

# SCA Interim Report

1 January–31 March 2005



**Jan Åström**  
President and CEO



# SCA in Brief

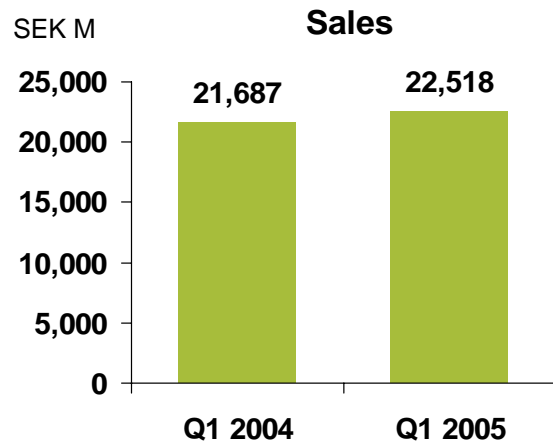
*1 January–31 March 2005*

	Q1 2005	Q1 2004	Q4 2004
<b>Earnings per share, SEK</b> (including items affecting comparability)	<b>2.82</b>	5.89	4.62
<b>Cash flow from current operations per share, SEK</b>	<b>-0.11</b>	3.68	8.15
<b>Net sales, SEK M</b>	<b>22,518</b>	21,687	23,128
<b>Earnings after financial items, SEK M</b>	<b>894</b>	1,883	971
<i>Excluding items affecting comparability</i>	<b>1,319</b>	1,914	1,597
<b>Net earnings, SEK M</b>	<b>662</b>	1,384	1,082
<i>Excluding items affecting comparability</i>	<b>976</b>	1,405	1,163

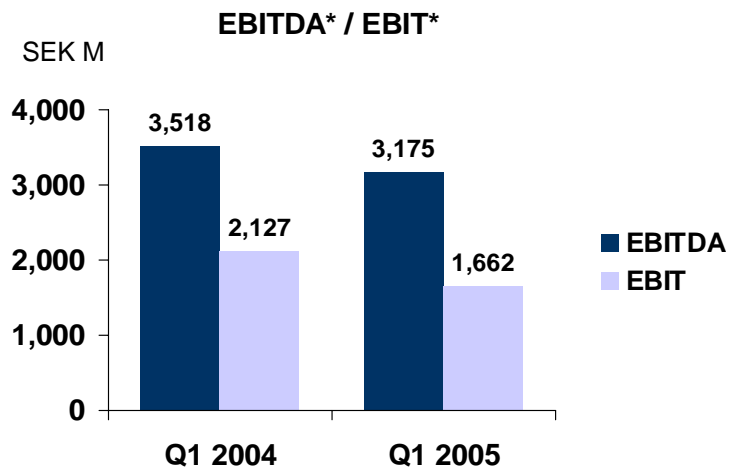


# SCA Group

## Compared with first quarter of 2004



- **Sales increased by 4%**
  - ◆ Currency effects -2%
- **Operating surplus decreased with SEK 343 M (excluding items affecting comparability)**

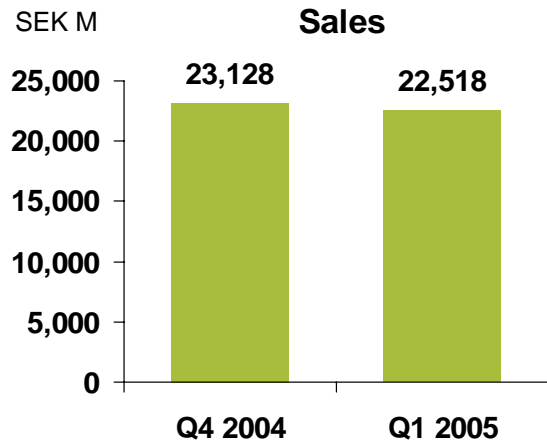


- **Operating profit decreased with SEK 465 M (excluding items affecting comparability)**
  - ◆ Currency effects -2%

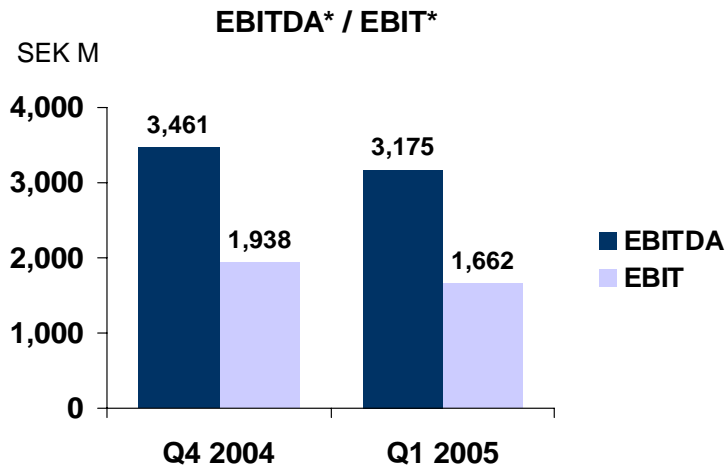
\*Excluding items affecting comparability

# SCA Group

## Compared with fourth quarter of 2004



- **Sales decreased with 3%**
  - ◆ Limited currency effects
- **Operating surplus decreased with SEK 286 M (excluding items affecting comparability)**



- **Operating profit decreased with SEK 276 M (excluding items affecting comparability)**

\*Excluding items affecting comparability

# Cash Flow Analysis

*1 January–31 March*

1 (2)

SEK M	2005	2004	Change
Operating cash surplus	<b>3,087</b>	3,445	-10%
Changes in working capital	-1,266	-1,369	
Current capital expenditures, net	-750	-583	
Other operating cash flow changes	-156	-78	
<b>Operating cash flow</b>	<b>915</b>	1,415	-35%
Financial items	-343	-214	
Income taxes paid	-601	-342	
Other	3	2	
<b>Cash flow from current operations</b>	<b>-26</b>	861	



# Cash Flow Analysis

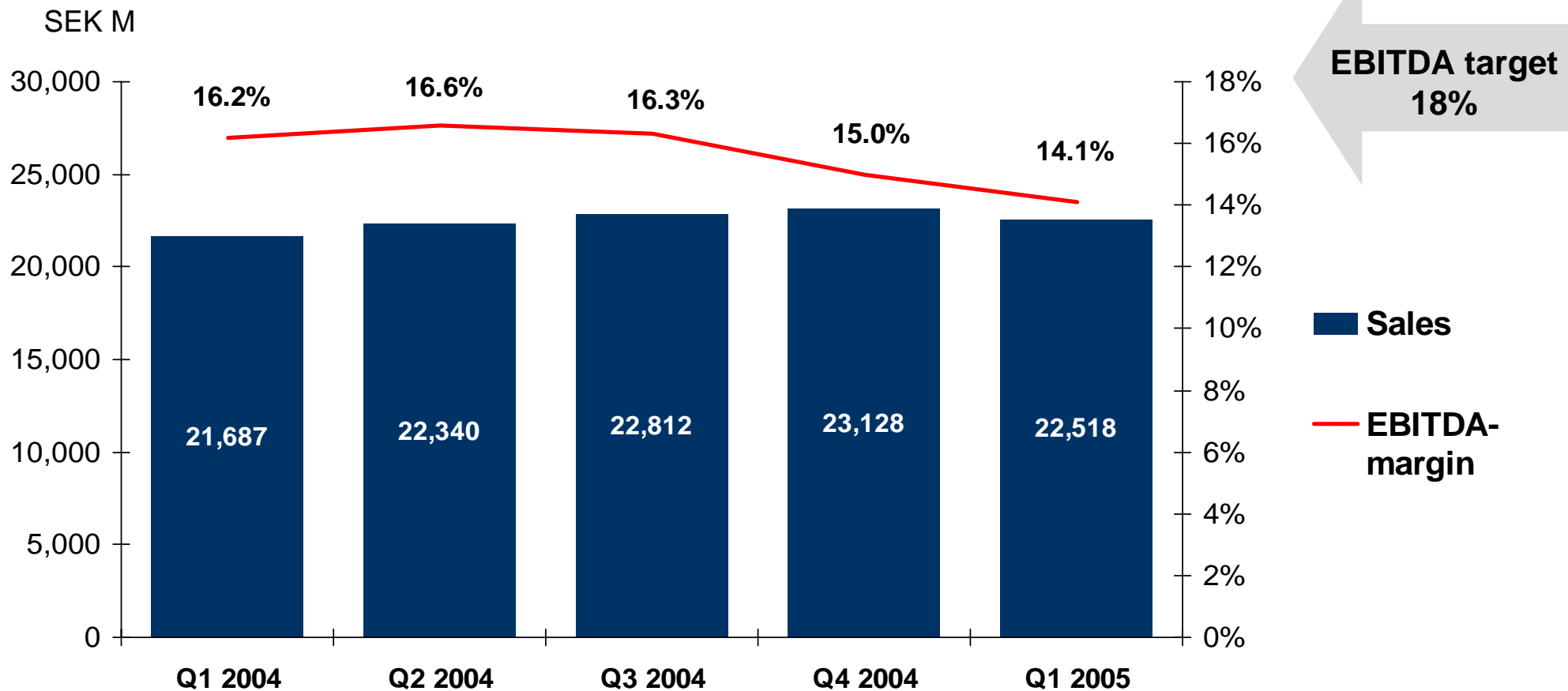
## 1 January–31 March

2 (2)

SEK M	2005	2004
<b>Cash flow from current operations</b>	<b>-26</b>	861
Company acquisitions	-49	-988
Strategic capital expenditures	-601	-465
Strategic structural expenditures	-12	-85
Divestments	0	0
<b>Cash flow before dividend</b>	<b>-688</b>	-677
<b>Debt equity ratio, times</b>	<b>0.66</b>	0.51
<b>Debt payment capacity, %</b>	<b>20%</b>	43%

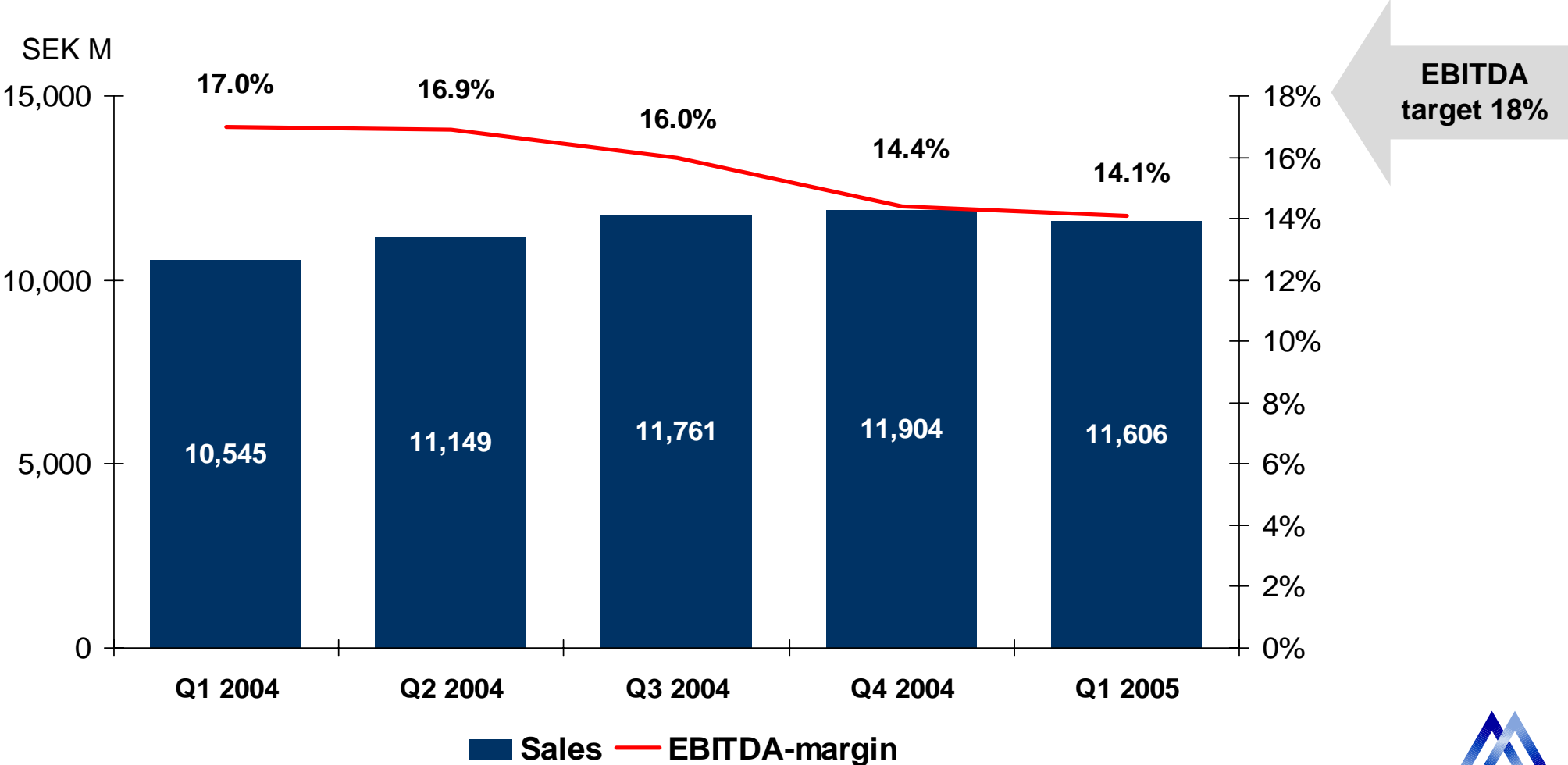
# Group – Quarterly Development

*Excluding items affecting comparability*



# Hygiene Products - Development

*Quarterly data*



# Hygiene Products - Operating Profit

## *Compared with first quarter of 2004*

	Q1 2005	Q1 2004	Change	Comments
Hygiene Products	908	1,178	-23%	
Tissue	379	567	-33%	Consumer tissue: Intense competition resulted in lower prices AFH tissue: Price increases implemented. Positive development in North America
Personal Care	529	611	-13%	Price pressure within baby diapers for retailers' brands and feminine hygiene products. Increased raw material costs

# Hygiene Products - Operating Profit

## *Compared with fourth quarter of 2004*

	Q1 2005	Q4 2004	Change	Comments
Hygiene Products	908	998	-9%	
Tissue	379	408	-7%	Consumer tissue: Intense competition resulted in slightly lower prices AFH tissue: Improved earnings in North America
Personal Care	529	590	-10%	High deliveries of incontinence products in December impacted volume trends during the first quarter. Increased costs for oil-based raw materials

# Tissue

## *Market*

- **Europe**
  - ◆ Consumer tissue
    - Competitive market conditions
    - Unchanged pressure from retail
  - ◆ Price increases in AFH tissue
  
- **North America**
  - ◆ Price increases during first quarter

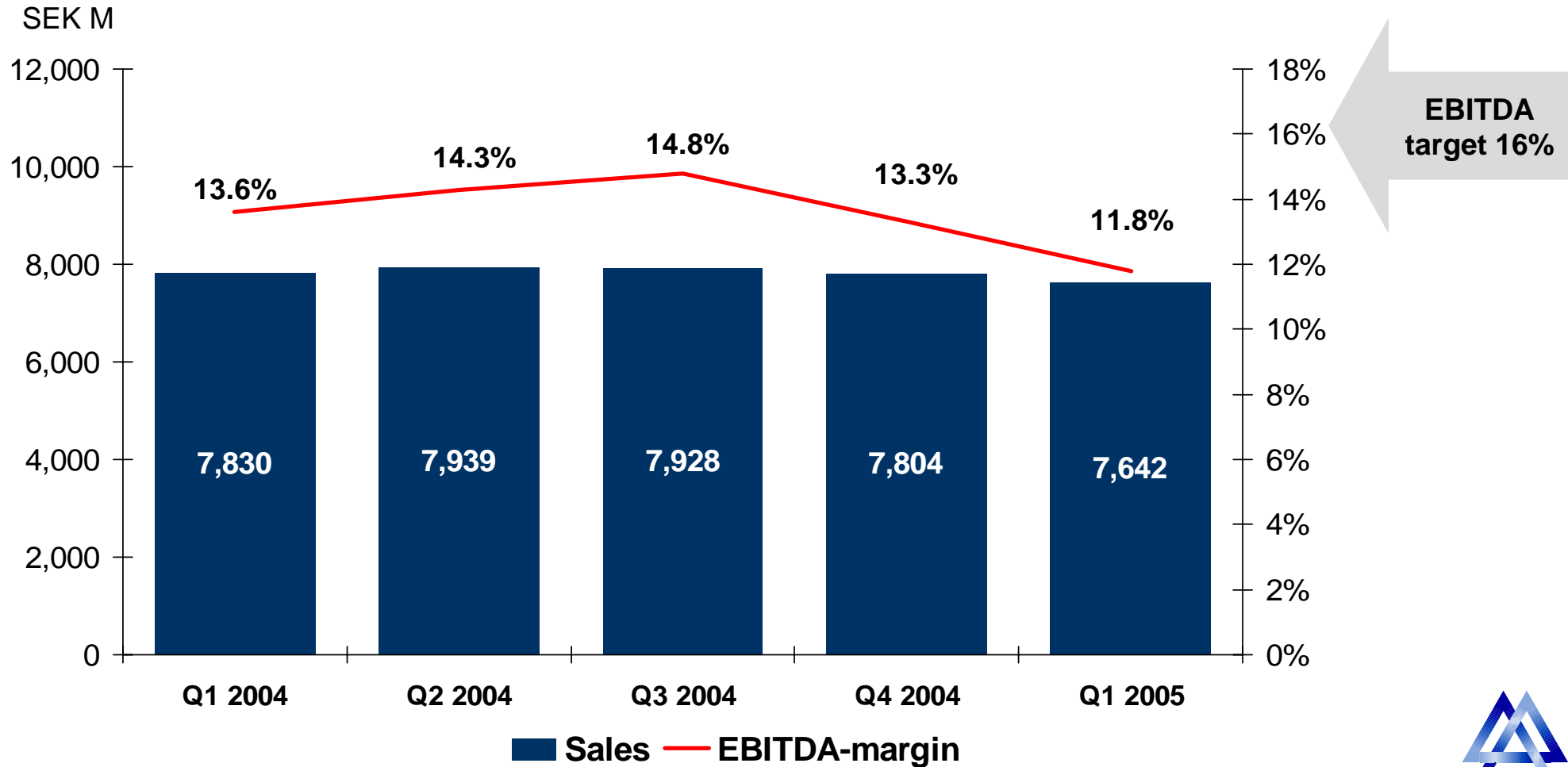
# Personal Care

## *Market*

- **Incontinence products**
  - ◆ Continuing strong growth in retail
- **Baby diapers**
  - ◆ Price pressure within retailers' brands
  - ◆ Very good growth in the Nordic region
- **Feminine hygiene products**
  - ◆ Unchanged competitive situation in Europe

# Packaging - Development

## Quarterly data



# Packaging - Operating Profit

## *Compared with first quarter of 2004*

	Q1 2005	Q1 2004	Change	Comments
Operating profit	458	621	-26%	Europe: Lower volumes and higher energy costs  North America: Cost increases have not been fully offset by gradual price increases

# Packaging - Operating Profit

## *Compared with fourth quarter of 2004*

	Q1 2005	Q4 2004	Change	Comments
Operating profit	458	580	-21%	Lower volumes and prices combined with higher energy costs and recovered paper prices

# Recovered Paper Market

- **Europe**

- ◆ Export-driven price increases for OCC during the first quarter – unchanged prices in April
- ◆ Tissue grades stable

- **US**

- ◆ Stable markets, high-quality grade prices level out

# Containerboard

## *Market*

- **Testliner**

- ◆ Some price erosion during the first quarter
- ◆ Price increases announced for the second quarter

- **Kraftliner**

- ◆ Slow start of the year – in Europe as well as in the US
- ◆ Price pressure during the first quarter

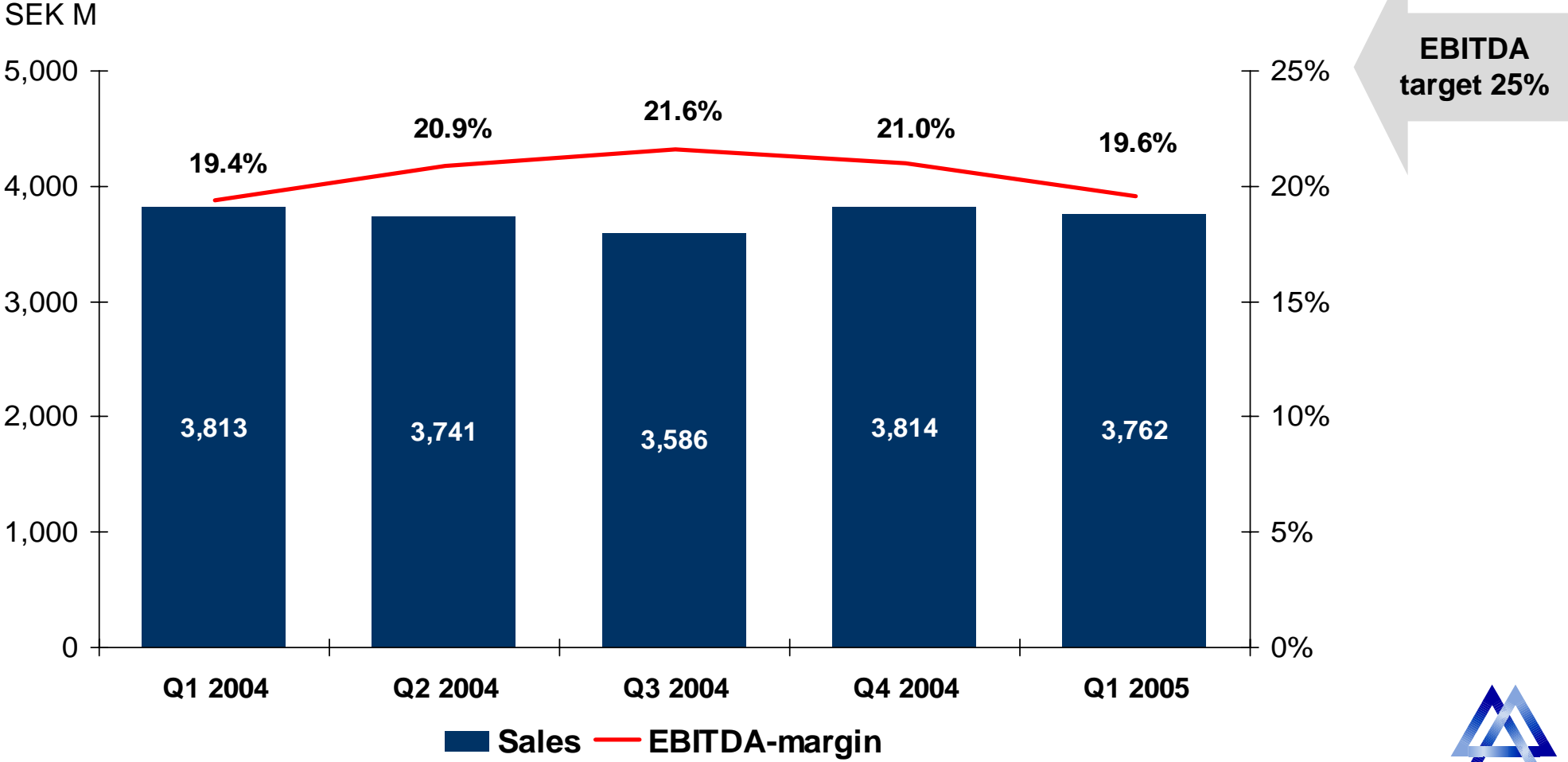
# Corrugated Board – Europe

## *Market*

- **Slow start of the year after strong end of 2004**
  - ◆ Demand down 1.8% during January-February
- **Competitive market conditions**
  - ◆ Pressure on prices

# Forest Products - Development

## Quarterly data



# Forest Products - Operating Profit

## *Compared with first quarter of 2004*

	Q1 2005	Q1 2004	Change	Comments
<b>Forest Products</b>	<b>401</b>	<b>417</b>	<b>-4%</b>	
<b>Publication papers</b>	<b>121</b>	<b>102</b>	<b>19%</b>	<b>Higher prices and increased capacity utilization, slightly offset by increased energy costs</b>
<b>Pulp, timber and solid-wood products</b>	<b>280</b>	<b>315</b>	<b>-11%</b>	<b>Lower prices for solid-wood products</b>

# Forest Products - Operating Profit

## *Compared with fourth quarter of 2004*

	Q1 2005	Q4 2004	Change	Comments
<b>Forest Products</b>	<b>401</b>	<b>457</b>	<b>-12%</b>	
<b>Publication papers</b>	<b>121</b>	<b>137</b>	<b>-12%</b>	<b>Price increases did not compensate for lower volumes and higher energy costs</b>
<b>Pulp, timber and solid-wood products</b>	<b>280</b>	<b>320</b>	<b>-13%</b>	<b>Weak development within solid-wood products</b>

# Publication Papers

## *Market*

- **Slow start of the year after strong fourth quarter of 2004**
  - ◆ European newsprint shipments flat during first quarter
  - ◆ SC paper down 2%; coated mechanicals up 8%
- **Prices moving up during first quarter, but less than expected**
  - ◆ Newsprint up about 5%
  - ◆ Magazine papers up about 2%

# Market Pulp

## *Market*

- **Slow start of the year**

- ◆ Global shipments down 1.4% during the first quarter
- ◆ Chinese buyers are de-stocking
- ◆ Increasing producer inventories in March

- **Mixed price signals**

- ◆ Firm hardwood markets – prices approaching USD 600/ton in March
- ◆ Weaker softwood markets – some pressure on NBSK price at about USD 640/ton

# Solid-Wood Products

## *Market*

- **Fair demand for both pine and spruce, but over-supply has put pressure on prices**
  - ◆ Pine prices now stabilized on low levels
  - ◆ Spruce stable, but increased supply of windfall timber might place renewed pressure on the market

# Action Programs

- **Market initiatives**
- **Supply chain initiatives**

# Market Initiatives

- **New product platform and intensified marketing within feminine hygiene products**
- **Launch of new incontinence products in the US and Europe**
  - ◆ Continued strong growth in retail trade segment
- **Strengthened competitiveness in baby diapers with launch of a new innovative pant diaper**
- **Establishment of a global platform for the Tork brand, combined with attractive dispenser systems**

# Supply Chain Initiatives

- **Rationalization programs are proceeding according to plan**
- **Total savings in 2005 estimated at SEK 600 M**
  - ◆ Approximately SEK 80 M realized in the first quarter of 2005
- **Annual savings of SEK 1,200 M from 2006**

# Market Outlook

## *No significant change in the market*

### ■ **Tissue**

- ◆ Demand remains strong but the consumer sector in Europe is characterized by overcapacity and price pressure

### ■ **Personal care**

- ◆ Stable growth with intense price competition in Europe. Strong growth in Eastern Europe, South America and Asia

### ■ **Packaging**

- ◆ Weak demand during the first quarter
- ◆ Volume recovery in the end of the first quarter and into the second quarter

### ■ **Publication papers**

- ◆ Supply and demand situation less favorable



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