

SCA Year-end Report

1 January–31 December 2003



SCA in Brief

1 January–31 December 2003

	03:4 ¹	03:3	03:2	03:1 ²	0312 ³	0212 ⁴
Earnings per share, SEK	6.07	4.88	4.87	6.02	21.84	24.54
Cash flow from current operations per share, SEK	11.27	10.70	5.56	7.45	34.98	37.12
Net sales, SEK M	21,153	21,064	21,231	21,890	85,338	88,046
Earnings after financial items, SEK M	1,786	1,603	1,604	1,974	6,967	8,078
Net earnings, SEK M	1,419	1,131	1,130	1,395	5,075	5,693
Dividend per share, SEK					10.50 ⁵	9.60

¹ Including items affecting comparability, SEK 155 M before taxes and SEK 202 M after taxes.

² Including items affecting comparability, SEK 197 M before taxes and SEK 154 M after taxes.

³ Including items affecting comparability, SEK 352 M before taxes and SEK 356 after taxes.

⁴ Including items affecting comparability, SEK 88 M

⁵ Board proposal.



SCA in Brief

2003 compared with 2002

- **Earnings per share amounted to SEK 21.84 (24.54). Excluding items affecting comparability, earnings per share amounted to SEK 20.31 (24.16)**
- **Net sales totaled SEK 85,338 M (88,046), a decline of 3%. Adjusted for currency and price effects net sales increased by 4%**
- **The Group's operating profit excluding items affecting comparability amounted to SEK 7,405 M (9,013) a decline of 18%. Currency movements had a negative effect of 7% and higher pension costs a negative effect of 4%**

SCA in Brief

Compared with third quarter of 2003

- **Earnings per share during the fourth quarter totaled SEK 6.07 (4.88). Excluding items affecting comparability, earnings per share amounted to SEK 5.22**
- **Operating profit excluding items affecting comparability unchanged. Operating profit increased for Hygiene Products with 1%, and Forest Products with 33%, while operating profit for Packaging declined 15%**

SCA in Brief

Dividend

- **Board proposes dividend of SEK 10:50 per share, an increase of 9%. Average dividend growth during the last five years, amounts to 11% annually**

Operating Profit - Business Areas

1 January–31 December

SEK M	2003 ¹	2002 ²	Change %
Hygiene Products	4,820	5,487	-12%
Packaging	2,482	3,065	-19%
Forest Products	1,559	1,986	-22%
Other operations³	26	-300	
Operating profit before goodwill amortization	8,887	10,238	-13%
Goodwill amortization	-1,130	-1,137	
Operating profit	7,757	9,101	-15%

1) Including items affecting comparability SEK 352 M.

2) Including items affecting comparability SEK 88 M (reported under the heading Packaging)

3) Including items affecting comparability during 2003.



Cash Flow Analysis

1 January–31 December

1 (2)

SEK M	2003	2002	Change %
Operating cash surplus	13,508	15,245	-11
Changes in working capital	737	903	
Current capital expenditures, net	-3,902	-3,523	
Other operating cash flow changes	-241	-204	
Operating cash flow	10,102	12,421	-19
Financial items	-790	-1,023	
Income taxes paid	-1,151	-2,629	
Other	-27	-149	
Cash flow from current operations	8,134	8,620	-6



Cash Flow Analysis

1 January-31 December

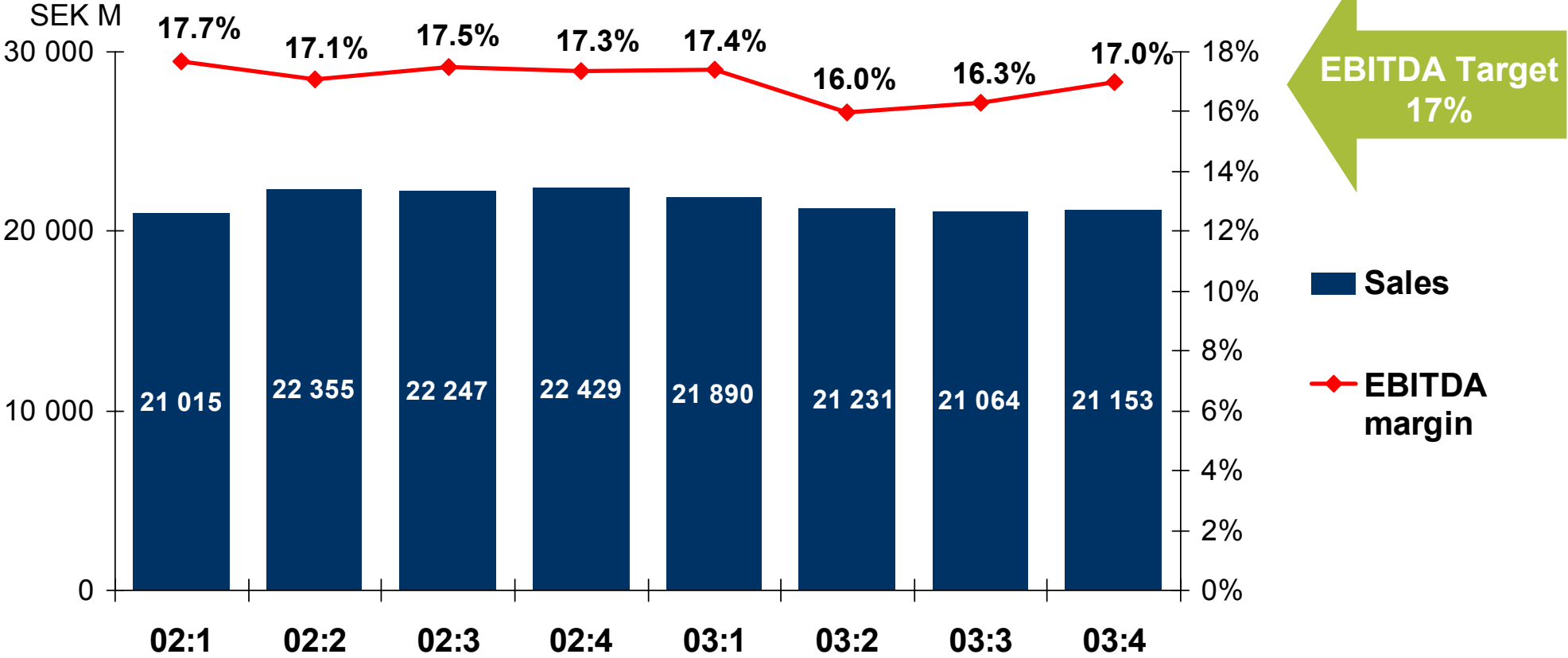
2 (2)

SEK M	2003	2002
Cash flow from current operations	8,134	8,620
Company acquisitions	-4,808	-6,483
Strategic capital expenditures	-2,949	-2,823
Strategic structural expenditures	-437	-574
Divestments	961	405
Cash flow before dividend	901	-855
Debt equity ratio, times	0.44	0.49
Debt payment capacity, %	54	47



Group - Development

Quarterly data



ROCE	13%	13%	13%	13%	13%	12%	11%	11%
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Earnings per Share Development

Quarterly data



Hygiene Products

Compared with year-end 2002

- **Net sales amounted to SEK 42,981 M (45,197), down 5%**
- **Operating profit amounted to SEK 4,820 M (5,487), a decline of 12%**
 - ◆ Currency effects –5%
 - ◆ Lower prices
- **Consumer tissue operating profit down 16%**
 - ◆ Lower prices and volumes
 - ◆ Lower raw material costs but slightly higher energy costs
- **AFH tissue operating profit down 17%**
 - ◆ Improved volumes and higher prices in the European operations were offset by lower prices in North America
 - ◆ Higher energy and raw material costs in the North American operations
- **Personal care operating profit down 7%**
 - ◆ Strong volume growth of incontinence products
 - ◆ Currency effects –7%

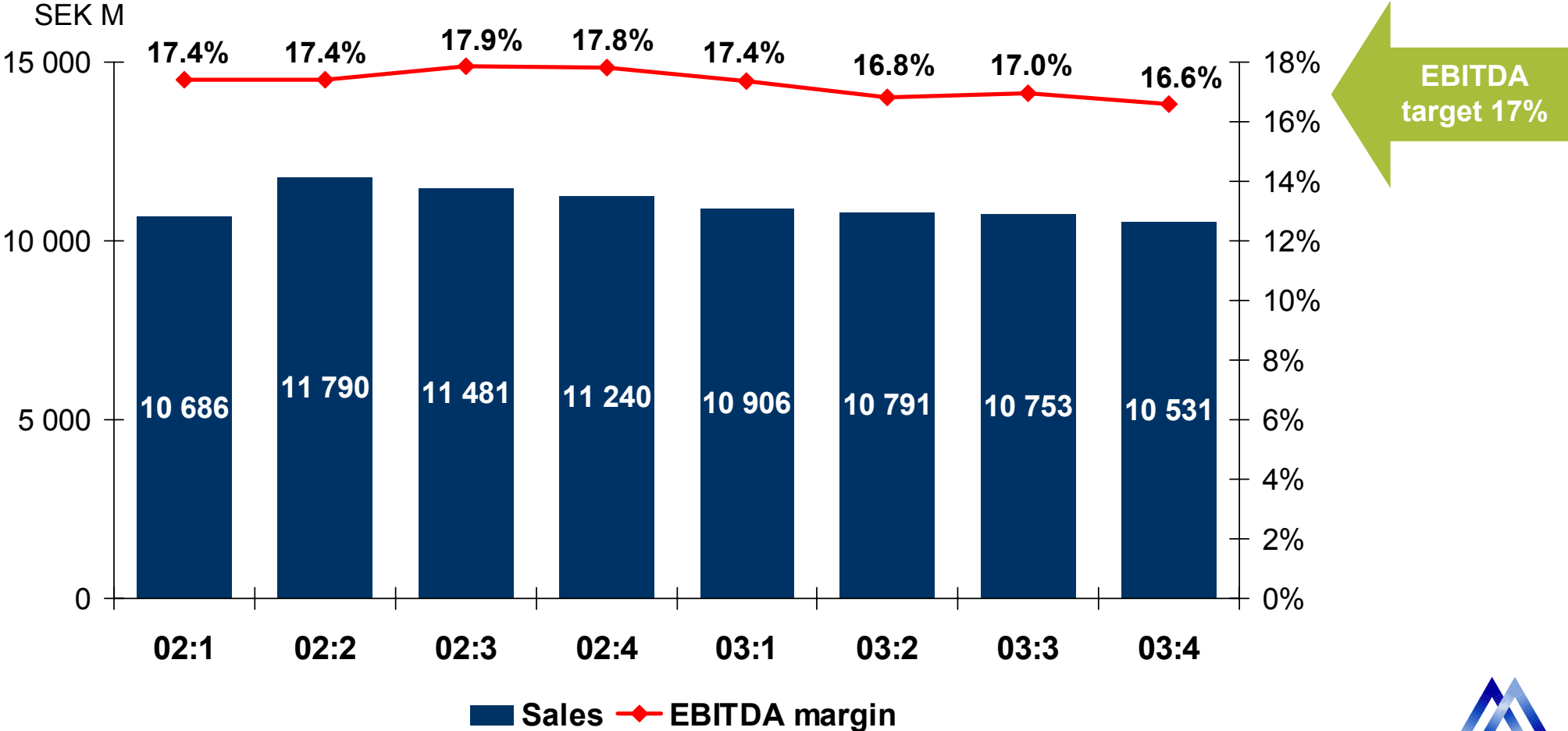
Hygiene Products

Compared with third quarter of 2003

- **Operating profit in the fourth quarter virtually unchanged**
 - ◆ Lower depreciation due to write-offs in third quarter and adjustments in acquisition balances
- **Consumer tissue operating profit up 31%**
 - ◆ Higher volumes and a more favourable product mix
- **AFH tissue operating profit down 33%**
 - ◆ Lower volumes caused by seasonal variations
 - ◆ Higher raw material costs and lower prices
- **Personal care operating profit increased slightly**
 - ◆ Higher volumes for incontinence and Nordic baby diaper business

Hygiene Products - Development

Quarterly data



Tissue – Europe

Market

- **Consumer Tissue**
 - ◆ Continued competitive pressure
 - ◆ Stable prices
 - ◆ Good volume development
- **AFH**
 - ◆ Stable demand
 - ◆ Some price pressure

AFH Tissue - North America Market

- **Weak markets**
 - ◆ US demand down 1% through November
 - ◆ Seasonally weak shipments in Q4
- **Prices stabilized**

Personal Care Market

- **Incontinence products**
 - ◆ Stable demand, globally
 - ◆ Strong growth in retail
- **Baby diapers**
 - ◆ Pant diapers growing fast
 - ◆ Competitive pressure in Southern Europe
- **Feminine hygiene products**
 - ◆ Strong growth within retailers' brands

Packaging

Compared with year-end 2002

- **Net sales down 2% - SEK 30,029 M (30,549)**
 - ◆ Acquisitions in Europe and North America 5%
 - ◆ Currency effects -4%
 - ◆ Lower volumes and prices
- **Operating profit down 19% - SEK 2,482 M (3,065)**
 - ◆ Positive effects of acquisitions and lower raw material costs offset by negative product mix changes, lower volumes and prices
 - ◆ Increased pension costs 8%

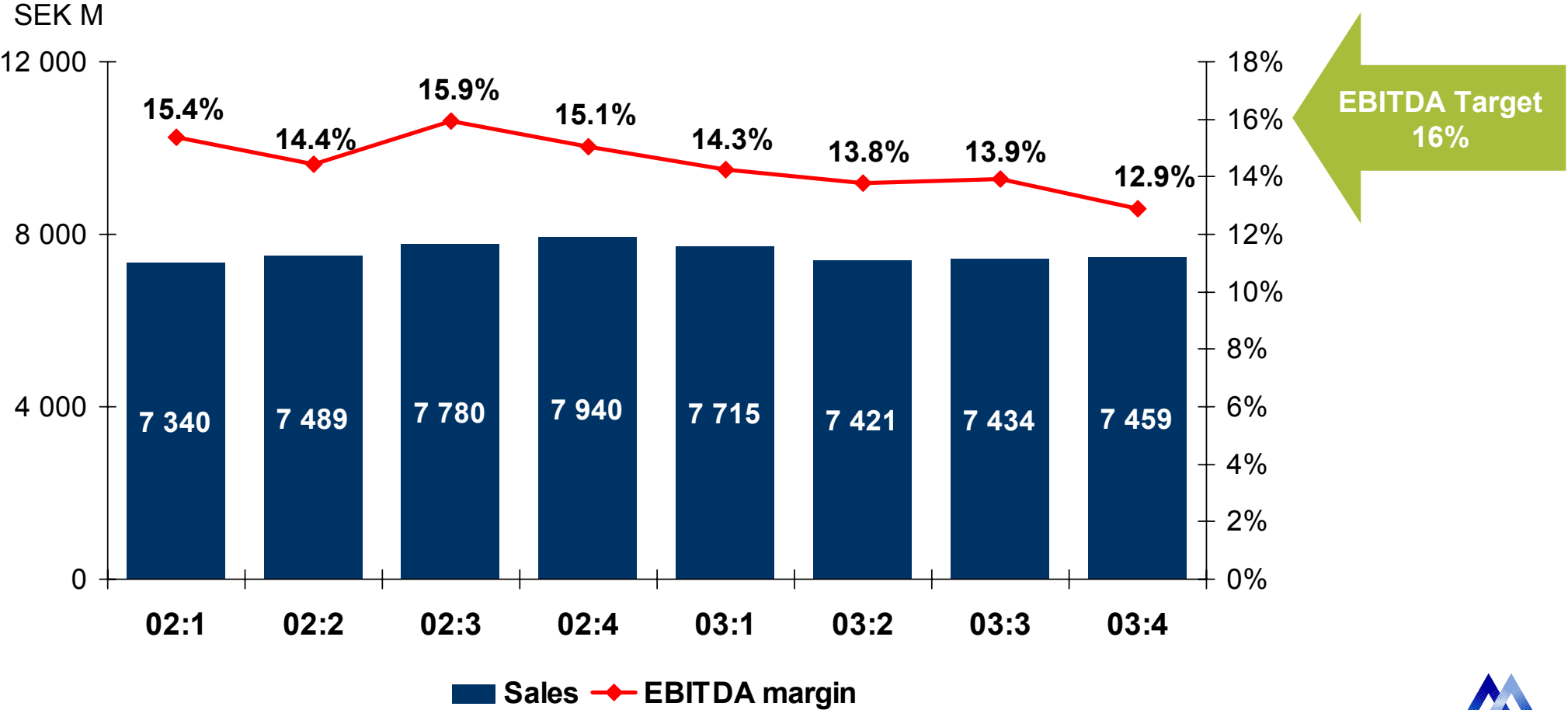
Packaging

Compared with third quarter of 2003

- **Operating profit declined 15%**
 - ◆ Somewhat lower prices for corrugated board and kraftliner
 - ◆ Higher costs for recycled fiber
 - ◆ Increased costs incurred in conjunction with planned production stoppages
 - ◆ Higher raw material costs for the North American protective packaging operations

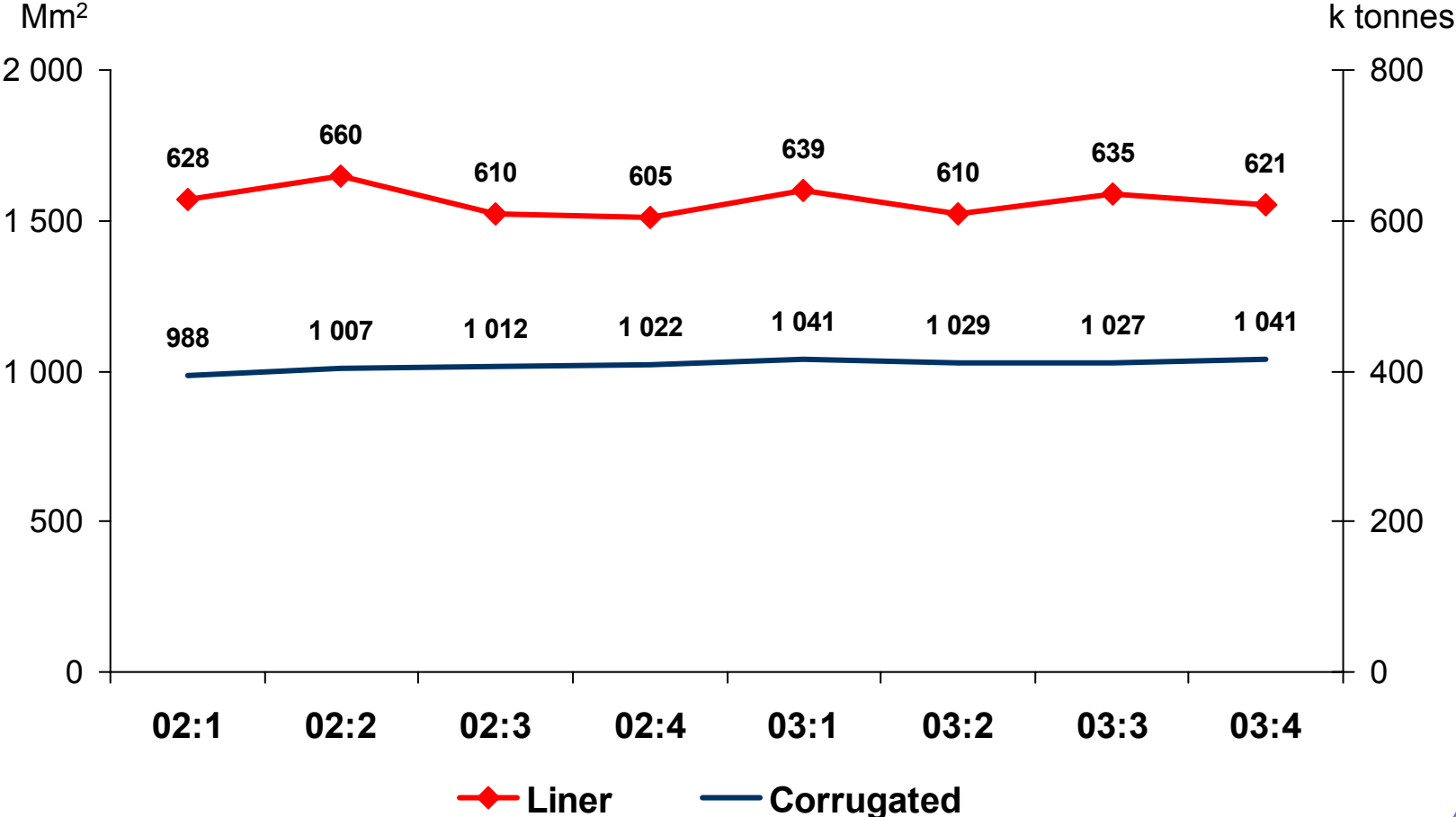
Packaging - Development

Quarterly data



Packaging - Deliveries

Quarterly data



Corrugated Board – Europe Market

- **Weak markets**
 - ◆ Flat demand through November 2003
 - ◆ Weak development in Benelux, Nordic, Italy and UK
 - ◆ Growth in France, Spain and Germany
- **Price pressure**

Containerboard Market

- **Testliner**

- ◆ Fair demand in Q4
- ◆ Balanced inventories
- ◆ Prices marginally up in Q4
- ◆ Further price increases announced, effective February 2004

- **Kraftliner**

- ◆ High inventories
- ◆ Imports from USA still on a low level

Recovered Paper Market

- **Europe**
 - ◆ Prices stabilized in Q4
 - ◆ Export demand from Asia up, despite weak USD
- **USA**
 - ◆ Tight markets for high grade de-inking – higher prices

Forest Products

Compared with year-end 2002

- **Net sales up 4% - SEK 14,081 M (13,551)**
 - ◆ Higher volumes from new SC machine and acquisition of sawmills (Scaninge)
 - ◆ Partly offset by lower paper prices
 - ◆ Currency movements -3%

- **Operating profit down 22% - SEK 1,559 M (1,986)**
 - ◆ Higher volumes but lower prices
 - ◆ Currency movements -19%

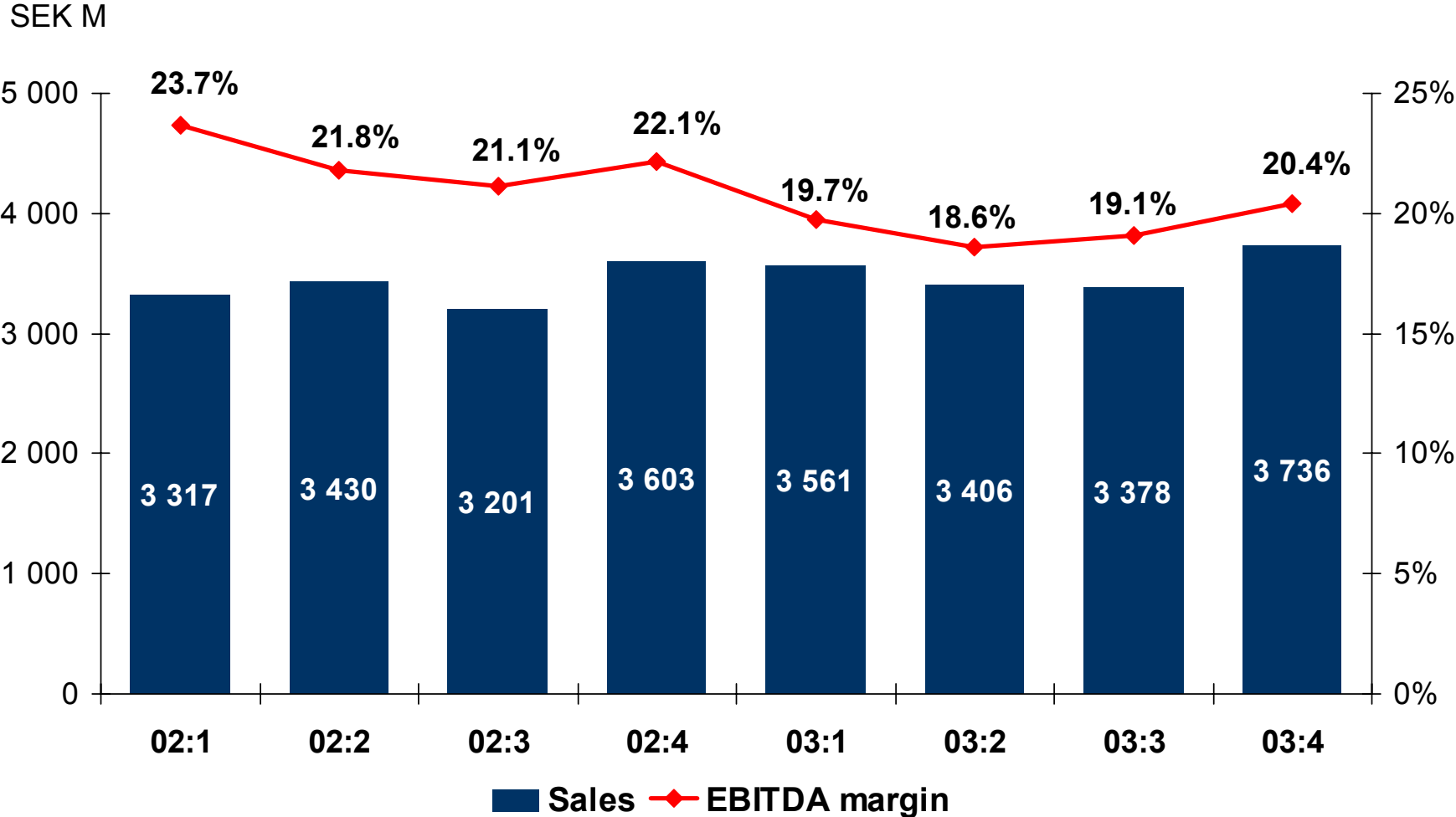
Forest Products

Compared with third quarter of 2003

- **Operating profit up 33%**
- **Publication papers operating profit up 49%**
 - ◆ Higher volumes
 - ◆ Negative currency movements
- **Pulp, timber and solid wood products operating profit up 23%**
 - ◆ Higher volumes from SCA's own forestlands
 - ◆ Higher capacity utilization in sawmill operations

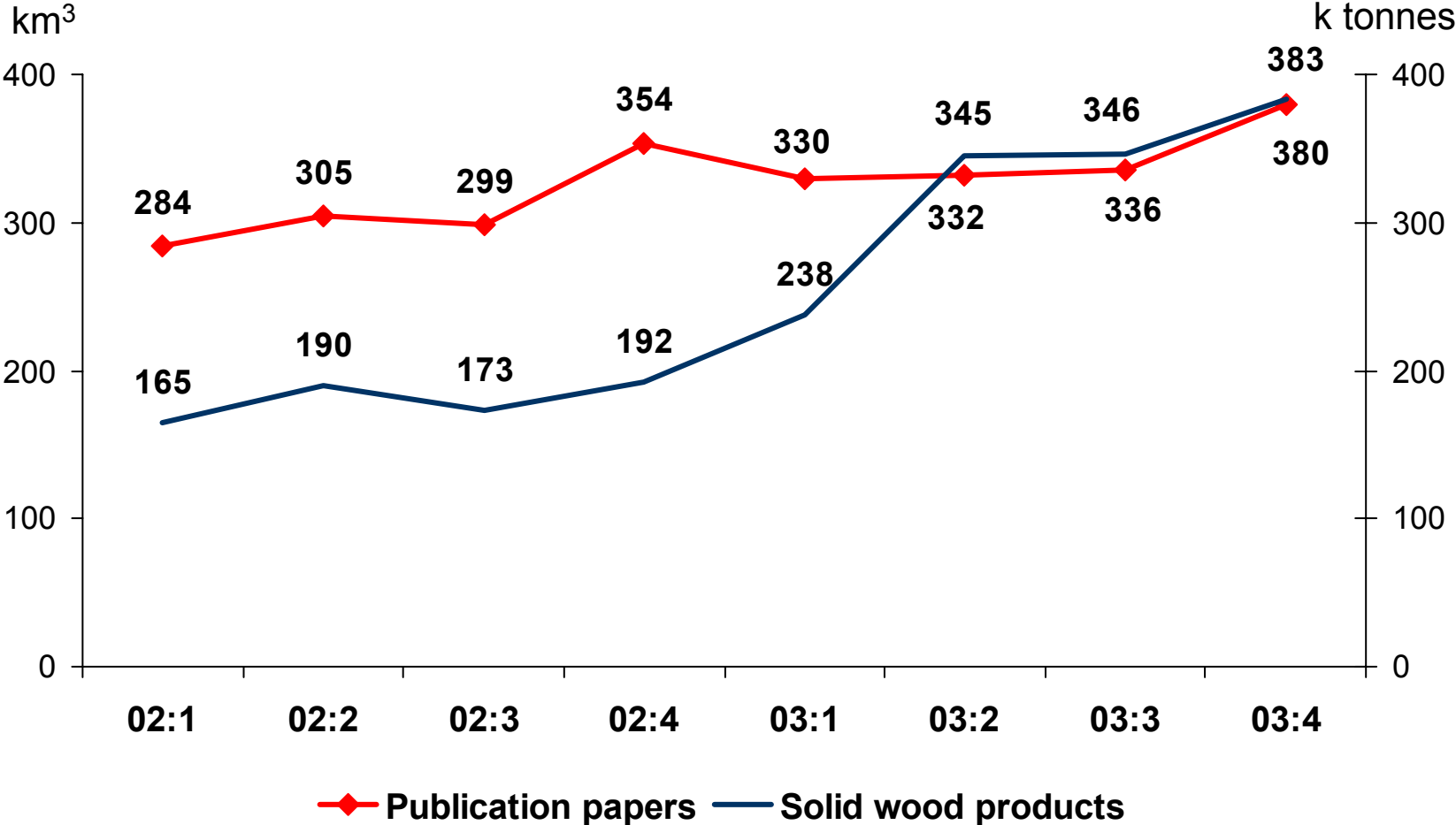
Forest Products - Development

Quarterly data



Forest Products - Deliveries

Quarterly data



Publication Papers

Market

- **Slow recovery in advertising spending**
- **Strong, export driven demand through 2003**
 - ◆ Total shipments up 5% for newsprint; 4% for SC and 8% for LWC
- **European demand improving in Q4**
 - ◆ Very strong shipments in December
 - ◆ Full-year shipments up 1% for newsprint; 2% for SC and 3% for LWC
- **Weak dollar makes export business less attractive**
 - ◆ Export volumes back to Europe?

Market Pulp

Market

- **Good demand in Q4**
 - ◆ Increasing European consumption, but also stock building
 - ◆ Strong shipments to Asia
- **High pulp production**
 - ◆ Fair balance in softwood, over-supply in hardwood
- **Increasing total inventories in December**
- **Mixed price signals – wider gap between SW and HW**
 - ◆ Softwood prices stable at USD 560 – increases announced from February
 - ◆ Hardwood prices under pressure

Solid Wood Products Market

- **Competitive pine markets**
- **Spruce markets stabilizing**

Market Outlook 2003

Europe

- Demand for SCA's consumer products remained stable during the fourth quarter
- Within consumer tissue, competition remains strong, although the underlying volume growth is good
- Demand for corrugated packaging did not show any growth during 2003. The weak demand and prevailing price pressure is expected to persist during the beginning of the year
- The weak demand for publication papers is expected to continue, although some improvement in the advertising market can be noted

North America

- The cautious trend toward recovery that previously was noted in the Group's North American tissue and packaging operations continues



Summary 2003

- **Growth 4% 2003, (15% 2002 and 2003)**
 - ◆ **Hygiene Products**
 - Pisa: Tissue and diapers company in Chile
 - Increased capacity for incontinence products in Europe
 - ◆ **Packaging**
 - Acquisition of three protective packaging companies in the US
 - Increased ownership in Central Package Group
 - ◆ **Forest Products**
 - Full ownership of Scaninge

Summary 2003

■ Profitability

- ◆ Cash-flow from current operations in line with target
- ◆ Group EBITDA 17%, in line with target
- ◆ Stable development of Hygiene Products, especially within personal care
- ◆ Packaging affected by weak business environment and higher pension costs
- ◆ Forest Products affected by prevailing business cycle

Agenda 2004

- **Hygiene Products**

- ◆ Conclude rationalization program
- ◆ Improve efficiency within consumer tissue
- ◆ Startup of tissue machine in Alabama

- **Packaging**

- ◆ Improve efficiency
- ◆ Develop Asian packaging operations

- **Ensure profitable growth**

- ◆ Acquisition and organic



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