

SCA – Annual General Meeting 2004



Jan Åström
President and CEO

Agenda

- **SCA 75 years – from forestry to consumer products**
- **Strategy for continued value creation**
- **Results in 2003 and Goals for 2004**



SCA founded – 27 November 1929

- **Ivar Kreuger forms a unified company comprising previously independent units consisting of:**
 - ◆ Forestland, sawmills, pulp plants, engineering workshops and power plants
- **Advantages**
 - ◆ Economies of scale in purchasing
 - ◆ Rational operations
 - ◆ More effective sales organization
 - ◆ Stronger financial position



SCA 1929

- **Sales: about SEK 100 M**
- **Production only in Sweden**
- **Number of employees: approx. 6,500**
- **Some 40 production facilities from ~10 relatively independent companies**



1930-1949

Focus on pulp

- **SCA's first years are characterized by the international depression**
- **Kreuger commits suicide in 1932, and Handelsbanken acquires the shares**
- **Production focused on pulp**
Östrand mill built 1930-31
- **World War II puts an end to exports and SCA is forced to limit production**





SCA 1950

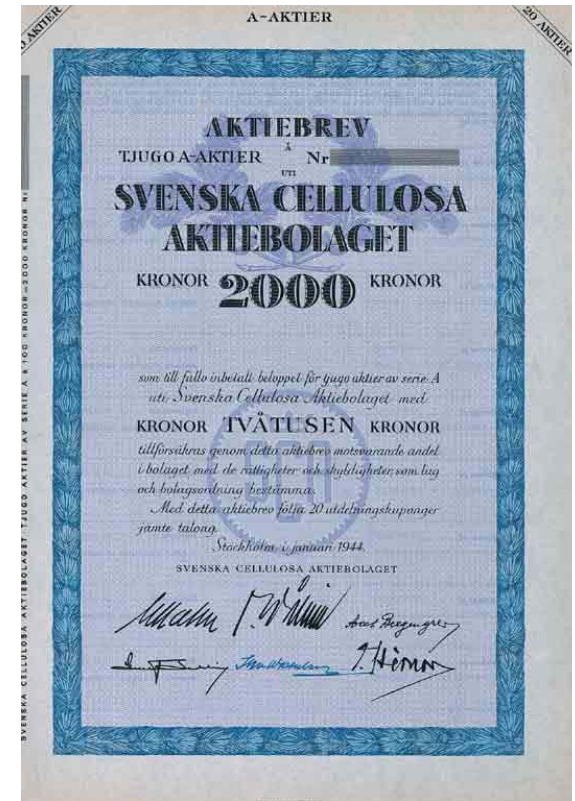
- **Sales: SEK 500 M**
- **Production only in Sweden**
- **Number of employees: approx. 15,000**
- **Production mainly of pulp and solid-wood products, but also some volumes of newsprint**



1950 – 1959

Stock market listing

- Exports gain momentum – earnings improve
- SCA shares listed on stock exchange 1950
- Further integration in supply chain when SCA initiates newsprint production in Ortviken (1958)
- Increased efficiency and automation in forestry operations



1960-74

Increased efficiency and diversification

- **Production concentrated and plants take the lead with higher capacity**
- **Production of newsprint increases with new paper machine in Ortviken 1967**
- **Weak demand during 1960s lowers earnings and increases burden of debt**
- **Development of SCA's effective transport system, with large terminals and wholly owned ships, is started during 1960s**



1960 – 1974

Liner and corrugated board

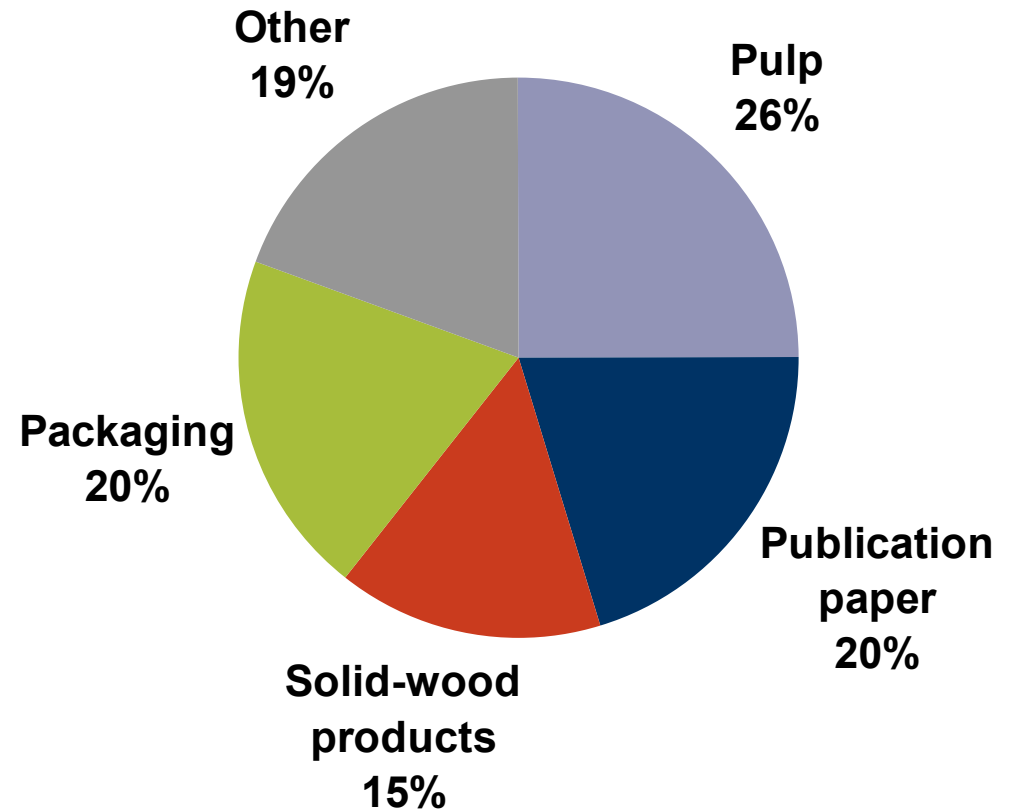
- **SCA increases integration in supply chain through kraftliner production in Munksund (1961) and Obbola (1975)**
- **Corrugated board becomes next step in value chain**
 - ◆ SCA acquires first corrugated board plant in Värnamo in 1965
 - ◆ SCA acquires shares in corrugated board companies in Europe during 1970s and builds wholly owned production plants
- **SCA earnings improve during 1970s as a result of structural rationalization measures during the 1960s and more favorable market conditions**





SCA 1974

- **Sales: SEK 2.7 billion**
- **Number of employees: 11,000**
- **Production in Sweden, Denmark, Germany and France**



1975 – 1999

SCA becomes a consumer products company

- **SCA takes giant step forward in supply chain through acquisition of Mölnlycke in 1975**
 - ◆ Foundation is laid for SCA's hygiene operations
 - ◆ Baby diapers, feminine hygiene products, tissue, etc
 - ◆ Strong brands
- **Group sales increased by more than 40%**
- **SCA's exposure to cyclical raw material prices is reduced**



1975 – 1999

Value added in all segments

- **Expanded printing paper operations both in terms of production and quality**
 - ◆ New machines in Ortviken in 1986, 1991 and 1996
 - ◆ SCA acquires Laakirchen paper plant of for production of SC-paper in 1988
- **Packaging operations expands with acquisition of Italcarta in 1988**



1975-1999

European leader in Packaging and Hygiene Products

- **SCA becomes European market leader in corrugated-board packaging through acquisition of Reedpack in 1990**
 - ◆ Sales from packaging operations increase by 42%
 - ◆ Increased integration of liner production operations
- **Divestment of hydro power assets 1993**
- **SCA becomes the leading hygiene products company in Europe after acquisition of PWA in 1995**



2000-2004

Globalization and value added

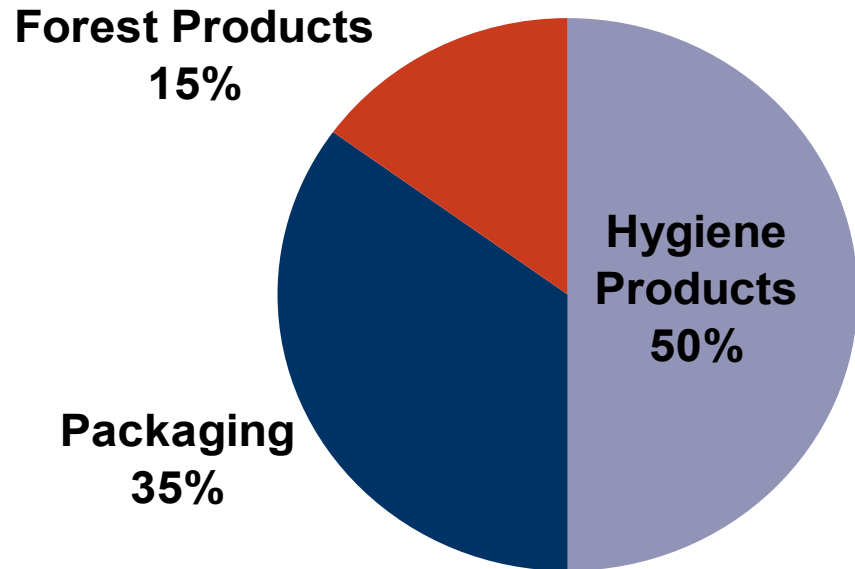
- **SCA increases exposure in North American market through acquisitions of Georgia Pacific AFH and Tuscarora in 2001**
- **Incontinence products account for 12% of total sales, with strong potential for further growth**
- **SCA strengthens the positions in Asia, Australasia and Latin America**



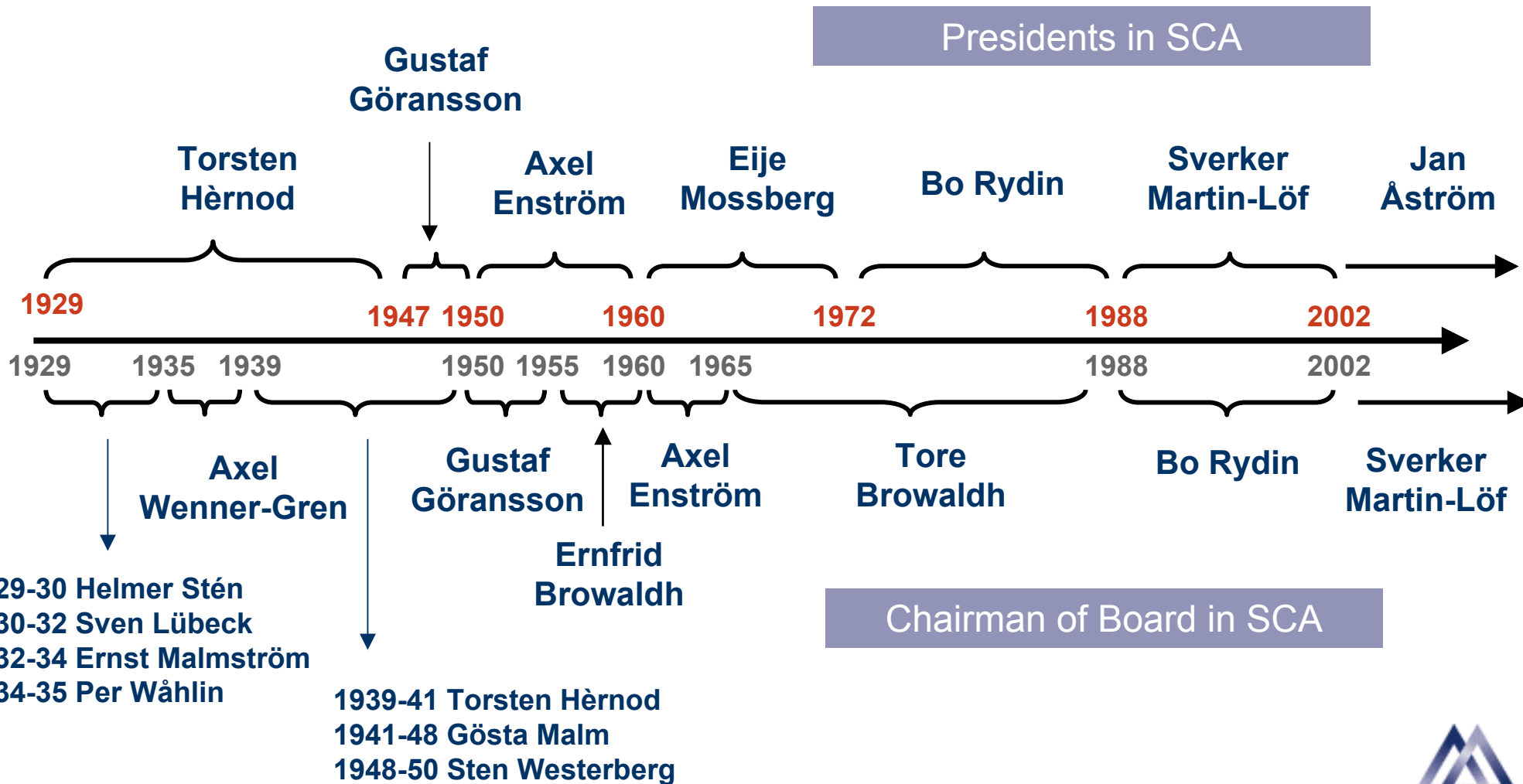


SCA 2004

- **Market value: SEK 70 billion**
- **Sales: SEK 85 billion**
- **Number of employees: 46,000**
- **Production in more 40 countries in all parts of the world**



SCA's governance 1929-2004



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Strategy for continued value creation

- Profitable growth
- Increase profitability in existing operations



Profitable growth

8-10% per year

~2/3 through acquisitions

~1/3 through organic growth

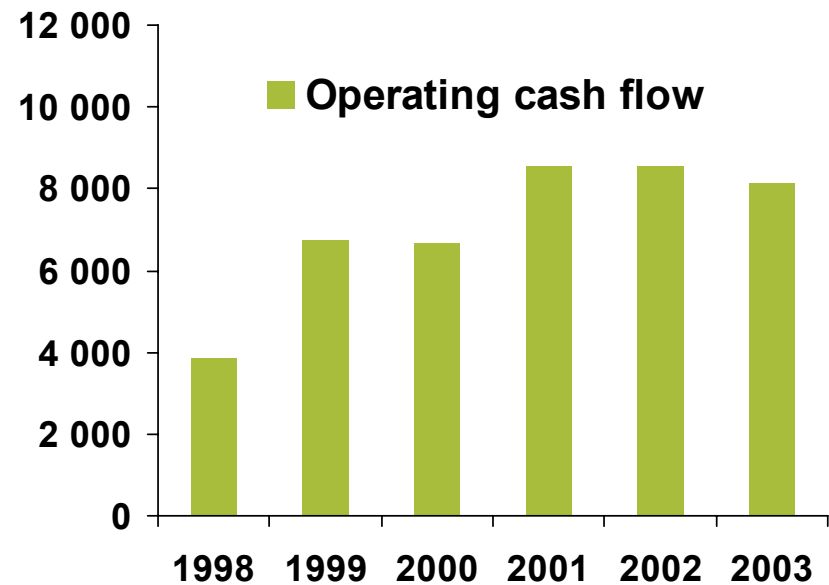
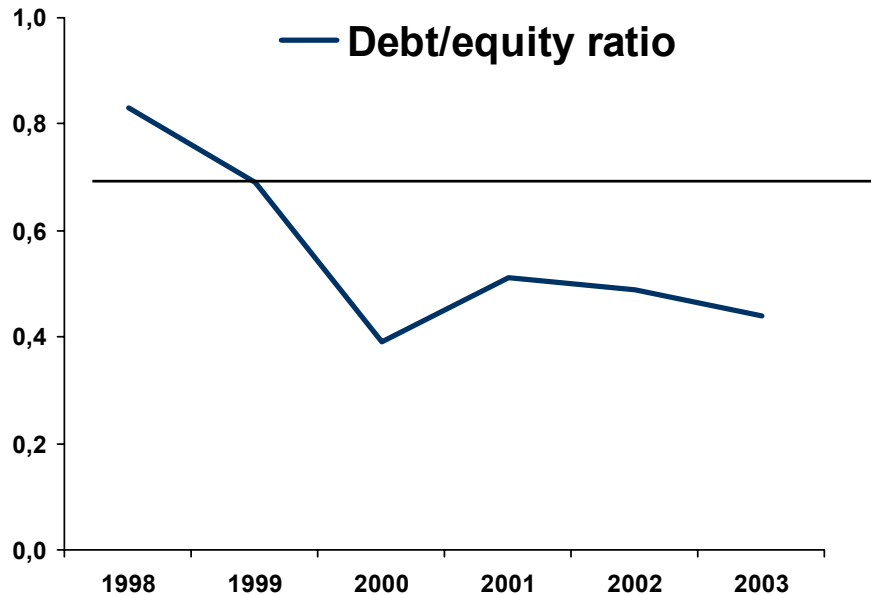


Financial position

- Current debt/equity ratio is lower than target level of 0.7
- Strong cash flow



Strong position for continued growth



Investment philosophy

- **Investments and acquisitions must follow SCA's strategy and fit into the present structure**
- **Only profitable growth can increase the share value**
 - ◆ Acquired companies must make a positive contribution to earnings during first 12 months after acquisition
 - ◆ CVA index exceeding 1.2 (present value of the future cash flow should be at least 20 percent higher than the price we pay)
- **If opportunities for long-term profitable growth do not exist, the dividend shall be increased or shares repurchased**

Increase profitability in existing operations

Reduce costs

- ◆ Continuous rationalization
- ◆ Capitalize on synergies from acquisitions

Increase profitability

- ◆ Develop unique concepts
- ◆ Maximize creation of values throughout entire value chain

International expansion

- **International expansion is an important part of SCA's growth strategy**
 - ◆ SCA strives to reach critical mass in growth markets
- **SCA's organization has been adopted to manage complexity that develops through geographic expansion**
 - ◆ Two new business groups focused on growth markets



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Summary of results in 2003

- **Net sales totaled SEK 85,338 M (88,046), a decline of 3%. Volume growth amounted to 4%**
- **Cash flow from operations exceeded established goals**
- **The operating surplus margin was 16.7%, which is in line with the Group's long-term goal of 17%**

Goals 2004

Hygiene Products

- Efficiency enhancement program initiated for consumer tissue in Europe
- Strengthen positions in Eastern Europe
- Start-up of machine for production of AFH-tissue in Alabama during first half of 2004
- Focus on growth markets



Growth in Australia and New Zealand

- SCA has acquired leading tissue production company in Australasia
- Sales of SEK 3.7 billion
- Produces and markets tissue and personal care products in Australia, New Zealand and Fiji
- Stable growth and profitability
- Platform for continued growth in Australia/New Zealand and Asia



Goals 2004

Packaging



- **Cost savings in existing operations**
 - ◆ Rationalization within production
 - ◆ Reduced complexity in product offering
 - ◆ Efficiency improvements in paper supplies
- **Focus on continued growth in Eastern Europe and Asia**
- **Utilization of synergies from acquisitions of protective packaging operations in North America in recent years**

Goals 2004

Forest Products

- **Opportunities to increase volumes of high-quality SC-paper from Laakirchen**
- **Cost-cutting programs for entire business group identified and under implementation**
- **Increased efficiency in production of solid-wood products**



SCA's Code of Conduct

Affects:

- Employees
- Suppliers
- Customers
- Competitors
- Other interests

Areas:

- Health & Safety
- Business ethics
- Freedom of association
- Community relations
- Human rights

Based on:

- UN's declaration on human rights
- International Labor Organisation's Core Conventions (ILO)
- UN's "Global Compact"
- OECD's guidelines for multinational companies

Implementation of Code of Conduct 2004

- **SCA will develop indicators to monitor compliance of the Code of Conduct**
- **SCA will undertake a human rights review of operations and partnerships worldwide**

SCA 75 years – a global group

1929

- Forest products
- Some 40 production plants
- Production in Sweden

2004

- Hygiene products, packaging and forest products
- More than 300 production units
- Production in more than 40 countries

