

INFORMATION

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Year-end Report 1 January - 31 December 1999

	99:4	99:3	99:2	99:1	9912	9812
Net sales, SEK M	15,662¹	16,603	16,389	16,242	64,896	61,273
Earnings after financial items, SEK M	1,711	1,395	1,287	1,128	5,521	5,169
Excluding nonrecurring items					5,521	4,769
Earnings per share, SEK²	5.10	4.19	4.01	3.55	16.85	16.11
Cash flow from current operations per share, SEK²	11.16	8.19	8.09	4.01	31.45	18.46
Dividend, SEK per share²					6.80³	6.14

¹Does not include SCA's share of net sales in Modo Paper AB.
² Adjusted historically to reflect new issue.
³ Board proposal.

FULL-YEAR 1999

- **Cash flow from current operations improved significantly and was the best ever.**
- **The Board proposes a dividend of SEK 6.80 per share, up 11%. Accordingly, dividend growth during the past five years is 14%.**
- **Earnings after financial items, excluding nonrecurring items, improved 16%, the highest result ever.**

FOURTH QUARTER 1999 COMPARED WITH THIRD QUARTER

- **Earnings after financial items rose 23% to a new all time high.**
- **All business areas improved their operating profit.**
 - Hygiene Products +15%, improved productivity.
 - Packaging +34%, favorable demand and positive price trend.
 - Forest Products +13%, favorable volume trend for publication papers and rising pulp prices.

CHANGED REPORTING

SCA's fine paper operations were transferred on 1 October 1999 to the newly formed Modo Paper AB, in which SCA holds a 50% interest. As of the fourth quarter, Modo Paper is considered an associated company and is reported as a share in earnings, which among other effects means that net sales and operating surplus from these operations are not included from the aforementioned date. This affects historical comparisons. In conjunction with the transfer of the fine paper operations, a new business area was created in SCA Forest Products, which comprises the two subunits pulp, Forest and Timber and also publication papers.

To facilitate comparison with competing companies in the hygiene products and packaging sectors, which have applied 40-year amortization periods for goodwill or the pooling method, SCA is now reporting earnings for its business areas excluding goodwill amortization. This amortization is reported separately for each business area.

Historical key figures are adjusted to reflect the dilution of the SCA share in conjunction with the new issue in the autumn, in which the bonus issue element amounted to 5.6%. Moreover, the key figures affected by SCA's redefining of net debt, that is, that pension liabilities are included, are also adjusted.

NET SALES AND EARNINGS

Consolidated net sales amounted to SEK 64,896 M (61,273), an increase of 6% compared with 1998. Adjusted for deconsolidation of the fine paper operations, the increase is about 12%. The largest increase was in Packaging, but Hygiene Products also rose. The increases are due mainly to company acquisitions. Currency movements affected Group net sales only marginally.

Net sales, excluding the fine paper operations, rose 12% during the fourth quarter. However, as a consequence of Modo Paper being reported as of 1 October as an associated company, the Group's total net sales declined 6%.

Group operating profit amounted to SEK 6,733 M (6,428). Adjusted for nonrecurring items amounting to SEK 400 M in 1998, operating profit for the period increased by 12%. All business areas reported improved profits. The increase for Packaging was significant, amounting to 47%.

Operating profit in the fourth quarter was 18% higher than in the third quarter. Operating profit improved in all business areas.

Financial items amounted to an expense of SEK 1,212 M (1,259). The effect of a higher net debt attributable to company acquisitions was more than offset by lower interest rates. Financial items in the fourth quarter amounted to an expense of SEK 313 M, compared with financial items to an expense of SEK 315 M in the third quarter. The change is the net effect of lower net debt, as a result of the new issue and higher interest rates. New issue proceeds were paid in on 22 October.

Group earnings after financial items amounted to SEK 5,521 M (5,169). Adjusted for nonrecurring items, this was equal to an increase of 16% compared with 1998. Earnings after financial items in the fourth quarter were 23% higher than in the third quarter.

Net earnings after tax amounted to SEK 3,602 M (3,379). Earnings per share after full tax and full dilution amounted to SEK 16.85 (16.11).

Return on shareholders' equity was 12% (13). The return on capital employed, calculated excluding nonrecurring items in 1998, was 12% (13).

CASH FLOW

Operating cash surplus amounted to SEK 11,101 M (9,960), equal to 17% (16) of net sales.

Operating cash flow amounted to SEK 8,707 M (6,679). Working capital increased by only SEK 226 M (932) during the period. Working capital decreased by SEK 386 M during the fourth quarter. Current net capital expenditures totaled SEK 2,046 M (2,058).

Interest and tax payments totaled a significantly lower amount than in the preceding year.

Cash flow from current operations, that is before strategic capital investments and dividends, amounted to SEK 6,740 M (3,876), equal to SEK 31.45 (18.46) per share. Accordingly, SCA clearly exceeded the established cash flow targets.

Company acquisitions and strategic capital expenditures in machinery and plant amounted to SEK 13,015 M (5,041). Company acquisitions amounting to SEK 10,400 M (2,793) included the purchase of large packaging companies in Great Britain, Denmark and France and a small acquisition in Ireland. In addition, the figure includes the purchase of hygiene operations in Great Britain, acquisition of a minority interest in Metsä Tissue and smaller acquisitions in Portugal and Spain. Also includes acquisition of the minority holding outstanding in Laakirchen. Strategic capital expenditures in machinery and plant amounted to SEK 2,615 M (2,248), mainly in Hygiene Products but also in Packaging.

Divested units amounted to SEK 2,885 M (1,511) and pertains to deconsolidation of the fine paper operations.

SEK M	9912	9812 ¹
Net sales	64,896	61,273
Operating cash surplus	11,101	9,960
<i>% of net sales</i>	17	16
Current capital expenditures, net	-2,046	-2,058
<i>% of net sales</i>	3	3
Changes in working capital	-226	-932
Other operating cash flow changes	-122	-291
Operating cash flow	8,707	6,679
Income taxes paid, etc ²	-1,351	-1,694
Free cash flow	7,356	4,985
<i>per share, SEK</i>	34.33	23.74
Interest paid after taxes	-616	-1,109
Cash flow from current operations	6,740	3,876
<i>per share, SEK</i>	31.45	18.46
Strategic capital investments, net	-10,500	-3,531
Cash flow before dividend	-3,760	345

¹ Figures for 1998 adjusted to conform to SCA's new cash flow statement.

² Tax attributable to operating profit.

FINANCING

Net debt at 31 December 1999 amounted to SEK 24,073 M, which was SEK 2,703 M higher than at 1 January. SEK 2,573 M of this change arises when SCA as of 31 December 1999 is including its outstanding pension liabilities in net debt. The remaining amount is the net of a cash flow of SEK 6,740 M from current operations, expenditures of SEK 10,500 M for strategic investments, etc., dividends of SEK 1,304 M to the shareholders, new issue in the fourth quarter of SEK 4,579 M and favorable effects of currency movements amounting to SEK 355 M.

Shareholders' equity increased during the year by 20%. The change is the net of the new issue proceeds, net earnings for the year, dividend and currency effects. The strengthening of the Swedish krona reduced equity by approximately SEK 1,200 M due to SCA's policy of hedging the Group's assets outside Sweden, which is based on the principle that currency movements should not affect the debt/equity ratio. The reduction in minority interests is due mainly to the acquisition of the minority holding outstanding in Laakirchen

The debt/equity ratio amounted to 0.69 (0.83). The interest-coverage multiple was 5.6 (5.1).

During the fourth quarter funds totaling about SEK 1.1 billion were transferred to a newly formed Swedish pension foundation for ITP pensions. This was reported net in the balance sheet similar to the Group's other pension foundations. As of 31 December 1999, the Group's remaining reported pension liabilities are included in net debt.

DIVIDEND

The Board has resolved to propose a dividend to the Annual General Meeting of SEK 6.80 (6.14) per share, an increase of 11%, which means that the dividend corresponds to 5.3% of reported shareholders' equity. Accordingly, dividend growth during the most recent five years is an average of 14% annually.

HYGIENE PRODUCTS BUSINESS AREA

The volume growth for the year was 8%, of which 3% is attributable to acquisitions. The volume trend was positive in all product segments and SCA increased its market shares. Organic growth was stronger in the institutional segment, 8%, compared with 2% for consumer products.

Net sales amounted to SEK 27,327 M (26,164), an increase of 4%, of which 3% was attributable to acquisitions, compared with 1998. Operating profit increased 6% and amounted to SEK 2,613 M (2,463). Company acquisitions, higher volumes and somewhat lower raw material costs offset somewhat lower product prices and higher production costs due to ongoing restructuring programs. Rising demand resulted in the operating margin for the business area successively improved during the second half of the year and is now higher than for the corresponding period a year earlier. The restructuring program in the tissue and baby diaper operations began to have an effect in the form of lower production costs during the fourth quarter. Despite increased raw material costs, combined with somewhat higher prices, earnings in the fourth quarter were 15% higher than in the third quarter.

The restructuring program involved the transfer of a large number of machine units, shutdowns, reduction of overhead expenses, etc. In total, the number of employees was reduced by about 1,000.

Operating profit for consumer products increased by 6%, to SEK 1.108 M (1,046), of which acquisitions accounted for 4%. The joint-venture companies in Latin America posted a strong earnings trend. On the main markets, higher production and distribution costs as a result of

restructuring programs were not fully offset by somewhat higher volumes and the lower raw material costs.

Sales of baby diapers developed favorably and volume growth was 25% in the retailers' brands segment.

Earnings from consumer products improved by 47% relative to the third quarter due to higher prices, lower production costs and the effects of acquisitions, and this despite somewhat lower volumes and increasing raw material costs.

Operating profit from AFH and incontinence products amounted to SEK 1,505 M (1,417), an increase of 6%. Despite lower selling prices, continuing highly good growth in volume resulted in an improvement in earnings. Compared with the third quarter, earnings in the fourth quarter were marginally lower due to higher raw material costs. The strong growth in volume of incontinence products is continuing. The productivity trend in the tissue segment was negative during the first three quarters due to the restructuring program. In contrast, productivity in the incontinence area developed well during the entire year.

The market consumption of tissue is estimated to have increased by about 3% last year, with the fastest growth rates noted in Southern Europe. Volume growth in the bulk consumers segment remained strong. Competition in the consumer segment was intensive throughout the year. Advertising and promotion activities were particularly intensive in Germany and Great Britain, where structural changes in the retail trade further contributed to a sharp competitive environment.

For incontinence products, the austerity programs in the public healthcare sectors created pressure on prices and in some cases on quality in the standard range for heavy incontinence. New, unique products, such as pant diapers, are now generating an increased portion of value growth instead. Growth in Europe during the year was about 6%. With regard to light incontinence products, SCA's introduction in the British retail trade exceeded expectations.

Demand for pant diapers was stable. The proportion of pant diapers continues to increase, but now at a slower pace. Retailer brands increased their market shares last year in France, the Netherlands and Germany.

The market for feminine hygiene products is stable. Panty liners show the strongest growth, while the trend for sanitary pads and tampons is more fragmented, depending on the market.

SEK M	99:4	99:3	99:2	99:1	9912	9812
Net sales	7,275	6,764	6,679	6,609	27,327	26,164
Operating surplus	1,117	948	907	905	3,877	3,683
Operating profit	747	649	602	615	2,613	2,463
Operating surplus margin, %	15	14	14	14	14	14
Operating margin, %	10	10	9	9	10	9
Volume growth, %						
Consumer products	8.3¹	5.4 ¹	-2.4 ¹	1.6 ¹	8²	15 ²
AFH and incontinence products	3.2¹	1.5 ¹	2.9 ¹	2.0 ¹	8²	8 ²

¹ Compared with the immediately preceding quarter.

² Compared with corresponding period previous year.

PACKAGING BUSINESS AREA

Volume growth was strong in the business area during the year, mainly due to company acquisitions. Corrugated board deliveries increased by about 20% and amounted to 3,396 million m². Net sales increased, however, by 30% as a result of acquisitions. The difference between growth, measured in m² and sales, is due to the high degree added-value in the acquired companies than in the basic operations. Organic growth was slightly less than 2%, in pace with market growth. The trend was weak at the beginning of the year, but improved significantly toward year-end.

Net sales for the period amounted to SEK 19,858 M (15,035), up 32%, mostly due to the acquisition of corrugated board companies.

Operating profit amounted to SEK 2,216 M (1,510), an improvement of 47%. Adjusted for acquisitions of companies, operating profit improved 9%. In the liner operations, somewhat lower average paper prices and increased raw material costs were offset by lower energy costs and larger volumes. As a result of the lower paper prices, earnings increased from corrugated board operations in which margins improved successively during the year.

Operating profit increased by 34% in the fourth quarter, compared with third-quarter results. Adjusted for acquisitions, the improvement was 25%. The improvement was attributable to the liner business, where price hikes for kraftliner, but mainly test liner, gained a major impact. The corrugated board operations was also able to offset this increase in raw material costs with higher prices combined with increased deliveries.

The market situation for the business area changed significantly during the year. Demand for corrugated board was weak during the first half of the year and sales volumes declined in some key markets. This trend was broken in the summer when high demand for e.g. beverage packaging offset the traditionally seasonal decline. Industrial production rose in the autumn, which may have been affected by the demand for millennium-related products, resulting in an increase of 2% in the European corrugated board market during 1999.

In the important markets for SCA in Europe, demand rose the most in Spain and Sweden. Germany, France and Italy posted favorable growth while demand fell in Great Britain and Benelux.

The kraftliner market was strong throughout 1999, initially due to lower export volumes from North America. During the second half of the year, the underlying European demand improved. Consequently, the order situation is currently highly favorable.

Kraftliner prices were increased as planned during the fourth quarter and further price hikes for presentation liner of about EUR 50/ton have been announced for the first quarter of 2000. In the US, price increase for unbleached kraftliner of USD 50/short ton have been announced for February.

Demand for recycled-fiber-based paper grades, testliner and fluting, were also favorable during the year. Price hikes were implemented early in the autumn and sales prices were stable thereafter. Cost increases for energy, recycled fiber and chemicals may lead to a price adjustment during the first quarter of 2000.

The weak market situation during the first half of the year resulted in a decline in corrugated board prices. The demand situation and higher paper prices resulted in price hikes for corrugated board being implemented during the autumn. However, there is still a need of increased corrugated board prices.

The expected earnings improvement from the price increases for kraftliner as of 1 October was limited somewhat by lower deliveries due to customer stockpiling at the end of the third quarter in anticipation of the price hikes. Within the recycled-fiber-based paper grades, however, significantly improved prices and higher deliveries were noted in the fourth quarter.

SEK M	99:4	99:3	99:2	99:1	9912	9812
Net sales	5,587	4,862	4,664	4,745	19,858	15,035
Operating surplus	1,075	823	793	699	3,390	2,270
Operating profit	737	550	505	424	2,216	1,510
Operating surplus margin, %	19	17	17	15	17	15
Operating margin, %	13	11	11	9	11	10
Production						
Liner products, kton	620	535	562	550	2,267	2,168
Deliveries						
Liner products, kton	602	559	582	557	2,300	2,163
Corrugated board, Mm ²	908	838	827	823	3,396	2,859

FOREST PRODUCTS BUSINESS AREA

Net sales for the newly formed business area were at the year-earlier level and amounted to SEK 11,532 M (11,479). Lower prices were offset by larger volumes. Compared with the third quarter, net sales rose 7% in the fourth quarter, due to higher prices and volumes.

Operating profit within the forestry and pulp operations was SEK 817 M (724), up 13%. The earnings improvement is a net of a sharp improvement in the pulp operations and a decline in Forest and Timber. The improvement in the pulp operations was due mainly to higher sales prices as well as to higher volumes, improved productivity and lower wood prices. Operating profit for Forest and Timber for the period was 5% lower than in 1998. Earnings include capital gains of SEK 102 M (32). Sawmill operations reported lower earnings compared with the preceding year. Delivery volumes and product prices were at the year-earlier level. Higher direct costs were only partially offset by an improvement in indirect costs. The forestry operations posted lower operating profit compared with a year earlier as a result of lower wood prices. Compared with the third quarter, operating profit rose 9% in the fourth quarter, as a result of higher pulp prices and increased volumes within the sawmill operations.

Operating profit for publication papers was somewhat lower compared with 1998 and amounted to SEK 1,306 M (1,322), but earnings improved successively during the year. The decline in earnings compared with a year earlier is attributable to lower average sales prices not being fully offset by lower production costs, lower wood prices and higher volumes. The improved earnings in the fourth quarter, compared with the third, were due mainly to improved sales volumes.

The market situation is favorable, with good underlying demand for all grades. Certain price increases for LWC paper were announced and to some extent also for newsprint.

Compared with the third quarter, operating profit for the business area was up 13% in the fourth quarter.

SEK M	99:4	99:3	99:2	99:1	9912	9812
Net sales	3,087	2,892	2,812	2,741	11,532	11,479
Operating surplus	896	797	742	709	3,144	3,050
Operating profit	625	552	488	458	2,123	2,046
Operating surplus margin, %	29	28	26	26	27	27
Operating margin, %	20	19	17	17	18	18
Production						
Wood-containing publ. paper, kton	318	307	295	302	1,222	1,200
Timber products, km ³	212	159	164	146	681	653
Deliveries						
Wood-containing publ. paper, kton	337	304	295	290	1,226	1,199
Timber products, km ³	200	166	162	142	670	672

FINE PAPER AND MERCHANTING OPERATIONS

Net sales amounted to SEK 7,795 M (10,276). The decline is due to the operations being merged on 1 October with MoDo's fine paper operations in the newly formed company Modo Paper AB, which is reported as an associated company in SCA. During the first three quarters, sales rose 2%.

Operating profit, including share in earnings in the fourth quarter, amounted to SEK 491 M, compared with SEK 528 M in the year-earlier period. The share in earnings is charged with interest expense of SEK 43 M.

The co-ordination of activities is proceeding well and the market trend is favorable.

Modo Paper AB will publish information about the company in the beginning of February.

MODO PAPER AB

SCA and MoDo have decided to initiate work with an exchange listing and broadening of ownership of Modo Paper AB, in which each currently holds a 50% interest. The broadening of ownership is intended to be accomplished through SCA selling shares in a public offering and MoDo distributing shares to its shareholders.

It is SCA's intent in the public offering to sell shares corresponding to 35% of the total number of shares in Modo Paper AB. MoDo intends to propose that the Annual General Meeting resolve to distribute an equal number of shares to its shareholders.

Assuming that the market conditions prevail for an exchange listing, the assessment is that Modo Paper will be listed on the OM Stockholm Stock Exchange during April 2000.

OTHER EVENTS

At the end of December, approximately 1.9 million AB Industrivärden shares were divested to two Swedish foundations for securing SCA employees' pensions. The sales resulted in a capital gain of SEK 170 M, an amount for which a provision is being made pending clarification of the accounting rules for Swedish pension foundations in accordance with IAS.

With regard to other events during the year, reference is made to the attached extract of the CEO's comments on page 21.

PERSONNEL

The number of employees at the end of the year was 34,137 (32,211). The change is a net of company acquisitions and separation of the fine paper operations.

MARKET OUTLOOK

The general economic trend remains strong in Europe and the US. Demand for the Group's products is favorable and price hikes have been effected to offset costs increases for raw materials. The business climate is projected to remain strong during the year.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 10 April in Stockholm. The proposed record date for dividend rights is 13 April. Payment through VPC is expected on 18 April. Interim reports in 2000 will be published on 28 April, 28 July and 30 October. The 1999 Annual Report is scheduled for distribution at the end of March 2000.

SHARE DISTRIBUTION

99-12-31	Series A	Series B	Total
Registered number of shares	62,133,909	168,166,015	230,299,924
Unconverted debenture loans	-	1,366,592	1,366,592
Outstanding warrants	-	1,741,206	1,741,206
Total after full conversion	62,133,909	171,273,813	233,407,722

Calculated in accordance with the recommendations of the Swedish Financial Analysts Association, the effects of the outstanding convertible debenture and warrant programs amount to a maximum dilution of 0.7%, which is taken into account when calculating earnings per share for the period.

Stockholm 31 January 1999

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Sverker Martin-Löf
President and CEO

This report has not been subject to final audit by the company's auditors.

The interim report for 1 January-31 March will be released on 28 April 2000.

Copies of the Interim Report are available at SCA U.K. Holdings Limited, SCA Packaging House, 543, New Hythe Lane, Aylesford, Kent ME20 7PE, attention, Tony Staples, telephone 0044 1622 883 025.

Statement of Earnings

1 January – 31 December

	1999		1998	
	SEK M	EUR M	SEK M	ECU M
Net sales	64,896	7,371	61,273	6,858
Operating expenses	-53,900	-6,122	-50,953	-5,703
Operating surplus	10,996	1,249	10,320	1,155
Depreciation according to plan	-4,441	-504	-4,013	-449
Share in earnings of Modö Paper AB ¹	136	16		
Share in earnings of other associated companies	42	4	121	13
Operating profit	6,733	765	6,428	719
Financial items	-1,212	-138	-1,259	-141
Earnings after financial items	5,521	627	5,169	578
Income taxes	-1,849	-210	-1,680	-188
Minority interest	-70	-8	-110	-12
Net earnings after tax	3,602	409	3,379	378
Operating margin	10%		11%	
Return on shareholders' equity	12%		13%	
Return on capital employed	12%		14%	

¹ As of 1 October 1999, Modö Paper AB is included as a share in earnings. For earlier periods, SCA's original fine paper operations are included in net sales, operating expenses, etc.

Business Areas

Net sales - 1 January - 31 December

SEK M	1999	1998
Hygiene Products	27,327	26,164
Packaging	19,858	15,035
Forest Products	11,532	11,479
Fine papers, paper merchanting¹	7,795	10,276
Other operations	1,685	1,647
Divested units	-	144
Intra-Group deliveries	-3,301	-3,472
Total net sales	64,896	61,273

See also additional information on page 18.

¹ As of 1 October 1999, Modo Paper AB is included as a share in earnings. Accordingly, net sales are not reported after this date.

Earnings -1 January - 31 December

SEK M	1999	1998
Hygiene Products	2,613	2,463
Packaging	2,216	1,510
Forest Products	2,123	2,046
Fine papers, paper merchanting²	491	528
Other operations	-108	285
Divested units	-	3
Earnings before goodwill amortization	7,335	6,835
Goodwill amortization³	-602	-407
Total operating profit	6,733	6,428
Financial items	-1,212	-1,259
Earnings after financial items	5,521	5,169
of which nonrecurring items	-	400
Earnings after financial items excluding nonrecurring items	5,521	4,769

See also additional information on page 18.

² Pertains to share in earnings of Modo Paper AB as of the fourth quarter 1999, but refers to operating profit for earlier periods.

³ Goodwill amortization:	1999	1998
Hygiene Products	110	59
Packaging	171	30
Fine papers, paper merchanting	2	1
Common ⁴	319	317
Group	602	407

⁴ Goodwill reported on a Groupwide basis pertains to surplus values in companies acquired in 1990, with operations that were integrated in SCA's various business areas. Goodwill attributable to later acquisitions has been allocated to the business area that made the purchase.

Balance sheet

	1999-12-31		1998-12-31	
	SEK M	EUR M	SEK M	ECU M
Assets				
Long-term assets ¹	61,065	7,145	55,147	5,823
Receivables and inventories	18,311	2,143	18,790	1,984
Financial receivables and investments	4,208	492	2,617	276
Cash and bank balances	1,630	191	1,819	192
Total assets	85,214	9,971	78,373	8,275
Equity, provisions and liabilities				
Shareholders' equity	34,133	3,994	28,404	2,999
Minority interests	587	69	1,386	146
Provisions	8,632	1,010	10,906	1,152
Interest-bearing debt	28,881	3,379	25,806	2,725
Operating liabilities and other noninterest-bearing debt	12,981	1,519	11,871	1,253
Total equity, provisions and liabilities	85,214	9,971	78,373	8,275
Debt/equity	0.69 times		0.83 times	
Equity/assets	41%		38%	

¹ of which goodwill SEK 10,431 M (6,134)

Cash flow statement

1 January – 31 December

SEK M	1999	1998 ³
Operating cash surplus ²	11,101	9,960
Changes in working capital	-226	-932
Current capital expenditures	-2,046	-2,058
Other operating cash flow changes	-122	-291
Operating cash flow	8,707	6,679
Financial items	-1,212	-1,259
Income taxes paid	-951	-1,279
Other	196	-266
Cash flow from current operations	6,740	3,875
Strategic capital expenditures	-2,615	-2,248
Strategic structural expenditures	-370	-
Company acquisitions	-10,400	-2,793
Divestments	2,885	1,511
Cash flow before dividend and new share issue	-3,760	345
New share issue	4,579	-
Dividend	-1,304	-1,145
Net cash flow¹	-485	-800
Net debt, 1 January	-21,370	-19,018
Net cash flow	-485	-800
Acquired net debt	-	-325
Pension liabilities	-2,573	-
Currency effects	355	-1,227
Net debt, 31 December	-24,073	-21,370
Debt payment capacity	33%	32%⁴

¹ Additional information in accordance with Swedish Financial Accounting Standards Council's recommendation regarding reporting of cash flow

Net cash flow	-485	-800
Change in interest-bearing debt	247	1,097
Change in cash and bank balances	-238	297
Cash and bank balances at beginning of period	1,819	1,582
Change in cash and bank balances	-238	297
Currency effects on cash and bank balances	49	-60
Cash and bank balances at end of period	1,630	1,819

² Operating surplus adjusted for significant non-cash items in accordance with the principles being applied by SCA effective at midyear 1999.

³ Figures for 1998 adjusted in accordance with SCA's new cash flow statement.

⁴ Calculated pro forma with pension liabilities included in net debt.

Quarterly data

Group

SEK M	1999				1998			
	IV	III	II	I	IV	III	II	I
Net sales	15,662	16,603	16,389	16,242	15,918	15,234	14,857	15,264
Operating surplus	3,053	2,783	2,627	2,533	2,476	2,506	2,427	2,911
Depreciation according to plan	-1,186	-1,078	-1,093	-1,084	-1,043	-1,006	-966	-998
Share in earnings of Modo Paper AB ¹	136	-	-	-	-	-	-	-
Share in earnings of other associated companies	21	5	11	5	27	32	41	21
Operating profit	2,024	1,710	1,545	1,454	1,460	1,532	1,502	1,934
Financial items	-313	-315	-258	-326	-343	-338	-298	-280
Earnings after financial items	1,711	1,395	1,287	1,128	1,117	1,194	1,204	1,654
of which nonrecurring items	-	-	-	-	-	-	-	400
Income taxes	-555	-497	-425	-372	-356	-426	-376	-522
Minority interest	-24	-15	-21	-10	-30	-19	-29	-32
Net earnings after tax	1,132	883	841	746	731	749	799	1,100
Earnings per share, SEK	5.10	4.19	4.01	3.55	3.47	3.56	3.82	5.26

¹ As of 1 October 1999, Modö Paper AB is included as a share in earnings. For earlier periods, SCA's original fine paper operations are included in net sales, operating expenses, etc.

Quarterly data Business Areas

Net sales

SEK M	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	7,275	6,764	6,679	6,609	6,951	6,490	6,395	6,328
Packaging	5,587	4,862	4,664	4,745	3,832	3,725	3,650	3,828
Forest Products	3,087	2,892	2,812	2,741	2,952	2,805	2,830	2,892
Fine papers, paper merchant.¹	-	2,558	2,616	2,621	2,659	2,576	2,411	2,630
Other operations	383	440	487	375	365	467	404	411
Divested units	-	-	-	-	3	1	-1	141
Intra-Group deliveries	-670	-913	-869	-849	-844	-830	-832	-966
Total net sales	15,662	16,603	16,389	16,242	15,918	15,234	14,857	15,264

See also additional information on page 19.

Operating surplus

SEK M	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	1,117	948	907	905	925	919	887	952
Packaging	1,075	823	793	699	523	580	592	575
Forest Products	896	797	742	709	806	780	729	735
Fine papers, paper merchant.¹	-	228	236	222	215	226	246	283
Other operations	-35	-13	-51	-2	7	1	-27	366
Total operating surplus	3,053	2,783	2,627	2,533	2,476	2,506	2,427	2,911

See also additional information on page 19.

¹ As of 1 October 1999, Modö Paper AB is included as a share in earnings. For earlier periods, SCA's original fine paper operations are included in net sales, operating expenses, etc.

Quarterly data Business Areas

Operating profit

SEK M	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	747	649	602	615	597	616	619	631
Packaging	737	550	505	424	327	401	405	377
Forest Products	625	552	488	458	575	518	474	479
Fine papers, paper merchanting¹	136	125	122	108	100	114	140	174
Other operations	-33	-19	-40	-16	-30	-16	-34	365
Divested units	-	-	-	-	-1	-1	-	5
Operating profit before goodwill amortization	2,212	1,857	1,677	1,589	1,568	1,632	1,604	2,031
Goodwill amortization²	-188	-147	-132	-135	-108	-100	-102	-97
Total operating profit	2,024	1,710	1,545	1,454	1,460	1,532	1,502	1,934
of which nonrecurring items	-	-	-	-	-	-	-	400
Operating profit excluding nonrecurring items	2,024	1,710	1,545	1,454	1,460	1,532	1,502	1,534

See also additional information on page 19.

¹ Pertains to share in earnings of Modö Paper AB as of the fourth quarter 1999, but refers to operating profit for earlier periods.

² Goodwill amortization:

Hygiene Products	45	27	19	19	14	16	14	15
Packaging	63	40	31	37	11	5	10	4
Fine papers, paper merchanting	-	1	1	0	0	0	1	0
Common	80	79	81	79	83	79	77	78
Group	188	147	132	135	108	100	102	97

Quarterly data Business areas

Operating surplus margins

Percent	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	15	14	14	14	13	14	14	15
Packaging	19	17	17	15	14	16	16	15
Forest Products	29	28	26	26	27	28	26	25
Fine papers, paper merchanting¹	n a	9	9	8	8	9	10	11

See also additional information on page 20.

Operating margins excluding goodwill amortization

Percent	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	10	10	9	9	9	9	10	10
Packaging	13	11	11	9	9	11	11	10
Forest Products	20	19	17	17	19	18	17	17
Fine papers, paper merchanting¹	n a	5	5	4	4	4	6	7

See also additional information on page 20.

¹As of 1 October 1999, Modo Paper AB is included as a share in earnings. Accordingly, margins are not reported after this date.

Quarterly data Group

Margins²

Percent	1999				1998			
	IV	III	II	I	IV	III	II	I
Operating surplus margin	19.5	16.8	16.0	15.6	15.6	16.5	16.3	19.1
Operating margin, excl. goodwill amortization	14.1	11.2	10.2	9.8	9.9	10.7	10.8	13.3
Operating margin	12.9	10.3	9.4	9.0	9.2	10.1	10.1	12.7
Financial net margin	-2.0	-1.9	-1.6	-2.0	-2.2	-2.2	-2.0	-1.8
Profit margin	10.9	8.4	7.8	7.0	7.0	7.9	8.1	10.9

²Since fine paper and paper merchanting are reported as a share in earnings of Modo Paper AB as of 1 October 1999, the margin figures are not fully comparable over time.

Five-year summary

Full year	1999	1998	1997	1996	1995
Earnings after financial items, SEK M	5,521	5,169	4,457	3,573	5,731
Earnings per share after tax, SEK	16.85	16.11	13.20	10.11	16.57
Debt/equity ratio, times	0.69	0.83	0.85	0.79	0.80
Return on capital employed, %	12	14	12	11	16
Return on shareholders' equity, %	12	13	12	10	17

ADDITIONAL INFORMATION – BUSINESS AREAS

Net sales

1 January - 31 December

SEK M	1999	1998
Hygiene Products	27,327	26,164
Consumer Products	15,727	15,313
AFH and incontinence products	11,600	10,851
Forest Products	11,532	11,479
Pulp, Forest and Timber	4,948	4,943
Wood-containing publication paper	6,584	6,536

Operating profit

1 January – 31 December

SEK M	1999	1998
Hygiene Products	2,613	2,463
Consumer Products	1,108	1,046
AFH and incontinence products	1,505	1,417
Forest Products	2,123	2,046
Pulp, Forest and Timber	817	724
Wood-containing publication paper	1,306	1,322

ADDITIONAL INFORMATION – BUSINESS AREAS

Quarterly data

Net sales

SEK M	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	7,275	6,764	6,679	6,609	6,951	6,490	6,395	6,328
Consumer Products	4,284	3,894	3,774	3,775	4,081	3,820	3,714	3,698
AFH and incontinence products	2,991	2,870	2,905	2,834	2,870	2,670	2,681	2,630
Forest Products	3,087	2,892	2,812	2,741	2,952	2,805	2,830	2,892
Pulp, Forest and Timber	1,304	1,272	1,187	1,185	1,217	1,154	1,288	1,284
Wood-containing publ. paper	1,783	1,620	1,625	1,556	1,735	1,651	1,542	1,608

Operating surplus

SEK M	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	1,117	948	907	905	925	919	887	952
Consumer Products	624	449	406	424	431	457	460	471
AFH and incontinence products	493	499	501	481	494	462	427	481
Forest Products	896	797	742	709	806	780	729	735
Pulp, Forest and Timber	377	328	227	211	264	244	245	293
Wood-containing publ. paper	519	469	515	498	542	536	484	442

Operating profit

SEK M	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	747	649	602	615	597	616	619	631
Consumer Products	380	260	218	250	253	245	285	263
AFH and incontinence products	367	389	384	365	344	371	334	368
Forest Products	625	552	488	458	575	518	474	479
Pulp, Forest and Timber	278	255	141	143	196	164	161	203
Wood-containing publ. paper	347	297	347	315	379	354	313	276

ADDITIONAL INFORMATION – BUSINESS AREAS

Quarterly data

Operating surplus margins

Percent	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	15	14	14	14	13	14	14	15
Consumer Products	15	12	11	11	11	12	12	13
AFH and incontinence products	17	17	17	17	17	17	16	18
Forest Products	29	28	26	26	27	28	26	25
Pulp, Forest and Timber	29	26	19	18	22	21	19	23
Wood-containing publ. paper	29	29	32	32	31	32	31	27

Operating margins excluding goodwill amortization

Percent	1999				1998			
	IV	III	II	I	IV	III	II	I
Hygiene Products	10	10	9	9	9	9	10	10
Consumer Products	9	7	6	7	6	6	8	7
AFH and incontinence products	12	14	13	13	12	14	12	14
Forest Products	20	19	17	17	19	18	17	17
Pulp, Forest and Timber	21	20	12	12	16	14	13	16
Wood-containing publ. paper	19	18	21	20	22	21	20	17

President's letter

(Extract from the main content of the President's Letter in the SCA 1999 Annual Report).

HIGH GROWTH RATE THROUGH ACQUISITIONS

The sustainable cash flow goal from the Group's core activities has been raised about 20 percent in year 2000.

During 1999, we made acquisitions and strategic investments totaling SEK 13 billion. Accordingly, SCA has played an active role in restructuring and capitalized on the consolidation process that characterizes both the hygiene products and packaging industries in Europe today. Concurrently, we also made a definitive move toward divesting Group operations in the fine paper sector through a merger of the fine paper activities of SCA and MoDo in a new joint-venture company, Modo Paper AB, effective 1 October 1999. The goal is to introduce the new company's share on the stock exchange.

SCA's ownership share of the fine paper activities is reported from 1 October 1999 as an associated company with a share in earnings. As a result, effective from the same date, the Group's operating cash flow consists exclusively of SCA's remaining core business activities.

Consolidated cash flow goals for year 2000 have been recalculated in view of the Group's comprehensive acquisition program and the deconsolidation of fine paper operations. As shown in the table on page 24, the goal for operating cash flow from business activities, excluding fine paper, has been raised about 20 percent compared with 1999, and the goal for sustainable cash flow has been increased from SEK 3.8 billion to SEK 4.4 billion.

To secure continued strong concentration on SCA's consolidation efforts in its Hygiene Products and Packaging business areas, a new issue of shares was floated in 1999. The share issue, which was fully subscribed, amounted to SEK 4.6 billion – historically, one of the largest issues of new shares ever effected on the Stockholm Stock Exchange.

Business operations in 1999 were characterized by two different trends. During the first half of the year, prices declined in most product areas in parallel with lower raw material costs. During the second half of 1999, a strong improvement in economic conditions was noted in Europe and Asia, while economic growth in North America remained strong. As a result, raw material costs rose rapidly, creating pressure on margins, in parallel with gradual improvements in opportunities to adjust prices for the Group's end-products.

The value of SCA shares rose 53 percent in 1999. The year-end price on 31 December 1999 was SEK 252, the highest ever for SCA shares. The long-term trend is shown in the diagram on page 24, which shows the annual effective return on SCA shares since 1985 (based on the average price for the year and what year the shares were acquired).

Hygiene Products and Packaging expand

SCA's strategic focus is based primarily on continued expansion of the Hygiene Products and Packaging business areas. In line with this strategy, we have implemented strategic investments amounting to approximately SEK 18 billion since the end of 1997. A total of 29 companies have been acquired. Our efforts have been supported in part by the ongoing trend toward increased consolidation in Europe.

All acquired companies are evaluated in terms of their contribution to SCA's cash flow. Cash flow requirements on acquired companies are also linked to SCA's incentive program. Results of the

incentive programs, in turn, are linked directly to development trends for the company's cash flow and value growth for SCA shares. The system contributes to internal respect for, and commitment to, our requirements on profitability, including the profitability of acquired companies.

Acquisitions by Hygiene Products in 1999 have contributed to increasingly stronger market positions in Southern Europe, including leadership positions on the Iberian Peninsula. The business area's products for protection against light incontinence have shown rapid growth in Europe, where the Group's market share is nearly 70 percent. The acquisition of AM Paper, a British company, has increased SCA's European market share for tissue to 21 percent. Sales of baby diapers of retailers' own brands have increased sharply and SCA's own Libero brand-name diaper has increased its market shares. Our active product development work is one of the main forces behind this trend.

Internally, the Hygiene Products business area's new organization is now in place, and the industrial infrastructure, featuring fewer and larger production plants, will be completed in year 2000. The new TAD machine for household paper production in Mannheim, Germany was placed online in 1999, and the products met favorable market reception.

Supported by the large number of recent acquisitions, the Packaging business area has achieved growing improvements in European market coverage, and its percentage of sales attributable to refined packaging products has increased. In response to customer demands, we are also focusing greater efforts on offering customers a broader concept of effective logistics solutions. Acquisitions in Denmark, France, Ireland and Spain during the year have strengthened our positions in several important local markets.

Modo Paper AB

Some time ago, we declared that fine paper was not included among SCA's core activities. Several divestment alternatives were evaluated before the Board of Directors reached a decision to merge the fine paper activities of SCA and MoDo. The merger has created Europe's third largest producer of fine paper, with a competitive product portfolio. The company is expected to generate higher values for SCA's shareholders through a combination of synergy effects and strong market positions. The shareholding will be reduced in conjunction with the planned exchange listing of the company in April 2000. This will also release more resources for expansion in other areas.

New business area – SCA Forest Products

Since the transfer of fine paper activities to Modo Paper, the operations of SCA's Graphic Paper business area have been concentrated exclusively on wood-containing publication papers. As a natural step, we are now coordinating Graphic Paper with the activities of Forest and Timber. There are many common bonds between pulp and paper production operations, raw material supplies and the Group's sawmills. Coordination of these activities will create a more unified and effective organizational structure with improved potential to benefit from synergies as well as integrated management and administrative routines. The new business area, SCA Forest Products, will assume responsibility for forest management activities, timber supplies, sawmill operations, pulp production and publication papers. The new business area, accordingly, will serve as the internal raw materials supply unit for hygiene products and packaging activities, as well as external sales of newsprint and timber products.

Substantial savings were realized during the year from greater coordination of operating routines in SCA Raw Materials and Logistics. Particularly sharp reductions were reported in energy costs, and new channels were established for outsourcing energy and environmental facilities.

SCA's employees

Skilled and well-trained personnel are a critical factor for the achievement of greater effectiveness and maintaining a continued rapid rate of product development, among other aspects of Group operations. Accordingly, SCA makes determined efforts to increase the skill levels of its personnel, for instance in conjunction with recruitment of new employees. Today, the equivalent of a high-school diploma is a basic employment requirement, and the number of Group employees with college and university training is increasing steadily. Today, the percentage of persons with academic degrees has risen to about 9 percent.

Environment

Environmental work is a highly prioritized and fully integrated element of SCA Group operations. Our business concept is linked strongly to the closed-cycle principle, which is natural since about 95 percent of the company's products consist of renewable and recyclable materials.

The success of our environmental work was confirmed during the year by the Dow Jones Sustainability Group Index, a global survey of 3,000 companies in 33 countries. The survey evaluated each company's ability to combine economic growth with successful environmental programs, in addition to other considerations. SCA and about 200 other companies were cited as the global leaders. More detailed information about the survey and our entire comprehensive environmental program is presented in our separate environmental report.

Cash flow and dividend growth

We strive constantly toward the achievement of SCA's objective to provide shareholders with a competitive return on their investment. The strategy for creating growth in the value of SCA shares is based on utilizing cash flow from operations for dividends and profitable strategic investments. The investments, in turn, create growing cash flow that strengthens the base for sustained dividend growth.

In connection with its review of Group strategy, the Board of Directors has determined that the Group's present structure and earnings capacity should gradually yield a somewhat higher level of dividends in relation to reported equity. The Board has proposed an increase of 11 percent in the dividend for 1999.

SCA's dividend has increased continuously, or remained unchanged, since the company was listed on the Stockholm Stock Exchange in 1950. Growth in the dividend over the past five years, including the proposed dividend for 1999, has amounted to 14 percent. The dividend for 1999 corresponds to 22 percent of cash flow from operations.

Redemption of shares

In all likelihood, opportunities will be created this year for Swedish companies to redeem their own shares. As a result, companies will be afforded much greater flexibility to adjust their capital structures, for example, hedge reward programs and supplement dividends to shareholders, among other options. The manner in which this possibility will be utilized is a subject for consideration by the Board of Directors.

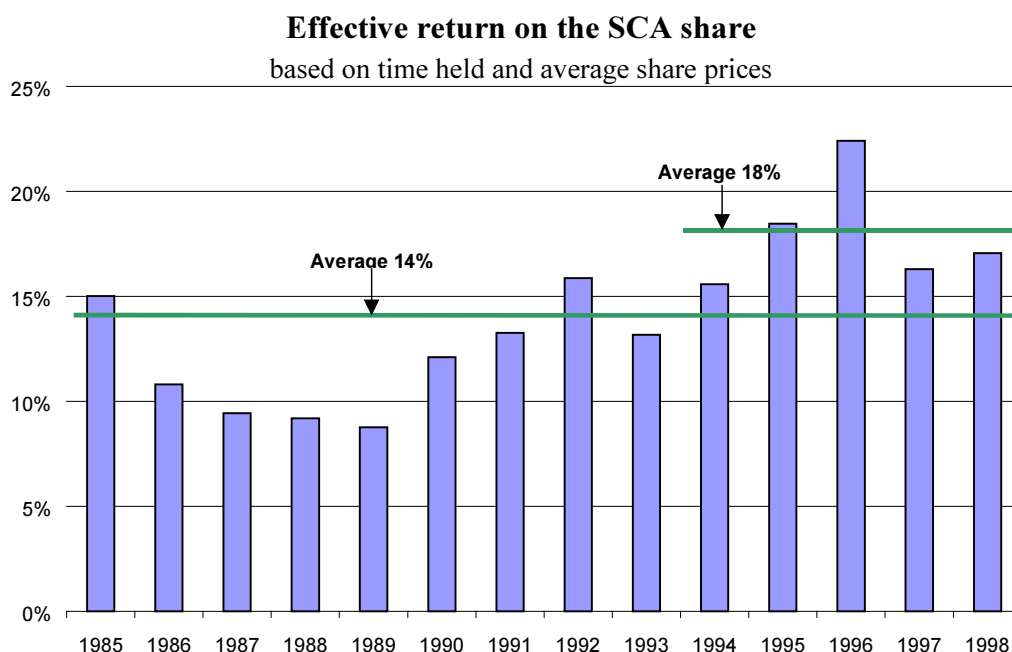
Stockholm, 31 January 2000

Sverker Martin-Löf
President and CEO

SCA's cash flow targets

SEK billion	1999	1999 excl fine paper	Targets 2000	Increase
Operating cash surplus	11,0	10,0	11,7	18%
Current capital expenditures	-4,0	-3,5	-3,9	12%
Operating cash flow	7,0	6,5	7,8	20%
Financial cash flow	-3,2		-3,4	
Cash flow from current operations	3,8		4,4	16%

The table presents SCA cash flow targets for 2000. The goal is to increase cash flow from current operations from SEK 3.8 billion 1999 to SEK 4.4 billion 2000. In the increase shown for operating cash flow, fine paper was excluded in 1999.



Date of acquisition

The diagram illustrates the annual effective return, through 1998, based on the date of acquisitions of the SCA share. For example, if the SCA share was purchased in 1996, the effective return through 1998 amounted to 22 percent. Effective return is defined as the share's appreciation in value and the annual dividend being continually reinvested in SCA shares.

The horizontal lines show that the average over the entire period is 14 percent and 18 percent for the past five years.