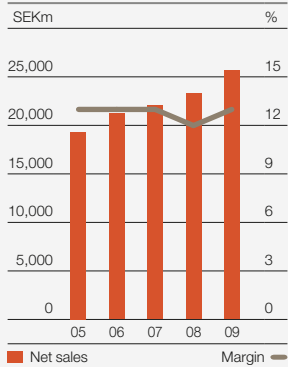
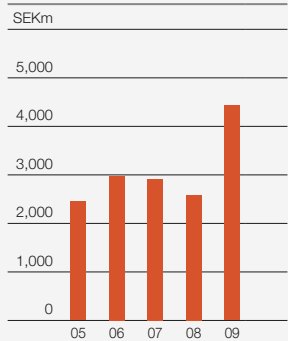


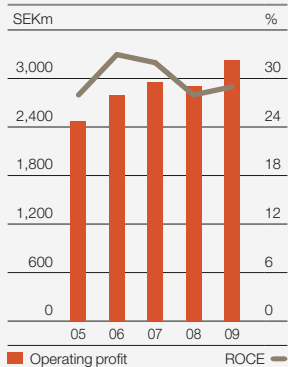
Net sales and operating margin



Operating cash flow



Operating profit and ROCE



Share of Group



Net sales, 23%



Operating profit, 32%



Capital employed, 11%



Av. no. of employees, 15%

25,716

Sales, SEKm

3,235

EBIT, SEKm

13%

EBIT margin

29%

ROCE¹⁾

¹⁾ Return on capital employed.

SCA offers incontinence care products, baby diapers and feminine care products for the markets' quality segments. All three segments have a high development rate and new products are launched continuously. The company's products are sold under SCA's own brands and retailers' brands and are distributed via retailers and care institutions in more than 100 countries.

Personal Care

Market position and brands

SCA is one of the world's largest players in personal care products and the global market leader in incontinence care products. SCA has a portfolio of global, regional and local brands. Tena – SCA's brand for incontinence care – generates sales of more than EUR 1bn annually, and is a world leader in incontinence care.

In baby diapers, SCA is the market leader in the Nordic region, with its Libero brand accounting for a market share of more than 60%, and is also displaying rapid growth in Russia and parts of Eastern Europe. In Southeast Asia, SCA holds a leading position with its Drypers brand and in South America with Pequeñín. In feminine care, SCA is market leader in the Nordic region, as well as in large and rapidly expanding markets in Latin America. The Libresse, Saba, Nosotras and Nana brands are supported by SCA's global brand platform.

Innovation and product development

SCA invests considerable resources in its efforts to gain deep insight into consumer and customer needs. This insight forms the basis for the Group's innovations and product development. The number of launches of new and upgraded products is on the rise. The emphasis is on function, fit, design, and costs.

Targets

5–7% organic growth, with a minimum of 30% return on capital employed.

Production and sales channels

23 plants in 20 countries. Products are distributed via the retail trade and care institutions in more than 100 countries.

Average number of employees

7,269 (7,648) –5%.

Strategic priorities:

- Develop SCA's world-leading position in incontinence care using the Tena brand.
- Continue the programmes involved in the global brand platforms and utilise synergies.
- Increase the growth rate in fast-growing markets in Eastern Europe, Southeast Asia, Latin America and the Middle East.
- Continue to gain in-depth insight into consumer and customer needs and apply this knowledge to product development and increase the launch rate of innovative product offerings.
- Continuously enhance production and distribution efficiency.
- Grow through category expansion under global brands and a greater share of high-value products.



Strategy

Incontinence care

SCA's top priority in incontinence care is maintaining a high growth rate in all segments, with strengthened global market leadership in developed markets and establishing leading positions in Eastern Europe, Southeast Asia and Latin America. Increasing understanding and acceptance among consumers is crucial as regards incontinence, a topic that is often surrounded by social taboos. Demand is strengthened through information and marketing supported by effective, comfortable and easily accessible products. SCA aims to enhance its leading position through superior consumer insight, innovative product development and efficient production.

Baby diapers

SCA plans to continue strengthening the favourable positions of its own brands in such mature markets as the Nordic region, New Zealand and selected markets in South America, as well as in

fast-growing markets in Eastern Europe, Russia, the Middle East and Southeast Asia.

In the case of retailers' brands, the aim is to enhance the efficiency of the business model to ensure competitiveness and profitability.

Feminine care

SCA holds strong, selective market positions in Europe, Latin America, Australia and New Zealand, and is focusing on growth in the fast-growing markets in Eastern Europe and the Middle East. Feminine care products are developed for the company's own regional and local brands, which are supported by a global brand platform. Based on in-depth consumer and customer insight, SCA prioritises investments in new product concepts and marketing and endeavours to strengthen its competitiveness through continuous efficiency enhancement and cost-effective production in such areas as Eastern Europe.

Production and business processes

Production efficiency is consistently improved by means of modernisation and investments in new and existing facilities. As a result, these efforts enhance the cost structure and strengthen product quality and operational reliability.

Outlook

Incontinence care offers considerable long-term potential as a result of an aging population in mature markets, a low market penetration rate and access to highly populated growth countries. SCA develops and upgrades its product range for all sales channels that are expected to show continuing high demand. In the feminine care and baby diapers segments, the global brand platforms offer favourable potential for continuing growth in markets with a low penetration rate and high demand, such as Eastern Europe, Latin America, the Middle East and Southeast Asia.

Market

The global market for personal care products is driven by innovation, has annual sales of just over SEK 300bn and is growing at a rate of some 5% annually. Europe accounts for 30% and North America for 20% of the overall market. The market is dominated by a small number of major global players offering well-known brands. In mature markets, baby diapers and feminine care products have attained high market penetration, while the aging population and low market penetration drive demand for incontinence products. In developing countries, the use of all product categories is expanding as the level of disposable income increases and insight into the health benefits of hygiene grows. In 2009, mature markets were distinguished by stable demand, while fast-growing markets displayed a continuing robust increase in demand.

SCA's market positions

	Europe	North America	Global
Incontinence care	1	3	1
Baby diapers	3	–	4
Feminine care	3	–	5

Incontinence care

Incontinence affects between 5 and 7% of the world's population. The global market totals some SEK 60bn, and is growing at about 5% annually. Europe accounts for slightly more than 40% of the total market and North America for just under 30%. Market growth is driven by a higher pace of innovation, increasing market penetration, an aging population, rising household incomes and growing welfare requirements. Market penetration in emerging markets is low.

Institutional care and home care account for 62% of the global market. Here, the main focus is on supplying high-quality products combined with qualified advisory services that simplify handling procedures and reduce costs for care providers. The retail market is the fastest growing segment, accounting for 38% of the global market. SCA provides support through information, advertisements and the development of products that are increasingly discreet, easy to use and effective. SCA is the

global market leader in incontinence care, with sales in more than 100 countries.

SCA commands a very strong position in Europe, with a market share of some 40%.

Baby diapers

The global market totals approximately SEK 150bn, and is estimated to grow at about 6% annually. The European market accounts for almost 30%, with annual growth of about 5%. The most significant growth is in Asia, Latin America and Africa, where birth rates are high and household incomes are rising. The majority of children worldwide under the age of two still do not enjoy the practical and effective hygiene provided by disposable diapers, which means that there is significant future potential.

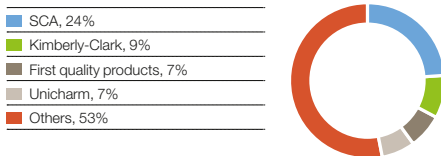
SCA is the third largest player in the European market, with a share of 12%. In the Nordic region, SCA has more than 60% of the market with its Libero brand, which is also growing rapidly in

Russia and parts of Eastern Europe. SCA also holds leading positions in parts of Southeast Asia and Latin America. SCA markets baby diapers in some 70 countries.

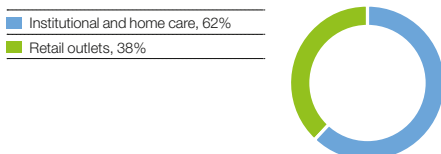
Feminine care

The global market amounts to about SEK 100bn and is growing by approximately 3% annually. The European market accounts for about 25% and is dominated by pads, representing 50%, while panty liners and tampons each account for 25%. In Europe, SCA is the third largest player, with a market share of 8%. The driving forces behind this market are a growing number of women of child-bearing age and relatively low market penetration in fast-growing countries, while growth is weaker in mature markets. The proportion of sales is increasing in Latin America, Russia, Eastern Europe, and the Middle East, where SCA is the market leader in several major markets. SCA sells feminine care products in more than 80 countries.

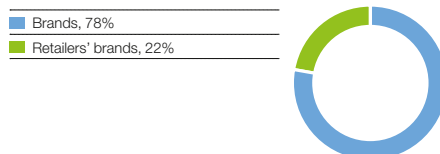
Incontinence care – global market shares



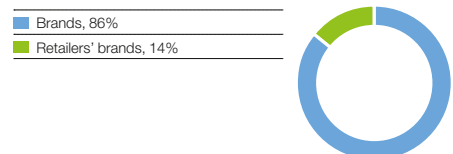
Incontinence care – sales channels, global market



Baby diapers – brand categories, Europe



Feminine care – brand categories, Europe



Operations in 2009

Key events

- Higher production capacity in incontinence care.
- New technology and product generation for baby diapers.
- Market testing of incontinence care in China.
- Launch of baby care products in the Nordic region.
- Acquisition of Algodonera Aconcagua in Argentina.

Net sales rose by 10% to SEK 25,716m (23,331). The rise in sales resulted from higher prices and an improved product mix. Volumes remained stable. Exchange-rate movements increased net sales by 7%. Sales in growth countries rose by 13%, with a notable rise in Russia and Malaysia. Competition remains intense in the retail sector, with higher campaign intensity. SCA retained its market shares.

Via its 50% owned company in Columbia, Productos Familia, SCA acquired the Argentinean company, Algodonera Aconcagua. The purchase price was SEK 165m on a debt-free basis. Operations focus on feminine care and Algodonera Aconcagua has a market share of 20% in Argentina, ranking the company number three in the country. Algodonera Aconcagua also has a small market share in baby diapers and incontinence care, offering the potential for future growth in these segments.

Incontinence care continued to see favourable demand, and SCA's Tena brand increased its sales by 11%. Sales to the healthcare sector – the largest customer segment – rose some 10% amid continuing intense competition. The retail sector continued to show sizeable growth. Growth in Latin American countries was favourable. Other robust markets during the year included Germany, France, Italy, Russia and Eastern Europe. During 2009, a decision was made to expand production capacity for incontinence care in Russia.

In the baby diaper segment, sales rose 8%. The sales trend in emerging markets, such as Latin America, Malaysia and Russia, showed double-digit growth. The upgrade of technology and product quality for baby diapers was completed during the year. Under the Libero brand, a category expansion was conducted in the Nordic region through which baby-care products carrying the Nordic Swan environmental label – such as wet wipes, baby lotion and nursing pads – were successfully launched. The business area also launched a new range of Swan-labelled diapers in the smallest sizes under the Libero brand.

Feminine care sales rose by 11%. Growth was favourable in the major markets in Western Europe, Russia and Mexico. The launch of tampons in Norway under the Libresse brand proved successful. 2010 will see the launch of tampons in new markets.

Operating profit rose by 11% to SEK 3,235m (2,912), due to an improved product mix and higher prices, notably in baby diapers. The major generation shift to new baby diaper products increased manufacturing costs. Marketing costs rose, especially in Eastern Europe and Russia.

Operating margin was 12.6% (12.5).

Return on capital employed totalled 29% (28).

Operating cash surplus amounted to SEK 4,467m (3,940). Operating cash flow increased to SEK 4,436m (2,591). Higher operating cash surplus – combined with lower working capital and slightly lower current capital expenditures – contributed to the improvement.

Capital expenditures amounted to SEK 2,027m (1,685). Major investments in a new product generation of baby diapers in 2009 enhanced competitiveness and growth potential. A decision was made to invest SEK 138m in a new production line for incontinence care at SCA's mill in the Tula district in Russia. The production line is scheduled to be put into operation in 2011.

SCA's sales by product segment

- Incontinence care, 55%
- Baby diapers, 29%
- Feminine care, 16%

SCA's sales to retailers' brands as a proportion of total sales:
Incontinence care, 0%
Baby diapers, 27%
Feminine care, 9%



SCA's sales by region

- Europe, 67%
- North America, 11%
- Latin America, 8%
- Asia, 7%
- Australasia, 4%
- Other, 3%



Key figures

SEKm	2009	Group share, % ¹⁾	2008
Net sales	25,716	23	23,331
Operating cash surplus	4,467	28	3,940
Change in working capital	835		-353
Current capital expenditures	-795	20	-910
Other changes in operating cash flow	-71		-86
Operating cash flow	4,436	30	2,591
Operating profit	3,235	32	2,912
Operating margin, %	13		12
Capital employed	11,430	11	10,383
ROCE, %	29		28
Strategic investments			
plant and equipment	-1,232	41	-775
restructuring costs	0		0
company acquisitions/divestments	-44		0
Average number of employees	7,269	15	7,648

¹⁾ Group share excludes items affecting comparability and other operations.

Essentials for keeping dry



Net sales, 21% ¹⁾



Operating profit, 32% ¹⁾



Capital employed, 10% ¹⁾



Av. no. of employees, 15% ¹⁾

23,331

Sales, SEKm

2,912

EBIT, SEKm

12%

EBIT margin

28%

ROCE ²⁾

90%

Capital expenditure ³⁾

9%

Working capital ⁴⁾

Personal Care

SCA offers incontinence care products, baby diapers and feminine care products for the markets' quality segments. All three segments have a high development rate and new products are launched continuously. The company's products are sold under SCA's own brands and retailers' brands and are distributed via retailers and care institutions in more than 90 countries.

¹⁾ Share of the Group.

²⁾ Return on capital employed.

³⁾ Capital expenditures in relation to depreciation.

⁴⁾ Working capital in relation to net sales.

Personal Care

Sales 2008: SEK 23,331m (22,101) +6%
Operating profit 2008: SEK 2,912m (2,960) -2%

Average no. of employees: 7,648 (7,176) +7%

Production: 22 facilities in 19 countries

Strategic priorities:

- Develop SCA's world-leading position within incontinence care
- Increase SCA's growth rate in fast-growing markets in Eastern Europe, Southeast Asia and Latin America
- Continue to gain in-depth insight into consumer and customer needs and apply this knowledge to product development and increase the launch rate of innovative product offerings
- Continuously enhance production and distribution efficiency

Targets: 5-7% organic growth, with 30% return on capital employed over an economic cycle.

Market position: SCA is one of the world's largest players in personal care products and the global market leader in incontinence care products.

Brands: SCA has a valuable portfolio of global, regional and local brands. The global Tena brand is a world leader in incontinence care products and is available in more than 90 countries. In baby diapers, Libero is the market leader in the Nordic region and is displaying rapid growth in Russia and parts of Eastern Europe. In Southeast Asia, SCA holds leading positions with the Drypers brand and in South America with Pequeñín. Within feminine care, SCA is the market leader in the Nordic region and in large and rapidly expanding markets in Latin America. The Libresse, Saba, Nosotras and Nana brands are supported by SCA's global brand platform.

Innovation and product development: SCA invests considerable resources in its efforts to gain deep insight into consumer and customer

needs and is continuously increasing its investments in research and product development. The number of launches of new and upgraded products using more intensive market communications is on the rise. The emphasis is placed on function, costs, fit and design.

Production and business processes:

Production is continuously streamlined through investments in new facilities and the modernisation of existing facilities, which thereby improve the cost structure and consequently strengthen quality and operating reliability. Since 2000, production in Europe has been concentrated to seven modern plants, including two new facilities in Eastern Europe, which has resulted in significant cost reductions.

Sales channels: Products are distributed through the retail trade and care institutions.



Strategy

Incontinence care

The top priority within incontinence care is maintaining a high growth rate while strengthening global market leadership in developed markets and establishing leading positions in Eastern Europe, Southeast Asia and Latin America. Increasing understanding and acceptance among consumers is crucial with regard to incontinence, a topic that is often surrounded by social taboos. Demand is strengthened through information and marketing supported by effective, comfortable and easily accessible products. SCA aims to enhance its leading position through superior consumer insight, innovative product development and efficient production.

Baby diapers

SCA plans to continue strengthening the favourable positions of its own brands in such mature markets as the Nordic region, New Zealand and selected markets in South America, as well as in fast-growing markets in Eastern Europe, Russia

and Southeast Asia. Through the continued development of high-quality product offerings that offer excellent service and attractive prices, SCA aims to strengthen its deliveries of retailers' brands.

Feminine care

SCA holds strong, selective market positions in Europe, Latin America, Australia and New Zealand and is focusing on growth in the fast-growing markets in Eastern Europe and the Middle East. Pads and panty liners are developed for the company's own regional and local brands, which are supported by a global brand platform. Based on in-depth consumer and customer insight, SCA prioritises investments in new product concepts and marketing and endeavors to strengthen its competitiveness through continuous efficiency enhancement and cost-efficient production in such areas as Eastern Europe.

SCA's sales by product segment

- Incontinence care, 55%
- Baby diapers, 29%
- Feminine care, 16%

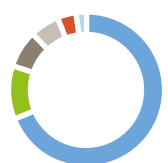


SCA's sales to retailers' brands as a proportion of total sales:

- Incontinence care, 0%
- Baby diapers, 34%
- Feminine care, 6%

SCA's sales by region

- Europe, 69%
- North America, 11%
- Latin America, 8%
- Asia, 6%
- Australia, 4%
- Other, 2%



Market

The global market for personal care products is driven by innovation, has annual sales of SEK 260bn and is growing at a faster rate than GDP. In developing countries, the use of all product categories is expanding as the level of disposable income increases and insight into the health benefits of hygiene grows. In mature markets, baby diapers and feminine care products have achieved a high level of market penetration and a rapidly aging population drives demand for incontinence care products. The industry is highly consolidated, with a small number of major global players offering well-known and dominant brands. In 2008, the European market was characterised by continued positive demand and intense price competition. The strong rise in demand continued in emerging markets.

SCA's market positions

	Europe	North America	Global
Incontinence care	1	3	1
Baby diapers	2	-	3
Feminine care	3	-	5

Incontinence care

Incontinence affects between 5 and 7% of the world's population, resulting in a market totalling SEK 50bn that grows by 6–7% annually. Europe accounts for slightly more than 45% of the total market and North America for approximately 30%. Market growth is driven by a higher pace of innovation, high market penetration, an aging population, increased household incomes and growing welfare requirements. Market penetration in emerging markets is low.

Institutional care and home care facilities account for 63% of the global market. The main focus is on supplying high-quality products combined with qualified advisory services that simplify handling procedures and reduce costs for care providers. The retail market is the fastest growing segment and accounts for 37% of the global market. SCA provides support through information, advertisements and the development of products that are increasingly discreet, easy to use and effective.

Baby diapers

The total European market amounts to about SEK 35bn and is growing by 4% annually. SCA is the second largest player in the market, with a share of 14%. The Group holds a strong position in pant diapers, an area that is growing faster than the total market, and currently has a 15% share of the baby diapers market. SCA's Libero brand is the largest brand in the Nordic region and is growing rapidly in Russia and parts of Eastern Europe. In Southeast Asia, SCA holds leading positions with its Drypers brand, in South America with Pequeñín and in New Zealand with Treasures.

The most significant growth is occurring in Asia, Latin America and Africa, where birth rates are high and household incomes are increasing. More than 75% of children in the world under the age of two still do not enjoy the practical and effective hygiene provided by disposable diapers, which means that there is significant future potential. SCA holds leading positions in Southeast Asia and parts of South America.

Feminine care

The global market amounts to about SEK 90bn and is growing by approximately 4% annually. The European market accounts for about 25% and is dominated by pads (50%), while panty liners and tampons each account for 25%. The driving forces behind this market are a growing number of women of child-bearing age and a relatively low market penetration in fast-growing countries, while growth is weaker in mature markets. SCA sells feminine care products in more than 90 countries. The largest regional market is Europe, where SCA is the third largest player. The proportion of sales is increasing in Latin America, Eastern Europe, the Middle East and Australia, where SCA is the market leader in several large countries.

More information at www.sca.com



Incontinence care – global market shares

SCA, 27%
Kimberly-Clark, 10%
First quality products, 7%
Other, 56%



Incontinence care – sales channels, global market

Institutional and home care, 63%
Retail outlets, 37%



Baby diapers – SCA's regional market positions (examples)

	SCA's position
Europe	2
Nordic region	1
Russia	3
Eastern Europe	3
Colombia	2
Malaysia	1

Baby diapers – brand categories, European market

Manufacturers' brands, 77%
Retailers' brands, 23%



Feminine care – SCA's regional market positions (examples)

	SCA's position
Europe	3
Nordic region	2
Australia	1
Mexico	3
Colombia	1
Peru	2

Feminine care – brand categories, European market

Manufacturers' brands, 86%
Retailers' brands, 14%



Market data is based on SCA's estimations.

Operations in 2008

Key events

- Decision to invest in expanded production capacity for incontinence care
- Decision to invest in a new facility in the Moscow area
- New technology and a new generation of products established for baby diapers
- New technology and product design for incontinence care

Net sales rose by 6% to SEK 23,331m (22,101), due mainly to an increase in volumes of about 5% and an improved product mix. Exchange rate fluctuations had only a marginal impact on net sales. Sales growth in mature markets totalled 3%, while in growth countries the increase was 15%, with particularly favourable trends in Eastern Europe and Latin America. Competition remains intense in the retail sector. SCA retained its market shares during the year.

Demand for incontinence care remained favourable and sales of SCA's Tena brand increased by 7%. Sales to the care sector, SCA's largest customer segment, rose by 8%, despite continued intense competition. The retail segment demonstrated positive growth. The markets in Germany, France, Italy, Russia and Eastern Europe were strong during the year.

Sales for baby diapers increased by 5%. Sales continued to increase substantially in South America, Malaysia and other growth countries.

Sales of feminine care products rose by 4%, primarily as a result of an improved volume trend in Europe.

Operating profit declined by 2% to SEK 2,912m (2,960). The effects of improved volumes and an enhanced product mix were offset by increased raw material and production costs, a combination that resulted in a somewhat lower operating margin of 12.5% (13.4).

Operating cash surplus amounted to SEK 3,940m (3,955). Operating cash flow declined to SEK 2,591m (2,918) as a result of a higher level of tied-up capital and a rise in current capital expenditures.

Capital expenditures amounted to SEK 1,685m (920). To increase production capacity for the Tena Lady brand, which is encountering favourable demand in Europe and the US, the decision was taken to invest in the production operations in Hoogezaand in the Netherlands and Bowling Green, in the US. To take advantage of the growth opportunities in the Russian market, a decision was made to establish a production operation for personal care products in the Moscow area. This investment amounted to SEK 450m. SCA also decided to make additional investments to increase the capacity for incontinence care products at its facilities in the Netherlands.

The major shift underway to a new generation of baby diaper products, resulting in extensive changes in production and logistics, had an adverse impact on sales and profitability.

The future

The long-term potential of incontinence care products is considerable due to the aging population in the mature markets, the low penetration rate and availability in heavily populated growth

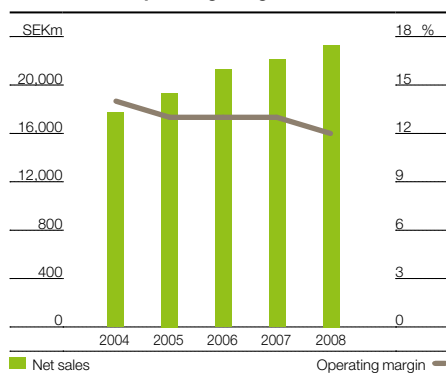
countries. SCA is developing products and upgrading its product range for all sales channels that are expected to maintain a high level of demand.

Major investments in a new generation of baby diaper products are expected to produce results in the form of enhanced competitiveness and growth opportunities, particularly in the large markets in Eastern Europe and in Russia, where a new facility will be put into operation in autumn 2009. The global brand platform for feminine care products offers excellent conditions for continued growth in markets with low penetration rates and high demand, such as Eastern Europe, Latin America and Southeast Asia.

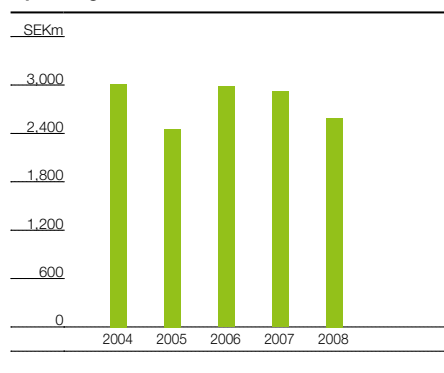
Key figures

SEKm	2008	Group share, %	2007
Net sales	23,331	21	22,101
Operating cash surplus	3,940	28	3,955
Change in working capital	-353		-216
Current capital expenditures	-910	17	-748
Other changes in operating cash flow	-86		-73
Operating cash flow	2,591	32	2,918
Operating profit	2,912	32	2,960
Operating margin, %	12		13
Capital employed	10,383	10	9,269
ROCE, %	28		32
Strategic investments			
plant and equipment	-775	25	-172
restructuring costs	0		-3
company acquisitions/divestments	0		-156
Average number of employees	7,648	15	7,176

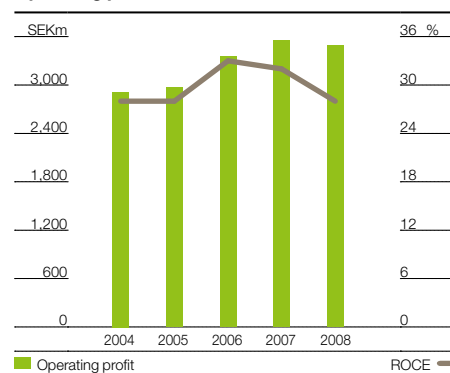
Net sales and operating margin



Operating cash flow



Operating profit and ROCE



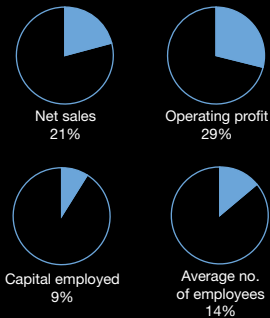
Personal Care

Good personal care is essential to well-being. SCA has world-leading expertise and innovative products that keep babies dry, offer women comfortable protection during menstruation and make life easier for people with incontinence. Our baby diapers, feminine care and incontinence products are available worldwide. They simplify everyday life and contribute to health and well-being throughout the lifetime of a growing number of people.

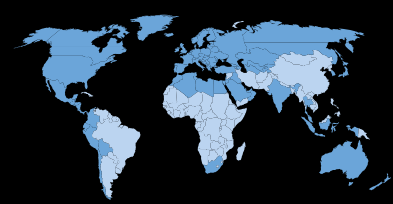
Personal Care

Personal Care comprises three product segments: incontinence care, baby diapers and feminine care. All three segments have a high development rate and new products are launched continuously. Products are sold both under SCA's own brands and under retailers' brands, and distributed via retailers and health care institutions.

Share of Group

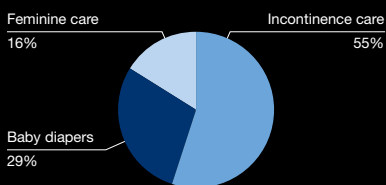


Geographic presence



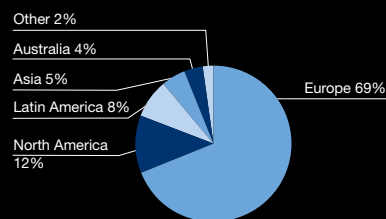
Sales in some 90 countries worldwide. Production at 21 plants in 18 countries.

Sales by product segment



Incontinence products account for most of the sales in the Personal Care segment.

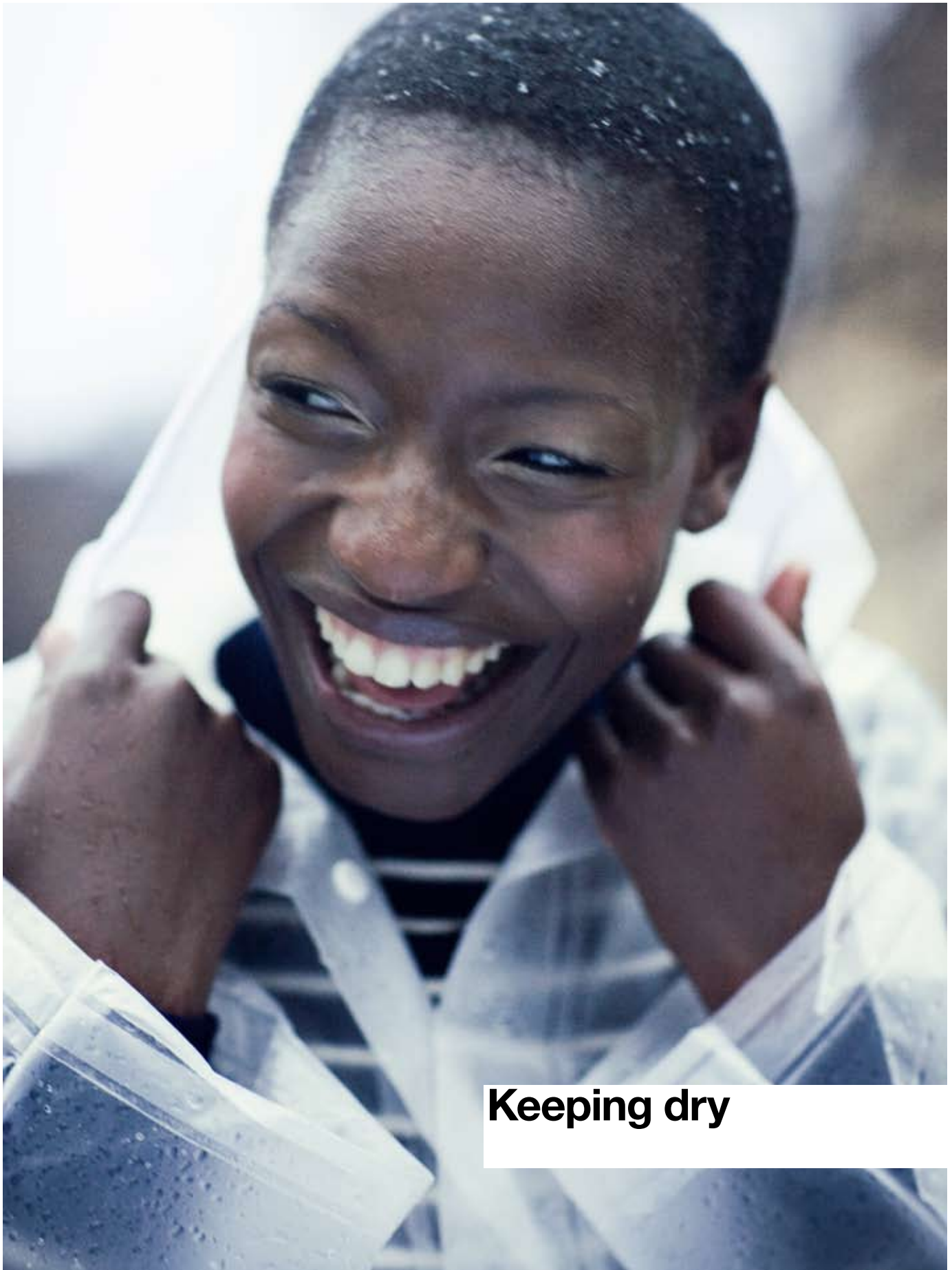
Sales by region



SCA is expanding rapidly in Personal Care and holds strong positions in all continents.

Market positions

	Europe	North America	Global
Incontinence care	1	3	1
Baby diapers	2	-	3
Feminine care	3	-	5



Keeping dry

Personal Care

Strategy

SCA is the world leader in incontinence care and holds leading regional market positions in baby diapers and feminine care. SCA's strengths are customer and consumer insight, innovative product development, well-known brands and efficient production.

Baby diapers, feminine care and incontinence care offer people simple, convenient and effective personal hygiene solutions throughout their lives. Demand is strongly linked to increased prosperity and the products make a significant contribution to improved standards of health in the world.

The global market for personal care products is growing faster than GDP. In developing countries use of all product categories is rising significantly and the market is growing in pace with increased purchasing power. In more mature markets, the ageing population means high growth for incontinence products. Baby diapers and feminine care products have achieved high market penetration and growth is calmer.

The industry is well consolidated and dominated by a small number of major global players with well-known brands. Products are continuously developed and diversified in order to meet different consumer preferences and needs.

SCA's Personal Care operations have shown good growth and profitability for a long time. The target is organic growth of 5–7% per year with maintained or improved profitability. The following strategic priorities apply to the years ahead:

- Further develop the world-leading position within incontinence care.
- Increase growth in fast-growing markets in Eastern Europe, Asia and Latin America.
- Continue development of insight into consumer and customer needs in order to accelerate the launch rate for innovative product offerings.
- Continuously enhance production and distribution efficiency.

INCONTINENCE CARE

A continued high growth rate is the top priority within incontinence care. Market leadership in developed markets will be strengthened and built up in several of the new, fast-growing markets in Eastern Europe, Asia and Latin America. SCA seeks to develop market-leading positions through continuous improvements to product range, marketing, service and concepts.

One key task is to increase understanding and acceptance among consumers for incontinence, a health problem that is often surrounded by taboos. Demand is strengthened through marketing and information, combined with effective and comfortable products and improved availability in all sales channels.

Most sales go to nursing institutions and care in the home. For these customer groups the main emphasis is on supplying high-quality products and qualified advisory services that improve the quality of life for the end-consumers and simplify the work and reduce the costs of the health care providers.

In the retail sector, SCA is working to increase understanding for the need of incontinence care through active information and advertising. Sales are growing at a fast pace and new products are launched continuously. The products are increasingly discreet, easy-to-use and effective.

BABY DIAPERS

SCA is the second largest baby diaper manufacturer in Europe and number three in the world. The strategy is to further develop and consolidate brand positions in mature markets such as the Nordic region and New Zealand. SCA is also well positioned in large, fast-growing markets such as Eastern Europe, Latin America, and some significant countries in Southeast Asia. Sales in India started during the year through a new joint venture. This is a small market so far but one with huge potential.

SCA is also a significant supplier of baby diapers for retailers' brands by offering modern, high-quality products at a competitive

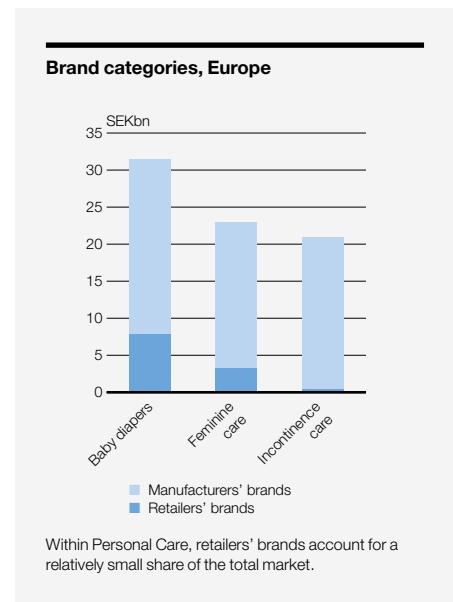
price, and providing a high level of service. Sales are primarily to markets where SCA does not have a position with its own brands. SCA accounts for one-third of the European market for retailers' brands.

Efforts to develop innovative products based on insight into customer and consumer preferences continue. The trends are that the diaper age is lengthening and that the priorities are comfort and easy changing. SCA is in the forefront within development of pant diapers which are the fastest growing category.

FEMININE CARE

SCA develops and expands strong, selective market positions in Europe, Latin America, Australia and New Zealand, and focuses on growth in the fast-growing markets in Eastern Europe and the Middle East.

SCA focuses primarily on developing pads and panty liners for a number of its own local and regional brands which are coordinated in a global brand platform. This is supported by the unique SecureFit product concept developed by SCA which provides excellent protection against leakage and a very good fit.





SCA's feminine care products are developed to provide a snug fit which gives greater security and comfort.

SCA also supplies growing volumes to retailers' brands.

In addition to expansion and product development based on insight into customer and consumer preferences, priority is also given to new product concepts, production transfers and rationalization of production structure. This has improved profitability throughout the operations.

INNOVATION

Deep insight into customer and consumer requirements is of fundamental importance for SCA's success in product development and brand management. This insight must include consumers' actual behaviour and also unidentified needs, as well as the ability to predict unexpressed needs and changes in preferences. For this reason SCA makes regular investments

in studies that provide knowledge for product development, often in cooperation with customers, and in brand positioning. This relates to function, fit, communication and design.

A number of years ago, Personal Care increased its investments in research and development. This has resulted in a strong increase in the number of new and upgraded products within all product and market areas and increased the rate of product launches. The strategy is to continue to focus on product development and market communication.

EFFICIENT PRODUCTION

Continuous cost reduction is given high priority. Production takes place in 21 plants in 18 countries. Manufacture is flexible in order to adapt to changes in demand. This allows fast adjustment to changed or new specifica-

tions in response to customer and consumer needs, which has become increasingly important in recent years. For example, production of baby diapers was adjusted during the year so that open diapers with elastic sides can also be manufactured.

Since 2000 production facilities in Europe has been made more efficient and five have been closed. Production is now concentrated to seven plants including two new ones in Eastern Europe. All European production of feminine care products has been moved to Slovakia and a newly established plant in Poland accounts for an increasingly large proportion of manufacture of baby diapers and incontinence care products.

Investments in production in Eastern Europe are successful and motivate continued expansion.

Personal Care

Performance and challenges 2007

Sales and earnings improved during the year due to strong growth, a high rate of product development, innovations and a continued focus on cost control. Growth was particularly high in Russia and Latin America. SCA is building up an increasingly strong market presence in these regions.

MARKET, SALES AND EARNINGS

Sales increased by 4% due to growing demand within SCA's major markets in Europe as well as rising consumption in growth countries. SCA strengthened its positions in many markets due, among other things, to a high rate of product launches. This gives SCA a better product mix which strengthens profitability despite rising raw material prices, costs of es-



During 2007, SCA launched a limited edition of the first design diaper in the Nordic region under the name Libero Spring Collection.

tablishment in new markets and investments in product development.

FUTURE FOCUS

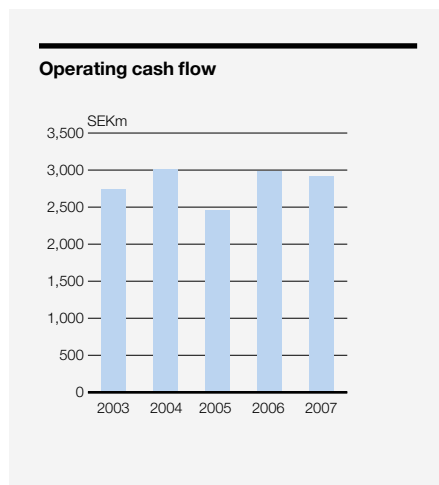
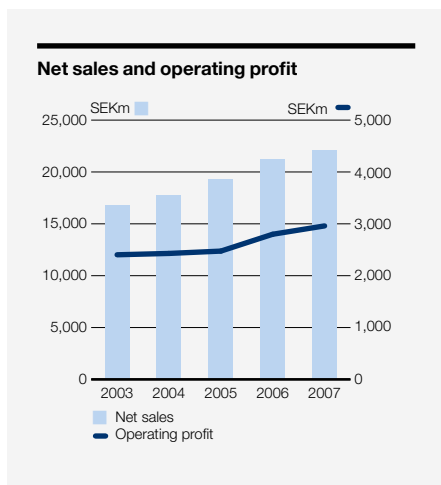
There is considerable potential for incontinence care products which are sold in over 90 countries under the global TENA brand. The major challenges include growing in Latin America, Asia and Eastern Europe as well as further strengthening positions in the more mature markets. New sales channels, such as the internet also provide attractive opportunities.

Penetration remains low in several markets and the products are not yet fully available in all channels. The growth rate will continue to be substantial within all sales channels: institutions, home care and retail. Product offerings for institutional customers are continuously expanded with various peripheral products and services. This is marketed and packaged as the TENA Services concept to give the customer increased value-added. Investments in growth in new and established markets continued during the year with a global programme for product renewal under the TENA brand. The entire segment for institutional customers was upgraded.

The rate of product development remains high for incontinence products sold via retail outlets where new products were launched in Europe. During the year further investments were also made to strengthen the global position within incontinence care products developed for men, TENA for Men. The product portfolio in the US was also upgraded.

In baby diapers, the focus during the year was on development of elastic sides for the open diapers. This was well received by consumers. The communications concept was also updated for the Libero brand and the launch of the spring design collection generated stronger market shares for Libero Up&Go in the Nordic countries. Challenges for the future include growth in markets in Russia and Eastern Europe where Libero is one of the leading brands, as well as in India where Libero was introduced during the year through a joint venture.

Development within feminine care was good during the year with increased sales and improved profitability. SCA formed a joint venture during the year to manufacture and sell feminine care products in the Middle East and Egypt. Market prospects in this region are favourable with a young female population. Significant investments were made in Latin America, and Mexico is now SCA's largest single market for feminine care. Further expansion has high priority with Brazil offering attractive possibilities. SCA's global product concept SecureFit contributes to good growth and is a key platform for continued expansion. The rate of expansion is high. During the year a feminine care product with a new surface material was introduced in the Russian market. The new feminine care product Saba Confort was launched in Mexico.



Key figures

SEKm	2007	Group share %	2006
Net sales	22,101	21	21,272
Operating cash surplus	3,955	26	3,778
Change in working capital	-216		-37
Current capital expenditures	-748	14	-649
Other changes in operating cash flow	-71		-108
Operating cash flow	2,918	36	2,984
Operating profit	2,960	29	2,799
Operating margin, %	13		13
Capital employed	9,269	9	8,471
Return, %	32		33
Strategic investments			
plant and equipment	-172	13	-334
restructuring costs	-3		-10
company acquisitions	-156	3	0
Average number of employees	7,176	14	7,560



Protect yourself

More than 300 million people worldwide suffer from incontinence and the number is growing fast in pace with an increasingly ageing population. It is highly likely that the number is actually far higher since incontinence remains very much a taboo subject. Many people still do not receive any kind of treatment or protection to handle their incontinence.

Market Incontinence care

High growth for incontinence care

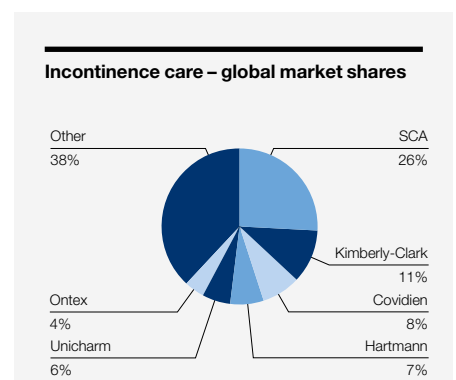
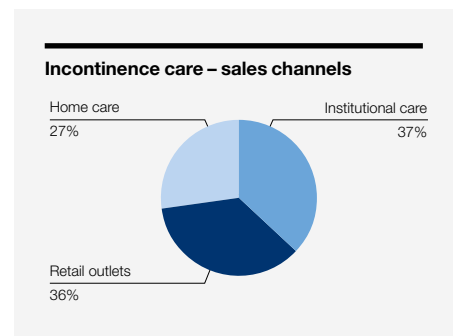
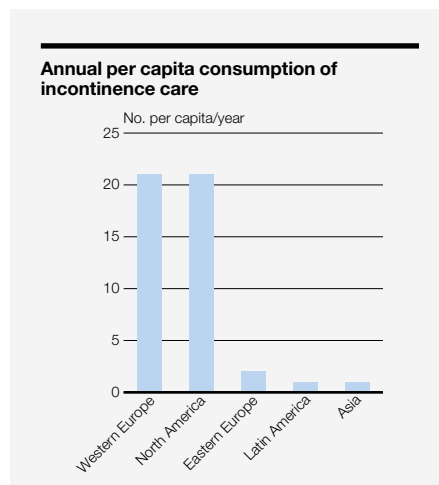
SCA is the world leader in incontinence products with its global TENA brand. Incontinence affects between 5 and 7% of the world's population. The global incontinence care market is valued at approximately SEK 45–50bn. Europe accounts for approximately 45% of the market, North America for about 30% with Asia accounting for most of the remainder.

Incontinence care products are used in institutional care and are also sold in pharmacies, special stores for medical supplies, and through retail outlets. The global market is growing by over 5% per year, particularly through increased retail sales.

Market growth is driven by increasingly ageing populations as well as improved household purchasing power. Wider acceptance of incontinence and related products is also driving growth. Growth is primarily taking place in the light incontinence products segment.

SCA's global TENA brand is marketed in most countries with a developed consumer

market, i.e. more than 90 countries. SCA has 26% of the global market, 40% of the European market and 19% of the North American market. SCA is also the leading player in Australia, New Zealand and Latin America.





What goes in must come out

The average baby in the Western world today uses approximately 4,500 diapers before their potty training is fully effective. Of the world's approximately 300 million children below the age of two, more than 75% still do not enjoy the practical and effective hygiene and protection against infection and disease provided by the disposable diaper.

Market Baby diaper

Fast growth for Libero in the East

The total European market for baby diapers is valued at SEK 30–35bn. Pant diapers account for 14% of this total. A growing number of consumers appreciate the security and convenience of pant diapers.

Pant diapers is the segment with the strongest growth in Western Europe, approximately 5% per year. Growth for baby diapers is particularly high in markets in Asia, Latin America, Eastern Europe and Africa. The reason for this is high birth rates, improved standards of living and higher disposable income.

SCA sells baby diapers in more than 50 countries. SCA has strong brands in the Nordic region, parts of Eastern Europe, Russia, Latin America, Africa, Asia and New Zealand.

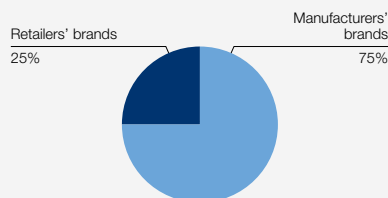
SCA is the second largest player in Europe, with a market share of 15%. In the Nordic region, SCA is the market leader with the Libero brand with a market share of over 55%. During the year, a new stretch diaper was launched in Sweden. This is significant for the defence and further development of market positions. Libero is growing fast in parts of Eastern Europe and in Russia where

SCA is the third largest player. In Malaysia, Thailand and Singapore, SCA holds leading positions with the Drypers brand, and in New Zealand with the Treasures brand. SCA also has strong brands in Latin America.

During the year, SCA entered a joint venture in India and thus laid the foundations for further strengthening of market positions in Asia.

SCA also sells baby diapers under retailers' brands and supplies several major European retail chains.

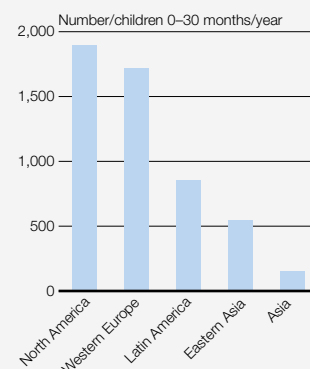
Brand categories, Europe



Regional market positions (selection)

Market	Position
Nordic region	1
Malaysia	1
Colombia	2
Russia	3
Eastern Europe	3

Annual per capita consumption of baby diapers





Once a month

For thousands of years women used rags during menstruation. The first disposable pads came on the market in Germany and the US at the end of the 19th century. Today's newly developed pads are designed to be almost invisible: thin with an optimal fit.

Market Feminine care

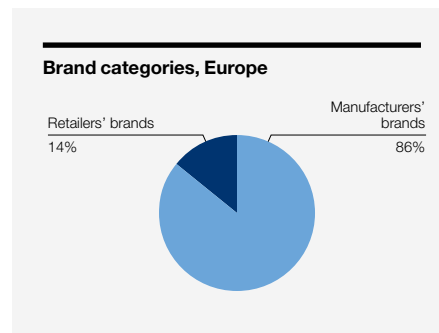
Good growth in Asia and Latin America

The global market for feminine care is valued at approximately SEK 90bn. In Europe pads account for approximately 50% of sales with panty liners and tampons each accounting for about 25%.

Global use of feminine care products is rising due to an increasing number of women of child-bearing age. In Europe, however, this age group is decreasing slightly due to an ageing population. Growth for feminine care products is good in Asia and Latin America due to an expanding target group and increased market penetration. There is also high growth potential in Eastern Europe.

SCA's feminine care products are marketed in 85 countries. This means that about every fifth woman in the world can buy the company's products. SCA's main market for feminine care, however, is Europe where SCA is the third largest player. Sales share is growing in Latin America where SCA is market leader in several countries. In this region, sales are often made via jointly owned companies. During the year SCA entered a joint venture company in the Middle East which

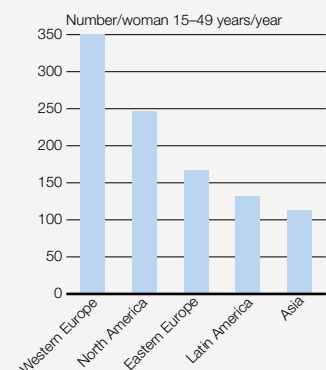
will enable women in countries that include Saudi Arabia, Egypt and Jordan to buy SCA's products. SCA also has strong market positions in parts of Eastern Europe. In some markets where there is intense competition, such as Germany, SCA is increasing its market shares through sales of products under retailers' brands.



Regional market positions (selection)

Market	Position
Australia	1
Colombia	1
Peru	1
Mexico	2
Nordic region	2

Annual per capita consumption of feminine care

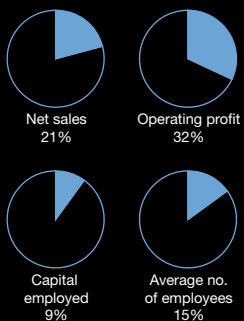




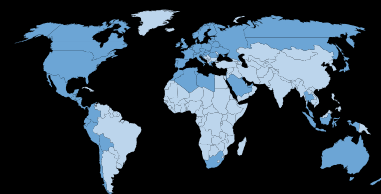
Personal Care

Personal Care comprises three product segments: incontinence care, baby diapers and feminine care. All three segments are driven by innovation and new products are launched continuously. The products are sold both under SCA's own brands and under retailers' brands, and distributed via retailers and health care providers.

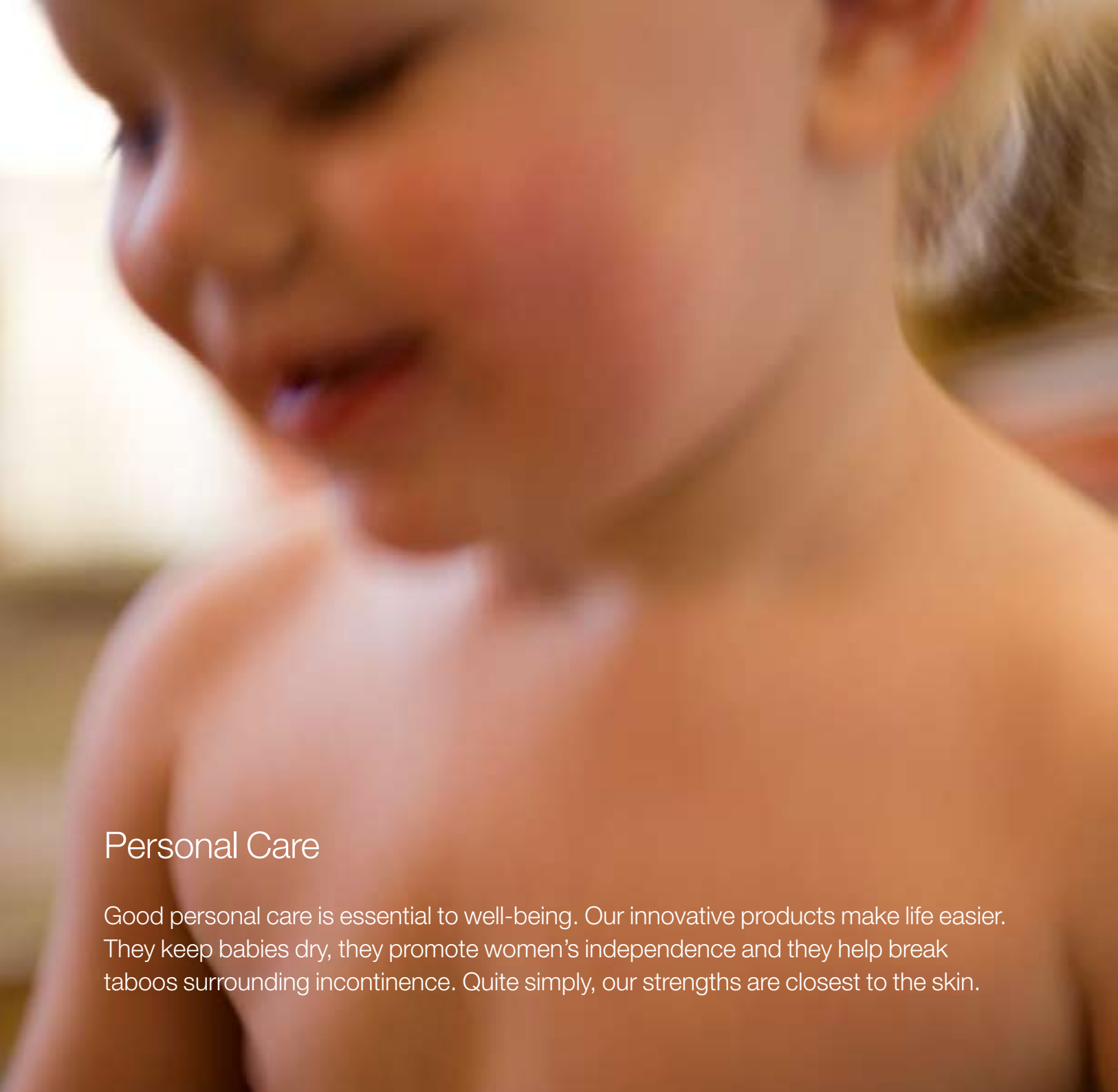
Share of the Group



Geographic presence



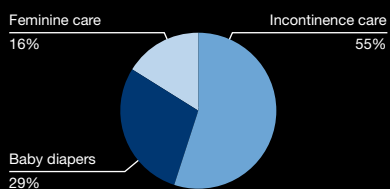
Sales in some 90 countries in all parts of the world. Production at 18 plants in 16 countries.



Personal Care

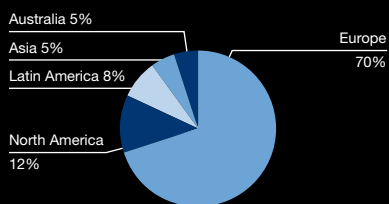
Good personal care is essential to well-being. Our innovative products make life easier. They keep babies dry, they promote women's independence and they help break taboos surrounding incontinence. Quite simply, our strengths are closest to the skin.

Sales by product segment



Incontinence products account for most of the sales in the Personal Care segment.

Sales by region



SCA is expanding rapidly in Personal Care and holds strong positions in all parts of the world.

Market positions

	Europe	North-America	Global
Incontinence care	1	3	1
Baby diapers	2	-	3
Feminine care	3	-	5



Personal Care Strategy

SCA is the world leader in incontinence care and holds leading regional market positions in baby diapers and feminine care. SCA's strengths are profound consumer insight, innovative product development, well-known brands and efficient production.

Baby diapers, feminine care and incontinence care give people simple and comfortable hygiene solutions throughout their lives. The growing opportunities for effective personal care are making a significant contribution to health developments in the world.

The global personal care market is attractive and is growing faster than GDPs. The use of these products in developing countries is rising signifi-

cantly as buying power increases. In the more mature markets, the increase in the number of elderly people means high growth for incontinence care. The industry is well consolidated and the well-known brands dominate. Products are becoming increasingly sophisticated in order to meet specific needs.

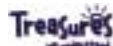
SCA's Personal Care operations have provided high profitability for a long time. The target is organic growth of 5–7% per year with maintained or improved margins. In the years ahead SCA will be working with the following strategic priorities:

- Strengthen market positions by developing innovative product offerings
- Further develop SCA's world-leading position in incontinence care

- Establish and consolidate leading positions in fast-growing markets in Central and Eastern Europe, Latin America and Asia
- Continue to restructure and improve efficiency in production and distribution

Incontinence care

SCA is focusing on increasing awareness and acceptance of incontinence, developing effective and comfortable products and raising availability through all distribution channels. Health care providers account for the majority of sales. The strategy for this customer group is to show how SCA's high-quality products and expert advice can cut costs for nursing homes and at the same time raise



the quality of life for the users. In the retail area, SCA is working on removing taboos through active information and advertising and by developing discrete and effective products.

SCA is working to consolidate the world-leading TENA brand, which offers products for all user needs through all sales channels. SCA is in the front line in product development and the pace of innovation is high – both in terms of the development of new products and ongoing improvements to the existing range. In 2007 the entire product range aimed at institutions and home care will be upgraded. SCA will also launch products that are in the grey zone between feminine care and incontinence care, but that are more appropriate for the users.

Baby diapers

The strategy for baby diapers is to maintain and consolidate brand positions in the Nordic region, Central and Eastern Europe, Latin America, Africa, Southeast Asia and New Zealand by continuing to develop innovative open diapers and pant diaper products. The latter category is showing the fastest growth and here SCA has had considerable success in Europe, particularly with the Libero Up&Go pant diaper. SCA is also a major supplier of diapers for retailers' own brands and aims to support retailers by providing competitive and high-quality products.

Feminine care

In feminine care SCA intends to continue to develop strong regional market positions in Europe, Latin America, Australia and New Zealand. SCA strategy focus primarily on pads and pantyliners. The ten regional feminine care brands are coordinated in a common, global brand platform. SCA is also strengthening its position in feminine care products for retailers' brands.

Innovation

SCA conducts product and brand development based on careful studies and insight of consumer behaviour and needs. The result is constant upgrades or new products. Over the past two years the number of new products has increased significantly. These have been developed in the global R&D organizations, close to consumers and markets and in cooperation with customers. Innovation work has resulted in a large number of new patents. In the future even more resources will be invested in product development and market communication.

Efficient production

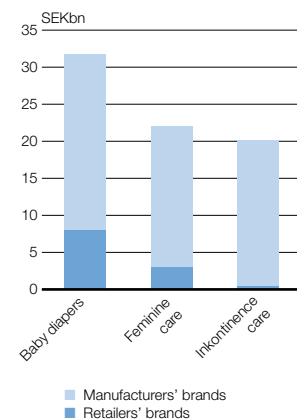
SCA has significant competitive advantages due to its global operations. Production takes place in 18 factories on six continents. The number of factories in Europe has been reduced significantly and efficiency at the remaining ones has been improved. Since 2000 five plants have been closed down and production has been concentrated to six factories including two new ones in Central and Eastern Europe. All European production of feminine care products, for example, has been shifted to Slovakia. A new factory in Poland that manufactures baby diapers and incontinence products is an important element of SCA's focus on Central and Eastern Europe.

The manufacture is flexible in order to adapt to changes in demand and to allow for a quick response to changed or new specifications based on customer and consumer needs.



Tena Mini Magic, which is a thin, discrete and lightweight incontinence product sold in retail channels, was successfully launched in 2006.

Brand categories, Europa



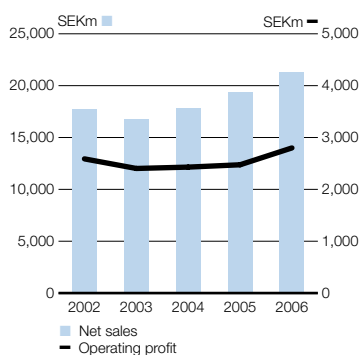
Within Personal Care, retailers' brands account for a relatively small share of the total market.

Personal Care **The past year**

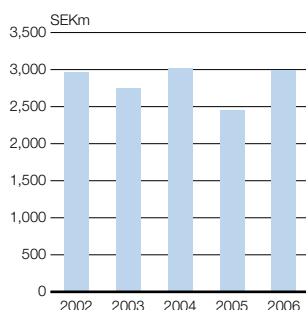
Key ratios

SEKm	2006	Group share %	2005
Net sales	21,272	21	19,351
Operating cash surplus	3,778	27	3,427
Change in working capital	-37		-334
Current capital expenditure	-649	11	-436
Other changes in operating cash flow	-108		-202
Operating cash flow	2,984	47	2,455
Operating profit	2,799	32	2,474
Operating margin, %	13		13
Capital employed	8,471	9	7,615
Return, %	33		28
Strategic investments			
- plant and equipment	-334	36	-715
- restructuring costs	-10	40	0
- company acquisitions	0		0
Average number of employees	7,560	15	6,644

Net sales and operating profit



Operating cash flow



Demand for personal care products was good and sales increased by 10% in 2006. Growth was particularly strong in Central and Eastern Europe and Latin America where SCA was able to strengthen its positions. New products were well received by consumers and customers.

Net sales increased by 10% to SEK 21,272m. Operating profit increased by 13% to SEK 2,799m. SCA was able to raise prices for most products and markets, which compensates for higher raw material costs particularly superabsorbents.

Work on improved efficiency for the production facilities, mainly in Europe, was carried out according to plan. The new factory in Olawa, Poland has started producing baby diapers and incontinence care.

Incontinence products

The year was characterized by intensive marketing efforts. SCA launched, for example, TENA Mini Magic, a thin but highly-absorbent incontinence care product that is sold in a brand new type of discreet and practical packaging. In North America the success of the incontinence pant, TENA Discreet Active-wear, continued. New types of marketing initiatives were also tested with good results, such as increased online marketing and sales. In the care sector the TENA Services concept was expanded. This concept involves providing advice to nursing homes with the aim of improving the quality of life of the users and reducing overall costs for nursing homes.

Baby diapers

SCA's success in this segment continued through Libero Up&Go pant diapers, which are sold mainly in the Nordic region and Russia. In Southeast Asia, sales of the re-launched Drypantz developed well towards the end of the year. There was also strong growth in open diapers, mainly in Central and Eastern Europe and Latin America. SCA consolidated its leading position as a supplier for retailers' brands in Europe. In total, sales of baby diapers increased by more than 10% which led to higher profitability.

Feminine care

The intense competition in the feminine care segment continued with a high level of market activity from all major competitors. SCA invested heavily in product development and launched a new generation of ultra-thin secure pads within the SecureFit concept in most of Europe, Latin America, Australia and New Zealand. This product launch resulted in an increased market share, particularly in the Nordic region and Mexico, and contributed to the positive trend in this product segment. Deliveries of retailers' brands continued to increase and now account for approximately 15% of net sales in Europe.



Personal Care **Incontinence care market**

The global incontinence care market is valued at approximately SEK 45-50bn. North America accounts for around 30% of the market, Europe for around 45% and Asia for approximately 20%. Market growth is more than 5% per year with light incontinence products showing the fastest growth.

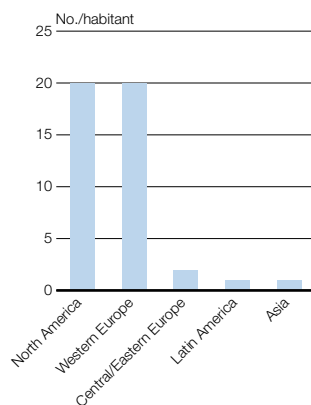
Incontinence affects between 5 and 7% of the world's population. The products are used in institutional care and are also sold directly to consumers at retail outlets and through pharmacies and shops specializing in medical supplies.

Market growth is driven by demographic factors, primarily aging populations, but also by increased buying power. Wider acceptance of incontinence problems, increased availability of the products in retail outlets as well as innovation and brand building are also factors driving growth.

SCA's TENA brand is available in almost all countries with a mature market, i.e. more than 90 countries. This makes

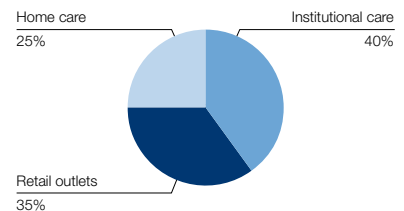
SCA the global market leader with 26% of the market. SCA leads the market in Europe and is number three in North America. SCA is the leading player in the Australian, New Zealand and Latin American markets.

Annual per capita consumption of incontinence care

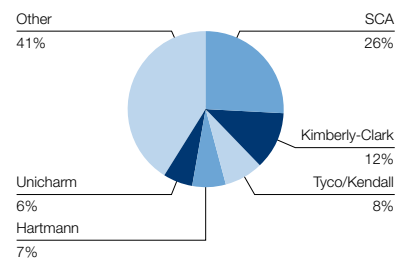


Consumption of incontinence products is significantly higher in countries with a high standard of living.

Incontinence care – Sales channels



Incontinence care - Global market shares





Personal Care **Baby diaper market**

The European market for baby diapers is valued at SEK 30-35bn. Pant diapers, which today account for 14% of the value of the European baby diaper market, is growing at a faster rate than open diapers, with annual growth of around 5%.

SCA manufactures both open diapers and pant diapers. The latter is the fastest growing category and here SCA is the leading producer in Europe. Baby diapers are sold under SCA's own brands as well as under retailers' brands. SCA has strong brands in markets in the Nordic region, Central and Eastern Europe, Latin America, Africa, Asia and New Zealand, and is also a major supplier of baby diapers for retailers' brands in Europe. In total, SCA sells baby diapers in some 50 countries.

Growth in the baby diaper segment is high in the markets in Asia, Latin America and Africa. The reason for this is

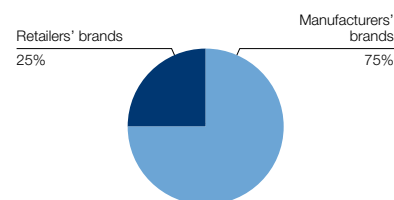
high birth rates and the use of disposable diapers increases as standards of living improve.

SCA is the second largest player in Europe, with a market share of 15%. In the retailers' brand segment, SCA is a leader with one third of the European market.

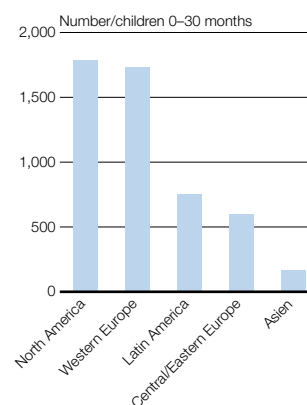
In the Nordic region, SCA is the market leader with the Libero brand and has a market share of around 55%. Libero is also growing rapidly in Central and Eastern Europe, particularly in Russia where SCA is the third largest player.

In Malaysia, Thailand and Singapore SCA holds leading positions with the Drypers brand and in New Zealand with the Treasures brand. SCA is also a market leader with the Peaudouce brand in Tunisia and Libya.

Brand categories, Europe



Annual per capita consumption of baby diapers





Personal Care **Feminine care market**

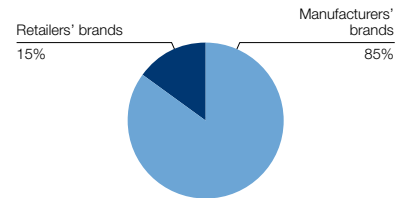
The global market for feminine care is valued at SEK 80-85bn. In Europe the distribution is 50% for pads and approximately 25% each for panty liners and tampons.

Market growth is determined by the number of women in their fertile years and the degree of usage. In Europe this age group is decreasing slightly due to an ageing population. Growth is strong in Asia and Latin America due to a growing target group and increasing market penetration. There is also high growth potential in Central and Eastern Europe, where usage is expected to increase.

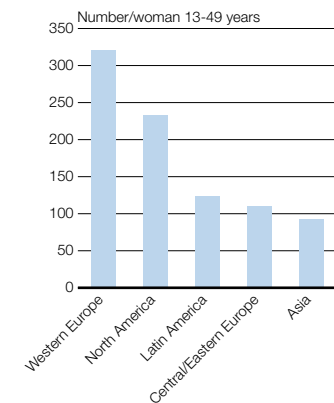
SCA's main market for feminine care is Europe where SCA is the third largest player. A growing proportion of sales is taking place in markets such as Latin America, Central and Eastern Europe and South Africa. In South Africa and parts of Latin America, the products are sold through joint ventures.

In several markets SCA is increasingly and successfully complementing its own brands with manufacture of products for retailers' brands.

Brand categories, Europe



Annual per capita consumption of feminine care products



Hygiene Products



American acquisitions and

Earnings improved significantly in all product areas. In North America, extensive integration efforts followed the acquisition of Georgia-Pacific Tissue.

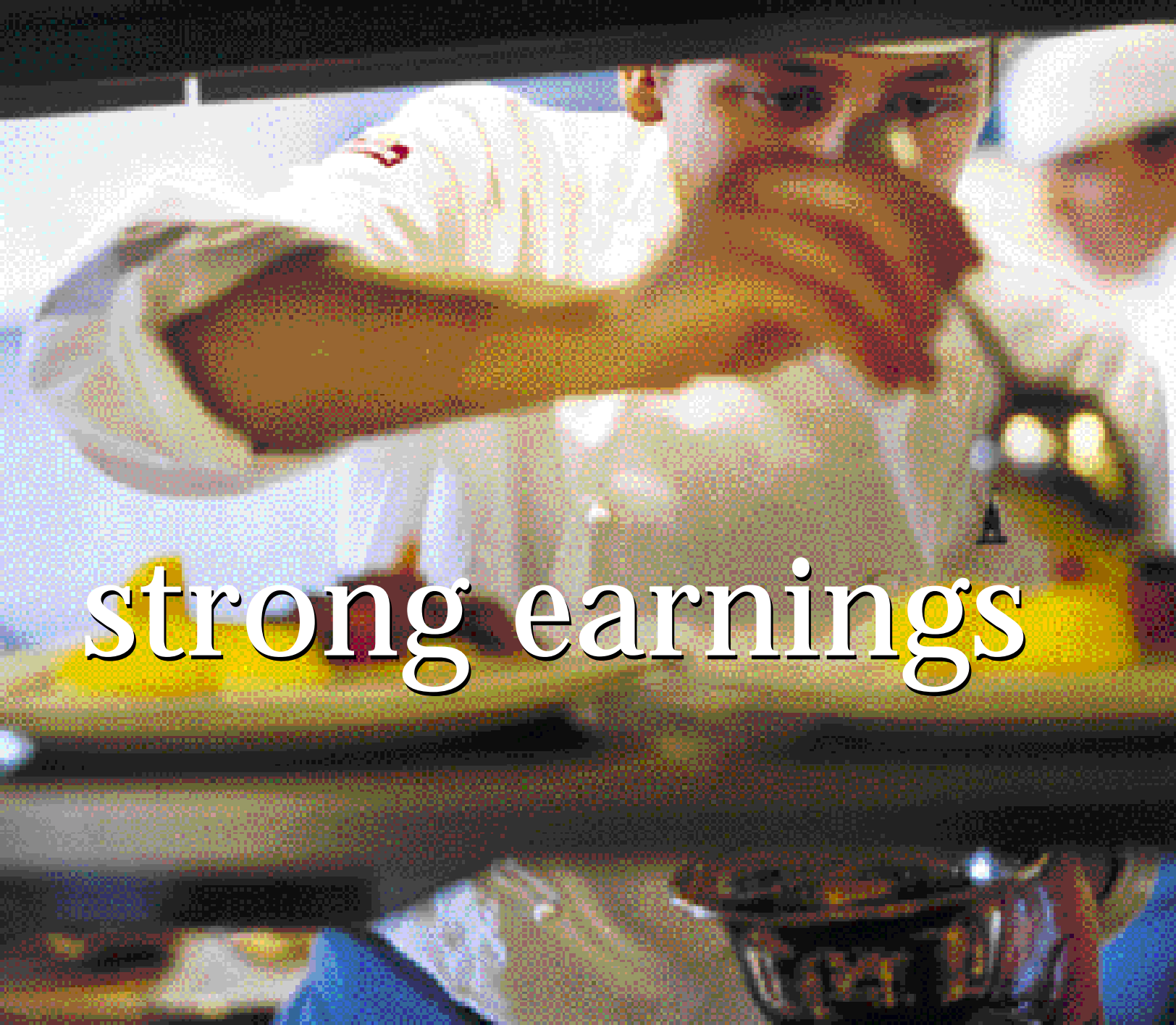
Key ratios (SEK M)	2001	Group share %	2000
Net sales	40,797	50	31,040
Operating cash surplus	6,622	43	4,461
Change in working capital	1,405		-719
Current capital expenditures, net	-1,139	33	-645
Other operating cash flow changes	-146		-74
Operating cash flow	6,742	47	3,023
Operating profit	4,473	43	2,909
Operating margin (%)	11		9
Capital employed	26,374	39	18,066
Return (%)	17		16
Strategic investments			
– plants	549	37	891
– restructuring expenses	449	59	299
– company acquisitions	9,493	71	446
Average no. of employees	17,667	42	15,566

Net sales and number of employees	Net sales, SEK M		Av. no. of employees 2001*
	2001	2000	
Consumer products	20,954	18,373	8,021
AFH and Incontinence products	19,843	12,667	7,048
Total	40,797	31,040	15,069

* Excluding employees in joint-venture companies and staff functions.

Deliveries, tons	2001	2000	Change, %
Tissue			
Consumer products	696,600	707,200	-1
AFH products	586,700	275,700	113

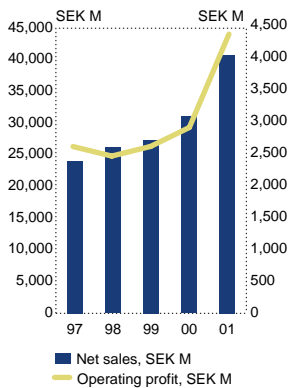
Production capacities shown on page 79.



strong earnings

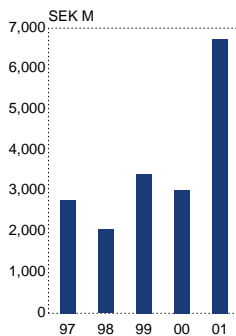
Extensive work was carried out during 2001 to integrate the North American acquisitions. One of every three table napkins sold in the North American AFH market is now produced by SCA.

NET SALES AND OPERATING PROFIT



Operating profit rose 54% to SEK 4,473 M.

OPERATING CASH FLOW



Operating cash flow amounted to SEK 6,742 M.

KEY MARKET SHARES

	%
AFH tissue, Europe	18
AFH tissue, North America	19
Incontinence products, worldwide	25
Consumer tissue, Europe	19
Feminine hygiene products, Europe	10
Baby diapers, Europe	13

The acquisitions of Georgia-Pacific Tissue and Encore made SCA the third-largest company on the North American AFH market.

SCA is one of Europe's leading suppliers of tissue and fluff products, with development, manufacturing and sales. SCA is the world leader in incontinence products, market leader in Europe and the third-largest supplier of tissue to the American Away-From-Home (AFH) market.

SCA's home market is Europe, where the Group has a base with both strong regional proprietary brands as well as a position as the leading producer of retailers' own brands. During the year, SCA achieved a strategic breakthrough in North America through the acquisition of Georgia-Pacific's AFH operations. SCA acquired the Serenity incontinence brand from Johnson&Johnson already in 2000. Combined, these two acquisitions have created a strong platform for further organic growth and complementary acquisitions in North America. SCA invests continuously in developing the incontinence division's global world-leading position through product innovations and expansion in new and existing markets. In cooperation with local partners, SCA becomes established on new markets worldwide.

The hygiene products market is highly competitive and SCA focuses

on reducing costs in the value chain through continued consolidation and rationalization.

In 2001, SCA's sales of hygiene products amounted to SEK 40,797 M, of which 73% in Europe, 21% in North America and 6% in the rest of the world. Sales outside Europe rose 281%, largely as a result of the acquisition of Georgia-Pacific Tissue.

Operating profit improved significantly during 2001. With the exception of North America, market prices were stable on a level higher than the preceding year, while the cost of raw materials gradually fell, from the peak levels at the beginning of the year. Sales volumes did not increase to any great degree. However, as a result of a focus on the value-added segments of the market, the product mix improved.

Costs were reduced through better capacity utilization and improved productivity. Four tissue plants in Spain, one in Sweden and one fluff plant in Greece and the UK, respectively, were shut down. This affected a total of 300 employees.

Market

Absorbent hygiene products include tissue, baby diapers, feminine hygiene products and incontinence products.

The products are sold through retail outlets and to companies, industries, hotels, restaurants, catering operations and institutions, as well as to healthcare services.

The world market for absorbent hygiene products is estimated at SEK 570 billion in manufacturing operations – about 40% of which is in North America and slightly over 25% in Europe.

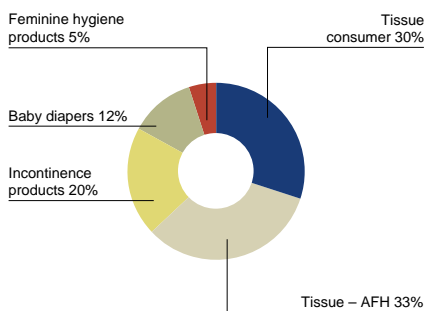
SCA's share of the market for hygiene products amounts to 18% in Europe and 5% in North America.

Strategic investments

In March 2001, SCA purchased US-based Georgia-Pacific's tissue business in the AFH segment, for SEK 8.3 billion. This opened the North American tissue market, while concurrently creating a platform for further expansion within the AFH segment in the US. The acquisition gave SCA national coverage in the US, a 17% market share in the AFH segment, and a strong position as the third-largest player in the AFH market, after Georgia-Pacific and Kimberly-Clark.

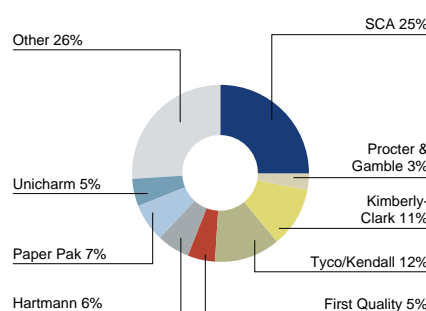
In November 2001, SCA purchased US-based Encore Paper Company, for SEK 969 million. The company, which

SCA's PRODUCT PORTFOLIO



Tissue for the AFH market increased its share of SCA's product portfolio as a result of the North American acquisitions.

INCONTINENCE PRODUCTS MARKET SHARES – THE WORLD



SCA has strengthened its position as the world's leading supplier of incontinence products.

MARKET SHARES IN EUROPE AND NORTH AMERICA

Market shares, %	North America	
	Europe	AFH
	Tissue	AFH
SCA	19	19
Georgia-Pacific	14	39
Kimberly-Clark	18	27
Procter&Gamble	4	–
	Fluff	Inco
Procter&Gamble	39	–
SCA	18	17
Kimberly-Clark	9	24
Tyco/Kendall	–	29
Johnson&Johnsson	5	–

SCA is Europe's largest tissue producer, third in the North American AFH market, second largest in the European fluff market and largest in the world in incontinence products.

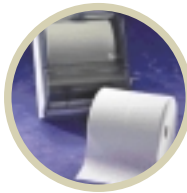
produces and converts paper and AFH products, complements SCA's tissue operations in the US.

After the end of the fiscal year, agreement was reached to acquire Italian CartoInvest, Europe's fourth largest tissue producer, which would strengthen SCA's position as Europe's leading producer of tissue.

AWAY FROM HOME (AFH)

Market

In the AFH market, mainly tissue products are sold to companies in the industrial, administration and service sectors, hotels, restaurants and catering (HoReCa), healthcare and other institutions. The market consists of four principal product areas: handwiping products, toilet tissue, napkins, and products for wiping and cleaning in industry and offices. Various types of hygienic dispensing systems are also sold.



Total world consumption amounts to five million tons, valued at SEK 88 billion, with about 50% of the volume in North America and about 30% in Europe. Per-capita consumption of AFH products is twice as high in North America as in Western Europe.

Market growth amounts to about 3% annually in Europe and 2% in North America. Growth is controlled by economic factors such as industrial production, and also by factors such as increasing travel and the growing trend of dining outside the home. The market trend during 2001 was also affected adversely by the weakening global economy. The downturn was intensified somewhat by the tragic events of 11 September.

The products are distributed via wholesalers and service companies, or directly to individual customers. The market is becoming more concentrated as customers become increasingly international and require service across national borders.

SCA's strategy and market position

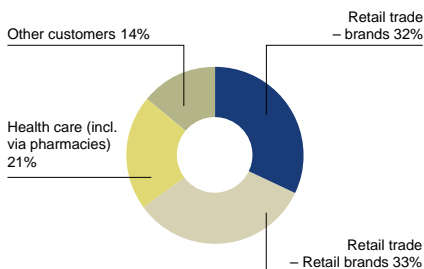
SCA is the third-largest player in the global AFH market. In North America, after the Encore acquisition, the market share is 19%. After the acquisition of Georgia-Pacific Tissue, the Tork brand was introduced to a wider American customer base. One of every three napkins in the North American tissue market is produced at an SCA facility. Integration work within the newly formed AFH Division was carried out successfully and

included product coordination, IT systems, costs and retention of customers. The integration process will be completed in early 2002.

In Europe, SCA leads the market together with Kimberly-Clark, each of which has 18% of the market. SCA not only offers tissue, but also complete hygiene concepts to its customers in its overall profiling of the Tork brand, such as "Hygiene at work" and "Partners in your care" – two projects to improve hand hygiene and contribute to cost efficiency. SCA's wash-room concept includes hand towels, toilet tissue and soap plus matching paper dispensers. In addition, the Tork range includes facial tissue and table napkins, as well as products for wiping and cleaning applications in industry.

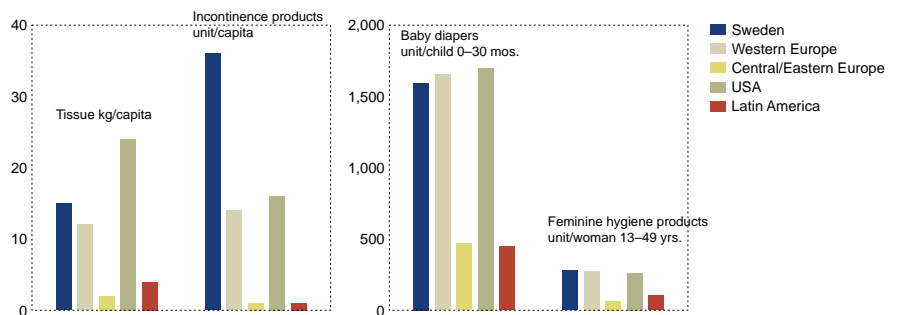
In 2001, a new hand-towel series, Tork Comfort, was launched, to strengthen SCA's market-leading position in hand towels in Europe. The high-quality hand-towels are manufactured using TAD technology (Through Air Dried) and developed to meet high standards of hygiene. The products strengthen SCA's position in hygiene-sensitive areas such as the food industry and healthcare.

TISSUE AND FLUFF PRODUCTS SALES BY CUSTOMER SEGMENT – EUROPE



Retailer's brands increased the share of sales while the share of brand products declined.

ANNUAL PER CAPITA CONSUMPTION OF HYGIENE PRODUCTS



Less-developed countries consume feminine hygiene products and tissue products first. As living standards rise, consumption of baby diapers begin followed by incontinence products.



Tena is the world's largest brand in the incontinence area. The brand platform is global and comprises product specifications, packaging design and marketing communications.

INCONTINENCE PRODUCTS

Market

Incontinence products are used for protection against mild and more serious incontinence problems, a condition that afflicts 5–7% of the world's population. The demand for these products is growing, as the populations of many countries become increasingly older and through increased market penetration.

Incontinence products include everything from adult diapers used in nursing homes to extremely thin protective pads marketed to consumers through retail outlets. Home users can also purchase the products in pharmacies or have them delivered directly to their homes.

The global market is estimated at SEK 38 billion, with 37% of sales in North America, 39% in Europe and 18% in Asia. Average growth is



5% per year, with the fastest growth in the retail sector. Demographics, innovation and brand-building as well as the availability of the products in the retail sector drive market growth. The transition from an institutionally-oriented business to a consumer- and retailer-oriented operation with an international base also contributes.

SCA's strategy and market position

SCA is the world leader in incontinence products, with a total market share of 25%. In Europe, the market share is 42%, while in North America the Group is the third-largest player, with a market share of 17%.

The products are marketed under the Tena brand name, and nowadays can be purchased in retail outlets throughout continental Europe, North America, Mexico and Colom-

bia, as well as Southeast Asia and Australia. In North America, the Serenity brand, which was acquired by SCA in 2000 from Johnson&Johnson, has been vitalized by means of extensive advertising campaigns. During the year, the launch of Serenity Slender was well received. Serenity Slender is intended for women with bladder control problems for which ordinary sanitary pads are inadequate and traditional incontinence products too bulky. The Serenity brand will gradually be integrated with Tena, SCA's global incontinence brand.

In Europe, the launch of Tena pants continued, and during the year the products were also introduced to the American market. In Japan and other Asian markets, the market share of Tena products grew as a result of new product launches. SCA's market position was also strengthened in Mexico.



SCA achieved a turnaround in the baby diaper segment. The Libero brand is the market leader in the Nordic countries and SCA is the largest supplier in Europe of diapers sold under retailers' brands.

It is SCA's strategy to continue to offer new and improved products for all segments of the incontinence market. The fastest growth is taking place in the segment for milder incontinence problems, in which SCA's Tena Lady is showing sharp growth worldwide. In 2001, sales launched in retail outlets in Mexico, Taiwan, Canada and Germany were well received by both customers and consumers.

BRIEF FACTS, AFH AND INCONTINENCE PRODUCTS

	2001	2000
Net sales, SEK M	19,843	12,667
Operating surplus, SEK M	3,187	1,968
Operating profit, SEK M	2,204	1,515
Gross margin, %	16	16
Operating margin, %	11	12
Volume trend, % ¹	45.3	6.9
Average no. of employees	7,048	3,811

¹ Compared with corresponding period previous year.

BABY DIAPERS

Market

The European market for baby diapers is valued at SEK 33 billion. Open diapers are growing about 2% a year in Western Europe, while in Central and Eastern Europe the market is growing 4% a year. The pant diaper segment, which comprises 5% of the market, is showing strong annual growth of 16%. While growth is determined by the number of infants between the ages of 0 and 30 months, in less well-developed markets such as Central and Eastern Europe it is also influenced by the ongoing transition from cloth diapers to disposable diapers.

Retailers' brands comprise a large portion of the market in some countries. In Germany, France, the Netherlands and Switzerland, this portion



amounts to 30–50%, whereas in markets such as Italy, the Nordic countries, Central and Eastern Europe, it amounts to only 10% or less. Retailers' brands are growing substantially in Southern Europe, however.

SCA's strategy and market position

SCA is the third-largest player in Europe after Procter&Gamble and Kimberly-Clark, with a market share of 13%. SCA is the largest supplier of quality products for retailers' own brands, which accounts for almost half of SCA's sales. The 1.5 billion baby diapers delivered in 2001 represents a three-fold increase in sales under retailers' own brands over the past four years.

The Libero brand increased its market share to a record level in the Nordic countries, 56%. An ambitious marketing program including prize-

winning television commercials and advertisements was a key factor in Libero's success. Another is that since the mid-1990s SCA introduced new production technology, increased the pace of innovation and change marketing strategy, which transformed baby diapers from a declining business into a solidly profitable product area.

Diapers for the smallest infants were improved in fit and comfort. Growth was favorable in the pant diaper segment, where Up&Go has over 50% of the European market. The pant diaper range was increased by the addition of a new size and a new system for easy removal of the used diaper.

In the Nordic countries and Eastern Europe, SCA continues to focus mainly on brand-name products and on the rapidly growing pant diaper segment. SCA plans to further develop its strong position in retailers' brands in the pan-European market.

FEMININE HYGIENE PRODUCTS

Market

The product area consists of sanitary pads, panty liners and tampons, and the world market is valued at SEK 75 billion. In Europe, the distribution is 60% pads and 20% each for panty liners and tampons. The market is fairly stable – however, panty liners show growth of about 7%. Generally, brand loyalty is high among consumers of feminine hygiene products.



SCA's strategy and market position

With 10% of the market, SCA is the third-largest player in Europe after Procter&Gamble and Johnson&Johnson.

Libresse is SCA's umbrella brand within feminine hygiene products,

with strong positions in the Nordic countries, the Netherlands, UK and France. Outside Europe, SCA holds a leading position through joint-venture companies in Latin America, South Africa and Australia. Half of SCA's feminine hygiene products are sold through joint-venture companies. During the year, SCA's and Copamex's jointly owned Saba brand became the market leader in Mexico, ahead of brands marketed by Kimberly-Clark and Procter & Gamble.

The launch of Libresse Complete 2in1, the first combined product for sanitary pads and panty liners, was well received by the market. The market introduction of the Libresse String Pantyliner during the year was highly successful in all core markets. In 2002, SCA will launch Libresse Micro, the world's smallest panty liner, for the rapidly growing panty liner segment.

CONSUMER TISSUE

Market

Every year, the world's manufacturers produce about 14 million tons of consumer tissue, valued at SEK 230 billion, and Europe accounts for 25% of that market. The European market grew 3% in volume and 6% in value in 2001, largely because consumers increasingly demand value-added, high-quality products.



The market is dominated by retailers' own brands, which account for 60% of the volume and 55% of the value in Europe. Certain markets, such as Germany, the Netherlands, France and Spain, have a high percentage of retailers' brands, whereas in others, such as the Nordic countries, brand-name products are dominant.

SCA's strategy and market position

SCA is the market leader in Europe, with 19%, followed by Kimberly-Clark with 18% and Georgia-Pacific with 16%. In brand-name products, SCA has a strong position in Germany and Austria with Zewa, in Scandinavia with Edet, and in the UK with Velvet. SCA is also the largest European supplier of retailers' brands, with strong positions in most markets. SCA's expertise in brand building is utilized in developing cooperation with key customers and supporting them in the development of powerful proprietary brands of their own.

SCA offers increasingly developed products, creating conditions for higher profitability and market shares. New toilet-tissue products were launched in both the brand-name segment and the retail-brand segment. A new household towel concept involving folded single sheets was also launched. The paper is produced with TAD (Through Air Dried) technology and marketed under the Edet and Zewa brands name. SCA entered the fast-growing box segment in hankies, a product that adds convenience for consumers. A new product system was also launched in the facial tissue segment.

BRIEF FACTS, CONSUMER PRODUCTS

(baby diapers, feminine hygiene products and consumer tissue)

	2001	2000
Net sales, SEK M	20,954	18,373
Operating surplus, SEK M	3,445	2,483
Operating profit, SEK M	2,269	1,394
Gross margin, %	16	14
Operating margin, %	11	8
Volume trend, % ¹	1.5	11.1
Average no. of employees	8,021	8,854

¹ Compared with corresponding period previous year.



SCA builds strong brands

Today's consumers have a growing range of brands from which to choose.

Building a long-term brand relationship with the consumer is a complex process and requires investment, not only in advertising, but in everything from product and packaging development to understanding consumer behavior.

There used to be a distinction between brand names and retailers' own brands – that is, private labels – the latter consisting of traditional low-price products attracting minimal brand loyalty. This has changed in the past few years, as retailers' brands have acquired the high quality and brand awareness associated with traditional brand names.

The increasingly international retail chains cooperate with their suppliers in creating brand capital. These are the main reasons behind the growth of the retailers' brands in Europe. A corresponding trend is also discerned in North America.

SCA's brand strategy

SCA has a number of strong regional brands in tissue and fluff products, as well as brands with a truly global reach in incontinence, feminine hygiene products and tissue. The aim is to strengthen these brands to capture the leading positions in the various markets.

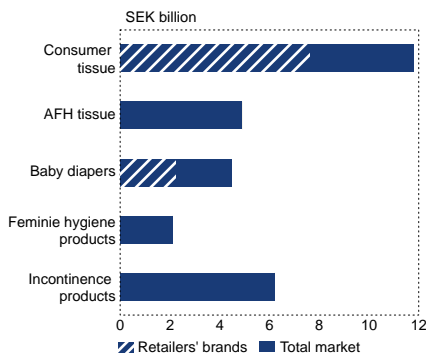
As a result of the consolidation and internationalization of the retail sector, particularly in Europe, retailers' own brands have become increasingly significant. SCA's international presence and knowledge of brand-building provides a solid platform for further growth in partnership with customers. Moreover, the company's cooperation with the major international chains, such as Ahold, Carrefour, Aldi and Metro is an opportunity to develop these relationships and in partnership with the customer optimize the entire value chain. Profitability of retailers' brands is fully comparable with own brands since the manufacturer does not incur any marketing expenses.

Brands in different product areas

Within SCA's hygiene products operations, proliferation of retailers' brands is greatest in the consumer market, in product areas corresponding to major household expenses, such as toilet paper and baby diapers. Here, price sensitivity and brand-switching are considerable. The products have a high degree of maturity, and consumers may select from a wide range of brands. SCA commands a leading position as supplier to retailers' brands throughout Europe in tissue and baby diapers.

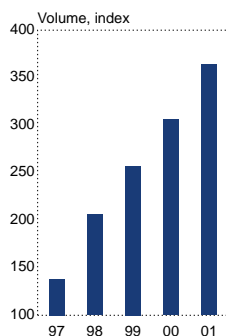
Products such as sanitary pads, panty liners and incontinence products are less price-sensitive. Accordingly, retailers' brands are much less prevalent in this area. These products depend on quality and function, so there is a high degree of consumer loyalty. The market is also less penetrated and developed. As a result, industrial innovation combined with investment in advertising broadens the market, creating openings for new brand-name products.

RETAILERS' BRANDS, SHARE OF TOTAL MARKET FOR HYGIENE PRODUCTS IN EUROPE



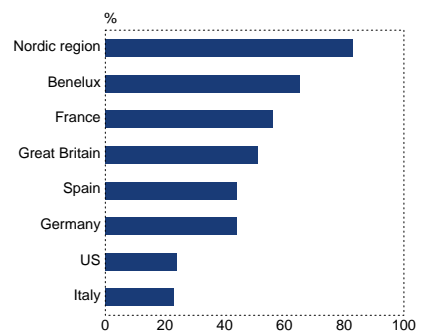
Retailers' brands represent a major share of the tissue and baby diaper segments, while traditional brands are totally dominant in the AFH, feminine hygiene and incontinence segments.

BABY DIAPERS – RETAILER'S BRANDS SCA'S SALE IN EUROPE



SCA's sales of baby diapers under retailers' brands rose sharply in recent years. (1996=100)

CONSOLIDATION OF THE RETAIL SECTOR (TOP 3)



The US has a relatively low level of consolidation within retail trade, but there are major differences nationwide.