

SCA Year-end Report

1 January–31 December 2004



Jan Åström
President and CEO

SCA in Brief

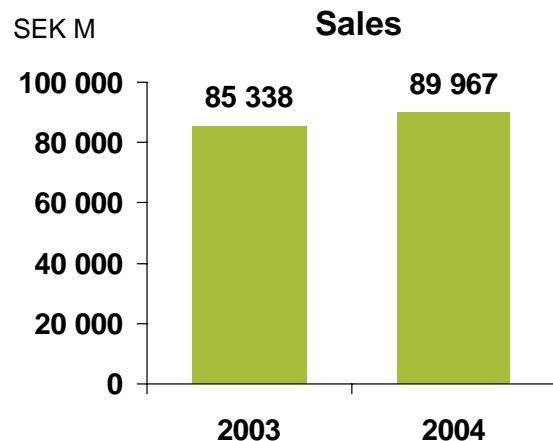
1 January–31 December 2004

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Earnings per share, SEK	2.83	4.09	4.32	4.34	15.58	21.84
Cash flow from current operations per share, SEK	7.93	9.59	2.27	3.48	23.27	34.98
Net sales, SEK M	23,128	22,812	22,340	21,687	89,967	85,338
Earnings after financial items, SEK M	488	1,377	1,502	1,472	4,839	6,967
<i>Excluding items affecting comparability</i>	1,114	1,307	1,516	1,502	5,439	6,615
Net earnings, SEK M	661	955	1,009	1,014	3,639	5,075
Dividend per share, SEK					10.50	10.50



SCA Group

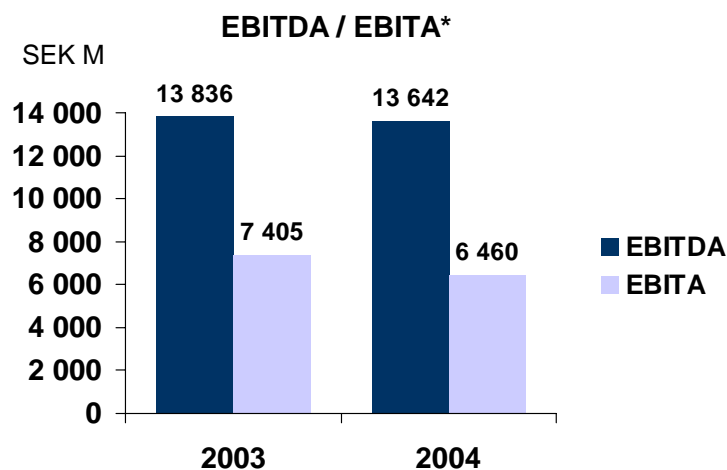
Compared with 2003



- **Sales increased by 5%**
 - ◆ Currency effects –2%

- **Operating surplus decreased by 1% (excluding items affecting comparability)**

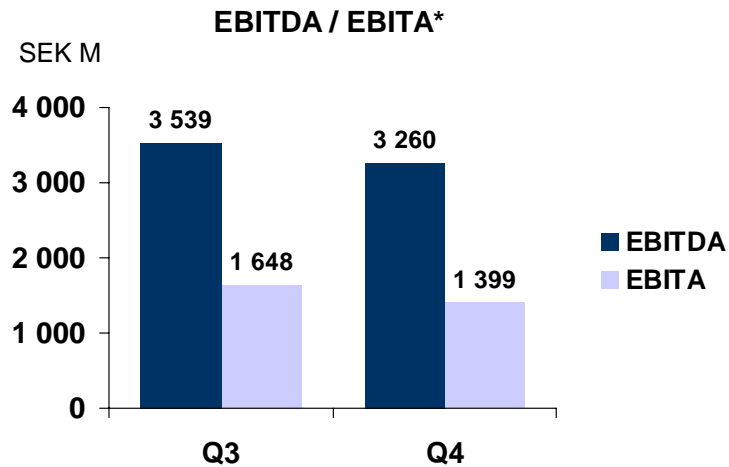
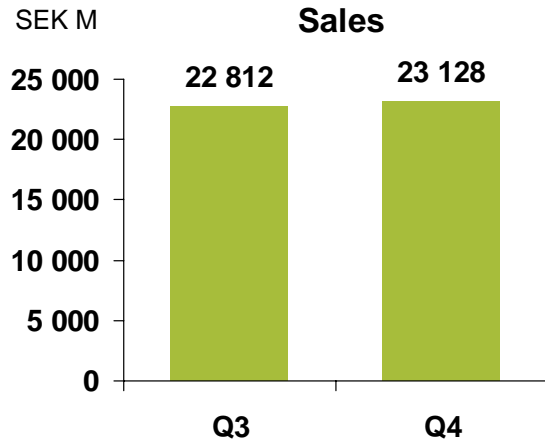
- **Operating profit decreased by 13% (excluding items affecting comparability)**
 - ◆ Currency effects –5%



*Excluding items affecting comparability

SCA Group

Compared with third quarter of 2004



- **Sales increased by 1%**
 - ◆ Currency effects -3%
- **Operating surplus decreased by 8%**
(excluding items affecting comparability)
- **Operating profit decreased by 15%**
(excluding items affecting comparability)
 - ◆ Currency effects -4%

*Excluding items affecting comparability

Cash Flow Analysis

1 January–31 December

1 (2)

SEK M	2004	2003	Change
Operating cash surplus	13,596	13,508	0%
Changes in working capital	-620	737	
Current capital expenditures, net	-4,270	-3,902	
Other operating cash flow changes	-355	-241	
Operating cash flow	8,351	10,102	-17%
Financial items	-851	-790	
Income taxes paid	-2,088	-1,151	
Other	23	-27	
Cash flow from current operations	5,435	8,134	-33%



Cash Flow Analysis

1 January-31 December

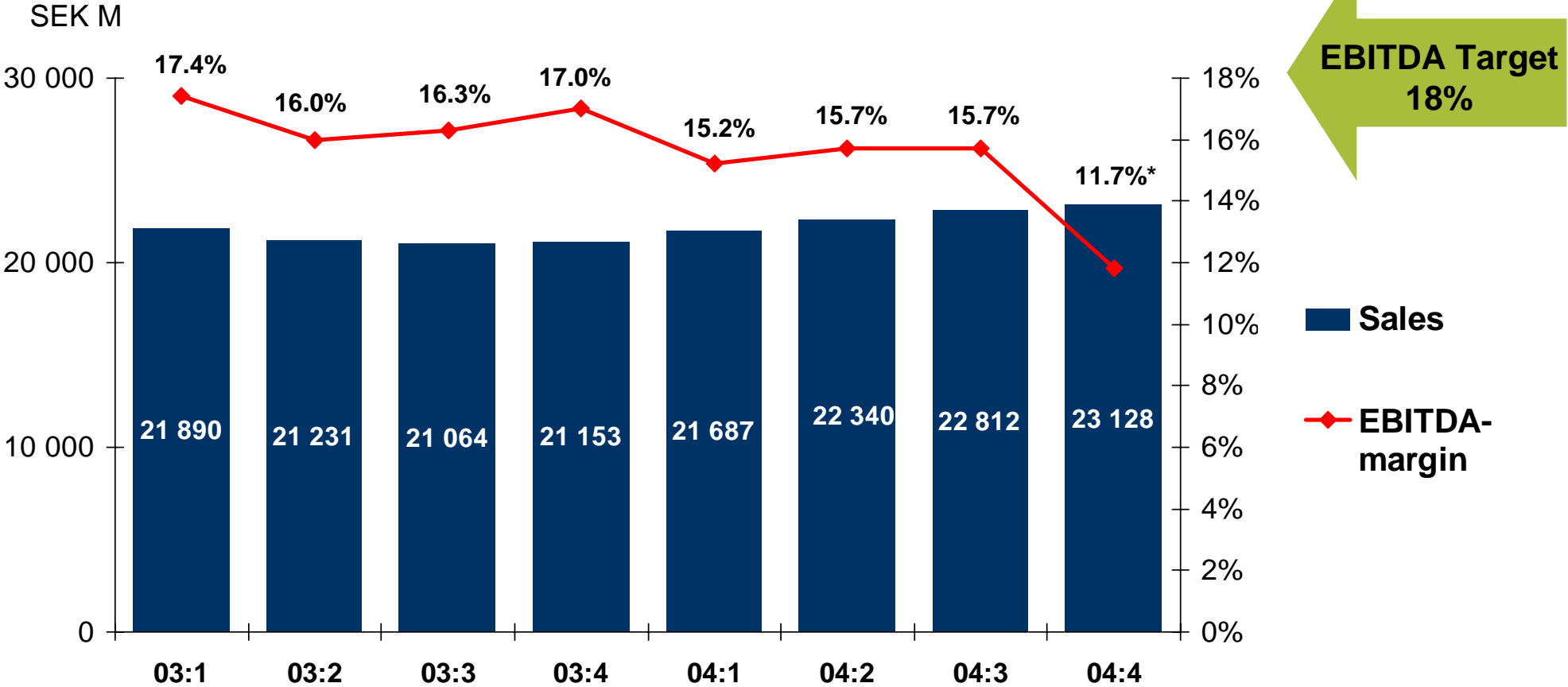
2 (2)

SEK M	2004	2003
Cash flow from current operations	5,435	8,134
Company acquisitions	-9,340	-4,808
Strategic capital expenditures	-2,398	-2,949
Strategic structural expenditures	-226	-437
Divestments	0	961
Cash flow before dividend	-6,529	901
Debt equity ratio, times	0.60	0.44
Debt payment capacity, %	35	54



Group - Development

Quarterly data



*14% excluding items affecting comparability



Hygiene Products - Operating Profit

Compared with year-end 2003

	2004	2003	Change	Comments
Hygiene Products	4 321	4 820	-10%	
Consumer Tissue	1 273	1 416	-10%	Lower prices, 3,5%, have been partly offset by lower production- and distribution costs
AFH Tissue	677	1 001	-32%	Increased raw material and energy costs and negative currency effects in North American operations have been only partly compensated by higher prices
Personal Care	2 371	2 403	-1%	Positive effects of acquisitions and higher volumes have been offset by lower prices for baby diapers to retailers' brands and higher advertising and promotion costs

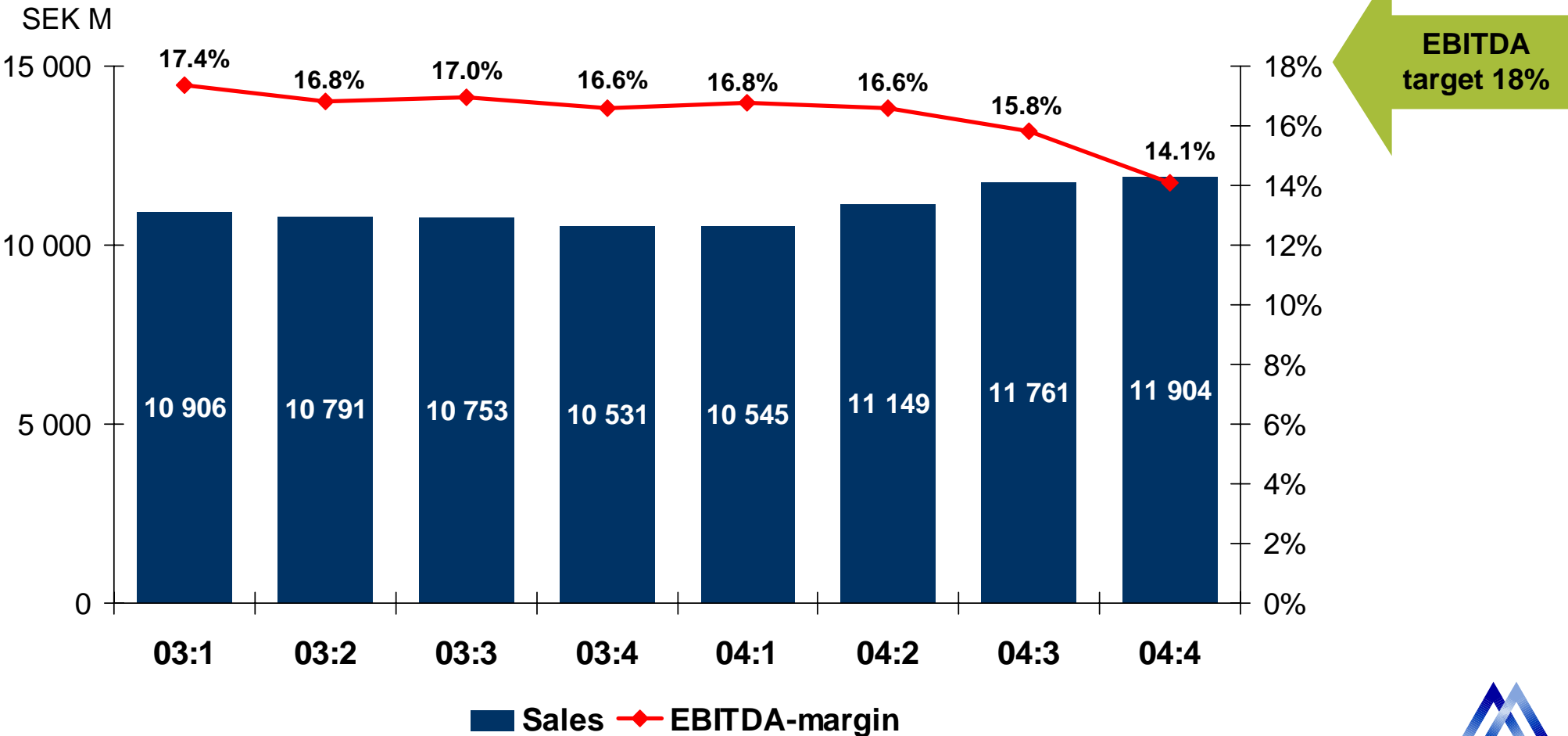
Hygiene Products - Operating Profit

Compared with third quarter of 2004

	2004:4	2004:3	Change	Comments
Hygiene Products	943	1 068	-12%	
Consumer Tissue	232	327	-29%	Lower prices, higher energy costs and production stops, but higher volumes and somewhat lower pulp prices
AFH Tissue	146	153	-5%	Improved performance in North America despite production stops. Earnings declined in Europe due to UK reorganization
Personal Care	565	588	-4%	Lower earnings for feminine hygiene products. Higher advertising and promotion costs

Hygiene Products - Development

Quarterly data



Tissue - Europe Market

- **Market growth 2%**
- **Consumer Tissue**
 - ◆ Competitive market conditions
- **AFH Tissue**
 - ◆ Fair demand and stable prices

AFH Tissue – North America Market

- **Increased demand**
 - ◆ US shipments up 1.5% YTD November
- **Higher prices**
 - ◆ 5% price increase in fourth quarter
 - ◆ Further increases announced for first quarter of 2005

Personal Care Market

- **Incontinence products**
 - ◆ Retail continues to show double-digit growth
- **Baby diapers**
 - ◆ Price pressure within retailers' brands due to branded price decreases
 - ◆ Good growth in the Nordic region
- **Feminine hygiene products**
 - ◆ Competitive situation in Europe

Packaging - Operating Profit

Compared with year-end 2003

	2004	2003	Change	Comments
Operating profit	2 268	2 482	-9%	<p>Lower prices for corrugated board were partly offset by improved productivity and improved paper integration as well as lower energy costs</p> <p>Higher costs for oil based raw materials in North America</p>

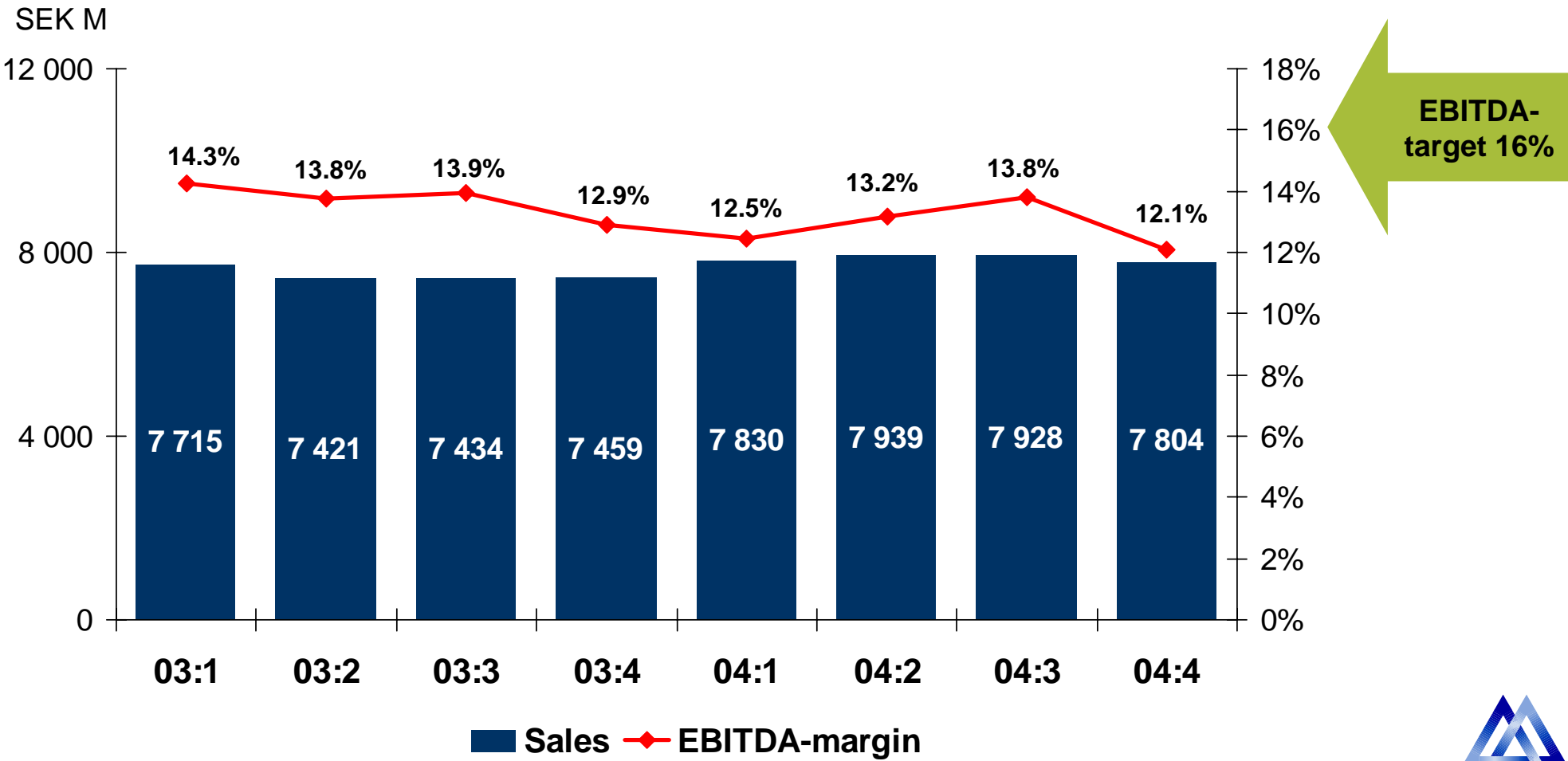
Packaging - Operating Profit

Compared with third quarter of 2004

	2004:4	2004:3	Change	Comments
Operating profit	490	636	-23%	Seasonal declines in corrugated and significant maintenance/downtime stops in the liner operations

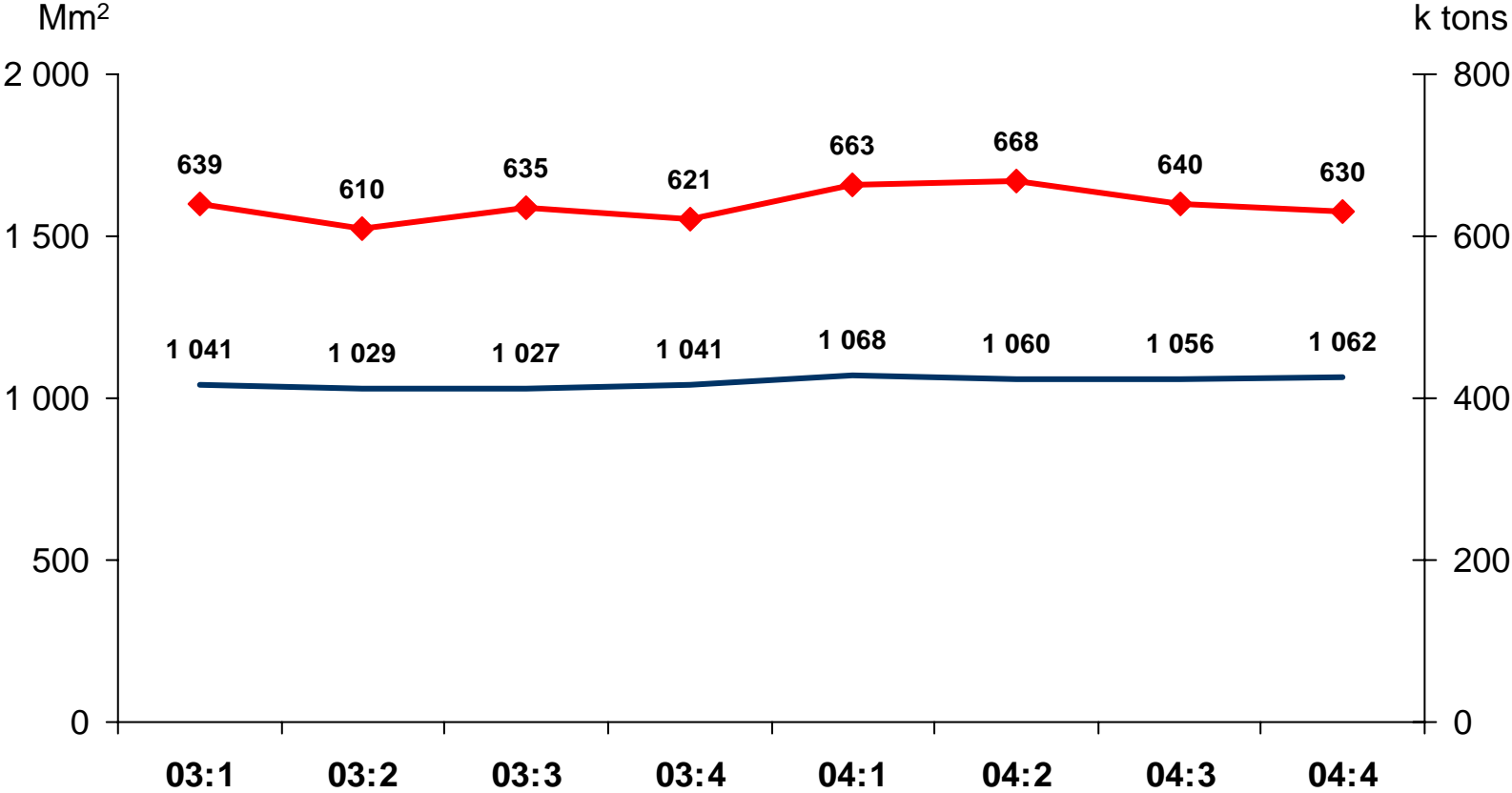
Packaging - Development

Quarterly data



Packaging - Deliveries

Quarterly data



◆ Liner — Corrugated board



Recovered Paper Market

- **Europe**

- ◆ OCC, Mixed and Deink prices marginally down during fourth quarter
- ◆ Tissue grades stable

- **US**

- ◆ Stable markets – high quality grades prices level out

Containerboard Market

■ Testliner

- ◆ Fair market balance in Europe
- ◆ Prices up about EUR 20/ton in fourth quarter

■ Kraftliner

- ◆ European shipments up 5% in 2004
- ◆ Prices up but under pressure due to weak US dollar
- ◆ Imports from the US remain on a low level
 - Strong demand in the US – shipments up 3% YTD November

Corrugated Board – Europe Market

- **Slowly increasing demand in Europe**
 - ◆ Demand up 1.3% YTD November
 - Germany up 2.5%
 - Spain and Italy up about 1.5%
 - UK up around 0.5%, France and Nordic markets marginally down
- **Competitive market conditions**

Forest Products - Operating Profit

Compared with year-end 2003

	2004	2003	Change	Comments
Forest Products	1 487	1 559	-5%	
Publication papers	442	662	-33%	Lower prices, higher production costs and negative currency effects partly offset by higher volumes
Pulp, timber and solid-wood products	1 045	897	16%	Positive contribution from acquisition of Scaninge and higher volumes

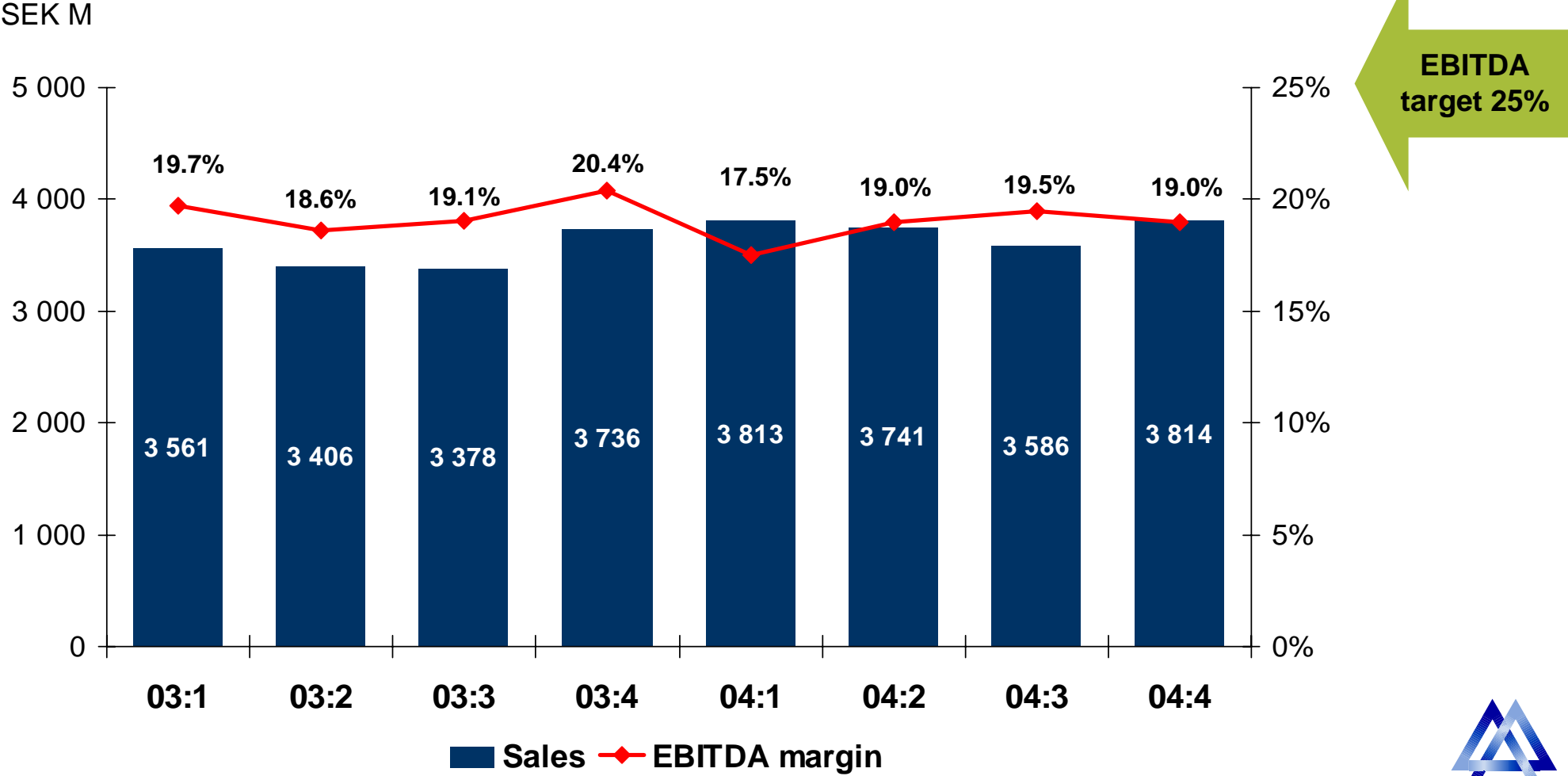
Forest Products - Operating Profit

Compared with third quarter of 2004

	2004:4	2004:3	Change	Comments
Forest Products	383	374	2%	
Publication papers	129	121	7%	Higher volumes partly offset by higher energy costs and currency effects
Pulp, timber and solid-wood products	254	253	0%	Lower prices, negative currency effects but higher volumes

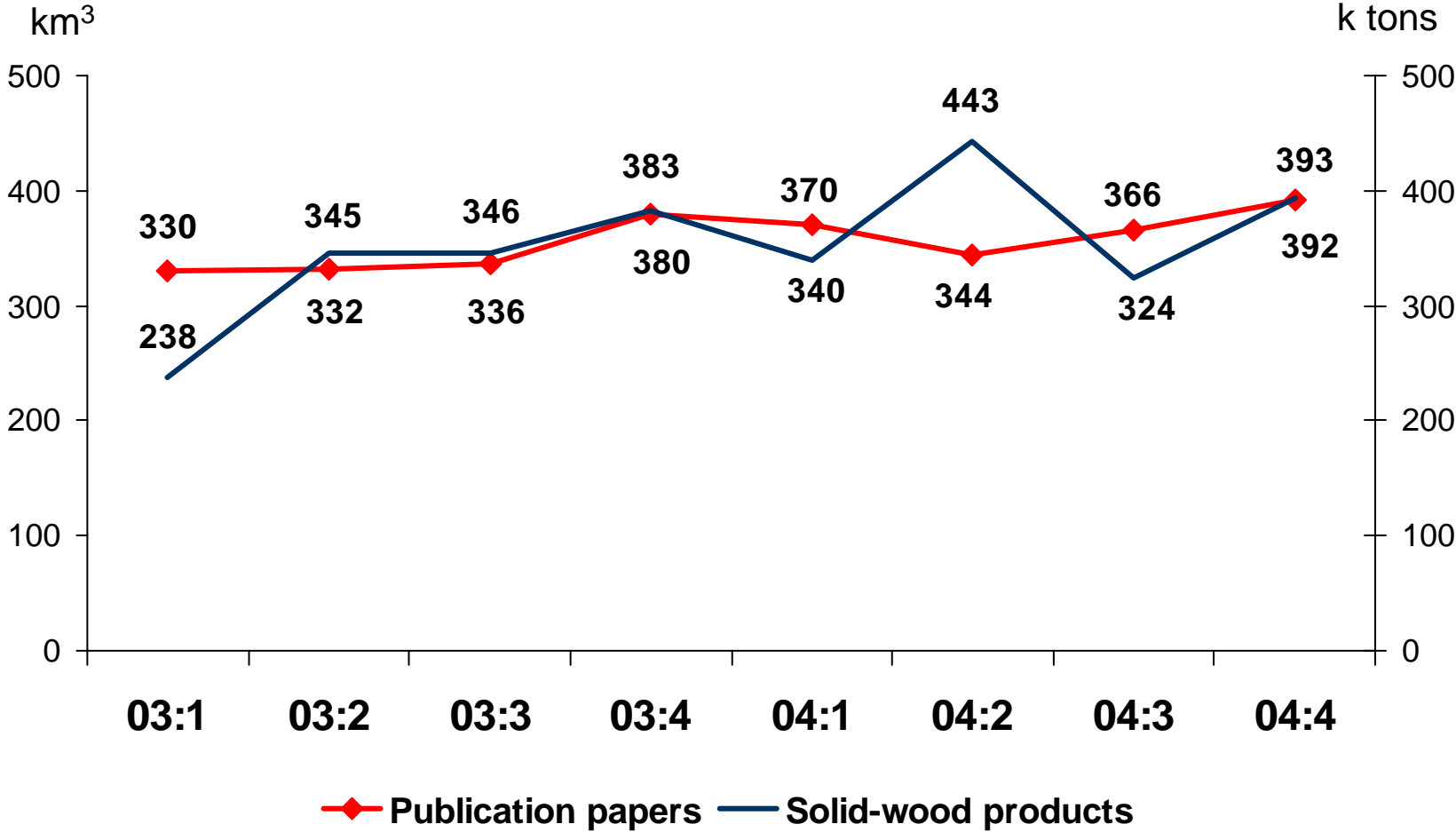
Forest Products - Development

Quarterly data



Forest Products - Deliveries

Quarterly data



Publication Papers Market

- **Strong European demand for Newsprint**
 - ◆ Standard newsprint up 3% in 2004
 - ◆ Improved grades up 22%
- **Good demand for SC and LWC paper**
 - ◆ SC up 3% and LWC up 5% in 2004
- **Price increases announced for first quarter**

Market Pulp

Market

- **Prices bottomed in October after sharp fall in third quarter**
 - ◆ Chinese buyers back in the market
 - ◆ Producer inventories down
- **Prices started to move up in December**
 - ◆ NBSK up from USD 585 to about USD 620
 - ◆ Upward trend continued into January
 - ◆ Cost/currency driven price movement

Solid-Wood Products Market

- **Pressure on pine markets**
 - ◆ Demand slowing down; high supply put pressure on prices
- **Stable spruce markets**
 - ◆ Demand is slowing down, but low inventories keep prices stable

Rationalization Program

Communicated in third quarter report

- **Total costs SEK 726 M – charged in fourth quarter 2004**
- **Actions:**
 - ◆ Packaging - several measurements to improve profitability
 - ◆ Personal Care - plant optimization
 - ◆ Restructuring in North American and Australasian operations
- **Effects**
 - ◆ Annual savings of slightly more than SEK 1 bn

Rationalization Program

Extended savings identified

- **Total costs SEK 425 M – will be charged first quarter 2005**

- **Actions:**
 - ◆ Additional programs within the American operations, the European hygiene products operations and in recently acquired units
 - ◆ The program affects 450 employees

- **Effects**
 - ◆ Annual savings of SEK 200 M

Market Outlook

- **No notable change in the market situation and demand picture for the Group's products is expected in the immediate future**
- **The intensive competitive situation is expected to remain although certain price adjustments are planned in the North American operations and in the publication papers area in Europe**
- **The internal measures for cost reductions will have high priority during the year concurrent with acquisition activities being sharply curtailed pending an improvement in the overcapacity and competitive situation within the Group's product areas**

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