

# SCA Year-end Report

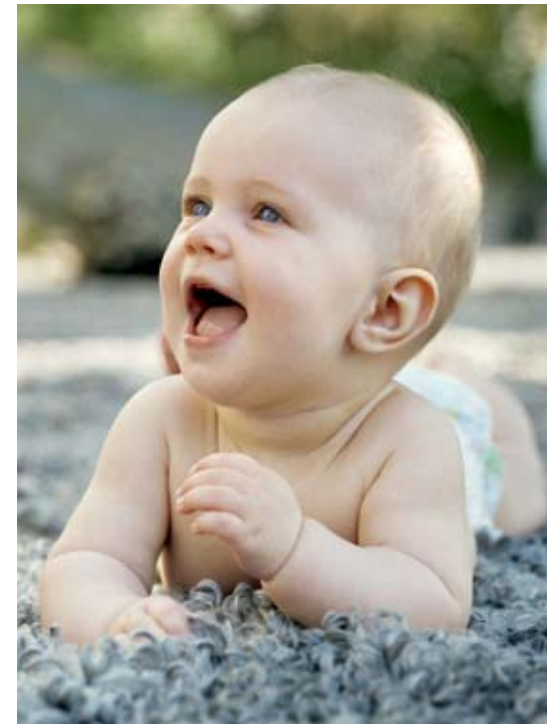
1 January–31 December 2005



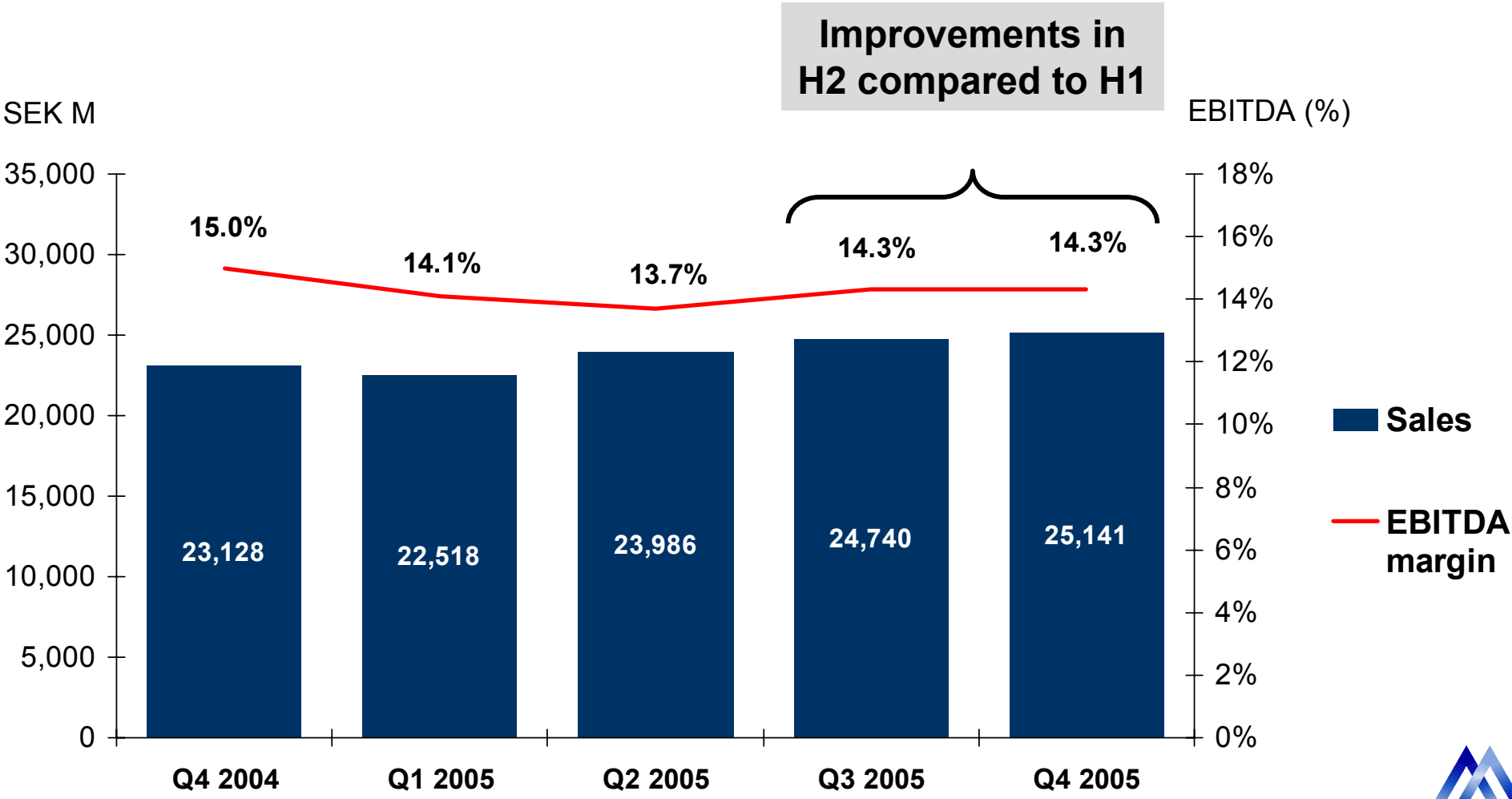
**Jan Åström**  
President and CEO

# Highlights

- **Positive momentum remains**
  - ◆ Price increases in main segments towards the end of the year
  - ◆ Realized savings from efficiency programs
  - ◆ Successful product launches within Personal Care



# Group – Quarterly Development\*



\* Excluding items affecting comparability



# Financial Summary

*Excluding items affecting comparability\**

	<b>Q4 2005</b>	<b>Change Q4/Q3 (%)</b>	<b>FY 2005</b>	<b>Change Y05/Y04 (%)</b>
<b>Net sales, SEK M</b>	<b>25,141</b>	<b>+2%</b>	<b>96,385</b>	<b>+7%</b>
<b>Earnings after financial items, SEK M</b>	<b>1,574</b>	<b>+2%</b>	<b>5,798</b>	<b>-19%</b>
<b>Earnings per share, SEK</b>	<b>5:06</b>	<b>-6%</b>	<b>18:89</b>	<b>-15%</b>
<b>Dividend per share, SEK</b>			<b>11:00*</b>	<b>+5%</b>

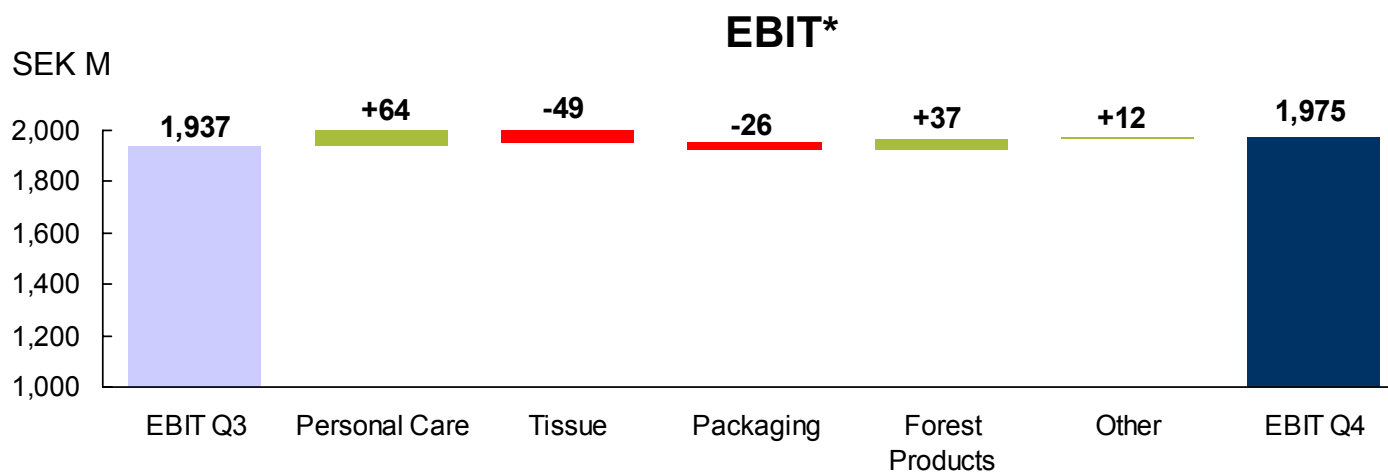
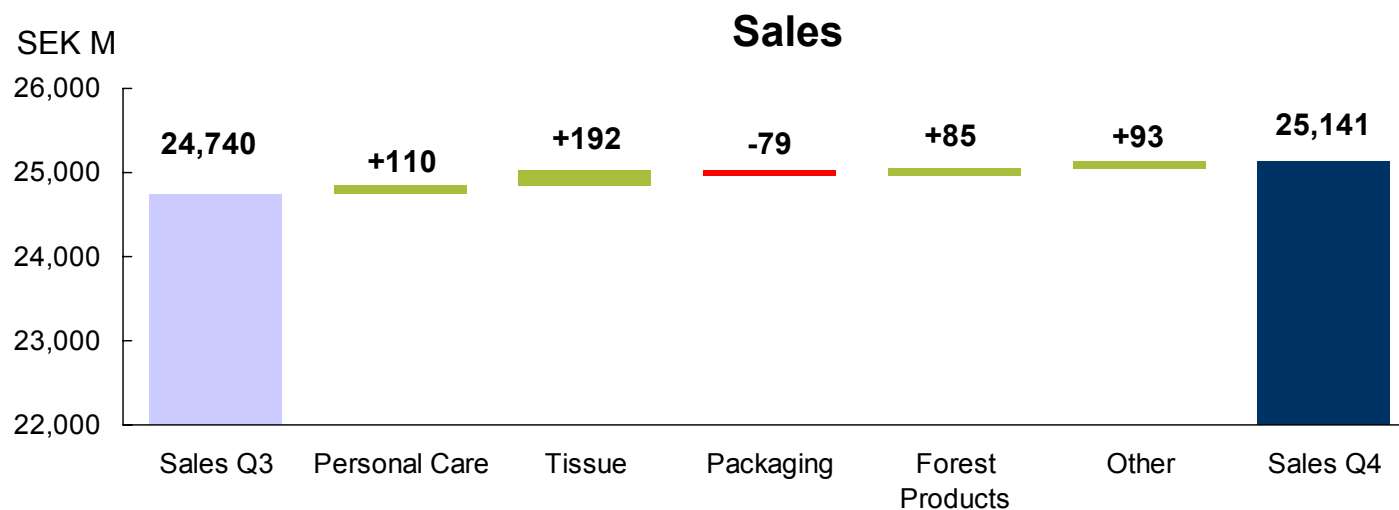
\* Board proposal

*Earnings in the third quarter 2005 were affected by items affecting comparability of SEK 4,940 M before taxes and SEK 3,667 M after taxes. Earnings in FY 2005 were affected by items affecting comparability of SEK 5,365 M before taxes and SEK 3,981 M after taxes. In FY 2004 earnings were affected by items affecting comparability of SEK 600 M before taxes and SEK 41 M after taxes*



# SCA Group Sales and EBIT\*

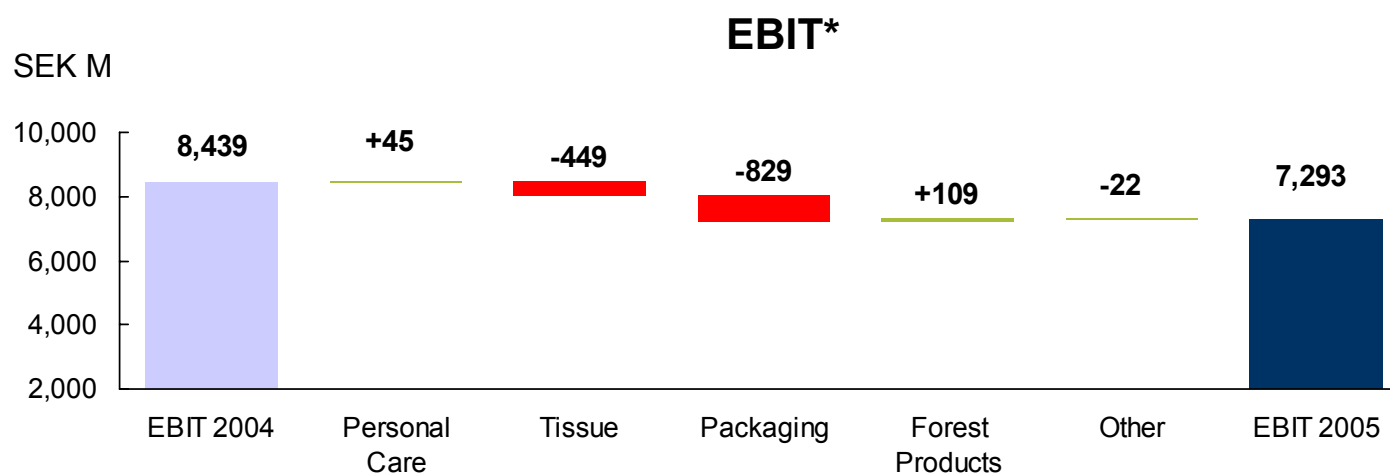
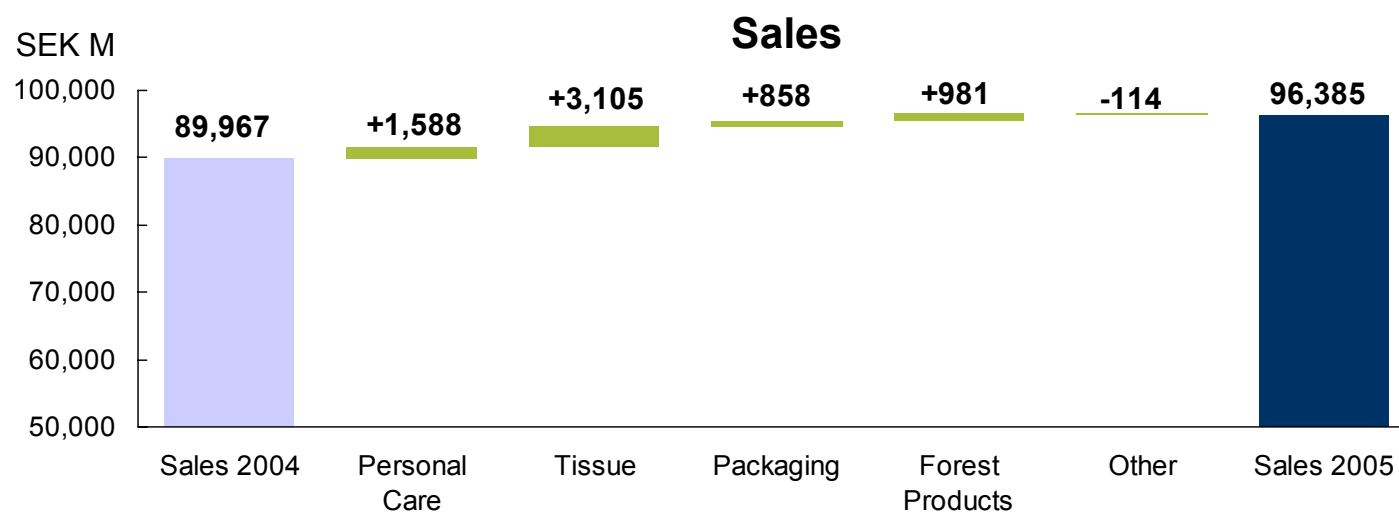
## Q4 compared with Q3 2005



\* Excluding items affecting comparability

# SCA Group Sales and EBIT\*

*FY 2005 compared with FY 2004*



\* Excluding items affecting comparability

# Energy Costs

- **Significantly higher energy costs than expected in Q4**
  - ◆ Energy cost increase of SEK 240 M in Q4 compared with Q3
  - ◆ Volatile gas and electricity markets in central Europe is the main explanation
- **Updated energy cost estimates:**
  - ◆ Cost 2005: SEK ~5 bn
  - ◆ Increase in Q1 2006 compared to Q4 2005: SEK 80-100 M
- **Distribution of energy costs: electricity ~50%, natural gas ~50%**
- **Hedges in place for 2006:**
  - ◆ Natural gas: ~35%, electricity: ~50%

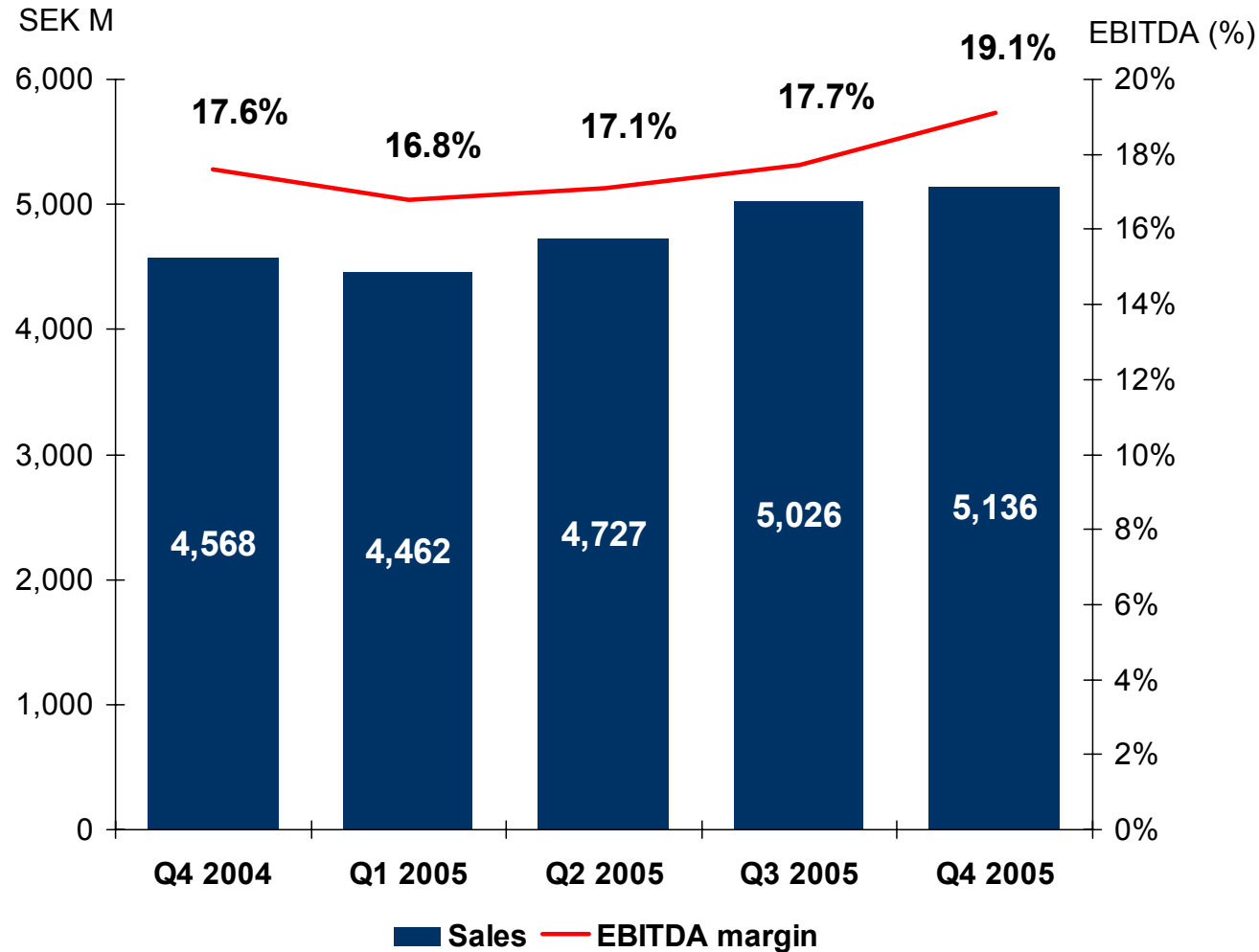
# Cash Flow Analysis

*FY 2005 compared with FY 2004*

- **Operating cash flow SEK 7.5 (8.8) bn**
  - ◆ Lower operating cash surplus
  - ◆ Slightly increased current capex
  - ◆ Improved change in working capital
  - ◆ Increased cash outflow related to structural costs
  
- **Cash flow before dividend SEK +1.8 (-6.3) bn**
  - ◆ Lower taxes paid
  - ◆ No major acquisitions
  
- **Debt equity ratio: 0.70 (0.63)**



# Personal Care – Quarterly Development



## Q4/Q3 comments:

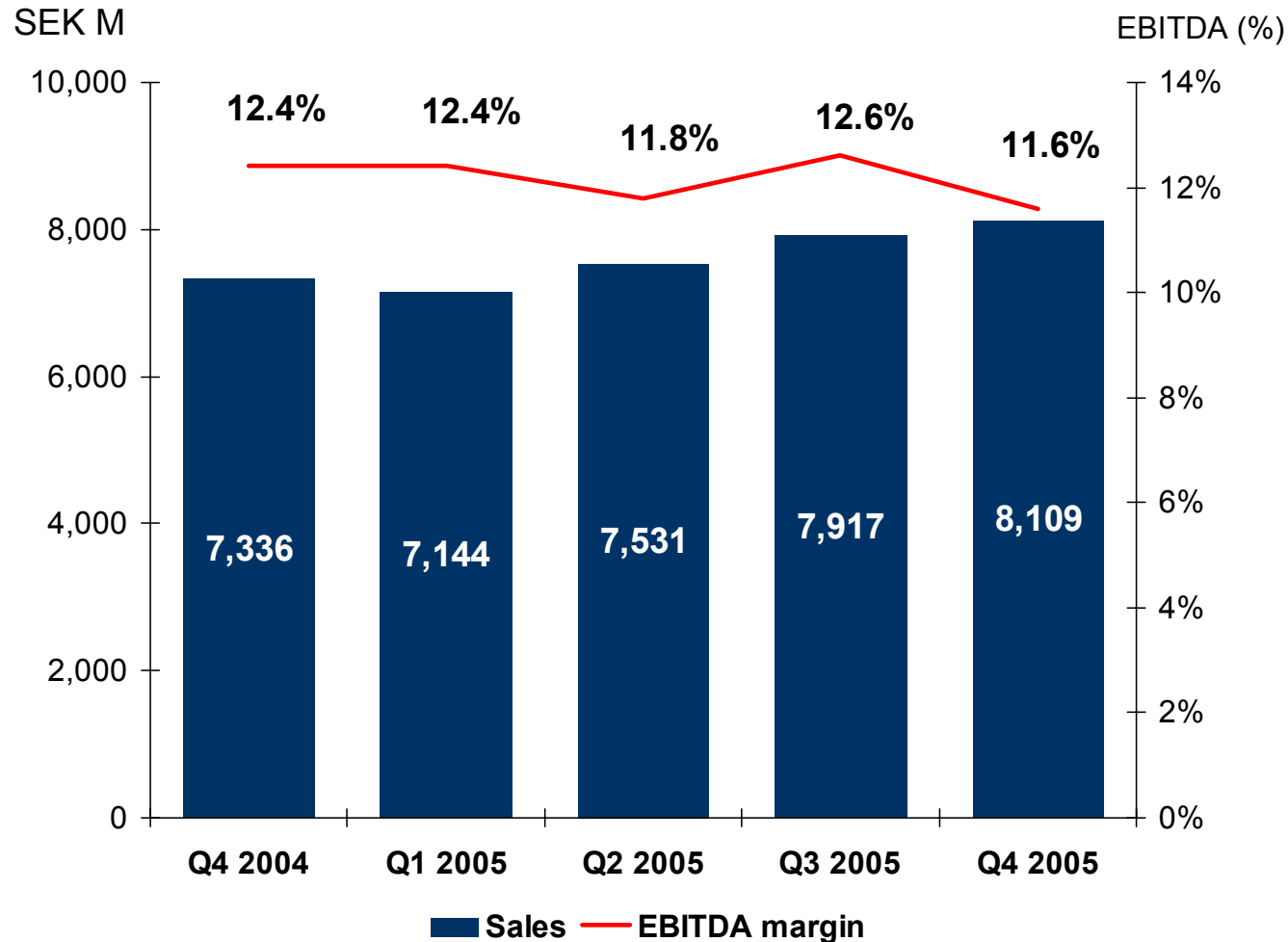
- Cost savings realized
- Good volume development

# Personal Care

- **Incontinence products**
  - ◆ Continued growth, especially within the retail segment
- **Baby diapers**
  - ◆ Strong development of branded products
  - ◆ Improved position and growth within retailers' brands
- **Feminine hygiene products**
  - ◆ Launch of new “secure fit” products in the beginning of 2006



# Tissue – Quarterly Development



## Q4/Q3 comments:

- Impact from previous price increases in North America
- Increased volumes
- Price increases (SEK 60 M) have partly offset the higher energy costs (SEK 120M)



# Tissue

## ■ Consumer tissue

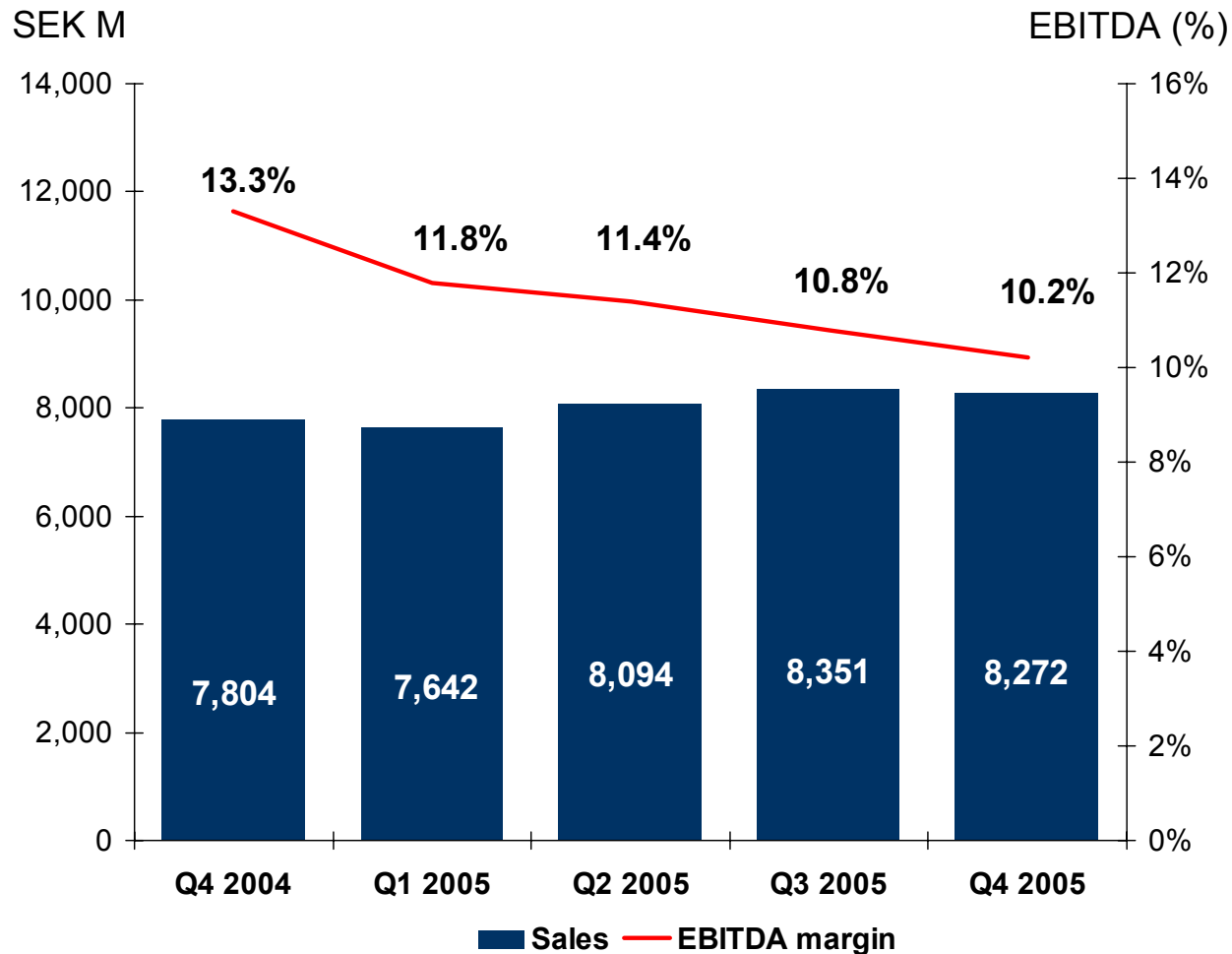
- ◆ Fair volume development in Western Europe. Strong growth in Eastern Europe and Russia
- ◆ Price increases in Europe under implementation, further impact in Q1 2006
- ◆ New tissue machine in Valls, Spain decided

## ■ AFH-tissue

- ◆ Europe: stable demand and extensive product launches in early 2006
- ◆ North America: effects from increased prices in Q3 2005



# Packaging – Quarterly Development



## Q4/Q3 comments:

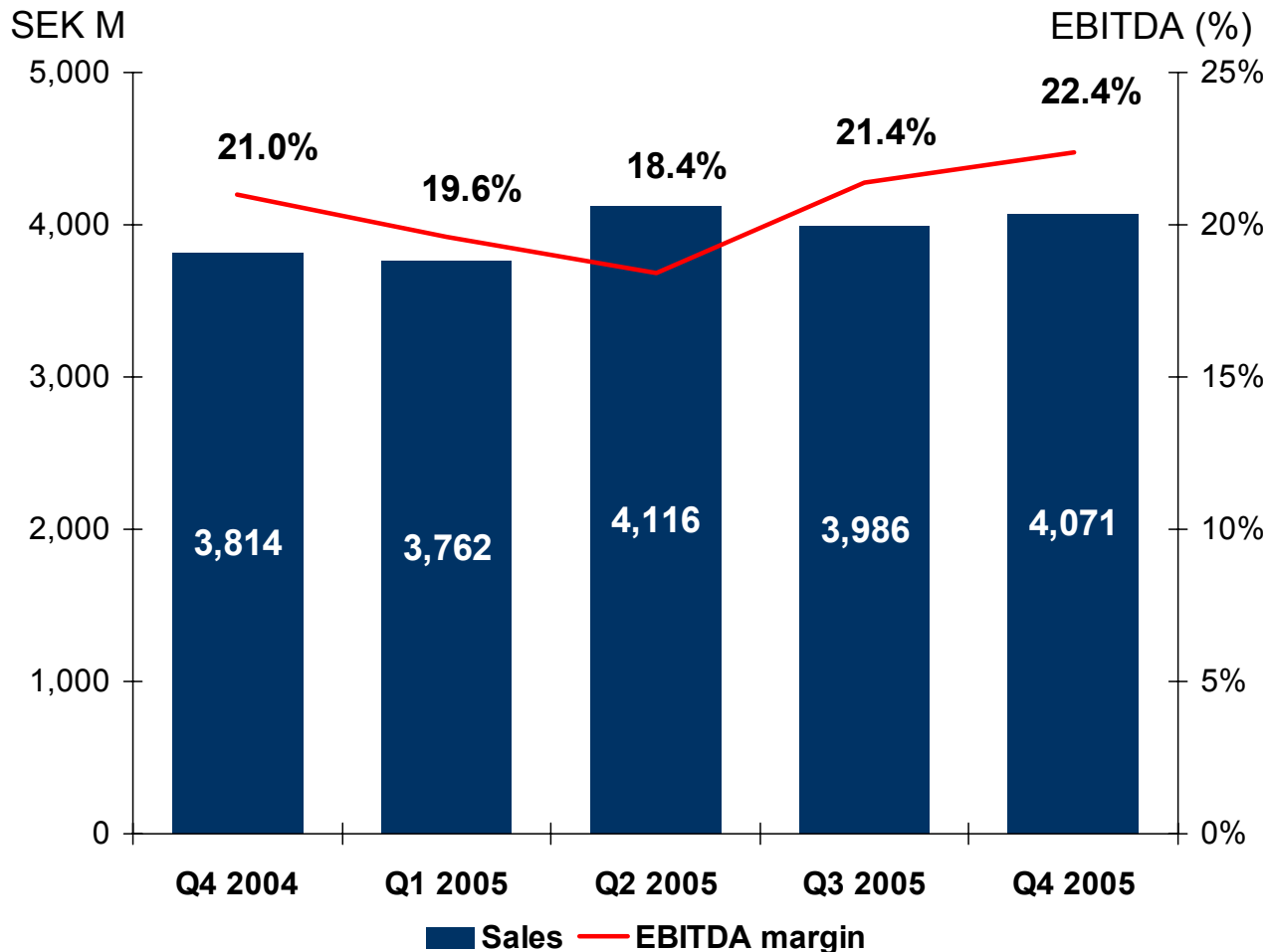
- Increased energy costs (SEK 90 M), partly offset by lower costs
- Rebuilding in the testliner mill in Aschaffenburg

# Packaging

- **Corrugated board**
  - ◆ Higher prices within containerboard supports increased corrugated prices in H1 2006
  - ◆ European restructuring develops according to plan
  - ◆ Strong growth in China
- **Containerboard**
  - ◆ Price increases under implementation, EUR 40/ton realized in Q4, further increase of EUR 50/ton announced for Q1
- **North America**
  - ◆ Price increases and cost savings towards the end of the year have resulted in improved earnings



# Forest Products – Quarterly Development



## Q4/Q3 comments:

- Higher prices for publication papers
- High capacity utilization in pulp, timber and solid-wood products

# Forest Products

- **Improved performance within publication papers**
  - ◆ Strong development of German advertising market
  - ◆ Increased mill efficiency
  - ◆ Fair volume development
- **Pulp, timber and solid-wood products**
  - ◆ Stable market for softwood pulp
  - ◆ Increased prices on pine and high-quality spruce



# Cash Flow Requirement for Value Creation

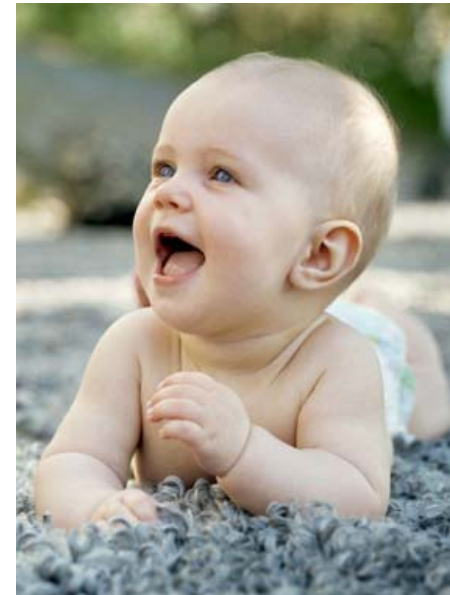
- **SCA's ongoing efficiency enhancement programs and current market conditions induce the need for a complementary cash flow requirement**
- **Based on SCA's cash flow model the cash flow requirement is set at the level where the required return and accordingly value to shareholders is met. The EBITDA margin and return on book values is derived from the new cash flow requirement**

Cash flow requirement for value creation	2005	2006
Operating cash surplus	14.1	14.6
<i>which implies:</i>		
Cash flow from current operations*	5.1	5.2
EBITDA-margin		15%
ROCE		9%
ROE		8%

*\*Adjusted for cash outflow related to restructuring*

# Summary

- **Positive momentum remains**
- **Challenges in 2006**
  - ◆ Leverage on our strategic strengths
    - Consumer and customer insights
    - Regional presence combined with global capabilities
    - Excellence in production and supply chain
  - ◆ Manage higher energy costs
  - ◆ Attain targeted savings



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