

# SCA Interim Report

1 January–31 March 2007

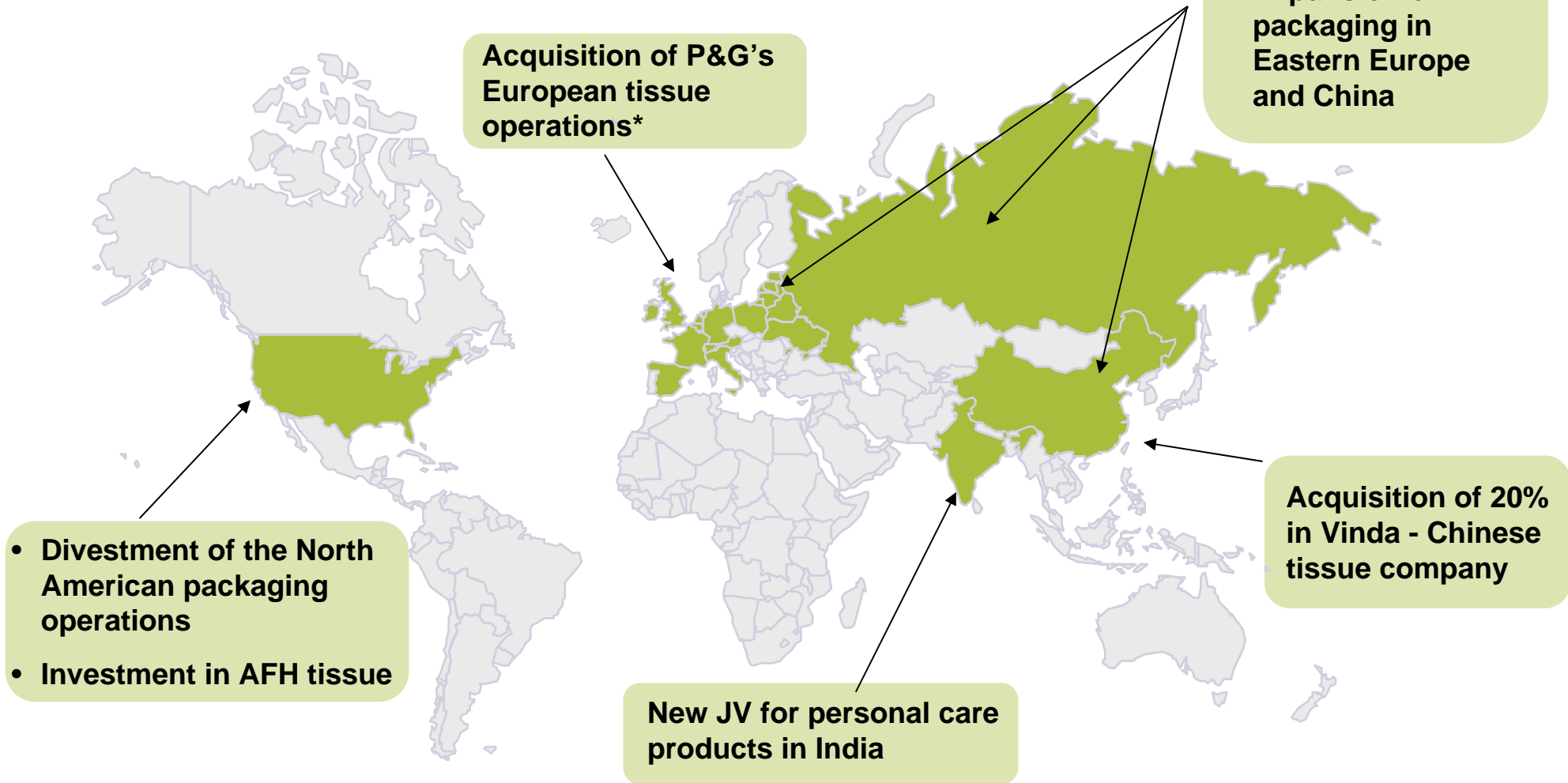


**Jan Åström, CEO**  
**Lennart Persson, CFO**

# Key strategic steps

- SCA is actively rebalancing towards value-added products
- High priority on growth in emerging markets

# We are delivering



\* The acquisition is subject to approval from competition authorities

# We are delivering

## Strong development in Q1 07 vs. Q1 06

- ◆ Pre-tax profit up 19% to SEK 1,863m
- ◆ Net earnings up 23% to SEK 1,434m

## Continued upward trend Q1 07 vs. Q4 06

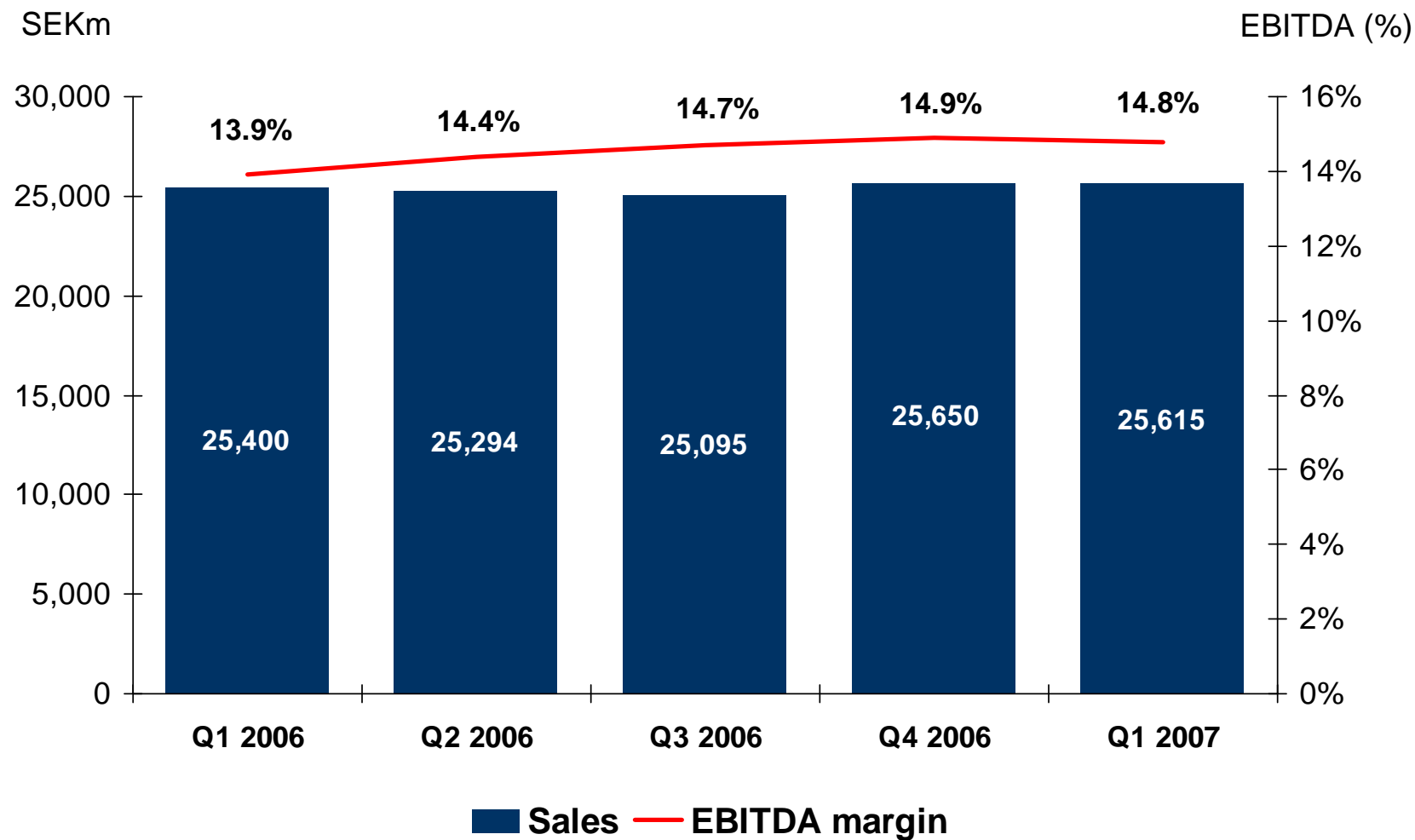
- ◆ Positive price development, particularly in Packaging
- ◆ Higher raw material costs



**Trends in our favour, but...**

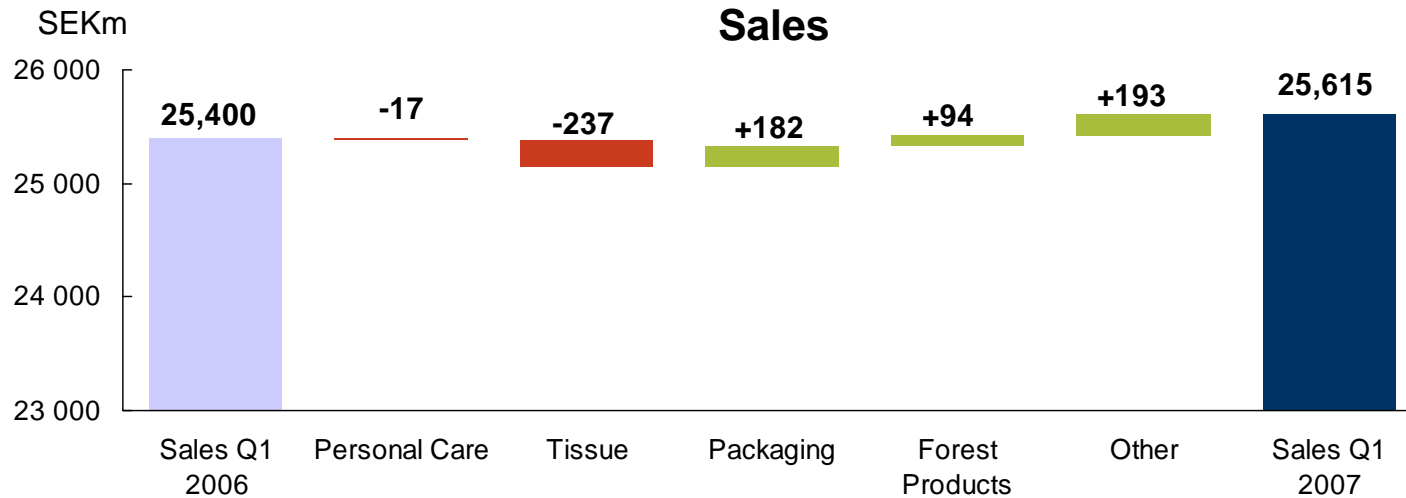
**...sharp increases in raw material costs put pressure on short term earnings**

# Group – Quarterly Development

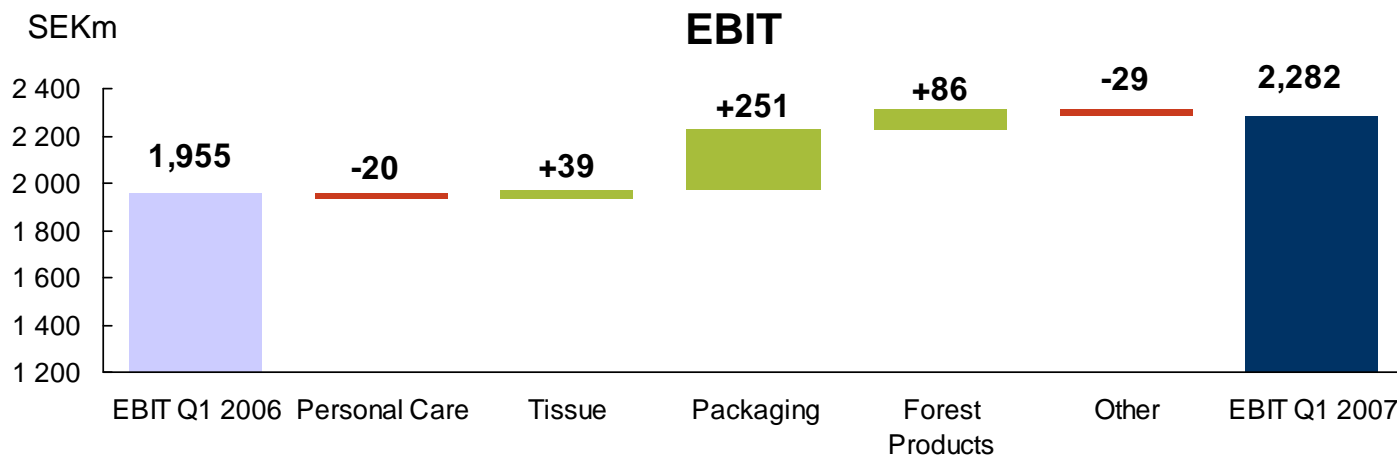


# SCA Group Sales and EBIT

## Q1 2007 compared with Q1 2006



- Price/mix: +4%
- Currency: -3%

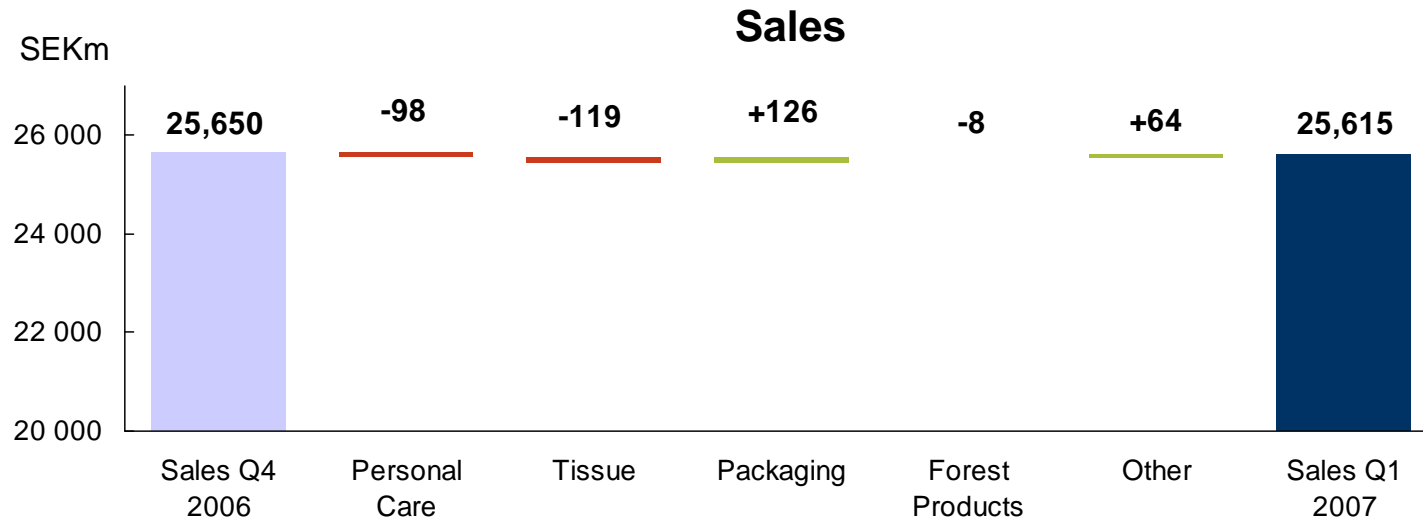


- Price/mix: +44%
- Volume: +5%
- Energy: +11%
- Currency: -6%
- Raw materials: -23%

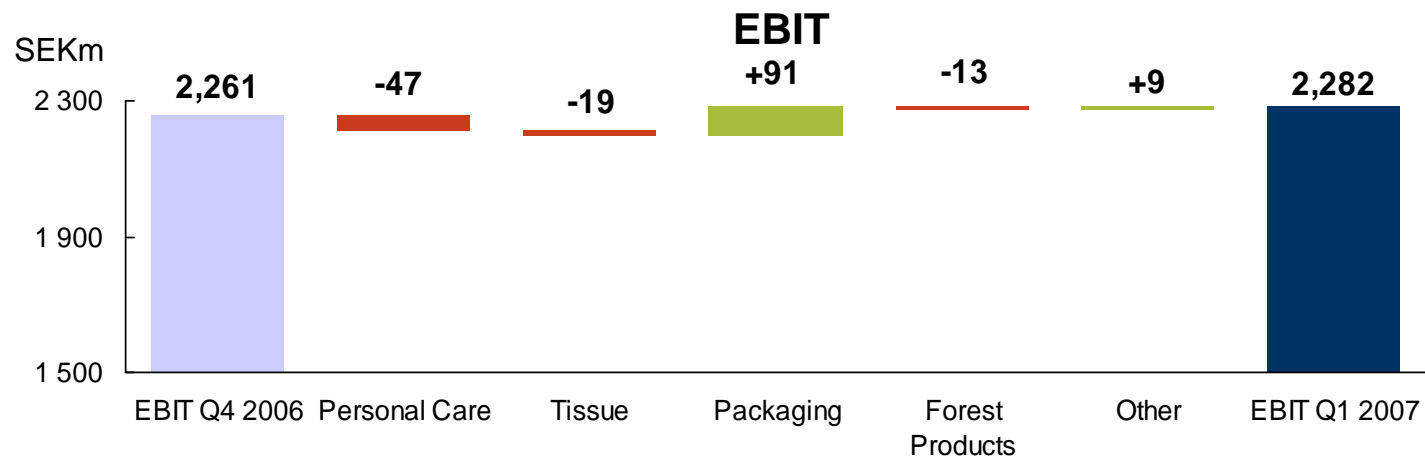


# SCA Group Sales and EBIT

## Q1 2007 compared with Q4 2006



- Price/mix: +1%
- Volume: -2%



- Price/mix: +11%
- Energy: +1%
- Volume: -4%
- Raw materials: -8%





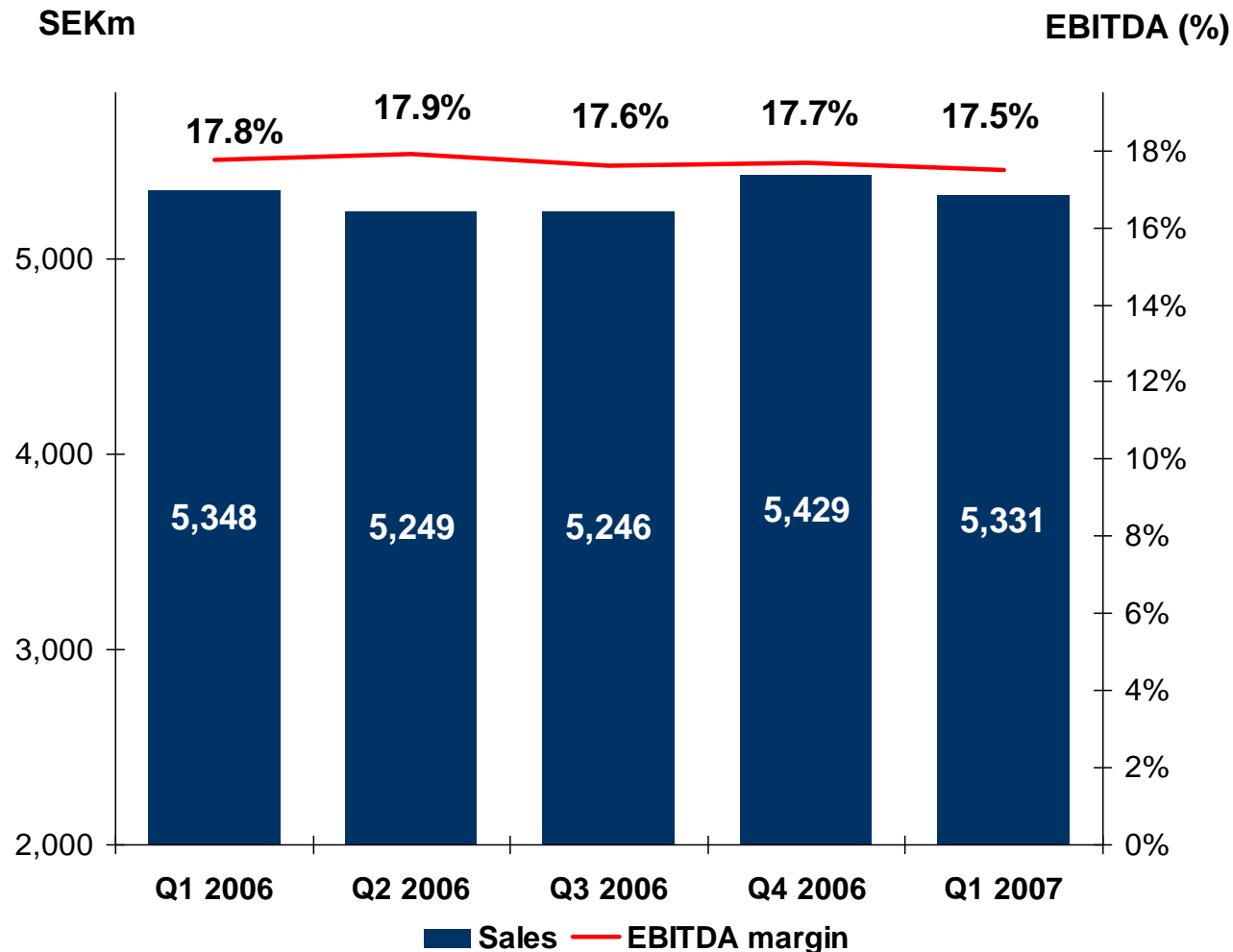
# Cash-flow Analysis

## *Q1 2007 compared with Q1 2006*

- Operating cash surplus SEK 3,537m (3,381)
  - ◆ Higher cash flow from operations
- Cash flow from current operations SEK 267m (-125)
  - ◆ Lower current capex
  - ◆ Lower cash outflow related to structural expenditures
- Cash flow before dividend SEK 2,465m (-351)
  - ◆ Divestment of the packaging operations in North America
- Debt/equity ratio: 0.57 (0.65)



# Personal Care – Quarterly Development

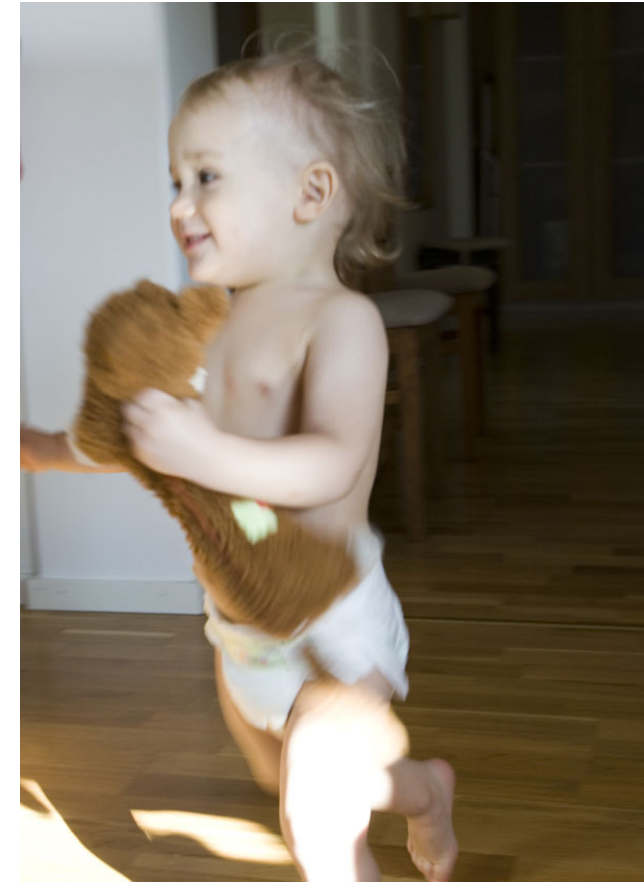


## Q1/Q4 comments:

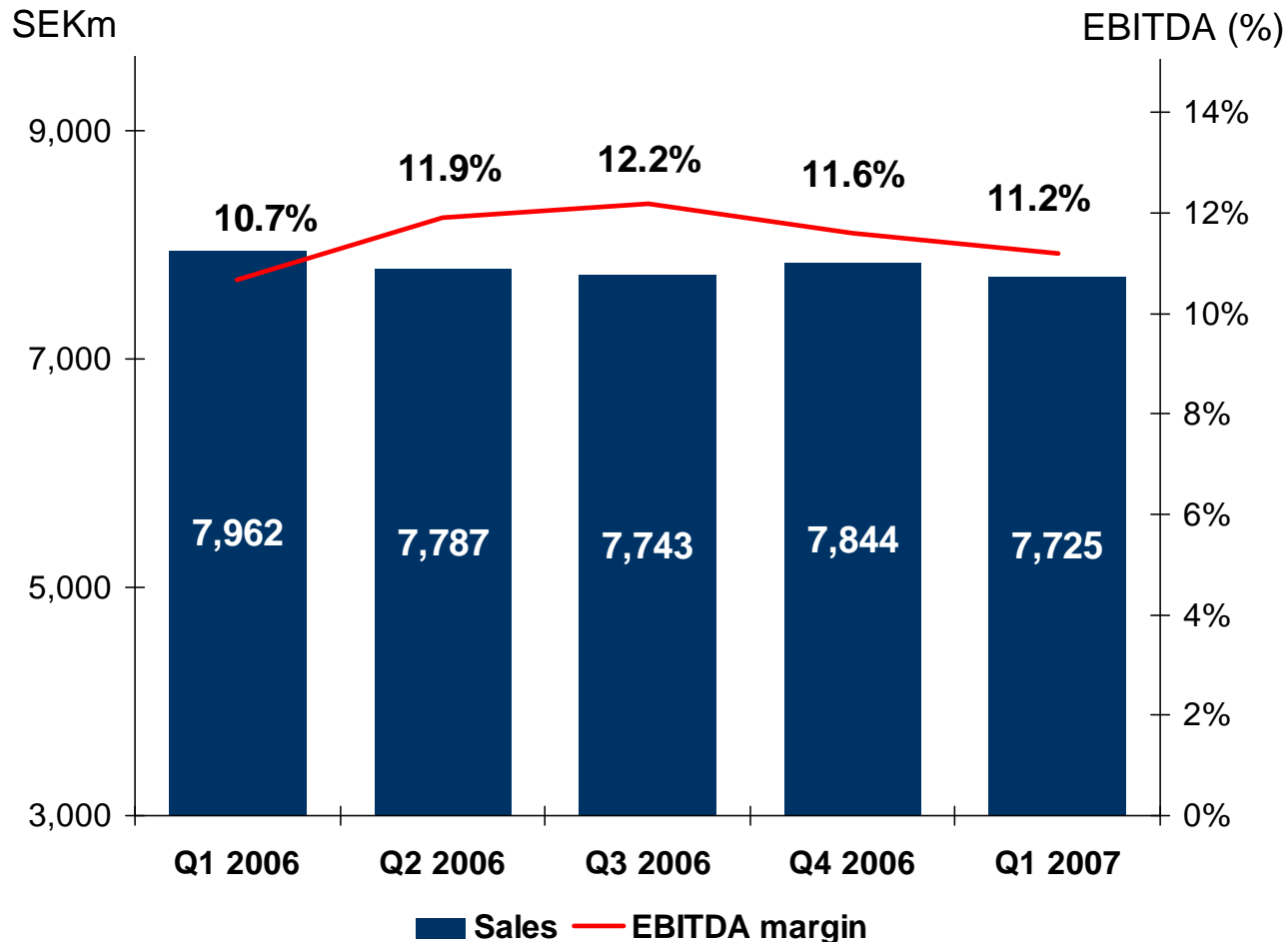
- Lower volumes in the healthcare segment
- Continued favourable momentum within baby diapers

# Personal Care

- **Incontinence care**
  - ◆ Lower volumes within the healthcare segment
  - ◆ Launch of “Feel Dry” with improved product offering
  - ◆ Good growth for products sold through retailers
- **Baby diapers**
  - ◆ Increased market shares for Libero
  - ◆ Strong sales development for pant diapers
- **Feminine care**
  - ◆ Strong development in Latin America
  - ◆ Strong growth within retailers’ brands



# Tissue – Quarterly Development



## Q1/Q4 comments:

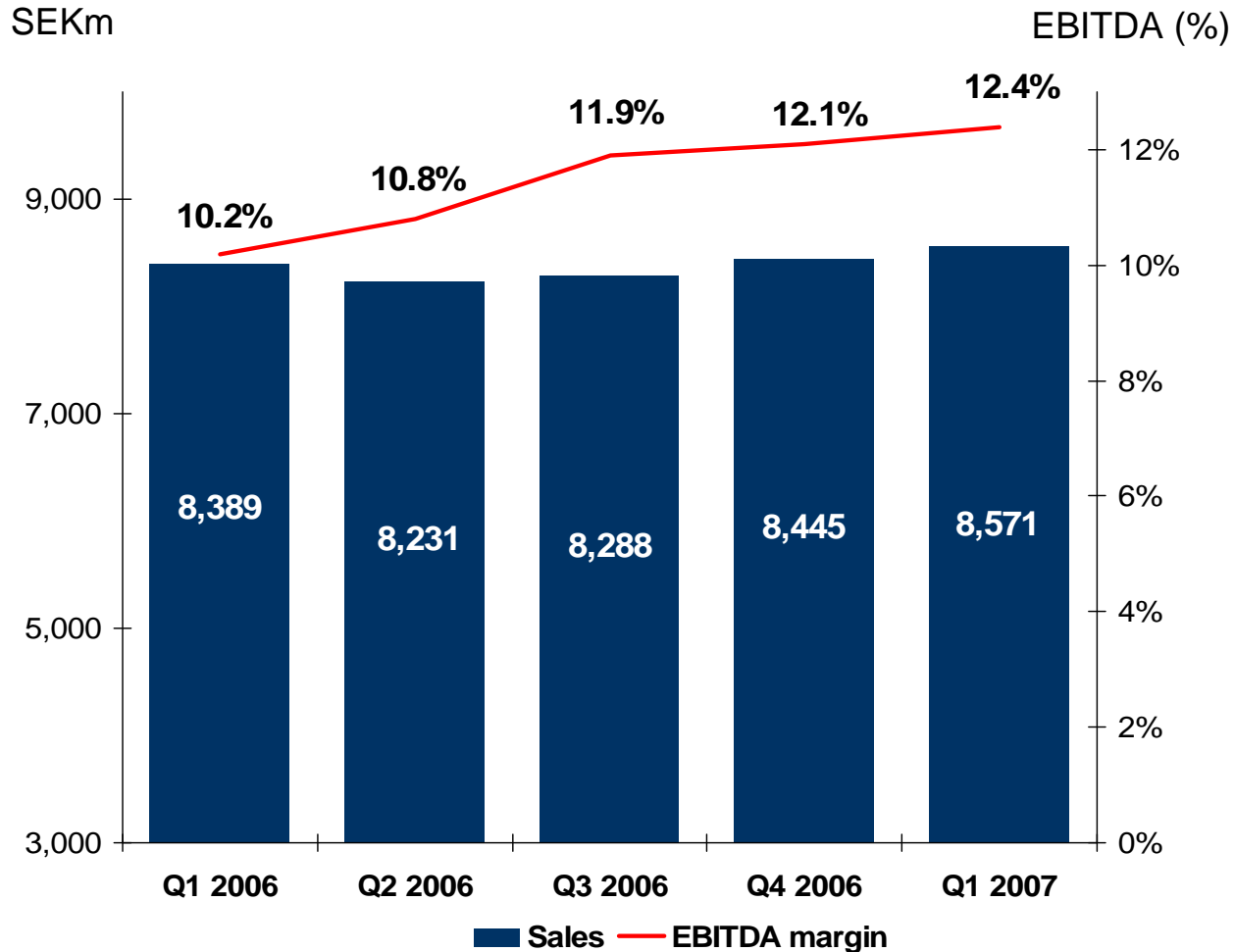
- Improved prices in Europe
- Higher raw material costs
- Seasonally weak volumes in North America

# Tissue

- **Consumer tissue**
  - ◆ Gradual impact of price increases in Europe
  - ◆ Sharp increase in raw material costs
- **AFH tissue**
  - ◆ Seasonally slow volumes
  - ◆ Increased sales of complete hygiene solutions
    - Sustainability becoming a competitive advantage for SCA



# Packaging – Quarterly Development



## Q1/Q4 comments:

- Carry-over effect from price increases in Q4
- Favourable volume development
- Higher costs for recovered paper

# Packaging

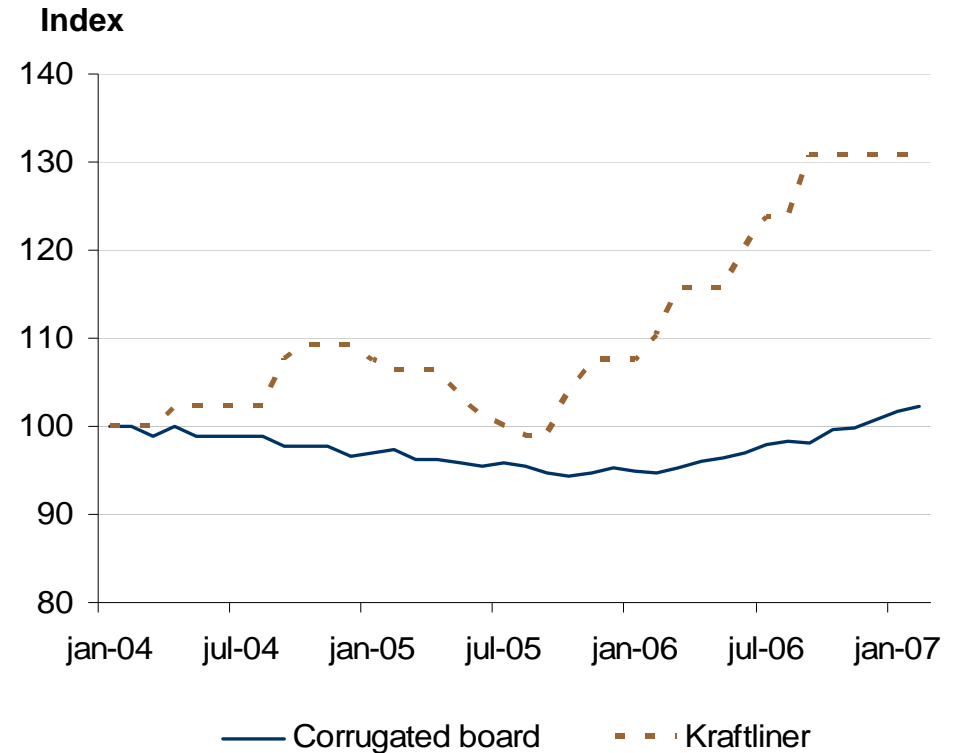
- **Corrugated packaging**
  - ◆ New price increases under implementation
  - ◆ Healthy market growth
- **Containerboard**
  - ◆ Good market balance
  - ◆ Price increase of EUR 30 / ton announced for testliner in May
  - ◆ Sharp increases in raw material costs
- **North America (divested)**
  - ◆ Deconsolidation of North American packaging operations from 7 March 2007<sup>(1)</sup>



1) The divestment of the North American packaging operations will have a negative quarterly impact on EBIT of approximately SEK 60m

# Price dynamics on corrugated packaging

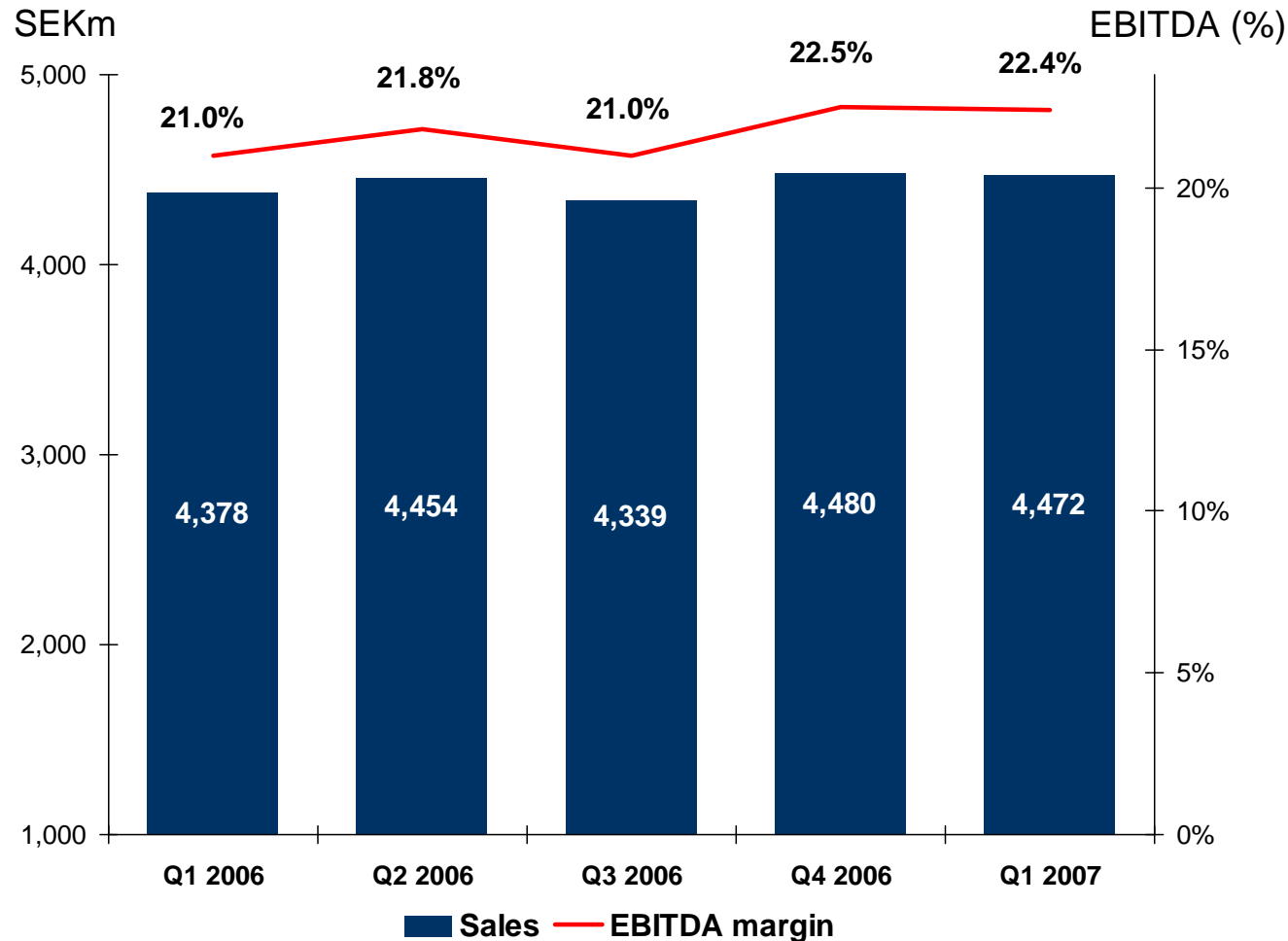
- **Some 50% of costs for standard corrugated boxes relate to containerboard**
- **Containerboard prices have increased ~30%\* while corrugated boxes are up ~8%<sup>(1)</sup>**
- **Sharp increases in containerboard have not fully been transferred to corrugated**
- **Increase in recovered paper (OCC) adds timing pressure**



1) Since year-end 2005



# Forest Products – Quarterly Development

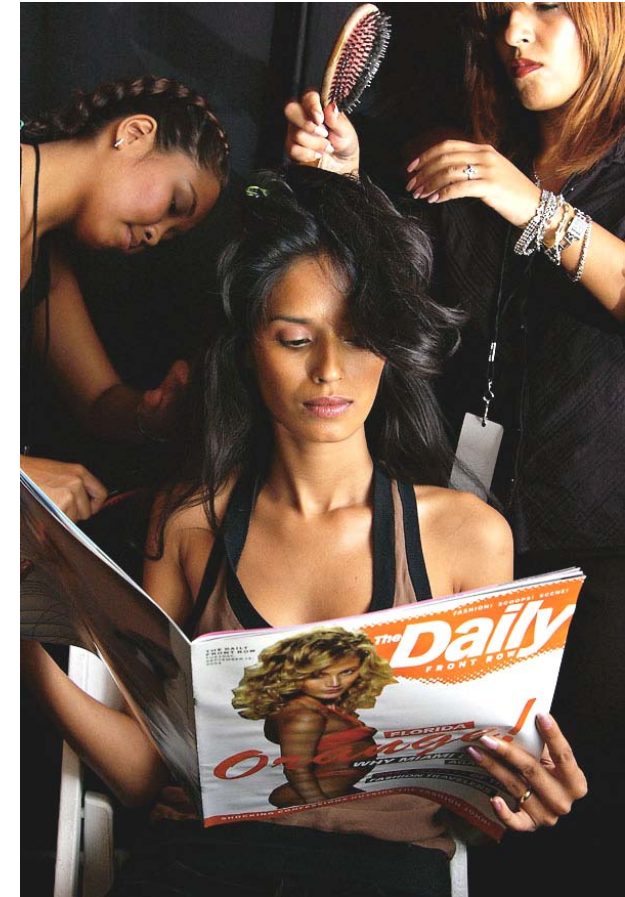


## Q1/Q4 comments:

- Strong performance in the solid-wood operations
- Increased raw material cost
- Lower volumes in publication papers

# Forest Products

- **Publication papers**
  - ◆ Lower volumes
  - ◆ Competitive European market for magazine papers
  - ◆ Higher costs for recovered paper and wood raw material
- **Pulp, timber and solid-wood products**
  - ◆ Continued favourable market for solid-wood products
  - ◆ Increased purchases of wood externally
  - ◆ More favourable energy balance with new recovery boiler in the Östrand pulp mill



# Summary

- Delivering according to strategy
- Sharpening the customer offerings
- Substantial raw material cost increases applying continued pressure
- Continued good underlying market development and positive price momentum



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