since 1985. Other board memberships in listed Swedish companies: Chairman of Bergman & Beving AB; Vice Chairman of Telefonaktiebolaget LM Ericsson and AB Industrivärden; Board member of SAS Assembly of Representatives and AB Volvo.

SCA shares held: 1,940.



Lars Ramqvist, b. 1938. Chairman of Telefonaktiebolaget LM Ericsson; SCA Board member since 1994. Other board memberships in listed Swedish companies: Chairman of Skandia and AB Volvo; Board member of AstraZeneca PLC. SCA shares held: 1,000.



Clas Reuterskiöld, b. 1939. CEO and President, AB Industrivärden. SCA Board member since 1994.
Other board memberships in listed Swedish companies: Telefonaktiebolaget LM Ericsson, Sandvik AB, Skanska AB and Svenska Handelsbanken.
SCA shares held: 7,500.

Appointed by employees



Gerhard Gustavsson, b. 1939.
Engineering Supervisor, SCA Hygiene
Paper AB, Edet Mill. SCA Board
member since 1989.
Represents salaried employees.
SCA shares held: 75.
Convertibles: 36, corresponding to
38 shares.
Options: 54, corresponding to 57 shares.



Tjell-Åke Hägglund, b. 1944. President, SCA Recreation and Pension Foundations. SCA Board member since 1985. Represents salaried employees. SCA shares held: 87. Convertibles: 72, corresponding to 76 shares. Options: 108, corresponding to 114 shares.



Alf Söderlund, b. 1943. Instrument Maker, SCA Graphic Sundsvall AB, Ortviken Paper Mill. SCA Board member since 1985. Represents wage-earner employees. SCA shares held: 72. Convertibles: 36, corresponding to 38 shares. Options: 54, corresponding to 57 shares.

Deputy members

Jörgen Andersson, b. 1964. Electrician, SCA Hygiene Paper AB, Edet Mill. SCA Board member since 1997. Represents wage-earner employees. SCA shares held: 147. Convertibles: 360, corresponding to 381 shares. Options: 540, corresponding to 572 shares.

Per Ågren, b. 1941. Repairman, SCA Packaging Järfälla. SCA Board member since 1998.
Represents wage-earner employees. Convertibles: 36, corresponding to 38 shares. Options: 54, corresponding to 57 shares.

Bruno Lundgren, b. 1941. Supervisor, SCA Packaging Munksund AB. SCA Board member since 1989.
Represents salaried employees. SCA shares held: 72. Convertibles: 762, corresponding to 807 shares. Options: 1,080, corresponding to 1,144 shares.

Board Secretary

Michael Bertorp, b. 1949. Executive Vice President and head of Secretariat. SCA shares held: 2,236. Convertibles: 1,800, corresponding to 1,907 shares. Options: 62,700, corresponding to 66,506 shares.

Auditors

Öhrlings PricewaterhouseCoopers AB Senior auditor: Robert Barnden, Authorized Public Accountant

Information as of 31 December 2000.

Board of Directors and its work procedures

SCA's Board of Directors comprise eight members elected at the Annual General Meeting and three members, with three deputy members, elected by employees. The Board members elected at the Annual General Meeting include persons closely associated with SCA's principal owners, AB Industrivarden and AB Custos and persons independent of these owners. The president is also a member of the Board of Directors. Other staff members in the Company participate in Board meetings to make presentations or in an administrative capacity.

During the 2000 fiscal year, the Board held 10 (10) meetings. The work of the Board of Directors follows an annual reporting plan, designed to ensure that the Board's need to be informed is met, and is affected in other respects by the specific work assignments established by the Board regarding a division of work between the Board and the President.

The Board appoints a salary committee internally that deals with matters related to employment and pension terms of senior executives and other employees.

During the period preceding the 2001 Annual General Meeting, this committee comprises Bo Rydin, Chairman, Clas Reuterskiöld and Sören Gyll. The Board of Directors has addressed the issue of appointing a special auditing committee, but decided that control matters brought to the attention of Board should be dealt with by the entire Board. In order to ensure that the Board's information requirements in this respect are met, the Company's senior auditor reports personally to the Board each year regarding his observations based on examination of the accounts and his assessment of the Company's internal controls.

The Board Chairman has received a mandate from the Annual General Meeting to annually select from among the representatives for the Company's shareholders four members, who are not members of the Company's Board of Directors, to form with the Chairman a nomination committee for the forthcoming election of Board members. See page 80.

Senior Management



Sverker Martin-Löf, b. 1943. President and CEO, SCA. Doctor of Technology. SCA employee since 1977. Earlier: Senior Vice President-Technology, MoDo. SCA shares held: 10,233. Convertibles: 1,800 (1,907). Options: 102,700 (108,936). Jan Åström, b. 1956.
Executive Vice President,
Deputy CEO. As of 1 March,
Acting President of SCA
Packaging.
M.Sc. Eng.
SCA employee since 2000.
Earlier: President, Modo
Paper AB.
SCA shares held: 0.
Convertibles: 360 (381).
Options: 540 (572).

Stefan Angwald, b. 1949. President, SCA Hygiene Products. MBA.

SCA employee since 1976. Earlier: International Paint Ltd.

SCA shares held: 1,200. Convertibles: 1,300 (1,378). Options: 10,000 (10,600). Colin J. Williams, b. 1942. President, SCA Packaging. As of 1 March, President of SCA North America. Master of Physical Chemistry and MBA. SCA employee since 1988. Earlier: Employed by Johnson & Johnson. SCA shares held: 0. Convertibles: 1,800 (1,907). Options: 62,700 (66,506). Kenneth Eriksson, b. 1944. President, SCA Forest Products. Mechanical Engineer. SCA employee since 1979. Earlier: President, Sunds Defibrator AB. SCA shares held: 0. Convertibles: 1,800 (1,907). Options: 52,700 (55,898).

Michael Bertorp, b. 1949. Executive Vice President, head of Secretariat. Bachelor of Law. SCA employee since 1984. Earlier: Judge in Swedish court system and positions in the Ministry of Justice. SCA shares held: 2,236. Convertibles: 1,800 (1,907). Options: 62,700 (66,506).

Lennart Persson, b. 1947. Senior Vice President, Finance. Business economist. SCA employee since 1987. Earlier employment: Vice President AB SCA Finans. SCA shares held: 0. Convertibles: 1,800 (1,907). Options: 32,700 (34,683). Francis Van Sevendonck, b. 1946. Senior Vice President, Human Resources. Bachelor of Law. SCA employee since 1990. Earlier: Director of Human Resources, Westinghouse Electric Corporation. SCA shares held: 0. Convertibles: 1,800 (1,907). Options: 17,700, (18,772).

Carl-Axel Olson, b. 1948. Senior Vice President, Treasury, President, AB SCA Finans. MBA. SCA employee since 1975. Earlier: Vice President, AB SCA Finans SCA shares held: 1,305. Convertibles: 1,800 (1,907). Options: 15,700 (16,650).

Glossary

Hygiene Products

Fluff – Pulp based on wood fiber, used to absorb fluid. Used in incontinence and feminine hygiene products, diapers, etc.

Tissue – Créped soft paper which is the basis for hygiene products such as napkins, toilet paper and towels, and household toweling towels and wiping products for institutions, hotels, etc.

TAD (Through-Air-Dried) – Hot air is blown into the tissue to improve its properties.

Packaging

Fluting – The rippled middle layer in corrugated board, produced from semi-chemical pulp or recycled fiber.

Integrated packaging plant – Produces corrugated board and converts it into finished packaging (boxes and trays) with color-printed text and graphics.

Converting plant – Produces finished packaging from corrugated board sheets supplied by a corrugated board plant (see below) or an integrated packaging plant.

Liner – The surface layer of corrugated board. Available in various grades, such as kraftliner (based on fresh wood fiber) and testliner (based on recycled fiber).

Microflute – Very thin corrugated board used for high-quality packaging with print.

Corrugated board – Two outer layers of paper with an intermediate layer of fluting/folded paper (see liner and fluting).

Corrugated board plant (also called sheet feeder) – Only produces corrugated board in sheet form that is then converted into finished packaging at another plant.

Containerboard – The collective name for liner and fluting.

Forest products

Coating – A surface treatment applied to paper or corrugated board packaging. Provides a smooth surface with good printing properties.

LWC paper – Light Weight Coated paper is a coated supercalendered (SC) paper with a high mechanical pulp content. Used for periodicals and advertising materials with demanding color-printing requirements. Mechanical pulp – Debarked wood that is ground or chipped for mechanical refining to separate the fibers to form pulp.

Co-generation power – The pressure reduction of the highpressure steam required to use the steam in the production process is used to generate electricity. The back pressure from the reduction drives the turbine generator.

SC paper – Supercalendered publication paper with a high gloss surface and with a high content of mechanical and/or recycled pulp. Mainly used for periodicals and advertising materials.

Solid wood products – Wood sawn into various dimensions/ sizes: planks, joists, etc.

Saw logs – The part of the tree delivered to a sawmill. Normally the best part of the tree.

TCF pulp – Pulp that is bleached without using chlorine in any form

Newsprint – Paper for newspapers produced from mechanical pulp based on fresh wood fiber or recycled fiber.

Other

CTMP (Chemi-thermomechanical pulp) – A high-yield pulp (90–95% yield from the wood) produced through the mechanical defibration in a refiner of preheated, chemically pretreated softwood.

EMAS – EU's system for environmental management and auditing of forestry.

FSC – Forest Stewardship Council, an international organization working to ensure responsible forest management. FSC has developed principles for responsible forestry that can be applied for certifying forest management and which facilitates FSC labeling of wood products from FSC certified forest.

Market pulp – Pulp that is dried and sold on the open market.

Productive forest land – Land with a productive capacity that exceeds one cubic meter of forest per hectare annually.

Recycled fiber – Fiber based on recovered paper.

Recovered paper – Used papers collected for recycling.

Wood fiber – Wood fiber from felled trees (fresh wood fiber) or from used paper or corrugated board products (recycled fiber).

Annual General Meeting and Nomination Committee

The Annual General Meeting of SCA will be held at 2 p.m. on Friday, 6 April 2001, at Cirkus, Djurgården, Stockholm, Sweden.

Attendance

Shareholders who

are registered as owners in the share-holders' register printout that will be produced as per Tuesday, 27 March 2001,

and who no later than 4 p.m. on Monday, 2 April 2001 give notice of their intention to attend the Annual General Meeting

shall be entitled to attend SCA's Annual General Meeting.

Nominee Registered Shares

SCA's shareholders' register is maintained by VPC AB (Swedish Securities Register Centre). Only directly registered holdings are included under the shareholder's own name in the shareholders' register.

Shareholders with nominee-registered shares must have the shares registered in

their own names in good time before Tuesday, 27 March 2001, in order to be entitled to attend the Annual General Meeting.

Nominee shareholders will assist with re-registration, normally for a small fee.

Notice of Attendance

Notice of attendance at the Meeting may be given in the following ways:

- by telephone + 46 8 788 51 39
- by fax + 46 8 678 23 24
- via www.sca.se
- or by post to: Svenska Cellulosa Aktiebolaget SCA Secretariat Box 7827 SE-103 97 Stockholm Sweden

When giving notice, please state:

- name
- personal/organization identification number
- address and telephone number

Payment of Dividend

Wednesday, 11 April 2001 is proposed as record day for entitlement to dividends. It is estimated that payment will be effected through VPC on Wednesday, 18 April 2001.

Nomination Committee

The principal task of the Nomination Committee is to make proposals concerning the composition of the Board of Directors of SCA. The Committee consists of Bo Rydin, Chairman of the Board of Directors of SCA, Bo Damberg, Handelsbanken Stiftelser, Thomas Halvorsen, Fjärde AP-fonden, Björn Lind, SEB Fonder and Peter Rudman, Nordbanken Fonder. Address: SCA, Box 7827, SE-103 97 Stockholm, Sweden

Financial information report dates

Year-end and interim reports are published in the SCA Investor Report magazine, among other publications, and on SCA's website on the Internet: www.sca.se

SCA Investor Report and the Annual Report are sent automatically to shareholders who have indicated that they wish to receive this information.

6 April 2001 Annual General Meeting.

27 April 2001 Interim report for three months ended 31 March 2001.
27 July 2001 Interim report for six months ended 30 June 2001.
30 October 2001 Interim report for nine months ended 30 September 2001.
30 January 2002 Year-end report on 2001 operations.
March 2002 Annual Report for 2001.

These reports, which are available in Swedish and English, may be ordered directly from:

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On 1 June 2001 SCA is changing web address to www.sca.com

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