SCA's business areas

Personal Care manufactures and sells incontinence products, baby diapers and feminine care products. Read more on pages 50–55.

Tissue manufactures and sells consumer tissue and AfH tissue. Read more on pages 56–61.

Forest Products manufactures and sells paper for packaging and print, pulp, solid-wood products and renewable energy. Read more on pages 62–65.

Personal Care

SCA is a global leader in personal care products and manufactures and sells **incontinence products, baby diapers** and **feminine care products**. Within these product segments, SCA also offers such products as wet wipes, soap, lotion, baby oil and cotton pads. The products are sold under SCA's global and regional brands, such as Libero, Libresse, Nosotras, Saba and TENA, as well as under retailers' brands. Distribution channels for the products are the retail trade, online sales, pharmacies and care institutions.

Share of Group

Net sales, 30%
SEK 34,344m

Operating profit, 29%
SEK 3,990m[1)]

Capital employed, 13%
SEK 13,148m

Number of employees at December 31, 29%
12,700 employees

1) Excluding items affecting comparability.

Operations in 2015

Net sales rose 11% to SEK 34,344m (31,066). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 7%, of which volume accounted for 4% and price/mix for 3%. Organic sales growth was 4% in mature markets and 12% in emerging markets. Emerging markets accounted for 43% of sales. Exchange rate effects increased sales by 4%.

For incontinence products, under the globally leading TENA brand, organic sales growth was 4%. Growth is attributable to emerging markets and Western Europe, which compensated for lower sales in North America. For baby diapers, organic sales growth was 7%. Growth is mainly attributable to Europe. For feminine care products, organic sales growth was 18%, attributable to emerging markets and Western Europe.

Operating profit, excluding items affecting comparability, rose 13% (12% excluding currency translation effects) to SEK 3,990m (3,526). Profit was favorably affected by a better price/mix, higher volumes and cost savings. Higher raw material costs mainly resulting from the stronger US dollar had a negative earnings impact. Investments were made in increased marketing activities for incontinence products and in India.

The operating margin[1)] was 11.6% (11.4).

Return on capital employed[1)] was 29.2% (27.3).

The operating cash surplus amounted to SEK 5,018m (4,511). Operating cash flow increased to SEK 3,792m (3,345).

Capital expenditures amounted to SEK 1,743m (1,530).

[1)] Excluding items affecting comparability.

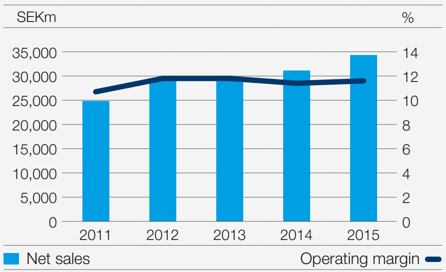
Operating profit[1)], SEKm:

3,990

Operating margin[1)]:

11.6%

Net sales and operating margin



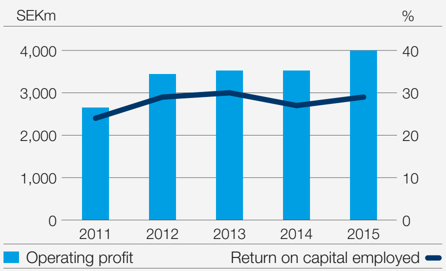
Excluding items affecting comparability.
2012 and 2013 restated in accordance with IFRS 10 and 11.

Key figures

SEKm	2015	2014
Net sales	34,344	31,066
Operating cash surplus	5,018	4,511
Change in working capital	–314	–96
Current capital expenditures, net	–840	–884
Other operating cash flow	–72	–186
Operating cash flow	3,792	3,345
Operating profit[1)]	3,990	3,526
Operating margin, %[1)]	12	11
Capital employed	13,148	13,578
Return on capital employed, %[1)]	29	27
Strategic capital expenditures		
plant and equipment	–903	–646
company acquisitions/divestments	23	–567
Average number of employees	12,688	12,988
No. of employees at Dec. 31	12,700	12,641

[1)] Excluding items affecting comparability.

Operating profit and return on capital employed

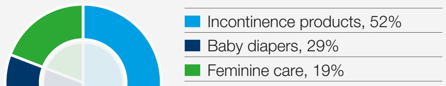


Excluding items affecting comparability.
2012 and 2013 restated in accordance with IFRS 10 and 11.

TARGETS

- Return on capital employed of 30% over a business cycle
- Annual organic sales growth of 5–7%

SCA's sales by product segment



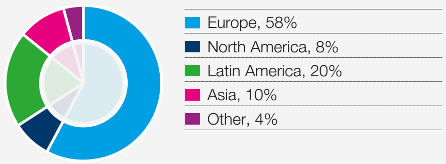
SCA's sales to retailers' brands as a proportion of total sales:
Incontinence products, 1%
Baby diapers, 30%
Feminine care, 6%

Emerging markets accounted for

43%

of the business area's sales in 2015 and reported organic sales growth of 12% for the year.

SCA's sales by region



In 2015, sales in the Personal Care business area amounted to approximately SEK 34bn. The single largest brand in the portfolio is TENA, a globally leading brand for incontinence products with annual sales exceeding SEK 10bn. At the end of the year, SCA had production at 29 plants in 24 countries.

Market

The global market for personal care products is valued at slightly more than SEK 400bn and is growing at a rate of some 5% annually. Incontinence products is the Personal Care segment that has the highest rate of growth. Institutional care and homecare account for about 55% of the global market for incontinence products and the retail market accounts for approximately 45%.

In 2015, the European and North American markets for incontinence products showed low growth in the institutional and homecare sectors and favorable growth in the retail market compared with the preceding year. Emerging markets showed favorable growth in demand for incontinence products. The global market for incontinence products was affected by greater competition and campaign activity. In Europe, demand for baby diapers was stable, while demand for feminine care products decreased slightly. In emerging markets, demand grew for baby diapers and feminine care products. The global market for baby diapers was characterized by intense competition and campaign activity.

Shifts in global demographics such as population growth – due primarily to a lower infant mortality rate and increased longevity – and higher disposable incomes point to continued good growth for personal care products. The effect of higher disposable incomes is that more people prioritize hygiene when food and housing needs have been, or are in the process of being, satisfied. Consequently, demand for personal care products is rising in emerging markets. The growth potential for personal care products is greatest in emerging markets where market penetration is significantly lower than in mature markets and where urbanization, improved infrastructure and the retail trade are evolving rapidly. One example of the lower market penetration in emerging markets is that the consumption rates for baby diapers and incontinence products per capita and year in Asia are only about one-fifth and one-seventh, respectively, of those in Western Europe. In mature markets, baby diapers and feminine care products have attained high market penetration, while market penetration for incontinence products in mature markets remains relatively low, particularly among men.

Incontinence, which is classed as a disease by the World Health Organization (WHO), affects 4–8% of the world's population, corresponding to approximately 400 million people. Many indicators point to the proportion of people affected increasing on a global scale as a result of an aging population. By 2020, the population of the world over the age of 60 is expected to have increased by 15% and pass the one billion mark. The occurrence of incontinence among people over the age of 65 is expected to be between 15 and 20%.

SCA's competitors in personal care include Kimberly-Clark, Procter & Gamble and Unicharm.

Brands in Personal Care

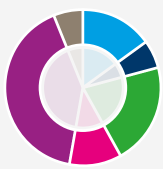
TENA, Libero, Drypers, Pequeñín, Bodyform, Libresse, Saba, Nosotras

SCA's market positions

	Europe	North America	Global
Incontinence products	1	4	1
Baby diapers	2	–	4
Feminine care	3	–	5

Data is based on market data and SCA's estimates.

Personal care products – global market



- Western Europe, 15%
- Eastern Europe, 6%
- North America, 21%
- Latin America, 11%
- Asia, 41%
- Other, 6%

SCA's BUSINESS

Incontinence products

Offering and market position: SCA offers a broad range of incontinence products under the TENA brand and is the clear global market leader. SCA's offering, which includes both products and services, improves the quality of life for consumers while also reducing costs for institutional customers, such as nursing homes. SCA's offering also includes an assortment of skincare products, wash gloves and shower caps. Through TENA Solutions, SCA helps nursing homes provide the best care by offering procedures, analysis tools and training. The advantages include improved well-being for the care recipients, a better workplace environment, less resource consumption and lower overall costs.

SCA's global market share in incontinence products is more than double that of the second largest player. SCA is the market leader in Europe, Asia (excluding Japan) and Latin America.

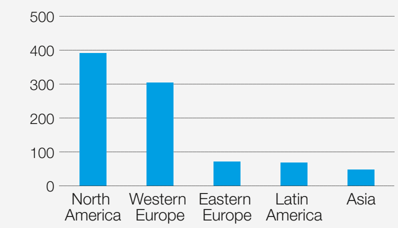
Strategy: SCA aims to strengthen and develop its global market-leading position and set the standard in the market for incontinence care. Since incontinence is surrounded by social taboos in many regions of the world, it is vital to raise understanding and acceptance of the condition to enhance the quality of life for people suffering from incontinence. SCA is involved in increasing awareness of incontinence as a disease and contributing to better conditions for people who suffer from it by arranging seminars and educational programs for nurses and professional caregivers within the scope of the health and medical care systems in various countries. To help to establish sustainable reimbursement systems, SCA works with decision-makers and governments in different countries. SCA works actively to break the taboos surrounding incontinence and continues to invest in order to increase its market penetration by providing information and through marketing activities, training and global forums. SCA's activities for the retail trade include information, advertising and the development of increasingly discreet, comfortable, easy-to-use and effective products, always with the customer and consumer benefits in mind. With the introduction of TENA Men and lights by TENA, SCA is further expanding its offering for men and consumers with lighter incontinence problems. For institutional customers, SCA will continue to promote TENA Solutions to help customers improve the quality of their incontinence care and lower their overall costs.

Investment in new production facility in Brazil

Through an acquisition made in 2011, SCA established a presence in the Brazilian market for incontinence products. Since then, SCA has increased its sales and market share in Brazil. SCA is now the second largest company in the Brazilian market for incontinence products, with its global leading brand TENA and the local brand Biofral. Brazil, which is one of SCA's prioritized emerging markets, is the third largest retail market in the world for incontinence products. In 2015, SCA decided to invest approximately SEK 650m in a new production facility in Brazil for the manufacture of incontinence products. The new production facility will replace the smaller existing plant and production is scheduled to commence in 2016. The investment will increase SCA's production capacity and improve SCA's profitability in Brazil in the long term. It will also enable SCA to capitalize on the growth opportunities in the Brazilian market for incontinence products and to potentially launch other product categories in the future.

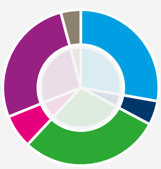
Use of incontinence products

Units per person with incontinence per year



Data is based on market data and SCA's estimates.

Incontinence products – global market



- Western Europe, 28%
- Eastern Europe, 5%
- North America, 29%
- Latin America, 7%
- Asia, 27%
- Other, 4%

Incontinence products – sales channels, global market

- Institutional and homecare, 55%
- Retail trade, 45%

Baby diapers

Offering and market position:
SCA offers both open baby diapers and pant diapers, as well as baby-care products such as wet wipes, shampoo, lotion and baby oil, and is the world's fourth largest player in the segment and the second largest in Europe. In Europe, SCA markets baby diapers under its own Libero brand and under retailers' brands. SCA's strongest market is the Nordic region, where the Libero brand is the market leader. Examples of other strong regional brands are Drypers in Southeast Asia and Pequeñin in South America.

Strategy: SCA works to strengthen the positions of its own brands in both mature and emerging markets and to improve the profitability in the baby diapers segment. As part of SCA's work to improve profitability, several actions were taken during 2015 to address weak market positions with unsatisfactory profitability. As a result, SCA has divested the baby diapers operation in South Africa, exited the baby diapers market in Brazil and changed to an export business for baby diapers in Thailand. Innovations are important to have a strong branded and retail-branded product offering.

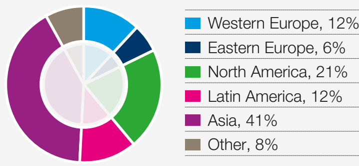
Feminine care

Offering and market position:
In feminine care, SCA offers a broad product portfolio that includes pads, panty liners, tampons, intimate soaps and intimate wipes. SCA is the world's fifth largest player in the segment and the third largest in Europe. SCA is the market leader in Latin America.

A large and growing share of SCA's sales takes place in emerging markets such as Latin America, Russia, Eastern Europe, the Middle East and Asia. Examples of regional brands supported by SCA's global brand platform include Libresse in the Nordic region, Russia and Malaysia, Bodyform in the UK, Nana in France, the Middle East and North Africa, and Saba and Nosotras in Latin America.

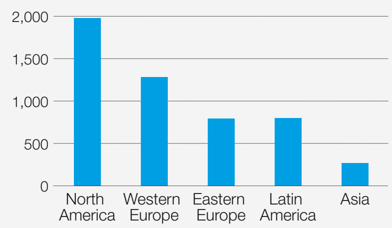
Strategy: SCA's strategy is to be the fastest growing feminine care brand globally and to increase sales while maintaining good profitability. SCA views it as an important task to promote awareness of hygiene and menstruation. School programs are being carried out in Latin America, Asia and Europe that aim to educate girls about what happens to their bodies during puberty and when they have their period.

Baby diapers – global market



Use of baby diapers

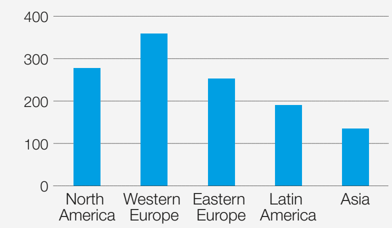
Units per child up to 2.5 years



Data is based on market data and SCA's estimates.

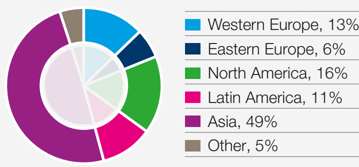
Use of feminine care products

Units per woman aged 15–49 per year



Data is based on market data and SCA's estimates.

Feminine care – global market



Examples of innovations and product launches in 2015

TENA Lady Mini, Mini Wings, Mini Plus, Mini Plus Wings with DRYZone
New top sheet and ultra sonic welding pattern to improve the absorption.

Libero Touch™
Drypers Touch™
Premium range of Libero's open diapers and pant diapers. A specially designed product that offers superior fit and softness never before seen on the market.

Drypers' softest diapers ever – now with **DrySOFT ™** – provide enhanced comfort for babies.

TENA Flex Normal
A new addition to the TENA Flex range with a lower absorption level.

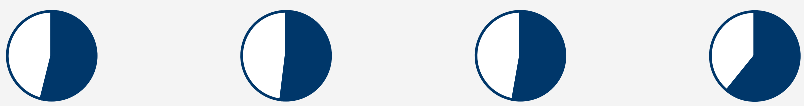
Nosotras Frescura Extrema
A new range of hygiene products for women that offers an immediate cooling effect to maintain a clean and fresh feeling all day long.

TENA Men Protective Shield
Extra thin and discreet, this black protective shield offers leakage protection specially designed for men.

Tissue

SCA is a global leader in tissue and manufactures and sells consumer tissue and Away-from-Home (AfH) tissue. The consumer tissue product portfolio comprises toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. In the consumer tissue segment, products are sold to retailers under SCA's own brands, such as Lotus, Tempo and Zewa, as well as under retailers' brands. In the AfH tissue segment, SCA develops and markets complete hygiene solutions, including tissue, soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, service and maintenance for institutions and companies, under the globally leading brand Tork. Distribution channels for the products are the retail trade, online sales and distributors.

Share of Group



Net sales, 55%	Operating profit, 52%	Capital employed, 52%	Number of employees at December 31, 61%
SEK 64,184m	**SEK 7,217m[1)]**	**SEK 55,053m**	**27,024 employees**

1) Excluding items affecting comparability.

Operations in 2015

Net sales rose 13% to SEK 64,184m (56,994). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 5%, of which volume accounted for 3% and price/mix for 2%. Organic sales growth was 1% in mature markets and 13% in emerging markets. Emerging markets accounted for 32% of sales. Exchange rate effects increased sales by 8%.

For consumer tissue, organic sales growth was 6%. Growth is related to high growth in emerging markets, particularly China, and higher sales in Western Europe. For AfH tissue, organic sales growth was 2%. The increase was related to emerging markets and North America.

Operating profit, excluding items affecting comparability, rose 8% (0% excluding currency translation effects) to SEK 7,217m (6,652). A better price/mix, higher volumes and cost savings contributed to the earnings increase. Higher raw material costs mainly resulting from the stronger US dollar had a negative earnings impact.

The operating margin[1)] was 11.2% (11.7).

The return on capital employed[1)] was 12.9% (12.6).

Operating cash surplus increased to SEK 10,703m (9,760). Operating cash flow increased to SEK 7,667m (7,343).

Capital expenditures in non-current assets amounted to SEK 3,536m (2,835).

1) Excluding items affecting comparability.

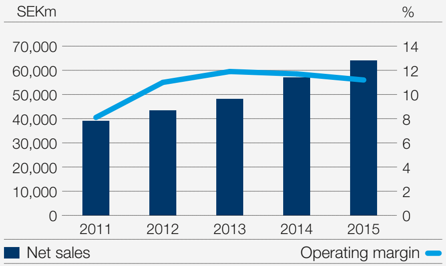
Operating profit[1)], SEKm:

7,217

Operating margin[1)]:

11.2%

Net sales and operating margin



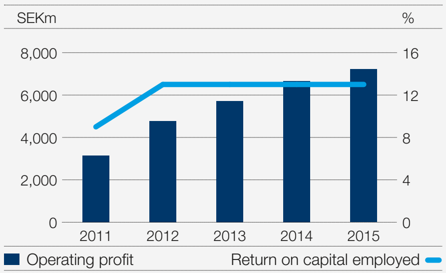
Excluding items affecting comparability.
2012 and 2013 restated in accordance with IFRS 10 and 11.

Key figures

SEKm	2015	2014
Net sales	64,184	56,994
Operating cash surplus	10,703	9,760
Change in working capital	–285	55
Current capital expenditures, net	–2,260	–1,849
Other operating cash flow	–491	–623
Operating cash flow	7,667	7,343
Operating profit[1)]	7,217	6,652
Operating margin, %[1)]	11	12
Capital employed	55,053	55,489
Return on capital employed, %[1)]	13	13
Strategic capital expenditures		
plant and equipment	–1,276	–986
company acquisitions/divestments	0	283
Average number of employees	27,210	26,966
No. of employees at Dec. 31	27,024	26,997

1) Excluding items affecting comparability.

Operating profit and return on capital employed

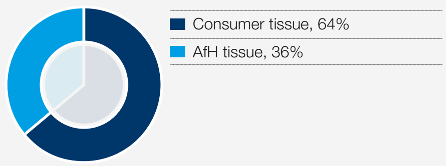


Excluding items affecting comparability.
2012 and 2013 restated in accordance with IFRS 10 and 11.

TARGET

- Return on capital employed of 15% over a business cycle.
- Annual organic sales growth of 3–4%.

SCA's sales by product segment

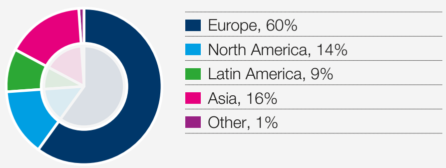


Emerging markets accounted for

32%

of the business area's sales in 2015 and reported organic sales growth of 13% for the year.

SCA's sales by region



In 2015, sales in the Tissue business area amounted to approximately SEK 64bn. In the Away-from-Home (AfH) segment, the globally leading brand Tork is the business area's single largest brand, with sales exceeding SEK 10bn annually. At the end of the year, SCA had production at 58 plants in 20 countries.

Market

The global market for tissue is valued at just over SEK 500bn and is growing by 4% annually. Growth in mature markets is in the low single-digit figures, while it is considerably higher in emerging markets.

In 2015, the European market for consumer tissue and AfH tissue showed low growth compared with the preceding year. The North American market for AfH showed growth, but competition rose as a result of greater investment in production capacity. The Chinese tissue market showed higher demand.

Shifts in global demographics such as population growth – due primarily to a lower infant mortality rate and increased longevity – and higher disposable incomes point to continued healthy growth for tissue products. The effect of higher disposable incomes is that more people prioritize hygiene when food and housing needs have been, or are in the process of being, satisfied. Consequently, demand for tissue products is rising in emerging markets. The growth potential for tissue products is greatest in emerging markets where market penetration is significantly lower than in mature markets and where urbanization, improved infrastructure and the retail trade are evolving rapidly. One example of the lower market penetration in emerging markets is that tissue consumption per capita per year in Eastern Europe is only about one-third of that in Western Europe. Growth is also occurring in mature markets owing to lifestyle changes and innovations that lead to increased use. Market growth is positively impacted by global hygiene and health trends and increased awareness of the importance of hygiene to improve health and avoid diseases, especially in emerging markets.

SCA's competitors in tissue include Georgia-Pacific, Hengan, Kimberly-Clark and Sofidel.

Tissue brands

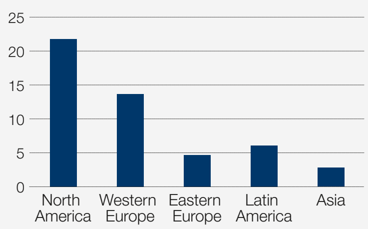
SCA's market positions

	Europe	North America	Global
Consumer tissue	1	–	2
AfH tissue	1	2*	1

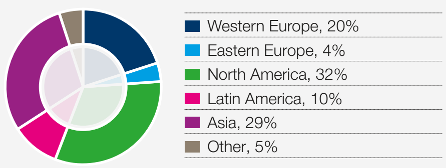
* Following the acquisition of Wausau Paper Corp., which was closed on January 21, 2016.
Data is based on market data and SCA's estimates.

Use of tissue

Kg per capita per year



Tissue – global market



SCA's BUSINESS

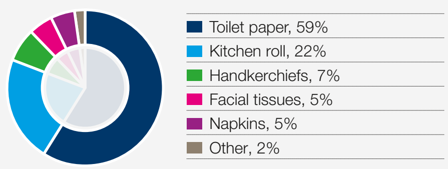
Consumer tissue

Offering and market position:
SCA is the world's second largest supplier of consumer tissue, which includes toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. In Europe, SCA is the clear market leader and holds a market share that is about double that of the second largest player. SCA also holds strong positions in many emerging markets, such as Russia and Colombia, where the Group is the market leader, and in Mexico, where it holds the number two position. SCA holds the number three position in China through its majority shareholding in Vinda.

Products sold under SCA's own brands account for about 64% of SCA's sales, while the remaining 36% is sold under retailers' brands. SCA's brand portfolio comprises several strong regional brands. Tempo, Zewa and Lotus are leading brands in large areas of Europe, while Cushelle, Velvet and Plenty are strong brands in the UK and Ireland, and Edet in the Nordic region and the Netherlands. In Hong Kong and Morocco, Tempo is the clear market leader in handkerchiefs. In South America, SCA markets products under the Familia and Favorita brands, and holds strong positions in emerging markets including Colombia, Chile and Ecuador. In the Mexican market, SCA occupies a strong position with the Regio brand. Vinda is one of the leading brands in China.

Strategy: In the markets where SCA has a presence, the strategy is to be the leading supplier of strong and innovative brands through successful brand marketing and accelerated innovation. SCA will continue to focus on increasing efficiency in the supply chain and innovations that drive product mix improvements. In Europe, the aim is to further strengthen SCA's leading market position and to grow key positions for SCA's own consumer tissue brands and the branded sales share, while aiming to be the best retailer-branded supplier. To improve efficiency and continue to build on SCA's strong regional brands, SCA works with a global brand platform for consumer tissue.

Product breakdown for consumer tissue, European market



In 2015, the new Tork Image Design™ dispenser range was launched.

AfH tissue

Offering and market position: SCA is the world's largest supplier of AfH tissue with the global Tork brand. The AfH segment comprises institutions and companies, including hospitals, healthcare institutions, large workplaces, industries, restaurants and hotels, for which SCA develops and sells complete hygiene solutions comprising tissue, soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, service and maintenance. The products are distributed by distributors and service companies.

SCA is the clear market leader in Europe and holds a market share that is about double that of the second largest player. Following the acquisition of Wausau Paper Corp., which was completed on January 21, 2016, SCA is the second largest player in North America. SCA's market position is particularly strong in the foodservice segment in North America, where approximately every second napkin is supplied by SCA. SCA also holds strong positions in emerging markets, such as Russia and Colombia, where SCA is the market leader.

The global brand Tork provides significant synergies since the difference in consumer and customer requirements is minimal in regard to tissue and dispensers in the various parts of the world.

Strategy: SCA aims to strengthen its position as global market leader and to accelerate profitable growth. The ambition is to globally continue to focus on increasing sales of soap, hand lotion, hand sanitizers, dispensers and products for wiping and cleaning tasks as part of the tissue offering. Strong innovations and product launches are key to improving the customer offering, accelerating profitable growth and increasing the Tork brand awareness. In North America, where SCA already occupies a strong position in the foodservice segment, the company aims to strengthen its washroom offering and to increase its share of premium sales and services.

Acquisition of Wausau Paper Corp.

In October 2015, SCA announced that it had made a public bid for Wausau Paper for a total consideration USD 513m in cash. Wausau Paper is one of the largest manufacturers of AfH tissue in North America. The company manufactures and markets AfH towel and tissue products and markets soap and dispensing systems. The acquisition of Wausau Paper is an excellent strategic fit and strengthens SCA's presence in North America. The Wausau Paper product portfolio complements SCA's offering in North America and provides SCA with access to premium tissue in the region. The combined operations will provide customers with access to a comprehensive portfolio of foodservice offerings, premium tissue as well as washroom products. The acquisition is expected to generate annual synergies of approximately USD 40m, with full effect three years after closing. The restructuring costs are expected to amount to approximately USD 50m. The transaction was completed on January 21, 2016.

Examples of innovations and product launches in 2015

Tempo®
Parts of the Tempo® handkerchief range were upgraded. The handkerchiefs are now softer than ever and just as strong as they have always been.

Tork Cleaning Cloths with ExelClean™
Cleaning cloths for quicker wiping and cleaning that help customers to enhance productivity while reducing the need for solvents.

New Plenty Easy Clean Wipes
A range of refillable dispensers that enable efficient cleaning while remaining moist for longer. Is available in three different versions:
Multi-purpose, Bathroom, Antibacterial.

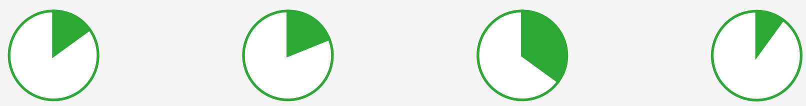
Tork Matic® Hand Towel Roll Dispenser with Intuition™ sensor
Tork Elevation line is a seamless and functional design series with a modern feel that fits into most washroom environments. The Tork Matic system for hand towel rolls has a high capacity that is ideal for busy washrooms in various environments. The touch-free system dispenses one towel at a time, thereby ensuring superior hygiene.

Tempo Light®
Cube-shaped boxes containing lighter weight Tempo® tissue suitable for many uses in the home.

Forest Products

SCA is Europe's largest private forest owner, encompassing some 2.6 million hectares of forest land, and produces forest products with a strong environmental profile. Operations are based on in-depth customer insight, high innovative ability and a sustainability perspective at all levels. SCA manufactures and sells paper for packaging and print, pulp, solid-wood products and renewable energy.

Share of Group



Net sales, 15%	Operating profit, 19%	Capital employed, 35%	Number of employees at December 31, 10%
SEK 17,279m	**SEK 2,605m[1)]**	**SEK 37,217m**	**4,276 employees**

[1)] Excluding items affecting comparability.

Operations in 2015

Net sales rose 5% to SEK 17,279m (16,490). Sales growth excluding exchange rate effects was 3%, of which volume accounted for 2% and price/mix for 1%. Exchange rate effects increased sales by 2%.

Kraftliner showed higher prices (including exchange rate effects) and higher volumes. Publication papers showed higher prices (including exchange rate effects) and lower volumes. Solid-wood products showed lower prices (including exchange rate effects) and higher volumes. Pulp showed higher prices (including exchange rate effects) and unchanged volumes.

Operating profit, excluding items affecting comparability, rose 4% (17% excluding gains on forest swaps) to SEK 2,605m (2,505). Higher prices (including exchange rate effects), higher volumes, lower raw material and energy costs, and cost savings contributed to the earnings increase. Gains on forest swaps recognized in the income statement were lower than in the preceding year and amounted to SEK 0m (336).

The operating margin[1)] was 15.1% (15.2).

The return on capital employed[1)] was 6.9% (6.6).

Operating cash surplus amounted to SEK 3,319m (2,750) and operating cash flow to SEK 2,501m (1,440).

Capital expenditures in non-current assets amounted to SEK 1,815m (1,060).

1) Excluding items affecting comparability.

Operating profit[1)], SEKm:

2,605

Operating margin[1)]:

15.1%

Key figures[1)]

SEKm	2015	2014
Net sales	17,279	16,490
of which internal	482	424
Operating cash surplus	3,319	2,750
Change in working capital	95	–342
Current capital expenditures, net	–869	–876
Other operating cash flow	–44	–92
Operating cash flow	2,501	1,440
Operating profit[1)]	2,605	2,505
Operating margin, %[1)]	15	15
Capital employed	37,217	37,831
Return on capital employed, %[1)]	7	7
Strategic capital expenditures		
plant and equipment	–946	–184
company acquisitions/divestments	279	–18
Average number of employees	4,153	4,293
No. of employees at Dec. 31	4,276	4,134

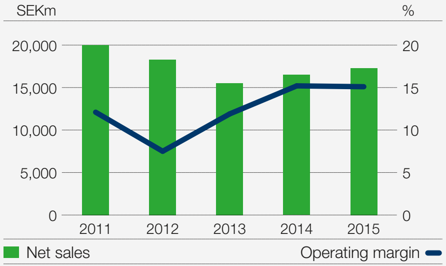
1) Excluding items affecting comparability.

TARGET

For the Forest Products business area

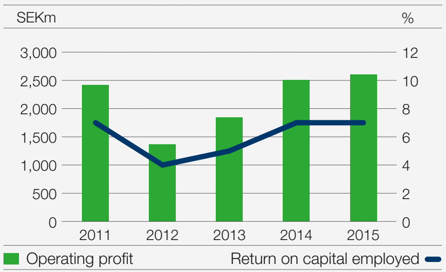
- Return on capital employed is to be in the top quartile of the industry over a business cycle.
- To grow in line with the market.

Net sales and operating margin



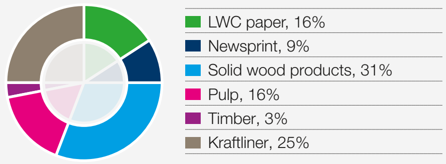
Excluding items affecting comparability.
2012 and 2013 restated in accordance with IFRS 10 and 11.

Operating profit and return on capital employed

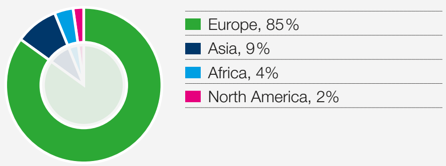


Excluding items affecting comparability.
2012 and 2013 restated in accordance with IFRS 10 and 11.

SCA's sales by product segment



SCA's sales by region



In 2015, sales in the Forest Products business area amounted to approximately SEK 17bn. SCA sells paper for packaging and print, pulp, solid-wood products and renewable energy, and has a well-integrated supply chain in Sweden between its forest holdings and production facilities. At the end of 2015, SCA conducted manufacturing activities at 18 sites. Having its own logistics is part of the company's integration strategy, with loading and unloading terminals in Sweden and on the continent and freight transportation on vessels.

Market

The European market for kraftliner, paper for corrugated board packaging manufactured from fresh wood fiber, is valued at approximately SEK 32bn and growth over an economic cycle is approximately 1–2% per year.

The European market for publication papers is valued at approximately SEK 81bn. Future demand is expected to decline as a consequence of lower readership of printed media and more intense competition for advertising expenditures from electronic media.

The European market for solid-wood products is valued at some SEK 136bn, with demand primarily deriving from the construction and house building industries, which are relatively cyclical. Future growth is expected to amount to 1–2%. The industry is dominated by many small and mid-sized producers.

The market for long-fiber pulp has long-term growth of 1–2% per year.

In Europe, demand for solid-wood products and kraftliner rose in 2015 compared with a year earlier. European demand for publication papers continued to fall in 2015.

SCA's competitors in forest products include Holmen, Smurfit Kappa, Stora Enso and UPM.

SCA's BUSINESS

Forest Product's production of paper for packaging and print, pulp and solid-wood products is concentrated to northern Sweden, close to SCA's forest holdings. SCA's forest holdings are certified in accordance with the FSC®'s rigorous forest management standard and SCA is one of the world's largest suppliers of FSC®-certified forest products.

SCA is Europe's largest private forest owner with a holding of 2.6 million hectares of FSC® and PEFC™-certified forest land, of which 2.0 million is managed for timber production. Over the past 50 years, the standing volume in SCA's forests has increased by nearly 50%, at the same time as growth, and thus the sustainable harvesting potential, has more than doubled. The forest is a unique resource that offers us access to high-quality forest raw materials, which are then converted into solid-wood products, pulp and paper for packaging and print in our production process. The forest also makes a positive contribution to SCA's environmental practices, enabling energy production from wind power and biofuels while at the same time storing and binding carbon dioxide. From a community perspective, the forest also contributes biodiversity while also providing a source for nature experiences and recreation. While responsible forest management and the replanting of trees help to combat climate change, a major contribution in the climate work also comes from replacing products with a large carbon footprint – such as concrete, plastic and oil – with products and materials with a smaller carbon footprint – such as wood products, paper and biofuels. SCA's forests display a net growth rate and the company's growing forests absorb 2.6 million tons of carbon dioxide each year, which exceeds the emissions from SCA's use of fossil fuels in production.

In 2015, SCA's nurseries produced 86 million seedlings, of which 57% was sold externally.

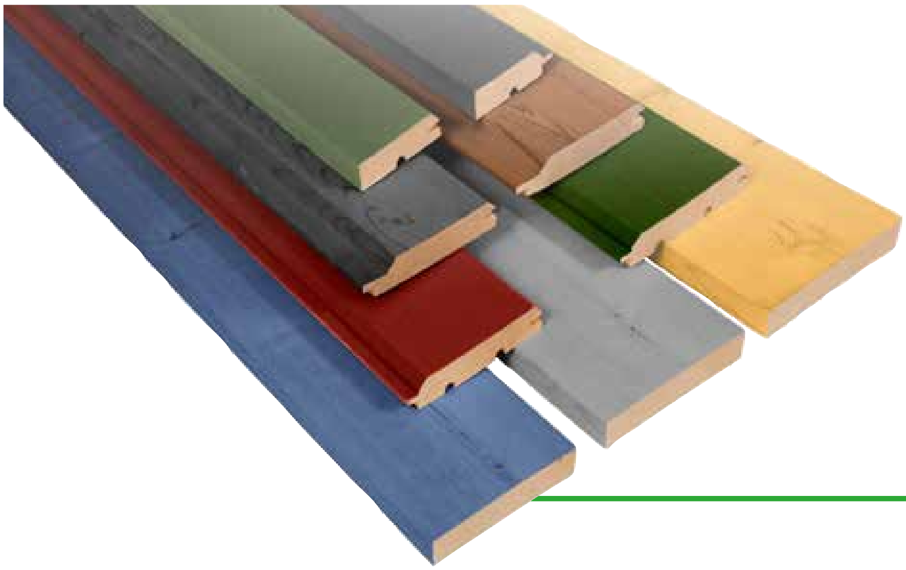
Two new publication paper grades were launched in 2015, GraphoCote light and GraphoStyle. GraphoStyle is a bright, matt and bulky LWC paper. It is intended to give an exclusive magazine feel, even for printed materials with lower page counts.

Kraftliner

SCA is Europe's third largest supplier of packaging paper based on fresh wood fiber – kraftliner. SCA's kraftliner mill in Munksund specializes in white-top kraftliner with good printability, while the kraftliner mill in Obbola specializes in more robust grades and higher wet strength packaging paper. In recent years, SCA has made significant investments in both mills to increase production, improve quality, reduce costs and enhance energy efficiency. In 2015, a new digester was commissioned at the Obbola mill.

Publication papers

SCA's sales of publication papers mainly take place within the Western European market. The single largest markets are the Nordic region, Germany and the UK. In 2015, SCA decided to close down a newsprint machine, the smallest and oldest of the Ortviken mill's four machines. Ortviken is now focusing on the development and production of value-added publication paper grades. Even after the closure, the mill remains one of the world's largest publication paper mills and has the potential to become one of the most competitive.



For solid-wood products, SCA has continued to develop its products for the builders merchant sector, producing pre-painted paneling in attractive lengths for customers and pre-assembled ceiling board to speed up construction processes. SCA has also launched finger-jointed, defect-free blanks for interior use in woodwork and interior details.

Pulp

In the pulp market, SCA has positioned itself in the high-quality segment based on its excellent access to, and expertise in, the Nordic long-fiber forest raw material. Approximately 40% of production at Östrand pulp mill is utilized within SCA for production of tissue and publication papers. To satisfy the long-term growth in demand for pulp, SCA decided in 2015 to invest in increased capacity for pulp production at Östrand pulp mill in Timrå, Sweden. The annual production capacity of bleached kraft pulp will increase from the current level of 430,000 tons to about 900,000 tons. The investment will amount to about SEK 7.8bn over a three-year period. Production is expected to commence in the second quarter of 2018. Over time, the investment in Östrand will increase sales and competitiveness and create a world-class cost position and higher margins. The expanded pulp plant will entail a high level of demand for pulpwood and sawmill chips in northern Sweden for a considerable time to come, with a positive effect on the value of the forest and the sawmill business.

Solid-wood products

SCA's sawmill operation is the second largest in Europe. The strategy for solid-wood products is to move toward more value-added and customized products in markets and with customers that offer long-term growth. SCA's own raw materials, production and logistics expertise, combined with close cooperation with customers, generate competitive advantages, which in turn are combined with world-class productivity. SCA's five mills are among the largest and most competitive sawmills in Europe. SCA is a qualified supplier of purpose-designed wood products to industry for further processing into such items as panels, floors, windows, doors and furniture. Finished-wood components for window manufacturing, for example, represents another high-growth market. Products for the builders merchant sector are delivered planed and pre-packaged. Service and advanced logistics solutions are of key significance for the builders merchant sector. SCA works in close cooperation with its customers in its principal markets in Scandinavia, France and the UK. SCA supplements the economies of scale generated at its sawmills in Sweden with further processing carried out close to the customer in the market.

Renewable energy

SCA Energy is continuing the construction of the Björkhöjden wind farm, one of the largest in Sweden. At year-end 2015, 298 turbines were in production on land owned by SCA with total generating capacity of 2.3 TWh per year. SCA is one of Europe's largest suppliers of forest-based biofuels, such as tree branches, crowns, stumps, bark, sawdust, peat and processed products, which includes pellets and briquettes. In 2015, production of biofuel amounted to 2.7 TWh.

Logistics

Because transportation accounts for one of the largest cost items for SCA's forest products, SCA Logistics has been given the strategic task of developing cost-effective logistical solutions. In 2015, SCA launched a new strategy for its three RoRo vessels involving services to terminals in Germany, the UK and the Netherlands. In parallel, SCA will relocate its terminal from Lübeck to Kiel and, in the UK, from Tilbury to Sheerness.