

SCA Interim Report

1 January–31 March 2005



Jan Åström
President and CEO



SCA in Brief

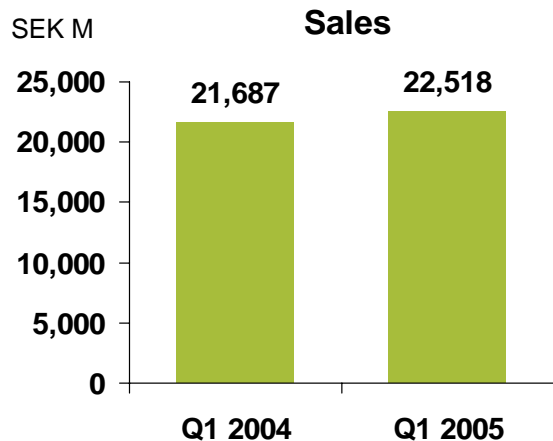
1 January–31 March 2005

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

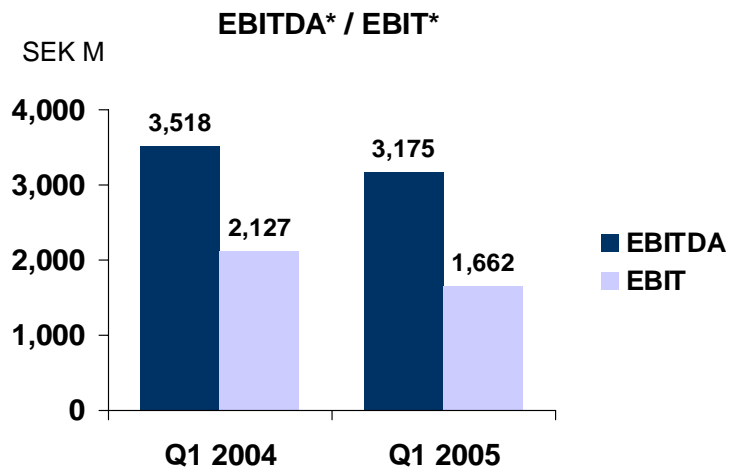


SCA Group

Compared with first quarter of 2004



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

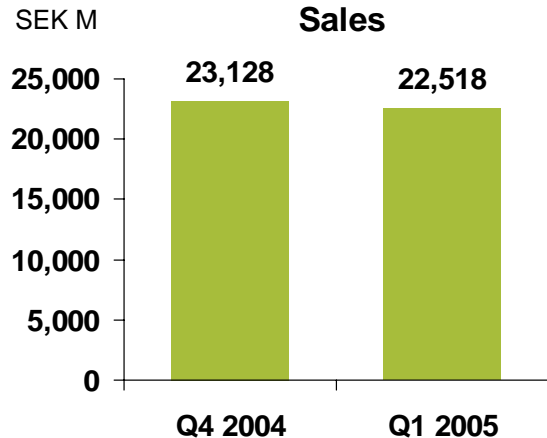


- **Operating profit decreased with SEK 465 M (excluding items affecting comparability)**
 - ◆ Currency effects -2%

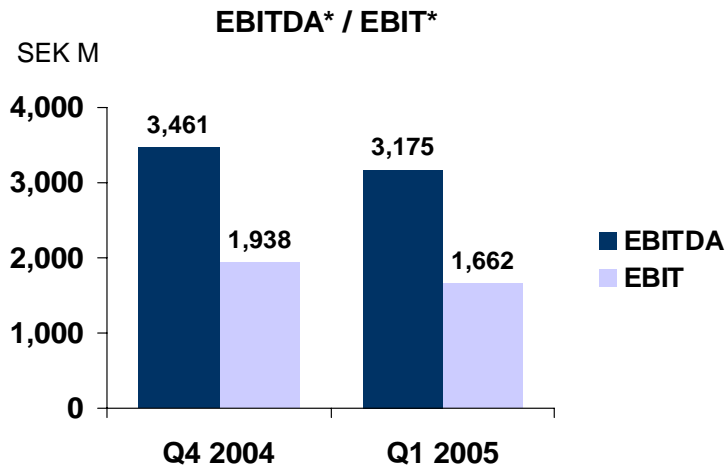
*Excluding items affecting comparability

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



Cash Flow Analysis

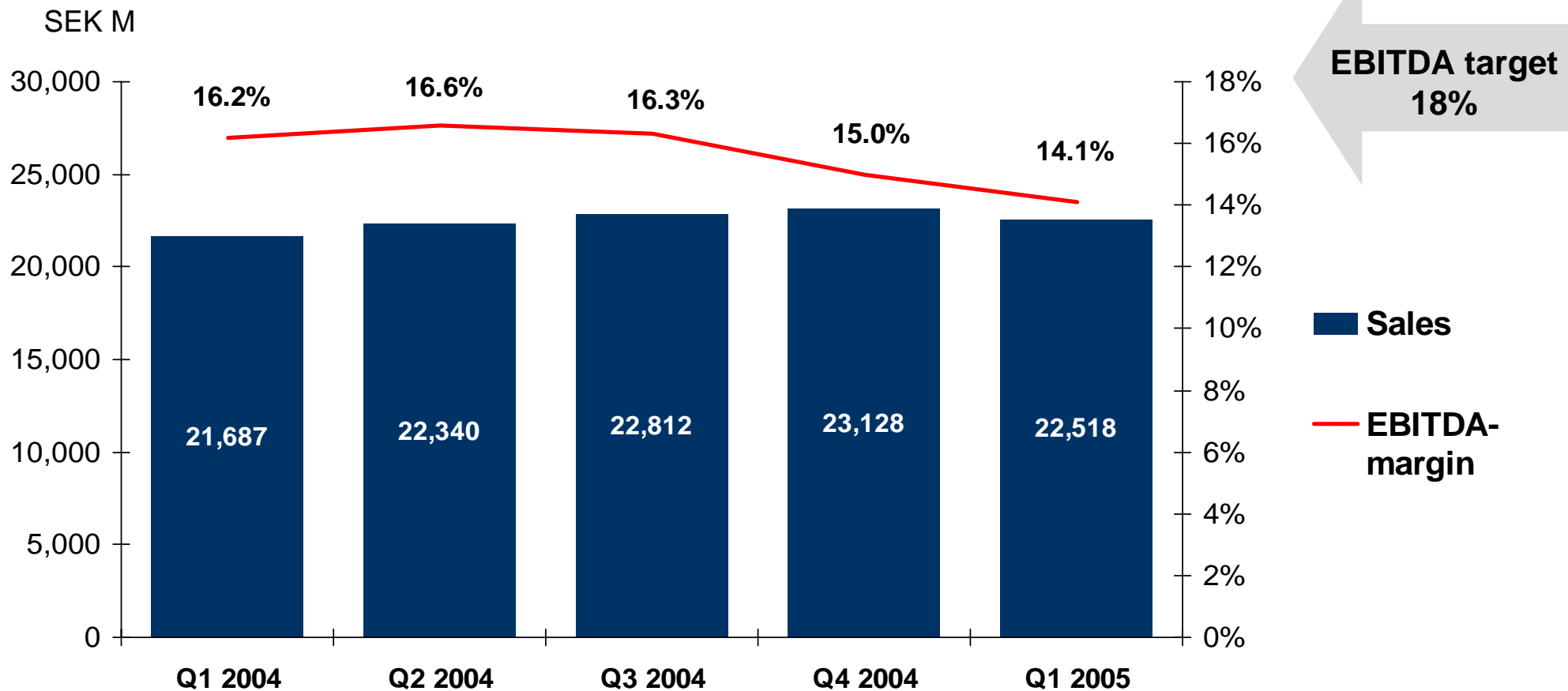
1 January–31 March

2 (2)

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

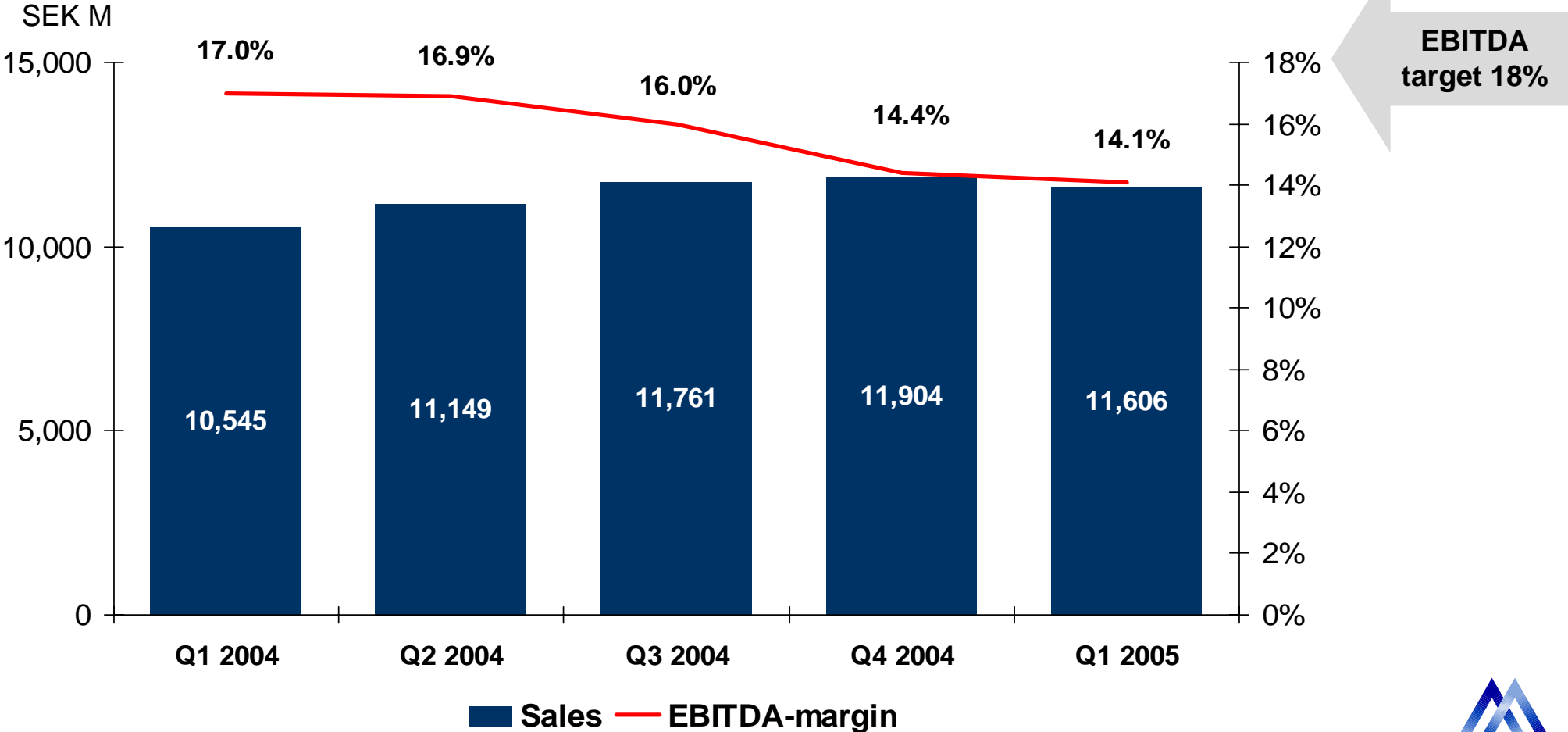
Group – Quarterly Development

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

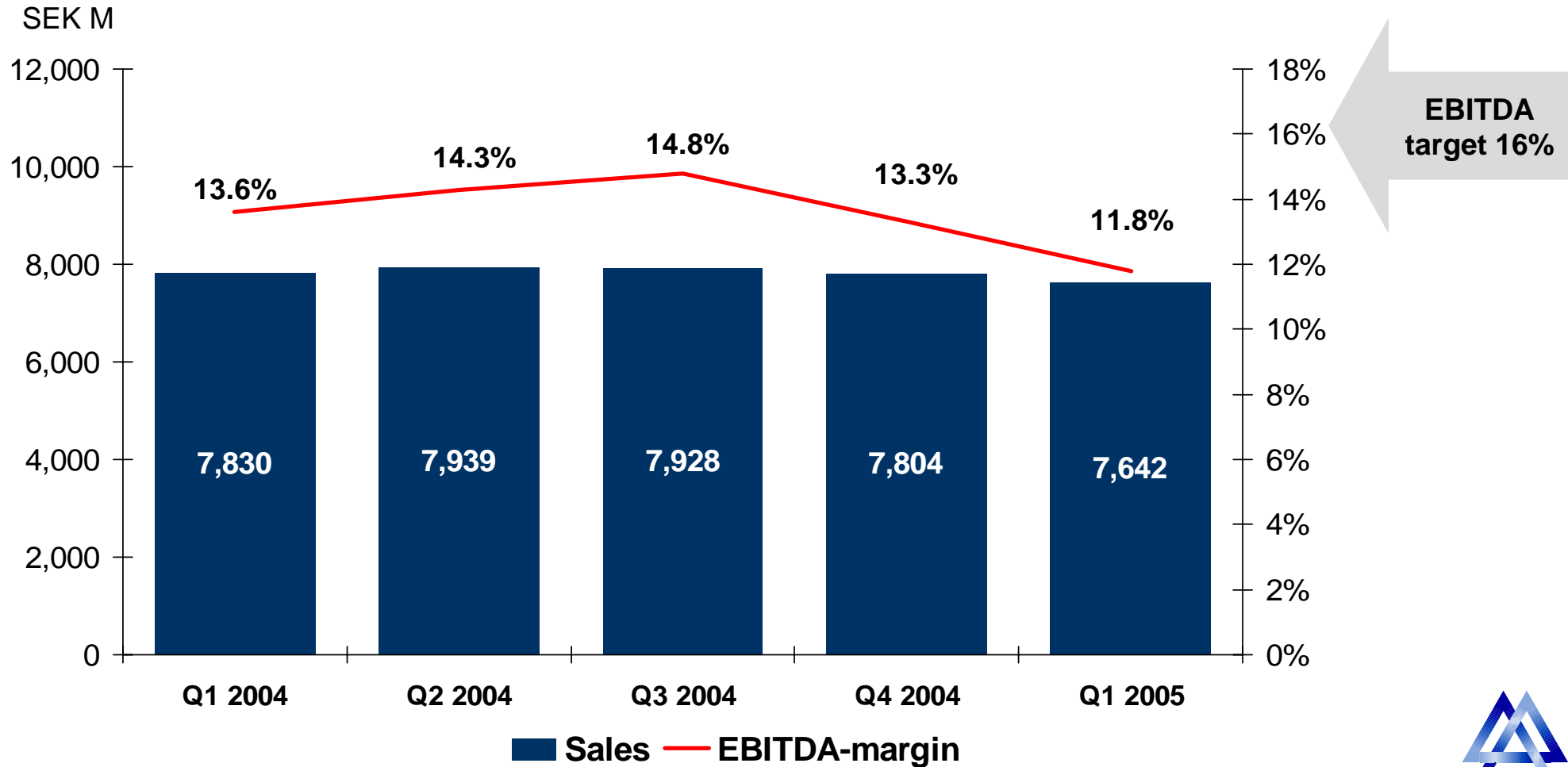
Personal Care

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

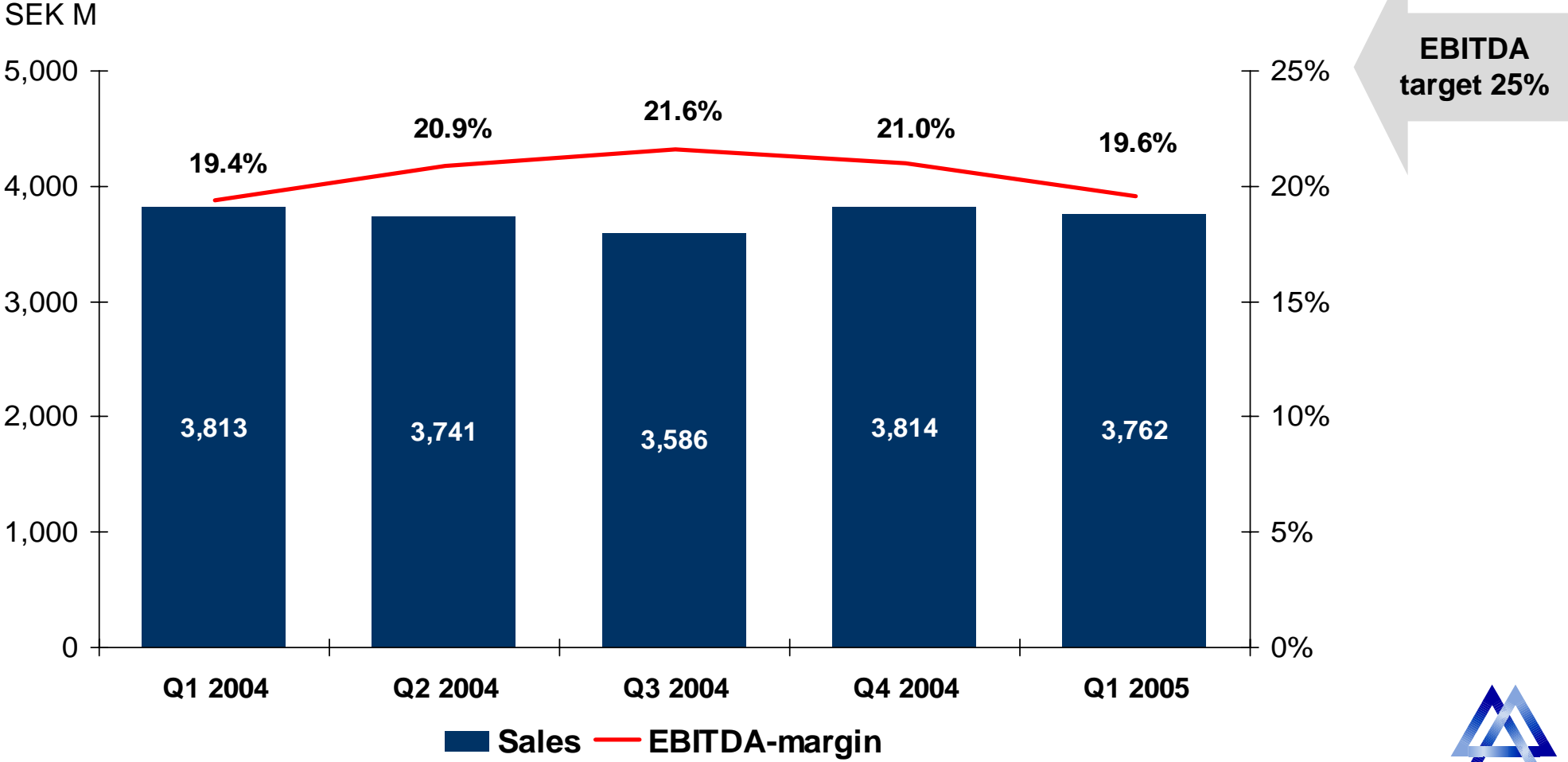
Corrugated Board – Europe

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
Forest Products	401	417	-4%	
Publication papers	121	102	19%	Higher prices and increased capacity utilization, slightly offset by increased energy costs
Pulp, timber and solid-wood products	280	315	-11%	Lower prices for solid-wood products

Forest Products - Operating Profit

Compared with fourth quarter of 2004

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

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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