



SCA is a global consumer goods and paper company. We create value through knowledge of consumers' and customers' needs, regional presence and efficient production. We develop, produce and market personal care products, tissue, packaging solutions, publication papers and solid-wood products in more than 90 countries.

More than half of our sales volume comprises consumer products where the end-users are individuals and households. Every day our products reach hundreds of millions of people around the world.

Based on consumer and customer needs, new and more value-added products are constantly being developed for consumers, institutions, industry and the retail trade. SCA seeks to increase the percentage of high value-added products, and the products consist almost exclusively of renewable and recyclable materials.

SCA consists of four business areas: Personal Care, Tissue, Packaging and Forest Products. The business areas are organized into six business groups: SCA Personal Care, SCA Tissue Europe, SCA Packaging Europe, SCA Forest Products, SCA Americas and SCA Asia Pacific.

Business Areas

Tissue

SCA is the world's third largest and Europe's largest supplier of consumer tissue and Away-From-Home (AFH) tissue. SCA's strengths in this business area are awareness of consumer and customer needs, a high rate of innovation and effective production processes.

In the years ahead SCA will work with the following strategic priorities:

- Make the product offering more attractive through innovation and product development
- Strengthen brand positions in the consumer tissue segment and combined with clearer value offerings for retailers' brands
- Develop the global brand platform, Tork, within AFH tissue
- Strengthen partnerships with leading distributors and retailers
- Improve efficiency in the supply chain by continuing to optimize the production structure



Consumer tissue

The ability to understand the future demands of the customers and consumers is fundamental for creating lasting value in this segment. SCA is working intensely to improve product performance, expand application areas, and create new designs.

SCA is investing more resources than before in product development aimed at strengthening SCA's own brands. SCA offers retailers a complete range of products within the highest quality segments under SCA's own brands as well as offerings for retailers' brands.

Competition within the retail trade has been very intense in recent years. Both discount retailers focusing on low price and sophisticated retailers offering a full service range have increased their market share.

SCA has been operating for a number of years according to a model that provides advanced product and service offerings to retailers of both categories. SCA's offer of partnership takes a holistic approach in order to increase the value of the tissue category and lower costs throughout the supply chain.

Market

Every year, some 18 million tonnes of consumer tissue are produced worldwide with a value of around SEK 280bn. The product segment consists of toilet paper, kitchen rolls, facial tissue and napkins. Europe accounts for 22% of the global market and is growing by an average of 3% per year. Central and Eastern Europe, where market penetration is lower, has a higher growth rate, around 8% per year. Markets in Latin America where SCA has a significant presence, such as Mexico and Colombia and the surrounding countries, are also showing good growth figures.

SCA is the leading supplier of consumer tissue in Europe with a market share of 22%. SCA's brands are strong with Zewa in Germany and Austria, Edet in Scandinavia and the Netherlands and Velvet in the UK. In Central and Eastern Europe, SCA's Zewa brand is a market leader with increasing sales and high growth figures. SCA is Europe's biggest supplier of tissue for retailers' brands, with strong positions in most of the European markets. In Australia and New Zealand, SCA is a leader with a market share of 34% and 48% respectively. The products are sold under the Sorbent, Purex, Handee, Deeko and Orchid brands. SCA is the second largest producer in the Latin American market. SCA has strong positions in Mexico, Colombia, Chile and Ecuador.

AFH tissue

SCA's strategy within AFH tissue is to be a global supplier for demanding customers in industry, offices, healthcare, hotels and restaurants. SCA has a full range of tissue products and related items such as dispensers, soap and services. Products and brands are coordinated globally and the entire range is gradually being integrated under the Tork brand.

Significant synergies exist in joint product development; marketing and dispenser systems since there are few differences between consumer preferences in different parts of the world. The AFH products are distributed via wholesalers and facility service companies or directly to individual customers. Increased consolidation among customers as well as greater outsourcing has resulted in strong growth for wholesalers and service companies. SCA has systematically entered into partnerships with these customer groups for a number of years. This has reduced costs and enabled strong organic growth.

Market

The global market for AFH tissue amounts to SEK 85bn, of which North America accounts for 42% and Europe for 32%. Important product segments within AFH tissue are paper towels, toilet paper, napkins, facial tissue and tissue products used in industry.

Outside North America and Europe the market penetration of AFH tissue is still relatively low. SCA is the biggest supplier of AFH products in Europe and third in North America. In Europe SCA has 17% of the market and in North America 19%. The market is divided into the following customer categories: hotels, restaurants and catering (HoReCa), offices, industry and healthcare. The highest growth is within HoReCa, driven by growth in the restaurant branch and tourist industry. The office segment is growing in line with the economy in general, while the growth rate is somewhat lower in the industrial segment. The products are distributed via wholesalers and facility service companies or directly to individual customers. Due to increased consolidation among customers, the customers are becoming larger and more international, a trend that benefits global companies such as SCA.

Personal Care

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.

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.



Packaging

Within the Packaging business area, SCA is continuing to develop into a full-service packaging supplier. This means that SCA is involved in the entire packaging chain, including design and production of packaging solutions, improvement of customer logistics and creating attractive marketing concepts for the retail trade.

SCA is one of Europe's leading suppliers of packaging solutions. The product portfolio consists mainly of transport packaging made from corrugated board, but also increasingly includes consumer and point of sale packaging, customized protective packaging and packaging services.

Forest Products

SCA is one of Europe's most profitable producers of forest products. Strengths include efficient mills, integration with SCA's own forests and high value-added products. Forest Products consists of newsprint, SC paper and LWC paper, pulp, timber, solid wood products and logistics.

SCA uses large amounts of raw materials and energy in the production. Thanks to the Group's size and structure, SCA benefits from economies of scale in raw material procurement.

Sustainability

Jan Åström, President and CEO: *“We have 51,000 employees and over 350 production facilities around the world, which means that SCA has an important responsibility to promote sustainable development. We therefore set high standards for our environmental initiatives, our resource consumption and in creating safe and healthy working environments for our employees. We have also been working for several years in a structured way to ensure that all of our operations live up to the SCA Code of Conduct. In order to live up to our own expectations and those of our stakeholders, we need to work constantly and resolutely in a number of areas”.*

SCA's environmental and social objectives serve as guidelines from Group management for the rest of the organization. Although the Group's overall objectives are focused on a limited number of key areas, they still reflect the common goal of Group management and the business areas to promote sustainable development.

SCA is constantly increasing its ambition level with respect to its sustainability initiatives; developing new recycling methods, formulating new guidelines and refining analysis tools and reporting systems. To maintain a clear focus on those areas where SCA has the greatest opportunity to make a difference, the Group has formulated four long-term goals:

1. Improved water consumption

Outcome 2006: Reduced water consumption by 4%

2. Reduced emissions of carbon dioxide

Outcome 2006: Reduced emissions from fossil fuels in relation to production levels by 4.1%

3. Responsible use of wood raw material

Outcome 2006: All business groups have acquired information from their suppliers of fresh fibre based products on how they operate in order to meet SCA's requirements. Based on the evaluations that have been carried out, the number of suppliers has been reduced. On-site audits have been carried out by most business groups. All SCA wood consuming units are third party audited to ensure compliance.

4. SCA Code of Conduct compliance

Outcome: a. During 2006 the program has focussed on defining how ethical sourcing will be managed internally, establishing responsibilities, allocating resources and initiation of an internal communication process to our procurement teams who are responsible for implementation so as to empower and equip them to own this issue.

b. In-depth human rights assessments undertaken at 12 sample factories in 6 high-risk countries. Two violations of the SCA Code of Conduct were identified.

c. During 2006, 12 suspected violations of the Code of Conduct were reported. All were thoroughly investigated. One reported case is currently under investigation. In two reported cases in our Asia Pacific operations, the investigation lead to the dismissal of 9 employees at one facility and 4 employees at another. The remaining 9 reports lead to disciplinary action against 3 employees and the dismissal of further employees.

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