

# SCA – Annual General Meeting 2005



**Jan Åström**  
**President and CEO**

# Agenda

- **SCA – historical development**
- **The past year - 2004**
- **Reduced costs and increased competitiveness**
- **Portfolio strategy**

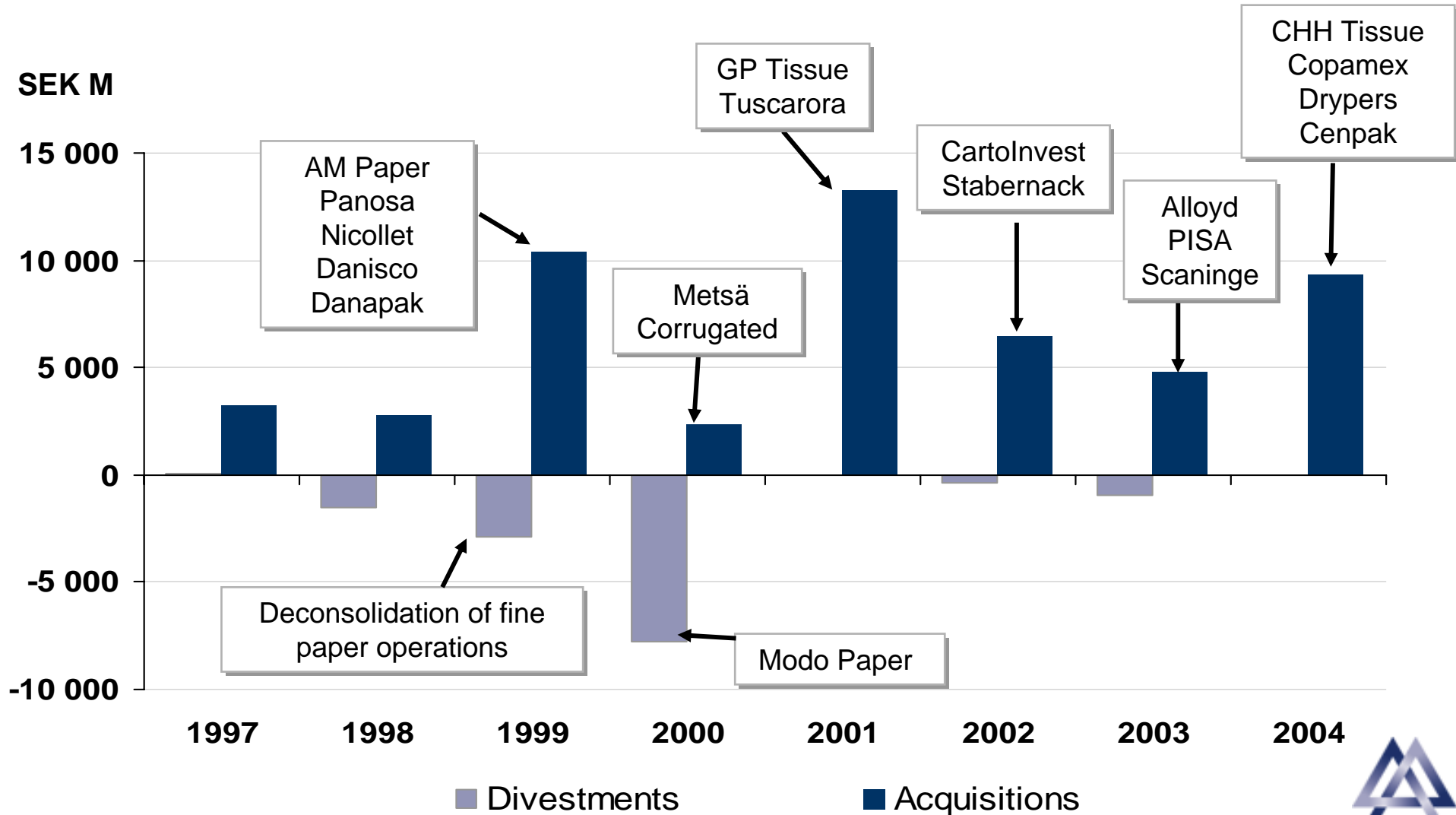
# SCA historical development

- Rebalancing toward packaging and hygiene products through acquisitions and divestments
- Increased presence in markets outside Europe
- Sales 2004: SEK 90 bn
- Market capitalization: SEK 62 bn\*
- No. of employees: 53,000



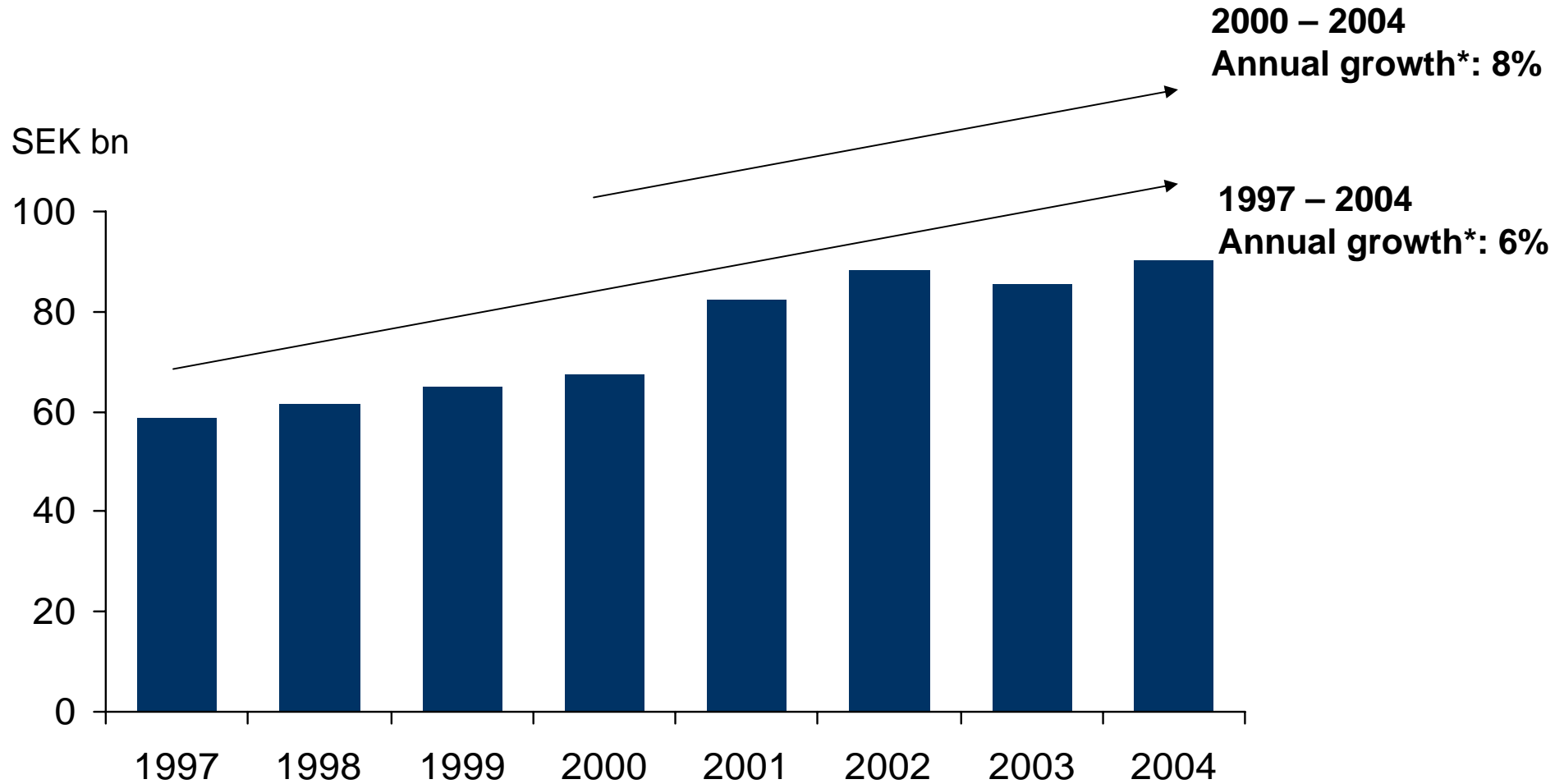
\* Market capitalization as of 4 April 2005

# Acquisitions and divestments 1997 - 2004



# SCA historical development

## SCA – sales 1997 - 2004



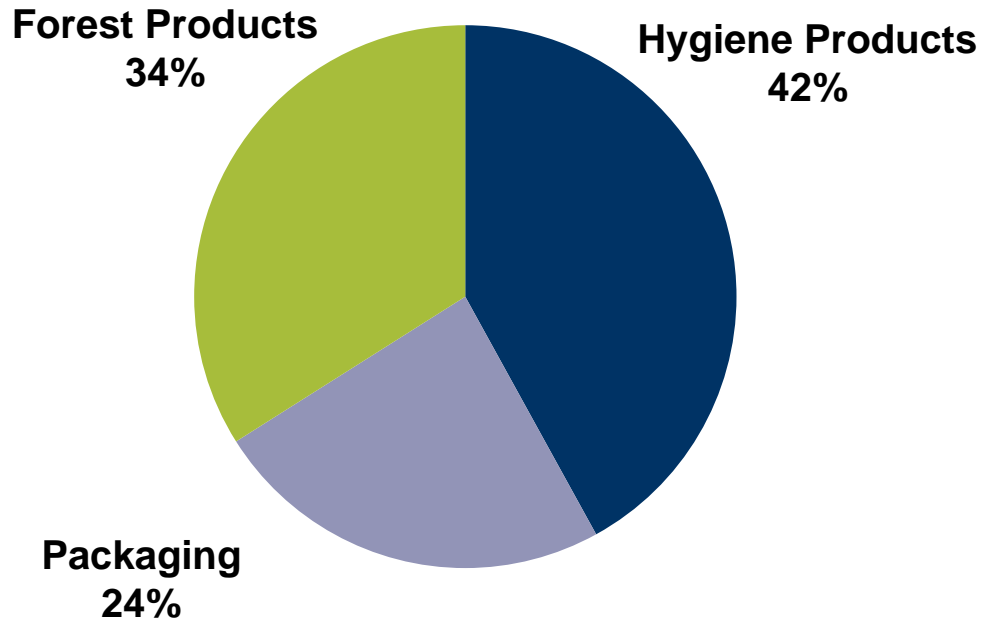
\* Cumulative annual growth rate



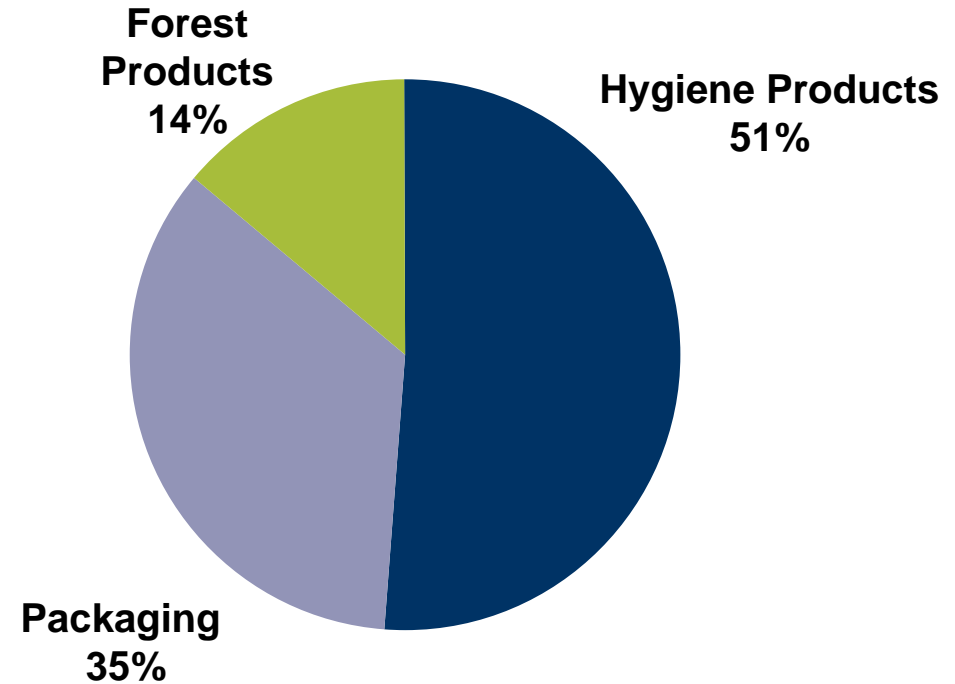
# SCA historical development

## *Sales by business area*

**1996**



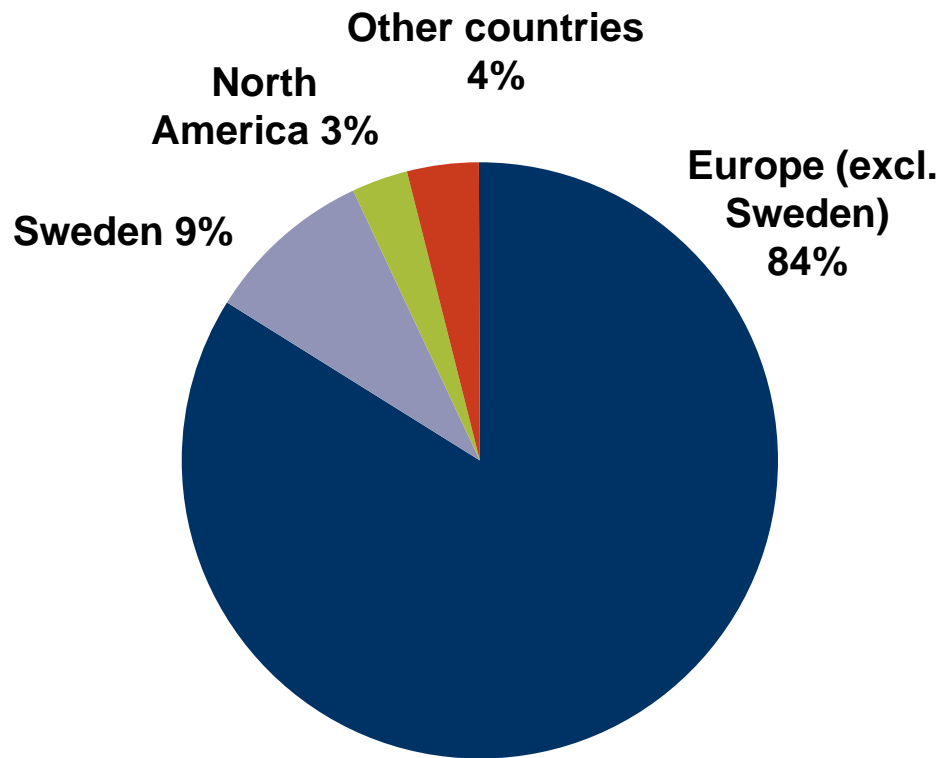
**2004**



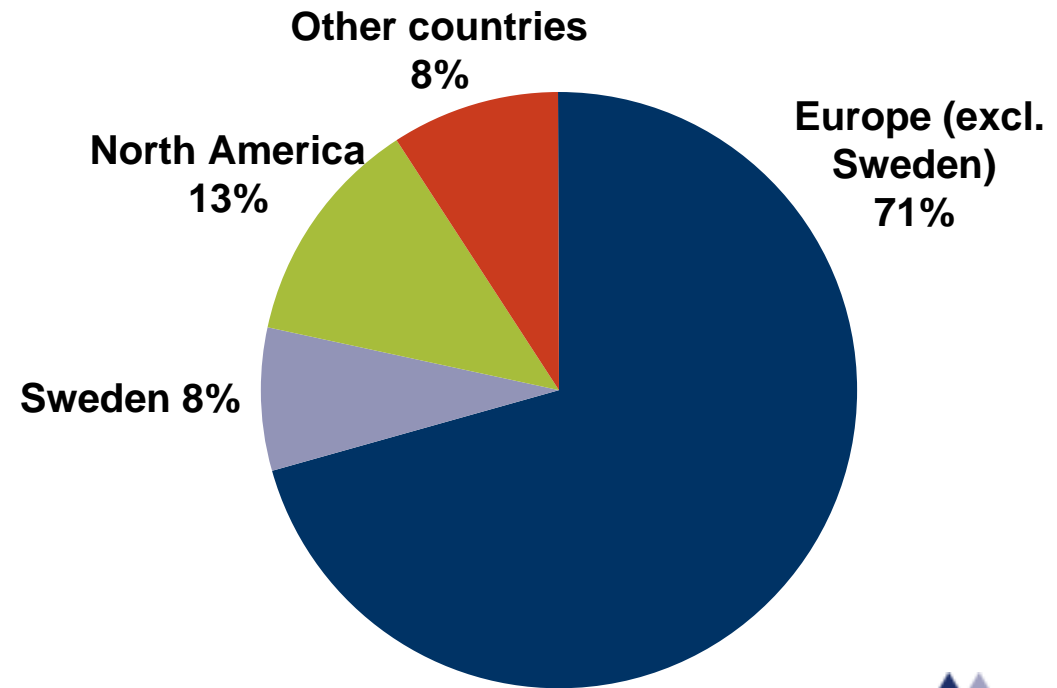
# SCA historical development

## *Sales by region*

**1996**



**2004**



# SCA Group

*Leading in main segments*

## Hygiene Products

- SCA is Europe's leading supplier of tissue and personal care products
  - World leader in incontinence products
- 



## Packaging

- SCA is Europe's leading producer of corrugated packaging
  - Leading position in protective and specialty packaging
- 



## Forest Products

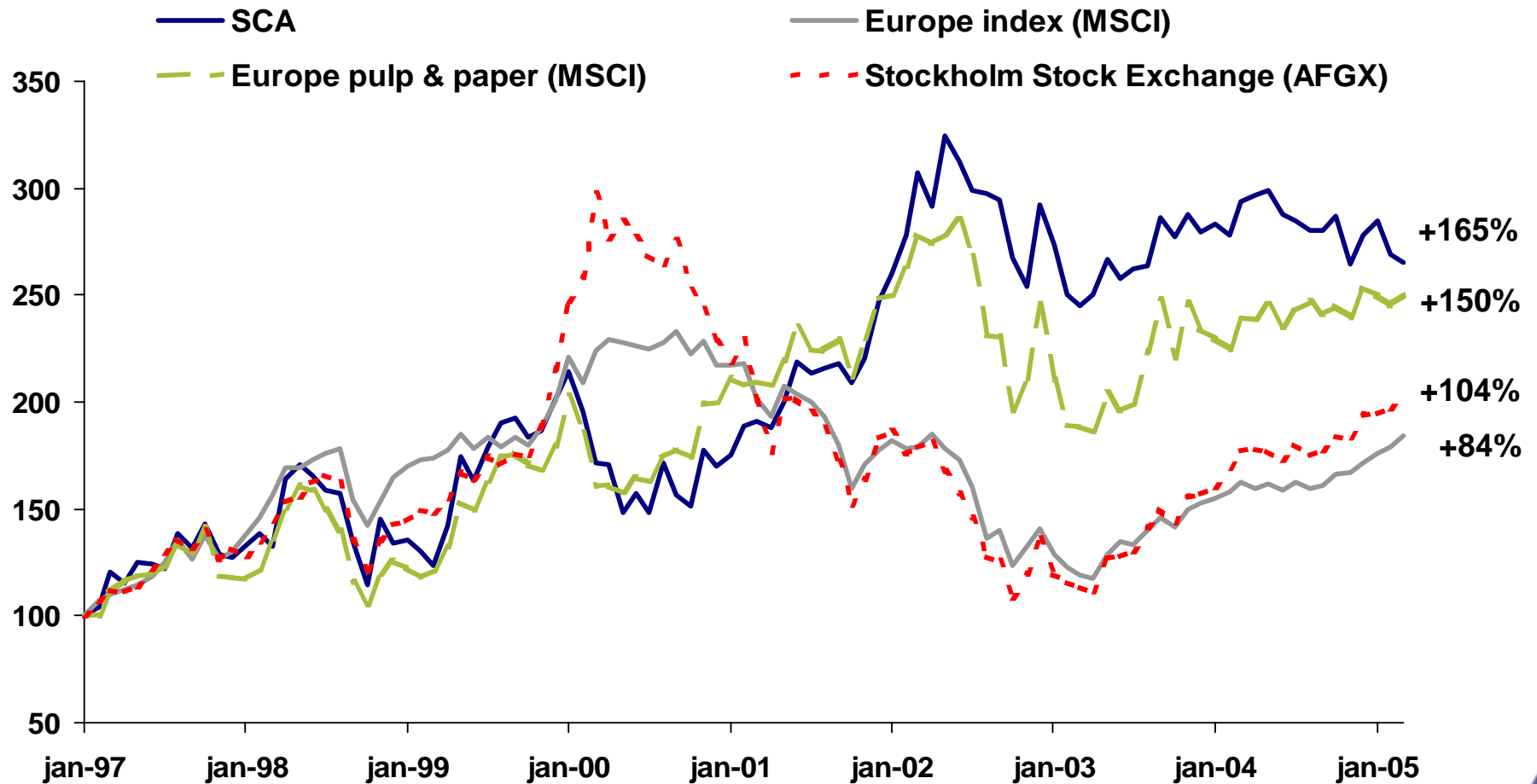
- Supplier of raw material for the Group
- One of Europe's most efficient producers of publication papers



# SCA share: 1997 - 2005

## Stable performance

Total return\*



\*Share price performance including reinvested dividends



# Agenda

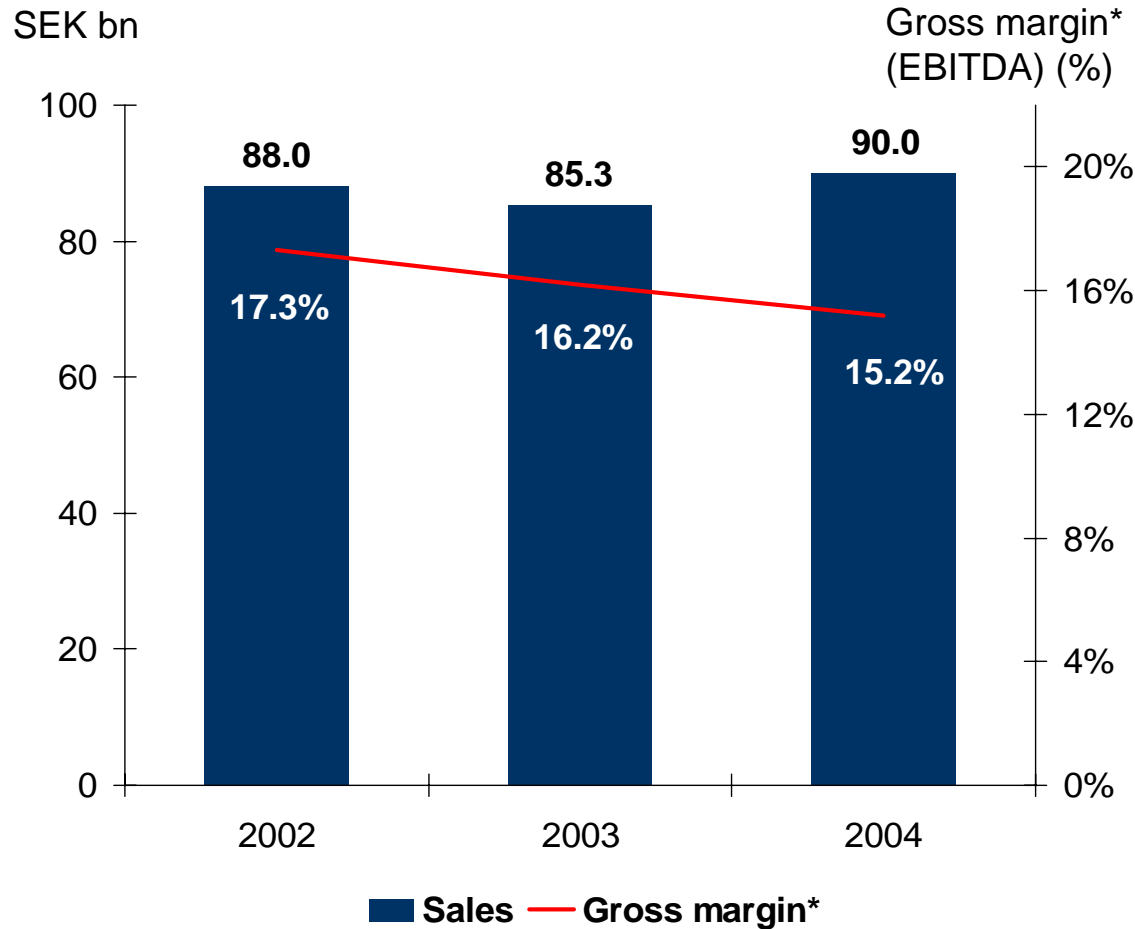
- SCA – historical development
- **The past year - 2004**
- Reduced costs and increased competitiveness
- Portfolio strategy

# 2004 – an eventful year

- Net sales amounted to SEK 89,967 M (85,338) and earnings per share to SEK 15.58 (21.84)
- The third year with weak business climate and falling prices within main segments
- Acquisition of hygiene products companies in Australasia, Malaysia and Mexico, and a packaging company in Italy
- Efficiency enhancement programs initiated in all business areas aimed at meeting increased competition



# SCA Group

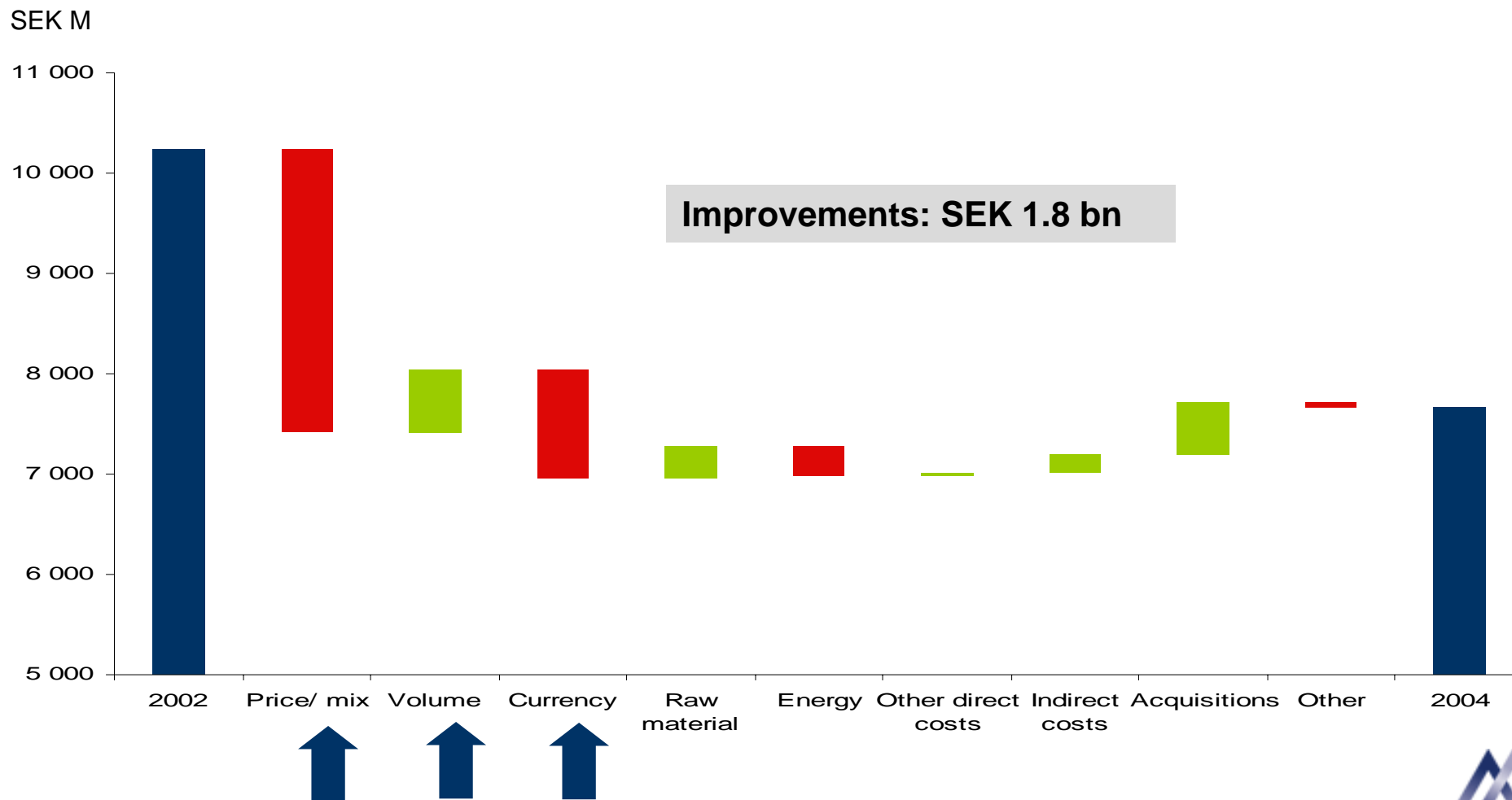


- **Continued weak market**
- **Increased competition**
- **Positive volume growth, but declining prices in main segments**

*\*Adjusted for items affecting comparability*

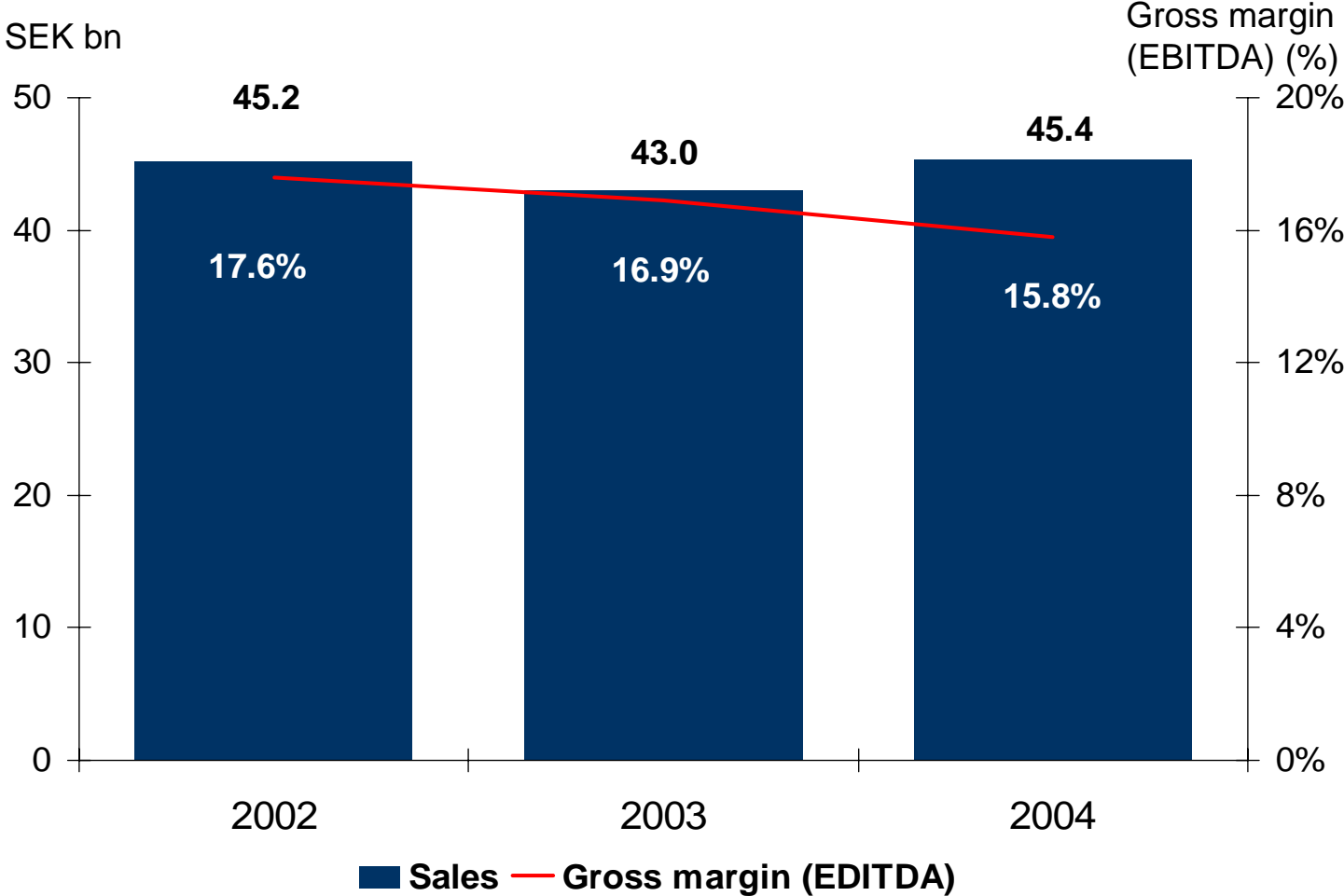
# SCA Group

## Operating profit 2002 – 2004 (SEK M)\*



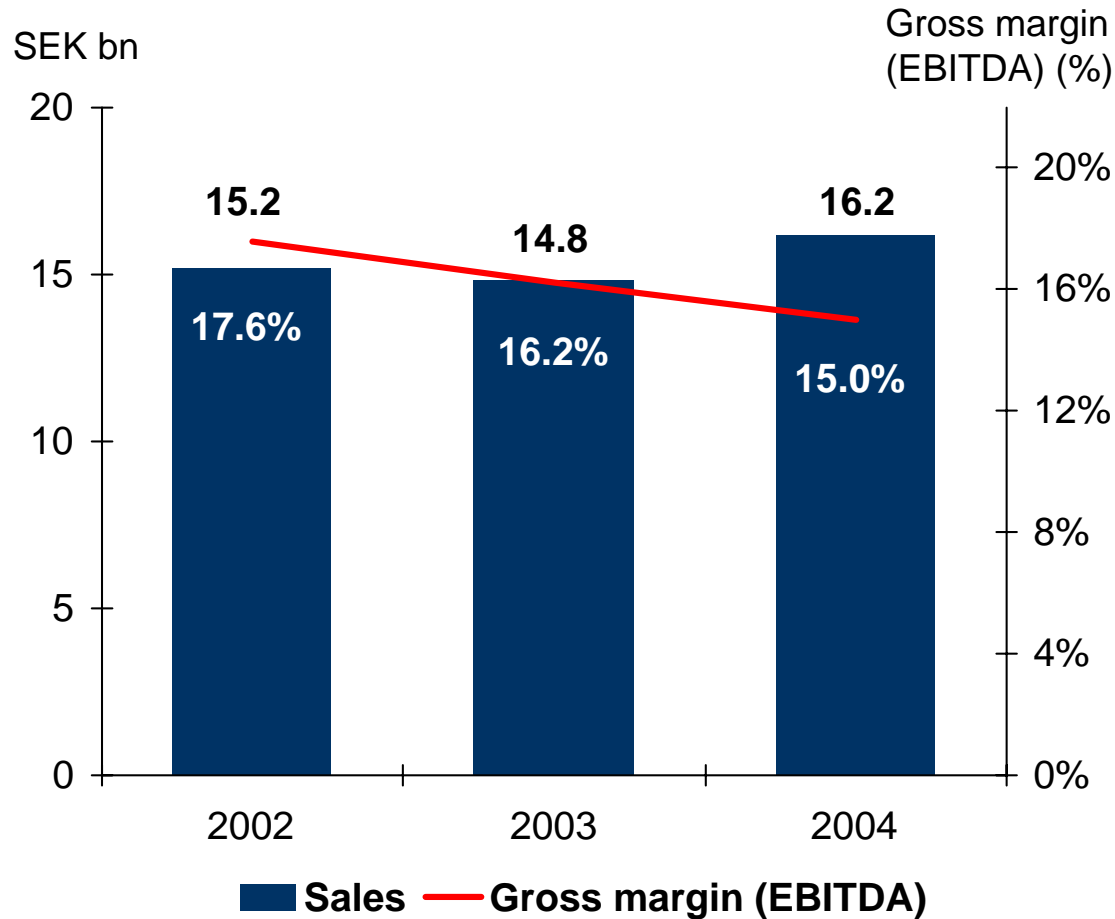
\* Operating profit before goodwill amortization, excluding items affecting comparability

# Hygiene Products



# Consumer tissue

## Sales and gross margin



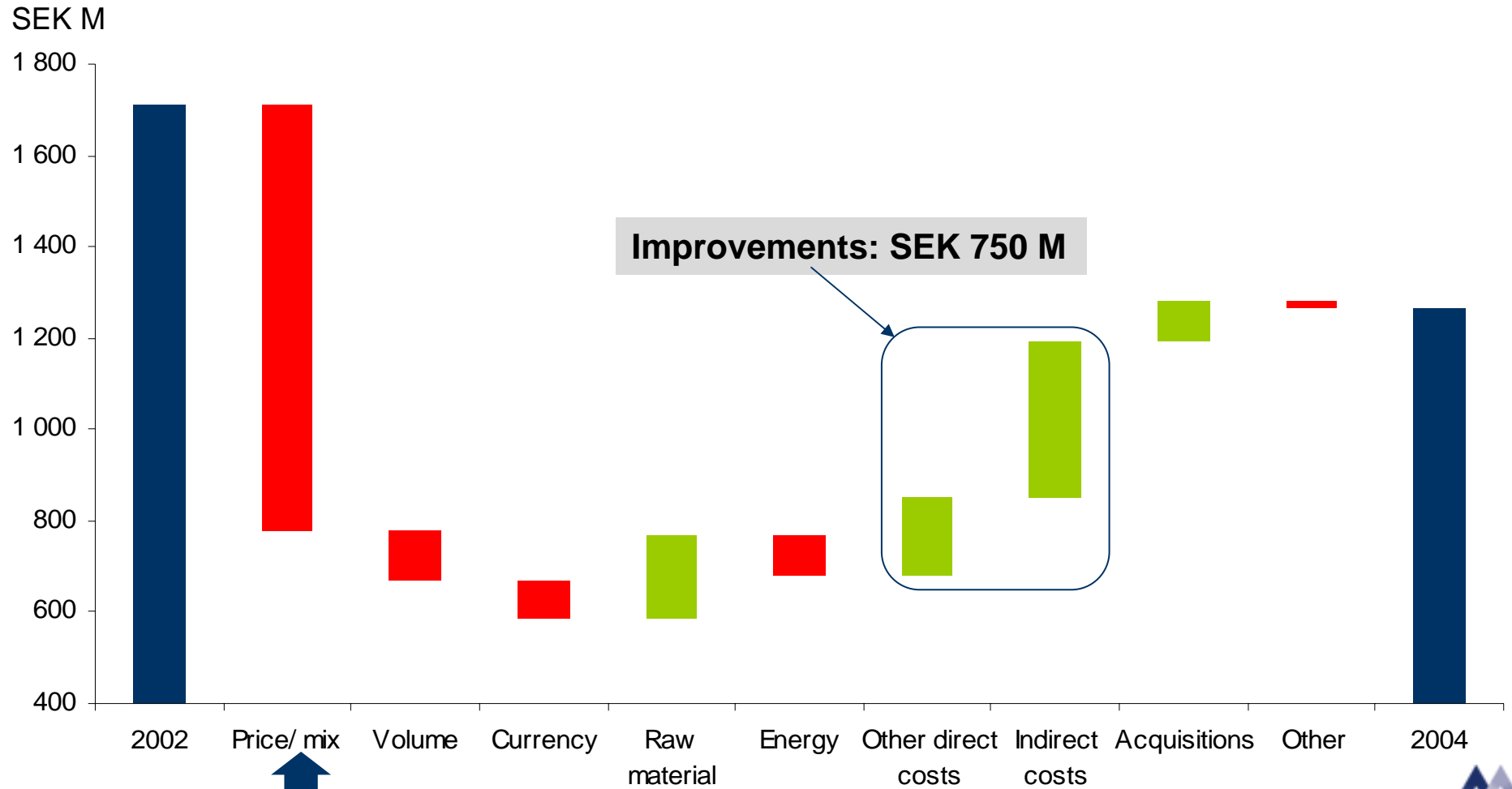
■ **Favorable volume trend**

■ **Price pressure due to:**

- ◆ Intense competition in retail trade
- ◆ Overcapacity
- ◆ Weak pulp market

# Consumer tissue

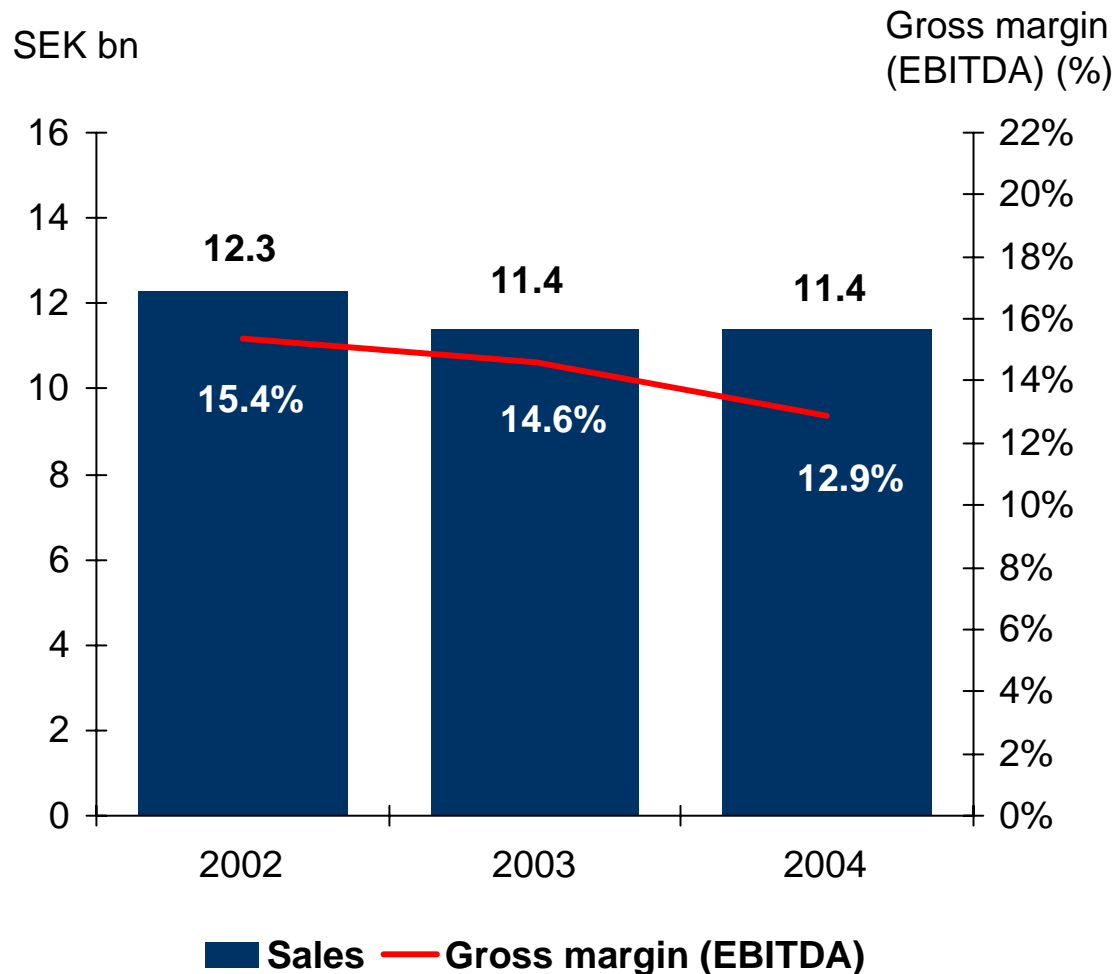
## Operating profit 2002 – 2004 (SEK M)\*



\* Operating profit before goodwill amortization, excluding items affecting comparability

# Tissue for bulk consumers (AFH)

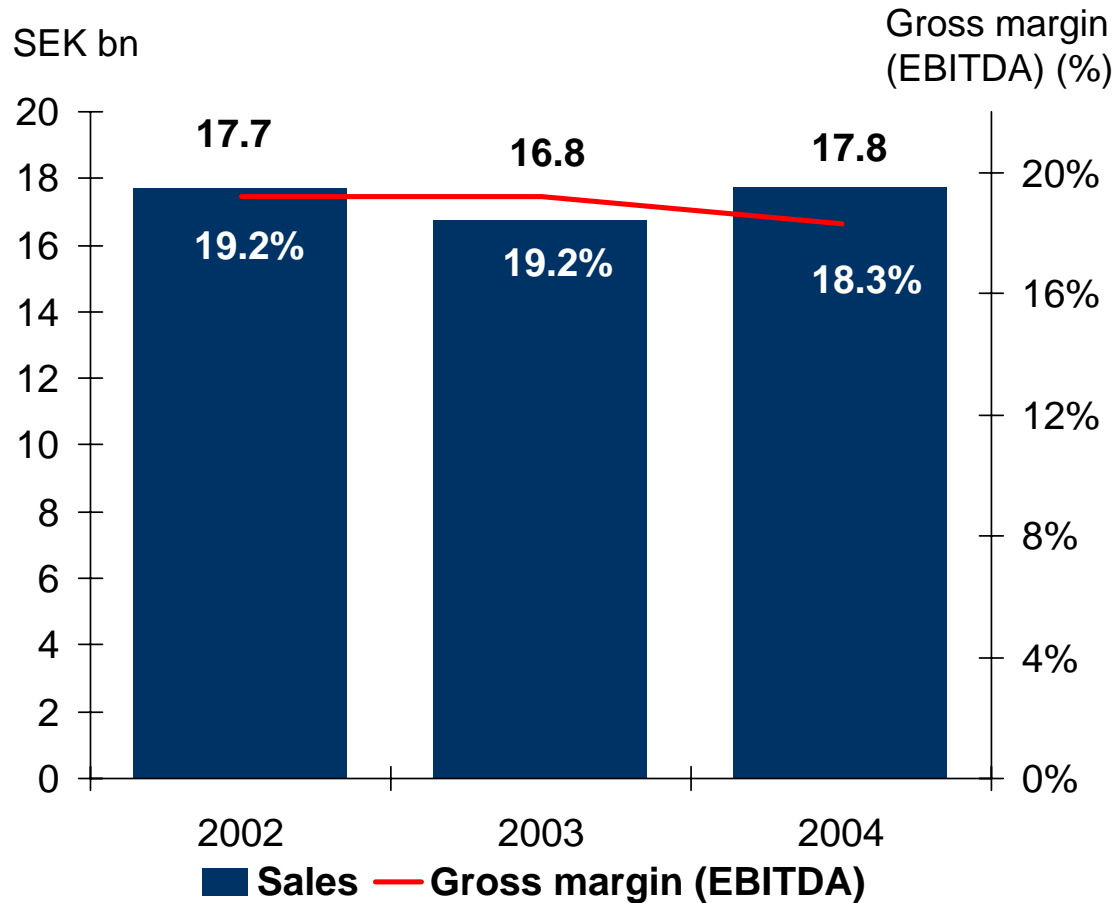
## Sales and gross margin



- **Stable trend in Europe**
- **Price hikes in the US to offset earlier raw material price increases**

# Personal care

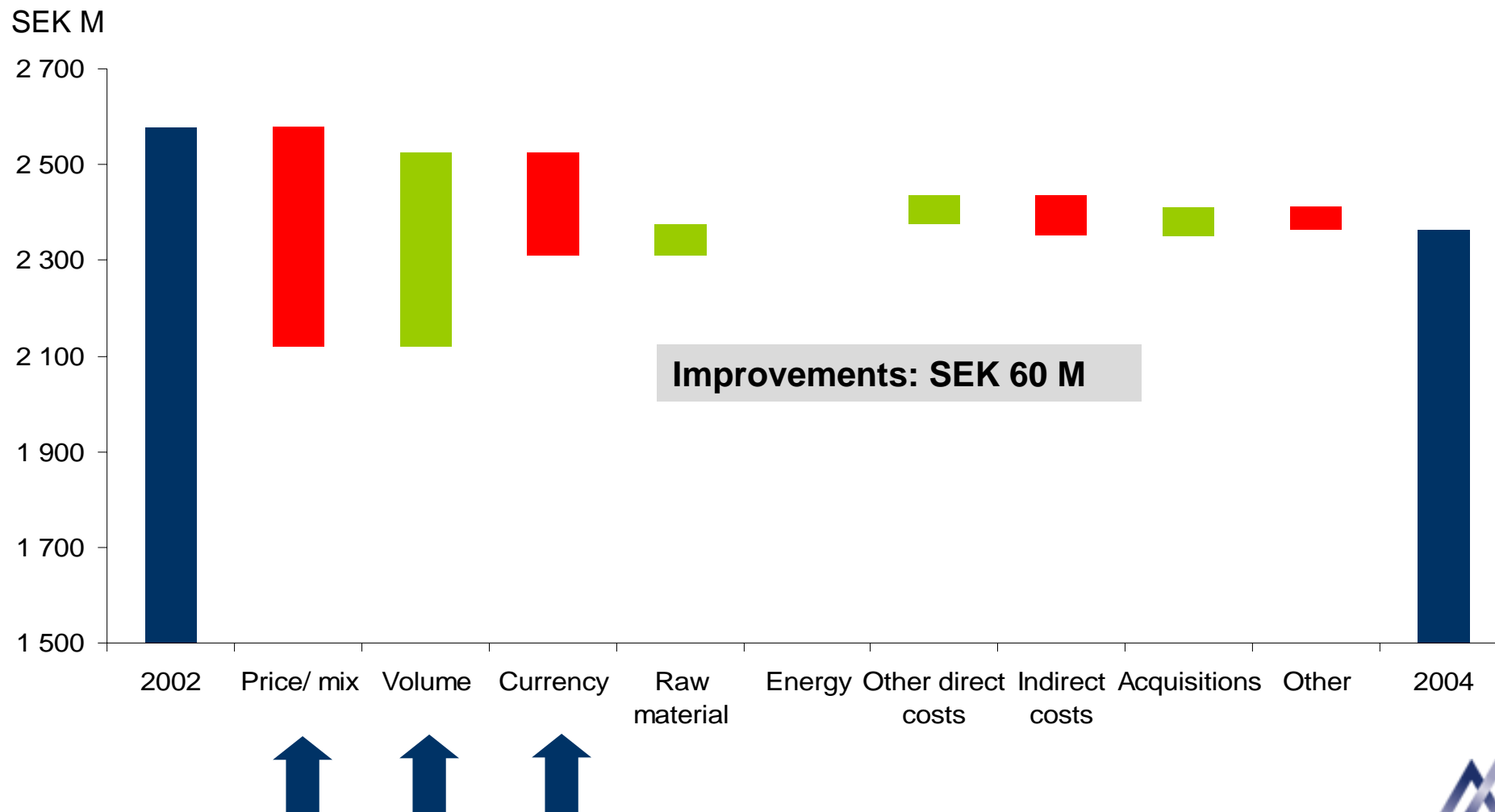
## *Sales and gross margin*



- **Stable development with improved market shares**
- **Increased marketing costs related to new product launches**

# Personal care

## Operating profit 2002 – 2004 (SEK M)\*

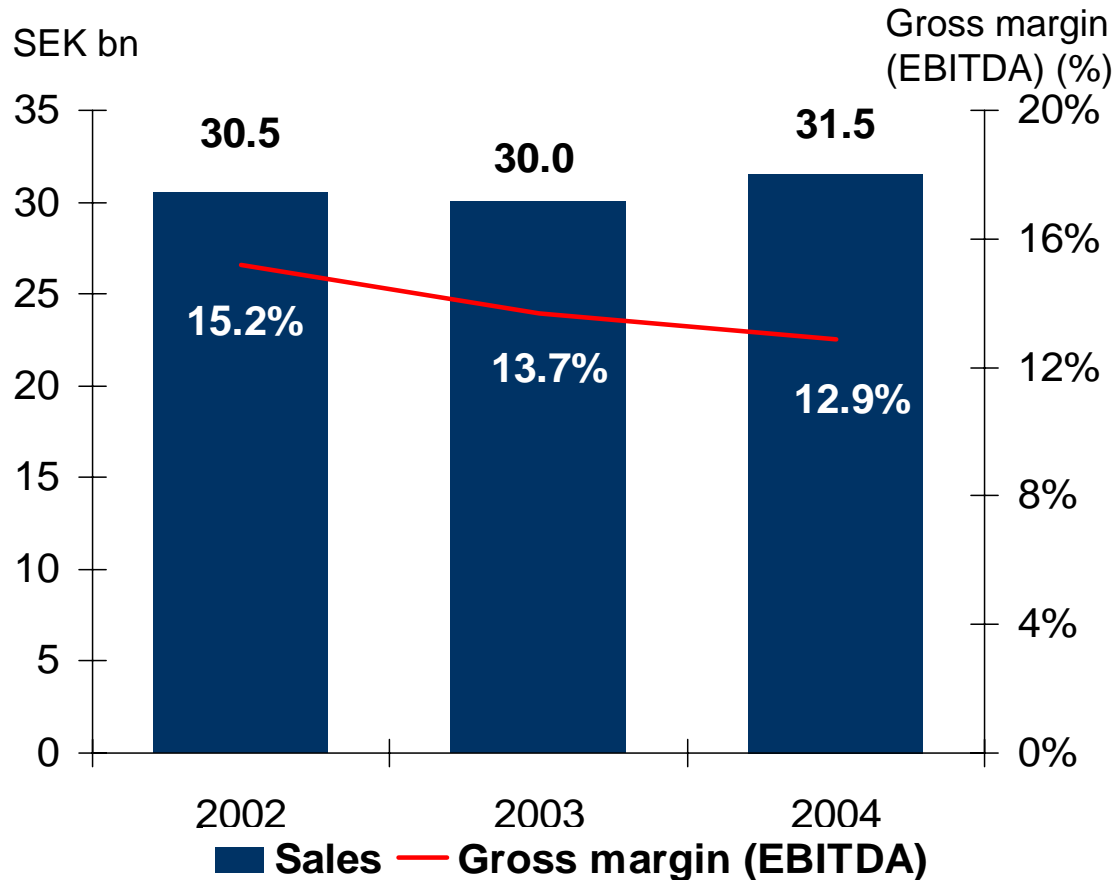


\* Operating profit before goodwill amortization, excluding items affecting comparability



# Packaging

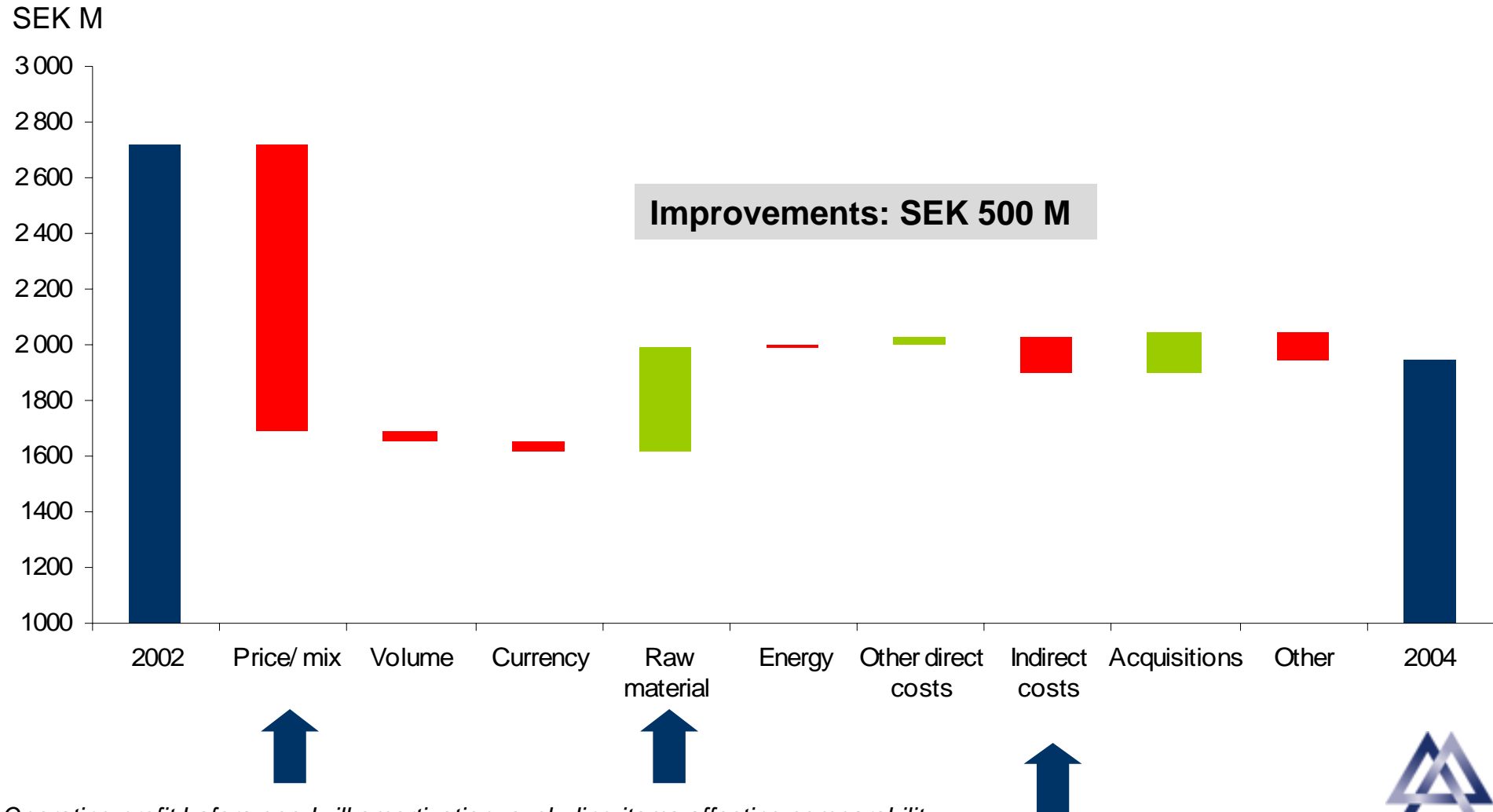
## Sales and gross margin



- **Price pressure due to:**
  - ◆ Overcapacity
  - ◆ Weak demand trend
  - ◆ Migration of production from Europe and North America to low-cost countries

# Packaging Europe

## Operating profit 2002 – 2004 (SEK M)\*

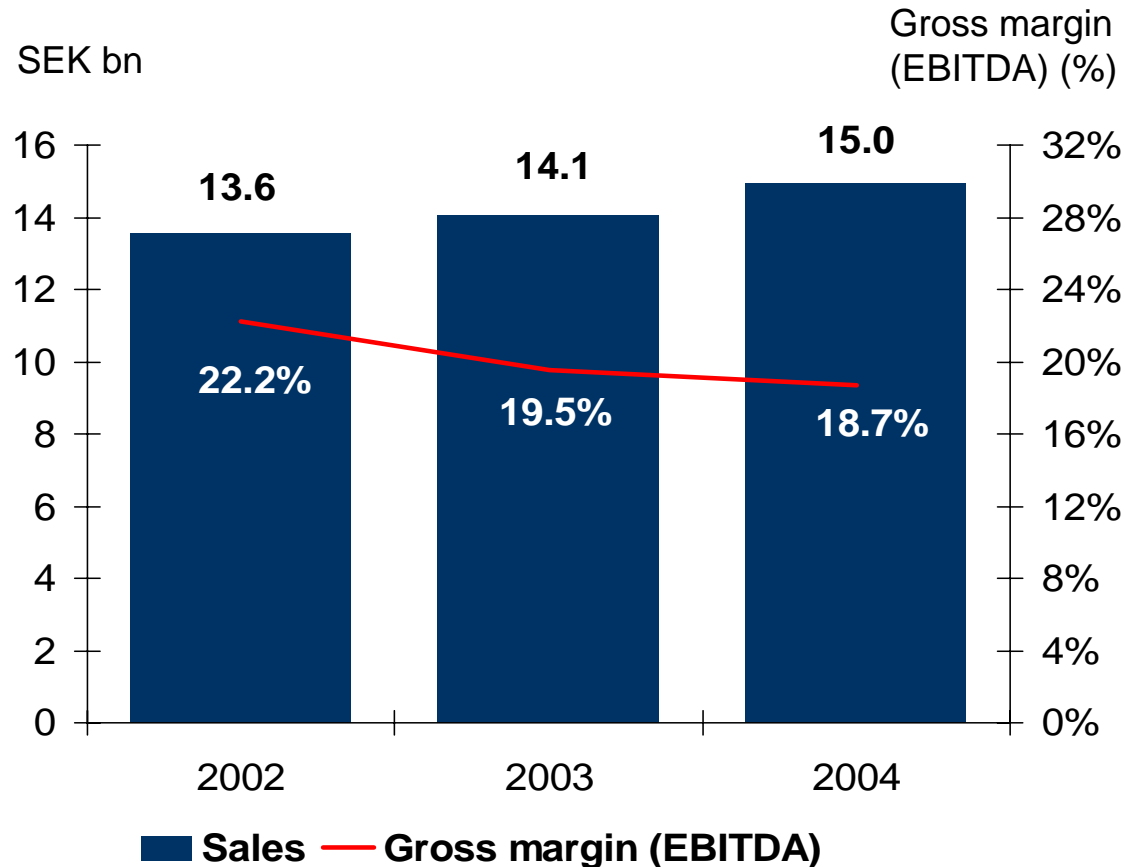


\* Operating profit before goodwill amortization, excluding items affecting comparability



# Forest Products

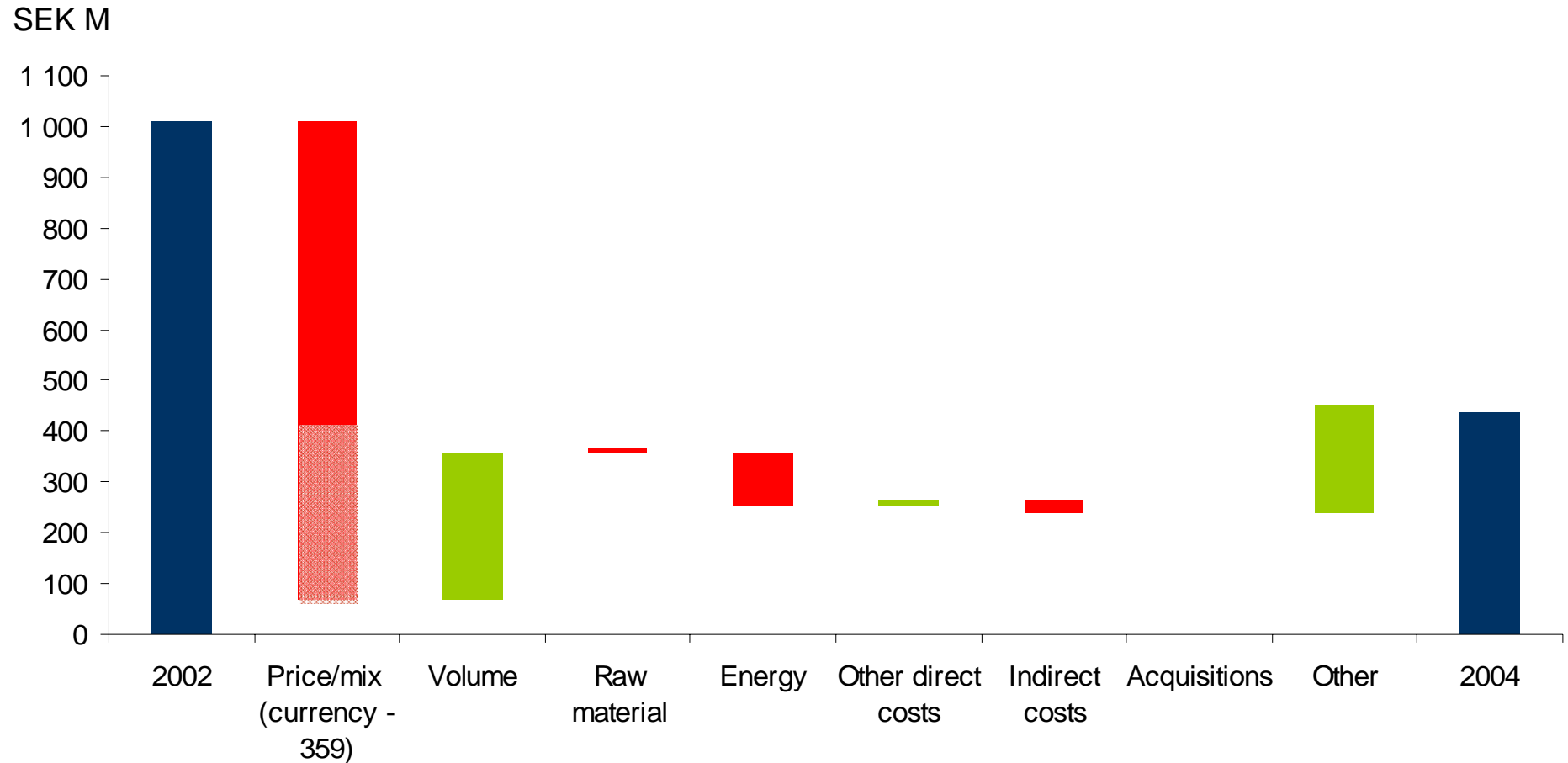
## *Sales and gross margin*



- Strong demand
- Weak price trend – certain price increases in 2005

# Publication papers

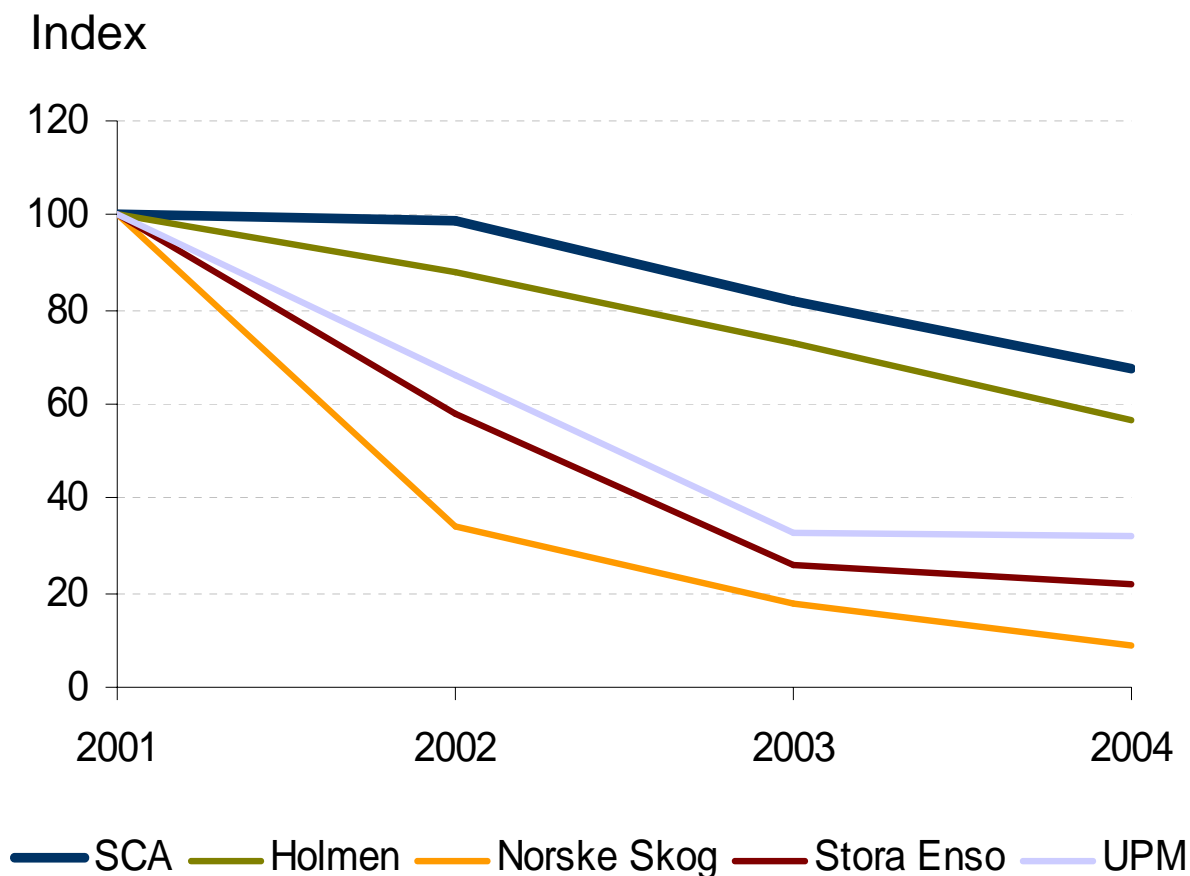
*Operating profit 2002 – 2004 (SEK M)\**



\* Operating profit before goodwill amortization, excluding items affecting comparability

# European forestry– earnings before tax\*

*Indexed, base year 2001*



- SCA's main segments have shown strong competitiveness compared with pure paper & forest product companies
- SCA's product-portfolio has shown strong resistance in the prolonged market recession

\* Excluding items affecting comparability



# Market outlook - 2005

## ■ **Hygiene Products**

- ◆ Consumer tissue:
  - Lower prices at start of 2005 compared with fourth quarter 2004
  - Rising pulp prices
- ◆ Tissue for bulk consumers (AFH):
  - Price hikes being implemented

## ■ **Packaging**

- ◆ Lower prices at start of 2005 compared with fourth quarter 2004
- ◆ Continued weak volume growth and rising raw material prices

## ■ **Forest Products**

- ◆ Limited price increases within publication papers

# Agenda

- SCA – historical development
- The past year - 2004
- **Reduced costs and increased competitiveness**
- Portfolio strategy

# Savings program 2005

- Annual savings of SEK 1.2 bn – full effect from 2006
- Cost for program amounts to SEK 1.2 bn
- **Examples of measures:**
  - ◆ Packaging - sharp reductions within entire organization
  - ◆ Personal care – relocation of production
  - ◆ Restructuring of operations in North America and Australasia
- Personnel reductions of about 2,000 persons

**At an unchanged market situation, additional savings programs will be launched**

# Hygiene Products – growth and new products

## *Product launches in 2005*

- **New product platform and intensified marketing in 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 pant diaper**



# Packaging

## *Improved customer offering*

- **Development of complete packaging solutions for prioritized customer segments**
- **Strong growth in Eastern Europe and Asia**
- **Unique position to serve global customers through increased presence in Europe, North America and Asia**



# Time-out for acquisitions

- **Intense competition for possible acquisitions**
  - ◆ Increased competition from financial buyers
- **Integration of acquisitions carried out during 2004**
  - ◆ High priority to achieve established goals
- **The current operations must achieve a satisfactory profitability before further acquisitions can occur**

# Agenda

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- **Portfolio strategy**

# Three linked business areas

## *(background)*

- **SCA decided early to develop its raw materials into hygiene- and packaging products**
- **Use existing raw material base to produce high-quality publication papers**
- **The 1990s were characterized by international expansion of hygiene products and packaging and optimization of the Group structure**
- **Maintained raw material integration enables control over the value chain, where the main part of the Group's synergies are realized**

# Three linked business areas

## *(effects)*

- **Lower volatility in earnings compared to traditional paper and forest product companies**
- **Favorable coordination effects**
- **Critical mass to meet strong global competitors**
- **Excellent growth opportunities**

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