



**SCA**  
*Care of Life*

ANNUAL REPORT

**2014**



**“At sea, everything needs to work – 24 hours a day.  
That includes hygiene!”**

Team SCA – SCA’s female crew in the Volvo Ocean Race

# AMAZING WOMEN EVERYWHERE



## About the campaign

SCA supports women's empowerment and their freedom to participate fully in society. We want to enable women to play an active role in arenas normally reserved for men and our participation with a female crew, Team SCA, in the world's toughest ocean race – the Volvo Ocean Race – is an example of our commitment to this. As part of this initiative, we launched the Amazing Women Everywhere website, which celebrates amazing women who have had a positive influence on others. For nine months, Team SCA's journey, which has been characterized by challenges and hard work, will inspire millions around the world. Our goal is to gather stories from across the globe and inspire others by showing that amazing women can be found everywhere.

## For a good cause

For every story of an inspiring woman uploaded to the Amazing Women Everywhere website, SCA will donate EUR 1 to the World Wide Fund for Nature (WWF). This is an expression of our commitment to creating value for people and nature. WWF's mission is to stop the degradation of our planet's natural environment, and build a future in which humans live in harmony with nature.



<http://www.teamsca.com/awemosaic>



## Introduction

This is SCA .....	flap
2014 at a glance .....	flap
CEO's message .....	2
SCA's products and services .....	4
Important stakeholder information .....	6
Customers and consumers .....	7
Dialog creates insight .....	8
SCA's strategy .....	10
SCA's three strategic priorities: Growth, Innovation and Efficiency .....	14
Our valuable brands .....	30
Sustainability creates profitable business .....	32
Leadership, culture and employees .....	33
Value for our stakeholders .....	34
The SCA share .....	36
Information to shareholders .....	39

## Board of Directors' Report

### Group

Operations and structure .....	42
Acquisitions, investments and divestments .....	43
Other Group information .....	44
Sales and earnings .....	45
Operating cash flow .....	46
Financial position .....	47

### Business areas

Personal Care .....	48
Tissue .....	56
Forest Products .....	62

### Responsibility and governance

Corporate governance .....	68
Board of Directors and Auditors .....	74
Corporate Senior Management Team .....	76
Risk and risk management .....	78

### Financial statements

Contents .....	84
Consolidated income statement .....	85
Consolidated statement of comprehensive income .....	85
Consolidated statement of changes in equity .....	86
Consolidated operating cash flow statement .....	86
Consolidated cash flow statement .....	87
Correlation between consolidated cash flow statement and operating cash flow statement .....	88
Consolidated balance sheet .....	89
Financial statements, Parent Company .....	90
Notes .....	92
Adoption of the annual accounts .....	133
Proposed disposition of earnings .....	134
Audit report .....	135

### SCA Data

Multi-year summary .....	136
Comments to the multi-year summary .....	137
Description of costs .....	138
Raw materials, energy and transport activities .....	138
Production plants .....	139
Definitions and key figures .....	140
Glossary .....	140
Addresses .....	141
Recognitions and memberships .....	141

# SCA

## 2014 at a glance

- Highest profit before tax ever.
- Two of three efficiency programs were concluded as planned at year-end 2014.
- SCA's successful innovation work continued, with about 30 innovations and product launches introduced under such brands as Libero, Libresse, Lotus, Saba, Tempo, TENA and Tork.
- The cooperation with the Chinese hygiene company Vinda was strengthened through the transfer of SCA's hygiene business in China, Hong Kong and Macau to Vinda, in which SCA is the majority shareholder with a shareholding of 51.4%.
- The joint venture Asaleo Care, with operations in Australia, New Zealand and Fiji, was floated on the stock exchange. After the listing, SCA's holding in Asaleo Care amounts to 32.5%.
- As the first Swedish listed company, SCA raised SEK 1,500m through a green bond issue. The bond proceeds will be used for investments in projects with a positive environmental impact.
- The Volvo Ocean Race 2014–2015 began, in which SCA has entered a female crew – Team SCA. The Volvo Ocean Race is a unique platform to increase awareness of SCA and its customer and consumer brands.

## Facts about SCA

44,000 employees

---

Sales of SEK 104bn

---

Sales in about 100 countries

---

# SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care, tissue and forest products.



## 2014 in figures

- Net sales amounted to SEK 104,054m (92,873).
- Operating profit, excluding items affecting comparability, totaled SEK 11,849m (10,381).
- Profit before tax, excluding items affecting comparability, totaled SEK 10,888m (9,320).
- Earnings per share amounted to SEK 9.40 (7.90).
- Cash flow from current operations amounted to SEK 8,149m (6,252).
- Proposed dividend of SEK 5.25 (4.75) per share.

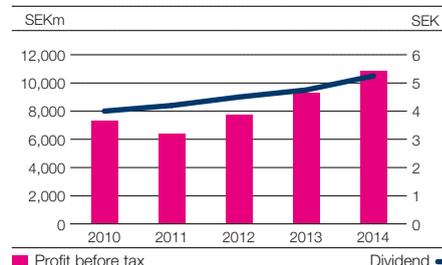
## Group

### Net sales and operating margin



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

### Profit before tax and dividend per share



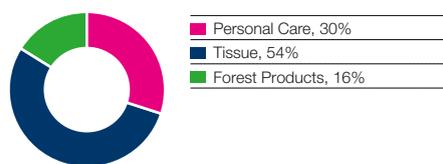
Profit excluding items affecting comparability. 2012 and 2013 restated in accordance with IFRS 10 and 11.

## Business areas

### Strong brands

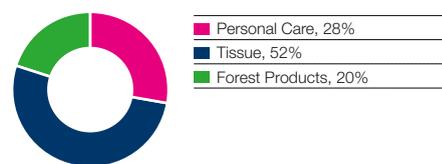


### Net sales (share of Group)



Total Group: SEK 104,054m

### Operating profit (share of Group)



Total Group: SEK 11,849m

Excluding items affecting comparability.

## Key figures

	2014		2013 <sup>4)</sup>		2012 <sup>4)</sup>	
	SEK	EUR <sup>2)</sup>	SEK	EUR <sup>2)</sup>	SEK	EUR <sup>2)</sup>
Net sales, SEKm/EURm	104,054	11,449	92,873	10,741	89,229	10,255
Operating profit, SEKm/EURm	10,449	1,150	9,142	1,057	6,426	739
Operating profit, SEKm/EURm <sup>1)</sup>	11,849	1,304	10,381	1,201	9,040	1,039
Operating margin, %	10		10		7	
Operating margin, % <sup>1)</sup>	11		11		10	
Profit before tax, SEKm/EURm	9,488	1,044	8,081	935	5,103	586
Profit before tax, SEKm/EURm <sup>1)</sup>	10,888	1,198	9,320	1,078	7,717	887
Profit for the year, SEKm/EURm	7,068	778	5,861	678	5,242	602
Profit for the year, SEKm/EURm <sup>1)</sup>	8,244	907	6,681	773	7,483	860
Earnings per share, SEK	9.40		7.90		7.06	
Earnings per share, SEK <sup>1)</sup>	11.07		9.07		10.25	
Cash flow from current operations per share, SEK	11.60		8.90		10.59	
Dividend, SEK	5.25 <sup>3)</sup>		4.75		4.50	
Strategic capital expenditures, incl. acquisitions, SEKm/EURm	-2,324	-256	-7,394	-855	-16,844	-1,936
Divestments, SEKm/EURm	206	23	1,716	198	17,682	2,032
Equity, SEKm/EURm	72,872	7,643	67,811	7,591	61,699	7,167
Return on capital employed, %	10		10		8	
Return on capital employed, % <sup>1)</sup>	11		11		10	
Return on equity, %	10		9		9	
Return on equity, % <sup>1)</sup>	12		11		12	
Debt/equity ratio	0.49		0.50		0.54	
Debt/equity ratio, excluding pension liabilities	0.42		0.47		0.47	
Average number of employees	44,247		36,871		35,653	
Number of employees at December 31	43,772		36,464		37,694	

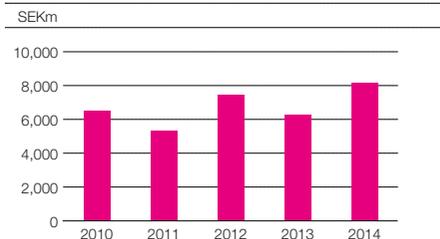
<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> See footnote <sup>1)</sup> on pages 86 and 89 for exchange rates.

<sup>3)</sup> Proposed dividend.

<sup>4)</sup> 2012 and 2013 restated in accordance with IFRS 10 and 11.

### Operating cash flow

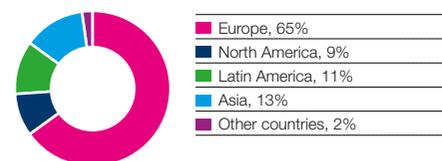


2012 and 2013 restated in accordance with IFRS 10 and 11.

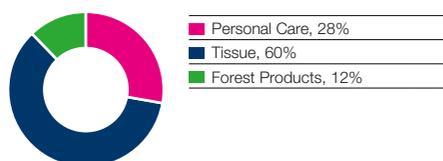
### Group's largest markets



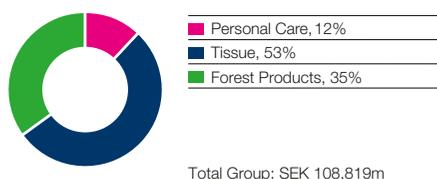
### SCA's sales by region



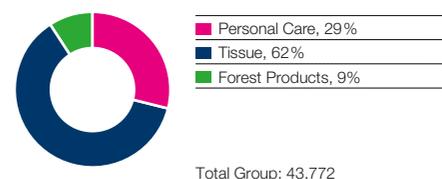
### Operating cash flow (share of Group)



### Capital employed (share of Group)



### Number of employees at December 31 (share of Group)



# HIGHEST PROFIT BEFORE TAX EVER

## We live in a world in which hygiene products are a top priority

In 2014, SCA delivered its highest profit before tax ever and reported good organic sales growth. We increased our operating profit, excluding items affecting comparability, by SEK 1,468m. We achieved this thanks to the continued work with our strategic priorities – growth, innovation, and efficiency. The year was characterized by the weak performance of the global economy and geopolitical tensions. The global market for hygiene products was affected by intensified competition and low growth in mature markets.

### Macro trends increase demand for hygiene products

Global prosperity is on the rise, resulting in growing consumer demand for SCA's products and services. Once people's most basic needs for food and shelter are met, people begin to prioritize hygiene products – a shift that begins with a daily income as low as USD 2. We are also undergoing population growth, which is resulting in greater demand for hygiene products, such as baby diapers, feminine care products and tissue. An aging population is also resulting in an increased need for incontinence products.

Market penetration for incontinence products is generally low, thus providing us with excellent possibilities for continued growth in both mature and emerging markets. For other hygiene products, the relatively low level of market penetration in emerging markets entails significant growth potential. Emerging markets account for a large, growing share of SCA's sales. During the year, SCA strengthened its cooperation with the Chinese hygiene company Vinda, in which SCA is the majority owner, through the transfer of its hygiene business in China, Hong Kong and Macau to Vinda. This will generate mutual benefits for SCA and Vinda, particularly with respect to distribution, sales, innovation and R&D. Vinda has gained access to a broader product portfolio and SCA's brands will have the potential to reach a wider base of consumers and

customers through Vinda's extensive and robust distribution network in China.

In 2013, we established operations in India, where we launched the brands Libero, Tempo and Tork. In 2014, we succeeded in strengthening our presence in this emerging market, which offers extensive potential. SCA has launched its biggest information and educational campaign ever in India. In 2014, SCA reached 2,300 doctors, 5,000 hospitals and clinics and 1.2 million mothers and babies, providing them with parental guidance, as well as communicating the importance of good hand hygiene to more than eight million people. In 2015, SCA will inaugurate a new manufacturing plant in India for hygiene products.

### Vital innovations

Satisfied customers and consumers are crucial to SCA's success. In this respect, it is important that we understand their needs and wishes and are able to transform these insights into innovative products and services. In recent years, we have worked intensively to increase our pace of innovation and to take our innovations to market faster, and we are now seeing the results of these efforts.

In 2014, we introduced innovations and product launches in all our product segments under such brands as Libero, Libresse, Lotus, Saba, Tempo, TENA and Tork. We introduced a total of about 30 inno-

ventions and product launches. In incontinence products, we launched TENA Pants Normal – a product that is better for both users and the environment – under our world-leading TENA brand. The product is 20% thinner and more comfortable to wear, but just as effective as before. It also reduces the level of carbon emissions in both our production and transport activities.

In the Away-from-Home (AfH) tissue segment, we launched the IT-based services Tork SmartFresh™ and Tork EasyCube™ under our globally leading Tork brand, which provides cleaning staff with real-time data to determine when public restrooms need to be cleaned or dispensers need to be refilled. These products allow our customers to work more efficiently, while at the same time ensuring that restrooms are always fresh for visitors. Another innovation is Libresse Roll.Press.Go™, which makes it easier to discretely and hygienically dispose of used feminine care products by rolling used pads in their packaging before throwing them away.

### Continued focus on costs

Our activities to enhance cost efficiency are continuing. Our three efficiency programs continued to deliver significant productivity improvements and savings in such areas as production and purchasing. The total cost savings in 2014 amounted to SEK 3,935m. At year-end, two of our three efficiency programs were concluded. However, I would like to point out that this does not mean that we are finished. Success and profitability require that SCA maintains world-class productivity and cost efficiency.

### Sustainable development

Green bonds are attracting greater interest from investors looking to contribute to a more sustainable development. In 2014, we became the first Swedish listed company to

raise SEK 1.5bn through a green bond issue, the proceeds of which will be used for investments in projects with a positive environmental impact, such as renewable energy and energy efficiency enhancements. Investors showed a high level of interest and the bond was oversubscribed. I am proud to announce that we received the highest possible score and qualified for inclusion in the Climate Disclosure Leadership Index for the fifth consecutive year. This top score indicates that we have a strong understanding of and reporting structure for climate-related issues.

#### **Listening to our external environment**

We must always strive to implement continuous improvements and ensure that our actions are in keeping with the times and the society in which we live. One example of this is the change we made last year to our policy governing the use of business aviation. We are also examining the distribution of travel between business aviation and scheduled flights, and already today have a different distribution than we had a few years ago.

#### **The forest is a valuable resource**

SCA is Europe's largest private forest owner with 2.6 million hectares of forest land. The forest is a unique resource that offers us access to high-quality forest raw materials, which we then process into solid-wood products, pulp, paper for packaging and print in our production process. In terms of pulp, we are approximately one-quarter self-sufficient. Forests also make a positive contribution to our environmental initiatives, since they enable energy production from wind power and biofuels while at the same time storing and binding carbon dioxide. Our forests display a net growth rate and our growing forests absorb 2.6 million tons of carbon dioxide annually, which exceeds the emissions from all of SCA's use of fossil fuels in production.

#### **The importance of hygiene**

During the year, SCA conducted an international survey called Hygiene Matters, the aim of which was to raise awareness among decision makers, experts and the general public about the connection between hygiene, health and well-being. The theme for the year was "Women and hygiene" and the results of the survey clearly showed that there are still unmet needs among women around the world when it comes to hygiene products and solutions. There is also a significant need to raise knowledge about personal hygiene in ways that could help combat existing taboos. The results of the sur-

vey have reinforced SCA's determination to work even harder to meet women's needs and wishes when it comes to personal and intimate hygiene for themselves and their families. SCA supports a large number of educational initiatives for girls regarding menstruation and physical development in Chile, Colombia, Malaysia, Mexico and other markets.

#### **Partnership to break taboos**

In 2014, SCA entered into a partnership with the UN Water Supply and Sanitation Collaborative Council (WSSCC). Through this partnership, we hope to break the menstrual taboos that jeopardize the health of millions of women every day and raise awareness of the importance of good menstrual hygiene. The partnership has resulted in a number of initiatives. For example, in connection with the participation of our female Team SCA in the Volvo Ocean Race, we have worked together with WSSCC to educate young girls and volunteers from the townships outside Cape Town in South Africa about menstruation and hygiene and offered seminars on the subject.

#### **We invest in society**

Companies create value in the communities in which they operate in many ways. Our customers gain access to innovative solutions that make them more cost-efficient and competitive; we help simplify consumers' everyday lives; we generate income for our suppliers and we contribute jobs and tax revenue to society. Our 300 community involvement initiatives continue to make a difference. We offer education in hygiene and health, participate in tree planting projects and contribute aid when disasters occur. In 2014, for example, we distributed 120,000 hygiene kits to the homeless in cooperation with the Red Cross and hygiene products to residents in the Balkan States in the wake of devastating floods.

#### **Female Team SCA inspiring the world**

SCA has entered a female crew, Team SCA, in the Volvo Ocean Race 2014–2015. The Volvo Ocean Race is a unique platform to increase awareness of the SCA brand, as well as our customer and consumer brands: Libero, Libresse, Lotus, Nosotras, Saba, Tempo, TENA, Tork and Vinda. Although the competition is not yet over, our participation in the race has already been highly successful. Through Team SCA, we want to give women the opportunity to take part in an arena normally reserved for men. Our participation has enabled us to successfully reach many target groups and allowed for rewarding customer and consumer dialogs.

Customers and consumers have, for example, met our team and learned more about SCA and how our products can make everyday life easier. These customer meetings have resulted in productive business dialogs. Our participation has attracted global publicity, our employees have become involved in various ways and the various port calls have created opportunities for a range of CSR activities. The women of Team SCA have already inspired tens of thousands of people around the world to dare to take a chance, train and focus in order to achieve their goals and dreams.

I feel a great sense of pride in what we at SCA have achieved together. The company has a great deal to offer millions of people across the globe and I am convinced that SCA will continue to create substantial value for customers, employees, owners and society. With these words, I am handing over to Magnus Groth, who will assume the role of President and CEO as of March 1, 2015.

Jan Johansson  
President and CEO  
February 2015



# SCA's PRODUCTS AND SERVICES

SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care, tissue and forest products. SCA conducts sales in about 100 countries. In 2014, SCA held the number one or two position in at least one hygiene product segment in approximately 90 countries.

## Personal Care

# 30%

of SCA's net sales for 2014

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



*Read more about the Personal Care business area on pages 48–55.*

## Tissue

# 54%

of SCA's net sales for 2014

SCA is a leading global tissue company 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 Vinda, as well as under retailers' brands. In the AfH tissue segment, SCA develops and markets complete hygiene solutions, including tissue, soap, dispensers, service and maintenance to hospitals, large workplaces, industries, restaurants and hotels, under the globally leading brand Tork.



*Read more about the Tissue business area on pages 56–61.*



## Forest Products

# 16%

of SCA's net sales for 2014

In the Forest Products business area, SCA sells paper for packaging and print, pulp, solid-wood products and renewable energy. SCA is Europe's largest private forest owner and produces forest products with a strong environmental profile.

*Read more about the Forest Products business area on pages 62–67.*



# IMPORTANT STAKEHOLDER INFORMATION

SCA uses a materiality analysis to determine the areas that are important to the Group's stakeholders, and this analysis serves as the basis for the company's future priorities. The analysis, which was most recently performed in 2013, is based on a survey of approximately 1,500 external and internal stakeholders. The results largely corresponded with our prioritized areas.

Earlier materiality analyses were conducted by SCA in 2008, 2010 and 2012. The results of the 2013 materiality analysis show that the following areas are considered most important by our stakeholders:

1. Innovation
2. Customer and consumer satisfaction
3. Business ethics
4. Product safety
5. Health and safety

Other key areas are brands, resource efficiency, forest assets, market positions and human rights. A total of about 1,500 customers, consumers, suppliers, investors, analysts, journalists, NGO representatives and SCA employees participated in the analysis. In the results of the survey, each stakeholder group was assigned the same weight, regardless of the number of votes in the group. Innovation was ranked highest in an overall assessment of all of the stakeholders' results. Investors and analysts listed brands as the most important issue, while customers and consumers ranked customer and consumer satisfaction as most important. Both stakeholder groups listed innovation as the second most important issue. SCA employees ranked customer and consumer satisfaction as the most important area, followed by innovation and business ethics.

**1** Innovation was ranked as the overall most important area by the Group's stakeholders. Innovation is one of SCA's three strategic priorities. Developing and differentiating products and services increases customer and consumer satisfaction, while at the same time strengthening the company's market position and brands.



**2** Customer and consumer satisfaction received the second highest ranking by the stakeholders. Through its comprehensive customer and consumer insight, SCA works to meet consumers' needs and exceed their expectations. SCA conducts regular customer surveys and uses the opinions, ideas and any complaints from customers and consumers as a basis for improving its products and services.

**3** Business ethics are also considered highly important by the stakeholders. For SCA, this means competing fairly with zero tolerance for all forms of corrupt and unethical business practices. SCA expects its suppliers to adhere to the same rules as SCA, in accordance with our Global Supplier Standard.



**4** Product safety was ranked number four by the company's stakeholders. Product safety is a high priority for SCA, particularly since many of the company's products come into contact with people's skin.

**5** Health and safety was ranked number five in the survey. Health and safety is a top priority for SCA and the All Employee Survey conducted in 2013 confirmed that employee awareness in the area has improved significantly. In 2014, the accident frequency rate fell 20%.



# CUSTOMERS AND CONSUMERS

Insight into and understanding of people's needs and behaviors are fundamental to SCA's innovations. We pursue a continuous dialog and interact with the market, where customer and consumer feedback forms the basis for new insights. Being receptive, available and reliable are our catchwords.

## Who are we there for?

SCA's operations interact with numerous different customers, markets and needs. Put simply, our products and services are there for customers, consumers and users. Customers are companies that buy SCA's products and services, for example, restaurants, construction companies, care providers, pharmacies or retailers. Consumers and users are the individuals who use our products. For example, a teenager who buys feminine care products at the supermarket, caregivers or residents at care facilities who use our incontinence products or a do-it-yourselfer who buys timber at a building materials supplier.

## Understanding and insight

Customer understanding and consumer insight are at the core of what we develop and how we deliver innovations to the market. Customers' needs influence the ideas we generate, which are then developed into finished products or services for the market. We monitor macro trends to identify changes in behavior and actively look for opportunities to observe consumers' and customers' actual behavior. This is realized in a number of ways, including home visits by SCA, inviting focus groups to meetings and through in-depth interviews. Many valuable insights and good ideas are identified in dialogs with SCA's sales representatives. We also gain insight into consumers' lives and perceptions of our products by following the discussions on our own websites, such as [www.libero.com](http://www.libero.com) and [www.girls1st.com](http://www.girls1st.com), and on social media.

SCA's launch of the world's first string panty liner a few years ago was an example of how direct feedback from the consumers resulted in new products. Users wrote in and described how they used to cut down their panty liners to fit in string panties. The development of Tempo Ice is another example of how consumer insight forms the basis of innovation. Handkerchiefs with a lemon scent were developed to provide a cooling and refreshing effect on warm summer days, a season when handkerchief consumption is usually low.

SCA's global coverage means that we attempt to meet the needs that many people share. However, SCA adapts products and services to local needs and cultures. For example, this could apply to the packaging design or the appropriate colors for differing cultures. While Scandinavians prefer unscented products, scented products are appreciated in countries like Mexico and Italy.

## Customer surveys as a tool for improvement

Customer feedback is important to be able to offer better products and solutions and every business unit has methods to investigate customer satisfaction.

The hygiene operations conduct a systematic customer follow-up. This includes both external reports and our own surveys. For example, SCA introduced a global system of customer follow-up in the incontinence care and tissue operations. These reports are important as decision support for SCA and provide an indication of customer satisfaction and improvement potential, for example, by providing a "Net Promoter Score."

In addition to products, SCA delivers crucial knowledge and support in the development of operations at such institutions as nursing homes and, accordingly, highly values opportunities for direct customer contact. By so doing, we can make a difference and create value for our customers and users.

The retail trade accounts for a significant part of SCA's sales. The Group uses external comparison reports where the largest retail chains assess their suppliers based on such criteria as customer service, logistics, sales support, marketing and product development. Consumers who purchase retail products are followed up through general brand and product recognition surveys.

## When customers are unsatisfied

SCA has well-established procedures for managing customer complaints. All information received by our customer service team is entered into SCA's global business system.

We always try to compensate unsatisfied customers directly and determine whether a need exists for further measures beyond the individual case. For example, production personnel receive feedback to define whether a production fault was the underlying cause.

The users' complaints and opinions provide valuable consumer insight and it is important that the knowledge gathered is transferred to the organization. During the year, we investigated how we could best involve our development team, to ensure that customer feedback was included in product development.

SCA's system enables monitoring of the time taken by a case and identification of any costs for compensation and recalls. Complaints have remained at a stable level in recent years. For Personal Care, the complaint frequency is lower than one in a million supplied products. In the Tissue operations, the corresponding figure is 2.4 per thousand tons.



# DIALOG CREATES INSIGHT

Systematic stakeholder dialogs provide SCA with an understanding of the needs of its stakeholders, their expectations of SCA and whether or not SCA lives up to these expectations. These dialogs serve as the basis for our innovations, decisions, priorities and future strategies. Read more about SCA's stakeholder dialog in the Group's Sustainability Report.

## Customer comments

"The Travis Perkins Group serves a diverse customer base across retail and trade customers, but the common link has been the shared need of all customers for high-quality timber products. SCA has always been a valued supplier to the Group, but our relationship has evolved over the past three to four years.

After a major review of our customer and supply chain needs, Travis Perkins took the decision to close our own timber milling operations at two sites across the UK and consolidate into SCA by establishing a new site. This investment has enabled Travis Perkins to develop a significantly enhanced customer offering, while allowing the business to benefit from more efficient manufacturing at the new site.

The partnership between SCA and Travis Perkins is now giving both businesses a significant competitive advantage in the UK, allowing them to capitalize on economies of scale in manufacturing and supply chain. Coupled with a strategic long-term partnership, we will be able to deliver better value and products to our customers."

**Ian Preedy**, Group Commercial Director, Travis Perkins, UK



"SCA is a progressive and innovative company. It's a well-run organization with high-quality and dependable people and a strong 'green' focus that we appreciate.

We have chosen SCA as our supplier because they are very supportive of our business model as a distributor. When we started working with SCA, they supported the programs we had in place for our customers and they've been consistent with that support. SCA also provides quality products at a fair price and a full line of products. This is appreciated by our customers. SCA also provides excellent support to the Bunzl sales team. They communicate openly, spend time with the Bunzl sales reps

and share their expertise in order to identify opportunities, understand the needs of the market segments and to be more efficient in the tissue category.

Given that both SCA and Bunzl are global companies, we see a range of applications for our products in different markets, which allows us to bring new ideas to various areas. SCA's global approach is well coordinated, with cooperation developed at all the right levels of our organizations. For all of these reasons SCA is one of our key global suppliers that we deal with internationally."

**Pat Larmon**, President and Chief Executive Officer, Bunzl North America



“Asda’s and SCA’s relationship is more of a partnership. It has developed over time and is transparent, collaborative and challenging in the right way, and there is a high level of mutual respect.

My perception has always been that SCA is a highly successful business built on strong foundations. The focus appears to be on the right things – product innovation, a clear approach to people development, a relentless focus on costs and a sustainable operating model. Product quality and customer service have always been of the highest standard.

First and foremost, SCA’s main strength is its people. We always challenge our suppliers to ensure the right people work on our account – this is something SCA has always delivered, and as a result, we have forged extremely strong relationships. SCA

and Asda have similar corporate cultures, which makes it easy for our employees to collaborate.

The second key point would be the emphasis placed on driving innovation when it comes to retailers’ brands. SCA has always been on the front foot in terms of market-leading products and not just ‘me too’ products. The third strength I would highlight is our open approach – conversations have always been direct, honest and straightforward, which means we always know exactly where we stand. This sort of collaborative approach has meant that a very high level of trust has been established and maintained.”

**Paul Gillow**, Senior Director, Trading Strategy and Development, Asda, UK

“Barchester and SCA share many similar values and aims. With a focus on quality, Barchester recognizes the TENA brand as the market leader in continence management products. However, SCA does not rest on its laurels. The company always appears to be working to develop new, improved products that will enhance the users’ experience, preserve dignity and allow people to maintain a high quality of life. Although not the cheapest on the market, SCA’s products provide very good value and SCA is keen to ensure that its offering remains competitive and affordable. The service side of the offering is excellent, and SCA’s nurse advisors provide training and support that are vital to a company the size of Barchester. SCA’s employees are extremely professional and knowledgeable, and deliver their services and support with great friendliness and humor. SCA is forward thinking, socially responsible, trustworthy, realistic and fair.

By using SCA’s market-leading products, we are confident that we are providing our residents with the best the market has to offer. We actively encourage the use of modern, breathable products. Thanks to the high degree of absorbency offered by the TENA products, we are able to anticipate and manage the number of products used, as well as the corresponding costs. In terms of the service offering, the training and support that SCA delivers to our homes is first class. Through our regular account management meetings and the marketing intelligence provided by SCA, we are able to work together to focus on the training or support required. This ranges from identifying homes that need retraining on basic best practice to formulating plans for new protocols. SCA is very effective at delivering on these plans. This is vital for Barchester since it provides us with confidence that best practice

in continence care is continually understood in our homes, which can be a challenge due to employee turnover. By ensuring that product and protocol improvements are successfully adopted across our estates, Barchester stays at the forefront of outstanding person-centered care.

We have maintained an excellent working relationship with SCA for many years and our contracts have been renewed several times. The relationship is open, honest and productive. Our mutual desire for continual improvement has led to a number of joint initiatives that, we believe, have benefitted both SCA and Barchester.”

**Linda Chirrey**, Supplier Relationship Manager, and **Elizabeth Gallacher**, Care Specialist, Barchester Health Care, UK



# SCA's STRATEGY

SCA is a leading global hygiene and forest products company. SCA's strategy is based on a sustainable business model where value creation for people and nature is put on a par with growth and profitability to ensure a successful company in both the short and long term.

## Mission:

"To sustainably develop, produce, market and sell increasingly value-added products and services within hygiene and forest products markets for customers and consumers.

Satisfying needs through understanding of customers and consumers, knowledge of local and regional market conditions and superior go-to-market approaches, combined with global experience, strong brands, efficient production and innovation."

## Targets:

SCA's overall long-term objective is to generate increased value for our shareholders.

### Return on capital employed

The Group's overall profitability target is to achieve a return on capital employed of 13% over a business cycle. The target is 30% for Personal Care, 15% for Tissue and to be in the top quartile of the industry for Forest Products.

### Growth

SCA's target for annual organic sales growth for Personal Care is 5–7%, while the target for Tissue is 3–4%. For Forest Products, the target is to grow in line with the market.

### Capital structure

A debt/equity target of 0.70 over a business cycle and a debt payment capacity of more than 35%.

### People

SCA's people targets relate to people & nature innovations, hygiene solutions, Code of Conduct and employee health & safety.

### Nature

SCA's nature targets focus on climate & energy, fiber sourcing & biodiversity and water.

## Strategic priorities:

- **Growth** – increase presence and sales in emerging market and strengthen its positions in both mature markets and emerging markets. Read more about SCA's work with profitable growth in 2014 on pages 14–19.
- **Innovation** – increase customer and consumer value, strengthen our market positions and brands, and drive profitable growth. Read more about SCA's innovation work in 2014 on pages 20–25.
- **Efficiency** – strengthen competitiveness, cut costs and improve earnings. Read more about our efforts to improve the efficiency of our operations in 2014 on pages 26–29.

## Drivers:

- Growing and aging population
- Higher standard of living
- Health and hygiene
- A changing world
- Changing customer/consumer behavior
- Climate changes
- Scarc resources

# DRIVERS

Global macro trends, from population increases and higher standards of living to resource shortages and climate change, rapidly alter the conditions for SCA's business operations. By analyzing the external environment and trends, and maintaining close customer and consumer dialogs, SCA can leverage these drivers, thus enabling the creation of long-term sustainable growth.

## Growing and aging population

The world's population is growing and aging. The current global population is seven billion and the UN predicts that this figure will grow to nine billion by 2050. The average life expectancy is increasing and the world's elderly population is expected to grow more than any other section of the population. This growing population is resulting in an increased demand for hygiene products and thus creating favorable growth opportunities for SCA. The greatest population increase is expected to occur in Asia, Latin America and Africa, which means that having a presence in these markets and offering adapted products will be strategically important. An aging population will put more pressure on the elderly care system and an increasing number of elderly people will require home care. We are also becoming healthier and continuing to lead active lives at an older age. These factors are contributing to increased demand for customer and consumer-adapted incontinence solutions in both mature and emerging markets.

## Higher standard of living

At the same time as the world's population is growing, the level of poverty in the world is decreasing. An increasing number of people now earn more than USD 2 per day (the UN's definition of poverty) or have moved into the middle class. Once people's most basic needs for food and shelter are met, health and hygiene become top priorities. This creates favorable growth opportunities, and SCA is working to develop business models for consumers with limited resources.

## Health and hygiene

Poor or no access to hygiene and sanitation is one of the greatest global challenges to be resolved. Good hygiene and knowledge about hygiene and hygiene products improve people's health and quality of life. SCA continuously develops new hygiene solutions and educates young women about menstruation and puberty, as well as teaching children about the importance of good hand hygiene. For

many women in developing countries, access to feminine care products could mean the difference between going to school and work or being forced to stay home, while incontinence products enable elderly people to live a more active life.

## A changing world

Globalization, urbanization, shifts in the balance of power, political decisions, the global economy, legislation and cultural dynamics all impact the world in which SCA operates. By trying to anticipate and assess structural changes in our external environment, we prepare for the future and ensure that we will be able to capitalize on the benefits and tackle the challenges that arise as a result of these changes. Political decisions impact SCA. For example, decisions regarding healthcare and reimbursement systems affect the conditions for SCA's sales of incontinence products. SCA works to educate and provide information about reimbursement systems in the countries in which its incontinence products are sold. Economic power relationships are changing, and emerging markets such as China, India and Brazil are gaining an increasingly important influence.

## Changing customer/consumer behavior

Trends, technological developments and prevailing values cause customer and consumer behavior to change over time. Accordingly, the ability to anticipate and exceed customer and consumer expectations is becoming increasingly important.

- Sustainable consumption: Limited resources, political prioritizations and knowledgeable, aware customers and consumers are increasing demand for sustainable products and services.
- New technology: Many purchases are now made online, which is changing the rules of the game, for example, when it comes to marketing and distribution.
- The company behind the brand: More than ever before, customers and consumers are paying attention to the companies behind the products and services they buy and imposing greater demands on these companies in terms of corporate responsibility.
- Innovation: Highly innovative products, services and business models are required to respond to these changing behaviors.

## Climate changes

Climate change is one of the most critical environmental and social problems facing the

world today. Authorities are setting targets to reduce CO<sub>2</sub> emissions, and the private sector is expected to play its part. SCA combats climate change by investing in new technology, efficiency enhancements, and biofuel and wind power initiatives. Our forests have an annual net growth of 1%. This means that our forests absorb 2.6 million net tons of CO<sub>2</sub> annually, which exceeds the emissions generated through the total use of fossil fuels in SCA's production operations.

## Scarce resources

As a result of the growing global economy and world population, an increasing number of people are now sharing the planet's natural resources.

- Energy: Access to energy has become a strategic issue in many countries. The International Energy Agency (IEA) predicts that the need for energy will increase by 40% by 2035, which will probably entail higher costs and, in some cases, an energy shortage. As a major energy consumer, this is an important issue for SCA and we continuously work to enhance our energy efficiency. New technology is not only resource-efficient, but usually also generates fewer emissions and less waste. SCA is also driving development in the area of renewable energy, including wind power and biofuel. SCA holds numerous riparian rights for hydropower operations that cannot be exploited under current legislation.
- Water: The UN predicts that two-thirds of the world's population may live in areas with water shortages by 2025. Access to water is critical for people, industry and agriculture. SCA's production operations are dependent on access to water and we are working to achieve our ambitious goals for efficient water usage.
- Forest management: Illegal felling and felling of forests with a high conservation value contributes to global deforestation and constitutes a threat to biodiversity. SCA has a Group target for checking the origin of all wood raw material. Forests are a key component in our value chain and provide us with access to forest raw materials.
- Human capital: The economic progress of the world's emerging markets and increasingly knowledge-extensive business in mature markets are resulting in a growing need for skilled labor and management. At SCA, we invest in the development and training of our employees and take a strategic approach to meeting our future requirements for competent leaders.

# TARGETS AND OUTCOME

## Return on capital employed

### TARGET:

The Group's overall profitability target is to achieve a return on capital employed of 13% over a business cycle. The target is 30% for Personal Care, 15% for Tissue and to be in the top quartile of the industry for Forest Products.

# 13%

### Return on capital employed



— Return on capital employed

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

### OUTCOME 2014:

The Group's return on capital employed was 11%, excluding items affecting comparability. The return on capital employed, excluding items affecting comparability, was 27% for Personal Care and 13% for Tissue. The return on capital employed, excluding items affecting comparability, for Forest Products was 7%.

## Growth

### TARGET:

SCA's target for annual organic sales growth for Personal Care is 5–7%, while the target for Tissue is 3–4%. For Forest Products, the target is to grow in line with the market.

### Personal Care

# 5-7%

### Tissue

# 3-4%

### OUTCOME 2014:

The Group's organic sales growth amounted to 3% (4% including Vinda's organic sales growth). Organic growth was 3% for Personal Care and 1% for Tissue (3% including Vinda's organic sales growth). Organic sales growth for Forest Products amounted to 10%.

## Capital structure

### TARGET:

A debt/equity target of 0.70 over a business cycle and a debt payment capacity of more than 35%.

# 0.70

### OUTCOME 2014:

The Group's debt/equity ratio amounted to 0.49 and its debt payment capacity to 39%.



## People & nature innovations

### TARGET:

We will deliver better, safe and environmentally sound solutions to our customers. We strive to continuously improve resource efficiency and environmental performance considering the whole life cycle for new innovations.

### OUTCOME 2014:

We launched several sustainable innovations, such as Libresse Roll.Press.Go™, Tork Easy Cube™, Tork Xpressnap® Image line napkin dispenser, TENA Pants Normal, TENA Slip and TENA Comfort with ConfioAir™.



## Hygiene solutions

### TARGET:

We will make our knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life. In markets in which we operate we will:

- Provide information on hygiene matters around our products and services.
- Strive to implement education programs for girls, women and caregivers.
- Strive to offer the best value for consumers making hygiene solutions affordable to everyone.

### OUTCOME 2014:

SCA held the number one or two position in at least one hygiene product segment in about 90 countries.

Around 400 million people used SCA's products every day.

The hygiene training SCA conducts worldwide reached 2,000,000 people.

We offered a broad portfolio of products ranging from the premium segment to the economy segment.



## Code of Conduct

### TARGET:

Our SCA Global Supplier Standard will be used to drive shared values and priorities through our supply chain. We will use it in all our supply chain contracts by the end of 2015.

We will maintain compliance with our SCA Code of Conduct. All employees will receive regular training in the Code.

### OUTCOME 2014:

71% (75) of SCA's global hygiene supplier base and 83% (60) of the forest products supplier base had signed the SCA Global Supplier Standard.

93% (91) of employees received Code of Conduct training.



## Employee Health & Safety

### TARGET:

Our aim is zero workplace accidents, and we will decrease our accident frequency rate by 25% between 2011 and 2016. OHSAS 18001 will be implemented at all main sites by 2016.

### OUTCOME 2014:

The accident frequency rate was 6.7 (8.4) per million hours worked. Compared with the reference year 2011, this is a 26% decrease.

By the end of 2014, 51% (45) of SCA's 67 main sites were certified according to OHSAS 18001.



## Climate & energy

### TARGET:

We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year. We will triple our production of biofuels from our forests by 2020, with 2010 as reference year. The production of wind power on SCA forest land will increase to 5 TWh by 2020.

### OUTCOME 2014:

At year-end 2014, CO<sub>2</sub> emissions in relation to the production level had declined by 15.3%, compared with the reference year 2005. SCA's production of biofuel from its own forests amounted to 687 GWh (870 GWh in the reference year 2010). Wind energy from SCA forest land totaled 1.1 TWh (0.75).



## Fiber sourcing & Biodiversity

### TARGET:

We will achieve and maintain our target of zero fresh fiber-based material from controversial sources\*, including pulp.

We will preserve the biodiversity of our forests. A minimum of 5% of our productive forest land will be set aside from forestry in our ecological landscape plans and a further 5% will be set aside as part of our consideration for nature in our managed forests.

### OUTCOME 2014:

All deliveries of pulp to SCA's facilities meet the requirements of the Group target. All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.

7% of SCA's productive forest land has been set aside from forestry in the long term in our ecological landscape plans. In 2014, 14% of the area in planned harvesting sites was set aside for preservation.



## Water

### TARGET:

We aim to achieve water sustainability and we will reduce our water usage in water-stressed regions by 10% by 2015, with 2010 as reference year. All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.

### OUTCOME 2014:

By year-end 2014, water usage in water-stressed regions in relation to the production level had declined by 13.7%, compared with the reference year 2010. Mechanical and biological effluent treatment systems have been or are being installed at all of the Group's 43 pulp and paper mills.

\* Controversial sources are defined as:

- Illegally logged timber.
- Timber from forests with a high conservation value.
- Timber from areas where human rights or traditional rights of indigenous people are being violated.

SCA's THREE STRATEGIC PRIORITIES: GROWTH, INNOVATION AND EFFICIENCY

# GROWTH

SCA is well positioned to leverage the growth potential existing in both mature and emerging markets.





## BETTER HYGIENE EVERYWHERE

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 strong growth for hygiene products. The effect of the trend 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, market penetration and demand for hygiene products are rising in emerging markets.

When it comes to hygiene solutions, our goal is to make our knowledge about hygiene available to customers and consumers, and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life.

# The importance of profitable growth

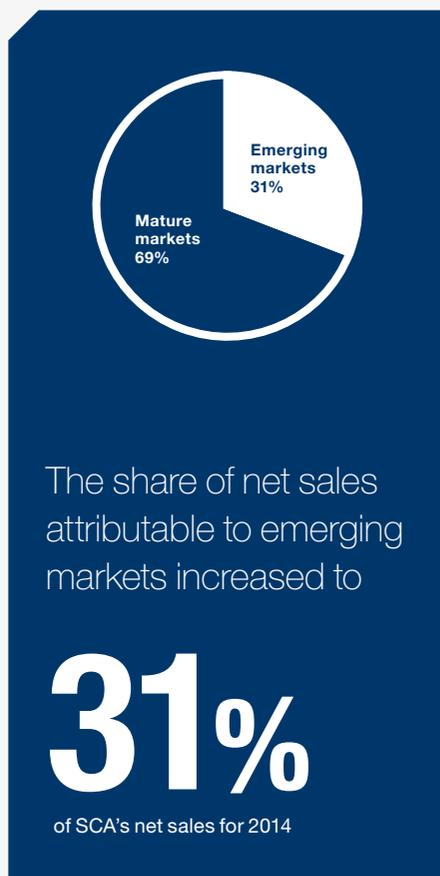
In 2014, SCA's net sales rose 12%. SCA holds leading positions in Europe, North America, Latin America and Asia. Through strong global and regional market positions and brands, innovation, efficient production and world-leading sustainability work, SCA is well positioned to leverage the growth potential existing in both mature and emerging markets.



While growth will mainly be organic, acquisitions will also be pursued. SCA aims to grow and strengthen its positions in both mature and emerging markets by, for example, broadening its offering of product categories, product

ranges and services, as well as growing in new segments and channels. SCA's long-term goal is to be the leading company and strengthen its brand positions in the markets that it serves.

Increasing the hygiene business's share of the SCA Group has been a strategic step toward reducing the company's sensitivity to economic fluctuations and thereby ensuring a more long-term stable level of profitability and growth.



## Outcome 2014

SCA's net sales in 2014 rose 12% compared with 2013 and amounted to SEK 104,054m (92,873). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 3%, of which volume accounted for 2% and price/mix for 1%. Organic sales growth was 2% in mature markets and 9% in emerging markets. Emerging markets accounted for 31% of sales, including Vinda. The acquisition of the majority shareholding in the Chinese company Vinda increased sales by 7%. Divestments decreased sales by 1%. Exchange rate effects increased sales by 3%.

SCA has increased the share of Group sales attributable to its hygiene business in recent years and the figure for 2014 amounted to 84%. The remaining 16% was attributable to Forest Products.

SCA is a majority shareholder in the Chinese hygiene company Vinda with a shareholding of 51.4%. SCA has consolidated Vinda since the

first quarter of 2014. The company's cooperation with Vinda was strengthened in 2014 through the transfer of SCA's hygiene operations in China, Hong Kong and Macau to Vinda. An exclusive licensing agreement allows Vinda to market and sell SCA's TENA (incontinence care products), Tork (AfH tissue), Tempo (consumer tissue), Libero (baby diapers) and Libresse (feminine care) brands in China, Hong Kong and Macau. Vinda acquired SCA's Dr P brand for incontinence care products and Sealer brand for baby diapers. The transaction, which was completed on October 1, 2014, has provided Vinda with access to a broader product portfolio and given SCA's brands the potential to reach a wider base of consumers and customers through Vinda's extensive and robust distribution network in China. Benefits are anticipated for both SCA and Vinda in terms of distribution, sales, innovation and R&D.

**Business areas:****PERSONAL CARE**

Net sales in the **Personal Care** business area rose 4% in 2014 compared with 2013, with sales growth reported in all three product segments. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 3%, of which volume accounted for 2% and price/mix for 1%. Organic sales growth was 0% in mature markets and 7% in emerging markets. Emerging markets accounted for 43% of sales. Exchange rate effects increased sales by 1%.

**TISSUE**

Net sales in the **Tissue** business area rose 19% in 2014 compared with 2013, with sales growth reported in both product segments. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 1%, of which price/mix accounted for 0% and volume for 1%. Including organic sales growth in Vinda, organic sales growth amounted to 3%. Organic sales growth was 0% in mature markets and 7% in emerging markets. Emerging markets accounted for 30% of sales, including Vinda. The acquisition of the majority shareholding in the Chinese company Vinda increased sales by 14%. Divestments lowered sales by 1%. Exchange rate effects increased sales by 5%.

**FOREST PRODUCTS**

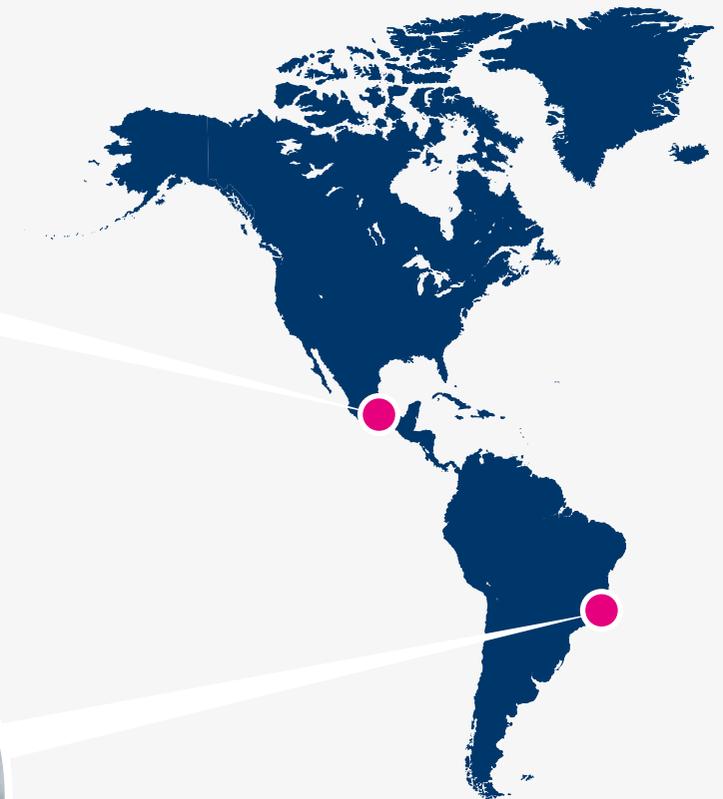
Net sales in the **Forest Products** business area rose 6% in 2014 compared with 2013. Sales growth, excluding exchange rate effects and divestments, was 10%, of which price/mix accounted for 5% and volume for 5%. The divestment of the publication paper mill in Laakirchen decreased sales by 5%. Exchange rate effects increased sales by 1%.

# Examples of emerging markets

## Mexico

In Mexico, SCA is the market leader in incontinence products under the globally leading TENA brand, as well as in feminine care products under the regional brand Saba. SCA holds a number three position in baby diapers with such brands as BabySens and DryKids and a number two position in consumer tissue under such brands as Regio. SCA sells AfH tissue in Mexico under the global Tork brand and holds a number three position.

SCA has five production facilities in Mexico. In 2014, SCA reported sales of SEK 3,406m in Mexico, corresponding to approximately 3% of total Group sales. Mexico is SCA's ninth largest market.



## Brazil

In Brazil, SCA manufactures and sells incontinence products. Incontinence products are sold to the premium segment under the globally leading TENA brand. SCA also manufactures and sells incontinence products under the strong local brand Biofral.

Brazil is the third largest retail market in the world for incontinence products and the largest in terms of emerging markets.

Following the acquisition of Pro Descart in 2011, SCA became Brazil's second largest producer of incontinence products. Since the acquisition, SCA has grown and captured market shares in incontinence products.

SCA has one production facility in Brazil. In 2014, SCA reported sales of SEK 514m in Brazil.

## India

In 2013, SCA introduced its hygiene products to the Indian market. India's large population and the low penetration of hygiene products provides a potential for future growth. The country's middle class grows each year and once people's most basic needs for food and shelter are met, health and hygiene become top priorities.

In India, SCA has introduced the Libero brand for baby diapers and baby-care products, the Tempo brand for consumer tissue and the globally leading Tork brand for AfH tissue.

In line with SCA's goal to increase awareness of hygiene, sanitation and health in all of our markets, SCA conducted a program in 2014 through which SCA reached 2,300 doctors, 5,000 hospitals and clinics and



## Russia

SCA is the market leader in tissue in Russia with the brands Zewa (consumer tissue) and Tork (AfH tissue). In personal care products, SCA holds a number two position in incontinence products with the TENA brand. SCA holds a number four position in baby diapers with the Libero brand and in feminine care products with the Libresse brand.



## China

Trends such as higher disposable income and an increasing population and middle class are making China a growing market for hygiene products. Hygiene products currently has a low market penetration in China. One example of the low market penetration in China is that tissue consumption per capita per year in the country is only about one-third of that in Western Europe.

SCA is now a majority shareholder in the Chinese hygiene company Vinda. Vinda holds a number three position in the Chinese tissue market, which is the second largest tissue market in the world. In October 2014, SCA transferred its hygiene business in China, Hong Kong and Macau to Vinda. Vinda acquired the Sealer brand for baby diapers and the Dr P brand for incontinence products from SCA, and through an exclusive licensing agreement, Vinda now has the opportunity to market and sell SCA's TENA (incontinence products), Tork (AfH tissue), Tempo (consumer tissue), Libero (baby diapers) and Libresse (feminine care products) brands in China, Hong Kong and Macau. It will now be possible for SCA's brands to reach more Chinese customers and consumers through Vinda's strong, broad distribution network, while Vinda will gain access to a broader product portfolio. Benefits are anticipated for both SCA and Vinda in terms of distribution, sales, innovation and R&D.

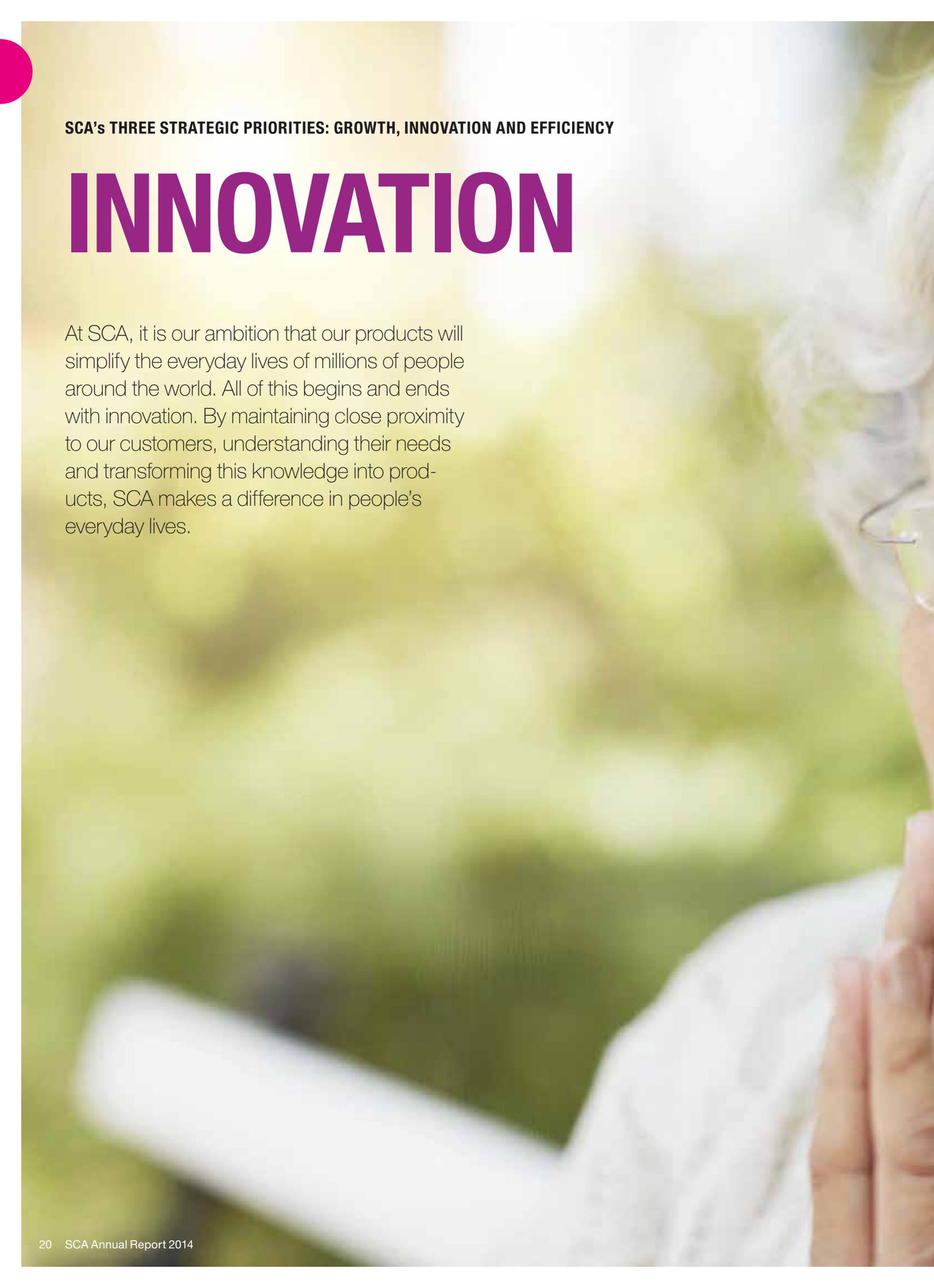
Vinda has eight production facilities in China: one production facility for personal care products and seven production facilities for tissue.

In 2014, SCA reported sales of SEK 6,976m in China, corresponding to about 7% of total Group sales. China is SCA's fifth largest market.

1.2 million mothers and babies providing them with parental guidance, as well as communicating the importance of good hand hygiene to more than eight million people. Education initiatives offer SCA the opportunity to establish a presence in India while contributing to improved health and even saving lives through increased hygiene awareness.

SCA is investing SEK 150m in the local production of hygiene products in south-west India. Production at the plant will commence in 2015.





**SCA's THREE STRATEGIC PRIORITIES: GROWTH, INNOVATION AND EFFICIENCY**

# INNOVATION

At SCA, it is our ambition that our products will simplify the everyday lives of millions of people around the world. All of this begins and ends with innovation. By maintaining close proximity to our customers, understanding their needs and transforming this knowledge into products, SCA makes a difference in people's everyday lives.



About 30 innovations and product launches were introduced by SCA in 2014.

## **TENA enables an ACTIVE LIFESTYLE**

In the incontinence product segment, SCA – under the globally leading TENA brand – continuously strives to improve the lives of people suffering from incontinence. TENA improves the quality of life of those living with incontinence and allows many people to remain social and active. This work includes the development of new and improved products that simplify everyday life, as well as contributing knowledge and information. In many regions of the world, incontinence is surrounded by social taboos, which means that it is vital to increase understanding and acceptance of the condition and thereby increasing market penetration.

SCA introduced several innovations and product launches under the TENA brand in 2014, including TENA Lady Normal and Extra with Body Shaped DRYZone. This new body-shaped dry zone is specifically shaped to offer superior protection to prevent leaks. Coupled with our unique Fresh Odour Control™ technology, this new concept offers a high level of protection.

## **TENA enables BETTER CARE**

SCA is also working to improve continence care in nursing homes, hospitals and elderly care. TENA Identifi is a breakthrough innovation for continence care and was developed in response to a distinct need expressed by SCA's customers. The solution is based on a sensor that registers how much urine is released and when. Information is gathered for three days and is then used as the basis for a continence care plan, with individually adapted incontinence products. The product offers several benefits – the life of the individual is improved and caregivers gain more time to do an even better job, often at a lower cost. TENA Identifi was launched in 2013 and has since been introduced in eight markets.

# Innovation that makes a difference in people's lives

With leading brands such as TENA, Tork, Libero, Libresse, Lotus, Nosotras, Saba, Tempo and Vinda, SCA's innovations are essential to people's everyday lives around the world. Innovation drives growth and profitability and is one of the company's three strategic priorities. Innovation is crucial when it comes to building our brands and meeting customer and consumer needs.

SCA's innovation process is deeply embedded in the Group's strategy and business model. Innovation activities are based on market trends, customer and consumer insight, new technology and new business models. SCA also takes sustainability aspects and product safety into consideration throughout the process. SCA's presence in both mature and emerging markets provides a good understanding of trends and customer and consumer needs.

#### **Innovation-driven culture**

Innovation work is supported by SCA's innovation teams across the globe and a well-devel-

oped innovation culture. SCA's strategy is to increase the pace of innovation, capitalize on global economies of scale and ensure that all segments have a competitive and balanced portfolio of innovations. Particular focus is given to exploring the possibility of broadening the product portfolio, as well as expanding the range of services.

SCA encourages open innovation – meaning cooperation with external parties. Open innovation is an important part of the innovation process and offers a number of benefits, such as providing input from adjacent industries, speeding up development processes and cutting costs.

SCA depends on motivated, competent and high-performing employees who have a personal sense of drive and are encouraged to be innovative. To further capitalize on its employees' creativity and good ideas, SCA has created an internal innovation platform that can be used during all stages of a project to ask for help with solutions and find people with the right expertise.

In 2014, SCA introduced about 30 innovations and product launches and applied for 48 patents.

## **Christoph Michalski, President of SCA Global Hygiene Category:**

# **“INNOVATION IS PART OF SCA'S DNA”**

### **1. What does innovation mean to SCA?**

“As for most companies, innovation is critical for SCA. This is not just true for our products in Tissue, Personal Care and Forest Products – it is true for the entire business process. Every day, numerous employees are involved in innovation at the company. Their work follows the same logic as product and brand innovation. It requires insight, inspiration, creativity, systematic development and risk taking – and a lot of hard work and discipline.

“Our innovations are generally focused on three areas: satisfying new needs, improving existing products and increasing sustainability. This is a continuous process that involves consumer and customer insights, scanning the competitive environment and searching for new ideas, materials and production pro-

cesses – all with the aim of making improvements.”

### **2. Why is innovation important?**

“Improved product performance is essential for keeping our existing and trusted products and brands up to date. Innovation serves as a significant value driver for our business by increasing customer and consumer satisfaction, cutting costs and improving our sustainability performance. In 2014, we introduced about 30 innovations and product launches and applied for 48 patents.”

### **3. What does it mean – innovation is part of SCA's DNA?**

“When it comes to brand and product innovation, we have dedicated resources and are using increasingly sophisticated processes

and technologies to ensure that our offering remains competitive and attractive to customers and consumers. Since our product innovations directly influence growth and profitability, we tend to highlight these innovations more than others.”

“But there are many other examples: Our ESAVE program focuses on reducing the energy consumption of our plants. The aim of the program is to find new and creative ways to cut energy consumption without compromising on product quality or production reliability. Finding new ways of reaching customers and optimizing our investments and cooperation with retailers also requires new ideas, validation, formalization, testing and finally roll-out. There are also fundamental elements of innovation in our production processes. The Forest Products business area has developed



a method for extracting and verifying detailed forest data using laser scanning. This method can be used to produce detailed data, for example, on tree species composition, tree length and tree age, not only for SCA's own forests but for all forests in northern Sweden. This information is now being offered to private forest owners in the region as part of the partnership between SCA and its wood raw material suppliers."

**4. Tell us about meeting new needs.**

**Can you give some examples?**

"TENA Identifi and TENA U-test are both examples of new ways of using incontinence products by adding a sensor or a detector, making it possible to measure the amount and frequency of urine released or to detect a urinary tract infection. These innovations are

easy to use for both caregivers and patients. Tork EasyCube™ is an IT-based service for public toilets that provides cleaning staff with real-time data to determine when public toilets need to be cleaned or dispensers need to be refilled, thereby allowing them to optimize their service routines. Another example is Libresse Roll.Press.Go™, which makes it easier to discretely and hygienically dispose of used feminine care products by rolling used pads in their packaging before throwing them away."

**5. How is innovation linked to sustainability?**

"Lower energy consumption, less packaging, lower material consumption, optimized materials and reduced waste contributes to our own sustainability performance, as well as that of our customers. A perfect example is the trend towards thinner baby diapers. Without com-



Christoph Michalski, President of SCA Global Hygiene Category

promising on absorbency levels, our new, thinner products offer greater comfort and more freedom to move. At the same time, using less material reduces waste and transport costs, and optimizes shelf space for our retail customers."

# EXAMPLES OF INNOVATIONS AND PRODUCT LAUNCHES IN 2014

## Libero Up&Go

The complete European Libero Up&Go range has been upgraded with an improved fit adjusted to the baby's unique body, softly following in every move. These diapers offer a high absorption capacity to ensure optimal leakage protection.



## Libero Comfort

The entire Libero Comfort range has been upgraded with softer and more flexible elastics around the legs. The diapers also offer an improved fit and better comfort.



## Tempo Protect™

New Tempo Protect™ antibacterial handkerchiefs and wet wipes. Tempo Protect was launched in Hong Kong.



## Tork Xpressnap® Image line napkin dispensers with Tork Xpressnap® Extra Soft Leaf Design napkins

This new range of napkin dispensers focuses on design and is targeted at image-conscious customers. At the same time, it reduces napkin usage by at least 25% compared to traditional dispensers. The dispenser, which contains high-quality napkins, is made from aluminum and walnut and is available in two sizes. Winner of the Red Dot Product Design Award in 2014.



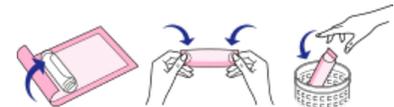
## Libresse CurveFit™ & Multistyle liners

Libresse CurveFit™ panty liners are uniquely shaped to perfectly fit a woman's body shape for maximum comfort. The new Multistyle liners are the most absorbent liners designed to fit any style of underwear.



## Libresse Roll.Press.Go™

Libresse Roll.Press.Go™ is a hygienic solution which addresses the problem of disposing of used pads. Now women can simply roll up a used pad, place it in the wrapper and press the self-sealing edges to close. This offers a hygienic and discreet way to dispose of used feminine care products. The product is also sold under the SCA brands Bodyform, Nana, Nuvenia, Saba, Nosotras and Libra.



1. Roll

2. Press

3. Go



**TENA Lady Normal and Extra with Body Shaped DRYZone**

This new body-shaped dry zone is specifically shaped to offer superior protection to prevent leaks. Coupled with our unique Fresh Odour Control™ technology, this new concept offers a high level of protection.



**Tork EasyCube™**

Tork EasyCube™ is an IT-based service for public restrooms that provides real-time data on toilet use, giving an instant overview of when and where cleaning is required and dispensers need to be refilled.



**Tork SmartFresh™**

Tork SmartFresh™ is an IT-based service for public restrooms that provides easy access to real-time data showing the number of restroom visits. This allows cleaning schedules to be adapted to actual toilet use. Tork SmartFresh™ gives the restroom area a distinctive design and provides the end user with a new restroom experience. For example, a media screen can be used to display information or advertisements. Tork SmartFresh™ also offers added freshness thanks to its automatic scent and toilet cleaning function.



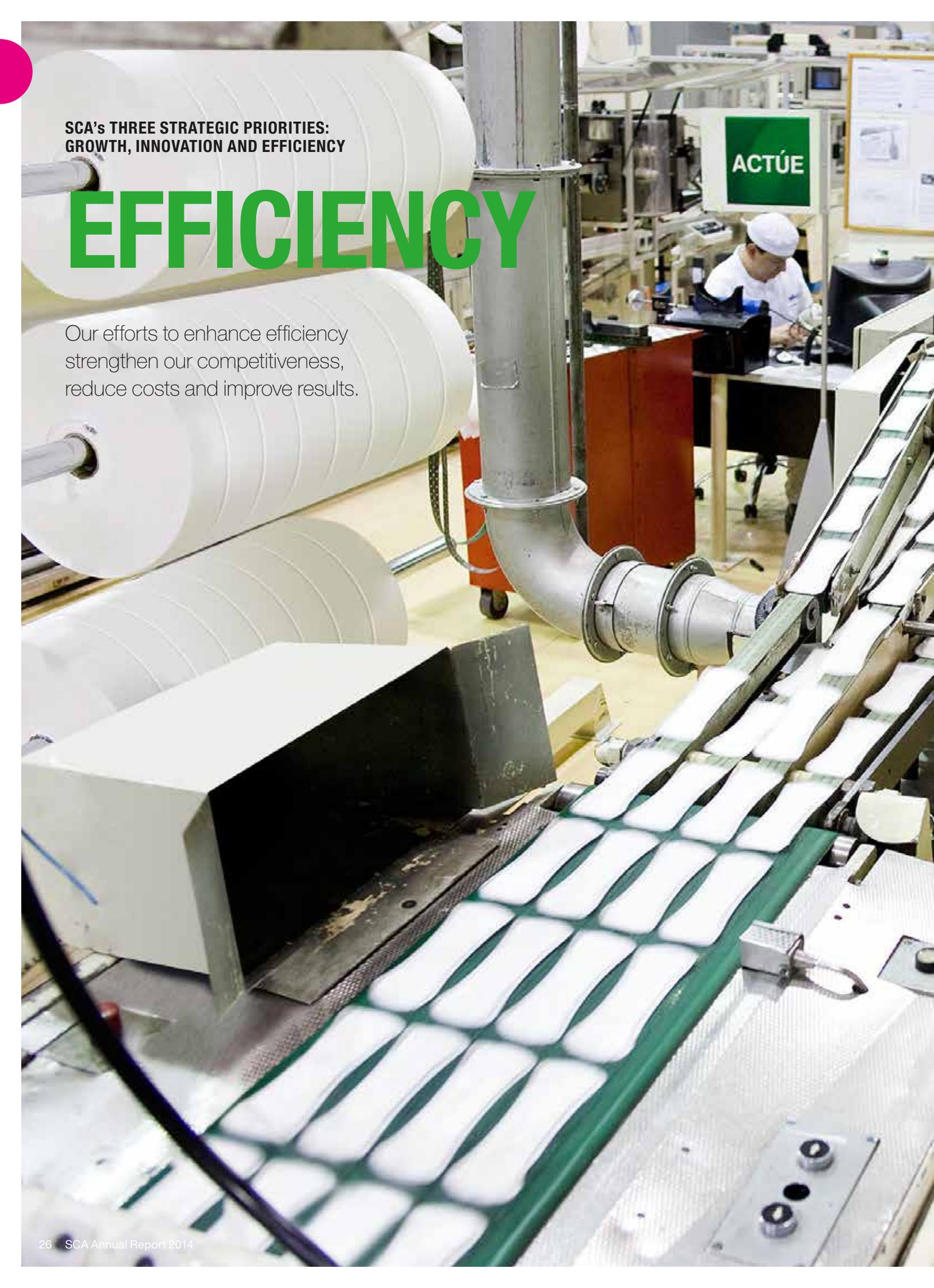
**Tork Xpressnap® Drive Thru dispenser**

This new dispenser ensures that napkins are dispensed in controlled quantities. The dispenser was designed to make it quick and easy to take a napkin in drive-through areas in fast food restaurants.

**TENA Pants Normal**

TENA Pants Normal are 20% thinner and the new body-close fit makes them more comfortable. A drier and softer surface promotes good skin health and double leakage barriers combined with a cup-shaped core provide a high sense of security.



A photograph of a paper mill. In the foreground, large rolls of white paper are being processed by machinery. A worker in a white uniform and cap is visible in the background, working at a control station. A green sign with the word 'ACTÚE' is mounted on the machinery. The overall scene is industrial and brightly lit.

**SCA's THREE STRATEGIC PRIORITIES:  
GROWTH, INNOVATION AND EFFICIENCY**

# EFFICIENCY

Our efforts to enhance efficiency strengthen our competitiveness, reduce costs and improve results.



## SUSTAINABLE COMMITMENT

Sustainability is an integral part of SCA's business model and is of critical importance to our success and profitability. Sustainability work contributes to business value in a number of ways.

By promoting and investing in resource efficiency, the environmental impact and costs are reduced.

Since 2003, SCA's ESAVE energy-efficiency program has contributed to energy savings and improved efficiency in all business areas. In 2010, SCA adopted a new target for ESAVE: to reduce energy consumption per ton of product produced by 14% by 2020. In 2014, 113 ESAVE projects were implemented, resulting in a 3.2% reduction in energy used per ton of product produced. This corresponds to a decrease of 810,000 MWh in energy consumption compared with 2013. The accumulated energy savings in the 2010–2014 period amounts to 7.7%.

ESAVE encompasses investments in energy-efficient technical solutions, the involvement of employees in daily improvement activities and a general change in attitude toward the use of energy at SCA. Knowledge-sharing is leveraged across the company through training and network events and ESAVE is part of several on-boarding programs for young engineers. A typical ESAVE project could involve reducing electricity consumption by improving or replacing pumps, compressors, fans or lighting. Experiences are documented and provide effective support for future improvement efforts.

# More efficient operations strengthen competitiveness

Enhanced capital efficiency, lower costs and strengthened cash flow are achieved through efficiency enhancement and savings measures, as well as the optimization of capital employed in all parts of the Group. Establishing more efficient production and processes strengthens the Group's competitiveness and enables SCA to improve its customer service and customer satisfaction. In most cases, this also results in positive environmental effects. Global functions in the hygiene operations relating to such areas as innovation and brand activities, as well as production, sourcing and logistics, generate cost synergies and enable efficient resource allocation. For the sake of efficiency, SCA chooses to work with partners in certain areas of the world.

## Outcome 2014

In 2012, SCA launched three cost-cutting programs: two in its hygiene operations and one in Forest Products.

The total cost savings in 2014 amounted to SEK 3,935m.

Cost savings related to the cost-cutting and efficiency program covering all of SCA's hygiene operations, meaning Personal Care and Tissue, amounted to approximately SEK 2,255m in 2014. The bulk of the savings pertained to production and sourcing. In terms of production, SCA has worked to standardize activities by implementing the most efficient processes at all of its production facilities. With respect to sourcing, the focus has been on achieving economies of scale by centralizing sourcing and consolidating suppliers in a more efficient manner. Total cost savings are expected to amount to EUR 300m upon full effect in 2015. The program was concluded at year-end 2014.

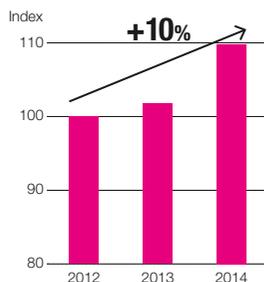
The efficiency program implemented in Forest Products generated an earnings improvement of approximately SEK 1,060m in 2014. The total earnings improvement is expected to amount to

SEK 1,300m upon full effect in 2015. The program was concluded at year-end 2014. Earnings improvements were achieved by reducing fixed and variable costs, improving income through increased production and efficiency enhancement, and implementing a changed product and market mix.

In conjunction with the acquisition of Georgia-Pacific's European tissue operations, synergies were identified that will lead to annual cost savings of EUR 125m upon full effect in 2016. The savings achieved pertained to production, sourcing, logistics, sales and administration. Savings in 2014 amounted to approximately SEK 620m.

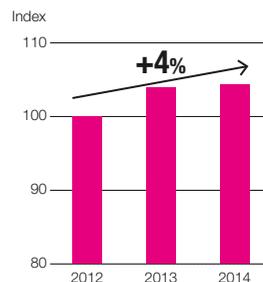
## Machine efficiency Converting

Personal Care



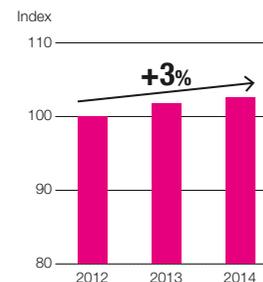
## Machine efficiency Converting

Tissue



## Machine efficiency Paper production

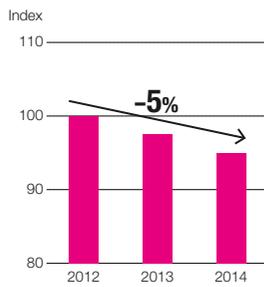
Tissue





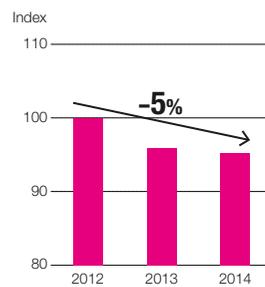
### Sourcing costs

Personal Care and Tissue



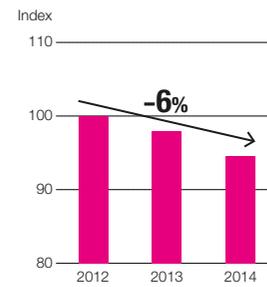
### Logistics costs

Personal Care and Tissue



### Energy consumption

Tissue



# OUR VALUABLE BRANDS

SCA is a leading global hygiene and forest products company with the ambition of establishing a strong corporate brand and strengthening the link to our customer and consumer brands.

SCA has undergone a major transformation in recent years, completing a number of acquisitions and divestments around the world. To increase the awareness about SCA and to strengthen the connection to the company's customer and consumer brands, as well as provide women the opportunity to act in an arena that has normally been reserved for men, are some of the reasons for SCA to participate with a female team, Team SCA in the Volvo Ocean Race 2014–2015.

Our participation with Team SCA and the opportunity to follow the crew's journey in the Volvo Ocean Race have played an important role in SCA's journey of change to increase awareness of SCA, our products and the approximately 80 brands in SCA's portfolio, including the global leaders TENA and Tork and strong regional brands such as Lotus, Libresse, Tempo, Libero, Saba and Nosotras.

The Volvo Ocean Race serves as a unique global marketing platform to unite and connect target groups, such as customers, consumers, other external target groups and employees, with SCA's operations and brands worldwide, in order to increase awareness of SCA and strengthen the perception of the Group as a leading global hygiene and forest products company.

Within the framework of SCA's participation with the female Team SCA in the Volvo Ocean Race, opportunities have been created for meetings and dialogs with different parties, including customers and consumers, employees and the media, during the various legs and stopovers of the ocean race. People were given the opportunity to meet our crew and learn more about SCA and how our products and solutions can make everyday life easier for millions of people around the world. Team SCA has a strong visual identity. Hundreds of thousands of people have passed by and visited SCA's pavilion during the stopovers and we have attracted considerable attention from the global media.

SCA is dedicated to creating value for people and nature. During the stopovers in Alicante,

Spain, and Cape Town, South Africa, seedlings were donated for tree planting projects.

During all stops, we invited children from local preschools, schools and orphanages to show and teach them about how good hand hygiene impacts people's health. This work is linked to our long-standing philosophy of educating people around the world about such issues.

We want to inspire people to live life to the fullest and to go after their goals and dreams. We work to raise awareness of the importance of good hygiene, to break taboos regarding incontinence and to support young women in their development, for example, by educating them about what happens to their bodies during puberty and when they have their period. In late 2014, SCA announced its partnership with the Water Supply and Sanitation Collaborative Council (WSSCC), the only UN body devoted solely to the sanitation and hygiene needs of vulnerable and marginalized people. As part of this partnership, SCA and WSSCC educated young girls, women and volunteers about menstruation and hygiene in conjunction with Team SCA's stopover in Cape Town.

Several other communication activities have been implemented and continue to be carried out on an ongoing basis. The TV series "No Ordinary Women" has been and will be on air in some 30 countries in 2014 and 2015. In the digital photo mosaic "Amazing Women Everywhere," people have the opportunity to share images and stories about inspiring women. For each photo uploaded, SCA is donating EUR 1 to the WWF. A cooperation with Getty Images contributes to highlight and inspire female photographers.

SCA and the women of Team SCA have already inspired and motivated tens of thousands of people around the world to believe in themselves and to go after their goals and dreams.



*SCA and the women of Team SCA have already inspired and motivated tens of thousands of people around the world to believe in themselves and to go after their goals and dreams.*



# SUSTAINABILITY CREATES PROFITABLE BUSINESS

Sustainability is an integral part of SCA's business model and is of critical importance to our success and profitability. Sustainability work contributes to business value in a number of ways.

## Competitive edge

Efficient sustainability work strengthens our customer relationships and offering. Customers want to work with trusted suppliers with sound operational control that can help them achieve their own sustainability targets. SCA's materiality analysis has shown that customer satisfaction, innovation and product safety are the most important parameters for our customers. Innovations that create value for people and the environment while remaining cost efficient are key factors when it comes to differentiating our offering, creating growth and improving profitability.

## Cutting costs

By promoting and investing in resource efficiency, we are able to reduce our environmental impact and costs. In January 2015, a new lime kiln was inaugurated at SCA's kraftliner mill in Munksund, Sweden. Unlike the old kiln, which was oil fired, the new kiln is fueled with biofuels. This will reduce the mill's fossil CO<sub>2</sub> emissions by 75%, corresponding to 20,000 tons, and cut its costs by SEK 50m annually. SCA's ESAVE energy-efficiency program and coordinated transport activities are other examples of projects that are reducing the Group's costs and its impact on the environment.

## Reducing risks

Having a solid understanding of the risks facing the company, action plans can be established to minimize and manage risks. SCA has sales in about 100 countries and has a large number of

suppliers. We apply a Global Supplier Standard and will use this standard in all supply chain contracts in our global supplier base by 2015. All main SCA sites report their results in the ethical database Sedex and we encourage our suppliers to do the same. We review the conditions in our plants and investigate the business risks arising in our sales companies (business practice reviews).

## Attracting investors and employees

Sustainability issues are becoming increasingly important to many investors. According to a survey conducted by Vigeo, 14% of SCA's shareholders perform sustainability assessments. Vigeo also compared SCA's results with two

competitors and a major Swedish company considered to be a leader in the area of sustainability. SCA had a significantly higher percentage of investors with sustainability criteria than its two competitors and a slightly higher percentage than the Swedish company. Working in a sustainable company creates a greater sense of employee pride. Ethics and values are key factors when it comes to recruiting top talent.

## Strengthening the brand

High-quality sustainability work strengthens a brand's identity and creates long-term value. Sustainability is one of the cornerstones of the SCA brand and a crucial factor in many of SCA's customer and consumer brands.

SCA's sustainability ambitions show what type of company we aim to be, while our sustainability targets are clear and measurable and more immediate in nature.

## SCA's people and nature ambitions

### People ambitions

- We build our position as one of the most trusted companies in the world, delivering sustainable growth and value for our stakeholders.
- We improve hygiene standards worldwide with our hygiene solutions. For the millions of existing users of our products and services, and for the billions of people in emerging markets, we develop innovative solutions that make it easier to live healthy, sustainable lives.
- We support women's empowerment and their freedom to participate fully in society – socially, educationally and professionally – across the world by giving them access to and education about hygiene solutions.

### Nature ambitions

- We deliver sustainable solutions with added value for our customers based on safe, resource-efficient and environmentally sound sourcing, production, and research and development.
- We combat climate change and minimize our impact on the environment through a combination of new innovations and technologies, efficiency gains, consumer initiatives and carbon sequestering in our forests.
- We care for the forests with all of their biodiversity and we are committed to managing and utilizing them responsibly. We aim to maximize the benefits our forests have on our ecosystem, climate, customers and society, through a combination of innovation, efficiency gains and wise and long-term management.

## About the Sustainability Report

SCA publishes a sustainability report each year. The Global Reporting Initiative (GRI) G4 core guidelines are applied in the report and a detailed GRI index table is available at [www.sca.com](http://www.sca.com). The Sustainability Report was reviewed in its entirety by PwC.

SCA's Sustainability Report is available in English and Swedish in a printed version and at [www.sca.com](http://www.sca.com). The Sustainability Report is also SCA's Communication on Progress, a document required of all Global Compact signatories.

The Sustainability Report and the Annual Report should be viewed as a single unit in which information may be provided in either report or, where appropriate, in both. Read more at [www.sca.com](http://www.sca.com) or in SCA's 2014 Sustainability Report.

# LEADERSHIP, CULTURE AND EMPLOYEES

Our employees are SCA's most important asset. The Group depends on motivated and competent employees who are willing to think outside the box and contribute to the company's success. Employee commitment and performance are critical to SCA's ability to meet its goals.

## Leadership

SCA needs leaders who inspire, challenge and motivate. SCA's leaders should energize, encourage and create the right conditions to allow all employees to reach their full potential and help the company achieve its goals. The company's leaders should provide tools that enable each employee to assume responsibility for his or her own development and performance. All professional development at SCA has its starting point in the Group's business goals, and combines the individual's ambitions with the Group's expectations. Each individual is encouraged to develop the capabilities required for current and future positions.

## Culture

According to the two most recent All Employee Surveys, SCA is characterized by extensive employee commitment and a need for a continued focus on innovation and results. The Group's corporate culture is essential to SCA's ability to effectively deliver on its strategy and three strategic priorities. SCA's leaders are expected to assume ownership for their areas of responsibility and expect the same from their teams – every day. This requires that a sense of trust be built between managers and employees, and among co-workers, with open communication and individual responsibility. To achieve a dynamic corporate culture in which teamwork drives innovation and employees motivate and complement one another, SCA endeavors to attract people with different experiences, personalities, nationalities, perspectives and skills.

## Professional development

Professional development opportunities for managers and employees at SCA are to reflect a combination of business needs and individual aspirations. SCA aims to ensure that all employees have an individual development plan that is followed up during their performance reviews. SCA has a structured, needs-based model for professional development, with significant emphasis placed on continued workplace learning through various experiences. Most development activities are thus connected to daily work and everyday situations. We have established a

number of development programs in order to strengthen our employees' capabilities in specific areas.

## Leadership development activities

SCA's leadership platform serves as the foundation for our expectations of all leaders in the company. Accordingly, our leadership development activities are directly linked to this platform. To further strengthen specific leadership skills, SCA has established five basic leadership development programs: Leadership@SCA, a one-day on-boarding program for all newly appointed managers; the Core 1 program, a development program aimed at individuals who have been managers for 6-12 months; two programs designed to create value and improve the development and results of the operation; and Core 2, a new leadership program developed in 2014 to help individuals develop their capabilities to lead in a complex environment, engage people and drive change. The Core 2 program will be implemented in 2015.

## Functional development activities

In 2014, SCA also developed specific platforms for various functions, with the same structure as our leadership platform. This means that we now have corresponding development programs for our marketing personnel and other employees, and will continue to implement selected activities for other functions in 2015. Most of these activities focus on the employees' continued development in their daily work, providing the experience required in each individual function.

## SCA GO! program

The SCA GO! program is designed to provide newly graduated students with an opportunity to get their first job. The program was developed in line with Life Inspiring Careers, SCA's global concept for ensuring its attractiveness as an employer worldwide and its ability to continue to attract the right employees. The program, which includes on-boarding activities, challenging project work and participation in networking functions, is designed to help newly graduated students become part of SCA, develop their skills in specific areas and establish their own networks and capabilities.

## SCA GO! PROGRAM

"I've gained a real understanding of the scope and complexity of the work involved in a truly global company and realize how important SCA's brands are, both locally and internationally. I enjoy the variety of tasks, the fast tempo and the creativity involved in my work. I was given the opportunity to assume real responsibility from the very start and was able to lead my own projects. I also had the chance to take on challenges, such as presenting the brand plans for Bodyform 2015 at the annual winter conference. We're particularly interested in succeeding with digital and social media, since these are becoming increasingly important channels for communicating with consumers."

**Alice Boardman**, Assistant Brand Manager, SCA Hygiene Products UK and participant in the SCA GO! program



# VALUE FOR OUR STAKEHOLDERS

Through our focus on development and our solid understanding of and ability to respond to new requirements and demands, we create sustainable growth and profitability, thereby generating value for our stakeholders.

## Shareholders

SCA's overall long-term objective is to generate increased value for its shareholders. This is achieved through a positive share price trend and dividends.

SCA aims to provide long-term stable and increasing dividends to its shareholders. Over a business cycle, approximately one-third of cash flow from current operations (after interest expenses and tax) is normally allocated for dividends.

**Outcome 2014:** SCA's share price declined 15% in 2014. The Board of Directors proposes that the dividend be raised by 10.5% to SEK 5.25 (4.75) per share. Accordingly, dividend growth over the most recent five-year period amounted to 7.2%.

The proportion of shareholders that only invest in ethical and sustainable companies is on the rise and 14% of SCA's shareholders perform sustainability screening. SCA is included in a number of sustainability indexes, including the FTSE4Good index series, OMX GES Sustainability Sweden PI and OMX GES Sustainability Nordic PI.

## Customers and consumers

To create additional customer and consumer value, SCA focuses on developing new, attractive products and services, evolving and improving its existing offerings, and expanding its range. With its comprehensive customer and consumer insight, SCA aims to not only meet consumers' needs, but to exceed their expectations.

SCA has many different customers, from corporate customers, including the retail trade, distributors, printing houses, restaurants, schools, and medical and healthcare services, to consumers of SCA's products.

SCA's sustainability work helps its customers achieve their own sustainability targets. By jointly working for greater efficiency and innovation, SCA and its customers can supply high-quality sustainable products that meet and exceed consumer needs and expectations.

SCA works to provide information about hygiene and its hygiene products and solutions. In emerging markets, SCA sells hygiene products and solutions that are specially adapted to consumers with limited resources.

**Outcome 2014:** SCA held the number 1 or 2 position in at least one hygiene product segment in about 90 countries. We offered a broad portfolio of products ranging from the premium segment to the economy segment. SCA continued to educate young women about menstruation and puberty, as well as educating children about the importance of hand hygiene and providing training for nurses in the field of incontinence care. Our products were distributed to both major corporate customers and small local stores. The complaint frequency rate for Personal Care in 2014 was less than one in a million supplied products and the corresponding figure in the Tissue operations was 2.4 per thousand tons. About 30 innovations and product launches were introduced in 2014.



## Economic value creation by stakeholder in 2014<sup>1)</sup>

Interest paid to creditors, 1% (SEK 961m)  
 Taxes paid, 2% (SEK 2,101m)  
 Dividend to shareholders, 3% (SEK 3,564m)  
 Employee social security costs, 3% (SEK 2,929m)  
 Remaining in the company, 13%<sup>2)</sup> (SEK 13,347m)  
 Employee salaries, 13% (SEK 13,592m)  
 Suppliers, 65%<sup>3)</sup> (SEK 67,559m)



<sup>1)</sup> Based on SCA net sales 2014.

<sup>2)</sup> Current expenditures, restructuring costs, strategic investments and acquisitions.

<sup>3)</sup> Raw materials, transport and distribution, energy and other cost of goods sold.

### Suppliers

SCA strives to have transparent, long-term relationships with its suppliers to guarantee both high quality and financial stability for both parties. Purchasing accounts for SCA's single largest expense. To achieve economies of scale, most input goods, such as pulp, electricity and chemicals, are purchased centrally. Forest raw materials are often purchased locally, which provides a substantial financial contribution to local suppliers and the local economy. Another way of building value is to develop the suppliers' expertise through training and cooperation. SCA's goals in the area of responsible sourcing encompass all suppliers of raw materials and input goods. SCA's Global Supplier Standard serves as a basis for ensuring that the company's suppliers meet the highest standards in terms of social and environmental responsibility and product safety.

**Outcome 2014:** SCA paid SEK 67.6bn to its suppliers during 2014.

SCA continued its efforts to enhance the efficiency and coordinate control of the supply chain by centralizing the purchasing of global commodities. A total of 71% of SCA's hygiene supplier base and 83% of its forest products supplier base have signed the SCA Global Supplier Standard and its requirements with regard to social responsibility, product safety and the environment.

### Employees

Our employees are SCA's most important asset. The Group depends on motivated and competent employees who are willing to think outside the box and contribute to the company's success. Employee commitment and performance are critical to SCA's ability to successfully pursue its strategy, meet its goals and continue to develop. SCA's leaders should energize, embolden and create the right conditions to allow all employees reach their full potential. We create value for our employees by offering professional development opportunities and a stimulating, safe and healthy work environment. SCA offers employment terms and benefits that are in line with prevailing market terms.

**Outcome 2014:** During 2014, SCA paid approximately SEK 13.6bn in salary to its employees.

In 2014, we developed a new leadership program known as Core 2 to help individuals develop their capabilities to lead in a complex environment, engage people and drive change. The program will be implemented in 2015.

In 2014, SCA also developed specific platforms for various functions, with the same structure as our leadership platform. This means that we now have corresponding development programs for our marketing personnel for example, and will continue to implement selected programs for other functions in 2015. Most of these activities focus on the employees' continued development in their daily work, providing the experience required in each individual function. The SCA GO! program is designed to provide newly graduated students with an opportunity to find their first job. The program was developed under Life Inspiring Careers, SCA's global concept for ensuring its attractiveness as an employer worldwide and its ability to continue to attract the right employees. The program, which includes on-boarding activities, challenging project work and participation in networking functions, is designed to help newly graduated students become part of SCA, develop their skills in specific areas and establish their own networks and capabilities.

### Society

SCA contributes to the local economy as a major employer in many regions and through its community involvement. Aside from income tax, SCA also pays property taxes, payroll taxes, pension taxes, customs duties and energy taxes.

SCA's aim is to strengthen its relationships with the communities in which we operate, and to make a difference in people's lives. In accordance with SCA's guidelines for community involvement, we prioritize initiatives with a clear link to SCA's operations, geographic presence, expertise and core values of respect, responsibility and excellence. This means that many of our efforts pertain to hygiene, health and the environment, and are often directed at women and children. SCA's initiatives include both large-scale investments and small projects with a local focus. These projects cover everything from education and donations to disaster relief and tree planting. Many employees and customers are interested in SCA's community involvement, and our initiatives thus provide us with competitive advantages in these areas.

**Outcome 2014:** SCA paid SEK 2.1bn in income tax in 2014.

SCA invested approximately SEK 24m in 300 local community involvement projects during the year. In 2014, SCA entered into a partnership with the Water Supply and Sanitation Collaborative Council (WSSCC), the only UN body devoted solely to the sanitation and needs of vulnerable and marginalized people. Through this partnership, SCA aims to break the menstrual taboos that jeopardize the health of millions of women every day, to raise awareness of the importance of good menstrual hygiene and to enable women and communities to take measures to prevent menstruation from becoming an obstacle to women's ability to participate fully in society – socially, educationally and professionally.

# THE SCA SHARE

SCA shares are quoted and traded on NASDAQ OMX Stockholm, and as American Depositary Receipts (ADR level 1) in the US through Deutsche Bank. The final 2014 closing price on NASDAQ OMX Stockholm for SCA's B share was SEK 168.90 (198.00), corresponding to a market capitalization of SEK 119bn (140) at December 31, 2014. In 2014, the share price fell 15%, while the OMX Stockholm 30 Index rose 10% during the same period. The highest closing price for SCA's B share during the year was SEK 199.20, which was noted on January 22. The lowest price was SEK 157.50 on October 16. The proposed dividend is SEK 5.25 (4.75) per share. For more information, refer to the section "Dividend and dividend policy" on page 38.

## Index

On NASDAQ OMX Stockholm, SCA is included in the OMX Stockholm 30 Index and in the Personal & Household Goods sector within Consumer Goods. In addition to indexes directly linked to NASDAQ OMX Stockholm, SCA is included in other indexes, such as the FTSE Eurofirst 300 Index. Within MSCI, SCA is included in Household Products within Consumer Staples. SCA is also represented in sustainability indexes, including FTSE4Good, OMX GES Sustainability Sweden PI and OMX GES Sustainability Nordic PI.

## Liquidity

In 2014, the volume of SCA shares traded on NASDAQ OMX Stockholm was 495 million (462), corresponding to a value of approximately SEK 88bn (77). Average daily trading for SCA on NASDAQ OMX Stockholm amounted to about 2 million shares, corresponding to a value of approximately SEK 354m (307). Trading on BATS Chi-X Europe, Turquoise and Burgundy amounted to approximately 261 million SCA shares during the year.

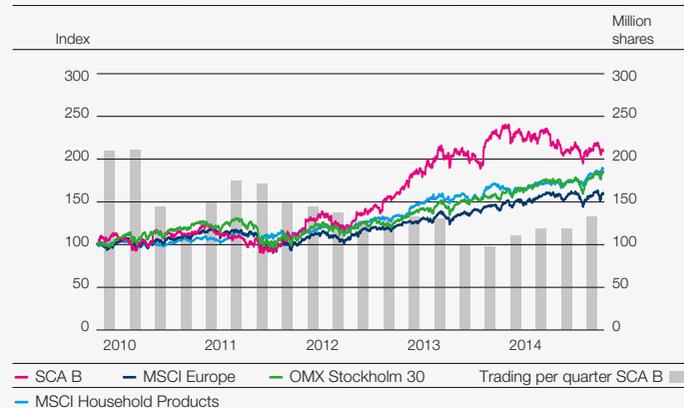
## Ownership

Some 39% (37) of the share capital is owned by investors registered in Sweden and 61% (63) by foreign investors. The US and the UK account for the highest percentage of shareholders registered outside Sweden.

### Total shareholder return 2014



### Total shareholder return 2010–2014



### Total shareholder return 2012–2014



<sup>1)</sup> Weighted index of competitors' total shareholder return. Competitors are selected to reflect SCA's operations. The index is used when comparing the SCA share performance over a three-year term for the long-term portion (LTI) of senior executives' variable remuneration.

### SCA's ten largest shareholders

According to SIS Ågarservice at December 30, 2014, the following companies, foundations and mutual funds were the ten largest registered shareholders based on voting rights:

Shareholders	No. of A shares	No. of B shares	Votes (%)	Holding (%)
Industrivärden AB	40,500,000	30,380,897	29.4	10.1
Handelsbanken*	19,857,841	12,503,289	14.3	4.5
Norges Bank Investment Management	8,066,000	39,053,417	8.1	6.7
Skandia	2,336,684	851,899	1.6	0.5
Swedbank Robur Funds	–	12,516,218	0.8	1.8
AMF Insurance and Funds	–	10,468,117	0.7	1.5
SCA Employee Foundation	982,845	74,406	0.7	0.1
SEB Funds and Trygg Life Insurance	383,056	6,017,114	0.7	0.9
Second Swedish National Pension Fund	230,663	4,219,515	0.4	0.6
T Rowe Price Funds	–	6,250,034	0.4	0.9

\* Including funds and foundations.

Source: SIS Ågarservice

**Data per share**

All earnings figures include items affecting comparability unless otherwise indicated.

SEK per share unless otherwise indicated	2014	2013	2012	2011	2010
Earnings per share after full tax:					
After dilution	9.40	7.90	7.06	0.78	7.90
After dilution, excluding items affecting comparability <sup>7)</sup>	11.07	9.07	10.25	8.00	8.65
Before dilution	9.40	7.90	7.06	0.78	7.90
Market price for B share:					
Average price during the year	178.87	168.27	116.77	95.80	100.20
Closing price, December 31	168.90	198.00	141.00	102.00	106.20
Cash flow from current operations <sup>1) 7)</sup>	11.60	8.90	10.59	7.55	9.24
Cash flow from operating activities	16.92	13.43	15.95	14.44	15.68
Dividend	5.25 <sup>2)</sup>	4.75	4.50	4.20	4.00
Dividend growth, % <sup>3)</sup>	7	6	0	1	1
Dividend yield, %	3.1	2.4	3.2	4.1	3.8
P/E ratio <sup>4)</sup>	18	25	20	N/A	13
P/E ratio, excluding items affecting comparability <sup>4) 7)</sup>	15	22	14	13	12
Price/EBIT <sup>5) 7)</sup>	15	19	21	47	14
Price/EBIT, excluding items affecting comparability <sup>5) 7)</sup>	14	17	15	14	13
Beta coefficient <sup>6)</sup>	0.77	0.62	0.86	0.83	0.82
Pay-out ratio (before dilution), %	56	60	64	N/A	51
Equity, after dilution <sup>7)</sup>	103	96	88	87	96
Equity, before dilution <sup>7)</sup>	103	96	88	87	96
Number of registered shares, December 31 (millions)	705.1	705.1	705.1	705.1	705.1
of which treasury shares (millions)	2.8	2.8	2.8	2.8	2.8

<sup>1)</sup> See definitions of key figures on page 140.<sup>2)</sup> Board proposal.<sup>3)</sup> Rolling five-year data.<sup>4)</sup> Share price at year-end divided by earnings per share after full tax and dilution.<sup>5)</sup> Market capitalization plus net debt plus non-controlling interests divided by operating profit. (EBIT = earnings before interest and taxes).<sup>6)</sup> Share price volatility compared with the entire stock exchange (measured for rolling 48 months).<sup>7)</sup> 2012 and 2013 restated in accordance with IFRS 10 and 11.**Ticker names**

Nasdaq OMX Stockholm	SCA A, SCA B
New York (ADR level 1)	SVCBY

**Percentage of foreign ownership, capital**

■ Sweden, 39%

■ Outside Sweden, 61%

**Shareholder structure**

Holding	No. of shareholders	No. of shares	Holding (%)	Votes (%)
1-500	48,565	8,350,442	1.2	1.3
501-1,000	11,897	9,102,850	1.3	1.3
1,001-5,000	13,017	28,086,960	4.0	4.3
5,001-10,000	1,697	12,119,986	1.7	1.8
10,001-20,000	750	10,741,629	1.5	1.3
20,001-	1,141	636,708,227	90.3	90.0
<b>Total</b>	<b>77,067</b>	<b>705,110,094</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear

**Share distribution**

December 31, 2014	Series A	Series B	Total
Number of registered shares	86,049,923	619,060,171	705,110,094
of which treasury shares		2,767,605	2,767,605

**Share issues, etc. 1993-2014**

Since the beginning of 1993, the share capital and the number of shares have increased due to issues of new shares, conversions and splits, as detailed below:

	No. of shares	Increase in share capital, SEKm	Cash payment, SEKm	Series A	Series B	Total
1993 Conversion of debentures and new subscription through Series 1 warrants	4,030,286	40.3	119.1			
New share issue 1:10, issue price SEK 80	17,633,412	176.3	1,410.7	62,145,880	131,821,657	193,967,537
1994 Conversion of debentures	16,285	0.2	-	62,145,880	131,837,942	193,983,822
1995 Conversion of debentures	3,416,113	34.2	-	62,145,880	135,254,055	197,399,935
1999 New share issue 1:6, issue price SEK 140	32,899,989	329.0	4,579.0	62,133,909	168,166,015	230,299,924
2000 Conversion of debentures	101,631	1.0	15.0	61,626,133	168,775,422	230,401,555
2001 New issue, private placement	1,800,000	18.0	18.0	45,787,127	186,414,428	232,201,555
2002 New subscription through IIB warrants	513	0	0.1	41,701,362	190,500,706	232,202,068
2003 Conversion of debentures and subscriptions through IIB warrants	2,825,475	28.3	722.9	40,437,203	194,590,340	235,027,543
2004 Conversion of debentures	9,155	0.1	1.1	40,427,857	194,608,841	235,036,698
2007 Split 3:1	470,073,396	-	-	112,905,207	592,204,887	705,110,094



**Dividend and dividend policy**

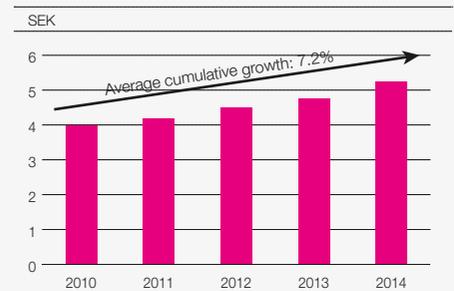
SCA aims to provide long-term stable and rising dividends to its shareholders. Over a business cycle, approximately one-third of cash flow from current operations (after interest expenses and tax) is normally allocated to dividends. If, in the long term, cash flow from current operations exceeds what the company can place in profitable expansion investments, the surplus is to be used to amortize loans or be returned to shareholders through higher dividends or share repurchases. The Board of Directors proposes that the dividend be raised by 10.5% to SEK 5.25 (4.75) per share for the 2014 fiscal year. Accordingly, dividend growth over the most recent five-

year period amounted to 7.2%. The 2014 dividend represents a dividend yield of 3.1%, based on SCA's share price at the end of the year.

**Incentive program**

SCA's incentive program is designed to contribute to the creation of shareholder value. The program for senior executives consists of two components, one of which is tied to the total shareholder return on the SCA share compared with an index consisting of SCA's largest global competitors. For more information about the structure of the program, see Note 6 (Personnel and Board costs) on pages 103–104.

**Dividend per share**



# INFORMATION TO SHAREHOLDERS

## Annual General Meeting

The Annual General Meeting of Svenska Cellulosa Aktiebolaget SCA will be held on Wednesday, April 15, 2015 at 3 p.m. at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden. Registration for the Annual General Meeting will start at 1:30 p.m.

### Notification of attendance

Shareholders who wish to attend the Annual General Meeting must:

- be listed in the shareholders' register maintained by Euroclear Sweden AB on Thursday, April 9, 2015, and
- give notice of their intention to attend the meeting no later than Thursday, 9 April 2015.

Notification may be given in any of the following manners:

- by telephone +46 8 402 90 59, weekdays between 8:00 a.m. and 5:00 p.m.
- on the Internet at [www.sca.com](http://www.sca.com)
- by mail to Svenska Cellulosa Aktiebolaget SCA, Corporate Legal Affairs, P.O. Box 200, SE-101 23 Stockholm, Sweden

In addition to notification, shareholders who have their shares registered through a bank or other nominee must request to be entered into the share register temporarily by Thursday, April 9, 2015 at the latest, in order to be entitled to attend the meeting. In such cases, the shareholder should instruct the nominee of this well in advance of Thursday, April 9, 2015.

Name, personal identity number/corporate registration number, address and telephone number, and number of accompanying persons, if any, should be stated when notification is given. Shareholders represented by proxy should deliver a proxy in the original to the company prior to the Annual General Meeting. Proxy forms are available upon request and on the company website [www.sca.com](http://www.sca.com). Anyone representing a corporate entity must present a copy of the registration certificate, not older than one year, or equivalent authorization document, listing the authorized signatories.

The Notice convening the Annual General Meeting can be found on the company website [www.sca.com](http://www.sca.com)

## Nomination Committee

- Carl Olof By, AB Industrivärden, Chairman of the Nomination Committee
- Håkan Sandberg, Handelsbankens Pensionsstiftelse and others
- Yngve Slyngstad, Norges Bank Investment Management
- Caroline af Ugglas, Skandia
- Sverker Martin-Löf, Chairman of the Board of SCA

The Nomination Committee prepares, among other things, the proposal for the election of Board members.

## Dividend

The Board of Directors proposes a dividend of SEK 5.25 per share and that the record date for the dividend be Friday, April 17, 2015. Payment through Euroclear Sweden AB is expected to be made on Wednesday, April 22, 2015.

## Financial information 2015–2016

<b>Interim report</b> (Jan 1–Mar 31, 2015)	April 30, 2015
<b>Interim report</b> (Jan 1–Jun 30, 2015)	July 16, 2015
<b>Interim report</b> (Jan 1–Sep 30, 2015)	October 29, 2015
<b>Year-end report</b> for 2015	January 28, 2016
<b>Annual Report</b> for 2015	March 2016

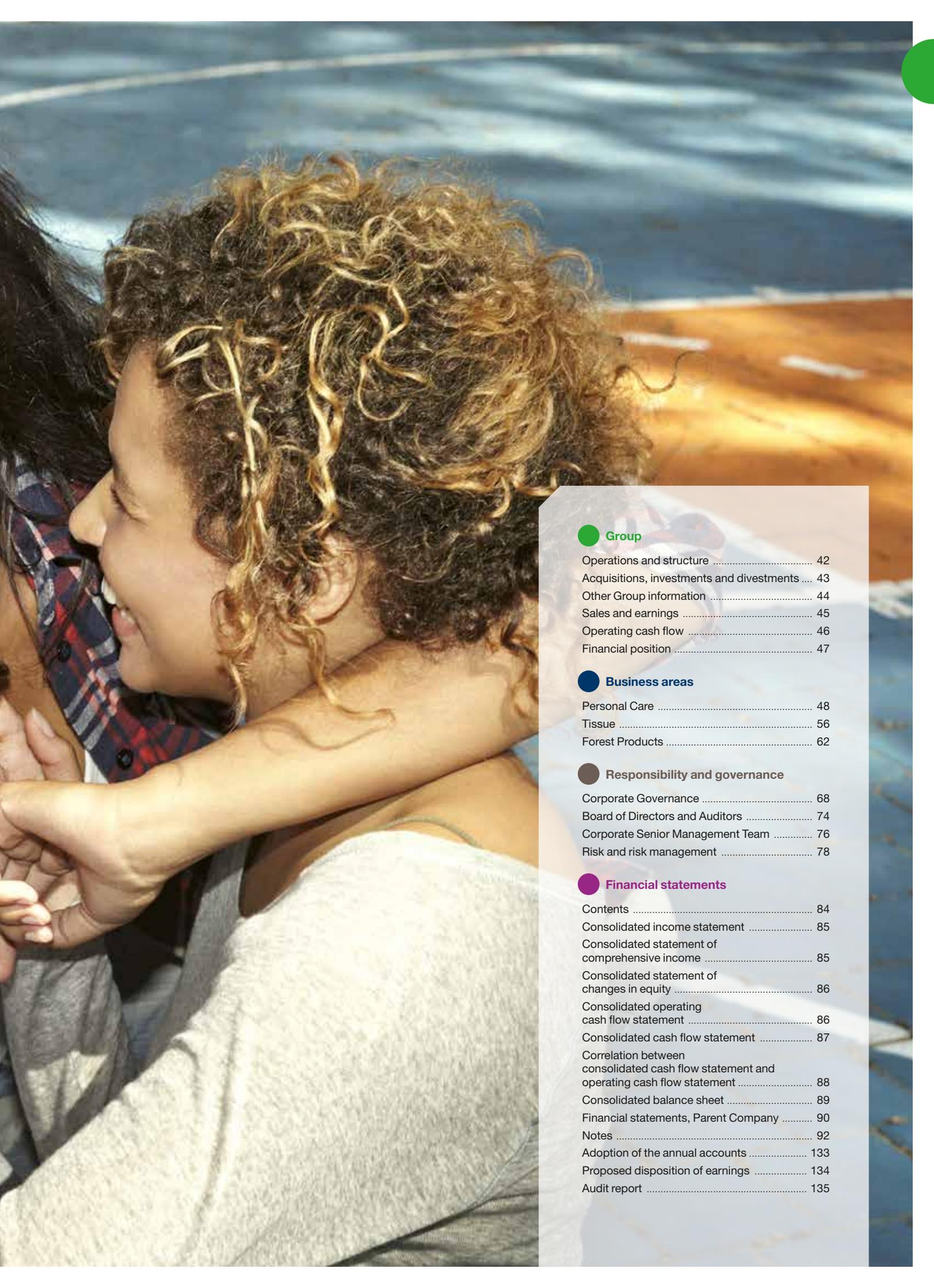
Annual Reports, year-end reports and interim reports are published in Swedish and English (in the event of differences between the English translation and the Swedish original, the Swedish text shall prevail) and can be downloaded from SCA's website [www.sca.com](http://www.sca.com). Annual Reports can also be ordered from:  
Svenska Cellulosa Aktiebolaget SCA  
Group Function Communications  
P.O. Box 200  
SE-101 23 Stockholm, Sweden  
Tel +46 8 788 51 00

### Subscriptions to publications:

Subscription to SCA's press releases, interim reports and year-end reports can be arranged by registering an e-mail address on the SCA website.

A photograph of a young man and woman embracing outdoors. The woman, on the right, has long dark hair and is wearing a blue and red plaid shirt. She is smiling broadly, showing her teeth. The man, on the left, has dark, wavy hair and a beard, and is wearing a grey shirt. He is looking up at her. The background is a blurred blue sky with some clouds. A green circle is visible in the top left corner of the page.

# BOARD OF DIRECTORS' REPORT



## Group

Operations and structure .....	42
Acquisitions, investments and divestments ....	43
Other Group information .....	44
Sales and earnings .....	45
Operating cash flow .....	46
Financial position .....	47

## Business areas

Personal Care .....	48
Tissue .....	56
Forest Products .....	62

## Responsibility and governance

Corporate Governance .....	68
Board of Directors and Auditors .....	74
Corporate Senior Management Team .....	76
Risk and risk management .....	78

## Financial statements

Contents .....	84
Consolidated income statement .....	85
Consolidated statement of comprehensive income .....	85
Consolidated statement of changes in equity .....	86
Consolidated operating cash flow statement .....	86
Consolidated cash flow statement .....	87
Correlation between consolidated cash flow statement and operating cash flow statement .....	88
Consolidated balance sheet .....	89
Financial statements, Parent Company .....	90
Notes .....	92
Adoption of the annual accounts .....	133
Proposed disposition of earnings .....	134
Audit report .....	135

# Operations and structure

SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care products, tissue and forest products.

SCA divides and reports its operations according to three business areas – Personal Care, Tissue and Forest Products. Personal Care consists of three product segments: incontinence products, baby diapers and feminine care. Tissue includes consumer tissue and Away-from-Home (AfH) tissue, and Forest Products comprises paper for packaging and print, pulp, solid-wood products and renewable energy.

While Europe is SCA's largest market, the Group also holds strong positions in North America, Latin America and Asia. Expansion takes place through both organic growth and acquisitions, primarily within Personal Care and Tissue.

SCA is Europe's largest private forest owner, with 2.6 million hectares of forest land, which covers approximately half of the Group's timber supply and enables efficient raw material integration and effective cost control.

## Organization

SCA has seven business units:

- SCA AfH Professional Hygiene Europe, which offers AfH tissue.
- SCA Consumer Goods Europe, which offers consumer products.
- SCA Incontinence Care Europe, which offers incontinence products.
- SCA Asia Pacific, which offers tissue and personal care products.
- SCA Americas, which offers tissue and personal care products.
- SCA MEIA (Middle East, India and Africa), which offers tissue and personal care products.

- SCA Forest Products, which offers paper for packaging and print, pulp, solid-wood products and renewable energy.

In addition to its business units, SCA has established two global units:

- Global Hygiene Category (GHC), with global responsibility for customer and consumer brands and innovation in the hygiene business.
- Global Hygiene Supply (GHS), with global responsibility for purchasing, production planning, technology and investments in the hygiene business.

The organization has six Group functions: Finance, Human Resources, Sustainability, Legal Affairs, Communications, and Strategy and Business Development. Strategy and Business Development is also responsible for the Group's Global Business Services (GBS) and IT Services. GBS has global responsibility for providing professional and transactional services in finance, HR administrative support, organization of master data, and office-related support and service to all units within SCA.

## Significant events during the year

SCA became the first Swedish listed company to raise SEK 1,500m through a green bond issue. The proceeds will be used for investments in projects with a positive environmental impact.

SCA strengthened its presence in the Middle East through the acquisition of the outstanding 50% of the joint venture company Fine Sancella in Jordan from Nuqul Group.

The joint venture Asaleo Care, with operations in Australia, New Zealand and Fiji, was floated on the stock exchange. After the listing, SCA's holding in Asaleo Care now amounts to 32.5%.

SCA's cooperation with the Chinese hygiene company Vinda was strengthened through the transfer of SCA's hygiene operations in China, Hong Kong and Macau to Vinda, in which SCA is the majority owner with a shareholding of 51.4%.

## Significant events after the end of the year

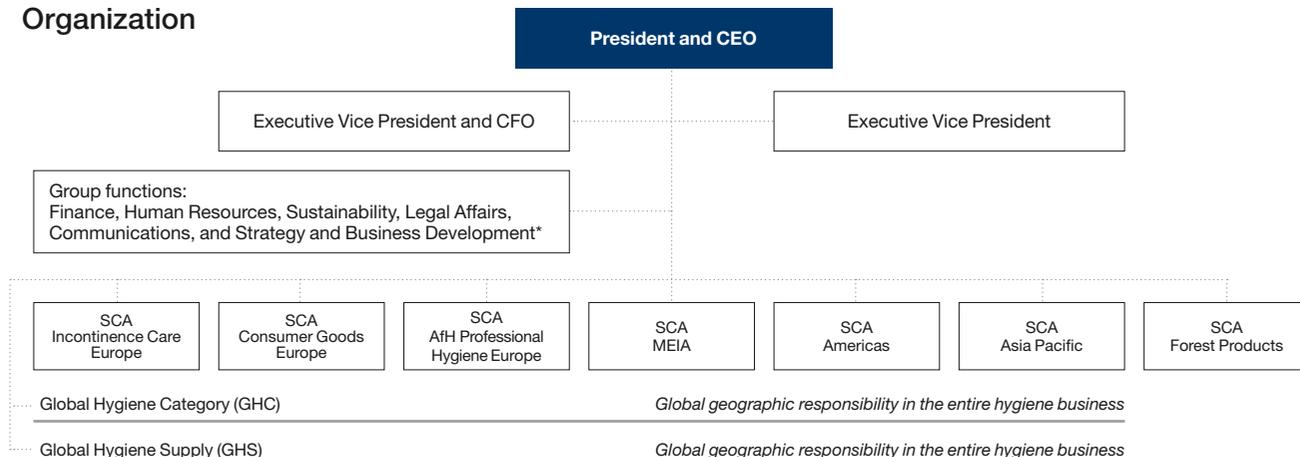
SCA's Chairman of the Board, Sverker Martin-Löf, announced on January 22, 2015 that he would not be available for re-election to the Board of SCA by the Annual General Meeting on April 15, 2015.

SCA announced on February 10, 2015 that Jan Johansson would be stepping down as President and CEO as of February 28, 2015 and that Magnus Groth had been appointed and would assume the role of President and CEO as of March 1, 2015.

In addition to engaging PricewaterhouseCoopers to conduct an additional investigation into the use of SCA's business aviation, Svante Forsberg, Authorized Public Accountant with Deloitte, and Johan Munck, former Justice of the Supreme Court, have also been appointed to carry out an investigation into the use of SCA's business aviation and hunting for hospitality purposes.

Following media attention, a preliminary investigation has been initiated by a public prosecutor.

## Organization



\* The Strategy and Business Development Group function is also responsible for Global Business Services (GBS) and IT Services. GBS has global responsibility for providing professional and transactional services in finance, HR administrative support, organization of master data, and office-related support and service to all units within SCA.

# Acquisitions, investments and divestments

## **Strengthened presence in the Middle East**

In 2014, SCA strengthened its presence in the Middle East through the acquisition of the outstanding 50% of the joint venture company Fine Sancella in Jordan from Nuqul Group. The purchase price for the outstanding shares was approximately USD 25m (SEK 171m) on a debt-free basis. Fine Sancella is a leading player in feminine care products in parts of the Middle East under the Nana and Cinderella brands. The company had sales of approximately SEK 200m in 2013.

## **Stock market floatation of joint venture**

### **Asaleo Care**

In 2014, SCA's joint venture in Australia, New Zealand and Fiji – Asaleo Care – was floated on the Australian Securities Exchange (ASX). SCA's holding in Asaleo Care after the IPO is 32.5%. Asaleo Care manufactures and markets consumer tissue and AfH tissue, baby diapers, feminine care products and incontinence products. Leading brands include TENA, Tork, Sorbent, Libra and Treasures. The company had net sales of AUD 625m (approximately SEK 3.9bn) in 2013 and an operating profit of AUD 97m (approximately SEK 610m) with approximately 1,050 full-time employees. The market capitalization was approximately AUD 995m (approximately SEK 6,300m), of which SCA's share of ownership

amounted to approximately AUD 323m (approximately SEK 2,040m). SCA will continue to report the holding in accordance with the equity method. TENA and Tork are SCA's globally leading brands for incontinence products and AfH tissue, respectively. These two brands will continue to be owned by SCA but will be licensed to Asaleo Care for sales of products under these brands in Australia, New Zealand and Fiji.

## **Strengthened cooperation with the Chinese hygiene company Vinda**

In 2014, SCA strengthened its cooperation with the Chinese company Vinda through the transfer of its hygiene business in China, Hong Kong and Macau to Vinda. As part of the transaction, SCA and Vinda signed an exclusive licensing agreement allowing Vinda to market and sell the SCA brands TENA (incontinence products), Tork (AfH tissue), Tempo (consumer tissue), Libero (baby diapers) and Libresse (feminine care) in China, Hong Kong and Macau. Under this agreement, Vinda holds the rights to these brands in the Chinese markets in question. Vinda acquired SCA's Dr P and Sealer brands in China. SCA has been a shareholder in Vinda since 2007, became its majority shareholder in 2013 and has consolidated Vinda since 2014. SCA's hygiene business in China, Hong Kong and Macau had net sales of approximately SEK 600m in 2013. The purchase

consideration amounts to approximately HKD 1,144m (approximately SEK 1,000m) on a debt-free basis, which corresponds to SCA's carrying amount. Vinda is listed on the Hong Kong Stock Exchange.

## **Investment in Tunadal sawmill**

In 2014, SCA decided to invest approximately SEK 500m in a new saw line at Tunadal sawmill. As a result of this investment, production at the sawmill will increase to 540,000 cubic meters of spruce solid-wood products. The new saw line is expected to be operational in 2016.

# Other Group information

## Parent Company

The Group's Parent Company, Svenska Cellulosa Aktiebolaget SCA (publ), owns most of the forest land and other real estate relating to forestry operations, and grants felling rights for standing timber to the subsidiary SCA Skog AB. The Parent Company is otherwise a holding company with the main task of owning and managing shares in a number of business group companies and performing Group-wide management and administrative functions. In 2014, the Parent Company recognized operating income of SEK 414m (457) and profit before appropriations and tax of SEK 4,116m (5,870). During the year, the Parent Company's net investments and divestments in shares and participations in companies outside SCA amounted to SEK 0m (-150). Investments in property and non-current assets totaled SEK 544m (1,056) during the year. Cash and cash equivalents at year-end amounted to SEK 0m (0).

## Research and development (R&D)

Research and development costs during the year amounted to SEK 1,050m (998), corresponding to 1% of consolidated net sales. R&D is coordinated and conducted from a global perspective. Product development is carried out in close cooperation with the local units, as well as through direct collaboration with customers. A slightly more long-term approach is adopted when it comes to R&D in the fields of materials and technology.

## Holdings of treasury shares

SCA implemented a directed cash issue of a total of 1,800,000 shares in 2001. These shares were subsequently acquired by SCA to be used for transfer to senior executives and key individuals under the employee stock option program. The program ended in 2009. Following the share split in 2007 and transfer of the shares under the concluded program, the company holds a total of 2,767,605 treasury shares.

## Distribution of shares

During the year, 1,367,612 Class A shares were converted in Class B shares. The proportion of Class A shares was 12.2% at year-end.

## Dividend

The Board of Directors proposes that the dividend be raised by 10.5% to SEK 5.25 (4.75) per share. The dividend is expected to total approximately SEK 3,687m (3,336). Accordingly, dividend growth over the most recent five-year period amounted to 7.2%. The Board's assessment is that the proposed dividend will provide the Group with the scope to fulfill its obligations and make the required investments. The record date for entitlement to receive dividends is proposed as April 17, 2015.

## Environmental impact in Sweden

In 2014, SCA conducted 15 operations for which a permit is required in Sweden. Operations for which permits are required accounted for 15% of consolidated net sales. Five permits relate to the manufacturing of pulp and paper. These operations impact the environment through emissions to air and water, solid waste and noise. Nine permits relate to the production of solid-wood and value-added wood products, and biofuel. These operations affect the environment through emissions to air and water, and noise. One permit relates to the manufacture of fuel pellets. This operation affects the environment through emissions to air and water, as well as noise.

## Guidelines for remuneration of senior executives

The Board of Directors has decided to propose to the 2015 Annual General Meeting the following unchanged guidelines for determining salaries and other remuneration for senior executives to apply for the period following the Annual General Meeting.

"Remuneration to the CEO and other senior executives will be a fixed amount, possible variable remuneration, additional benefits and pension. Other senior executives include Executive

Vice Presidents, Business Unit Managers and other equivalent managers, as well as Central Staff Managers. The total remuneration is to correspond to market practice and be competitive in the senior executive's field of profession. Fixed and variable remuneration are to be linked to the manager's responsibility and authority. For the CEO, as well as for other senior executives, the variable remuneration is to be limited and linked to the fixed remuneration. The variable remuneration is to be based on the outcome of predetermined objectives and, as far as possible, be linked to the increase of value of the SCA share, from which the shareholders benefit. Programs for variable remuneration should be formulated so that the Board, if exceptional financial circumstances prevail, has the possibility to limit, or refrain from, payment of variable remuneration if such an action is considered reasonable and in compliance with the company's responsibility to shareholders, employees and other stakeholders.

In the event of termination of employment, the notice period should normally be two years if termination is initiated by the company, and one year when initiated by the senior executive. Severance pay should not exist.

Pension benefits are to be either defined benefit or defined contribution plans, or a combination of both, and entitle the senior executive to pension from the age of 60, at the earliest. To earn the pension benefits, the period of employment must be long term, at present 20 years. When resigning before the age providing entitlement to pension, the senior executive will receive a paid-up pension policy from the age of 60. Variable remuneration is not pensionable income. Matters of remuneration to senior executives are to be dealt with by the Remuneration Committee and, as regards the President, be resolved by the Board of Directors."

The Board's proposal concurs with the guidelines adopted by the 2014 Annual General Meeting. For information concerning the company's application of these guidelines and information on the company's expenses, see Note 6 on pages 103–104.

# Sales and earnings

SCA's operating profit for 2014, excluding items affecting comparability, rose 14% compared with the preceding year. Earnings improved due to a better price/mix, higher volumes, cost savings and the acquisition of the majority shareholding in the Chinese company Vinda.

## Net sales

SCA's net sales for 2014 increased 12% compared with the preceding year and amounted to SEK 104,054m (92,873). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 3%, of which volume accounted for 2% and price/mix for 1%. Organic sales growth was 2% in mature markets and 9% in emerging markets.

## Performance

SCA's operating profit for 2014, excluding items affecting comparability totaling SEK -1,400m (-1,239), rose 14% compared with the preceding year and amounted to SEK 11,849m (10,381).

Financial items decreased to SEK -961m (-1,061). The decrease was attributable to lower interest rates, which compensated for a higher average level of net debt during the year. Profit before tax, excluding items affecting comparability, rose 17% to SEK 10,888m (9,320). The average tax rate for operating earnings for the year, excluding items affecting comparability, was 24.3%. Profit for the year, excluding items affecting comparability after tax of SEK -1,176m (-820), amounted to SEK 8,244m (6,681). Earnings per share attributable to owners of the Parent amounted to SEK 11.07 (9.07) excluding items affecting comparability and to SEK 9.40 (7.90) including items affecting comparability.

## Key figures

The Group's gross margin amounted to 25.5%, compared with 25.1% in the preceding year, and the operating margin, excluding items affecting comparability, was 11.4%, compared with 11.2% in 2013. The return on capital employed, excluding items affecting comparability, was unchanged at 11% (11). The return on equity, excluding items affecting comparability, improved to 12% (11). The interest coverage ratio rose to 10.9, compared with 8.6 in the preceding year.

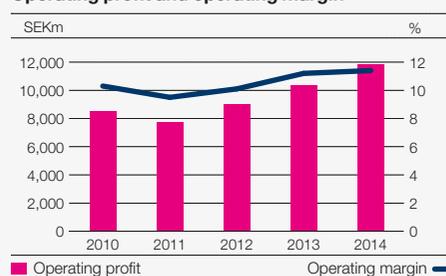
## Summary income statement

SEKm	2014	2013 <sup>2)</sup>	2012 <sup>2)</sup>
<b>Net sales</b>	<b>104,054</b>	<b>92,873</b>	<b>89,229</b>
<b>Gross profit</b>	<b>26,534</b>	<b>23,288</b>	<b>22,194</b>
<b>Operating profit<sup>1)</sup></b>	<b>11,849</b>	<b>10,381</b>	<b>9,040</b>
Financial items	-961	-1,061	-1,323
<b>Profit before tax<sup>1)</sup></b>	<b>10,888</b>	<b>9,320</b>	<b>7,717</b>
Tax <sup>1)</sup>	-2,644	-2,639	-737
Profit for the period from disposal group	0	0	503
<b>Profit for the year<sup>1)</sup></b>	<b>8,244</b>	<b>6,681</b>	<b>7,483</b>

<sup>1)</sup> Excluding items affecting comparability amounting to SEK -1,400m before tax and SEK -1,176m after tax for 2014, SEK -1,239m before tax and SEK -820m after tax for 2013 and SEK -2,614m before tax and SEK -2,241m after tax for 2012.

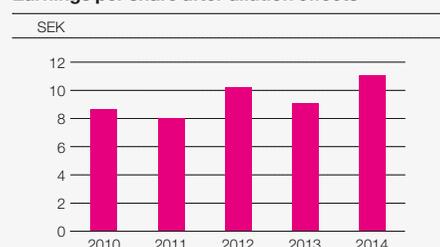
<sup>2)</sup> 2012 and 2013 restated in accordance with IFRS 10 and 11.

## Operating profit and operating margin



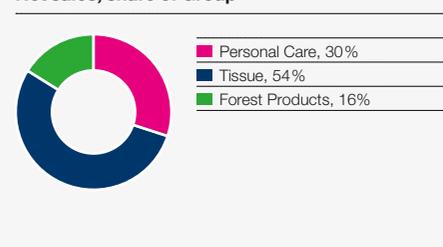
Excluding items affecting comparability.  
2012 and 2013 restated in accordance with IFRS 10 and 11.

## Earnings per share after dilution effects



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

## Net sales, share of Group



# Operating cash flow

A high level of control of the operating cash flow is a key part of SCA's long-term competitiveness strategy. Operating cash flow amounted to SEK 11,184m (8,893). The increase is primarily attributable to a higher operating cash surplus compared with the preceding year.

The operating cash surplus rose 16% to SEK 16,250m (14,004). Working capital increased due to higher inventory values and trade receivables. Working capital in proportion to net sales amounted to 8% (8). Current capital expenditures increased SEK 248m during the year and amounted to SEK 3,737m (3,489), corresponding to 4% (4) of net sales. Operating cash flow increased to SEK 11,184m (8,893).

Financial items decreased SEK 100m to SEK -961m (-1,061). The decrease was attributable to lower interest rates, which compensated for a higher average net debt during the year. Tax

payments totaled SEK 2,101m (1,741). Cash flow from current operations amounted to SEK 8,149m (6,252).

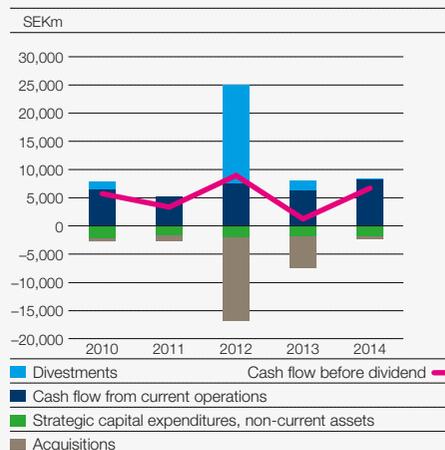
Strategic capital expenditures in non-current assets made to strengthen organic growth totaled SEK 1,816m (1,906). The year's expense for strategic capital expenditures pertained primarily to investments in Tissue in China, Tissue and Personal Care in India, and Personal Care in Spain and Mexico.

Net debt increased by SEK 2,028m during the year and amounted to SEK 35,947m at year-end. Net cash flow decreased net debt by SEK

2,467m. Fair value measurement of pension assets and pension obligations together with fair valuation of financial instruments increased net debt by SEK 2,785m. Exchange rate movements increased net debt by SEK 1,710m.

The debt/equity ratio was 0.49 (0.50), while the debt payment capacity was 39% (38). Excluding pension liabilities, the debt/equity ratio was 0.42 (0.47).

## The Group's cash flow



2012 and 2013 restated in accordance with IFRS 10 and 11.

## Capital expenditures in non-current assets



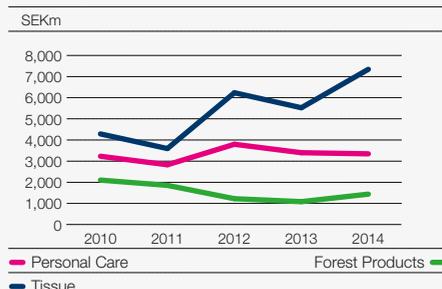
2012 and 2013 restated in accordance with IFRS 10 and 11.

## Summary operating cash flow statement

SEKm	2014	2013 <sup>1)</sup>	2012 <sup>1)</sup>
Operating cash surplus	16,250	14,004	13,068
Change in working capital	-446	-328	1,119
Current capital expenditures, net	-3,737	-3,489	-3,272
Restructuring costs, etc.	-883	-1,294	-988
<b>Operating cash flow</b>	<b>11,184</b>	<b>8,893</b>	<b>9,927</b>
Financial items	-961	-1,061	-1,323
Income taxes paid, etc.	-2,074	-1,580	-1,163
<b>Cash flow from current operations</b>	<b>8,149</b>	<b>6,252</b>	<b>7,441</b>
Acquisitions	-508	-5,488	-14,873
Strategic capital expenditures, non-current assets	-1,816	-1,906	-1,971
Divestments	206	1,716	17,682
<b>Cash flow before dividend</b>	<b>6,031</b>	<b>574</b>	<b>8,279</b>

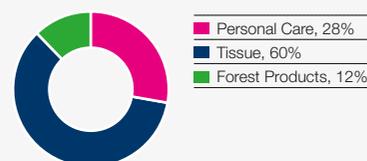
<sup>1)</sup> 2012 and 2013 restated in accordance with IFRS 10 and 11.

## Operating cash flow by business area



2012 and 2013 restated in accordance with IFRS 10 and 11.

## Operating cash flow, share of Group



# Financial position

## Assets and capital employed

The Group's total assets increased 7% compared with the preceding year, amounting to SEK 154,736m (144,976). Non-current assets rose SEK 5,939m compared with the preceding year to SEK 115,485m, of which property, plant and equipment increased SEK 4,486m to SEK 86,030m and intangible assets increased SEK 1,759m to SEK 23,680m. Current and strategic capital expenditures in property, plant and equipment amounted to SEK 5,607m and depreciation for the year to SEK 5,228m.

Current assets rose SEK 3,821m to SEK 39,251m (35,430). Working capital amounted to SEK 8,350m (7,740). Capital employed was 7% higher than in the preceding year and totaled SEK 108,819m (101,730). The distribution of capital employed per currency is shown in the table below.

The value denominated in SEK of the Group's foreign net assets amounted to SEK 57,922m at year-end, including Vinda. In 2013, the Group's foreign net assets totaled SEK 58,597m.

## Equity

Consolidated equity amounted to SEK 72,872m (67,811) at year-end. Net profit for the period increased equity by SEK 7,068m (5,861), while shareholder dividends decreased equity by SEK 3,564m (3,303). Equity declined SEK 2,265m after tax as a result of restatement of the net pension liability to fair value. Fair value measurement of financial instruments increased equity by SEK 80m after tax. Exchange rate movements, including the effects of hedges of net investments in foreign assets, after tax, increased equity by SEK 4,006m. Acquisitions of non-controlling interests decreased equity by SEK 173m. Issue costs in associated companies decreased equity by SEK 49m. The effect of the change in the acquisition balance decreased equity by SEK 42m.

## Financing

The Group's interest-bearing gross debt amounted to SEK 38,886m at year-end. In 2013, interest-bearing gross debt totaled SEK

38,712m. The maturity period was 2.5 (2.6) years.

Net debt amounted to SEK 35,947m (33,919) at year-end. Net cash flow decreased net debt by SEK 2,467m. Furthermore, net debt increased by SEK 2,785m as a result of fair value measurement of pension assets and pension obligations together with fair valuation of financial instruments. Exchange rate movements increased net debt by SEK 1,710m.

## Key figures

The debt/equity ratio was 0.49 (0.50). Excluding pension liabilities, the debt/equity ratio was 0.42 (0.47). The visible equity/assets ratio was 44% (44). The return on capital employed (ROCE) and on equity (ROE), excluding items affecting comparability, amounted to 11% (11) and 12% (11), respectively. The capital turnover rate was 0.99 (0.97). At year-end, working capital amounted to 8% (8) of net sales.

## Consolidated capital employed by currency, SEKm

	2014	%	2013 <sup>1)</sup>	%	2012 <sup>1)</sup>	%
EUR	31,037	29	27,393	27	26,614	28
SEK	36,337	33	36,627	36	38,593	41
USD	7,192	7	6,145	6	6,595	7
GBP	5,452	5	4,894	5	5,489	6
Other	28,801	26	26,671	26	17,471	18
<b>Total</b>	<b>108,819</b>	<b>100</b>	<b>101,730</b>	<b>100</b>	<b>94,762</b>	<b>100</b>

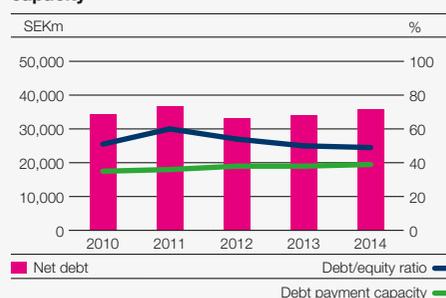
<sup>1)</sup> 2012 and 2013 restated in accordance with IFRS 10 and 11.

## Consolidated balance sheet

SEKm	2014	2013 <sup>1)</sup>	2012 <sup>1)</sup>
Intangible assets	23,680	21,921	17,929
Property, plant and equipment	56,345	52,777	47,771
Biological assets	29,685	28,767	27,503
Other non-current assets	5,775	6,081	6,890
<b>Total non-current assets</b>	<b>115,485</b>	<b>109,546</b>	<b>100,093</b>
Current assets	39,251	35,430	34,192
<b>Total assets</b>	<b>154,736</b>	<b>144,976</b>	<b>134,285</b>
Equity	72,872	67,811	61,699
Non-current liabilities	40,347	42,375	39,126
Current liabilities	41,517	34,790	33,460
<b>Total equity and liabilities</b>	<b>154,736</b>	<b>144,976</b>	<b>134,285</b>
Working capital	8,350	7,740	7,125
Capital employed	108,819	101,730	94,762
Net debt	35,947	33,919	33,063

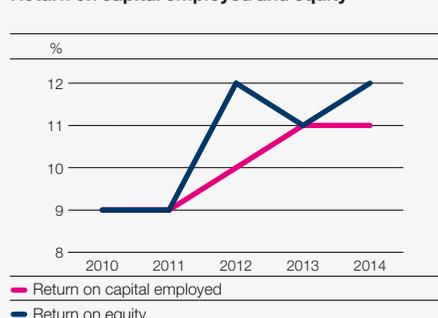
<sup>1)</sup> 2012 and 2013 restated in accordance with IFRS 10 and 11.

## Net debt, debt/equity ratio and debt payment capacity



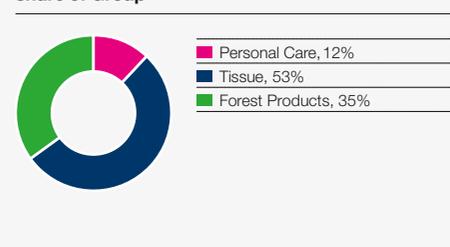
2012 and 2013 restated in accordance with IFRS 10 and 11.

## Return on capital employed and equity



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

## Capital employed, share of Group



# PERSONAL CARE



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



## Share of Group



Net sales, 30%  
**SEK 31,066m**



Operating profit, 28%  
**SEK 3,526m<sup>1)</sup>**



Capital employed, 12%  
**SEK 13,578m**



No. of employees at Dec. 31, 29%  
**12,641 employees**

<sup>1)</sup> Excluding items affecting comparability.



In 2014, sales in the Personal Care business area amounted to approximately SEK 31bn. 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 2014, SCA had production at 29 plants in 24 countries.

## Market

The global market for personal care products is valued at slightly more than SEK 340bn and is growing at a rate of some 4% annually. Incontinence products is the personal care segment that has the highest rate of growth.

Growth was stable in the European and North American markets for incontinence products in 2014 compared with a year earlier. Growth in institutions and the home care sector was low and was negatively impacted by cost-cutting programs in many countries, which resulted in changes in reimbursement systems. The retail market for incontinence products showed continued good growth. In emerging markets, demand rose for incontinence products. The market for incontinence products was affected by greater competition and campaign activity. The Western European market for baby diapers showed stable demand in 2014 compared with a year earlier. Growth in emerging markets was favorable. The global market for baby diapers was characterized by fierce competition and campaign activity. In Europe, the market for feminine care products showed low growth in 2014, while demand rose in Latin America.

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 strong growth for personal care products. The effect of the trend 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, market penetration and demand for personal care products are rising in emerging markets.

The growth potential for personal care products is greatest in emerging markets where mar-

### SCA's market positions

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

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

### Personal care products – global market



Western Europe, 18%
Eastern Europe, 7%
North America, 21%
Latin America, 13%
Asia, 35%
Other, 6%



ket 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 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 20% 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%. The occurrence of incontinence is two times more common among women than men and it is estimated that at least one-fourth of the world’s women over the age of 35 will be affected at some point in their lives.

In many regions of the world, incontinence is surrounded by social taboo, and therefore

increasing understanding and acceptance of the condition are vital elements required for improving market penetration.

Institutional care and homecare account for nearly 60% of the global market for incontinence products. 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 accounts for slightly more than 40% of the global market.

SCA’s competitors in personal care are, for example, Kimberly-Clark, Procter & Gamble and Unicharm.

## SCA strengthened cooperation with Chinese company Vinda

SCA is a majority shareholder in the Chinese hygiene company Vinda with a shareholding of 51.4%. During the year, SCA strengthened cooperation with Vinda through the transfer of its hygiene business in China, Hong Kong and Macau to Vinda. An exclusive licensing agreement allows Vinda to market and sell SCA’s brands TENA (incontinence products), Tork (AfH tissue), Tempo (consumer tissue), Libero (baby diapers) and Libresse (feminine care) in China, Hong Kong and Macau. Vinda acquired SCA’s Dr P brand for incontinence products and Sealer brand for baby diapers. The transaction, which was completed on October 1, 2014, has provided Vinda with access to a broader product portfolio and given SCA’s brands the potential to reach a broader base of consumers and customers through Vinda’s extensive and robust distribution network in China. Benefits are anticipated for both SCA and Vinda in terms of distribution, sales, innovation and R&D.

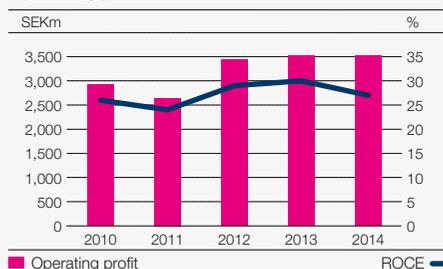


Net sales and operating margin



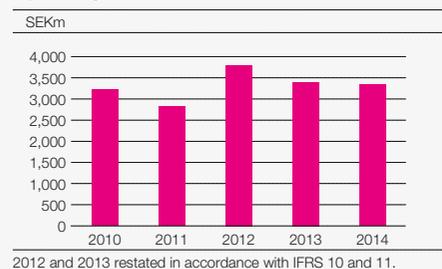
2012 and 2013 restated in accordance with IFRS 10 and 11. Excluding items affecting comparability.

Operating profit and ROCE



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

Operating cash flow



2012 and 2013 restated in accordance with IFRS 10 and 11.

## SCA's business

### Incontinence products

SCA offers a broad range of incontinence products under the TENA brand and is the clear global market leader. The global brand TENA has annual sales in excess of SEK 10bn. 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 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. SCA prioritizes high growth in all segments, strengthened global market leadership and a continued focus on building leading positions in emerging markets.

Since in many regions of the world, incontinence is surrounded by social taboos, it is vital to raise understanding and acceptance of the condition and enhance quality of life. SCA is endeavoring to break this taboo by providing information and through marketing activities,

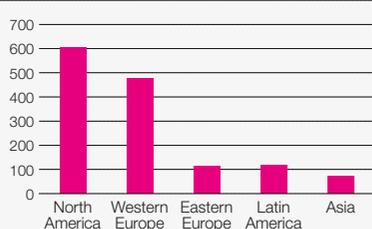
training and global forums. SCA offers products that enhance quality of life for people with incontinence.

SCA, with the TENA brand, has large growth potential in incontinence products thanks to an aging population and low market penetration. For the retail trade, SCA works with information, advertising and the development of increasingly discrete, comfortable, easy-to-use and effective products, always with the customer and consumer benefits in mind.



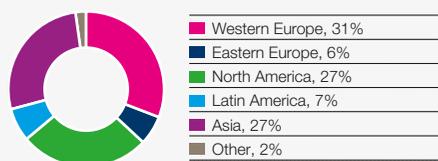
#### Use of incontinence products

Units/per person with incontinence/per year



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

#### Incontinence products – global market



#### Incontinence products – sales channels, global market



## Baby diapers

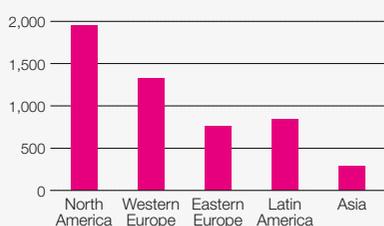
SCA offers both open baby diapers and pant diapers, as well as baby-care products, and is the world's fourth largest player in the segment and the second largest in Europe. In Europe, SCA markets baby diapers under its own Libero brand and under retailers' brands. SCA's strongest market is the Nordic region, where the Libero brand is the market leader.

SCA works to strengthen the positions of its own brands in both mature and emerging markets, such as China, Russia and India. Emerging markets have excellent potential for continued growth due to low market penetration of baby diapers and growing demand.



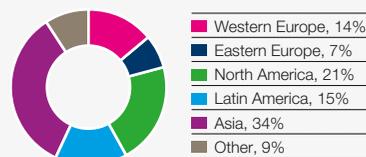
### Use of baby diapers

Units/per child up to 2.5/per year



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

### Baby diapers – global market



### Baby diapers – brand categories, European market



## Feminine care

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

A large and growing share of SCA's sales is taking place in emerging markets such as Latin America, Russia, Eastern Europe, the Middle East and Asia. In emerging markets, SCA offers packs with fewer feminine care products and products in the economy segment in an effort to increase availability.

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, Saba and Nosotras in Latin America.

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. In 2014, SCA entered into a partnership with the UN Water Supply and Sanitation Collaborative Council (WSSCC). Through this partnership, SCA aims to break the menstrual taboos that jeopardize the health of millions of women every day and raise awareness of the importance of good menstrual hygiene. The partnership has resulted in a number of initiatives. For example, in connection with the participation of SCA's female crew in the Volvo Ocean Race, SCA and WSSCC have educated girls and volunteers from the townships outside Cape Town in South Africa about menstrual hygiene, offering seminars on the subject.

## SCA and WSSCC break the silence on menstruation

Cloth, paper or mud for feminine care? Unfortunately, this is the everyday reality for millions of girls and women. In addition, they have no access to private toilets, water or soap, and pads are either expensive or unavailable. Many lack the knowledge to be able to take care of their health during menstruation. The consequences are serious – as if it is not enough that many suffer infections, they also have to stay home from school or work which, in turn, impairs their possibilities of gaining an education or working.

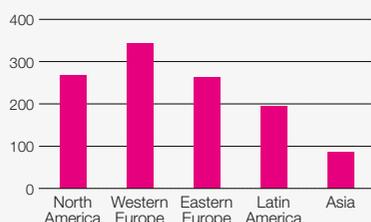
No one should have to live under these circumstances – this is the background to SCA's partnership with WSSCC. WSSCC is the only UN body devoted solely to the sanitation and needs of vulnerable and marginalized people. Together, we want to break the silence surrounding menstruation that jeopardizes the health of millions of women, increase awareness of menstruation and hygiene, and help women and society erase barriers that prevent women from participating fully in society.



SCA and WSSCC educated girls and volunteers about menstruation and hygiene in conjunction with the stop-over in Cape Town.

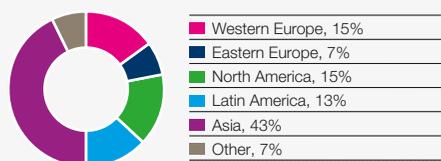
### Use of feminine care

Units/per woman aged 15–49/per year

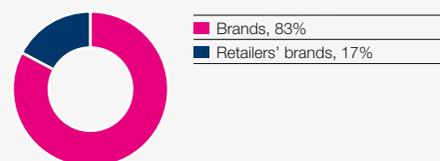


Data is based on market data and SCA's estimate.

### Feminine care – global market



### Feminine care – brand categories, European market



# EXAMPLES OF INNOVATIONS AND PRODUCT LAUNCHES IN 2014

## TENA Lady Normal and Extra with Body Shaped DRYZone

The new body-shaped dry zone is specifically shaped to offer superior protection to prevent leaks. Coupled with our unique Fresh Odour Control™ technology, this new concept offers a high level of protection.



## Libero Up&Go

The complete European Libero Up&Go range has been upgraded with an improved fit adjusted to the baby's unique body, softly following in every move. These diapers offer a high absorption capacity to ensure optimal leakage protection.



## Libresse Roll.Press.Go™

Libresse Roll.Press.Go™ is a hygienic solution which addresses the problem of disposing of used pads. Now women can simply roll up a used pad, place it in the wrapper and press the self-sealing edges to close. This offers a hygienic and discreet way to dispose of used feminine care products. The product is also sold under the SCA brands Bodyform, Nana, Nuvenia, Saba, Nosotras and Libra.



## Libresse CurveFit™ & Multistyle liners

Libresse CurveFit™ liners are uniquely shaped to perfectly fit a woman's body shape for maximum comfort. The new Multistyle liners are the most absorbent liners designed to fit any style of underwear.



## New TENA Slip with ConfioAir™

TENA Slip has been improved with the addition of ConfioAir™, a breathable material that maintains skin health. TENA Slip is suitable for medium to heavy urine leakage.



## TENA Pants Normal

TENA Pants Normal are 20% thinner and the new body-close fit makes them more comfortable. A drier and softer surface promotes good skin health and double leakage barriers combined with a cup-shaped core provide a high sense of security.



## Libero Comfort

The entire Libero Comfort range has been upgraded with softer and more flexible elastics around the legs. The diapers also offer an improved fit and better comfort.

## Operations in 2014

**Net sales** rose 4% to SEK 31,066m (29,736). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 3%, of which volume accounted for 2% and price/mix for 1%. Organic sales growth was 0% in mature markets and 7% in emerging markets. The takeover of distribution in Italy during the first quarter of 2014 had an adverse impact on sales in mature markets. Emerging markets accounted for 43% of sales. Exchange rate effects increased sales by 1%.

For incontinence products, under the globally leading TENA brand, organic sales growth was 2%. Growth was mainly attributable to emerging markets. For baby diapers, organic sales growth was 2%. Growth in Europe compensated for lower sales in Asia and Latin America. For feminine care products, organic sales growth was 12%, mainly attributable to emerging markets and Western Europe.

**Operating profit**, excluding items affecting comparability, was level with the preceding year and amounted to SEK 3,526m (3,519). Profit was favorably affected by higher volumes, a better price/mix and cost savings. Higher raw material costs attributable to the stronger dollar and higher prices, and investments in greater market activities, had a negative earnings impact.

**Operating margin<sup>1)</sup>** was 11.4% (11.8).

**Return on capital employed<sup>1)</sup>** amounted to 27% (30).

**Operating cash surplus** amounted to SEK 4,511m (4,485). Operating cash flow decreased to SEK 3,345m (3,398) as a result of higher investments.

**Capital expenditures** totaled SEK 1,530m (940).

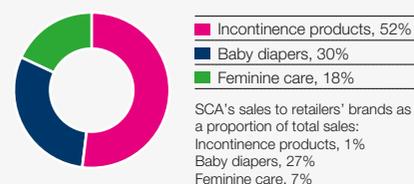
**Operating profit<sup>1)</sup>, SEKm:**

# 3,526

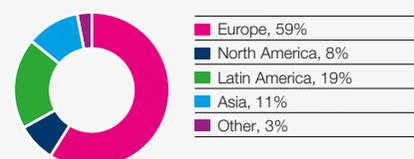
**Operating margin<sup>1)</sup>:**

# 11.4%

### SCA's sales by product segment



### SCA's sales per region



Emerging markets  
accounted for

# 43%

of the business area's  
sales in 2014 and  
reported organic sales  
growth of 7% for the  
year.

## TARGETS

for the Personal Care  
business area

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

### Key figures<sup>1)</sup>

SEKm	2014	2013 <sup>2)</sup>
Net sales	31,066	29,736
Operating cash surplus	4,511	4,485
Change in working capital	-96	-76
Current capital expenditures, net	-884	-763
Other operating cash flow	-186	-248
Operating cash flow	3,345	3,398
Operating profit	3,526	3,519
Operating margin, %	11	12
Capital employed	13,578	11,607
ROCE, %	27	30
Strategic investments		
plant and equipment	-646	-177
company acquisitions/divestments	-567	-44
Average number of employees	12,988	12,980
No. of employees at Dec. 31	12,641	12,921

<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> 2013 restated in accordance with IFRS 10 and 11.

# TISSUE

SCA is a leading global tissue company 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 Vinda, as well as under retailers' brands. In the AfH tissue segment, SCA develops and markets complete hygiene solutions, including tissue, soap, dispensers, service and maintenance to hospitals, large workplaces, industries, restaurants and hotels, under the globally leading brand Tork.



Share of Group



Net sales, 54%  
SEK 56,994m



Operating profit, 52%  
SEK 6,652m<sup>1)</sup>



Capital employed, 53%  
SEK 55,489m



No. of employees  
at Dec. 31, 62%  
26,997 employees

<sup>1)</sup> Excluding items affecting comparability.



In 2014, sales in the Tissue business area amounted to approximately SEK 57bn. In the 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 2014 SCA had production at 56 plants in 19 countries.

### Market

The global market for tissue is valued at approximately SEK 440bn 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.

The Western European market for consumer tissue showed low growth in 2014. In Europe and North America, growth was low for AfH tissue. Competition increased in North America as a result of higher production investments mainly in consumer tissue, which also affected the AfH tissue market. The Chinese and Russian tissue markets showed good growth.

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 strong growth for tissue. The effect of the trend in 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, market penetration and demand for tissue are rising in emerging markets.

The growth potential is greatest in emerging markets where 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. Emerging markets are growing at a faster rate than mature markets due to increasing disposable incomes and greater use of tissue. Growth is also occurring in mature markets owing to lifestyle changes and innovations that lead to increased use.

SCA's competitors in tissue are, for example, Georgia-Pacific, Kimberly-Clark and Sofidel.

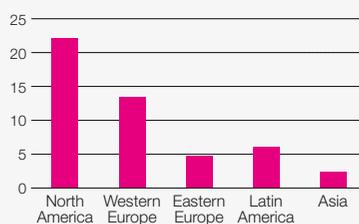
#### SCA's market positions

	Europe	North America	Global
Consumer tissue	1	–	2
AfH tissue	1	3	1

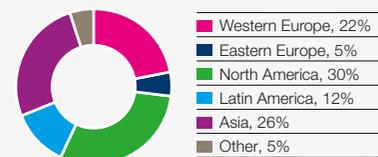
Data is based on market data and SCA's estimate.

#### Use of tissue

Kg/per capita/per year



#### Tissue – global market



## SCA's business

### Consumer tissue

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 own brands account for about 62% of SCA's sales, while the remaining 38% is sold under retailers' brands. SCA's brand portfolio comprises several strong regional and local 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.

In Europe, the aim is to further strengthen brand positions while retaining the important retailers' brands market. Therefore, for a number of years now, SCA has been working with a full-service offering that includes production and delivery, as well as partnerships for product development, product range, design, marketing and logistics in collaboration with some of the leading European retail chains.



Net sales and operating margin



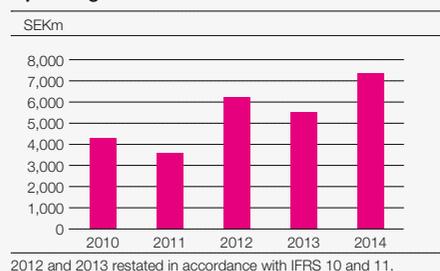
2012 and 2013 restated in accordance with IFRS 10 and 11. Excluding items affecting comparability.

Operating profit and ROCE



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

Operating cash flow



2012 and 2013 restated in accordance with IFRS 10 and 11.

## AfH tissue

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 work-places, industries, restaurants and hotels, for which SCA develops and sells complete hygiene solutions comprising tissue, soap, dispensers, service and maintenance. The products are distributed by wholesalers and service companies.

SCA is the clear market leader in Europe and holds a market share that is more than double that of the second largest player. SCA is the third largest player in North America. SCA's market position is particularly strong in the foodservice segment in North America, where about 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.

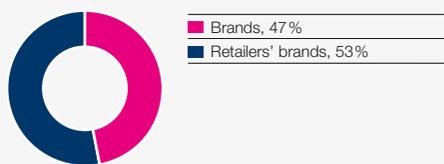


## SCA strengthened cooperation with Chinese company Vinda

SCA is a majority shareholder in the Chinese hygiene company Vinda with a shareholding of 51.4%. During the year, SCA strengthened cooperation with Vinda through the transfer of its hygiene business in China, Hong Kong and Macau to Vinda. An exclusive licensing agreement allows Vinda to market and sell SCA's brands TENA (incontinence products), Tork (AfH tissue), Tempo (consumer tissue), Libero (baby diapers) and Libresse (feminine care) in China, Hong Kong and Macau. Vinda acquired SCA's Dr P brand for

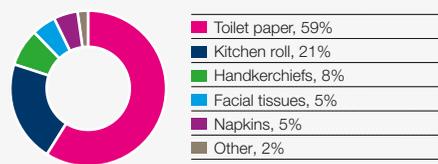
incontinence products and Sealer brand for baby diapers. The transaction, which was completed on October 1, 2014, has provided Vinda with access to a broader product portfolio and given SCA's brands the potential to reach a broader base of consumers and customers through Vinda's extensive and robust distribution network in China. Benefits are anticipated for both SCA and Vinda in terms of distribution, sales, innovation and R&D.

Brand categories for consumer tissue, European market



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

Product breakdown for consumer tissue, European market



# EXAMPLES OF INNOVATIONS AND PRODUCT LAUNCHES IN 2014

## Tork Xpressnap® Drive Thru dispenser

This new dispenser ensures that napkins are dispensed in controlled quantities. The dispenser was designed to make it quick and easy to take a napkin in drive-through areas in fast food restaurants.



**Tempo Protect™**  
New Tempo Protect™ antibacterial handkerchiefs and wet wipes. Tempo Protect was launched in Hong Kong.



## Tork Xpressnap® Image line napkin dispensers with Tork Xpressnap® Extra Soft Leaf Design napkins

This new range of napkin dispensers focuses on design and is targeted at image-conscious customers. At the same time, it reduces napkin usage by at least 25% compared to traditional dispensers. The dispenser, which contains high-quality napkins, is made from aluminum and walnut and is available in two sizes. Winner of the Red Dot Product Design Award in 2014.



## Tork SmartFresh™

Tork SmartFresh™ is an IT-based service for public restrooms that provides easy access to real-time data showing the number of restroom visits. This allows cleaning schedules to be adapted to actual toilet use. Tork SmartFresh™ gives the restroom area a distinctive design and provides the end user with a new restroom experience. For example, a media screen can be used to display information or advertisements. Tork SmartFresh™ also offers added freshness thanks to its automatic scent and toilet cleaning function.

## Tork EasyCube™

Tork EasyCube™ is an IT-based service for public restrooms that provides real-time data on toilet use, giving an instant overview of when and where cleaning is required and dispensers need to be refilled.



## Operations in 2014

**Net sales** rose 19% to SEK 56,994m (48,096). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 1%, of which price/mix accounted for 0% and volume for 1%. Organic sales growth, including Vinda's organic sales growth, was 3%. Organic sales growth was 0% in mature markets and 7% in emerging markets. Emerging markets accounted for 30% of sales, including Vinda. The acquisition of the majority shareholding in the Chinese company Vinda increased sales by 14%. Divestments lowered sales by 1%. Exchange rate effects increased sales by 5%.

For consumer tissue, organic sales growth was 1%. The sales growth for own brands compensated for lower sales under retailers' brands as a result of a decision during the first quarter of 2014 to leave certain contracts in Western Europe with insufficient profitability. Emerging markets showed favorable growth in sales. For AfH tissue, organic sales growth was 3%. The increase was related to Western Europe and emerging markets. Sales in North America were hurt by severe winter weather during the first quarter of 2014.

**Operating profit**, excluding items affecting comparability, rose 16% (14% excluding exchange rate effects and divestments) to SEK 6,652m (5,724). Higher volumes, a better price/mix, cost savings, the acquisition in China and lower energy costs contributed to the earnings increase. Higher raw material and distribution costs, and the severe winter in North America had a negative earnings impact. The acquisition in China increased profit by 9%. Divestments in Europe had a negative earnings impact by 2%. Excluding Vinda, the margin was slightly higher than in the preceding year.

**Operating margin<sup>1)</sup>** was 11.7% (11.9).

**Return on capital employed<sup>1)</sup>** amounted to 13% (13).

**Operating cash surplus** increased to SEK 9,760m (8,251). Operating cash flow increased to SEK 7,343m (5,524). The increase is mainly attributable to a higher operating cash surplus and a lower level of tied-up working capital.

**Capital expenditures** amounted to SEK 2,835m (2,491).

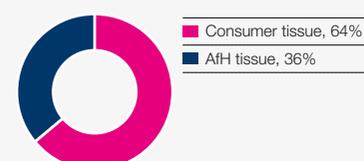
**Operating profit<sup>1)</sup>, SEKm:**

# 6,652

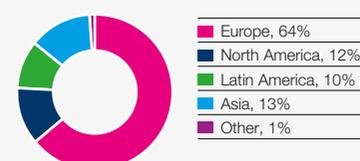
**Operating margin<sup>1)</sup>:**

# 11.7%

### SCA's sales by product segment



### SCA's sales by region



Emerging markets  
accounted for

# 30%

of the business area's  
sales in 2014 and  
reported organic sales  
growth of 7% for the  
year.

## TARGETS

for the Tissue  
business area

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

### Key figures<sup>1)</sup>

SEKm	2014	2013 <sup>2)</sup>
Net sales	56,994	48,096
Operating cash surplus	9,760	8,251
Change in working capital	55	-488
Current capital expenditures, net	-1,849	-1,563
Other operating cash flow	-623	-676
Operating cash flow	7,343	5,524
Operating profit	6,652	5,724
Operating margin, %	12	12
Capital employed	55,489	51,054
ROCE, %	13	13
Strategic investments		
plant and equipment	-986	-928
company acquisitions/divestments	283	-4,752
Average number of employees	26,966	19,437
No. of employees at Dec. 31	26,997	19,372

<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> 2013 restated in accordance with IFRS 10 and 11.

# 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 sells **paper for packaging and print, pulp, solid-wood products** and **renewable energy**.



## Share of Group



Net sales, 16%  
**SEK 16,490m**



Operating profit, 20%  
**SEK 2,505m<sup>1)</sup>**



Capital employed, 35%  
**SEK 37,831m**



No. of employees  
at Dec. 31, 9%  
**4,134 employees**

<sup>1)</sup> Excluding items affecting comparability.



In 2014, sales in the Forest Products business area amounted to approximately SEK 16.5bn. 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 2014, 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 29bn and growth over an economic cycle is approximately 1% per year.

The European market for publication papers is valued at approximately SEK 89bn. 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 140bn, 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 pulp market for long-fiber pulp has long-term growth of 2% per year.

In Europe, demand for solid-wood products and kraftliner rose in 2014 compared with a year earlier. European demand for publication papers continued to fall in 2014.

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



## SCA's business

All of Forest Product's production of paper, 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 cultivated. 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 biological diversity 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 annually, which exceeds the emissions from SCA's use of fossil fuels in production.



### Net sales and operating margin



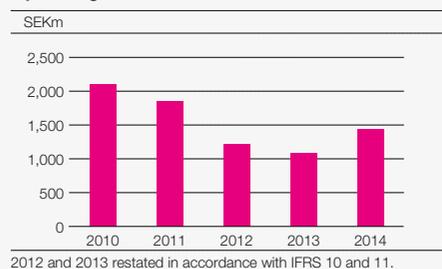
2012 and 2013 restated in accordance with IFRS 10 and 11. Excluding items affecting comparability.

### Operating profit and ROCE

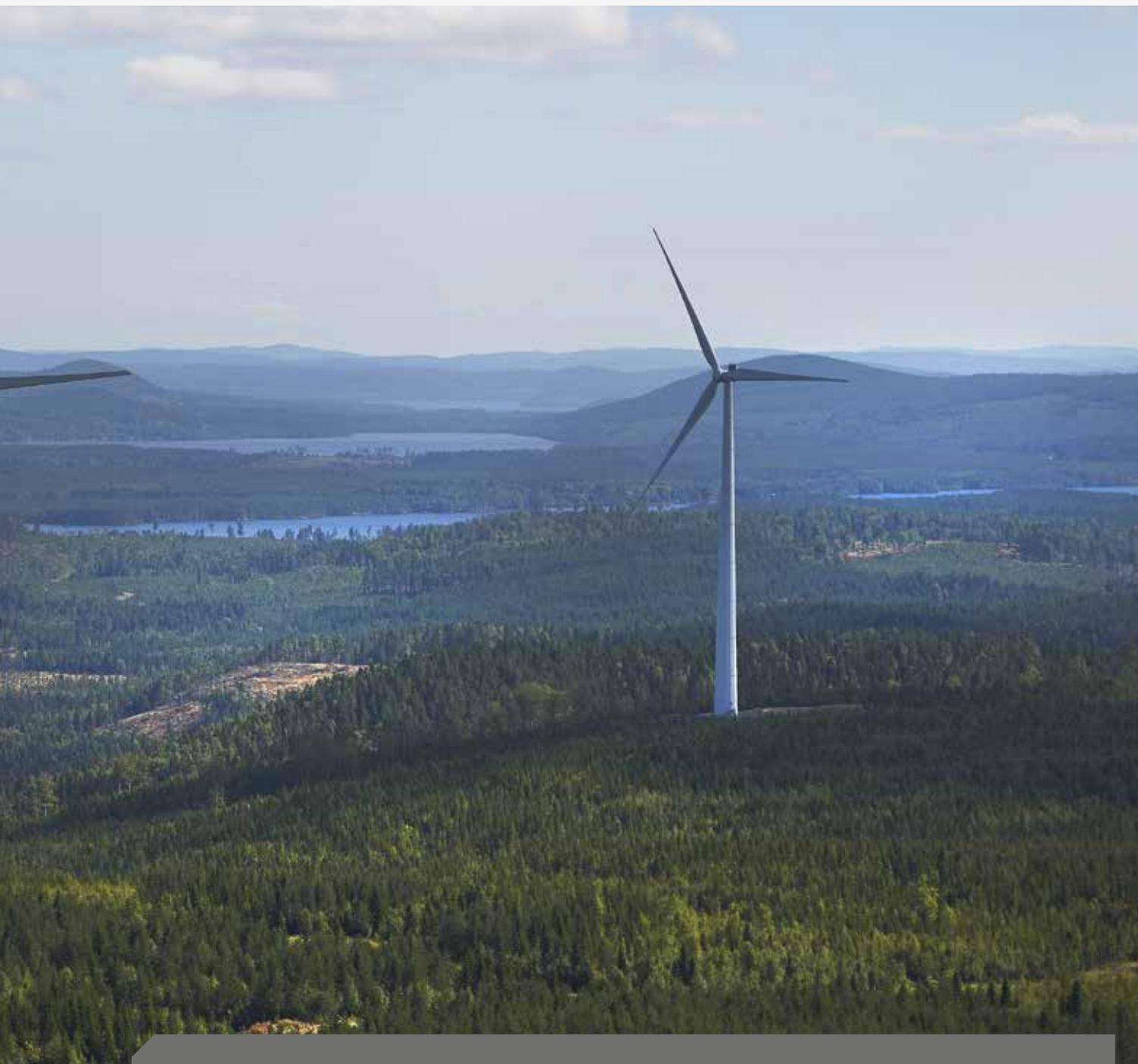


2012 and 2013 restated in accordance with IFRS 10 and 11. Excluding items affecting comparability.

### Operating cash flow



2012 and 2013 restated in accordance with IFRS 10 and 11.



## Wind power

Activities continue at SCA Energy, which is tasked with managing and developing SCA's renewable energy business.

SCA has set itself a target to increase wind power generation on the Group's forest land to 5 TWh by 2020. In 2007, SCA and Statkraft formed a jointly owned company, the

purpose of which is to establish six wind farms with an annual output of about 3 TWh. Mörtjärnberget, the second of the six wind farms, was inaugurated in 2014. An investment decision has been taken on a total of 186 wind turbines with a combined annual production output of 1.6 TWh. All of the turbines are expected to be

operational by 2015. Work continues on the projects SCA is carrying out together with Fred.Olsen Renewables and E.ON, both of which have the potential to generate about 2 TWh of wind power electricity per year. SCA also continues its work on developing proprietary projects.



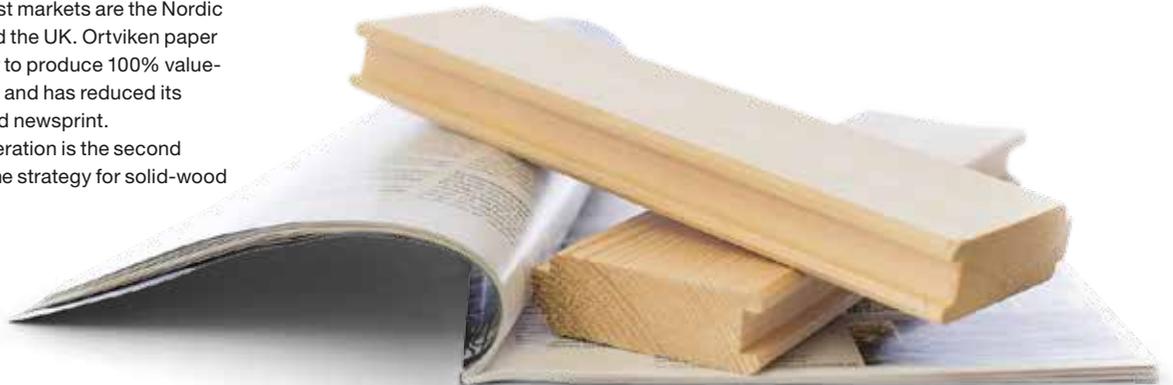
SCA is Europe's third largest supplier of packaging paper based on fresh wood fiber – kraftliner. SCA's kraftliner mill in Munksund specializes in white-top kraftliner with good printability, while the kraftliner mill in Obbola specializes in more robust grades and higher wet strength packaging paper. Following investments made in 2013, Munksund paper mill increased both its overall production and its production of white-top kraftliner in 2014. As a result of a new biofuel-powered lime kiln, the use of oil and fossil CO<sub>2</sub> emissions are decreasing significantly.

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. Ortviken paper mill has the capacity to produce 100% value-added paper grades and has reduced its exposure to standard newsprint.

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 sawmills are among the largest and most efficient sawmills in Europe. In 2014, a decision was made to invest approximately SEK 500m in a new saw line at Tunadal sawmill in Sundsvall.

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 building materials trade are delivered planed and pre-packaged. Service and advanced logistics solutions are of key significance for the building materials trade. SCA works in close cooperation with its customers in its principal markets in Scandinavia, France and the UK. During 2014, a planing





mill was inaugurated in the Hull region in the UK to ensure that SCA's UK building material customers have access to the products they require. SCA supplements the economies of scale generated at its sawmills in Sweden, which are among the largest and most productive in Europe, with further processing conducted close to the customer in the market.

In the pulp market, SCA has positioned itself in the high-quality segment based on its excellent access to, and expertise in, the unique Nordic long-fiber forest raw material. Östrand pulp mill has an annual capacity of 530,000 tons. Approximately 40% of this capacity is utilized within SCA for production of tissue and publication papers while the remainder is sold to external customers.

In 2014, SCA's nurseries produced 98.7 million seedlings, of which 62% was sold externally.

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 2014, production of biofuel amounted to 2.8 TWh.

## Operations in 2014

**Net sales** rose 6% to SEK 16,490m (15,525). Sales growth, excluding exchange rate effects and divestments, was 10%, of which price/mix accounted for 5% and volume for 5%. The divestment of the publication paper mill in Laakirchen decreased sales by 5%. Exchange rate effects increased sales by 1%. Publication papers, kraftliner, solid-wood products and pulp showed higher volumes and prices (including exchange rate effects).

**Operating profit**, excluding items affecting comparability, rose 36% (38% excluding divestments) to SEK 2,505m (1,843). Higher prices (including exchange rate effects), higher volumes, lower energy costs and cost savings contributed to the earnings increase. Earnings were negatively affected by higher logging costs associated with storm felling. Gains on forest swaps were lower than in the preceding year, totaling SEK 336m (583). The divestment of the publication paper mill in Laakirchen had a negative earnings impact by 2%.

**Operating margin<sup>1)</sup>** was 15.2% (11.9).

**Return on capital employed<sup>1)</sup>** was 7% (5).

**Operating cash surplus** amounted to SEK 2,750m (1,927) and operating cash flow to SEK 1,440m (1,084).

**Capital expenditure** amounted to SEK 1,060m (1,828).

## TARGETS for the Forest Products business area

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

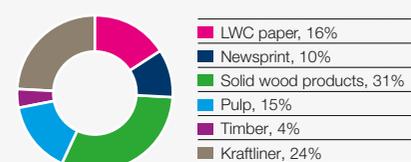
**Operating profit<sup>1)</sup>, SEKm:**

# 2,505

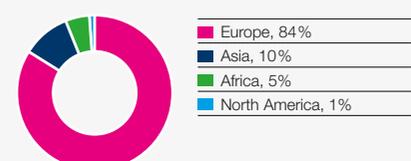
**Operating margin<sup>1)</sup>:**

# 15.2%

### SCA's sales by product segment



### SCA's sales by region



### Key figures<sup>1)</sup>

SEKm	2014	2013 <sup>2)</sup>
Net sales	16,490	15,525
of which internal	424	367
Operating cash surplus	2,750	1,927
Change in working capital	-342	346
Current capital expenditures, net	-876	-1,027
Other operating cash flow	-92	-162
Operating cash flow	1,440	1,084
Operating profit	2,505	1,843
Operating margin, %	15	12
Capital employed	37,831	38,103
ROCE, %	7	5
Strategic investments		
plant and equipment	-184	-801
company acquisitions/divestments	-18	817
Average number of employees	4,293	4,454
No. of employees at Dec. 31	4,134	4,171

<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> 2013 restated in accordance with IFRS 10 and 11.

# CORPORATE GOVERNANCE

The task of corporate governance is to ensure the Group's commitments to all of its stakeholders: shareholders, customers, suppliers, creditors, society and employees. At the same time, governance must be structured in a way that supports the company's long-term strategy, market presence and competitiveness. Corporate governance must be reliable, clear, simple and business-oriented.

## **Corporate governance, including remuneration pages 68–77**

This section describes the rules and regulations and the Group's corporate governance, including a description of the operational organization. It also details the Board of Directors' responsibilities and its work during the year. Information regarding remuneration and remuneration issues in SCA and internal control in the Group are also included here. SCA applies the Swedish Code of Corporate Governance without any deviations.

## **Risk management pages 78–83**

SCA's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and Group-wide level. The section dealing with risk management describes the most significant risks, and the policies and measures that the Group applies to manage these.

## **Sustainability pages 13 and 32**

SCA's sustainability work is an integral part of the company's business model. The sustainability work helps the company reduce risk and costs, strengthen competitiveness and attract talent and investors.

## Governance at SCA

### **■ Annual General Meeting**

The Annual General Meeting (AGM) is SCA's highest decision-making body, which all shareholders are entitled to attend, to have a matter considered and to vote for all shares held by the shareholder. The company's Board of Directors is elected at the AGM. The AGM also appoints the company's auditor.

### **□ Nomination Committee**

The Nomination Committee represents the company's shareholders and is charged with the sole task of drafting proposals for adoption at the AGM with respect to election and remuneration matters and, in certain cases, proposing procedural motions for the next Nomination Committee.

### **■ Board of Directors**

The Board of Directors has overall responsibility for the company's organization and administration through regular monitoring of the business and by ensuring the appropriateness of the organization, management team, guidelines and internal control. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters.

In accordance with the decision of the AGM, the Board of Directors shall comprise nine members elected by the AGM with no deputies. In addition, the Board shall include three members and three deputies appointed by the employees.

### *Chairman of the Board*

The Chairman of the Board leads the work of the Board and is responsible for ensuring that it is effectively organized and that work is efficiently

conducted. This includes continuously monitoring the company's operations in close dialog with the President and CEO and ensuring that other Board members receive information and decision data that will enable high-quality discussion and decisions by the Board. The Chairman leads the assessment of the Board's and the President's work. The Chairman also represents the company in ownership matters.

### *Audit Committee*

The tasks of the Audit Committee include monitoring financial reporting and the efficiency of the company's internal control, internal audit and risk management. The Committee keeps itself informed on the audit, reviews and monitors the impartiality and independence of the auditors, and contributes proposals for the AGM's election of auditors.

### *Remuneration Committee*

The Remuneration Committee drafts the Board's motions on issues relating to remuneration principles, remuneration and other terms and conditions of employment for the President and CEO and is authorized to make decisions in these matters for the company's other senior executives. The committee monitors and assesses programs for variable remuneration, the application of the AGM's resolution on guidelines for remuneration of senior executives and the applicable remuneration structure and remuneration levels in the Group.

### *Internal audit*

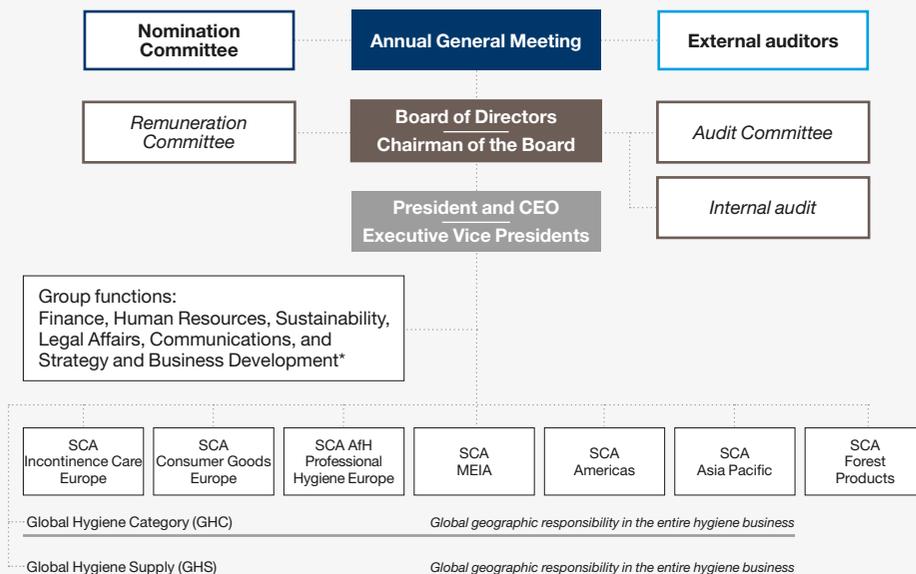
At SCA, it is the responsibility of all employees to ensure sound internal governance and control in

the operation or process for which they are responsible. Since 2006, internal audit has been a separate function with the task of evaluating and improving the efficiency of SCA's internal governance and control, as well as its risk management. The function has 13 employees and the manager reports to the Audit Committee and the Board regarding internal audit matters and to the CFO with respect to other matters. The internal auditors are geographically located throughout the world where SCA conducts operations. The function examines, among other aspects, SCA's internal processes for ordering, invoicing, purchasing and financial reporting, IT systems, compliance with SCA's policies, including its Code of Conduct, HR issues and various types of projects. The function also offers internal consultancy services in connection with internal control matters.

### **■ President and CEO**

SCA's President and CEO is responsible for and manages the day-to-day administration of the Group and follows the Board's guidelines and instructions. The President and CEO is supported by two Executive Vice Presidents, one of whom is also the CFO, and the Corporate Senior Management Team, see pages 76–77, the work of which is led by the CEO. The Corporate Senior Management Team consists of the President, the Executive Vice Presidents, Business Unit Presidents and the equivalent, and managers for the group functions Finance, Human Resources,

.....  
*Information about SCA's ownership structure can be found on pages 36–37.*



\* Strategy and Business Development is also responsible for the Group's Global Business Services (GBS) and IT Services. GBS' global area of responsibility is providing professional and transactional services in finance, HR administrative support, organization of master data, and office-related support and service to all units within SCA.

Read more about SCA's Corporate Governance at [www.sca.com](http://www.sca.com)

- Articles of Association
- Swedish Code of Corporate Governance
- Information from Annual General Meetings of previous years, since 2004 (notices, minutes, President's speeches and press releases)
- Information from the Nomination Committee, since 2006 (composition, proposals and work)
- Information ahead of the 2015 Annual General Meeting (notice, Nomination Committee proposals, Board's proposal for principles for remuneration of the President and other senior executives, information routines for notifying attendance at the meeting, etc.)
- Earlier Corporate Governance Reports, since 2005

Sustainability, Legal Affairs, Communications, and Strategy and Business Development, the latter of which is also responsible for Global Business Services (GBS) and IT Services.

GBS' global area of responsibility is providing professional and transactional services in finance, HR administrative support, organization of master data, and office-related support and service to all units within SCA. For the hygiene business, there is also a special management body. The formal work plan for the Board of Directors and terms of reference issued by the Board of Directors to the President detail, for example, the division of work between the Board and President. In consultation with the Chairman of the Board, the President prepares documentation and decision data for the Board's work.

SCA has seven business units:

- SCA AfH Professional Hygiene Europe, which offers AfH tissue.
- SCA Consumer Goods Europe, which offers consumer goods.

- SCA Incontinence Care Europe, which offers incontinence products.
- SCA Asia Pacific, which offers tissue and personal care products.
- SCA Americas, which offers tissue and personal care products.
- SCA MEIA (the Middle East, India and Africa), which offers tissue and personal care products.
- SCA Forest Products, which offers paper for packaging and print, pulp, solid-wood products and renewable energy.

In addition to the business units, SCA has established two global units:

- Global Hygiene Category (GHC), with global responsibility for customer and consumer brands and innovation in the hygiene business.
- Global Hygiene Supply (GHS), with global responsibility for purchasing, production planning, technology and investments in the hygiene business.

SCA's business units adhere to the principle of distinct decentralization of responsibility and authority. The business units are fully responsible for developing their respective operations through established objectives and strategies; a process that is also centrally coordinated. The business units are responsible for their operating result, capital and cash flow. The position of the business and results are followed up by the entire Corporate Senior Management Team on a monthly basis. Each quarter, business review meetings are conducted where the management of each business unit personally meets the President, the CFO and others. These meetings function as a complement to the daily monitoring of operations. Through formal work plans and terms of reference, a number of issues of material significance are placed under the control of the CEO and the Parent Company's Board of Directors. SCA divides up and reports its business in three business areas – Personal Care, Tissue and Forest Products.

**External auditors**

The company's auditor, elected at the Annual General Meeting, examines SCA's annual report and consolidated financial statements, the Board's and President's administration and the annual reports of subsidiaries, and submits an audit report.

The audit is performed in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing principles in Sweden.

**Internal rules and regulations, etc.**

- Articles of Association
- Formal work plan of the Board of Directors
- Terms of reference issued by the Board to the President
- Policy documents (e.g. financial, communications, risk management, pension, HR and diversity) and instructions (payment authorization and payment)
- Code of Conduct

**External rules and regulations, etc.**

- The Swedish Companies Act
- Swedish and international accounting legislation
- NASDAQ OMX Stockholm's rules and regulations for issuers
- Swedish Code of Corporate Governance

# Activities during the year

## Annual General Meeting

The AGM was held on Thursday, April 10, 2014, in Stockholm, Sweden. The meeting was attended by 1,208 shareholders, either personally or by proxy, corresponding to 67.4% of the votes in the company. Attorney-at-Law Sven Unger was elected Chairman of the Meeting.

## Resolutions by the meeting

- dividend of SEK 4.75 (4.50) per share to be paid for the 2013 fiscal year,
- re-election of Board members Pär Boman, Rolf Börjesson, Jan Johansson, Leif Johansson, Sverker Martin-Löf, Bert Nordberg, Anders Nyrén, Louise Julian Svanberg and Barbara Milian Thoralfsson,
- re-election of Sverker Martin-Löf as Chairman of the Board,
- adoption of guidelines for determining the salary and other remuneration of the President and other senior executives, see page 44 and Note 6 on pages 103–104.

The minutes of the meeting in full and information on the 2014 AGM, including the President's speech, are available at [www.sca.com](http://www.sca.com)

## Nomination Committee

The 2012 AGM decided that the Nomination Committee should comprise representatives of not fewer than the four and not more than the six largest shareholders in terms of voting rights, as well as the Chairman of the Board, who is also the convener, and that this decision should apply until further notice. The Nomination Committee shall submit proposals relating to the Chairman of the Meeting, the Board of Directors, the Chairman of the Board, Board fees and

remuneration for committee work, the election of the company's auditor and remuneration for services rendered.

In its work, the Nomination Committee is to consider the rules that apply to the independence of Board members and that the selection for those nominated shall be based on expertise and experience relevant to SCA.

## Composition of the Nomination Committee for the 2015 AGM

The composition of the Nomination Committee for the 2015 AGM is as follows:

- Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee
- Håkan Sandberg, Handelsbanken Pension Foundation, among others
- Yngve Slyngstad, Norges Bank Investment Management
- Caroline af Ugglas, Skandia
- Sverker Martin-Löf, Chairman of the Board of SCA

All shareholders have had an opportunity to submit proposals to the Nomination Committee.

The Nomination Committee's proposal for the 2015 AGM is presented by the convening notice on the SCA website [www.sca.com](http://www.sca.com). The 2015 AGM will be held on April 15, see page 39.

The Nomination Committee was convened on two occasions. The Chairman of the Board presented the Board evaluation, which is conducted annually, and provided the Nomination Committee with information regarding Board and committee work during the year. When drafting proposals for the Board for the 2015 AGM, particular attention has been paid to the issues of diversity and an even gender distribution.

## Board of Directors

SCA's Board of Directors comprises nine members elected by the AGM.

Board members Pär Boman, Rolf Börjesson, Jan Johansson (SCA's President and CEO), Leif Johansson, Sverker Martin-Löf, Bert Nordberg, Anders Nyrén, Louise Julian Svanberg and Barbara Milian Thoralfsson were re-elected to the Board. Sverker Martin-Löf was elected as Chairman of the Board.

The independence of Board members is presented in the table below. SCA complies with the requirements of the Swedish Code of Corporate Governance that stipulate that not more than one member elected by the AGM shall be a member of company management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of the company's major shareholders. All of the Board members have experience of the requirements incumbent upon a listed company. The employees have appointed the following three representatives to the Board for the period until the close of the 2017 AGM: Roger Boström, Örjan Svensson and Thomas Wiklund, and their deputies Per Andersson, Paulina Halleröd and Hans Nyqvist.

## Board activities

In 2014, the Board was convened 11 times. The Board has a fixed formal work plan that describes in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, investments and adoption of the financial statements. On a regu-

## Composition of the largest shareholders, Nomination Committee at August 29, 2014 (share of votes)

	%
AB Industrivärden	29.3
Handelsbanken*	14.3
Norges Bank Investment Management	8.1
Skandia	1.6

\* Including funds and foundations.

## Board of Directors and committees

Board of Directors	Elected	Dependent <sup>1)</sup>	Committee		Attendance		
			Audit	Remuneration	Board meetings	Audit Committee	Remuneration Committee
Pär Boman	2010	■			11/11		
Rolf Börjesson	2003			x	11/11		2/2
Jan Johansson	2008	■			11/11		
Leif Johansson	2006			x	10/11		2/2
Sverker Martin-Löf, Chairman	1986	■	x	Chairman	11/11	5/5	2/2
Bert Nordberg	2012				11/11		
Anders Nyrén	2001	■	Chairman		10/11	5/5	
Louise Julian Svanberg	2012				11/11		
Barbara Milian Thoralfsson	2006		x		10/11	5/5	

<sup>1)</sup> As defined in the Swedish Code of Corporate Governance.

■ = Dependent in relation to the company's major shareholder, AB Industrivärden.

■ = President of SCA, dependent in relation to the company and the Corporate Senior Management Team.

■ = Dependent in relation to the company, the Corporate Senior Management Team, and the company's major shareholder, AB Industrivärden.

lar basis throughout the year, the Board has also dealt with reports from the Audit and Remuneration Committees and reports on internal control and financial operations. The company's auditor regularly presents a report on its audit work and these issues are discussed by the Board. The Business Unit Presidents present reports on their respective operations and current issues affecting them to the Board.

In addition to engaging PricewaterhouseCoopers to conduct an additional investigation into the use of SCA's business aviation, Svante Forsberg, Authorized Public Accountant with Deloitte, and Johan Munck, former Justice of the Supreme Court, have also been appointed to carry out an investigation into the use of SCA's business aviation and hunting for hospitality purposes.

#### Evaluation of the Board's work

The work of the Board, like that of the President, is evaluated annually using a systematic and structured process, the purpose of which is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with decision data for its nomination work. The Chairman of the Board is responsible for the evaluation. In 2014, the evaluation took the form of a questionnaire and discussions between the Chairman of the Board and the members. The evaluation covers such areas as the Board's method of work, expertise and the year's work. The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the results of the evaluation.

#### Audit Committee

In 2014, the Audit Committee comprised Chairman Anders Nyrén, Barbara Milian Thoralfsson and Sverker Martin-Löf. The Audit Committee

held five meetings during the year. In its work, which includes monitoring financial reporting, the committee dealt with relevant accounting issues, internal auditors' reviews, auditing work and a review of various measurement issues, such as testing of impairment requirements for goodwill, the measurement of forest assets and the preconditions for the year's pension liability calculations.

#### Remuneration Committee

The Remuneration Committee consists of Chairman Sverker Martin-Löf, Leif Johansson and Rolf Börjesson. The Remuneration Committee held two meetings during the year. In addition, a number of issues were addressed by circular letter. Activities in 2014 mainly concerned remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group.

#### Internal audit

The basis of the work is a risk analysis conducted in cooperation with SCA's management team. The risk analysis concludes in an audit plan, which is presented to the Audit Committee. In 2014, just over 120 audit projects were performed. During the year, the function reported its observations at meetings with the Audit Committee.

Work in 2014 involved follow-up of the units' progress with process-based control, follow-up of the efficiency in internal governance and control, follow-up of major savings programs and follow-up in joint ventures.

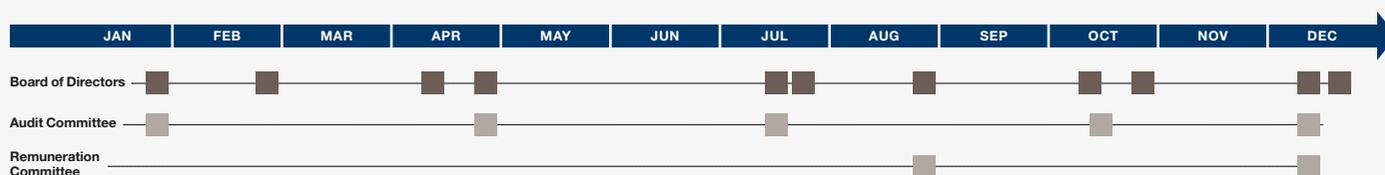
#### External auditors

The 2014 Annual General Meeting appointed the accounting firm of PricewaterhouseCoopers AB as the company's auditor for a mandate period

of one year. The accounting firm notified the company that Anna-Clara af Ekenstam, Authorized Public Accountant, would be the auditor in charge. Anna-Clara af Ekenstam is also the auditor of SAAB AB and Knowit AB. The auditor holds no shares in SCA.

In accordance with its formal work plan, the Board met with the auditors at two scheduled Board meetings in 2014. The auditors also attended each meeting of the Audit Committee. At these meetings, the auditors presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Furthermore, at the Board's third scheduled autumn meeting, the auditors delivered an in-depth verbal report on the audit for the year. The formal work plan specifies a number of mandatory issues that must be covered. These include matters of importance that have been a cause for concern or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditors also provide an account of consultancy work assigned to the audit firm by SCA and the audit firm's independence in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditors questions. Certain parts of the detailed discussion on the accounts take place without representatives of company management being present.

### Board and committee meetings



# Remuneration, Corporate Senior Management and Board of Directors

## Guidelines

The 2014 Annual General Meeting adopted guidelines for remuneration of senior executives that are based on a total remuneration package comprising a fixed salary, variable salary and other benefits, and a pension. These unchanged guidelines are also proposed for the 2015 AGM, see page 39 and Note 6 on pages 103–104.

## Remuneration of the President and other senior executives

Remuneration of the President and other senior executives is presented in Note 6 on pages 103–104. Variable remuneration for the President, Executive Vice Presidents and Business Unit Presidents was maximized to a total of 100% of the fixed salary for 2014. For one Business Unit President, stationed in the US, the maximum outcome is 130%, while the corresponding limit for other senior executives is 90%.

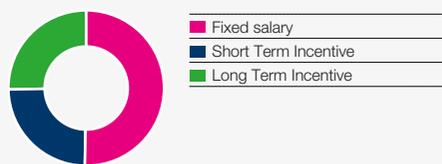
## Variable remuneration and strategic targets

Programs for variable remuneration are formulated to support the Group's strategic targets. The short-term program is individually adapted and based mainly on cash flow, operating profit and growth. The long-term program is based on the SCA share's long-term total shareholder return.

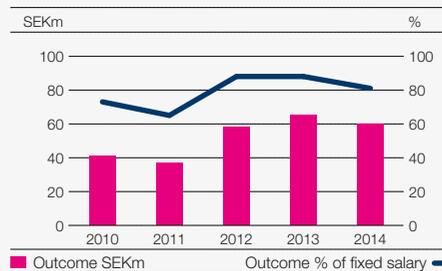
## Remuneration of the Board

According to the resolution by the AGM, the fees paid to the AGM-elected Board members totaled SEK 7,780,000. Refer to Note 6 on pages 103–104 for further information.

Possible maximum remuneration, composition



Outcome variable remuneration 2010–2014



# Internal control of the financial reporting

The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and in the Swedish Code of Corporate Governance. The Annual Accounts Act requires that the company, each year, describes its system for internal control and risk management with respect to financial reporting. The Board bears the overall responsibility for financial reporting and its formal work plan regulates the internal division of work between the Board and its committees.

The Audit Committee has an important task to prepare the Board's work to assure the quality of financial reporting. This preparation work includes issues relating to internal control and regulatory compliance, control of recognized values, estimations, assessments and other activities that may impact the quality of financial statements. The Committee has charged the company's auditors with the task of specifically examining the degree of compliance in the company with the rules for internal control, both general and detailed.

## Financial reporting to the Board

The Board's formal work plan stipulates which reports and information of a financial nature are to be submitted to the Board at each scheduled meeting. The President ensures that the Board receives the reports required to enable the Board to continuously assess the company's and Group's financial position. Detailed instructions specifically outline the types of reports that the Board is to receive at each meeting.

## External financial reporting

The quality of external financial reporting is guaranteed via a number of actions and procedures. The President is responsible for ensuring that all information issued, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibilities of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting their observations to the Audit Committee and the Board of Directors. In addition to the year-end report, the auditors also review the six-month report.

## Risk management

With regard to financial reporting, the risk that material errors may be made when reporting the company's financial position and results is considered the primary risk. To minimize this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. A Group-wide system for reporting annual accounts has also been introduced. SCA's Board of Directors and management assess the financial reporting from a risk perspective on an ongoing basis. To provide support for this assessment, the company's income statement and balance sheet items are compared with earlier reports, budgets and other planned figures. Control activities that are significant to financial reporting are carried out using the company's IT system. For further information, see Risk and risk management on pages 78–83.

## Control activities and follow up

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group's central controller organization and are easily accessible on the Group's intranet. The central controller organization is responsible for ensuring compliance with instructions and guidelines. Process managers at various levels within SCA are responsible for carrying out the necessary control measures with respect to financial reporting. An important role is played by the business unit's controller organizations, which are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. In addition, each business unit has a Finance Manager with responsibility for each business unit's financial statements. The company's control activities are supported by the budgets prepared by each business unit and updated during the year through continuous forecasts.

SCA has introduced a standardized system of control measures involving processes that are significant to the company's financial reporting. The controls are adapted to the operational process and system structure of each unit. Accordingly, each unit prepares a record of the actual controls to be carried out in the unit in question.

Control of these processes is assessed through self-evaluation followed up by an internal audit. In some cases, SCA has enlisted external help to validate these control measures.

Financial results are reported and examined regularly within the management teams of the operating units and communicated to SCA's management at monthly and quarterly meetings. Before reports are issued, results are analyzed to identify and eliminate any mistakes in the process until the year-end closing. For additional information, see Internal audit on page 71.

## Activities in 2014

For a number of years now, the entire SCA Group has used a shared reporting system for financial statements. An increasing number of units within SCA are also introducing the same accounting system based on a common IT platform. In 2014, work continued to adapt the common accounting system in the companies acquired from Georgia-Pacific to the accounting system used by SCA. This work was concluded in 2014, except in France where the transition to SCA's platform will take place in the first half of 2015. In 2014, SCA also developed a standard system for its business in emerging markets. This has been introduced in two countries and implementation will continue in 2015.

Another development involved the co-location of accounting and reporting of several units in Shared Service Centers, thus making reporting more efficient and uniform. A project continued in 2014 aimed at reducing the number of legal entities in SCA and thereby simplify the reporting and system structures. In 2012, SCA Global Business Services (GBS) was formed with responsibility for providing professional and transactional services in finance, HR administrative support, organization of master data, and office-related support and services to all units within SCA. This has gradually influenced and improved the efficiency of the processes.

# BOARD OF DIRECTORS AND AUDITORS

## Elected by the Annual General Meeting

### 1 Sverker Martin-Löf (1943)

*Tech Lic., Honorary PhD*

Chairman of the Board since 2002. Chairman of the Board of Industrivärden and SSAB. Vice Chairman of Ericsson and Handelsbanken. Member of the Board of Skanska. President and CEO and other senior positions in SCA 1977–2002.

Elected: 1986

A shares: 3,000 B shares: 77,823

Independent of the company and corporate management.

### 2 Pär Boman (1961)

*Engineering and Business/Economics degree*

President, CEO and member of the Board of Handelsbanken. Member of the Board of Industrivärden. Vice President, Head of Handelsbanken Markets 2002–2005, Vice President, Head of Regional Bank Denmark, Handelsbanken 1998–2002, employed in Handelsbanken since 1991.

Elected: 2010

A shares: 1,000

### 3 Rolf Börjesson (1942)

*MSc Eng.*

Chairman of the Board of Biolight AB. Member of the Boards of Avery Dennison Corporation and Huhtamäki Oyj. President and CEO of Rexam Plc 1996–2004, Chairman of the Board of Rexam 2004–2008 and Chairman of the Board of Ahlsell AB 2007–2012. President of PLM AB 1989–1996.

Elected: 2003

B shares: 25,350

Independent of the company, corporate management and SCA's major shareholders.

### 4 Jan Johansson (1954)

*Master of Laws*

President and CEO of SCA.

Member of the Board of Handelsbanken, SSAB and the Confederation of Swedish Enterprise. President and CEO of Boliden AB 2001–2007 and Vice President of Vattenfall 1994–2001.

Elected: 2008

B shares: 84,800

Independent of SCA's major shareholders.

On February 10, 2015, SCA announced that Jan Johansson will leave the company as the President and CEO on February 28, 2015.

### 5 Leif Johansson (1951)

*MSc Eng.*

Chairman of the Board of Ericsson and AstraZeneca.

Member of the Board of Ecolan AB. Chairman of the Royal Swedish Academy of Engineering Sciences (IVA), Chairman of the Nobel Foundation's International Advisory Board and a member of ERT (European Round Table of Industrialists). President and CEO of AB Volvo 1997–2011. Vice President of AB Electrolux 1988–1991, President 1991–1994 and President and CEO of AB Electrolux 1994–1997.

Elected: 2006

B shares: 5,800

Independent of the company, corporate management and SCA's major shareholders.

### 6 Bert Nordberg (1956)

*Engineer*

Chairman of the Board of Vestas Wind Systems A/S.

Member of the Boards of AB Electrolux and Sigma Connectivity AB. Previously held various management positions in Digital Equipment Corp. and Ericsson, 2009–2012

President of Sony Mobile Communications. Member of the Board of BlackBerry Ltd 2013–2014 and Chairman of the Board of Sony Mobile Communications 2012–2013.

Elected: 2012

B shares: 5,000

Independent of the company, corporate management and SCA's major shareholders.

### 7 Anders Nyrén (1954)

*MSc Econ, MBA, Hon PhD Econ.*

President and CEO of AB Industrivärden. Chairman of the Boards of Handelsbanken and Sandvik. Member of the Boards of Industrivärden, Volvo, Stockholm School of Economics and the Stockholm School of Economics Association, Vice Chairman of the Royal Swedish Academy of Engineering Sciences. Vice President of Skanska 1997–2001, Dir Markets and Corporate Finance Nordbanken 1996–1997, Vice President of Securum 1992–1996 and President of OM International AB 1987–1992.

Elected: 2001

B shares: 1,200

Independent of the company and corporate management.

### 8 Louise Julian Svanberg (1958)

*MSc Econ*

Member of the Board of Careers Australia 2011– and the Advisory Board for Cue Ball Capital, Boston 2008–. Previously held various management positions in EF, of which 2002–2008 as the company President and 2008–2010 as the Chairman of the Board.

Elected: 2012

B shares: 15,000

Independent of the company, corporate management and SCA's major shareholders.

### 9 Barbara Milian Thoralfsson (1959)

*MBA, BA*

Member of the Boards of Telenor ASA, Norfolier GreenTec AS, Cable & Wireless Communications Plc, Hilti AG and ColArt International Holdings Ltd and industry adviser to EQT. President and CEO of NetCom ASA 2001–2005 and President and CEO of Midelfart & Co AS 1995–2000. Member of the Board of AB Electrolux 2003–2014.

Elected: 2006

Independent of the company, corporate management and SCA's major shareholders.

## Appointed by the employees

### 10 Roger Boström (1971)

Chairman Swedish Paper Workers' Union dept. 167 at SCA Graphic Sundsvall AB, Östrand pulp mill, Timrå. Member of the Swedish Trade Union Confederation (LO). Appointed: 2013

B shares: 25

### 11 Örjan Svensson (1963)

Senior Industrial Safety Representative at SCA Hygiene Products AB, Edet Bruk, Lilla Edet.

Member of the Swedish Trade Union Confederation (LO).

Appointed: 2005

B shares: 75

### 12 Thomas Wiklund (1955)

Shift Production Manager and Chairman of Ledarna (Swedish Organization for Managers) at Munksund paper mill.

Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2009

## Deputies

### Per Andersson (1955)

Employed at SCA Obbola, Umeå.

Appointed: 2013

### Paulina Halleröd (1967)

Employed at SCA Hygiene Products, Gothenburg.

Appointed: 2013

### Hans Nyqvist (1968)

Employed at SCA Hygiene Products, Gothenburg.

Appointed: 2013

## Honorary Chairman

### Bo Rydin

MSc Econ., Hon PhD Econ., Hon PhD Engineering

## Auditors

### PricewaterhouseCoopers AB

Senior Auditor: Anna-Clara af Ekenstam, Authorized Public Accountant.

## Secretary to the Board

### Mikael Schmidt (1960)

*Master of Laws*

Senior Vice President, Group Function Legal Affairs, General Counsel.

Employed since: 1992

B shares: 6,500

*Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2014.*



# CORPORATE SENIOR MANAGEMENT TEAM

**1 Jan Johansson** (1954)

President and CEO  
Master of Laws  
Employed since: 2007  
B shares: 84,800  
On February 10, 2015, SCA announced that Jan Johansson will leave the company as the President and CEO on February 28, 2015.

**2 Fredrik Rystedt** (1963)

CFO and Executive Vice President  
Head of Group Function Finance  
MSc Econ  
Employed since: 2014  
B shares: 3,000

**3 Mats Berencrutz** (1954)

Executive Vice President  
MSc Eng.  
Employed since: 1981  
B shares: 15,500

**4 Joséphine Edwall-Björklund** (1964)

Senior Vice President, Group Function Communications  
BSc in Communications  
Employed since: 2012  
B shares: 2,450

**5 Magnus Groth** (1963)

President, SCA Consumer Goods Europe  
MBA and MSc ME  
Employed since: 2011  
B shares: 8,050  
On February 10, 2015, SCA announced that Magnus Groth had been appointed as the President and CEO and will assume the role on March 1, 2015.

**6 Gordana Landén** (1964)

Senior Vice President, Group Function Human Resources  
BSc  
Employed since: 2008  
B shares: 4,623

**7 Ulf Larsson** (1962)

President, SCA Forest Products  
BSc Forestry  
Employed since: 1992  
B shares: 4,400

**8 William Ledger** (1967)

President, SCA Global Hygiene Supply  
BSc, Industrial Chemical Engineer  
Employed since: 2002  
B shares: 4,880

**9 Margareta Lehmann** (1958)

President, SCA Incontinence Care Europe  
MSc Econ  
Employed since: 1983  
B shares: 5,728

**10 Don Lewis** (1961)

President, SCA Americas  
BSc BA  
Employed since: 2002  
SCA ADR: 11,465

**11 Sune Lundin** (1951)

President, SCA AfH Professional Hygiene Europe  
MSc Eng  
Employed since: 2008  
B shares: 15,700

**12 Christoph Michalski** (1966)

President, SCA Global Hygiene Category  
MSc Econ  
Employed since: 2007  
B shares: 19,070

**13 Mikael Schmidt** (1960)

Senior Vice President, Group Function Legal Affairs,  
General Counsel  
Master of Laws  
Employed since: 1992  
B shares: 6,500

**14 Robert Sjöström** (1964)

Senior Vice President, Group Function Strategy and Business Development,  
Global Business Services and IT  
MSc Econ, MBA  
Employed since: 2009  
B shares: 12,000

**15 Kersti Strandqvist** (1963)

Senior Vice President, Group Function Sustainability  
MSc Chem., Tech Lic  
Employed since: 1997  
B shares: 8,447

**16 Ulf Söderström** (1964)

President, SCA Asia Pacific  
Studies in economics, MBA  
Employed since: 2009  
B shares: 14,000

**17 Thomas Wulkan** (1961)

President, SCA MEIA  
BSc BA  
Employed since: 2000  
B shares: 5,350



*Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2014.*



# Risks and risk management

SCA is exposed to a number of risks that could exert a greater or lesser material impact on the Group. These risks are generally defined as factors that impact SCA's ability to achieve established targets for the Group. This applies to both financial targets and targets in other areas. SCA's targets are outlined in SCA's Strategy section, on pages 10–13.

Many of the risks described could have a positive or negative impact on the Group. This implies that if a risk develops in a favorable manner or if risk management is successful in counteracting the risk, target fulfillment could exceed expectations. From this perspective, risk could also entail opportunities for SCA. Examples include the GDP trend and the economic situation, the cost of input goods, customer and consumer patterns, and movements in market prices.

The description in this section relates to the structure that the SCA Group had at year-end 2014.

## SCA's structure and value chain

SCA's structure and geographically dispersed business entails in itself a certain degree of risk reduction. SCA conducts operations in three business areas that deliver to entirely or partially different customer segments and end-users. The operations are influenced to varying degrees by the business cycle and general economic

prosperity, and their competitive situations also differ.

SCA's products are sold through many different channels and distribution paths.

The operation has a large geographical spread. Sales are conducted in about 100 countries worldwide and manufacturing is pursued at about 100 production units in some 30 countries. Sales are often based on local manufacturing.

SCA's structure also ensures that the raw material flows are, to a certain degree, integrated from forest land to the finished consumer products. In 2014, 52% of SCA's wood raw material requirements were sourced from its own forests and chips were from its own sawmills. The wood fiber is used for SCA's production of pulp, kraftliner and publication papers, in sawmill operations, and for the manufacture of tissue. Forest waste from SCA's activities is used in biofuel operations. The energy generated in the production process is used internally or sold.

The pulp is subsequently used mainly in the production of tissue. In 2014, 26% of the pulp requirement was satisfied by the Group's own pulp production.

## Processes for risk management

SCA's Board determines the Group's strategic direction based on recommendations from Corporate Senior Management. The responsibility for long-term and overall management of strate-

gic risks follows the company's delegation scheme, from the Board to the President, and from the President to the Business Unit Presidents. This implies that most operational risks are managed by SCA's business units at a local level, but are coordinated when deemed necessary. The tools for this work primarily comprise continuous reporting by the business units and the annual strategy process, which includes risk assessment and risk management as part of the process. In this process, identified risks have been classified according to the likelihood that the risk becomes reality and the impact on SCA's goal fulfillment. The outcome of this evaluation constitutes a part of the assessment of risks described in this section.

SCA's financial risk management is centralized, as is the case for the corporate internal bank for financial transactions of Group companies and management of the Group's energy risks. The financial risks are managed in accordance with the Group's finance policy, which is set by SCA's Board and, together with SCA's energy risk policy, comprises a framework for management activities. The risks are grouped and followed up on a regular basis to ensure compliance with these guidelines. SCA has also centralized the management of other risks.

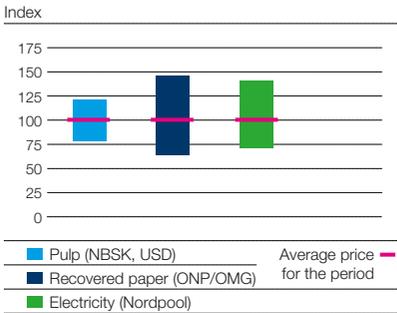
SCA has established a corporate internal audit unit, which ensures that SCA's organization complies with the set policies.

## Risks that impact SCA's ability to achieve established targets

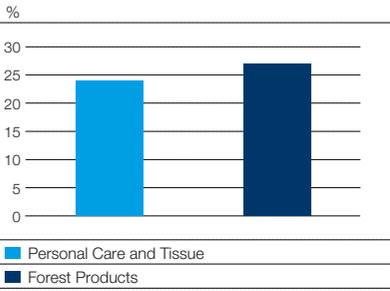
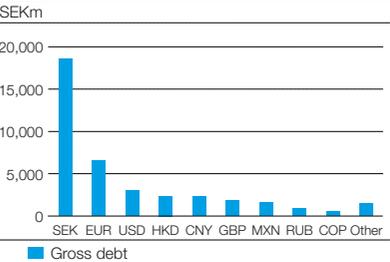
Risk	Policy/Action																																																																																
<b>GDP trend and economic conditions</b>																																																																																	
<p>SCA's volume development is linked to the development of GDP and related factors, including industrial production, in countries representing SCA's main markets. Movements in the GDP trend influence demand for some of SCA's products, primarily in the Forest Products business area.</p> <p><b>Development within SCA's key customer segments (Europe, Index year 2000 = 100)</b></p> <table border="1"> <caption>Development within SCA's key customer segments (Europe, Index year 2000 = 100)</caption> <thead> <tr> <th>Year</th> <th>Retail trade</th> <th>Manufacturing industry</th> <th>Construction industry</th> <th>Advertising market</th> </tr> </thead> <tbody> <tr><td>00</td><td>100</td><td>100</td><td>100</td><td>100</td></tr> <tr><td>01</td><td>105</td><td>105</td><td>105</td><td>105</td></tr> <tr><td>02</td><td>108</td><td>108</td><td>108</td><td>108</td></tr> <tr><td>03</td><td>110</td><td>110</td><td>110</td><td>110</td></tr> <tr><td>04</td><td>112</td><td>112</td><td>112</td><td>112</td></tr> <tr><td>05</td><td>114</td><td>114</td><td>114</td><td>114</td></tr> <tr><td>06</td><td>115</td><td>115</td><td>115</td><td>115</td></tr> <tr><td>07</td><td>115</td><td>110</td><td>110</td><td>110</td></tr> <tr><td>08</td><td>115</td><td>105</td><td>105</td><td>105</td></tr> <tr><td>09</td><td>115</td><td>100</td><td>100</td><td>100</td></tr> <tr><td>10</td><td>115</td><td>95</td><td>95</td><td>95</td></tr> <tr><td>11</td><td>115</td><td>90</td><td>90</td><td>90</td></tr> <tr><td>12</td><td>115</td><td>85</td><td>85</td><td>85</td></tr> <tr><td>13</td><td>115</td><td>85</td><td>85</td><td>85</td></tr> <tr><td>14</td><td>115</td><td>85</td><td>85</td><td>85</td></tr> </tbody> </table>	Year	Retail trade	Manufacturing industry	Construction industry	Advertising market	00	100	100	100	100	01	105	105	105	105	02	108	108	108	108	03	110	110	110	110	04	112	112	112	112	05	114	114	114	114	06	115	115	115	115	07	115	110	110	110	08	115	105	105	105	09	115	100	100	100	10	115	95	95	95	11	115	90	90	90	12	115	85	85	85	13	115	85	85	85	14	115	85	85	85	<p>SCA has reduced the impact of the general economic trend by focusing on its hygiene business.</p> <p>In 2014, Personal Care and Tissue accounted for 84% of SCA's sales. Sales to the retail market, which accounts for the bulk of sales of hygiene products, are more dependent on established consumption patterns and distribution than the economic climate. The institutional care and homecare facilities segment for incontinence products is also relatively unaffected by the business cycle, although it can be impacted by the public budget situation in certain countries. The segment in the hygiene business that is most sensitive to economic movements is AfH tissue, which is affected by the consumption of tissue outside the home, for example, within industry and offices, as well as in the hotel and restaurant industry.</p> <p>Forest products are vulnerable to economic movements. Sales of publication papers, representing 4% of SCA's sales, are affected by fluctuations in business activity in the advertising sector. The relatively cyclical construction and private house industries impact SCA's solid-wood product business, which accounts for 5% of sales.</p> <p>For all businesses, it is important that SCA manages the effects of the economic movements that occur by taking actions to reduce costs and by reviewing the capacity and production structure.</p>
Year	Retail trade	Manufacturing industry	Construction industry	Advertising market																																																																													
00	100	100	100	100																																																																													
01	105	105	105	105																																																																													
02	108	108	108	108																																																																													
03	110	110	110	110																																																																													
04	112	112	112	112																																																																													
05	114	114	114	114																																																																													
06	115	115	115	115																																																																													
07	115	110	110	110																																																																													
08	115	105	105	105																																																																													
09	115	100	100	100																																																																													
10	115	95	95	95																																																																													
11	115	90	90	90																																																																													
12	115	85	85	85																																																																													
13	115	85	85	85																																																																													
14	115	85	85	85																																																																													

Risk	Policy/Action	
<b>Environmental impact and climate change</b>		
<p>SCA's operations have an impact on air, water, land and biological processes. These effects could lead to costs for restoring the environment or other kinds of negative effects. The matter of the economic impact of climate change is also growing in significance.</p>	<p>A number of years ago, SCA established a sustainability policy, detailing guidelines for the Group's actions in the areas of environmental and social responsibility. In addition to this, targets for people and nature are an integrated part of SCA's business strategy. Risks are minimized through preventive work in the form of certified environmental management systems, environmental risk inspections in conjunction with acquisitions, and remediation projects in connection with plant closures.</p> <p>The Group's large forest holding has a significant positive environmental effect through the absorption of carbon dioxide. The forest also guarantees access to renewable forest raw materials and provides valuable ecosystem services for society.</p>	<p>Through its extensive Resource Management System (RMS), SCA monitors how the company utilizes energy, water, transport activities and raw materials. The data is used for internal control and follow-up of established targets. SCA works proactively to decrease its carbon footprint by reducing its energy consumption and emissions of greenhouse gases. Continuous work is conducted to reduce the already low levels of oil and coal used in the Group, and to increase the proportion of renewable energy, such as wind power. A comprehensive description of SCA's work and governance in this area is provided in the Group's Sustainability Report.</p>
<b>Impact of political decisions</b>		
<p>SCA is affected by political decisions and administrative regulations in the approximately 100 countries in which the Group conducts operations. These relate to general regulations, such as taxation and financial reporting. SCA is also impacted by more specific regulations, such as the granting of permits in accordance with the Environmental Code and reimbursement of expenses in the healthcare system.</p>	<p>Through SCA's Public Affairs unit, the company works to monitor and evaluate changes in its surroundings, including amended legislation, and identify actions that lead to improvements for all relevant stakeholder groups. SCA is also a member of national and international trade associations, which comprise the primary bodies for participation in current public debates.</p> <p>For issues of importance to the company, SCA can also work directly in cooperation with regulatory bodies and the public. Examples include the project to construct wind turbines on SCA's land in Sweden.</p> <p>A key area for SCA is global energy and environmental legislation. Because SCA has major operations in Europe and the EU plays a leading role in developing environmental legislation, SCA is focusing its activities on the various EU institutions. For example, SCA monitors developments in policy areas</p>	<p>of major importance to the company, including resource consumption in general and issues of water, air and waste, such as EU trade in emission rights, the EU Waste Directive and the issue of the use of sulfurous fuels in shipping.</p> <p>Since the public sector is both a significant customer and stakeholder group for SCA, the health debate is important to the company, especially with regard to the development of systems for healthcare with greater patient benefit and greater cost efficiency. SCA also works actively to disseminate knowledge regarding various national systems to decision-makers in countries where new structures are being built up. Examples include the development of systems for cost-free prescription of incontinence aids in countries where such benefits were not offered in the past.</p>
<b>Impact of substitutes</b>		
<p>Other product solutions (substitutes) can replace products that are included in SCA's offering and thereby reduce sales. By offering competitive products, SCA can also take market shares from the substitute. The issue of substitutes is also linked to changes in the patterns and attitudes of customers and consumers that affect demand for certain products and thus profitability.</p>	<p>Substitutes exist for virtually all SCA products. This may involve different products with a similar function, such as cloth diapers, cloth rags for household or industrial cleaning, or completely different solutions to the needs of customers and consumers, such as electric hand dryers and the dissemination of news by electronic media instead of on paper.</p> <p>SCA takes proactive steps to adapt to the existence of substitutes and take advantage of the possibilities to expand the Group's business by viewing the substitutes as a potential market opportunity. Another way of being proactive is through innovation, including in-house research and development. A major driver for innovation comprises demands and requests from customers and consumers.</p> <p>Accordingly, development work is often conducted in direct cooperation with customers. An</p>	<p>increasingly important factor is greater focus on sustainability with respect to environmental, financial and social factors. Other demands imposed on SCA's innovation include the desire to create profitable differentiation for SCA's product range and create value and growth, both for customers and SCA (read more about innovation on pages 20–25).</p> <p>In many countries, the degree of penetration is low, meaning only a small proportion of the population uses SCA's products, compared with more developed countries. To increase acceptance of its products, SCA focuses on matters influencing attitudes and on breaking taboos. This also applies to Europe and North America with regard to such items as incontinence products.</p>
<b>Dependence on major customers and distributors</b>		
<p>The retail trade is SCA's single largest customer group and thus exercises considerable influence. Around 55% of SCA's sales are made to the retail trade, under both SCA's brands and the retailer's own brands. SCA also uses other distributors or retailers that could impact the Group. A general consolidation process is taking place in several of SCA's sales channels, thus increasing dependence on individual customers. This increase in dependence could result in negative consequences if SCA does not fulfill the demands imposed.</p>	<p>SCA's customer structure is relatively dispersed, with customers in many different areas of business. In the retail trade, the prevailing trend is towards increased concentration, which has mainly resulted in fewer retail companies at a national and regional level. This could also present opportunities through closer cooperation. There are still a considerable number of retail companies, which reduces the risk for SCA. SCA also uses distributors, mainly for AfH tissue. A very large number of distributors are active in this</p>	<p>segment and the international concentration is relatively low.</p> <p>In 2014, SCA's ten largest customers accounted for 21% of the SCA's sales. The single largest customer accounted for 3% of sales. Most of these customers were retail companies. The ten largest customers also include some large distributors of AfH tissue.</p> <p>Credit risk in accounts receivable is dealt with in the section Credit risk, on page 83.</p>

Risk	Policy/Action																					
<b>Movements in the market price of SCA's products</b>																						
<p>Movements in the market price of SCA's products could create major fluctuations in the profitability of the product in question when these movements are not linked to changes in costs for SCA.</p>	<p>Several methods can be applied to address this risk. Long-term contracts at fixed prices and price hedging only occur in exceptional cases. To reduce the impact of price movements on SCA, actions are taken to adapt the cost scenario to lower market prices, for example, by renegotiating purchasing agreements, implementing personnel and capacity reductions, and reviewing the business structure. In other cases, the product's content can be adapted to the new market price level.</p> <p>Movements in the market price in a number of SCA's product segments are detailed in the figure below. The diagram specifies the average price per year (Index 100) and movements around this value over the past ten years.</p>	<p><b>Highest/lowest market prices (annual average) 2004–2014 per product</b></p> <table border="1"> <caption>Highest/lowest market prices (annual average) 2004–2014 per product</caption> <thead> <tr> <th>Product</th> <th>Lowest Price (Index)</th> <th>Highest Price (Index)</th> <th>Average Price (Index)</th> </tr> </thead> <tbody> <tr> <td>Solid-wood products (Pine)</td> <td>~85</td> <td>~120</td> <td>100</td> </tr> <tr> <td>Publication papers (LWC)</td> <td>~95</td> <td>~105</td> <td>100</td> </tr> <tr> <td>Kraftliner</td> <td>~85</td> <td>~115</td> <td>100</td> </tr> <tr> <td>Tissue</td> <td>~95</td> <td>~105</td> <td>100</td> </tr> </tbody> </table>	Product	Lowest Price (Index)	Highest Price (Index)	Average Price (Index)	Solid-wood products (Pine)	~85	~120	100	Publication papers (LWC)	~95	~105	100	Kraftliner	~85	~115	100	Tissue	~95	~105	100
Product	Lowest Price (Index)	Highest Price (Index)	Average Price (Index)																			
Solid-wood products (Pine)	~85	~120	100																			
Publication papers (LWC)	~95	~105	100																			
Kraftliner	~85	~115	100																			
Tissue	~95	~105	100																			
<b>Risks at plants</b>																						
<p>SCA has around 100 production facilities in some 30 countries. Many of them conduct continuous production. Fires, machinery breakdowns and other types of harmful incidents could damage the plant in question and also cause delivery problems.</p>	<p>SCA's activities in this area are governed by its Risk Management Policy, which controls how SCA shall manage insurable risks. From this perspective, the aim of risk management is to effectively and cost efficiently protect employees, the environment, the company assets and the business, and to minimize SCA's risk management costs. This can be achieved by creating and retaining a balance between loss prevention and insurance coverage.</p> <p>The loss-prevention work is conducted in accordance with established guidelines that include inspections by risk engineers and benchmarking with other plants, within and outside SCA. Other important ele-</p>	<p>ments of loss-prevention activities include maintenance of plants, staff training, good orderliness, and documentation. Every year, SCA invests in loss-prevention measures and its production plants continuously work to reduce their risks. For example, new facilities are fitted with sprinkler systems as standard. All wholly owned plants are insured to replacement cost and for the loss of contribution margin. Within the EU, insurance is carried out by one of the Group's own companies, with external reinsurance for major damages. Outside the EU, SCA cooperates with market-leading insurance companies.</p>																				
<b>Occurrence of unethical business practices</b>																						
<p>SCA works in some 100 countries and in environments where unethical business practices may exist. If SCA becomes involved in these business practices, the company's reputation in the market may be damaged. SCA may also suffer fines and other legal sanctions. SCA works together with various business partners, such as customers, distributors, partners in joint ventures, suppliers and others. Differences in culture and ways of working between SCA and these partners can increase the risk mainly with regard to business ethics and consideration of human rights.</p>	<p>To ensure that SCA's organization lives up to the company's core values and is not drawn into unethical business practices, the SCA Code of Conduct has been established since 2004, which includes general rules for the company's business methods. Training of SCA's employees regarding the Code of Conduct takes place continuously. To ensure that SCA works with suitable business partners, potential partners are screened before cooperation is initiated. The screening covers both business issues and issues concerning business ethics and working methods. Suppliers are expected to comply with SCA's Code of Conduct, which is regulated as a part of the supplier agreements. SCA's starting point is that SCA's Group</p>	<p>policies, including its Code of Conduct and Sustainability Policy, must apply to all markets in which SCA conducts operations. This is particularly true in the cases that involve products with SCA's brands.</p> <p>SCA uses a number of methods to monitor and safeguard the implementation of the Code of Conduct. These include due diligence in connection with acquisitions, monitoring of the supplier chain and regular audits of SCA's units around the world and of suppliers deemed to have a higher risk level. More detailed information on the Code of Conduct and the work in 2014 is available in the Group's Sustainability Report.</p>																				
<b>Suppliers</b>																						
<p>SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in manufacturing. Suppliers could also cause problems for SCA through non-compliance with applicable legislation and regulations or by otherwise acting in an unethical manner.</p>	<p>To reduce this risk, SCA has supplier agreements with a large number of suppliers and continuously enters into agreements with various durations. The Group has a number of suppliers for essentially all important input goods. These contracts ensure deliveries of a significant proportion of input goods at the same time as the effects of sudden cost increases are limited. The Group also has more intensive cooperation with selected suppliers that covers the development of materials and processes.</p> <p>SCA continuously assesses all key suppliers to ensure that they fully comply with the Group requirements in all respects. The assessment may take the</p>	<p>form of a questionnaire, an on-site visit or the use of independent auditors. For essentially all important input goods, SCA assesses the following factors at current and potential suppliers:</p> <ul style="list-style-type: none"> <li>• Quality</li> <li>• Product safety</li> <li>• Impact on the environment, including the issue of the origin of the input goods</li> <li>• Use of chemicals</li> <li>• Compliance with SCA's Code of Conduct</li> </ul> <p>More detailed information is available in SCA's Sustainability Report 2014.</p>																				

Risk	Policy/Action	
<b>Cost of input goods</b>		
<p>The market price of many of the input goods used in the manufacture of SCA's products fluctuates over time and this could influence SCA's earnings.</p> <p><b>Highest/lowest market prices (annual average) 2004–2014 per product</b></p>  <p>Index</p> <p>175 150 125 100 75 50 25 0</p> <p>■ Pulp (NBSK, USD)      Average price — for the period ■ Recovered paper (ONP/OMG) ■ Electricity (Nordpool)</p>	<p>The risk of price movements related to input goods and the impact of these on earnings can be managed in several ways. As a result of SCA's structure, a significant share of raw materials is produced within the Group and, consequently, price movements have a smaller impact on earnings. In 2014, 52% of SCA's wood raw material requirements were sourced from its own forests and chips from its own sawmills, and 26% of its pulp requirements were satisfied by the Group's own pulp production.</p> <p>Another method used to manage the price risk is by availing of financial hedges and long-term contracts. SCA is an energy-intensive company and hedges the energy price risk for electricity and natural gas. More detailed information on the energy price risk and management activities related to this is presented on page 82. Under normal circumstances, no other price risks related to input goods are hedged, although this could be carried out in exceptional</p>	<p>cases. SCA has also begun building up its own energy operations based on the utilization of the Group's own holdings of forest land. More information on these operations is provided in the Group's Sustainability Report.</p> <p>A significant cost item comprises oil-based materials and other oil-related costs, such as transportation. The oil-based materials are principally used in Personal Care products and generally as packaging material. When possible, these and other costs are managed principally through compensation in the form of raised prices for SCA's products, by adjusting product specifications or through streamlining of the Group's own operation. The impact of price movements on input goods can be delayed through purchasing agreements.</p> <p>SCA's relative costs for various key input goods are described on page 138. The price trend for a number of input goods is presented in the diagram to the left.</p>
<b>Employee-related risks</b>		
<p>SCA must have access to skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.</p>	<p>SCA's strategic manpower planning secures access to people with the right expertise at the right time. Recruitment can take place both externally and internally, and internal recruitment and job rotation are facilitated by a job portal, where available positions are advertised both internally and externally. Salaries</p>	<p>and other conditions are to be adapted to the market and linked to SCA's business priorities. An established succession planning program protects operations. SCA strives to maintain good relationships with union organizations.</p>
<b>Legal risks</b>		
<p>New legislation in various countries could negatively impact SCA. Legal processes can be protracted and costly.</p>	<p>SCA monitors the development of legislation through its internal corporate legal staff and external advisors. Another important issue is the management of SCA's intellectual property rights (patents, trademarks, etc.), which is largely centralized. In the approximately 100</p>	<p>countries in which SCA conducts operations, local legal issues and disputes are handled through an extensive network of local legal advisors.</p>
<b>IT risks</b>		
<p>SCA relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production. Errors in the handling of financial systems can affect the company's reporting of results.</p>	<p>SCA has established a management system for information security, including quality assurance procedures that govern IT operations. Information security is monitored through continuous reviews. Standardized processes are in place for the implementation of</p>	<p>new systems, changes to existing systems and daily operations. The majority of SCA's system landscape is based on well-proven products, such as SAP.</p>

Risk	Policy/Action																																																																								
<b>Energy price risk</b>																																																																									
<p>Energy price risk is the risk that increased energy prices could adversely impact SCA's operating profit. SCA is exposed to price movements of electricity and natural gas, but the price of other energy commodities also directly and indirectly impacts SCA's operating profit.</p>	<p>SCA centrally manages the energy price risk related to electricity and natural gas. According to SCA's policy, these price risks can be hedged for a period of up to 36 months. Energy price hedging is effected through financial instruments and fixed pricing in existing supply agreements.</p> <p>SCA safeguards the supply of electricity and natural gas through centrally negotiated supply agreements with well-established suppliers. The portfolio of supply agreements shall be effectively spread to minimize SCA's counterparty risk.</p> <p>In 2014, SCA purchased about 7 TWh (7; 7) of electricity and about 8 TWh (8; 8) of natural gas.</p> <p>The graph displays SCA's price hedges in relation to forecast consumption of electricity and natural gas for the next three years. The graph includes financial hedges and hedging effected via supply agreements. Some of the Swedish electricity exposure is hedged for a longer period through supply agreements maturing in 2019.</p>																																																																								
<p>For further information concerning financial price hedges, see Note 18 Derivatives.</p>																																																																									
<p><b>Energy price hedges in relation to forecast consumption, December 31, 2014</b></p> <table border="1"> <caption>Energy price hedges in relation to forecast consumption, December 31, 2014</caption> <thead> <tr> <th>Year</th> <th>Electricity (%)</th> <th>Natural gas (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>48</td> <td>45</td> </tr> <tr> <td>2016</td> <td>22</td> <td>15</td> </tr> <tr> <td>2017</td> <td>10</td> <td>0</td> </tr> </tbody> </table>		Year	Electricity (%)	Natural gas (%)	2015	48	45	2016	22	15	2017	10	0																																																												
Year	Electricity (%)	Natural gas (%)																																																																							
2015	48	45																																																																							
2016	22	15																																																																							
2017	10	0																																																																							
<b>Currency risk</b>																																																																									
<p><b>Transaction exposure</b></p> <p>Transaction exposure is the risk that exchange rate movements in export revenues and import expenses could negatively impact the Group's operating profit and the cost of non-current assets.</p> <p><b>Translation exposure</b></p> <p>Translation exposure is the risk to which SCA is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK.</p>	<p><b>Transaction exposure</b></p> <p>Transaction exposure, resulting from exports and imports, can be hedged for a period of up to 18 months. Contracted future payments for non-current assets in foreign currencies can be hedged up to the full cost.</p> <p>The forecast net flow of currency against SEK amounts to SEK 9,856m (9,153; 9,024) on an annual basis. The forecast flows are expected to occur evenly over time. At year-end, a net flow against SEK corresponding to two months of the forecast flow for 2015 was hedged. The majority of hedges mature during the first and second quarters of 2015.</p> <p>The forecast and hedges of the 2015 flows are shown in the table to the right.</p> <p>For further information relating to hedging of transaction exposure, see Note 18 Derivatives.</p>																																																																								
<p><b>Long-term currency sensitivity</b></p> <p>The table below presents a breakdown of the Group's net sales and operating expenses by currency, which provides an overview of the Group's long-term currency sensitivity. The largest exposures are denominated in EUR, USD and GBP. The imbalance between sales and expenses in SEK is because the Swedish operations have a high proportion of exports that are invoiced in foreign currencies.</p>	<p><b>Forecast and hedges relating to flows in 2015</b></p> <table border="1"> <thead> <tr> <th>Currency</th> <th>Net flows SEKm</th> <th>Currency inflows SEKm</th> <th>Currency outflows SEKm</th> <th>Hedged inflows %</th> <th>Hedged outflows %</th> </tr> </thead> <tbody> <tr> <td>GBP</td> <td>3,474</td> <td>4,110</td> <td>-636</td> <td>2</td> <td>0</td> </tr> <tr> <td>CNY</td> <td>3,289</td> <td>3,289</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>EUR</td> <td>1,964</td> <td>16,877</td> <td>-14,913</td> <td>1</td> <td>2</td> </tr> <tr> <td>RUB</td> <td>1,282</td> <td>1,321</td> <td>-39</td> <td>0</td> <td>0</td> </tr> <tr> <td>NOK</td> <td>1,096</td> <td>1,104</td> <td>-8</td> <td>0</td> <td>0</td> </tr> <tr> <td>CHF</td> <td>777</td> <td>793</td> <td>-16</td> <td>0</td> <td>0</td> </tr> <tr> <td>DKK</td> <td>756</td> <td>815</td> <td>-59</td> <td>14</td> <td>0</td> </tr> <tr> <td>JPY</td> <td>643</td> <td>643</td> <td>0</td> <td>18</td> <td>0</td> </tr> <tr> <td>Other</td> <td>3,049</td> <td>7,941</td> <td>-4,892</td> <td>1</td> <td>0</td> </tr> <tr> <td>SEK</td> <td>-9,856</td> <td>9,371</td> <td>-19,227</td> <td>1</td> <td>1</td> </tr> <tr> <td>USD</td> <td>-6,474</td> <td>6,541</td> <td>-13,015</td> <td>1</td> <td>1</td> </tr> </tbody> </table>	Currency	Net flows SEKm	Currency inflows SEKm	Currency outflows SEKm	Hedged inflows %	Hedged outflows %	GBP	3,474	4,110	-636	2	0	CNY	3,289	3,289	0	0	0	EUR	1,964	16,877	-14,913	1	2	RUB	1,282	1,321	-39	0	0	NOK	1,096	1,104	-8	0	0	CHF	777	793	-16	0	0	DKK	756	815	-59	14	0	JPY	643	643	0	18	0	Other	3,049	7,941	-4,892	1	0	SEK	-9,856	9,371	-19,227	1	1	USD	-6,474	6,541	-13,015	1	1
Currency	Net flows SEKm	Currency inflows SEKm	Currency outflows SEKm	Hedged inflows %	Hedged outflows %																																																																				
GBP	3,474	4,110	-636	2	0																																																																				
CNY	3,289	3,289	0	0	0																																																																				
EUR	1,964	16,877	-14,913	1	2																																																																				
RUB	1,282	1,321	-39	0	0																																																																				
NOK	1,096	1,104	-8	0	0																																																																				
CHF	777	793	-16	0	0																																																																				
DKK	756	815	-59	14	0																																																																				
JPY	643	643	0	18	0																																																																				
Other	3,049	7,941	-4,892	1	0																																																																				
SEK	-9,856	9,371	-19,227	1	1																																																																				
USD	-6,474	6,541	-13,015	1	1																																																																				
<table border="1"> <thead> <tr> <th>Currency</th> <th>Sales %</th> <th>Costs %</th> <th>Operating profit<sup>1)</sup> SEKm</th> <th>Closing rate, December 31, 2014</th> <th>Average rate 2014</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>42</td> <td>37</td> <td>9,431</td> <td>9.5339</td> <td>9.0885</td> </tr> <tr> <td>USD</td> <td>13</td> <td>19</td> <td>-4,912</td> <td>7.8307</td> <td>6.8380</td> </tr> <tr> <td>GBP</td> <td>9</td> <td>5</td> <td>5,078</td> <td>12.1681</td> <td>11.2678</td> </tr> <tr> <td>CNY</td> <td>6</td> <td>5</td> <td>2,357</td> <td>1.2627</td> <td>1.1101</td> </tr> <tr> <td>SEK</td> <td>6</td> <td>17</td> <td>-9,698</td> <td></td> <td></td> </tr> <tr> <td>COP</td> <td>3</td> <td>3</td> <td>363</td> <td>0.0033</td> <td>0.0034</td> </tr> <tr> <td>MXN</td> <td>3</td> <td>3</td> <td>875</td> <td>0.5306</td> <td>0.5145</td> </tr> <tr> <td>RUB</td> <td>3</td> <td>3</td> <td>864</td> <td>0.1364</td> <td>0.1814</td> </tr> <tr> <td>Other</td> <td>15</td> <td>8</td> <td>7,491</td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>100</b></td> <td><b>100</b></td> <td><b>11,849</b></td> <td></td> <td></td> </tr> </tbody> </table> <p><sup>1)</sup> Operating profit, excluding items affecting comparability.</p>	Currency	Sales %	Costs %	Operating profit <sup>1)</sup> SEKm	Closing rate, December 31, 2014	Average rate 2014	EUR	42	37	9,431	9.5339	9.0885	USD	13	19	-4,912	7.8307	6.8380	GBP	9	5	5,078	12.1681	11.2678	CNY	6	5	2,357	1.2627	1.1101	SEK	6	17	-9,698			COP	3	3	363	0.0033	0.0034	MXN	3	3	875	0.5306	0.5145	RUB	3	3	864	0.1364	0.1814	Other	15	8	7,491			<b>Total</b>	<b>100</b>	<b>100</b>	<b>11,849</b>			<p><b>Translation exposure</b></p> <p>The policy relating to translation exposure for foreign net assets is to hedge a sufficient proportion in relation to SEK so that the Group's debt/equity ratio is unaffected by exchange rate movements. Hedging takes place by financing a certain portion of capital employed in foreign currencies with loans and derivatives in corresponding currencies. The optimal degree of matching in connection with hedging depends on the current consolidated debt/equity ratio. Translation exposure in the income statements of foreign subsidiaries is not currency-hedged.</p> <p>At December 31, 2014, capital employed in foreign currency amounted to SEK 72,482m (65,104; 54,468). Distribution by currency is shown in the table to the right. At year-end, capital employed was financed in the amount of SEK 18,489m (18,733; 16,468) in foreign currency, which is equivalent to a total matching ratio of 26% (30; 30).</p> <p>For further information relating to hedging of translation exposure, see Note 18 Derivatives.</p>						
Currency	Sales %	Costs %	Operating profit <sup>1)</sup> SEKm	Closing rate, December 31, 2014	Average rate 2014																																																																				
EUR	42	37	9,431	9.5339	9.0885																																																																				
USD	13	19	-4,912	7.8307	6.8380																																																																				
GBP	9	5	5,078	12.1681	11.2678																																																																				
CNY	6	5	2,357	1.2627	1.1101																																																																				
SEK	6	17	-9,698																																																																						
COP	3	3	363	0.0033	0.0034																																																																				
MXN	3	3	875	0.5306	0.5145																																																																				
RUB	3	3	864	0.1364	0.1814																																																																				
Other	15	8	7,491																																																																						
<b>Total</b>	<b>100</b>	<b>100</b>	<b>11,849</b>																																																																						
<p><b>Financing of capital employed</b></p> <table border="1"> <thead> <tr> <th>Currency</th> <th>Capital employed SEKm</th> <th>Net debt SEKm</th> <th colspan="2">Matching financing</th> </tr> <tr> <td></td> <td></td> <td></td> <th>2014 %</th> <th>2013 %</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>31,037</td> <td>6,492</td> <td>21</td> <td>26</td> </tr> <tr> <td>CNY</td> <td>12,905</td> <td>1,729</td> <td>13</td> <td>3</td> </tr> <tr> <td>USD</td> <td>7,192</td> <td>2,224</td> <td>31</td> <td>61</td> </tr> <tr> <td>GBP</td> <td>5,452</td> <td>2,419</td> <td>44</td> <td>41</td> </tr> <tr> <td>MXN</td> <td>4,975</td> <td>1,472</td> <td>30</td> <td>33</td> </tr> <tr> <td>COP</td> <td>2,632</td> <td>363</td> <td>14</td> <td>21</td> </tr> <tr> <td>RUB</td> <td>1,901</td> <td>852</td> <td>45</td> <td>48</td> </tr> <tr> <td>Other</td> <td>6,338</td> <td>2,938</td> <td>46</td> <td>7</td> </tr> <tr> <td><b>Total currencies</b></td> <td><b>72,482</b></td> <td><b>18,489</b></td> <td><b>26</b></td> <td><b>30</b></td> </tr> <tr> <td>SEK</td> <td>36,337</td> <td>17,458</td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>108,819</b></td> <td><b>35,947</b></td> <td></td> <td></td> </tr> </tbody> </table>		Currency	Capital employed SEKm	Net debt SEKm	Matching financing					2014 %	2013 %	EUR	31,037	6,492	21	26	CNY	12,905	1,729	13	3	USD	7,192	2,224	31	61	GBP	5,452	2,419	44	41	MXN	4,975	1,472	30	33	COP	2,632	363	14	21	RUB	1,901	852	45	48	Other	6,338	2,938	46	7	<b>Total currencies</b>	<b>72,482</b>	<b>18,489</b>	<b>26</b>	<b>30</b>	SEK	36,337	17,458			<b>Total</b>	<b>108,819</b>	<b>35,947</b>									
Currency	Capital employed SEKm	Net debt SEKm	Matching financing																																																																						
			2014 %	2013 %																																																																					
EUR	31,037	6,492	21	26																																																																					
CNY	12,905	1,729	13	3																																																																					
USD	7,192	2,224	31	61																																																																					
GBP	5,452	2,419	44	41																																																																					
MXN	4,975	1,472	30	33																																																																					
COP	2,632	363	14	21																																																																					
RUB	1,901	852	45	48																																																																					
Other	6,338	2,938	46	7																																																																					
<b>Total currencies</b>	<b>72,482</b>	<b>18,489</b>	<b>26</b>	<b>30</b>																																																																					
SEK	36,337	17,458																																																																							
<b>Total</b>	<b>108,819</b>	<b>35,947</b>																																																																							

Risk	Policy/Action																							
<p><b>Credit risk</b></p> <p>Credit risk refers to the risk of losses due to a failure to meet payment obligations by SCA's counterparties in financial agreements or by customers.</p>	<p><b>Credit risk in accounts receivable</b> Credit risk in accounts receivable is managed through credit checks of customers using credit rating companies. The credit limit is set and regularly monitored. Accounts receivable are recognized at the amount that is expected to be paid based on an individual assessment of each customer.</p> <p><b>Financial credit risk</b> The objective is that counterparties must have a minimum credit rating of A- from at least two of the rating institutes Moody's, Fitch and Standard &amp; Poor's. SCA strives to enter into agreements that allow net calculation of receivables and liabilities. Credit exposure in derivative instruments is calculated as the market value of the instrument. At year-end, the total credit exposure was SEK 11,313m (9,807; 9,321). This exposure also includes credit risk for financial investments in the amount of SEK 9,985m (9,281; 8,376), of which SEK 6,034m (6,287; 6,354) was attributable to</p>	<p>leasing transactions (see Note 33 Contingent liabilities). Credit exposure in derivative instruments amounted to SEK 1,327m (526; 945) at December 31, 2014.</p> <p><b>Ten largest customers' share of outstanding accounts receivable by business area</b></p>  <table border="1"> <caption>Ten largest customers' share of outstanding accounts receivable by business area</caption> <thead> <tr> <th>Business Area</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>Personal Care and Tissue</td> <td>~24</td> </tr> <tr> <td>Forest Products</td> <td>~27</td> </tr> </tbody> </table>	Business Area	Share (%)	Personal Care and Tissue	~24	Forest Products	~27																
Business Area	Share (%)																							
Personal Care and Tissue	~24																							
Forest Products	~27																							
<p><b>Liquidity and refinancing risk</b></p> <p>Liquidity and refinancing risk is the risk that SCA is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.</p>	<p>SCA is to maintain financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilized credit facilities totaling at least 10% of the Group's forecasted annual sales. SCA limits its refinancing risk by having a good distribution for the maturity profile of its gross debt. The gross debt must have an average maturity in excess of three years, considering unutilized credit facilities that are not liquidity reserves. Surplus liquidity should primarily be used to amortize external liabilities. SCA's policy is to not agree to terms that entitle the lender to withdraw loans or adjust interest rates as a direct consequence of movements in SCA's financial key figures or credit rating.</p> <p>The Group's financing is mainly secured by bank loans, bond issues and through issuance of commercial papers. The refinancing risk in short-term borrowing is limited through long-term credit facilities from bank syndicates and individual banks with favorable creditworthiness.</p>	<p>SCA's net debt increased by SEK 2,028m in 2014. At year-end, the average maturity of gross debt was 2.5 years (2.6; 2.3). If short-term loans were replaced with drawings under long-term unutilized credit facilities, the maturity would amount to 3.6 years. Unutilized credit facilities amounted to SEK 19,396m at year-end. In addition, cash and cash equivalents totaled SEK 3,815m. For further information, see Note 22 Current financial assets, cash and cash equivalents, and Note 25 Financial liabilities.</p> <p><b>Liquidity reserve</b></p> <table border="1"> <thead> <tr> <th>SEKm</th> <th>2014</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Unutilized credit facilities</td> <td>19,396</td> <td>18,186</td> <td>17,531</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>3,815</td> <td>3,785</td> <td>2,118</td> </tr> <tr> <td><b>Total</b></td> <td><b>23,211</b></td> <td><b>21,971</b></td> <td><b>19,649</b></td> </tr> </tbody> </table>	SEKm	2014	2013	2012	Unutilized credit facilities	19,396	18,186	17,531	Cash and cash equivalents	3,815	3,785	2,118	<b>Total</b>	<b>23,211</b>	<b>21,971</b>	<b>19,649</b>						
SEKm	2014	2013	2012																					
Unutilized credit facilities	19,396	18,186	17,531																					
Cash and cash equivalents	3,815	3,785	2,118																					
<b>Total</b>	<b>23,211</b>	<b>21,971</b>	<b>19,649</b>																					
<p><b>Interest rate risk</b></p> <p>Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA. SCA is affected by interest rate movements through its net financial income and expense.</p>	<p>SCA seeks to achieve a good spread of its interest due dates to avoid large volumes of renewals occurring at the same time. SCA's policy is to raise loans with floating rates, since it is SCA's understanding that this leads to lower interest expense over time. The interest rate risk and interest period are measured by currency and the average interest term shall be within the interval 3–36 months.</p> <p>In 2014, SCA's net financial items decreased as a result of lower interest rates and a lower average net debt. SCA's largest funding currencies are denominated in SEK and EUR; refer to the graph. To achieve the desired fixed interest period and currency balance, SCA uses financial derivatives. The average interest period for the gross debt, including derivatives, was 8.4 months (9.8; 5.5) at year-end. The average interest rate for the total outstanding net debt</p>	<p>including derivatives, amounted to 2.64% (2.92; 3.10) at year-end.</p> <p><b>Gross debt distributed by currency</b></p>  <table border="1"> <caption>Gross debt distributed by currency</caption> <thead> <tr> <th>Currency</th> <th>Gross Debt (SEKm)</th> </tr> </thead> <tbody> <tr> <td>SEK</td> <td>~18,000</td> </tr> <tr> <td>EUR</td> <td>~4,000</td> </tr> <tr> <td>USD</td> <td>~2,000</td> </tr> <tr> <td>HKD</td> <td>~1,000</td> </tr> <tr> <td>CNY</td> <td>~1,000</td> </tr> <tr> <td>GBP</td> <td>~1,000</td> </tr> <tr> <td>MXN</td> <td>~1,000</td> </tr> <tr> <td>RUB</td> <td>~1,000</td> </tr> <tr> <td>COP</td> <td>~1,000</td> </tr> <tr> <td>Other</td> <td>~1,000</td> </tr> </tbody> </table>	Currency	Gross Debt (SEKm)	SEK	~18,000	EUR	~4,000	USD	~2,000	HKD	~1,000	CNY	~1,000	GBP	~1,000	MXN	~1,000	RUB	~1,000	COP	~1,000	Other	~1,000
Currency	Gross Debt (SEKm)																							
SEK	~18,000																							
EUR	~4,000																							
USD	~2,000																							
HKD	~1,000																							
CNY	~1,000																							
GBP	~1,000																							
MXN	~1,000																							
RUB	~1,000																							
COP	~1,000																							
Other	~1,000																							

# FINANCIAL STATEMENTS

## Contents

Consolidated income statement .....	85	<b>Parent Company</b>	
Consolidated statement of comprehensive income .....	85	<b>Note 36</b> Operating loss .....	130
Consolidated statement of changes in equity .....	86	<b>Note 37</b> Personnel and Board costs .....	130
Consolidated operating cash flow statement, supplementary disclosure .....	86	<b>Note 38</b> Depreciation/amortization of tangible and intangible fixed assets .....	131
Consolidated cash flow statement .....	87	<b>Note 39</b> Financial items .....	131
Correlation between consolidated cash flow statement and operating cash flow statement, supplementary disclosures .....	88	<b>Note 40</b> Appropriations and untaxed reserves .....	131
Consolidated balance sheet .....	89	<b>Note 41</b> Income taxes .....	131
Financial statements, Parent Company .....	90	<b>Note 42</b> Intangible fixed assets .....	131
		<b>Note 43</b> Tangible fixed assets .....	131
<b>Notes</b>		<b>Note 44</b> Participations .....	132
<b>Note 1</b> Accounting principles .....	92	<b>Note 45</b> Receivables from and liabilities to subsidiaries .....	132
<b>Group</b>		<b>Note 46</b> Other current receivables .....	132
<b>Note 2</b> Key assessments and assumptions .....	96	<b>Note 47</b> Equity .....	132
<b>Note 3</b> Acquisitions and divestments .....	97	<b>Note 48</b> Provisions for pensions .....	133
<b>Note 4</b> Operating expenses by type of costs .....	99	<b>Note 49</b> Non-current interest-bearing liabilities .....	133
<b>Note 5</b> Segment reporting .....	100	<b>Note 50</b> Other current liabilities .....	133
<b>Note 6</b> Personnel and Board costs .....	103	<b>Note 51</b> Contingent liabilities .....	133
<b>Note 7</b> Depreciation/amortization and impairment of property, plant and equipment, and intangible assets .....	105	<b>Note 52</b> Pledged assets .....	133
<b>Note 8</b> Financial income and expenses .....	105	<b>Note 53</b> Financial instruments by category .....	133
<b>Note 9</b> Income taxes .....	106		
<b>Note 10</b> Intangible assets .....	107	<b>Note 54</b> Adoption of the annual accounts .....	133
<b>Note 11</b> Property, plant and equipment .....	108		
<b>Note 12</b> Biological assets .....	108	Proposed disposition of earnings .....	134
<b>Note 13</b> Joint ventures and associates.....	109	Audit report .....	135
<b>Note 14</b> Shares and participations .....	111		
<b>Note 15</b> Joint operations.....	111		
<b>Note 16</b> List of major subsidiaries.....	112		
<b>Note 17</b> Non-current financial assets .....	113		
<b>Note 18</b> Derivatives .....	114		
<b>Note 19</b> Inventories .....	115		
<b>Note 20</b> Trade receivables .....	115		
<b>Note 21</b> Other current receivables .....	115		
<b>Note 22</b> Current financial assets, cash and cash equivalents .....	115		
<b>Note 23</b> Non-current assets held for sale .....	115		
<b>Note 24</b> Equity .....	116		
<b>Note 25</b> Financial liabilities .....	118		
<b>Note 26</b> Provisions for pensions .....	119		
<b>Note 27</b> Other provisions .....	121		
<b>Note 28</b> Other non-current liabilities .....	121		
<b>Note 29</b> Other current liabilities .....	121		
<b>Note 30</b> Liquidity risk .....	121		
<b>Note 31</b> Financial instruments by category .....	122		
<b>Note 32</b> Offsetting of financial assets and liabilities .....	123		
<b>Note 33</b> Contingent liabilities .....	123		
<b>Note 34</b> Pledged assets .....	124		
<b>Note 35</b> Effects of recalculations of previous periods.....	124		

# Consolidated income statement

Group	Note	2014		2013 <sup>1)</sup>		2012 <sup>1)</sup>	
		SEKm	EURm <sup>2)</sup>	SEKm	EURm <sup>2)</sup>	SEKm	EURm <sup>2)</sup>
Net sales	5	104,054	11,449	92,873	10,740	89,229	10,255
Cost of goods sold	4	-77,520	-8,529	-69,585	-8,047	-67,035	-7,704
<b>Gross profit</b>		<b>26,534</b>	<b>2,920</b>	<b>23,288</b>	<b>2,693</b>	<b>22,194</b>	<b>2,551</b>
Sales, general and administration	4	-14,798	-1,628	-13,122	-1,518	-13,323	-1,531
Items affecting comparability	4	-1,400	-154	-1,239	-143	-2,614	-300
Share of profits of associates and joint ventures		113	12	215	25	169	19
<b>Operating profit</b>		<b>10,449</b>	<b>1,150</b>	<b>9,142</b>	<b>1,057</b>	<b>6,426</b>	<b>739</b>
Financial income	8	217	24	132	16	107	12
Financial expenses	8	-1,178	-130	-1,193	-138	-1,430	-165
<b>Profit before tax</b>		<b>9,488</b>	<b>1,044</b>	<b>8,081</b>	<b>935</b>	<b>5,103</b>	<b>586</b>
Tax	9	-2,420	-266	-2,220	-257	-364	-41
<b>Profit for the year from continuing operations</b>		<b>7,068</b>	<b>778</b>	<b>5,861</b>	<b>678</b>	<b>4,739</b>	<b>545</b>
<b>Profit from disposal group held for sale<sup>3)</sup></b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503</b>	<b>57</b>
<b>Profit for the year</b>		<b>7,068</b>	<b>778</b>	<b>5,861</b>	<b>678</b>	<b>5,242</b>	<b>602</b>
<b>Earnings attributable to:</b>							
Owners of the Parent		6,599	726	5,547	642	4,956	569
Non-controlling interests		469	52	314	36	286	33
<b>Earnings per share</b>							
Earnings per share, SEK – owners of the Parent							
before dilution effects		9.40		7.90		7.06	
after dilution effects		9.40		7.90		7.06	
Earnings per share, SEK – owners of the Parent excluding divested operations							
before dilution effects		9.40		7.90		6.34	
after dilution effects		9.40		7.90		6.34	
Dividend per share, SEK		5.25 <sup>4)</sup>		4.75		4.50	
<b>Profit for the year attributable to owners of the Parent</b>		<b>6,599</b>	<b>726</b>	<b>5,547</b>	<b>642</b>	<b>4,956</b>	<b>569</b>
Average number of shares before dilution, million		702.3		702.3		702.3	
Average number of shares after dilution, million		702.3		702.3		702.3	

<sup>1)</sup> The comparative figures for 2013 and 2012 have been translated in accordance with the amended IFRS governing consolidated financial statements and joint arrangements (IFRS 10 and IFRS 11). See Note 1 and Note 35.

<sup>2)</sup> An average exchange rate of 9.09 (8.65; 8.70) was applied in translation to EUR.

<sup>3)</sup> The packaging operations divested in June 2012 are recognized net on the line Profit from disposal group held for sale.

<sup>4)</sup> Board proposal.

# Consolidated statement of comprehensive income

SEKm	2014	2013 <sup>1)</sup>	2012 <sup>1)</sup>			
<b>Profit for the year</b>	<b>7,068</b>	<b>5,861</b>	<b>5,242</b>			
<b>Other comprehensive income for the year</b>						
<b>Items that cannot be transferred to profit for the year</b>						
Actuarial gains and losses relating to defined benefit pension plans	-2,925	1,927	-2,011			
Income tax attributable to components in other comprehensive income	660	-488	479			
	<b>-2,265</b>	<b>1,439</b>	<b>-1,532</b>			
<b>Items that have been or can be transferred to profit for the period</b>						
Available-for-sale financial assets:						
Result from measurement at fair value recognized in equity	140	249	286			
Transferred to profit or loss upon sale	-	-	-			
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity	-428	-123	-33			
Transferred to profit or loss for the period	344	49	-2			
Transferred to cost of hedged investments	3	26	13			
Translation differences in foreign operations	5,169	656	-2,949			
Result from hedging of net investments in foreign operations	-1,497	-423	1,134			
Income tax attributable to components in other comprehensive income	359	-131 <sup>2)</sup>	1			
	<b>4,090</b>	<b>303</b>	<b>-1,550</b>			
<b>Other comprehensive income for the year, net after tax</b>	<b>1,825</b>	<b>1,742</b>	<b>-3,082</b>			
<b>Total comprehensive income for the year</b>	<b>8,893</b>	<b>7,603</b>	<b>2,160</b>			
<b>Total comprehensive income attributable to:</b>						
Owners of the Parent	7,852	7,396	1,908			
Non-controlling interests	1,041	207	252			
<b>By business area</b>						
	<b>Net sales</b>			<b>Operating profit/loss<sup>3)</sup></b>		
<b>SEKm</b>	<b>2014</b>	<b>2013<sup>1)</sup></b>	<b>2012<sup>1)</sup></b>	<b>2014</b>	<b>2013<sup>1)</sup></b>	<b>2012<sup>1)</sup></b>
Personal Care	31,066	29,736	29,084	3,526	3,519	3,437
Tissue	56,994	48,096	43,476	6,652	5,724	4,778
Forest Products	16,490	15,525	18,283	2,505	1,843	1,363
Other	-45	95	1,240	-834	-705	-538
Intra-Group deliveries	-451	-579	-2,854	-	-	-
<b>Total</b>	<b>104,054</b>	<b>92,873</b>	<b>89,229</b>	<b>11,849</b>	<b>10,381</b>	<b>9,040</b>

<sup>1)</sup> The comparative figures for 2013 and 2012 have been translated in accordance with the amended IFRS governing consolidated financial statements and joint arrangements (IFRS 10 and IFRS 11). See Note 1 and Note 35.

<sup>2)</sup> Of which SEK -249m pertains to an adjustment for the 2012 fiscal year.

<sup>3)</sup> Excluding items affecting comparability.

## Consolidated statement of changes in equity

SEKm	2014	2013 <sup>1)</sup>	2012 <sup>1)</sup>
<b>Attributable to owners of the Parent</b>			
Opening balance, January 1	63,271	59,706	60,752
Total comprehensive income for the year	7,852	7,396	1,908
Dividend	-3,336	-3,161	-2,950
Acquisition of non-controlling interests	-112	-666	-
Issue cost in associated companies	-49	-	-
Remeasurement effect upon acquisition of non-controlling interests	-4	-4	-4
<b>Closing balance</b>	<b>67,622</b>	<b>63,271</b>	<b>59,706</b>
<b>Non-controlling interests</b>			
Opening balance, January 1	4,540	1,993	1,889
Total comprehensive income for the year	1,041	207	252
Dividend	-228	-142	-141
Acquisition of non-controlling interests	-61	2,482	-7
Effect of confirmation of acquisition balance sheet	-42	-	-
<b>Closing balance</b>	<b>5,250</b>	<b>4,540</b>	<b>1,993</b>
<b>Total equity, closing balance</b>	<b>72,872</b>	<b>67,811</b>	<b>61,699</b>

<sup>1)</sup> The comparative figures for 2013 and 2012 have been translated in accordance with the amended IFRS governing consolidated financial statements and joint arrangements (IFRS 10 and IFRS 11). See Note 1 and Note 35.

For further information, see Note 24 Equity.

## Consolidated operating cash flow statement, supplementary disclosure

Group	2014		2013 <sup>1)</sup>		2012 <sup>1)</sup>	
	SEKm	EURm <sup>2)</sup>	SEKm	EURm <sup>2)</sup>	SEKm	EURm <sup>2)</sup>
Net sales	104,054	11,449	92,873	10,740	89,229	10,255
Operating expenses	-86,841	-9,555	-77,702	-8,985	-75,364	-8,661
<b>Operating surplus</b>	<b>17,213</b>	<b>1,894</b>	<b>15,171</b>	<b>1,755</b>	<b>13,865</b>	<b>1,594</b>
Adjustment for non-cash items	-963	-106	-1,167	-135	-797	-92
<b>Operating cash surplus</b>	<b>16,250</b>	<b>1,788</b>	<b>14,004</b>	<b>1,620</b>	<b>13,068</b>	<b>1,502</b>
Change in						
Inventories	-370	-40	76	9	507	59
Operating receivables	-162	-18	115	13	1,350	155
Operating liabilities	86	9	-519	-60	-738	-85
<b>Change in working capital</b>	<b>-446</b>	<b>-49</b>	<b>-328</b>	<b>-38</b>	<b>1,119</b>	<b>129</b>
Current capital expenditures, net	-3,737	-411	-3,489	-403	-3,272	-376
Restructuring costs, etc.	-883	-97	-1,294	-150	-988	-114
<b>Operating cash flow</b>	<b>11,184</b>	<b>1,231</b>	<b>8,893</b>	<b>1,029</b>	<b>9,927</b>	<b>1,141</b>
Financial items	-961	-106	-1,061	-122	-1,323	-153
Income taxes paid	-2,101	-231	-1,741	-201	-1,265	-145
Other	27	3	161	17	102	13
<b>Cash flow from current operations</b>	<b>8,149</b>	<b>897</b>	<b>6,252</b>	<b>723</b>	<b>7,441</b>	<b>856</b>
<b>Strategic capital expenditures and divestments</b>						
Acquisitions	-508	-56	-5,488	-635	-14,873	-1,709
Strategic capital expenditures in non-current assets	-1,816	-200	-1,906	-220	-1,971	-227
<b>Total strategic capital expenditures</b>	<b>-2,324</b>	<b>-256</b>	<b>-7,394</b>	<b>-855</b>	<b>-16,844</b>	<b>-1,936</b>
Divestments	206	22	1,716	198	17,682	2,032
<b>Cash flow from capital expenditures and divestments</b>	<b>-2,118</b>	<b>-234</b>	<b>-5,678</b>	<b>-657</b>	<b>838</b>	<b>96</b>
<b>Cash flow before dividend</b>	<b>6,031</b>	<b>663</b>	<b>574</b>	<b>66</b>	<b>8,279</b>	<b>952</b>
Dividend to shareholders	-3,564	-392	-3,303	-382	-3,089	-355
<b>Cash flow after dividend</b>	<b>2,467</b>	<b>271</b>	<b>-2,729</b>	<b>-316</b>	<b>5,190</b>	<b>597</b>
Net cash flow from disposal group <sup>3)</sup>	-	-	-	-	468	54
<b>Net cash flow</b>	<b>2,467</b>	<b>271</b>	<b>-2,729</b>	<b>-316</b>	<b>5,658</b>	<b>651</b>
<b>Net debt</b>						
	2014		2013		2012	
	SEKm	EURm	SEKm	EURm	SEKm	EURm
<b>Net debt, January 1</b>	<b>-33,919</b>	<b>-3,797</b>	<b>-33,063</b>	<b>-3,841</b>	<b>-36,820<sup>3)</sup></b>	<b>-4,119<sup>3)</sup></b>
Net cash flow	2,467	271	-2,729	-316	5,658	651
Remeasurements to equity	-2,785	-306	2,176	252	-1,787	-205
Exchange rate effects, etc.	-1,710	62	-117	130	-114	-168
Effect of reclassification of operating liability to net debt <sup>4)</sup>	-	-	-186	-22	-	-
<b>Net debt, December 31</b>	<b>-35,947</b>	<b>-3,770</b>	<b>-33,919</b>	<b>-3,797</b>	<b>-33,063</b>	<b>-3,841</b>

<sup>1)</sup> The comparative figures for 2013 and 2012 have been translated in accordance with the amended IFRS governing consolidated financial statements and joint arrangements (IFRS 10 and IFRS 11). See Note 1 and Note 35.

<sup>2)</sup> An average exchange rate of 9.09 (8.65; 8.70) was applied in translation to EUR.

<sup>3)</sup> Including net debt in the packaging operations divested on June 30, 2012.

<sup>4)</sup> Provision for payroll tax on defined benefit pension obligations was reclassified to net debt in accordance with IAS 19 at the beginning of 2013.

# Consolidated cash flow statement

Group	2014		2013 <sup>1)</sup>		2012 <sup>1, 2)</sup>	
	SEKm	EURm <sup>3)</sup>	SEKm	EURm <sup>3)</sup>	SEKm	EURm <sup>3)</sup>
<b>Operating activities</b>						
Profit before tax	9,488	1,044	8,081	934	5,782	664
Adjustment for non-cash items <sup>4)</sup>	4,944	544	3,742	433	6,169	709
	<b>14,432</b>	<b>1,588</b>	<b>11,823</b>	<b>1,367</b>	<b>11,951</b>	<b>1,373</b>
Paid tax	-2,101	-231	-1,741	-201	-1,375	-158
<b>Cash flow from operating activities before changes in working capital</b>	<b>12,331</b>	<b>1,357</b>	<b>10,082</b>	<b>1,166</b>	<b>10,576</b>	<b>1,215</b>
<b>Cash flow from changes in working capital</b>						
Change in inventories	-370	-41	77	9	441	51
Change in operating receivables	-162	-18	115	13	-669	-77
Change in operating liabilities	86	10	-520	-60	1,134	131
<b>Cash flow from operating activities</b>	<b>11,885</b>	<b>1,308</b>	<b>9,754</b>	<b>1,128</b>	<b>11,482</b>	<b>1,320</b>
<b>Investing activities</b>						
Acquisitions <sup>5)</sup>	-508	-56	-1,998	-231	-14,145	-1,626
Divestments <sup>6)</sup>	206	23	1,371	158	17,068	1,962
Investments in property, plant and equipment and intangible assets <sup>7)</sup>	-5,733	-631	-5,653	-654	-5,902	-678
Sale of property, plant and equipment	179	20	258	30	369	42
Loans granted to external parties	-186	-21	-	-	-788	-91
Repayment of loans to external parties	-	-	282	33	-	-
<b>Cash flow from investing activities</b>	<b>-6,042</b>	<b>-665</b>	<b>-5,740</b>	<b>-664</b>	<b>-3,398</b>	<b>-391</b>
<b>Financing activities</b>						
Acquisition of non-controlling interests	-173	-19	-1,028	-119	-	-
Loans raised	-	-	2,011	233	-	-
Amortization of debt	-2,334	-257	-	-	-5,628	-647
Dividend paid <sup>8)</sup>	-3,564	-392	-3,303	-382	-3,091	-355
<b>Cash flow from financing activities</b>	<b>-6,071</b>	<b>-668</b>	<b>-2,320</b>	<b>-268</b>	<b>-8,719</b>	<b>-1,002</b>
<b>Cash flow for the year</b>	<b>-228</b>	<b>-25</b>	<b>1,694</b>	<b>196</b>	<b>-635</b>	<b>-73</b>
Cash and cash equivalents at the beginning of the year	3,785	424	2,118	246	2,806	314
Exchange rate differences in cash and cash equivalents	258	1	-27	-18	-53	5
Cash and cash equivalents, December 31 <sup>9)</sup>	<b>3,815</b>	<b>400</b>	<b>3,785</b>	<b>424</b>	<b>2,118</b>	<b>246</b>

1) The comparative figures for 2013 and 2012 have been translated in accordance with the amended IFRS governing consolidated financial statements and joint arrangements (IFRS 10 and IFRS 11). See Note 1 and Note 35.

2) Of which, packaging operations divested on June 30, 2012, SEKm	2014	2013	2012
<b>Operating activities</b>			
Profit before tax	-	-	679
Adjustment for non-cash items	-	-	408
	-	-	<b>1,087</b>
Paid tax	-	-	-110
<b>Cash flow from operating activities before change in working capital</b>	-	-	<b>977</b>
Change in working capital	-	-	-213
<b>Cash flow from operating activities</b>	-	-	<b>764</b>
<b>Cash flow from investing activities</b>	-	-	<b>-321</b>
Dividend	-	-	-2
Other cash flow from financing activities	-	-	-39
<b>Cash flow from financing activities</b>	-	-	<b>-41</b>
<b>Cash flow for the year</b>	-	-	<b>402</b>

3) An average exchange rate of 9.09 (8.65; 8.70) was applied in translation to EUR.

4) Adjustment for non-cash items, SEKm	2014	2013	2012
Depreciation/amortization and impairment of non-current assets	5,608	5,216	6,102
Fair-value measurement of forest assets	-615	-574	-643
Gains on asset sales and swaps	-350	-586	-156
Gain on divestments	395	157	851
Unpaid relating to efficiency program	234	661	559
Payments relating to efficiency program already recognized	-396	-509	-381
Revaluation of previous share upon acquisition	-36	-564	-
Other	104	-59	-163
<b>Total</b>	<b>4,944</b>	<b>3,742</b>	<b>6,169</b>

5) Acquisitions, SEKm	2014	2013	2012
Intangible assets	23	2,908	3,077
Non-current assets	222	4,422	7,357
Operating assets	86	2,522	4,987
Cash and cash equivalents	27	654	941
Provisions and other non-current liabilities	-5	-732	-1,447
Net debt excl. cash and cash equivalents	-20	-2,462	-728
Operating liabilities	-29	-1,448	-3,263
Non-current assets held for sale	-	-	911
<b>Fair value of net assets</b>	<b>304</b>	<b>5,864</b>	<b>11,835</b>
Goodwill	269	1,759	3,353
Consolidated value of share in associates	-72	-1,482	-88
Revaluation of previously owned share	-35	-564	-15
Non-controlling interests	-	-2,822	-
<b>Acquisition price</b>	<b>466</b>	<b>2,755</b>	<b>15,085</b>
Acquisition price	-466	-2,755	-15,085
Settled debt pertaining to acquisitions in earlier years	-	103	-1
Cash and cash equivalents in acquired companies	27	654	941
Adjustment of cash and cash equivalents in final acquisition analysis for Vinda	-69	-	-
<b>Effect on Group's cash and cash equivalents, acquisitions</b>	<b>-508</b>	<b>-1,998</b>	<b>-14,145</b>

6) Divestments, SEKm	2014	2013	2012
Intangible assets	-	37	14
Non-current assets	-	84	370
Operating assets	-	1,175	1,417
Non-current assets held for sale	-	1,855	3,378
Operating assets in disposal group	-	-	21,096
Cash and cash equivalents	-	306	153
Cash and cash equivalents in disposal group	-	-	200
Net debt excl. cash and cash equivalents	-	-345	8
Net debt in disposal group excl. cash and cash equivalents	-	-	-617
Provisions	-	-120	-583
Operating liabilities	-	-413	-767
Operating liabilities in disposal group	-	-	-6,377
Loss on sale*	-	-156	-866
Loss in disposal group on sale*	-	-	-5
<b>Purchase price received after divestment costs</b>	<b>-</b>	<b>2,423</b>	<b>17,421</b>
Less:			
Unpaid purchase consideration	-	-746	-
Cash and cash equivalents in divested companies	-	-306	-153
Cash and cash equivalents in disposal group	-	-	-200
Add:			
Payment of receivable for purchase consideration	206	-	-
<b>Effect on the Group's cash and cash equivalents, divestments</b>	<b>206</b>	<b>1,371</b>	<b>17,068</b>

\* Excluding reversal of realized translation differences in divested companies to profit or loss. Loss on sale is included in items affecting comparability in profit or loss.

7) Investments in intangible assets and property, plant and equipment	2014	2013	2012
Payments due to investments in intangible assets, property, plant and equipment, and biological assets totaled SEK 5,733m (5,653; 5,902). Investments financed through finance leases amounted to SEK 0m (0; 0). Of total investments of SEK 5,733m (5,653; 5,902), SEK 1,816m (1,906; 2,095) pertains to activities to increase the operations' capacity level (strategic capital expenditures) and SEK 3,917m (3,747; 3,807) to activities to maintain the operations' capacity level (current capital expenditures).			

8) Including dividend to non-controlling interests.

9) Cash and cash equivalents, SEKm	2014	2013	2012
Cash and bank balances	3,023	2,464	1,819
Short-term investments, maturity < 3 months	792	1,321	299
<b>Total</b>	<b>3,815</b>	<b>3,785</b>	<b>2,118</b>

The Group's total liquidity reserve at year-end amounted to SEK 23,211m (21,971; 19,649), including unutilized credit facilities of SEK 19,396m (18,186; 17,531).

Interest paid, SEKm	2014	2013	2012
Interest paid	-1,290	-1,302	-1,470
Interest received	124	68	87
<b>Total</b>	<b>-1,166</b>	<b>-1,234</b>	<b>-1,383</b>

## Correlation between consolidated cash flow statement and operating cash flow statement, supplementary disclosures

### Cash flow from operating activities

SEKm	2014	2013	2012
Cash flow from operating activities	11,885	9,754	11,482
<i>Less</i>			
Cash flow from operating activities in disposal group	-	-	-764
<i>Add</i>			
Current capital expenditures	-3,737	-3,489	-3,272
Accrued interest	1	-13	-4
Less accrued interest in disposal group	-	-	-1
<b>Cash flow from current operations as shown in the operating cash flow statement</b>	<b>8,149</b>	<b>6,252</b>	<b>7,441</b>

### Cash flow from investing activities

SEKm	2014	2013	2012
Cash flow from investing activities	-6,042	-5,740	-3,398
<i>Less</i>			
Cash flow from investing activities in disposal group	-	-	321
Current capital expenditures	3,737	3,489	3,272
Loans granted to external parties	186	-	788
Less cash flow from loans granted to external parties in disposal group	-	-	-26
Repayment of loans to external parties	-	-282	-
<i>Add</i>			
Net debt in acquired and divested operations	174	-2,117	-119
Acquisition of non-controlling interests	-173	-1,028	-
<b>Cash flow from strategic capital expenditures and divestments according to the operating cash flow statement</b>	<b>-2,118</b>	<b>-5,678</b>	<b>838</b>

### Cash flow for the year

SEKm	2014	2013	2012
Cash flow for the year	-228	1,694	-635
<i>Less</i>			
Loans granted to external parties	186	-	788
Repayment of loans to external parties	-	-282	-
Amortization of debt	2,334	-	5,628
Loans raised	-	-2,011	-
<i>Add</i>			
Net debt in acquired and divested operations	174	-2,117	-119
Accrued interest	1	-13	-4
<b>Net cash flow according to consolidated operating cash flow statement</b>	<b>2,467</b>	<b>-2,729</b>	<b>5,658</b>

# Consolidated balance sheet

Group	Note	December 31, 2014		December 31, 2013 <sup>1)</sup>		December 31, 2012 <sup>1)</sup>	
		SEKm	EURm <sup>2)</sup>	SEKm	EURm <sup>2)</sup>	SEKm	EURm <sup>2)</sup>
<b>ASSETS</b>							
<b>Non-current assets</b>							
Goodwill	10	15,717	1,649	13,785	1,543	12,349	1,435
Other intangible assets	10	7,963	835	8,136	911	5,580	648
Buildings, land, machinery and equipment	11	56,345	5,910	52,777	5,908	47,771	5,549
Biological assets	12	29,685	3,114	28,767	3,220	27,503	3,195
Participations in joint ventures and associates	13	1,088	114	1,020	114	2,257	262
Shares and participations	14	53	6	52	6	60	7
Surplus in funded pension plans	26	3	0	442	49	682	79
Non-current financial assets	17	3,137	329	2,748	308	2,895	336
Deferred tax assets	9	1,186	124	948	106	891	104
Other non-current assets		308	32	871	97	105	12
<b>Total non-current assets</b>		<b>115,485</b>	<b>12,113</b>	<b>109,546</b>	<b>12,262</b>	<b>100,093</b>	<b>11,627</b>
<b>Current assets</b>							
Inventories	19	13,793	1,447	12,579	1,408	11,762	1,366
Trade receivables	20	16,827	1,765	15,420	1,726	14,606	1,697
Current tax assets	9	652	69	535	60	617	72
Other current receivables	21	2,852	299	2,543	285	2,751	319
Current financial assets	22	1,252	131	536	60	401	47
Non-current assets held for sale	23	60	6	32	3	1,937	225
Cash and cash equivalents	22	3,815	400	3,785	424	2,118	246
<b>Total current assets</b>		<b>39,251</b>	<b>4,117</b>	<b>35,430</b>	<b>3,966</b>	<b>34,192</b>	<b>3,972</b>
<b>Total assets</b>		<b>154,736</b>	<b>16,230</b>	<b>144,976</b>	<b>16,228</b>	<b>134,285</b>	<b>15,599</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
<i>Owners of the Parent</i>							
Share capital		2,350	247	2,350	263	2,350	273
Other capital provided		6,830	716	6,830	764	6,830	793
Reserves		237	25	-3,281	-367	-3,691	-429
Retained earnings		58,205	6,105	57,372	6,422	54,217	6,299
		<b>67,622</b>	<b>7,093</b>	<b>63,271</b>	<b>7,082</b>	<b>59,706</b>	<b>6,936</b>
Non-controlling interests		5,250	550	4,540	508	1,993	232
<b>Total equity</b>		<b>72,872</b>	<b>7,643</b>	<b>67,811</b>	<b>7,590</b>	<b>61,699</b>	<b>7,167</b>
<b>Non-current liabilities</b>							
Non-current financial liabilities	25	24,246	2,543	28,703	3,213	24,077	2,797
Provisions for pensions	26	5,100	535	2,548	285	4,820	560
Deferred tax liabilities	9	10,195	1,069	10,531	1,179	9,207	1,069
Other non-current provisions	27	600	63	416	46	817	95
Other non-current liabilities	28	206	22	177	20	205	24
<b>Total non-current liabilities</b>		<b>40,347</b>	<b>4,232</b>	<b>42,375</b>	<b>4,743</b>	<b>39,126</b>	<b>4,545</b>
<b>Current liabilities</b>							
Current financial liabilities	25	14,640	1,536	10,009	1,120	10,105	1,174
Trade payables		13,964	1,465	12,853	1,439	12,705	1,476
Current tax liabilities	9	747	78	818	92	445	52
Current provisions	27	986	103	1,167	131	947	110
Other current liabilities	29	11,180	1,173	9,943	1,113	9,258	1,075
<b>Total current liabilities</b>		<b>41,517</b>	<b>4,355</b>	<b>34,790</b>	<b>3,895</b>	<b>33,460</b>	<b>3,887</b>
<b>Total liabilities</b>		<b>81,864</b>	<b>8,587</b>	<b>77,165</b>	<b>8,638</b>	<b>72,586</b>	<b>8,432</b>
<b>Total equity and liabilities</b>		<b>154,736</b>	<b>16,230</b>	<b>144,976</b>	<b>16,228</b>	<b>134,285</b>	<b>15,599</b>

Contingent liabilities and pledged assets, see Notes 33 and 34.

Capital employed	108,819	11,414	101,730	11,387	94,762	11,008
Net debt	35,947	3,770	33,919	3,797	33,063	3,841

<sup>1)</sup> The comparative figures for 2013 and 2012 have been translated in accordance with the amended IFRS governing consolidated financial statements and joint arrangements (IFRS 10 and IFRS 11). See Note 1 and Note 35.

<sup>2)</sup> Closing exchange rate of 9.53 (8.93; 8.61) was applied in translation to EUR.

## Financial statements, Parent Company

**Income statement**

SEKm	Note	2014	2013
Administrative expenses		-738	-838
Other operating income		414	457
Other operating expenses		-204	-212
<b>Operating loss</b>	36, 37, 38	<b>-528</b>	<b>-593</b>
<b>Financial items</b>	39		
Result from participations in Group companies		6,524	8,533
Result from participations in other companies		-	16
Interest income and similar profit items		1,414	1,028
Interest expenses and similar loss items		-3,294	-3,114
<b>Total financial items</b>		<b>4,644</b>	<b>6,463</b>
<b>Profit after financial items</b>		<b>4,116</b>	<b>5,870</b>
Appropriations	40	-17	-15
Tax on profit for the year	41	69	-30
<b>Profit for the year</b>		<b>4,168</b>	<b>5,825</b>

**Statement of comprehensive income**

SEKm	2014	2013
<b>Profit for the year</b>	<b>4,168</b>	<b>5,825</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>4,168</b>	<b>5,825</b>

**Cash flow statement**

SEKm	2014	2013
<b>Operating activities</b>		
Profit after financial items	4,116	5,870
Adjustment for non-cash items <sup>1)</sup>	-3,967	-5,554
	<b>149</b>	<b>316</b>
Income taxes paid	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>149</b>	<b>316</b>
<b>Cash flow from changes in working capital</b>		
Change in operating receivables <sup>2)</sup>	95	1,674
Change in operating liabilities <sup>2)</sup>	119	693
<b>Cash flow from operating activities</b>	<b>363</b>	<b>2,683</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	0	218
Repayment of equity from subsidiaries	-	64
Acquisition of non-current assets	-488	-584
Divestment of financial assets	-	181
Sale of tangible fixed assets	284	504
<b>Cash flow from investing activities</b>	<b>-204</b>	<b>383</b>
<b>Financing activities</b>		
Loans raised	3,177	95
Dividend paid	-3,336	-3,161
<b>Cash flow from financing activities</b>	<b>-159</b>	<b>-3,066</b>
<b>Cash flow for the year</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the year	0	0
Cash and cash equivalents at the end of the year <sup>3)</sup>	0	0

	2014	2013
<b>1) Adjustment for non-cash items</b>		
Depreciation/amortization of non-current assets	64	62
Change in accrued items	702	444
Dividend income in the form of shares received in subsidiaries	-4,475	-5,376
Other	-258	-684
<b>Total</b>	<b>-3,967</b>	<b>-5,554</b>

<sup>2)</sup> Dealings of the Parent Company with the Swedish subsidiaries relating to tax are recognized as Change in operating receivables or Change in operating liabilities, respectively.

<sup>3)</sup> The company's current account is a subsidiary account and is recognized in the balance sheet as Liabilities to subsidiaries.

**Supplementary disclosures**

Interest and dividends paid and received	2014	2013
Dividends received	6,200	7,267
Group contribution received	1,867	3,730
Group contribution paid	-242	-219
Interest paid	-2,046	-2,439
Interest received	182	368
<b>Total</b>	<b>5,961</b>	<b>8,707</b>

## Balance sheet

SEKm	Note	Dec. 31, 2014	Dec. 31, 2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized development costs		0	1
<b>Intangible fixed assets</b>	42	<b>0</b>	<b>1</b>
Land and buildings		8,099	7,633
Machinery and equipment		9	11
<b>Tangible fixed assets</b>	43	<b>8,108</b>	<b>7,644</b>
Participations	44	133,649	129,174
Receivables from subsidiaries	45	348	354
Other long-term receivables		123	123
<b>Financial fixed assets</b>		<b>134,120</b>	<b>129,651</b>
<b>Total fixed assets</b>		<b>142,228</b>	<b>137,296</b>
<b>Current assets</b>			
Receivables from subsidiaries	45	3,637	1,740
Current income taxes	41	18	18
Other current receivables	46	104	137
Cash and cash equivalents		0	0
<b>Total current assets</b>		<b>3,759</b>	<b>1,895</b>
<b>Total assets</b>		<b>145,987</b>	<b>139,191</b>

SEKm	Note	Dec. 31, 2014	Dec. 31, 2013
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
	47		
Share capital		2,350	2,350
Revaluation reserve		1,363	1,363
Statutory reserve		7,283	7,283
<b>Total restricted equity</b>		<b>10,996</b>	<b>10,996</b>
Retained earnings		38,670	36,181
Profit for the year		4,168	5,825
<b>Total non-restricted equity</b>		<b>42,838</b>	<b>42,006</b>
<b>Total equity</b>		<b>53,834</b>	<b>53,002</b>
<b>Untaxed reserves</b>			
	40	<b>213</b>	<b>197</b>
<b>Provisions</b>			
Provisions for pensions	48	619	598
Provisions for taxes	41	609	679
Other provisions		3	3
<b>Total provisions</b>		<b>1,231</b>	<b>1,280</b>
<b>Non-current liabilities</b>			
Liabilities to subsidiaries	45	2,326	2,180
Non-current interest-bearing liabilities	49	18,890	19,187
Other non-current liabilities		0	0
<b>Total non-current liabilities</b>		<b>21,216</b>	<b>21,367</b>
<b>Current liabilities</b>			
Liabilities to subsidiaries	45	67,217	62,293
Current interest-bearing liabilities		1,726	581
Accounts payable		54	38
Other current liabilities	50	496	433
<b>Total current liabilities</b>		<b>69,493</b>	<b>63,345</b>
<b>Total equity, provisions and liabilities</b>		<b>145,987</b>	<b>139,191</b>
Contingent liabilities	51	26,035	20,175
Pledged assets	52	158	157

## Change in equity (Refer also to Note 47)

SEKm	Share capital	Revaluation reserve	Statutory reserve	Retained earnings and profit for the year	Total equity
<b>Equity at December 31, 2012</b>	<b>2,350</b>	<b>1,363</b>	<b>7,283</b>	<b>39,342</b>	<b>50,338</b>
Profit for the year				5,825	5,825
Dividend, SEK 4.50 per share				-3,161	-3,161
<b>Equity at December 31, 2013</b>	<b>2,350</b>	<b>1,363</b>	<b>7,283</b>	<b>42,006</b>	<b>53,002</b>
Profit for the year				4,168	4,168
Dividend, SEK 4.75 per share				-3,336	-3,336
<b>Equity at December 31, 2014</b>	<b>2,350</b>	<b>1,363</b>	<b>7,283</b>	<b>42,838</b>	<b>53,834</b>

## Notes

## 1 Accounting principles

The most important accounting principles applied in the preparation of this annual report are set out below. The same principles are usually applied in both the Parent Company and the Group. In some cases, the Parent Company applies principles other than those used by the Group and, in such cases, these principles are specified under a separate heading.

### BASIS FOR PREPARATION

The SCA Group's financial statements are prepared in accordance with the Annual Accounts Act and International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), as adopted within the EU, and the Swedish Financial Reporting Board, Recommendation RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company's financial statements are prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2, Reporting by Legal Entities, and the Annual Accounts Act. The accounts for both the Group and the Parent Company pertain to the fiscal year that ended on December 31, 2014. SCA applies the historical cost method for measurement of assets and liabilities except for biological assets (standing timber), available-for-sale financial assets and financial assets and liabilities, including derivative instruments, measured at fair value through profit or loss, which are measured at fair value either in profit or loss or in other comprehensive income. In the Parent Company, biological assets or financial assets and liabilities are not measured at fair value.

### INTRODUCTION OF NEW AND REVISED IAS/IFRS

#### New IAS/IFRS standards and amendments (IAS/IFRS) and interpretations (IFRIC) that came into effect in 2014 and were adopted by the EU:

The following amendments of standards (IAS/IFRS) and new and amended interpretations (IFRIC) came into effect in 2014 and were adopted by the EU.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 36: Recoverable Amount Disclosure for Non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

These standards are applied retrospectively, entailing that the income statements and balance sheets for 2013 and 2012 have been recalculated to reflect the changes in the new and amended reporting standards. The effects of the recalculations are presented in Note 35. It is mainly IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements that affected recalculations. None of the other standards are deemed to have a material impact on the earnings or financial position of the Group or the Parent Company.

- IFRS 10 Consolidated Financial Statements is based on already existing principles defining control as the decisive factor in determining whether a company is to be included in the consolidated accounts. The definition of control is based upon the premise that the owner has the ability to control the company, is entitled to a return and has the power to influence the activities that impact return. The standard provides further guidance should it not be clear whether there is a controlling influence. In light of the new standard, an analysis of shareholder agreements was carried out. For some joint ventures, the assessment is that SCA has a controlling influence in accordance with IFRS 10.
- IFRS 11 Joint Arrangements is a new standard for classification of joint arrangements as joint ventures or joint operations. Decisive for the classification is how the rights and obligations are shared by the parties in a joint arrangement. In joint operations, parties to the agreement have rights to the assets and obligations for the liabilities associated with the investment, meaning that the operator must account for its share of the assets, liabilities, revenues and costs according to the proportional method. A joint venture entitles the joint owners to the net assets of the investment. Going forward, joint ventures will be recognized in accordance with the equity method.
 

SCA previously applied the proportional method for most of its joint ventures. For those companies that will continue to be classified as joint ventures, the proportional method will be replaced by the equity method, which entails that assets and liabilities will no longer be recognized in the balance sheet but rather will be replaced by a net item including the goodwill for each joint venture. The same applies for the income statement, where income and expenses will be replaced by the recognition of the share in profits in the income statement as "Share of profits in joint ventures." However, joint arrangements classified as joint operations will still be recognized in accordance with the proportional method.
- IFRS 12 Disclosures of Interests in Other Entities includes expanded disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

#### New standards, amendments and interpretations published by IASB, but either not yet effective or not yet adopted by the EU:

- IFRS 9 Financial Instruments was issued in July 2014 and is a new standard that will replace IAS 39. The standard is divided into three areas:
  1. Classification and measurement of financial assets and liabilities.
  2. Impairment
  3. Hedge accounting

The first part addresses the classification and measurement of financial instruments. The new standard defines three categories of financial assets 1) financial assets measured at amortized cost 2) financial assets measured at fair value through other comprehensive income and 3) financial assets measured at fair value. Classification and measurement are determined based on the company's business model for managing the asset and on the characteristics of the assets contractual cash flows.

When the objective of the business model is that the contractual cash flows of the financial assets are primarily to comprise principal and interest, the financial asset is recognized at amortized cost. However, if the business model is to collect cash flows from the principal and interest and to sell the assets, the financial asset is recognized at fair value through other comprehensive income. Financial assets where cash flows do not comprise the principal or interest are measured at fair value through profit or loss. Gains and losses on equity instruments (for example, equities) are measured at fair value through profit or loss. If the instrument is not held for trading, the value changes can alternatively be recognized at initial recognition in other comprehensive income. Gains and losses recognized in comprehensive income are not permitted to be recirculated.

The new standard entails essentially unchanged recognition of financial liabilities. For financial liabilities classified at fair value through profit or loss, the portion of the value change attributable to the company's credit rating is recognized in other comprehensive income.

The second part introduces a new model for impairment of financial assets based on expected losses and not as previously under IAS 39 until the loss event has already occurred. Under the model for assets with low credit risk, where no significant increase in credit risk occurred since initial recognition, provisions are established for credit losses that may arise within the next 12 months. In other cases where the credit risk has increased significantly since initial recognition and where the credit risk is not low, provisions are established for credit losses that are expected to occur during the full lifetime of the asset.

A simplified model is applied to trade receivables and lease receivables, whereby losses are recognized at an amount corresponding to the expected loss over the estimated remaining term of the receivable.

The third part addresses hedge accounting. The new standard focuses to a great extent on reflecting the company's risk management strategies in hedge accounting and allowing more hedging strategies to qualify for hedge accounting. The new standard also encompasses non-financial instruments and permits, for example, hedging of risk components of non-financial items. This means that a component of a product or price formula can be hedged instead of only the price risk of the entire product being hedged, as was previously the case. The hedged item can comprise both a risk and derivative, for example, a loan in foreign currency together with a currency derivative can comprise a hedged item. Net positions qualify for hedge accounting, provided that the items in the group individually qualify for hedge accounting. Handling the time value of options has changed by the time value component being recognized as a separate component in other comprehensive income and the time of reclassification to profit or loss depends on the nature of the hedged item. Effectiveness assessments are more qualitative and the limits of 80–125% have been removed from retrospective effectiveness assessments. The new standard is expected to take effect on January 1, 2018. The standard has not yet been adopted by the EU. However, the new standard may be applied in advance. SCA will not apply the new standard in advance. SCA has not yet evaluated the effect of IFRS 9.

- IFRS 15 Revenue from Contracts with Customers was issued in May 2014. The new standard will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

When a customer contract is identified, an asset arises for the seller (right to payment) and a liability arises for the customer (promise to transfer the goods or services – "performance obligation"), known as the "balance sheet approach." Revenue is recognized when the sales company satisfies the performance obligation by transferring the goods or services to the customer. The new revenue standard is based on a "control-based" five-step model framework to determine when revenue is to be recognized.

These five stages are:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The standard pertains only to contracts with customers and pertains to a commercial agreement between two or more parties. When identifying a contract, several contracts with the same customer are to be grouped together into one if these contracts are close in time or dependent on each other. It must also be probable that the seller will be paid for the contract.

The next step is to identify the performance obligation of the contract. It is important that the good or service is distinct, meaning that the good/service is clearly separable and can be used on its own or in conjunction with other readily available resources to the customer. The good/service may not have been integrated with other goods or services promised in the contract. All separable performance obligations are to be recognized separately or packaged together with other goods/services in a “bundle” that comprises a joint obligation.

The transaction price comprises the consideration for transferring promised goods or services under the terms of the contract. Variable consideration is determined according to two methods: the expected value method or most probable method. The portion of variable consideration for which the company believes it is highly probable that it will not need to reverse in the future, if estimates change, is recognized as revenue.

If the company has multiple performance obligations, the transaction price is to be allocated to the performance obligations in the contract by reference to their relative standalone selling prices. If standalone selling prices are unavailable, they are to be estimated. The standard suggests three different models (but does not exclude other models): adjusted market assessment approach, the expected cost plus a margin approach and the residual approach.

The final stage, once the company has satisfied its performance obligation, is to recognize the revenue. The good/service is deemed to have been transferred when control has passed to the customer by the customer being able to use or benefit from the good/service. Revenue is recognized in accordance with current standards when the risks and benefits of a good has been transferred in line with a service being performed. Under the new standard, transfer of control of the promised asset (which may be a service) is central to when revenue is to be recognized. Control may be passed on a given point in time, which is usually the case for sales. In other cases, a performance obligation may be satisfied over time, which is common for services. Revenue is recognized either when the contract has been completed or in line with the contract being completed. Three different criteria have been established for determining whether a performance obligation is satisfied over time: i) the customer receives and consumes all of the benefits as the obligation is performed ii) the company's performance creates or enhances an asset that the customer controls and iii) the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date. The new standard is expected to take effect on January 1, 2017 but has not yet been adopted by the EU. SCA has not yet evaluated the consequences of the new standard, although it is not expected to have a material effect on the Group.

None of the following IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group

- Amendments to IAS 1: Disclosure initiative
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

## USE OF ASSESSMENTS

The preparation of financial statements in conformity with IFRS and generally accepted Swedish accounting principles requires assessments and assumptions to be made that affect recognized asset and liability items and income and expense items, respectively, as well as other information disclosed. The actual results may differ from these assessments.

## CONSOLIDATED ACCOUNTS

The consolidated accounts are prepared in accordance with the Group's accounting principles and include the accounts of the Parent Company and all Group companies in accordance with the definitions below. Group companies are consolidated from the date the Group exercises control or influence over the company according to the definitions provided under the respective category of Group company below. Divested Group companies are included in the consolidated accounts until the date the Group ceases to control or exercise influence over the companies. Intra-Group transactions have been eliminated.

### Parent Company:

The Parent Company recognizes all holdings in Group companies at cost after deduction for any accumulated impairment losses.

### Subsidiaries

All companies over which the Group has control are consolidated as subsidiaries. The definition of control is that SCA has the ability to control the subsidiary, is entitled to a return and has the power to influence the activities that impact return. The consolidated financial

statements are prepared in accordance with the purchase method. In business combinations, acquired assets and assumed liabilities are identified and classified, and measured at fair value on the date of acquisition (also known as a purchase price allocation). In step acquisitions when a controlling influence is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. The effects of the remeasurement upon payment of the liability related to a contingent consideration are recognized in profit for the period. If the controlling influence is lost upon divestment, the result is recognized in profit or loss; any residual holding in the divested business is then measured at fair value on the date of divestment and the effect is also recognized in profit or loss. Transaction costs in conjunction with acquisitions are not included in cost of acquisition, but rather expensed directly.

## Joint arrangements

SCA classifies its joint arrangements as either joint ventures or joint operations.

### Joint operations

Joint operations are defined as companies in which SCA together with other parties through an agreement, has shared control over operations. In joint operations, parties to the agreement have rights to the assets and obligations for the liabilities associated with the investment, meaning that the operator must account for its share of the assets, liabilities, revenues and costs according to the proportional method.

Measurement of acquired assets and liabilities according to the proportional method is carried out in the same way as for subsidiaries. SCA recognizes its proportional share of companies classified as joint operations in assets, liabilities, income and expenses in its financial statements.

### Joint ventures

Joint ventures are defined as companies in which SCA together with other parties through an agreement, has shared control over operations. A joint venture entitles the joint owners to the net assets of the investment. Going forward, joint ventures will be recognized in accordance with the equity method, meaning that a net item including the goodwill will be recognized for each joint venture in the balance sheet. A share in profits is recognized in the income statement as “Share of profits in joint ventures.” Share in profits is calculated on the basis of SCA's share of equity in the respective joint venture. Joint arrangements recognized in accordance with the equity method are initially measured at cost. The valuation of acquired assets and liabilities is performed in the same manner as for subsidiaries.

## Associates

Associates are companies in which the Group exercises a significant influence without the partly owned company being a subsidiary or a joint arrangement. Normally, this means that the Group owns between 20 percent and 50 percent of the votes. Accounting for associates is carried out according to the equity method and they are initially measured at cost. Valuation of acquired assets and liabilities is performed in the same manner as for subsidiaries and the carrying amount for associates includes any goodwill and other Group adjustments.

The Group's share of profit after tax arising in the associate after the acquisition is recognized on one line in the consolidated income statement. Share in profits is calculated on the basis of SCA's share of equity in the respective associate.

## Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity. Profit or loss and every component of other comprehensive income are attributable to the owners of the Parent and to non-controlling interests. Losses attributable to non-controlling interests are recognized even if this results in a negative balance for the non-controlling interest. In acquisitions of less than 100% when a controlling influence is achieved, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Subsequent acquisitions up to 100% and divestments of participations in a subsidiary that do not lead to a loss of controlling influence are recognized as an equity transaction.

## TRANSLATION OF FOREIGN CURRENCY

### Functional currency and presentation currency

The companies in the Group prepare their financial statements in the currency used in the primary economic environment in which they operate. This is known as the functional currency. These reports provide the basis for the consolidated financial statements.

The consolidated financial statements are prepared in Swedish kronor (SEK), which is the Parent Company's functional currency and therefore the presentation currency.

### Translation of foreign Group companies

Balance sheets and income statements for all Group companies whose functional currency is not the presentation currency are translated into the Group's presentation currency using the following procedures:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date,
- income and expenses for each income statement presented are translated at the average exchange rate for the respective year,
- all translation differences that arise on net assets are recognized as a separate item directly in consolidated equity under other comprehensive income.

► **Note 1** – Accounting principles, cont.

Exchange differences arising on the financial instruments held for hedging a subsidiary's net assets are recognized directly in consolidated equity under other comprehensive income. When a foreign operation is divested, both translation differences and exchange differences in financial instruments held for the currency hedging of net assets are recognized in profit or loss as part of the gain or loss on disposal. Goodwill and fair value adjustments that arise on acquisition are treated as assets and liabilities of the operation and translated according to the same principles as the foreign operation.

**TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCY**

Transactions in foreign currency are translated to a functional currency using the exchange rate prevailing on the transaction date. Monetary receivables and liabilities in foreign currency are remeasured at closing date rates at each balance sheet date. Exchange gains or losses that arise from such remeasurement and on payment of the transaction are recognized in profit or loss, except for – as stated in IAS 39 – approved hedging transactions relating to cash flows or net investments where the gain or loss is recognized in equity under other comprehensive income. Gains and losses on operating receivables and liabilities are recognized net and recognized in operating profit. Gains and losses on borrowing and financial investments are recognized as other financial items. Change in the fair value of monetary securities issued in foreign currency and classified as available-for-sale financial assets is analyzed and the change attributable to changed exchange rates is recognized in profit or loss, while other unrealized change is recognized in equity under other comprehensive income. Exchange differences for non-monetary assets, classified as held for sale assets are taken directly to equity under other comprehensive income. Non-monetary assets and liabilities recognized at historical cost are translated at the exchange rate prevailing on the transaction date.

**REVENUE RECOGNITION**

Sales revenue, synonymous with net sales, comprises the fair value of the consideration received or receivable for goods sold and services within the Group's ordinary activities. Revenue is recognized when delivery to the customer has taken place according to the terms of the sale. Other income includes compensation for sales that are not included in the Group's ordinary activities and includes rental revenue, which is recognized in the period covered by the rental contract, royalties and similar items, which are recognized in accordance with the implied financial effect of the contract. Interest income is recognized in accordance with the effective interest method. Dividends received are recognized when the right to receive a dividend has been established.

**SEGMENT REPORTING**

Operating segments are recognized in a manner that complies with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the result of the operating segments. At SCA, this function has been identified as the company's President, who is responsible for and manages the day-to-day administration of the Group in accordance with the Board's guidelines and terms of reference. The two Executive Vice Presidents and Corporate Senior Management Team support him in his work; see the section Responsibility and governance, Corporate governance on pages 68–69. SCA's three business areas, Personal Care, Tissue and Forest Products, comprise the operating segments.

**LEASING**

Leases for non-current assets in which the Group essentially carries all the risks and rewards incidental to ownership of an asset are classified as finance leases. The leased asset is recognized as a non-current asset and a corresponding financial liability is recognized among interest-bearing liabilities. The initial value of both these items comprises the lower of the fair value of the assets or the present value of the minimum lease payments. Future lease payments are divided between amortization of the liability and financial expenses, so that each reporting period is charged with an interest amount that corresponds to a fixed interest rate on the recognized liability for the respective period. The leased asset is depreciated according to the same principles that apply to other assets of the same nature. If it is uncertain whether the asset will be taken over at the end of the leasing period, the asset is depreciated over the lease term if this is shorter than the useful life that applies to other assets of the same nature. Leases for assets in which the risks and rewards incidental to ownership are essentially carried by the lessor are classified as operating leases. The lease payments are recognized as an expense on a straight-line basis over the lease term.

**Parent Company:**

The Parent Company reports all leases as operating leases.

**IMPAIRMENT LOSSES**

Assets that have an indefinite useful life are not depreciated, but are annually tested for impairment. The value of depreciated assets is tested for impairment whenever there are indications that the carrying amount might not be recoverable. In cases in which the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognized on the asset down to the recoverable amount. An impairment loss recognized earlier is reversed, if the reasons for the earlier impairment no longer exist. However, a reversal is not higher than the carrying amount would have been if an impairment loss had not been recognized in previous years. When testing for impairment of goodwill, the assets are grouped in cash-generating units and assessments are made on the basis of these units' future cash flows. Impairment losses on goodwill are never reversed.

**TAXES**

The Group's tax expense comprises deferred tax and current tax on Group companies' recognized profits during the accounting period, adjustments relating to tax for prior periods as well as other changes in deferred taxes for the period. Interest items attributable to income tax and withholding taxes deducted at source on intra-Group transactions are also recognized as income tax. Deferred tax is calculated and recognized on all temporary differences between the tax base and the carrying amount. Deferred tax assets relating to deductible temporary differences, loss carryforwards and tax credits are recognized to the extent it is probable that deductions can be made against future profits.

Deferred tax is not recognized for non-deductible goodwill, or for temporary differences that arise on initial recognition of an asset or liability, and which are not attributable to a business combination and do not affect either recognized profit or taxable profit. Deferred taxes relating to temporary differences attributable to investments in subsidiaries and participations in joint operations are not recognized in SCA's consolidated financial statements since SCA AB, in all cases, can control the time of reversal of the temporary differences and it is not considered probable that such reversal will occur in the near future.

Deferred taxes are measured at their nominal amount and based on the tax rates enacted or substantively enacted on the balance sheet date. For items recognized in profit or loss, related tax effects are also recognized in profit or loss. For items recognized in equity under other comprehensive income, related tax effects are also recognized in equity under other comprehensive income.

**Parent Company:**

Due to the links between accounting and taxation, the deferred tax liability on untaxed reserves in the Parent Company is recognized in the Parent Company's annual accounts as a component of untaxed reserves.

**INTANGIBLE ASSETS****Goodwill**

The compensation transferred in a business combination is measured at fair value. In connection with a business combination when the consideration transferred, any non-controlling interests and the fair value of previous shares of equity (for step acquisitions) exceeds the fair value of the acquired net assets, the difference is recognized as goodwill. When this difference is negative, the amount is recognized in profit or loss. Acquisitions of non-controlling interests are measured on an acquisition-by-acquisition basis, either as a proportional share of the fair value of identifiable net assets excluding goodwill (partial goodwill) or at fair value, which means that goodwill is also recognized on non-controlling interests (full goodwill). Goodwill that arises in acquisitions of associates or joint ventures is included in the carrying amount of the associate or joint venture. Goodwill is distributed to the cash-generating units that are expected to benefit from the business combination for which the goodwill arose. Goodwill is tested annually for any impairment requirement. Goodwill is recognized at cost reduced by accumulated impairment losses. Impairment losses on goodwill are not reversed. Net gains or losses from the sale of Group companies include the remaining carrying amount of the goodwill attributable to the divested unit.

**Trademarks**

Trademarks are recognized at cost after any accumulated amortization and accumulated impairments. Trademarks found to have an indefinite useful life are not amortized, but instead tested in conjunction with annual testing of the cash-generating units that contain goodwill or such trademarks. The definition of cash-generating units coincides with the defined operating segments. Trademarks with a limited useful life are amortized on a straight-line basis during their anticipated useful life, which varies between three and ten years.

**Research and development**

Research expenditure is recognized as an expense as incurred. In cases in which it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately. Identifiable expenditure for development of new products and processes is capitalized to the extent it is expected to provide future economic benefits. In other cases, development costs are expensed as incurred. Capitalized expenditure is depreciated on a straight line from the date when the asset starts to be used or produces commercially and during the estimated useful life of the asset. The depreciation period is between five and ten years.

**Emission allowances and costs for carbon dioxide emissions**

Emission allowances relating to carbon dioxide emissions are recognized as an intangible asset and as deferred income (liability) when they are received. Allowances are received free of charge and measured and recognized at market value as of the date of the allocation. For allocated emission allowances, the recognized cost and provisions for emissions amount to the market value as of the date to which the allocation pertains. For purchased emission allowances, the recognized cost and provisions for emissions amount to the purchase price. During the year, the initial liability for emission allowances received is dissolved over profit or loss as income in pace with carbon dioxide emissions made. If the market price of emission allowances on the balance sheet date is less than recognized carrying amount, any surplus emission allowances that are not required to cover emissions made are impaired to the market price applying on the balance sheet date. In conjunction with this, the remaining part of the deferred income is recognized as income by a corresponding amount and therefore no net effect occurs in profit or loss. The emission allowances are used as payment in the settlement with the state regarding liabilities for emissions. If the emission allowances received do not cover emissions made, SCA makes a provision for the deficit valued at the market value on the balance sheet date. Sales of surplus emission allowances are recognized as income on the settlement date.

### Other intangible assets

Intangible assets also include patents, licenses and other rights. At acquisition of such assets, the cost of the acquisition is recognized as an asset and amortized on a straight-line basis over the anticipated useful life, which varies between 3 and 20 years.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost after deduction for accumulated depreciation and any accumulated impairment. Cost includes expenditure that can be directly attributed to the acquisition of the asset as well as transfer from equity of the gains and losses from approved cash flow hedges relating to purchases in foreign currency of property, plant and equipment. The cost of properties and production facilities included in major projects includes, unlike costs for other investments, expenditure for running-in and start-up. Expenditure for interest during the construction and assembly period is included in cost for qualifying investment projects. All expenditure for new investments in progress is capitalized. All other forms of repair and maintenance are recognized as expenses in profit or loss in the period in which they are incurred. Land is regarded as having an indefinite useful life and is therefore not depreciated. Depreciation of other property, plant and equipment is performed on a straight-line basis down to the estimated residual value of the asset and during the anticipated useful life of the asset. Useful lives are assessed as:

	Number of years
Pulp and paper mills, sawmills	10–25
Converting machines, other machinery	7–18
Tools	3–10
Vehicles	4–5
Buildings	15–50
Energy plants	15–30
Computers	3–5
Office equipment	5–10
Harbors, railways	20–30
Land improvements, forest roads	10–20

The residual values and useful lives of assets are tested on a continuous basis and adjusted when required.

#### Parent Company:

The Parent Company's property, plant and equipment, which are recognized in accordance with the Group's accounting principles, include standing timber, which in the Group is classified as a biological asset. No systematic depreciation or changes in value in conjunction with felling is carried out in the Parent Company. Collective revaluation of forest assets has occurred. The revaluation amount was placed in a revaluation reserve in equity.

### BIOLOGICAL ASSETS

The Group's standing timber is defined and recognized as a biological asset. Forest land and forest roads are classified as land and land improvements. The biological assets are measured and recognized at fair value after deduction for estimated selling costs. The change in value is recognized in profit or loss. The fair value of the Group's standing timber is calculated as the present value of anticipated future cash flow from the assets before tax. The calculation is based on existing, sustainable felling plans and assessments regarding growth, timber prices, felling costs and silviculture costs, including costs for statutory replanting. Environmental restrictions and other limitations are taken into account and the calculation is performed for a production cycle that SCA estimates at an average of 100 years. The discount factor is based on a normal forest company's weighted average cost of capital (WACC).

#### Parent Company:

The Parent Company reports standing timber as property, plant and equipment at historical cost.

### FINANCIAL INSTRUMENTS

Financial instruments recognized in the balance sheet include cash and cash equivalents, securities, other financial receivables, trade receivables, trade payables, loans and derivatives.

#### Recognition in and derecognition from the balance sheet

Purchases and sales of financial instruments are recognized in the financial statements on the trade date, with the exception of loan receivables, available-for-sale financial assets and other financial liabilities, all of which are recorded on the settlement date. Financial instruments are initially recognized at cost, which corresponds to the fair value of the instrument including transaction costs. Financial assets are derecognized from the balance sheet when the risk and the right to receive cash flows from the instrument have ceased or been transferred to another counterparty. Financial liabilities are derecognized from the balance sheet when SCA has met its commitments or they have been otherwise extinguished. SCA reports financial instruments with a remaining maturity of less than 12 months as current assets and liabilities and those that exceed 12 months as non-current assets and liabilities. Recognition takes place on the basis of the categories specified below.

#### Measurement

The fair value of financial instruments is calculated on the basis of prevailing market listings on the balance sheet date. For financial assets and listed securities, the actual prices on

the balance sheet date are used. In the absence of market listings, SCA determines fair values with the aid of common valuation models, such as discounting of future cash flows to listed market rates for each duration. These calculated cash flows are established based on available market information. Impairment of financial assets takes place when there is objective proof of impairment, such as cessation of an active market or where it is probable that the debtors cannot meet their commitments. For disclosures in a note relating to non-current loans, current market interest rates are taken into account in fair value calculations. The fair value of short-term loans and investments is considered to correspond to the carrying amount, since a change in market interest rates does not have a significant effect on market value.

#### Cash and cash equivalents

Cash and cash equivalents are defined as cash and bank balances as well as short-term investments with a maturity of less than three months from the acquisition date. Restricted deposits are not included in cash and cash equivalents.

#### Classification and subsequent recognition

Classification of financial instruments is determined on the original acquisition date, and the purpose of the transaction determines the choice of category. SCA classifies its financial instruments in the categories below.

#### Financial assets at fair value through profit or loss

Assets are classified in this category when the intention is to sell in the short term. Derivatives with a positive market value are classified in this category if they are not identified as hedges and meet the requirements for hedge accounting. Assets in this category are recognized continuously at fair value and changes in value are recognized in profit or loss. Only financial derivatives were classified in this category during the year.

#### Held-to-maturity investments

Held-to-maturity investments are defined as financial assets that are not derivatives and that have fixed or determinable payments and that SCA intends and is able to hold to maturity. Assets in this category are measured at amortized cost applying the effective interest method, which means they are accrued so that a constant return is obtained.

#### Loans and trade receivables

Loans and trade receivables, which are not derivatives, are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arise when SCA provides money, goods or services directly to another party without any intention of conducting trading in the receivables. Assets in this category are measured at amortized cost less a potential provision for impairment. Trade receivables are recognized in the amount at which they are expected to be paid, based on an individual assessment of bad debts. Any impairment of trade receivables affects SCA's operating profit.

#### Available-for-sale financial assets

This category includes financial assets that are not derivatives and that are designated in this category at initial recognition or that have not been classified in any other category. Assets in this category are measured continuously at fair value. Changes in value are recognized in equity under other comprehensive income. A change attributable to exchange rate movements, however, is recognized in profit or loss. When the asset is sold, the cumulative gain or loss that was recognized in equity is recognized in profit or loss.

#### Financial liabilities at fair value through profit or loss

This category includes derivatives with negative fair values that are not used for hedge accounting and financial liabilities held for trading. Liabilities in this category are continuously measured at fair value and changes in value are recognized in profit or loss. Only derivatives were classified in this category during the year.

#### Financial liabilities measured at amortized cost

This category includes financial liabilities that are not held for trading. These are recognized initially at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method.

#### Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below. In hedge accounting, the relationship between the hedge instrument and the hedged item is documented. Assessment of the effectiveness of the hedge is also documented, both when the transaction is initially executed and on an ongoing basis. Hedge effectiveness is the extent to which the hedging instrument offsets changes in value in a hedged item's fair value or cash flow.

#### Cash flow hedges

Gains and losses on remeasurement of derivatives intended for cash flow hedging are recognized in equity under other comprehensive income and reversed to profit or loss at the time at which the hedged cash flow affects profit or loss. Any ineffective part of the change in value is recognized directly in profit or loss. If a hedge relationship is ceased and cash flow is still expected, the result is recognized in equity under other comprehensive income until the cash flow affects the result. If the hedge pertains to a balance sheet item, the result is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is determined for the first time. In cases in which the forecast cash flow that forms the basis of the hedging transaction is no longer assessed as

► **Note 1** – Accounting principles, cont.

probable, the cumulative gain or loss that is recognized in equity under other comprehensive income is transferred directly to profit or loss. Cash flow hedges relating to energy affect the energy costs, that is, cost of goods sold. Transaction exposure's cash flow hedges affect consolidated net sales and expenses. Cash flow hedges relating to interest expenses affect net financial items.

**Hedges of net investments in foreign operations**

Gains and losses on remeasurement of derivatives intended to hedge SCA's net investments in foreign operations are recognized in equity under other comprehensive income. The cumulative gain or loss in equity is recognized in profit or loss in the event of divestment of the foreign operation.

**Fair value hedges**

The gain or loss from remeasurement of a derivative relating to fair value hedges is recognized in profit or loss with changes in fair value of the asset or liability exposed to the hedged risk. For SCA, this means that non-current loans that are subject to hedge accounting are discounted without a credit spread, since the credit spread is deemed to have a marginal impact on the calculation, to market interest rates and meet inherent interest rate derivatives' discounted cash flows at the same interest rate. Since the entire change in value from the derivative is recognized directly in profit or loss, any ineffectiveness is recognized on an ongoing basis in profit or loss.

**Financial hedges**

When SCA conducts hedges and the transactions do not meet requirements for hedge accounting according to IAS 39, changes in fair value of the hedging instrument are recognized directly in profit or loss.

**INVENTORIES**

Inventories are recognized at the lower of cost and net realizable value on the balance sheet date. Cost is calculated using the first-in, first-out (FIFO) or weighted average cost formula. However, the cost of goods produced and segregated for specific projects is assigned by identifying their individual costs. The cost of finished goods and work in progress includes raw materials, direct labor, other direct expenses and production-related overheads, based on a normal production level. Interest expenses are not included in measurement of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and sale of the item. The holding of felling rights for standing timber is valued at contract prices, which on average do not exceed the lower of net realizable value and cost.

**NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets (and disposal groups) are classified as Non-current assets held for sale if their value, within one year, will be recovered through a sale and not through continued utilization in operations. On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. Following reclassification, no depreciation is carried out on these assets.

If there is an increase of the fair value less a deduction for selling expenses, a gain is recognized. The gain is limited to the amount equivalent to previously made impairment charges. Both gains and losses on subsequent value changes are recognized in profit or loss for the year.

Classification as a discontinued operation occurs either when an independent business segment or a significant operation within a geographic area is divested. The divestment date, or the point in time when the operation fulfills the criteria for classification as held for sale, determines when the operation should be classified as a discontinued operation. Profit/loss after tax from discontinued operations is recognized on a separate line in the income statement. Comparative figures in the income statement are adjusted as though the discontinued operation had been disposed of at the start of the comparative year.

**Parent Company:**

Non-current assets held for sale are not reclassified and depreciation does not cease. Instead, if such assets exist, the information is disclosed.

**EQUITY**

Transaction costs directly relating to the issue of new shares or options are recognized, net after tax, in equity as a reduction in the issue proceeds. Expenditure for the purchase of SCA's treasury shares reduces retained earnings in equity in the Parent Company and the portion of consolidated equity that pertains to owners of the Parent. When these are sold, the sales proceeds are included in retained earnings in the equity pertaining to owners of the Parent.

**EMPLOYEE BENEFITS****Pensions**

There are several defined contribution and defined benefit pension plans in the Group, of which some are funded with plan assets. The liability recognized in the balance sheet for defined benefit pension plans is the present value of the obligation on the balance sheet date minus the fair value of the plan assets. Funded plans with net assets, that is, plans with assets exceeding obligations, are recognized as a financial asset. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The obligation is valued at the present value of anticipated future cash flows using a discount rate that corresponds to the interest on first-class corporate bonds or, where these do not exist, government bonds or mortgage bonds issued in the currency in which the benefits will be paid and with a remaining maturity that is comparable to the actual pension liability. Actuarial gains and losses are recognized directly in equity under other comprehensive income in the period in which they arise. The total cost for the defined benefit plans includes personnel costs as well as net interest items comprising the discount rate calculated on the average net pension liability for the year, taking contributions and remuneration payments into consideration. The difference between the interest income on the plan assets and SCA's return on the plan assets is included in the remeasurement of the defined benefit net liability (net asset) recognized in equity under other comprehensive income. The Group's payments relating to defined contribution plans are recognized as an expense during the period the employees carry out the service to which the payment relates. Prepaid contributions are only recognized as an asset to the extent the Group is entitled to a repayment or reduction of future payments. Past service costs are recognized directly in profit or loss. A special payroll tax (corresponding to contributions) is calculated on the difference between the pension liability determined according to IAS 19 and the pension liability determined according to the rules applied in the legal entity. Payroll tax is recognized as an expense in profit or loss except with regard to actuarial gains and losses where the payroll tax, like the actuarial gains and losses, is recognized directly in equity under other comprehensive income.

**Parent Company:**

The Parent Company applies the regulations in the Pension Obligations Vesting Act (Trygandlagen). Accounting complies with FAR SRS's (the institute for the accountancy profession in Sweden) accounting recommendation No. 4, Accounting for pension liabilities and pension costs. The main difference compared with IAS 19 is that Swedish practice disregards future increases in salaries and pensions when calculating the present value of the pension obligation. This present value includes, however, a special reserve for future payments of pension supplements indexed for inflation. Both defined contribution and defined benefit plans exist in the Parent Company.

**Other post-retirement benefits**

Some Group companies provide post-retirement healthcare benefits. The obligation and anticipated costs for these benefits has been calculated and recognized in a similar manner to that applying to defined benefit pension plans.

**Severance pay**

Severance pay is paid when the Group issues notice to an employee prior to the retirement date or when an employee voluntarily accepts retirement in exchange for such compensation. Severance pay is recognized as an expense when the Group has an obligation to compensate employees whose employment was terminated early.

**PROVISIONS**

Provisions for clean-up costs, restructuring or legal disputes are recognized when the Group has, or can be considered to have, an obligation as the result of events that have occurred and it is probable that payments will be required to fulfill the obligation. In addition, it must be possible to make a reliable estimate of the amount to be paid. The provision is valued at the present value of the anticipated future expenditure to settle the obligation. If the impact of time is material, discounting is applied with an interest rate before taxes. Increases in provisions due to time are recognized on an ongoing basis as an interest expense in profit or loss.

**GOVERNMENT GRANTS**

Government grants are measured at fair value when there is reasonable assurance the grants will be received and that the Group will comply with the conditions attached to them. Government grants related to acquisition of assets are recognized in the balance sheet by the grant reducing the carrying amount of the asset. Government grants received as compensation for costs are accrued and recognized in profit or loss during the same period as the costs. If the government grant or assistance is neither related to the acquisition of assets nor to compensation for costs, the grant is recognized as other income.

## 2 Key assessments and assumptions

Preparation of annual accounts and application of different accounting standards are often based on management assessments or on assumptions and estimates that are regarded as reasonable under the prevailing circumstances. These assumptions and estimates are often based on historical experience, but also on other factors, including expectations of future events. With other assumptions and estimates, the result may be different and the actual result will, by definition, seldom concur with the estimated result.

The assumptions and estimates that SCA considers to have the greatest impact on earnings, as well as assets and liabilities, are discussed below.

### VALUATION OF BIOLOGICAL ASSETS

Since a market price or other comparable value does not exist for assets of the scope owned by SCA, biological assets – that is, standing timber – are measured at the value of anticipated future cash flows.

Calculation of these cash flows is based on the felling plan from the most recent forest survey that is available. Forest surveys are updated every ten years. The calculation is also based on assumptions with regard to growth, selling prices, costs for felling and silviculture as well as costs for replanting, which is a prerequisite for felling. These assumptions are mainly based on experience and are only changed when a change in price and cost levels is assessed as being long term. The cash flow covers a production cycle which SCA estimates to amount to an average of 100 years. The discount factor used is the weighted average cost of capital (WACC) that is normally used in valuations of similar assets.

The consolidated value of biological assets at December 31, 2014 amounted to SEK 29,685m. For further information see Note 12.

### GOODWILL

Each year, the Group examines whether there is any impairment requirement relating to goodwill. Goodwill is divided among cash-generating units and these concur with the Group's operating segments.

The recoverable amount for the cash-generating units is determined by calculating value in use. This calculation is based on the Group's existing strategic plans. These plans

rest on market-based assumptions and include anticipated future cash flows for the existing operations during the next ten-year period. Cash flows beyond the ten-year period are taken into account by applying an operating surplus multiple to sustained cash flow. This multiple concurs with current market multiples for similar operations.

The discount factors used in the present value calculation of the anticipated future cash flows is the current weighted average cost of capital (WACC) established within the Group for the markets in which the cash-generating units conduct operations. Impairment testing for the year did not indicate any impairment requirement. Goodwill for the Group at December 31, 2014 amounted to SEK 15,717m. For further information see Note 10.

### PENSIONS

Costs, as well as the value of pension obligations for defined benefit pension plans, are based on actuarial calculations that apply assumptions on discount rate, future salary increases, inflation and demographic conditions.

The Group's net defined benefit obligations and the fair value of plan assets amounted to SEK 5,097m at December 31, 2014. For further information, see Note 26.

### TAXES

Deferred tax is calculated on temporary differences between the carrying amounts and the tax values of assets and liabilities. There are primarily two areas where assumptions and assessments affect recognized deferred tax. One is assumptions and assessments used to determine the carrying amounts of the different assets and liabilities. The other is assumptions and assessments related to future taxable profits, where future utilization of deferred tax assets depends on this. As at December 31, 2014, SEK 1,186m was recognized as deferred tax assets based on assumptions regarding future taxable profits. For further information see Note 9. Significant assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks. For further information see Note 27 and Note 33.

## 3 Acquisitions and divestments

### ACQUISITIONS

In 2014, SCA conducted a number of minor acquisitions, which were jointly recognized in the acquisition balance sheet for 2014, since no individual transaction was of a material nature. Acquisitions made during the year totaled SEK 508m, including assumed net debt.

On August 1, SCA's subsidiary Vinda acquired an additional 59% in the associate Vinda Personal Care for HKD 295m. Earlier holdings in Vinda Personal Care have been revalued in accordance with IFRS and had a positive remeasurement effect of SEK 33m.

In June 2014, SCA acquired the remaining 50% in the joint venture Fine Sancella in Jordan from Nuqul Group. The consideration transferred amounted to SEK 171m. Following amendments to the IFRS governing consolidated financial statements and joint arrangements (IFRS10 and IFRS11, see Note 1 and Note 35), Fine Sancella has been consolidated as a subsidiary since SCA is deemed to have control. Accordingly, the acquisition has been recognized as an equity transaction, which means that no acquisition balance sheet has been prepared.

Of acquisitions for the year totaling SEK 508m, SEK 488m was paid in cash, including assumed cash and cash equivalents, and the remaining SEK 20m comprises assumed net debt. Acquisition costs of approximately SEK 25m are included in operating profit.

### Effect on sales and earnings of acquisitions for the year

Since the acquisition date, acquisitions have had an impact of SEK 210m on consolidated net sales and an impact of SEK 2m on profit after tax for the period. Had other acquisitions been consolidated as of January 1, 2014, the acquired net sales would have amounted to SEK 401m and profit after tax to SEK 7m.

### Acquired operations

The table below shows the fair value of acquired net assets recognized on the acquisition date, recognized goodwill and the effect on the Group's cash flow statements.

### Acquisition balance sheet

SEKm	2014 <sup>1)</sup>	2013	2012
Intangible assets	23	2,908	3,077
Non-current assets	222	4,422	7,357
Operating assets	86	2,522	4,987
Cash and cash equivalents	27	654	941
Provisions and other non-current liabilities	-5	-732	-1,447
Net debt excl. cash and cash equivalents	-20	-2,462	-728
Operating liabilities	-29	-1,448	-3,263
Non-current assets held for sale	-	-	911
<b>Fair value of net assets</b>	<b>304</b>	<b>5,864</b>	<b>11,835</b>
Goodwill	269	1,759	3,353
Consolidated value of share in associates	-72	-1,482	-88
Remeasurement of previously owned share	-35	-564	-15
Non-controlling interests	-	-2,822	-
<b>Consideration transferred</b>	<b>466</b>	<b>2,755</b>	<b>15,085</b>
Consideration transferred	-466	-2,755	-15,085
Settled debt pertaining to acquisitions in earlier years	-	103	-1
Cash and cash equivalents in acquired companies	27	654	941
Adjustment of cash and cash equivalents in final acquisition analysis for Vinda	-69	-	-
<b>Effect on Group's cash and cash equivalents, acquisition of operations (Consolidated cash flow statement)</b>	<b>-508</b>	<b>-1,998</b>	<b>-14,145</b>
Acquisition of non-controlling interests	-173	-1,028	-
Acquired net debt excl. cash and cash equivalents	-20	-2,462	-728
Adjustment of net debt in final acquisition analysis for Vinda	193	-	-
<b>Acquisition of operations during the year incl. net debt assumed (Consolidated operating cash flow statement)</b>	<b>-508</b>	<b>-5,488</b>	<b>-14,873</b>

<sup>1)</sup> The acquisition balance sheets for 2014 are preliminary.

► **Note 3** – Acquisitions and divestments, cont.

**ADJUSTMENT OF PRELIMINARY ACQUISITION BALANCE SHEETS FOR 2013**

An acquisition analysis is considered preliminary until it is confirmed. A preliminary acquisition analysis is confirmed as soon as new information regarding assets/liabilities on the acquisition date is obtained, but not later than one year from the time of acquisition. Adjustments to the acquisition analysis result in changes to the income statement and balance sheet for the comparative period. The preliminary acquisition analysis previously recognized for Vinda was confirmed in 2014. Since Vinda is a listed company on the Hong Kong Stock Exchange, the rules governing insider information stipulate that all information is to be provided to all shareholders simultaneously, which means that the preliminary acquisition analysis is based on information that Vinda has publically disclosed.

Due to a lack of detailed information for 2013, Vinda is recognized on a separate line in the notes in accordance with the preliminary acquisition analysis.

In the final acquisition analysis, the balance sheet has been adjusted to a more recently disclosed balance sheet as of the acquisition date. Non-current assets have been measured at fair value with associated deferred taxes. The measurement of intangible assets has been adjusted and confirmed, which increased the previously recognized goodwill. The final acquisition analysis with adjustments is presented below.

**Final acquisition analysis for Vinda**

SEKm	Preliminary	New assumptions	Final
Intangible assets	2,895	-667	2,228
Non-current assets	4,393	349	4,742
Operating assets	2,455	114	2,569
Cash and cash equivalents	642	-69	573
Provisions and other non-current liabilities	-726	129	-597
Net debt excl. cash and cash equivalents	-2,461	193	-2,268
Operating liabilities	-1,411	-137	-1,548
<b>Fair value of net assets</b>	<b>5,787</b>	<b>-88</b>	<b>5,699</b>
Goodwill	1,743	46	1,789
Consolidated value of share in associates	-1,467	-	-1,467
Remeasurement of previously owned share	-564	-	-564
Non-controlling interests	-2,812	42	-2,770
<b>Consideration transferred</b>	<b>2,687</b>	<b>0</b>	<b>2,687</b>
Consideration transferred	-2,687	-	-2,687
Cash and cash equivalents in acquired companies	642	-69	573
<b>Effect on Group's cash and cash equivalents (Consolidated cash flow statement)</b>	<b>-2,045</b>	<b>-69</b>	<b>-2,114</b>
Acquired net debt excl. cash and cash equivalents	-2,461	193	-2,268
<b>Acquisition of operations incl. net debt assumed (Consolidated operating cash flow statement)</b>	<b>-4,506</b>	<b>124</b>	<b>-4,382</b>

**DIVESTMENTS**

No divestments occurred in 2014. During the year, final payment was received for the tissue operations divested in 2013 in accordance with the conditions for the European Commission's approval of SCA's acquisition of Georgia-Pacific's European tissue operations in 2012.

**Assets and liabilities included in divestments**

SEKm	2014	2013	2012
Intangible assets	-	37	14
Non-current assets	-	84	370
Operating assets	-	1,175	1,417
Non-current assets held for sale	-	1,855	3,378
Operating assets in disposal group	-	-	21,096
Cash and cash equivalents	-	306	153
Cash and cash equivalents in disposal group	-	-	200
Net debt excl. cash and cash equivalents	-	-345	8
Net debt in disposal group excl. cash and cash equivalents	-	-	-617
Provisions	-	-120	-583
Operating liabilities	-	-413	-767
Operating liabilities in disposal group	-	-	-6,377
Loss on sale <sup>1)</sup>	-	-156	-866
Loss in disposal group on sale <sup>1)</sup>	-	-	-5
<b>Purchase price received after divestment costs</b>	<b>-</b>	<b>2,423</b>	<b>17,421</b>
<i>Less:</i>			
Unpaid purchase consideration	-	-746	-
Unpaid purchase consideration in disposal group	-	-	-
Cash and cash equivalents in divested companies	-	-306	-153
Cash and cash equivalents in disposal group	-	-	-200
<i>Add:</i>			
Payment of receivable for purchase consideration	206	-	-
<b>Effect on the Group's cash and cash equivalents, divested operations (Consolidated cash flow statement)</b>	<b>206</b>	<b>1,371</b>	<b>17,068</b>
<i>Less:</i>			
Divested net debt excl. cash and cash equivalents	-	345	-8
Cash flow from divestments in disposal group	-	-	5
<i>Add:</i>			
Divested net debt in disposal group excl. cash and cash equivalents	-	-	617
<b>Divestment of operations during the year incl. net debt transferred (Consolidated operating cash flow statement)</b>	<b>206</b>	<b>1,716</b>	<b>17,682</b>

<sup>1)</sup> Excluding reversal of realized translation differences in divested companies to profit or loss. Loss on sale is included in items affecting comparability in profit or loss.

## 4 Operating expenses by type of costs

Operating expenses for the year totaled SEK –93,718m (–83,946; –82,972). The table below shows the distribution of the total amount between various types of costs.

Operating expenses by function				
SEKm	2014	2013	2012	
Cost of goods sold	–77,520	–69,585	–67,035	
Sales, general and administration	–14,798	–13,122	–13,323	
Items affecting comparability	–1,400	–1,239	–2,614	
<b>Total</b>	<b>–93,718</b>	<b>–83,946</b>	<b>–82,972</b>	

See also page 138 for a description of costs.

Operating expenses by type of cost				
SEKm	Note	2014	2013	2012
Other income		2,469	2,475	1,604
Change in net value of biological assets	12	615	574	643
Change in inventory of finished products and products in progress <sup>1)</sup>		198	–184	–93
Raw materials and consumables <sup>1)</sup>		–36,255	–30,095	–28,655
Personnel costs <sup>1)</sup>	6	–17,700	–16,989	–16,088
Other operating expenses <sup>1)</sup>		–37,081	–35,032	–33,964
Depreciation <sup>1)</sup>	7	–5,510	–5,005	–4,993
Impairment <sup>1)</sup>	7	–98	–211	–604
Remeasurement of acquisitions <sup>1)</sup>		36 <sup>2)</sup>	564	24
Loss on divestment <sup>1)</sup>	3	–392 <sup>3)</sup>	–44	–846
<b>Total</b>		<b>–93,718</b>	<b>–83,946</b>	<b>–82,972</b>

<sup>1)</sup> Including items affecting comparability.

<sup>2)</sup> Remeasurement of previous equity portion at fair value in conjunction with acquisition of up to 100% of Vinda Personal Care, Hong Kong.

<sup>3)</sup> This amount pertains primarily to the impairment of the receivable for the additional purchase price from the divestment of Laakirchen, Austria in 2013.

### ITEMS AFFECTING COMPARABILITY

Items affecting comparability in 2014 totaled SEK –1,400m. A distribution by function is presented below:

SEKm	2014	2013	2012
Distribution of items affecting comparability by function			
Cost of goods sold	–436	–288	–300
Sales, general and administration	–469	–740	–982
Impairment, etc.	–495	–211	–1,332
<b>Total</b>	<b>–1,400</b>	<b>–1,239</b>	<b>–2,614</b>

Restructuring costs in items affecting comparability totaled SEK –393m (–963; –696), of which restructuring costs attributable to the integration of operations with Vinda accounted for SEK 140m in 2014. Restructuring costs were distributed as follows: Personal Care SEK –144m (–51; –205), Tissue SEK –257m (–710; –332), Forest Products SEK 12m (–158; –179) and other operations SEK –4m (–44; –75). Restructuring costs paid amounted to SEK –347m (–939; –683) and were distributed as follows: personnel costs SEK –302m (–765; –528) and other operating expenses SEK –45m (–174; –155). Restructuring costs of SEK –46m (–24; –13) pertain to impairment of working capital, mainly inventories.

In addition to restructuring costs for the previously announced efficiency programs, items affecting comparability comprise remeasurement effects pertaining to Vinda's customer relations and inventories totaling SEK –152m (measurement attributable to the acquisition balance sheet), integration costs for the Georgia-Pacific acquisitions totaling SEK –122m, costs attributable to acquisitions and divestments totaling SEK –170m and other items totaling SEK –68m.

The item Impairment, etc., which amounted to SEK –495m, includes an impairment loss of SEK –396m pertaining to the estimated performance-based earn-out payment associated with the divestment of Laakirchen in 2013.

### OTHER DISCLOSURES

Exchange rate differences had a positive impact of SEK –182m (60; 91) on operating profit. Government grants received reduced operating expenses by SEK 71m (49; 38). Costs for research and development amounted to SEK –1,050m (–998; –845) during the year.

### DISTRIBUTION OF OTHER OPERATING EXPENSES

SEKm	2014	2013	2012
Transport expenses	–7,928	–7,292	–7,253
Energy costs <sup>1)</sup>	–5,097	–5,050	–4,906
Purchased finished goods for onward sale	–4,452	–4,890	–4,625
Marketing costs	–4,655	–4,272	–4,167
Repairs and maintenance	–2,635	–2,701	–2,531
IT, telephony and lease of premises	–1,339	–1,305	–1,345
Other operating expenses, production	–5,062	–4,011	–4,080
Other operating expenses, distribution, sales and administration	–5,247	–4,660	–4,395
Other	–666	–851	–662
<b>Total</b>	<b>–37,081</b>	<b>–35,032</b>	<b>–33,964</b>

<sup>1)</sup> After deduction for revenues from energy in the amount of SEK 954m (800; 913).

### OTHER INCOME

Other income includes income from activities or sales of goods and services outside SCA's core business. The income can be of a recurring or occasional nature. During 2014, sales of goods and services outside SCA's core business amounted to SEK 1,550m. Revenue from SCA's transport business amounted to SEK 733m and rental income amounted to SEK 108m. Income of a more occasional nature amounted to SEK 78m, of which SEK 77m pertains to gains from the sale/exchange of non-current assets.

### OPERATING LEASES

Future payment obligations in the Group of minimum leasing fees for non-cancellable operating leases are distributed as follows:

SEKm	2014	2013	2012
Within 1 year	605	557	570
Between 2 and 5 years	1,324	1,186	1,250
Later than 5 years	708	536	419
<b>Total</b>	<b>2,637</b>	<b>2,279</b>	<b>2,239</b>

The cost for the year related to operating leasing of assets amounted to SEK –797m (–692; –633). Leasing objects comprise a large number of items, including energy plants, warehouses, offices, other buildings, machinery and equipment, IT equipment, office fixtures and various transport vehicles. The assessment for a number of the objects is that, in reality, it is possible to terminate contracts early.

### FINANCE LEASES

Future payment obligations in the Group of minimum leasing fees for finance leases are distributed as follows:

SEKm	2014	2013	2012
Within 1 year	44	16	54
Between 2 and 5 years	9	45	57
Later than 5 years	–	–	26
<b>Total</b>	<b>53</b>	<b>61</b>	<b>137</b>
Future expenses for finance leases	–3	–5	–21
<b>Present value of liabilities relating to finance leases</b>	<b>50</b>	<b>56</b>	<b>116</b>

Total payments for finance leases during the year amounted to SEK –17m (–55; –35). Interest expense for the year amounted to SEK –3m (–4; –4) and amortization of debt to SEK –15m (–51; –24). Depreciation of finance lease assets totaled SEK –9m (–18; –12). The carrying amount of finance lease assets at year-end amounted to SEK 46m (138; 165) relating to buildings/land and SEK 12m (13; 5) relating to machinery.

For information about significant leasing contracts, refer to Note 33 Contingent liabilities.

### AUDITING EXPENSES

Remuneration to auditors can be specified as follows:

SEKm	2014	2013	2012
<b>PwC</b>			
Audit assignments	–56	–50	–61
Auditing activities other than the audit assignment	–2	–2	–2
Tax consultancy services	–9	–19	–19
Other assignments	–13	–34	–52
<b>Total PwC</b>	<b>–80</b>	<b>–105</b>	<b>–134</b>
<b>Other auditors</b>			
Audit assignments	–5	–5	–5
Tax consultancy services	–3	–13	–9
Other assignments	–7	–3	–2
<b>Total other auditors</b>	<b>–15</b>	<b>–21</b>	<b>–16</b>
<b>Total</b>	<b>–95</b>	<b>–126</b>	<b>–150</b>

## 5 Segment reporting

The tables below show sections of the consolidated balance sheet and income statement divided by business segment: Personal Care, Tissue and Forest Products.

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total Group
<b>2014 fiscal year</b>						
<b>REVENUES</b>						
External sales	31,066	56,994	16,066	-72	-	104,054
Internal sales	0	0	424	27	-451	0
<b>Total revenues</b>	<b>31,066</b>	<b>56,994</b>	<b>16,490</b>	<b>-45</b>	<b>-451</b>	<b>104,054</b>
<b>RESULT</b>						
<b>Segment result</b>	<b>3,526</b>	<b>6,652</b>	<b>2,505</b>	<b>-834</b>	-	<b>11,849</b>
Items affecting comparability	-252	-599	-392	-157	-	-1,400
<b>Operating profit/loss</b>	<b>3,274</b>	<b>6,053</b>	<b>2,113</b>	<b>-991</b>	-	<b>10,449</b>
Financial income						217
Financial expenses						-1,178
Tax expense for the year						-2,420
<b>Net profit for the year</b>						<b>7,068</b>
<b>OTHER DISCLOSURES</b>						
Assets	21,363	76,768	49,048	2,870	-4,617	<b>145,432</b>
Holdings in associates	33	90	39	926	-	<b>1,088</b>
Unallocated financial assets						<b>8,216</b>
<b>Total assets</b>	<b>21,396</b>	<b>76,858</b>	<b>49,087</b>	<b>3,796</b>	<b>-4,617</b>	<b>154,736</b>
Investments/acquisitions	-1,574	-2,827	-1,704	-135	-	-6,240
Depreciation/amortization	-1,039	-3,157	-1,206	-76	-	-5,478
Expenses, in addition to depreciation, not matched by payments	2	-6	-953	-6	-	-963

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total Group
<b>2013 fiscal year</b>						
<b>REVENUES</b>						
External sales	29,486	48,234	15,158	-5	-	92,873
Internal sales	250	-138	367	100	-579	0
<b>Total revenues</b>	<b>29,736</b>	<b>48,096</b>	<b>15,525</b>	<b>95</b>	<b>-579</b>	<b>92,873</b>
<b>RESULT</b>						
<b>Segment result</b>	<b>3,519</b>	<b>5,724</b>	<b>1,843</b>	<b>-705</b>	-	<b>10,381</b>
Items affecting comparability	-59	-656	-236	-288	-	-1,239
<b>Operating profit/loss</b>	<b>3,460</b>	<b>5,068</b>	<b>1,607</b>	<b>-993</b>	-	<b>9,142</b>
Financial income						132
Financial expenses						-1,193
Tax expense for the year						-2,220
<b>Net profit for the year</b>						<b>5,861</b>
<b>OTHER DISCLOSURES</b>						
Assets	18,658	69,544	49,733	3,037	-4,528	<b>136,444</b>
Holdings in associates	18	187	54	761	-	<b>1,020</b>
Unallocated financial assets						<b>7,512</b>
<b>Total assets</b>	<b>18,676</b>	<b>69,731</b>	<b>49,787</b>	<b>3,798</b>	<b>-4,528</b>	<b>144,976</b>
Investments/acquisitions	-1,068	-8,072	-1,939	-62	-	-11,141
Depreciation/amortization	-1,003	-2,690	-1,253	-59	-	-5,005
Expenses, in addition to depreciation, not matched by payments	-1	-4	-1,164	2	-	-1,167

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total Group
<b>2012 fiscal year</b>						
<b>REVENUES</b>						
External sales	28,885	43,295	17,011	38	–	89,229
Internal sales	199	181	1,272	1,202	–2,854	0
<b>Total revenues</b>	<b>29,084</b>	<b>43,476</b>	<b>18,283</b>	<b>1,240</b>	<b>–2,854</b>	<b>89,229</b>
<b>RESULT</b>						
<b>Segment result</b>	<b>3,437</b>	<b>4,778</b>	<b>1,363</b>	<b>–538</b>	<b>–</b>	<b>9,040</b>
Items affecting comparability	–183	–680	–1,462	–289	–	–2,614
<b>Operating profit/loss</b>	<b>3,254</b>	<b>4,098</b>	<b>–99</b>	<b>–827</b>	<b>–</b>	<b>6,426</b>
Financial income						107
Financial expenses						–1,430
Tax expense for the year						–364
Profit from disposal group						503
<b>Net profit for the year</b>						<b>5,242</b>
<b>OTHER DISCLOSURES</b>						
Assets	18,817	58,862	48,416	3,409	–3,572	<b>125,932</b>
Holdings in associates	50	1,365	57	785	–	<b>2,257</b>
Unallocated financial assets						<b>6,096</b>
<b>Total assets</b>	<b>18,867</b>	<b>60,227</b>	<b>48,473</b>	<b>4,194</b>	<b>–3,572</b>	<b>134,285</b>
Investments/acquisitions	–2,878	–15,300	–2,112	–178	–	–20,468
Depreciation/amortization	–999	–2,408	–1,526	–60	–	–4,993
Expenses, in addition to depreciation, not matched by payments	–2	1	–572	–224	–	–797

**Items affecting comparability allocated by segment**

SEKm	2014		2013		2012	
	Expenses	Impairment	Expenses	Impairment	Expenses	Impairment
Personal Care	–194	–58	–51	–8	–205	22
Tissue	–568	–31	–531	–125	–592	–88
Forest Products	12	–404	–156	–80	–179	–1,283
Other	–155	–2	–290	2	–306	17
<b>Total</b>	<b>–905</b>	<b>–495</b>	<b>–1,028</b>	<b>–211</b>	<b>–1,282</b>	<b>–1,332</b>
<b>Net</b>		<b>–1,400</b>		<b>–1,239</b>		<b>–2,614</b>

**Operating segments:** SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care, tissue and forest products. These product groups are the primary lines of business. Personal Care comprises three product segments and offers incontinence products, baby diapers and feminine care products. Tissue comprises consumer tissue and Away-from-Home (AfH) tissue encompassing hospitals, large workplaces, restaurants and hotels. Consumer tissue comprises toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. In AfH tissue, SCA develops and sells complete hygiene solutions comprising dispensers, tissue, soap, service and maintenance. Forest Products sells publication papers, packaging papers, pulp, solid-wood products and renewable energy. SCA has a well-integrated value chain in Sweden between its forest assets and production facilities. Pulp production contributes to the Group's raw material integration, since the Group's pulp is mainly delivered internally. The Group's pulp is mainly produced from timber from the Group's own forests, which also, to a large extent, supply the sawmills.

**Assets and liabilities:** The assets included in each business segment comprise all operating assets used in the business segment, primarily trade receivables, inventories and non-current assets after deduction for operating liabilities and provisions. Most of the assets are directly attributable to each business segment. Assets that are common to two or more business segments are allocated among the business segments.

**Intra-Group deliveries:** Revenues, expenses and results for the various business segments were affected by intra-Group deliveries. Internal prices are market-based. Intra-Group deliveries are eliminated when preparing the consolidated financial statements.

**Customers:** SCA has no customers from which it generates income that accounts for more than 10% of the company's net sales. SCA's ten largest customers account for 21% of the company's sales.

## ► Note 5 – Segment reporting, cont.

## Group by country

	Net sales				Average number of employees				Non-current assets <sup>1)</sup>	
	2014		2013		2014	Of whom women, %	2013	Of whom women, %	2014	2013
	SEKm	%	SEKm	%					SEKm	SEKm
<b>Sweden</b>	<b>5,524</b>	<b>5</b>	<b>5,691</b>	<b>6</b>	<b>5,576</b>	<b>26</b>	<b>5,688</b>	<b>26</b>	<b>44,659</b>	<b>43,910</b>
<b>EU excl. Sweden</b>										
Germany	11,442	11	10,632	11	3,391	18	3,390	18	6,244	5,998
UK	9,881	9	9,036	10	1,798	17	1,857	18	5,127	4,569
France	9,804	9	9,489	10	2,755	23	2,867	23	5,889	5,781
Spain	5,556	5	5,317	6	1,137	24	1,173	24	4,041	3,589
Netherlands	3,293	3	3,174	3	1,254	15	1,288	16	3,022	2,628
Italy	3,098	3	3,082	3	812	22	787	22	2,179	2,067
Belgium	1,843	2	1,770	2	382	24	396	24	2,856	2,751
Finland	1,687	2	1,623	2	362	28	379	28	812	737
Austria	1,548	1	1,461	2	635	19	805	17	745	731
Denmark	1,446	1	1,395	2	83	63	89	63	1	1
Poland	967	1	810	1	606	24	596	24	912	869
Greece	781	1	791	1	66	41	76	37	70	76
Hungary	649	1	604	1	137	57	141	56	4	3
Portugal	587	1	560	1	26	60	27	63	70	67
Czech Republic	522	1	535	1	71	60	71	59	0	1
Ireland	452	0	447	0	23	25	32	25	28	26
Romania	275	0	264	0	26	69	24	75	1	2
Slovakia	234	0	228	0	779	32	783	33	593	572
Lithuania	209	0	176	0	23	42	19	37	1	1
Rest of EU	978	1	613	1	21	76	14	79	17	0
<b>Total EU excl. Sweden</b>	<b>55,254</b>	<b>53</b>	<b>52,007</b>	<b>56</b>	<b>14,385</b>	<b>22</b>	<b>14,814</b>	<b>22</b>	<b>32,612</b>	<b>30,469</b>
<b>Rest of Europe</b>										
Russia	3,120	3	3,040	3	1,275	41	1,183	43	1,652	2,338
Norway	1,802	2	1,770	2	135	68	161	61	0	1
Switzerland	1,242	1	1,231	1	29	49	28	46	87	82
Turkey	810	1	852	1	221	19	238	19	435	395
Ukraine	268	0	263	0	73	52	77	48	2	5
Other	273	0	467	1	–	–	6	33	–	–
<b>Total, rest of Europe</b>	<b>7,515</b>	<b>7</b>	<b>7,623</b>	<b>8</b>	<b>1,733</b>	<b>41</b>	<b>1,693</b>	<b>42</b>	<b>2,176</b>	<b>2,821</b>
<b>Rest of world</b>										
US	8,389	8	8,253	9	2,507	25	2,524	25	7,655	6,613
China	6,976	7	684	1	8,222	48	794	60	12,346	9,368
Colombia	3,492	3	3,385	4	3,091	31	2,983	31	2,224	2,276
Mexico	3,406	3	3,191	3	2,418	26	2,329	26	4,143	3,883
Japan	1,328	1	1,368	2	118	79	116	77	6	1
Canada	1,302	1	1,321	1	292	37	269	34	294	277
Ecuador	1,242	1	1,096	1	1,108	50	1,044	35	241	189
Malaysia	1,123	1	1,022	1	1,275	57	1,268	59	871	786
Chile	933	1	929	1	637	15	590	16	892	875
Hong Kong	931	1	350	1	19	66	22	73	0	12
Brazil	514	0	426	1	501	43	469	43	222	216
Costa Rica	410	0	397	1	83	46	80	45	3	2
Morocco	377	0	254	0	–	–	–	–	–	–
Taiwan	349	0	347	0	300	43	294	41	713	1,283
South Africa	346	0	356	1	143	45	128	45	65	68
Tunisia	301	0	340	0	880	11	831	10	137	100
Argentina	296	0	293	0	298	39	275	41	86	94
Singapore	245	0	252	0	30	68	30	70	8	8
Philippines	137	0	250	0	16	48	36	53	8	7
Other	3,665	4	3,037	3	622	54	594	58	348	207
<b>Total, rest of world</b>	<b>35,761</b>	<b>34</b>	<b>27,551</b>	<b>30</b>	<b>22,553</b>	<b>39</b>	<b>14,676</b>	<b>37</b>	<b>30,262</b>	<b>26,265</b>
<b>Total Group</b>	<b>104,054</b>	<b>100</b>	<b>92,873</b>	<b>100</b>	<b>44,247</b>	<b>32</b>	<b>36,871</b>	<b>29</b>	<b>109,710</b>	<b>103,465</b>

<sup>1)</sup> Non-current assets comprise Goodwill, Other intangible assets, Buildings, land, machinery and equipment and Biological assets.

## 6 Personnel and Board costs

### Personnel costs

SEKm	2014	2013	2012
Salaries and remuneration	-12,648	-11,993	-11,678
of which Corporate Senior Management Team	-144	-143	-134
of which Board	-8	-6	-6
Pension costs	-1,179	-1,129	-966
of which defined benefit pension plans	-541	-554	-254
of which defined contribution pension plans	-638	-575	-712
Other social security costs	-2,929	-2,768	-2,599
Other personnel costs	-944	-1,099	-845
<b>Total<sup>1)</sup></b>	<b>-17,700</b>	<b>-16,989</b>	<b>-16,088</b>

<sup>1)</sup> Costs for implemented efficiency-enhancement activities of SEK -302m (-765; -528) are included in total personnel costs.

### Average number of employees

	2014	2013	2012
Average number of employees	44,247	36,871	35,878
of whom women	32%	29%	30%
Number of countries	62	61	62

Women comprised 21% (21; 21) of the total number of SCA Board members and senior executives.

### Breakdown of employees by age groups, %

2014	21–30 yrs	31–40 yrs	41–50 yrs	51–60 yrs
	23	31	25	16

2% (2; 2) of the employees are under the age of 20, and 3% (3; 3) are over the age of 60.

During the year, SCA invested approximately SEK 130m (117; 111) or SEK 2,900 (3,200; 3,100) per employee in skills-enhancement activities.

The added value per employee in 2014 amounted to SEK 614,000 (678,000; 608,000). The proportion of university graduates amounts to about 20% (18; 17).

In 2014, 8,355 (5,495; 4,267) people left SCA, while 7,319 (4,887; 6,677) joined the Group. These figures include both voluntary turnover and the effects of rationalization activities and retirements. In addition, a significant portion relates to summer jobs for students and seasonal work.

In 2014, information pertaining to personnel costs was noticeably impacted by the addition of the Vinda Group, which mainly impacted personnel costs, the average number of employees and other information. Information on the number of people who have left and joined the company in 2014 is impacted by the acquisition of Vinda.

### FEES TO BOARD MEMBERS IN THE PARENT COMPANY DURING THE YEAR

Non-executive members of the Board elected by the AGM received the following remuneration in 2014 in accordance with the AGM resolution.

SEK	Board fee	Audit Committee fee	Remuneration Committee fee	Total
Sverker Martin-Löf (Chairman)	2,100,000	130,000	135,000	2,365,000
Pär Boman	700,000			700,000
Rolf Börjesson	700,000		105,000	805,000
Jan Johansson	-			-
Leif Johansson	700,000		105,000	805,000
Louise Julian Svanberg	700,000			700,000
Bert Nordberg	700,000			700,000
Anders Nyrén	700,000	175,000		875,000
Barbara Milian Thoralfsson	700,000	130,000		830,000
<b>Total</b>	<b>7,000,000</b>	<b>435,000</b>	<b>345,000</b>	<b>7,780,000</b>

### REMUNERATION OF SENIOR EXECUTIVES

Senior executives refer to the President, who is also the CEO, the Executive Vice Presidents, Business Unit Presidents and equivalents, and the Central Staff Managers. For the composition of this group, see pages 76–77.

### AGM guidelines for remuneration of senior executives

The 2014 Annual General Meeting adopted the following guidelines for remuneration of senior executives.

"Remuneration of the CEO and other senior executives will be a fixed salary, possible variable remuneration, additional benefits and pension. Other senior executives include the Executive Vice Presidents, Business Unit Presidents and equivalents, and the Central Staff Managers. The total remuneration is to correspond to market practice and be competitive in the senior executive's field of profession. Fixed and variable remuneration are to be linked to the executive's responsibility and authority. For the CEO, as well as for other senior executives, the variable remuneration is to be limited and linked to the fixed remuneration. The variable remuneration is to be based on the outcome of predetermined objectives and, as far as possible, be linked to the increase of value of the SCA share, from which the shareholders benefit. Programs for variable remuneration should be formulated so that the Board, if exceptional circumstances prevail, has the possibility to limit, or refrain from, payment of variable remuneration if such an action is considered reasonable and in compliance with the company's responsibility to shareholders, employees and other stakeholders.

In the event of termination of employment, the notice period should normally be two years should the termination be initiated by the company, and one year, when initiated by the senior executive. Severance pay should not exist.

Pension benefits are to be either defined benefit or defined contribution plans, or a combination of both, and entitle the senior executive to pension from the age of 60, at the earliest. To earn the pension benefits, the period of employment must be long term, at present 20 years. When resigning before the age providing entitlement to pension, the senior executive will receive a paid-up pension policy from the age of 60. Variable remuneration is not pensionable income. Matters of remuneration of the senior management are to be dealt with by the Remuneration Committee and, as regards the President, be resolved by the Board of Directors."

### Company's application of guidelines

The company applied the guidelines approved by the AGM in the following manner.

#### Fixed salary

The fixed salary is to be in proportion to the individual's position and the authority and responsibilities this entails. It is set individually at a level that, combined with other remuneration, is assessed as a market rate and competitive in the labor market in which the executive works.

#### Variable remuneration

Variable remuneration of the CEO, Executive Vice Presidents and Business Unit Presidents and equivalents is maximized to a total of 100% of the fixed salary. For one Business Unit President, stationed in the US, the maximum outcome is 130%, while the corresponding limit for other senior executives is 90%. The program for variable remuneration is divided into a short and long-term portion.

The short-term portion (Short-Term Incentive, or STI) for the CEO, Executive Vice Presidents and Business Unit Presidents and equivalents may amount to a maximum of 50% of fixed salary. For one Business Unit President, stationed in the US, the maximum outcome is 80%, while the corresponding limit for other senior executives is 40%. The STI goals set for the Business Unit Presidents are mainly based on operating cash flow, cost control, operating profit and growth for each business unit, while the goal for the CEO and others reporting directly to him is based primarily on the Group's profit before tax, operating cash flow and growth. Furthermore, a non-financial goal also applies accounting for 10% of the variable remuneration.

The long-term portion (Long-Term Incentive, or LTI) may amount to a maximum of 50% of the fixed salary. In return, the senior executive must invest half of the variable LTI compensation, after tax withholdings, in SCA shares. The shares may then not be sold before the end of the third calendar year after entry into the relevant LTI program. The established LTI goal is based on the performance of the company's B share, measured as the TSR (Total Shareholder Return) index, compared with a weighted index of competitors' and consumer companies' shares performance (TSR) over a three-year period. The structure of the LTI was approved by the Board in 2003.

#### Outcome, variable remuneration

For the CEO, Executive Vice Presidents and Central Staff Managers, STI resulted in 28–35% of fixed salary for 2014. STI resulted in variable remuneration corresponding to 15–46% of fixed salary for the Business Unit Presidents. The LTI target was achieved for 2012–2014, resulting in maximum outcome for the CEO and other senior executives.

#### Other benefits

Other benefits pertain, in some cases, to a company car, housing and school fees.

► **Note 6** – Personnel and Board costs, cont.*Pension*

The CEO's pension agreement was extended in 2014 and now entitles him to retire from the age of 65 instead of 60 as it did in the past. This pension was established at a pension rate (from which deductions will be made for certain other vested pension entitlements) vested until the age of 65 and corresponds to approximately 58% of the current fixed salary (accordingly, the pension will not be impacted by actual future salary increases). Upon termination of employment prior to retirement age, a paid-up policy is received for pension payments from age 65. Beneficiaries' pension will be paid in an amount corresponding to approximately half the amount of the retirement pension (from which deductions will be made for other vested pension entitlements).

Most of the other senior executives in the Group have a combination of defined benefit and defined contribution pension plans that entitle the executives, on reaching the age of 60, to receive a retirement pension (including national pension benefits) of up to 45% of the average salary (excluding variable remuneration) for three years prior to retirement age. For full pension, the individual must have been employed for at least 20 years calculated from 40 years of age. Upon termination of employment prior to reaching retirement age, a paid-up policy is received for pension payments from age 60, on condition that the executive, after reaching the age of 40, has been employed in the Group for at least three years. In addition, beneficiaries' pension amounts to about 50% of retirement pension. In addition to the defined benefit pension, a pension is paid based on premiums paid by the company. The premiums paid for each year of service amount to 10% of the executive's base salary and are invested in a fund or traditional insurance chosen by the executive.

One senior executive has a pension plan, which is closed to new entrants, that is a defined benefit pension plan, which grants the executive the right at the age of 65 to receive a pension (including national pension benefits) at up to 70% of the salary (excluding variable remuneration). However, the senior executive is entitled to retire at 60 with 70% of the final salary at retirement (excluding variable remuneration), between 60 and 65 and subsequently with 50% of the salary at retirement (excluding variable remuneration). Normally, full pension requires the executive to have been employed in the Group for 20 years. Upon termination of employment prior to reaching retirement age, a paid-up policy is received for pension payments from age 65 or 60, on condition that the executive, after reaching the age of 40, has been employed in the Group for at least three years. In addition, beneficiaries' pension amounts to about 50% of retirement pension.

Three senior executives have a defined contribution pension plan (in addition to national pension benefits) into which the company pays 30–40% of the executives' fixed salary, which is invested in funds or traditional insurance.

Two senior executives are employed in companies outside Sweden. One executive is encompassed by the defined contribution pension plan that applies to employees in the US. One executive is encompassed by the defined benefit pension plan that applies to employees in Belgium.

**Notice period and severance pay**

The agreement with the CEO stipulates a period of notice of termination of two years if such notice is given by the company. The CEO has a corresponding right with a period of termination of one year. If notice is given by the company, the CEO is not obligated to serve during the notice period. The agreement does not contain any stipulations with regard to severance pay. Between the company and other senior executives, a period of notice of termination of one to two years normally applies, if such notice is given by the company. The executive has a corresponding right with a period of notice of termination of six months to one year. The executive is normally expected to be available to the company during the notice period. The agreements have no stipulations with regard to severance pay.

**Preparation and decision process for remuneration**

During the year, the Remuneration Committee submitted recommendations to the Board regarding the principles for remuneration of senior executives. The recommendations encompassed the ratio between fixed and variable remuneration and the size of any salary increases. In addition, the Remuneration Committee proposed criteria for assessing variable remuneration and pension terms. The Board discussed the Remuneration Committee's proposal and decided on the basis of the Committee's recommendations. Issues relating to remuneration of the Corporate Senior Management Team for the 2014 fiscal year were addressed by the Remuneration Committee, and with regard to the CEO, decided by the Board. The executives concerned did not participate in remuneration matters pertaining to themselves. When it was deemed appropriate, the work of the Remuneration Committee was carried out with the support of external expertise. For information about the composition of the Remuneration Committee, see page 51.

**The Board's proposal for new guidelines**

The Board has decided to propose to the 2015 Annual General Meeting the unchanged guidelines for determining salaries and other remuneration for senior executives. With the salary situation prevailing in 2015 and an unchanged number of senior executives, the maximum outcome of variable remuneration could entail a cost for the Group, excluding social security costs, of approximately SEK 80m.

**Remuneration and other benefits during the year**

SEK	Fixed salary	Variable remuneration	Other benefits	Total salary and remuneration
CEO Jan Johansson	11,440,000	9,746,880	174,952	21,361,832
Other senior executives (16)	63,096,719	50,502,757	9,055,555	122,655,032
<b>Total</b>	<b>74,536,719</b>	<b>60,249,637</b>	<b>9,230,507</b>	<b>144,016,864</b>

SEK	Pension costs
CEO Jan Johansson	6,576,939
Other senior executives (16)	26,713,323
<b>Total</b>	<b>33,290,262</b>

**Comments to the tables:**

- Variable remuneration covers the 2014 fiscal year but is paid in 2015.
- Pension costs pertain to the costs that affected profit for the year, excluding special payroll tax.

## 7 Depreciation/amortization and impairment of property, plant and equipment, and intangible assets

Depreciation/amortization and impairment of property, plant and equipment, and intangible assets for the year totaled SEK 5,608m (5,224; 5,593). The table below shows the distribution.

SEKm	2014	2013	2012
<b>Depreciation/amortization</b>			
Buildings	723	650	614
Land	136	131	119
Machinery and equipment	4,369	3,935	3,977
<b>Sub-total</b>	<b>5,228</b>	<b>4,716</b>	<b>4,710</b>
Patents, trademarks and similar rights	267	271	262
Capitalized development costs	15	18	20
<b>Sub-total</b>	<b>282</b>	<b>289</b>	<b>282</b>
<b>Total</b>	<b>5,510</b>	<b>5,005</b>	<b>4,992</b>
<b>Impairment losses</b>			
Buildings	9	5	24
Land	3	43	9
Machinery and equipment <sup>1)</sup>	50	131	479
Construction in progress	–	–	0
<b>Sub-total</b>	<b>62</b>	<b>179</b>	<b>512</b>
Goodwill	–	–	89
Patents, trademarks and similar rights	36	–	–
Emission allowances	–	8	–
Capitalized development costs	–	32	–
<b>Sub-total</b>	<b>36</b>	<b>40</b>	<b>89</b>
<b>Total<sup>1)</sup></b>	<b>98</b>	<b>219</b>	<b>601</b>
<b>Total</b>			
Buildings	732	655	638
Land	139	174	128
Machinery and equipment	4,419	4,066	4,456
Construction in progress	–	–	0
<b>Sub-total</b>	<b>5,290</b>	<b>4,895</b>	<b>5,222</b>
Goodwill	–	–	89
Patents, trademarks and similar rights	303	271	262
Emission allowances	–	8	–
Capitalized development costs	15	50	20
<b>Sub-total</b>	<b>318</b>	<b>329</b>	<b>371</b>
<b>Total</b>	<b>5,608</b>	<b>5,224</b>	<b>5,593</b>

<sup>1)</sup> The total impairment losses includes reversal of impairment for machinery and equipment of SEK –(-; -).

Depreciation/amortization is based on the costs and estimated useful lives of the assets outlined in Note 1 Accounting principles under the heading Property, plant and equipment.

## 8 Financial income and expenses

Financial income totaled SEK 217m (132; 107) and financial expenses totaled SEK –1,178 (–1,193; –1,430) during the year. The table below shows the distribution.

SEKm	2014	2013	2012
<b>Results from shares and participations in other companies</b>			
Dividend	83	63	48
<b>Interest income and similar profit items</b>			
Interest income, investments	132	69	57
Other financial income	2	–	2
<b>Total financial income</b>	<b>217</b>	<b>132</b>	<b>107</b>
<b>Interest expenses and similar profit/loss items</b>			
Interest expenses, borrowing	–1,280	–1,292	–1,399
Interest expenses, derivatives	208	191	37
Fair value hedges, unrealized	–33	–3	6
Other financial expenses	–73	–89	–74
<b>Total financial expenses</b>	<b>–1,178</b>	<b>–1,193</b>	<b>–1,430</b>
<b>Total</b>	<b>–961</b>	<b>–1,061</b>	<b>–1,323</b>

Other financial income and expenses include an exchange difference of SEK 2m (–7; 2).

If interest rate levels had been 1 percentage point higher/lower, with unchanged fixed-interest terms and volumes in the net debt, interest expenses for the year would have been SEK 108m (59; 179) higher/lower. Sensitivity analysis calculations have been performed on the risk to which SCA was exposed at December 31, 2014 using assumptions on market movements that are regarded as reasonably possible in one year's time.

For a description of how SCA manages its interest rate risk, refer to page 83 of the Board of Directors' Report.

## 9 Income taxes

### TAX EXPENSE

SEKm	2014	2013	2012
Current tax expense	1,990	2,097	1,240
Deferred tax expense	430	123	-876
<b>Total</b>	<b>2,420</b>	<b>2,220</b>	<b>364</b>

Tax expense amounted to 25.5% (27.5; 7.1) of the Group's profit before tax. The difference between the recognized tax expense and expected tax expense is explained below. The expected tax expense is calculated according to current profit levels in each country.

	2014		2013		2012	
	SEKm	%	SEKm	%	SEKm	%
Tax expense	2,420	25.5	2,220	27.5	364	7.1
Expected tax expense	2,251	23.7	2,043	25.3	1,246	24.4
<b>Difference</b>	<b>169</b>	<b>1.8</b>	<b>177</b>	<b>2.2</b>	<b>-882</b>	<b>-17.3</b>
<b>The difference is explained by:</b>						
Permanent effects <sup>1)</sup>						
Effects of subsidiary financing	-21	-0.2	-27	-0.3	-82	-1.6
Effects of acquisitions and divestments <sup>2)</sup>	99	1.0	-124	-1.6	437	8.5
Other permanent effects <sup>3)</sup>	185	2.0	174	2.2	-199	-3.9
Taxes related to prior years <sup>4)</sup>	-58	-0.6	111	1.4	253	5.0
Changes in unrecognized deferred tax assets <sup>5)</sup>	-76	-0.8	48	0.6	40	0.8
Changes in tax rates <sup>6)</sup>	40	0.4	-5	-0.1	-1,331	-26.1
<b>Total</b>	<b>169</b>	<b>1.8</b>	<b>177</b>	<b>2.2</b>	<b>-882</b>	<b>-17.3</b>

- <sup>1)</sup> Permanent effects are attributable to permanent differences between the accounting result and taxable result.
- <sup>2)</sup> The effect for the year is attributable to the impairment of the receivable for the earn-out payment from the divestment of Laakirchen in 2013. The effect for 2013 relates to the acquisition of shares in Vinda. The effect for 2012 concerns capital losses on shares attributable to the divestment of the newsprint mill in Aylesford, UK and effects relating to the divestment of 50% of the operation in Australasia.
- <sup>3)</sup> The effects for the year include tax expenses of SEK 9m related to profit-taking within the Group. 2013 includes SEK 49m and 2012 includes SEK 28m in tax expenses for corresponding profit-taking.
- <sup>4)</sup> Income taxes related to prior years recognized in 2014 primarily pertain to effects in Taiwan of SEK -54m. The effect in 2013 pertains to effects in Germany and Mexico, which increased the tax expense by SEK 92m. The effect in 2012 primarily relates to a provision for tax risk in Denmark, which increased the tax expense by SEK 236m.
- <sup>5)</sup> The change in unrecognized deferred tax assets for the year includes SEK -179m relating to the operation in Poland.
- <sup>6)</sup> The changes in tax rates in 2014 primarily relate to the revaluation of deferred taxes due to a corporate tax rate increase in Chile and a corporate tax rate decrease in Spain. The change in 2013 primarily pertains to the effect of a corporate tax rate decrease in Finland and the change in 2012 largely relates to the effect of a corporate tax rate decrease in Sweden.

### CURRENT TAX

#### Current tax expense (+), tax income (-)

SEKm	2014	2013	2012
Income tax for the year	2,145	1,995	1,263
Adjustments for prior years	-155	102	-23
<b>Total</b>	<b>1,990</b>	<b>2,097</b>	<b>1,240</b>

#### Current tax liability (+), tax asset (-)

The change during the year to the current tax liability is explained below:

SEKm	2014	2013	2012
<b>Value at January 1</b>	<b>283</b>	<b>-172</b>	<b>-185</b>
Current tax expense	1,990	2,097	1,240
Paid tax	-2,101	-1,741	-1,264
Other changes	-111	92	39
Translation differences	33	7	-2
<b>Value at December 31</b>	<b>94</b>	<b>283</b>	<b>-172</b>

Other changes relate to effects of acquisitions, divestments and reclassifications in the amount of SEK -111m (91; 31). The closing current tax liability comprises tax assets of SEK 652m (535; 617) and tax liabilities of SEK 746m (818; 445).

### DEFERRED TAX

#### Deferred tax expense (+), tax income (-)

SEKm	2014	2013	2012
Changes in temporary differences	472	112	206
Adjustments for prior years	97	9	276
Other changes	-139	2	-1,358
<b>Total</b>	<b>430</b>	<b>123</b>	<b>-876</b>

Other changes comprise effects of changed tax rates amounting to SEK 40m (-5; -1,331) and the revaluation of deferred tax assets to the amount of SEK -179m (7; -27).

#### Deferred tax liability (+), tax asset (-)

The change during the year to the deferred tax liability is explained below:

SEKm	Value at January 1	Deferred tax expense	Other changes	Translation differences	Value at December 31
Intangible assets	984	63	254	203	1,504
Land and buildings	7,716	-230	-59	83	7,510
Machinery and equipment	4,176	117	-373	314	4,234
Financial non-current assets	-181	150	-236	-25	-292
Current assets	99	-51	-224	-5	-181
Provisions for pensions	-566	46	-656	-80	-1,256
Other provisions	-122	115	-21	-10	-38
Liabilities	-782	383	-7	-34	-440
Tax credits and tax loss carryforwards	-1,836	-110	-2	-106	-2,054
Other	95	-53	-14	-6	22
<b>Total</b>	<b>9,583</b>	<b>430</b>	<b>-1,338</b>	<b>334</b>	<b>9,009</b>

Other changes include deferred tax recognized directly in equity according to IAS 19 of SEK -660m, IAS 39 of SEK -359m, effects of acquisitions, divestments and reclassifications of SEK -141m and change in tax risk provisions of SEK -178m. The closing deferred tax liability comprises deferred tax assets of SEK 1,186m (948; 891) and deferred tax liabilities of SEK 10,195m (10,531; 9,207).

### LOSS CARRYFORWARDS

Loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount on the line Tax credits and tax loss carryforwards in the table Deferred tax liability (+), deferred tax asset (-) above.

Loss carryforwards for which no deferred tax assets were recognized amounted to SEK 2,644m (2,572; 3,430) at December 31, 2014. The expiry dates of these loss carryforwards are distributed as follows:

Year	SEKm
2015	8
2016	9
2017	531
2018	944
2019 and later	860
Indefinite life	292
<b>Total</b>	<b>2,644</b>

The movement during the year in unrecognized loss carryforwards includes SEK 4m that has expired and SEK 12m that was either utilized or recognized. The tax value of unrecognized tax loss carryforwards amounted to SEK 839m.

### OTHER

SCA does not recognize tax that may arise on future dividends of the unappropriated earnings of foreign subsidiaries. Any such future effects (withholding tax and other deferred tax on profit-taking within the Group) are recognized when SCA can no longer control the reversal of such differences or when, for other reasons, it is probable that a reversal can take place in the foreseeable future. Refer also to Note 1 Accounting principles under the heading Taxes.

## 10 Intangible assets

Intangible assets totaled SEK 23,602m (21,804; 17,791) at December 31, 2014. The table below shows the distribution and movement during the year.

SEKm	Goodwill			Trademarks			Licenses, patents and similar rights			Capitalized development costs		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Accumulated costs	15,806	12,097	12,438	6,552	4,317	4,458	3,737	2,772	3,125	267	270	268
Accumulated amortization	–	–	–	–118	–71	–35	–2,267	–1,943	–2,133	–184	–180	–170
Accumulated impairment	–89	–89	–89	–61	–57	–57	–8	–8	–12	–33	–33	–2
Acquisition of Vinda, see Note 3	–	1,777	–	–	2,940	–	–	12	–	–	–	–
<b>Total</b>	<b>15,717</b>	<b>13,785</b>	<b>12,349</b>	<b>6,373</b>	<b>7,129</b>	<b>4,366</b>	<b>1,462</b>	<b>833</b>	<b>980</b>	<b>50</b>	<b>57</b>	<b>96</b>
<b>Value at January 1</b>	<b>13,785</b>	<b>12,349</b>	<b>9,584</b>	<b>7,129</b>	<b>4,366</b>	<b>1,752</b>	<b>833</b>	<b>980</b>	<b>816</b>	<b>57</b>	<b>96</b>	<b>63</b>
Investments	–	–	–	–	–	–	115	90	76	6	12	10
Sales and disposals	–	–	–	–	–	–	–1	–	–1	–	–	–
Acquisitions	308	1,759	3,381	–	2,895	2,695	20	13	365	3	–	–
Divestments	–	–8	–168	–	–28	–	–	–	0	–	–	–
Reclassifications	46	–389	–81	–1,242	–165	–52	591	–3	–26	–1	–	42
Amortization for the year	–	–	–	–33	–30	–20	–233	–241	–244	–15	–18	–20
Impairment for the year	–	–	–89	–36	–	–	–	–	–	–	–32	–
Translation differences	1,578	74	–278	555	91	–9	137	–6	–6	0	–1	1
<b>Value at December 31</b>	<b>15,717</b>	<b>13,785</b>	<b>12,349</b>	<b>6,373</b>	<b>7,129</b>	<b>4,366</b>	<b>1,462</b>	<b>833</b>	<b>980</b>	<b>50</b>	<b>57</b>	<b>96</b>

Business combinations for the year primarily comprise the acquisition of an additional 59% in the associate Vinda Personal Care (see Note 3).

Reclassifications primarily comprise the finalization of the previously preliminarily recognized purchase price allocation for Vinda in 2014 (see Note 3).

### IMPAIRMENT TESTING

Goodwill and trademarks with indefinite useful lives are tested for impairment every year. The test compares the carrying amounts of the cash-generating units (operating segments) with the recoverable amounts. The carrying amount for the cash-generating unit includes goodwill, trademarks with indefinite useful lives and assets with definite useful lives, such as non-current assets, trademarks and working capital.

The recoverable amount for each cash-generating unit is determined based on a calculation of value in use. The calculations of value in use are based on the strategic plans adopted by the Corporate Senior Management Team for the next three years. Assumptions in strategic plans are based on current market prices and costs with an addition for real price reductions and cost inflation as well as assumed productivity development. Volume assumptions follow the Group's target of an average annual growth of 3 to 4%, depending on operating segment. Volume assumptions are in line with historic outcome and expected global market growth. Effects of expansion investments are excluded when testing for impairment. Anticipated future cash flows, according to strategic plans, form the basis of the calculation of the recoverable amount. Sustained growth of 2% has been used in the calculation for years four through ten. Cash flows for the period beyond ten years are calculated by applying an operating surplus multiple to estimated sustained cash flow. In a present value calculation of anticipated future cash flows, the current weighted cost of capital (WACC) decided for each area within the Group at that time is applied. Discounted cash flows are compared with the carrying amount of the cash-generating unit and an impairment requirement may exist if the present value of the discounted cash flows is less than the carrying amount. Annual testing for impairment is carried out in the fourth quarter and testing for 2014 showed that no impairment was needed. The sensitivity analysis shows that reasonable changes to key parameters do not give rise to any impairment. In 2013, goodwill previously specified as Other operations was allocated to Personal Care and Tissue.

In addition to annual impairment testing of the cash-generating units, individual assets are tested to determine whether any impairment is needed. A trademark in Personal Care was impaired by SEK –36m in 2014 due to a declining market and new strategy.

### EMISSION ALLOWANCES

The SCA Group participates in the European system for emission allowances. SCA receives a permit from each country, in which operations requiring a permit are conducted, to emit a specific volume of carbon dioxide during a calendar year. At year-end 2014, surplus emission allowances not required to cover the provision for emissions were adjusted SEK –3m (0; 1) to the current market price on the balance sheet date. In conjunction with this, the deferred income was also reversed by a corresponding amount so that the net cost for the revaluation was zero. Settlement with each government regarding 2014 emissions will take place in April 2015.

SEKm	2014	2013	2012
Accumulated costs	88	117	146
Accumulated revaluation of surplus	–10	0	–7
<b>Total</b>	<b>78</b>	<b>117</b>	<b>139</b>
<b>Value at January 1</b>	<b>117</b>	<b>139</b>	<b>124</b>
Emission allowances received	77	70	93
Purchases	0	1	29
Sales	–57	–26	–5
Business combinations	–	–	17
Company divestments	–	0	–14
Reclassifications	–	0	–1
Impairment	0	–8	–
Settlement with the government	–68	–63	–102
Revaluation of surplus	–3	0	1
Translation differences	2	4	–3
<b>Value at December 31</b>	<b>78</b>	<b>117</b>	<b>139</b>

### Distribution by operating segment

SEKm	Goodwill			Trademarks			Average WACC after tax 2014, %	Average WACC before tax 2014, %
	2014	2013	2012	2014	2013	2012		
Personal Care	3,338	3,005	2,986	1,325	1,213	1,242	7.1	10.1
Tissue	12,322	10,743	8,598	5,048	5,916	3,124	5.8	8.3
Forest Products	57	37	38	–	–	–	5.6	7.2
Other operations	–	–	727	–	–	–	–	–
<b>Total</b>	<b>15,717</b>	<b>13,785</b>	<b>12,349</b>	<b>6,373</b>	<b>7,129</b>	<b>4,366</b>		

## 11 Property, plant and equipment

Property, plant and equipment amounted to SEK 56,345m (52,777; 47,771) at December 31, 2014. The table below shows the distribution between various types of property, plant and equipment.

SEKm	Buildings			Land			Machinery and equipment			Construction in progress		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Accumulated costs	22,007	18,558	17,662	7,422	7,000	6,745	84,367	71,633	70,841	4,368	3,414	4,081
Accumulated depreciation	-9,023	-7,751	-7,536	-1,679	-1,530	-1,445	-50,009	-41,667	-41,099	-	-	-
Accumulated impairment	-222	-216	-213	-32	-50	-48	-847	-865	-1,209	-7	-8	-8
Property, plant and equipment in Vinda	-	867	-	-	-	-	-	3,392	-	-	-	-
<b>Total</b>	<b>12,762</b>	<b>11,458</b>	<b>9,913</b>	<b>5,711</b>	<b>5,420</b>	<b>5,252</b>	<b>33,511</b>	<b>32,493</b>	<b>28,533</b>	<b>4,361</b>	<b>3,406</b>	<b>4,073</b>
<b>Value at January 1</b>	<b>11,458</b>	<b>9,912</b>	<b>8,669</b>	<b>5,420</b>	<b>5,252</b>	<b>4,561</b>	<b>32,493</b>	<b>28,533</b>	<b>26,572</b>	<b>3,406</b>	<b>4,073</b>	<b>3,663</b>
Investments	389	646	126	163	214	258	2,342	1,894	1,584	2,713	2,642	3,217
Sales and disposals	-13	-14	-4	-35	-3	-7	-56	-68	-36	-8	-34	-7
Acquisitions	1	861	1,738	1	-	896	52	3,330	3,940	2	-	110
Divestments	-	-4	-60	-	-24	-149	-	-29	-269	-	-	-7
Reclassifications	796	620	274	77	114	-106	1,143	2,739	1,775	-1,711	-3,223	-2,888
Depreciation for the year	-723	-650	-614	-136	-131	-119	-4,369	-3,935	-3,977	-	-	-
Impairment for the year	-9	-5	-24	-3	-43	-9	-50	-131	-479	-	-	0
Translation differences	863	92	-192	224	41	-73	1,956	160	-577	-41	-52	-15
<b>Value at December 31</b>	<b>12,762</b>	<b>11,458</b>	<b>9,913</b>	<b>5,711</b>	<b>5,420</b>	<b>5,252</b>	<b>33,511</b>	<b>32,493</b>	<b>28,533</b>	<b>4,361</b>	<b>3,406</b>	<b>4,073</b>

Business combinations for the year primarily comprise the acquisition of an additional 59% in the associate Vinda Personal Care (see Note 3).

Reclassifications primarily comprise the finalization of the previously preliminarily recognized purchase price allocation for Vinda in 2014 (see Note 3).

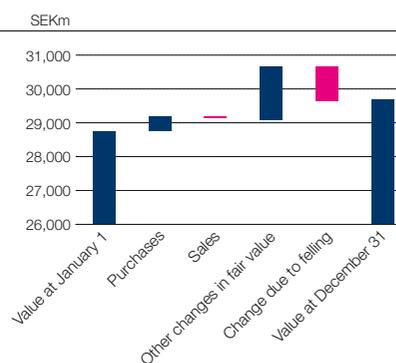
During the year, SEK 29m (23; 19) pertaining to interest was capitalized in Machinery and equipment and SEK 6m (1; 8) was capitalized in Construction in progress, at an average interest rate of 2% (3; 4).

## 12 Biological assets

SCA's forest assets are divided up and recognized as biological assets, that is, standing forest, and land assets. Standing forest is recognized at fair value according to IAS 41 and IFRS 13, and amounted to SEK 29,685m (28,767; 27,503) at December 31, 2014. The total value of SCA's forest assets was SEK 30,679m (29,740; 28,426). The difference of SEK 994m (973; 923) comprises forest land recognized under the non-current asset Land.

Standing forest			
SEKm	2014	2013	2012
<b>Value at January 1</b>	<b>28,767</b>	<b>27,503</b>	<b>26,729</b>
Purchases and forest swaps	375	775	154
Sales	-72	-85	-23
Other changes in fair value	1,646	1,733	1,607
Change due to felling	-1,031	-1,159	-964
<b>Value at December 31</b>	<b>29,685</b>	<b>28,767</b>	<b>27,503</b>
Deferred tax related to standing forest	6,531	6,329	6,051

Value trend, standing forest 2014



In the income statement, changes in fair value and changes due to felling are recognized as a net value, under cost of goods sold, amounting to SEK 615m (574; 643). The unrealized change in value recognized during the year for assets held on the reporting date is estimated at SEK 1,646m.

The annual valuation of standing forest was carried out during the fourth quarter of the year. The same valuation method used in 2012 and 2013 was applied in 2014. From 2014, the valuation was founded on the updated felling plan, which was based on forest assessments performed in 2012–2013. No change was made in the WACC, which amounted to 6.25%. The valuation in the fourth quarter, using the updated felling plan, did not result in any adjustment to the change in fair value of forest assets recognized on an ongoing basis during the year.

In accordance with IFRS 13, this measurement is classified as a Level 3 input. The fair value is calculated as the present value of anticipated future cash flows from the assets before tax, over a production cycle estimated at 100 years. The calculation is based on existing, sustainable felling plans and assessments regarding growth, timber prices, felling costs and silviculture costs, including costs for statutory replanting. The calculation of future income and expenses is based on the trends of these items over the most recent ten-year period. Income and expenses are adjusted upward by annual inflation of 2%. The 2014 valuation used an average wood price, before inflation adjustment, of SEK 460 per solid cubic meter under bark (m<sup>3</sup>sub). Annual harvesting is rising over the calculated future production cycle and amounts to 4.3 million m<sup>3</sup>sub for 2015, ending at 5.9 million m<sup>3</sup>sub by 2114. On average, 89% of felling comprises final harvesting and 11% thinning. 56% is

expected to comprise sawlogs and 44% pulpwood. SCA's forest holdings comprise approximately 2.6 million hectares of forest land primarily in northern Sweden, of which approximately 2.0 million is productive forest land. The forest portfolio amounts to 219 million cubic meters of forest (m<sup>3</sup>fo) and is divided into pine 40%, spruce 36%, deciduous 15% and contorta 9%. Average growth amounts to approximately 3.9 m<sup>3</sup>fo per hectare and year. Felling in 2014 amounted to approximately 4.2 million m<sup>3</sup>sub. Approximately 48% of the holdings comprise forest less than 40 years old, and about 48% of timber volume is in forests that are more than 80 years old.

	2014	2013	2012
Value/hectare productive forest land, SEK	14,843	14,397	13,765
Value timber supplies SEK/m <sup>3</sup> fo	136	135	130

#### Sensitivity analysis

	Change assumption		Change in value before tax, SEKm	
WACC	+ / -	0.25%	+ / -	1,770
Wood price	+ / -	0.50% per year 2015–2024	+ / -	2,264
Felling	+ / -	0.50% per year 2015–2024	+ / -	397
Volume (felling and thinning)	+ / -	150,000 m <sup>3</sup> sub 2015–2024	+ / -	456

#### Forest area



■ Proportion younger than 40 yrs, 48%

#### Timber volume



■ Proportion older than 80 yrs, 48%

#### Forest portfolio



■ Pine, 40%  
■ Spruce, 36%  
■ Deciduous, 15%  
■ Contorta, 9%

## 13

### Joint ventures and associates

SEKm	2014	2013	2012
<b>Joint ventures</b>			
Opening carrying amount	837	771	8
Investments	129	10	3
Net increase in joint ventures for the year <sup>1)</sup>	-165	-49	58
Remeasurement effect upon changes in holdings	-	46	-
Reclassifications from subsidiaries to joint ventures	-	37	737
Reclassifications from joint ventures to associates	-719	-	-
Translation differences	40	22	-35
<b>Value at December 31</b>	<b>122</b>	<b>837</b>	<b>771</b>
<b>Associates</b>			
Opening carrying amount	183	1,486	871
Investments	-	1	654
Increase through acquisition	-	58	1
Company divestments	-	-13	-
Net increase in associates for the year <sup>1)</sup>	101	104	65
Reclassifications from associates to subsidiaries	-72	-1,454	-88
Reclassifications due to changes in the acquisition balance sheet	-11	-	-
Reclassifications from joint ventures to associates	719	-	-
Translation differences	46	1	-17
<b>Value at December 31</b>	<b>966</b>	<b>183</b>	<b>1,486</b>
<b>Value at December 31, joint ventures and associates</b>	<b>1,088</b>	<b>1,020</b>	<b>2,257</b>

<sup>1)</sup> Net increase for the year includes the Group's share of the profit after tax of joint ventures and associates, as well as items recognized directly in equity (both after deductions for any non-controlling interests), in addition to an adjustment for dividends received during the year.

Associates comprise companies in which SCA has a significant influence and holds more than 20% and less than 50% of the votes in the subsidiary. Participations in associates are recognized in accordance with the equity method.

Companies in which SCA, through an agreement, has shared control over the operations are classified as joint ventures. SCA previously applied the proportional method for most of its joint ventures. As of January 1, 2014, in accordance with IFRS 11 Joint Arrangements, joint ventures are recognized according to the equity method, which entails that assets and liabilities are no longer recognized in the balance sheet but rather are replaced by a net item including the goodwill for each joint venture. In the income statement, income and expenses are replaced by the recognition of the share in profits in the income statement.

Recognized joint ventures and associates mainly operate in the forest products industry, with the exception of Vinda and Asaleo Care Ltd, which operate in tissue and personal care. In June, Asaleo Care was floated in Australia, New Zealand and Fiji on the Australian Securities Exchange (ASX). Following the stock market flotation, SCA's holding in Asaleo Care amounts to 32.5%, which means that SCA will recognize the company as an associate in accordance with the equity method. Asaleo Care manufactures and markets consumer tissue and AfH tissue, baby diapers, feminine care products and incontinence care products. SCA has licensed its Tork and TENA brands to Asaleo Care for sale in Australia, New Zealand and Fiji. Bunzl & Biach operates in the recovered paper market and supplies raw materials to SCA's hygiene business.

The financial information recognized in these tables comprises 100% of each company's operations, with the exception of the table "Participations in joint ventures and associates," in which only SCA's share of equity is recognized.

## ► Note 13 – Joint ventures and associates, cont.

Company name	Corporate registration number	Domicile	Share of equity at December 31, 2014, %	Share of equity at December 31, 2013, %	Share of equity at December 31, 2012, %	Carrying amount at December 31, 2014, SEKm	Carrying amount at December 31, 2013, SEKm	Carrying amount at December 31, 2012, SEKm
<b>Associates</b>								
Vinda Group	90235	Hong Kong	–	–	22	–	–	1,332
Asaleo Care Ltd	61 154 461 300	Melbourne	33	–	–	849	–	–
Other						117	183	154
<b>Joint ventures</b>								
Bunzl & Biach Ges.m.b.H	FN79555v	Vienna	49	49	–	112	94	–
Asaleo Care Ltd	61 154 461 300	Melbourne	–	50	50	–	734	761
Other						10	9	10
<b>Carrying amount at December 31</b>						<b>1,088</b>	<b>1,020</b>	<b>2,257</b>

Financial information pertaining to joint ventures and associates is presented below.

**Associates, 100% of operations**

SEKm	Vinda			Asaleo Care Ltd			Other			Total		
	2014 <sup>1)</sup>	2013 <sup>2)</sup>	2012 <sup>2)</sup>	2014	2013 <sup>3)</sup>	2012 <sup>3)</sup>	2014	2013	2012	2014	2013	2012
<b>Condensed income statement</b>												
Net sales		5,706	5,257	3,890	3,943	4,359	2,066	2,155	2,027	5,956	11,804	11,643
Depreciation/amortization		–9	–7	–154	–172	–206	–52	–18	–18	–206	–200	–231
Operating profit/loss		598	676	375	486	–34	25	71	28	400	1,155	670
Interest income		3	6	0	0	0	3	2	3	3	5	9
Interest expenses		–51	–42	–153	–231	–296	–32	–10	–1	–185	–292	–339
Other financial items		37	0	–208	–54	–50	2	0	0	–206	–17	–50
Tax expense		–109	–159	5	–56	100	–1	–4	–2	4	–169	–61
Profit/loss for the year		456	468	18	145	–280	31	49	20	49	650	208
Other comprehensive income		118	–3	106	79	–27	0	0	0	106	197	–30
<b>Profit/loss for the year</b>		<b>574</b>	<b>465</b>	<b>124</b>	<b>224</b>	<b>–307</b>	<b>31</b>	<b>49</b>	<b>20</b>	<b>155</b>	<b>847</b>	<b>178</b>
<b>Condensed balance sheet</b>												
Non-current assets			3,743	3,555	3,020	3,059	1,102	1,039	692	4,657	4,059	7,494
Current investments			0	0	0	0	0	0	0	0	0	0
Cash and cash equivalents			633	226	314	478	98	56	42	324	370	1,153
Other current assets			2,192	1,161	998	1,044	492	666	698	1,653	1,664	3,934
<b>Total</b>			<b>6,568</b>	<b>4,942</b>	<b>4,332</b>	<b>4,581</b>	<b>1,692</b>	<b>1,761</b>	<b>1,432</b>	<b>6,634</b>	<b>6,093</b>	<b>12,581</b>
Equity			3,458	2,478	951	1,220	110	295	227	2,588	1,246	4,905
Non-current financial liabilities			815	1,723	2,413	2,533	718	990	759	2,441	3,403	4,107
Other non-current liabilities			0	78	239	163	0	0	0	78	239	163
Current financial liabilities			0	5	18	24	14	16	22	19	34	46
Other current liabilities			2,295	658	711	641	850	460	424	1,508	1,171	3,360
<b>Total</b>			<b>6,568</b>	<b>4,942</b>	<b>4,332</b>	<b>4,581</b>	<b>1,692</b>	<b>1,761</b>	<b>1,432</b>	<b>6,634</b>	<b>6,093</b>	<b>12,581</b>
Market value, December 31		10,834	8,885	6,402	–	–						

<sup>1)</sup> As of 2014, Vinda is consolidated as a subsidiary (see Note 16).

<sup>2)</sup> SCA was already a partner in Vinda, which has been recognized as an associate. SCA acquired additional participations in Vinda at year-end 2013 and now holds 51.4% of the votes in the company. Vinda operates in tissue and personal care products in Hong Kong, China and Macau.

<sup>3)</sup> Asaleo Care was recognized as a joint venture in 2012 and 2013. Following the stock market flotation, the company was classified as an associate since SCA's holding decreased.

**Joint ventures, 100% of operations**

SEKm	Bunzl & Biach			Other			Total		
	2014	2013 <sup>1)</sup>	2012	2014	2013	2012	2014	2013	2012
<b>Condensed income statement</b>									
Net sales	776	719	–	0	0	0	776	719	0
Depreciation/amortization	–9	–9	–	0	0	0	–9	–9	0
Operating profit	20	16	–	2	2	1	22	18	1
Interest income	0	0	–	0	0	0	0	0	0
Interest expenses	0	0	–	0	0	0	0	0	0
Other financial items	1	1	–	0	0	0	1	1	0
Tax expense	–6	–4	–	0	0	0	–6	–4	0
Profit/loss for the year	16	13	–	2	2	1	18	14	1
Other comprehensive income	40	40	–	0	0	0	40	40	0
<b>Profit/loss for the year</b>	<b>56</b>	<b>53</b>	<b>–</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>58</b>	<b>55</b>	<b>1</b>
<b>Condensed balance sheet</b>									
Non-current assets	53	56	–	0	0	0	53	56	0
Current investments	0	0	–	0	0	–1	0	0	–1
Cash and cash equivalents	55	43	–	0	0	0	55	43	0
Other current assets	98	89	–	23	21	15	121	110	15
<b>Total</b>	<b>206</b>	<b>188</b>	<b>–</b>	<b>23</b>	<b>21</b>	<b>14</b>	<b>229</b>	<b>209</b>	<b>14</b>
Equity	94	88	–	3	3	3	97	91	3
Non-current financial liabilities	48	52	–	0	0	0	48	52	0
Other non-current liabilities	46	39	–	0	0	0	46	39	0
Current financial liabilities	0	0	–	0	0	0	0	0	0
Other current liabilities	18	9	–	20	18	11	38	27	11
<b>Total</b>	<b>206</b>	<b>188</b>	<b>–</b>	<b>23</b>	<b>21</b>	<b>14</b>	<b>229</b>	<b>209</b>	<b>14</b>

<sup>1)</sup> Bunzl & Biach was classified as a joint venture as of April 1, 2013 in connection with the divestment of Laakirchen.

## 14 Shares and participations

At December 31, 2014, shares and participations totaled SEK 53m (52; 60). The table below shows the distribution and the change during the year.

SEKm	2014	2013	2012
<b>Value at January 1</b>	<b>52</b>	<b>60</b>	<b>69</b>
Increase through acquisition of subsidiaries	–	–	1
Divestments	–	–8	–5
Other reclassifications	1	–	–
Impairment	–	–	–4
Translation differences	0	–	–1
<b>Value at December 31</b>	<b>53</b>	<b>52</b>	<b>60</b>

Shares and participations pertain to holdings in other companies that are not classified as subsidiaries, joint ventures or associates. Since these holdings are of an operating nature, the holdings are not classified as available-for-sale financial assets. Carrying amounts concur with fair value.

## 15 Joint operations

In joint operations, the parties to the agreement hold the rights to the assets and obligations for the liabilities associated with the investment, meaning that the holder must account for its share of the assets, liabilities, revenues and costs according to the proportional method. SCA previously recognized most of its joint ventures in accordance with the proportional method.

Since January 1, 2014, SCA has applied IFRS 11 Joint Arrangements, which entails that most of SCA's previous joint ventures have been reclassified as joint ventures recognized in accordance with the equity method. A small number of individual arrangements are classified as joint operations and will continue to be recognized in accordance with the proportional method.

### UNI-CHARM MÖLNLYCKE

The agreement is designed in such a way that the parties to the agreement purchase all products manufactured by the company. The products are priced in a manner that allows

the operations to receive full cost recovery for their production and financing costs, meaning that the company is not exposed to a commercial risk.

### PRONARO

Pronaro serves as a purchasing organization for a number of paper mills through its capacity to negotiate favorable prices, optimize inventory levels, improve timber quality and reduce lead times and costs when purchasing timber.

Purchasing is based on forecast volumes from the paper mills, which are charged a price that covers the production costs. Costs for any budget deviations and costs for administration are charged to the paper mills, which means that the company is not exposed to a commercial risk.

Company name	Corp. Reg. No.	Domicile	Participation at December 31, 2014, %	Participation at December 31, 2013, %	Participation at December 31, 2012, %
Uni-Charm Mölnlycke B.V.	330 631	Hoogezand	40	40	40
OOO UCM Russia	7 107 512 332	Veniov	40	40	40
UCM INCO USA	27-0735859	Delaware	40	40	40
ProNARO GmbH	HRB 8744	Stockstadt	50	50	50
Nokianvirran Energia (NVE)	213 1790-4	Kotipaikka	27	–	–

## 16 List of major subsidiaries

The Group's participations in major subsidiaries at December 31, 2014.

The following selection of wholly and partly owned subsidiaries with significant non-controlling interests includes companies with sales in excess of SEK 500m in 2014.

Company name	Corporate registration number	Domicile	Share of equity at December 31, 2014, %	Share of equity at December 31, 2013, %
SCA Hygiene Products S.A., France	509,395,109	Linselles, Bobigny	100	100
SCA Hygiene Products Nederland B.V.	135,724	Zeist	100	100
SCA Hygiene Products (Fluff) Ltd.	577,116	Dunstable	100	100
SCA Tissue North America LLC	58-2494137	Delaware	100	100
Vinda Group <sup>1)</sup>	90,235	Hong Kong	51	51
SCA Skog AB	556048-2852	Sundsvall	100	100
SCA Hygiene Products Vertriebs GmbH	HRB 713332	Mannheim	100	100
SCA Graphic Sundsvall AB	556093-6733	Sundsvall	100	100
SCA Hygiene Products AB	556007-2356	Gothenburg	100	100
SCA Hygiene Products S.A., Spain	B28451383	Madrid	100	100
SCA Consumidor Mexico, S.A. de C.V.	SCM-931101-3S5	Mexico City	100	100
Productos Familia S.A., Colombia <sup>1)</sup>	Sharedertif. 1260	Medellin	50	50
SCA Tissue France SAS	702,055,187	Bois-Colombes	100	100
SCA Hygiene Products GmbH, Mannheim	HRB3248	Mannheim	100	100
SCA Timber AB	556047-8512	Sundsvall	100	100
SCA Hygiene Products S.p.a	3,318,780,966	Lucca	100	100
OOO SCA Hygiene Products Russia	4,704,031,845	Moscow	100	100
SCA Hygiene Products GmbH, Wiesbaden	HRB5301	Wiesbaden	100	100
SCA Hygiene Sp.z o.o.	KRS No. 0000427360	Warsaw	100	100
SCA Hygiene Products GmbH, Vienna	FN49537z	Vienna	100	100
SCA Hygiene Products SA-NV, Belgium	BE0405.681.516	Stembert	100	100
SCA Hygiene Products AFH Sales GmbH	HRB 710,878	Mannheim	100	100
SCA Obbola AB	556147-1003	Umeå	100	100
SCA Munksund AB	556237-4859	Piteå	100	100
SCA Hygiene Products Sp.z o.o.	KRS No.0000086815	Olawa	100	100
SCA North America-Canada, Inc.	421,987	Ontario	100	100
SCA PERSONAL CARE INC.	23-3036384	Delaware	100	100
SCA Hygiene Products Sloviakia s.r.o	36,590,941	Gemerska Horka	100	100
SCA Hygiene Malaysia Sdn Bhd	320704-U	Kuala Lumpur	100	100
SCA Hygiene Products GmbH Neuss	HRB 14343	Neuss	100	100
SCA HP Supply SAS	509,599,619	Roiissy, Bobigny	100	100
Familia del Ecuador <sup>1)</sup>	21761	Quito	50	50
SCA Hygiene Products A/S, Norway	915,620,019	Brønnøysund	100	100
SCA Timber Supply Ltd	8,033,620	Dunstable	100	100
SCA Hygiene Spain	D31235260	Allo	100	100
SCA Hygiene Marketing (M) Sdn Bhd	313228-T	Kuala Lumpur	100	100
SCA Hygiene Products AG	CH-020.3.917.992-8	Zug	99	99
SCA Hygiene Products A/S, Denmark	20,638,613	Allerød	100	100
SCA Chile SA	RUT:97.282.000-3	Santiago de Chile	100	100
SCA Hygiene Products Manchester Ltd	4,119,442	Dunstable	100	100
Sancella S.A.	B14441997	La Chargaia	49	49
SCA Yıldız Kagit ve Kisisel Bakim Üretim A.S.	12559	Kocaeli	50	50
SCA Hygiene Products Kft	01-09-716945	Budapest	100	100
EVERBEAUTY CORPORATION	22,192,869	Hong Kong	100	100
SCA Timber Supply Skandinavien AB	556302-0667	Sundsvall	100	100
SCA Hygiene Products SA	283,601,000	Nea Ionia (Athens)	100	100
SCA do Brasil Indústria e Comércio Ltda	72.899.016/0001-99	Osasco	100	100

<sup>1)</sup> The SCA Group has a small number of subsidiaries that are partly owned and hold significant non-controlling interests. These subsidiaries primarily conduct hygiene products operations.

## PARTLY OWNED SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

## Vinda

Since 2007, SCA has been a partner in Vinda, which has been recognized as an associate. SCA acquired additional participations in Vinda at year-end 2013 and now holds 51.4% of the votes in the company. Vinda operates in tissue and personal care products in China, Hong Kong and Macau. In 2014, SCA granted loans to Vinda for the financing of operations, as well as for acquisitions.

Market capitalization of Vinda at the Hong Kong Stock Exchange amounts to SEK 11.551m on December 31, 2014.

## Familia

Familia is 50% owned by SCA and 49.8% owned by the Gomez family. Although SCA does not own the majority of the votes in the company, management has determined that SCA has a controlling influence in Familia. This assessment is based on the fact that SCA has control over the activities with the most significant impact on the company's return. Familia manufactures and sells tissue and personal care products in South America.

Financial information is recognized for both subsidiaries. Other subsidiaries are not recognized since they do not individually have a material impact on the Group's financial position and earnings.

## 100% of operations

SEKm	Vinda <sup>1)</sup>			Familia <sup>1)</sup>		
	2014 <sup>2)</sup>	2013 <sup>2)</sup>	2012 <sup>2)</sup>	2014	2013	2012
<b>Condensed income statement</b>						
Net sales	7,042			6,366	5,998	5,749
Operating profit	725			741	778	727
Profit for the year	523			565	563	465
Other comprehensive income	-10			-	-	-
<b>Profit for the year</b>	<b>513</b>			<b>565</b>	<b>563</b>	<b>465</b>
Profit attributable to non-controlling interests	249			283	282	232
Dividend to non-controlling interests	68			170	105	69
<b>Condensed balance sheet</b>						
Non-current assets	7,942	4,788		3,223	2,624	2,673
Current assets	4,377	3,072		2,589	2,128	1,871
<b>Total</b>	<b>12,319</b>	<b>7,860</b>		<b>5,812</b>	<b>4,752</b>	<b>4,544</b>
Non-current liabilities	3,132	1,522		548	575	575
Current liabilities	4,058	2,441		1,464	1,254	1,199
<b>Total</b>	<b>7,190</b>	<b>3,963</b>		<b>2,012</b>	<b>1,829</b>	<b>1,774</b>
Attributable to owners of the Parent	2,637	2,003		1,900	1,462	1,385
Non-controlling interests	2,493	1,894		1,900	1,462	1,385
Cash flow from operating activities	739			791	669	658
Cash flow from investing activities	-2,092			-104	-173	-250
Cash flow from financing activities	1,384			-494	-395	-284
<b>Cash flow for the year</b>	<b>31</b>			<b>193</b>	<b>101</b>	<b>124</b>

<sup>1)</sup> For more information about the companies, refer to the list on the preceding page.

<sup>2)</sup> SCA was already a partner in Vinda, which has been recognized as an associate. SCA acquired additional participations in Vinda at year-end 2013 and now holds 51.4% of the votes in the company (see Note 16). Vinda operates in tissue and personal care products in China, Hong Kong and Macau.

## 17

## Non-current financial assets

Non-current financial assets totaled SEK 3,137m (2,748; 2,895) at December 31, 2014. The table below shows the distribution and changes during the year.

SEKm	2014	2013	2012
Available-for-sale financial assets	1,815	1,657	1,448
Derivatives	751	836	1,192
Loan receivables, associates	270	-	-
Loan receivables, other	301	255	255
<b>Value at December 31</b>	<b>3,137</b>	<b>2,748</b>	<b>2,895</b>
<b>Available-for-sale financial assets</b>			
<b>Value at January 1</b>	<b>1,657</b>	<b>1,448</b>	<b>1,034</b>
Investments	12	3	132
Company divestments	-	-45	-
Remeasurement for the year taken to equity, net	140	249	286
Translation differences	6	2	-4
<b>Value at December 31</b>	<b>1,815</b>	<b>1,657</b>	<b>1,448</b>

Shares in AB Industrivärden and pension assets attributable to some pension obligations are classified as available-for-sale financial assets. These obligations are not included in the normal pension calculations, as set out in Note 26 Provisions for pensions.

## Available-for-sale financial assets, fair value

SEKm	2014	2013	2012
Shares – AB Industrivärden	1,729	1,591	1,341
Pension assets not included in IAS 19 calculation	77	58	99
Other	9	8	8
<b>Total</b>	<b>1,815</b>	<b>1,657</b>	<b>1,448</b>

The holding in AB Industrivärden amounted to 12,108,723 shares (12,108,723; 12,093,643).

If the stock market had risen/fallen by 15%, all other variables being unchanged, and the Group's shareholdings changed in accordance with the stock market, equity would have increased/decreased by SEK 271m (247; 216). Sensitivity analysis calculations have been performed on the risk to which SCA was exposed at December 31, 2014 using assumptions on market movements that are regarded as reasonably possible in one year's time.

## 18 Derivatives

### BALANCE SHEET

SCA uses financial derivatives to manage currency, interest rate and energy price risks. For a description of how SCA manages these risks, refer to pages 82–83 of the Board of Directors' Report. The table below shows the derivatives that impacted the Group's balance sheet on December 31, 2014. For more information relating to derivatives in the balance sheet, see Note 31 Financial instruments by category.

#### Outstanding derivatives

SEKm	Total	Of which		
		Currency <sup>1)</sup>	Interest rate	Energy
<b>2014</b>				
Nominal	64,773	44,793	17,718	2,262
Asset	1,839	893	931	15
Liability	1,082	575	207	300
<b>2013</b>				
Nominal	47,371	26,762	18,061	2,548
Asset	1,082	293	758	31
Liability	647	178	307	162
<b>2012</b>				
Nominal	41,704	24,841	14,300	2,563
Asset	1,414	346	1,024	44
Liability	484	178	188	118

<sup>1)</sup> Nominal SEK 82,957m (79,844; 116,349) is outstanding before the right of set-off.

### OUTSTANDING DERIVATIVES WITH HEDGE ACCOUNTING

The table below presents outstanding derivatives with hedge accounting at December 31, 2014.

#### Derivatives with hedge accounting<sup>1)</sup>

SEKm	Total	Of which				Net investments in foreign entities <sup>2)</sup>	Fair value of interest rate risk in financing
		Cash flow					
		Transaction exposure		Interest	Energy		
Export and import flows	Investments						
<b>2014</b>							
Asset	1,222	13	4	–	4	281	920
Liability	1,712	9	–	8	261	1,263	171
Hedge reserve after tax	–188	0	3	–6	–185		
<b>2013</b>							
Asset	903	8	0	–	19	119	757
Liability	925	41	6	33	111	471	263
Hedge reserve after tax	–128	–26	–5	–25	–72		
<b>2012</b>							
Asset	2,714	27	–	–	26	1,637	1,024
Liability	375	5	14	44	110	74	128
Hedge reserve after tax	–88	17	–11	–34	–60		

<sup>1)</sup> Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives.

<sup>2)</sup> Pertains to derivatives before right of set-off.

### Hedge reserve in equity

Currency derivatives relating to hedging of transaction exposure mostly mature during the first half of 2015. All derivatives in the hedge reserve at year-end 2014 will be realized before June 30, 2015. With unchanged exchange rates, profit after tax will be affected negatively in the amount of SEK 0m (neg: 26; pos: 17). Currency derivatives relating to hedging of the cost of non-current assets have a maturity spread until January 2017. With unchanged exchange rates, the cost of non-current assets will increase by SEK 3m (increase: 5; increase: 11) after tax.

Derivatives pertaining to hedging of interest expenses mature in December 2015 and August 2017. With unchanged interest rates, net financial items would be impacted negatively in the amount of SEK 6m (neg: 25; neg: 34) after tax.

The derivatives intended to hedge energy costs in the Group mature during 2015 and 2016. With unchanged prices, the Group's profit after tax will be affected negatively in the amount of SEK 185m (neg: 72; neg: 60).

### Hedging of net investments

SCA has hedged net investments in a number of selected legal entities in order to achieve the desired hedging level for foreign capital employed. The result of hedging positions

### INCOME STATEMENT

During the year, transaction exposure hedges had an impact of SEK –158m (48; 125) on operating profit for the year. At year-end, the net market value amounted to SEK –77m (–61; 46). Currency hedges increased the cost of non-current assets by SEK 3m (increased: 26; increased: 13). At year-end, the net market value amounted to SEK 4m (–6; –14).

In 2014, energy derivatives had an impact of SEK –288m (–91; –46) on operating profit for the year. Energy derivatives had an outstanding market value of SEK –286m (–131; –74) at year-end.

Derivatives impacted net interest items in the amount of SEK 175m (188; 43). The net market value on outstanding interest rate derivatives amounted to SEK 724m (451; 836) at year-end. For further information relating to net financial items, see Note 8 Financial income and expenses.

### Sensitivity analysis

SCA has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2014 using assumptions on market movements that are regarded as reasonably possible in one year's time.

If the Swedish krona had unilaterally weakened/strengthened by 5% against all currencies, outstanding financial hedges as well as trade payables and trade receivables would have decreased/increased profit for the year before tax by SEK 4m (78; 51).

If the Swedish krona had unilaterally weakened/strengthened by 5%, currency hedges relating to the cost of non-current assets would have increased/decreased equity by SEK 7m (0; 4).

If energy prices had increased/decreased by 20%, outstanding financial hedges relating to natural gas and electricity, all other things being equal, would have decreased/increased energy costs for the year by SEK 237m (251; 250). In addition to the earnings impact, equity would have increased/decreased by SEK 89m (104; 137). However, the total energy cost for the Group would have been affected differently if the price risk related to supply contracts was taken into account.

affected equity in 2014 by a total of SEK –1,497m (–423; 1,134). This result is largely due to hedges of net investments in USD. The total market value of outstanding hedging transactions at year-end was SEK –982m (–352; 1,563). In total at year-end, SCA hedged net investments outside Sweden amounting to SEK –10,474m. SCA's total foreign net investments at year-end, excluding Vinda, amounted to SEK 57,922m.

#### Hedging of net investments in foreign operations, SEKm

Currency	2014	2013	2012
USD	5,388	6,123	2,917
GBP	2,592	2,284	1,236
EUR	1,314	9,951	14,234
PLN	732	442	–
TWD	506	347	224
CLP	397	296	228
MXN	–897	–891	–771
Other	442	416	544
<b>Total</b>	<b>10,474</b>	<b>18,968</b>	<b>18,612</b>

## 19 Inventories

Inventories totaled SEK 13,793m (12,579; 11,762) at December 31, 2014. The table below shows the distribution.

SEKm	2014	2013	2012
Raw materials and consumables	4,163	3,052	3,120
Spare parts and supplies	1,812	1,893	1,817
Products in progress	1,165	1,246	1,035
Finished products	6,179	5,924	4,989
Felling rights	463	441	788
Advance payments to suppliers	11	23	13
<b>Total</b>	<b>13,793</b>	<b>12,579</b>	<b>11,762</b>

## 20 Trade receivables

Trade receivables totaled SEK 16,827m (15,420; 14,606) at December 31, 2014. The table below shows the distribution, maturity structure and change during the year.

SEKm	2014	2013	2012
Trade receivables, gross	17,091	14,570	14,796
Provision to reserves for doubtful receivables	-264	-218	-190
<b>Sub-total</b>	<b>16,827</b>	<b>14,352</b>	<b>14,606</b>
Acquisition of Vinda, see Note 3	-	1,068	-
<b>Total</b>	<b>16,827</b>	<b>15,420</b>	<b>14,606</b>

### Analysis of credit risk exposure in trade receivables

SEKm	2014	2013	2012
Trade receivables neither overdue nor impaired	14,742	12,785	12,659
Trade receivables overdue but not impaired			
< 30 days	1,513	1,184	1,500
30–90 days	413	234	274
> 90 days	159	149	173
<b>Trade receivables overdue but not impaired</b>	<b>2,085</b>	<b>1,567</b>	<b>1,947</b>
<b>Total</b>	<b>16,827</b>	<b>14,352</b>	<b>14,606</b>
Acquisition of Vinda, see Note 3	-	1,068	-
<b>Total</b>	<b>16,827</b>	<b>15,420</b>	<b>14,606</b>

In total, the Group has collateral mainly in the form of credit insurance taken out amounting to SEK 1,513m (2,028; 1,479). Of this amount, SEK 454m (459; 198) relates to the category Trade receivables overdue but not impaired.

### Provision to reserves for doubtful receivables

SEKm	2014	2013	2012
<b>Value at January 1</b>	<b>-218</b>	<b>-190</b>	<b>-163</b>
Provision for possible credit losses	-51	-54	-24
Confirmed losses	14	7	22
Increase due to acquisitions	-9	-	-42
Decrease due to divestments	0	6	0
Decrease due to reversal of reserve for possible loan losses	13	13	14
Translation differences	-13	0	3
<b>Value at December 31</b>	<b>-264</b>	<b>-218</b>	<b>-190</b>

The expense for the year for doubtful receivables amounted to SEK -38m (-41; -11).

## 21 Other current receivables

Other current receivables totaled SEK 2,852m (2,544; 2,751) at December 31, 2014. The table below shows the distribution and a specification of Other current receivables.

SEKm	2014	2013	2012
Receivables from associates	54	116	92
Accrued financial income	8	1	0
Derivatives	70	72	129
Prepaid expenses and accrued income	695	584	770
Other current receivables	2,025	1,770	1,760
<b>Total</b>	<b>2,852</b>	<b>2,543</b>	<b>2,751</b>

### Other current receivables

SEKm	2014	2013	2012
VAT receivables	888	696	768
Suppliers with debit balance	190	140	113
Receivables for electricity and gas	149	88	183
Receivables from authorities	118	82	40
Other receivables	680	764	656
<b>Total</b>	<b>2,025</b>	<b>1,770</b>	<b>1,760</b>

## 22 Current financial assets, cash and cash equivalents

Current financial assets totaled SEK 1,252m (536, 401) and cash and cash equivalents totaled SEK 3,815m (3,785, 2,118) at December 31, 2014. The table below shows the distribution.

### Current financial assets

SEKm	2014	2013	2012
Financial assets	2	38	6
Derivatives	974	172	77
Loan receivables, other	276	326	318
<b>Total</b>	<b>1,252</b>	<b>536</b>	<b>401</b>

### Cash and cash equivalents

SEKm	2014	2013	2012
Cash and bank balances	3,023	2,464	1,819
Short-term investments < 3 months	792	1,321	299
<b>Total</b>	<b>3,815</b>	<b>3,785</b>	<b>2,118</b>

For a description of how SCA manages its credit and liquidity risks, refer to page 83 of the Board of Directors' Report.

## 23 Non-current assets held for sale

Non-current assets held for sale totaled SEK 60m (32; 1,937) at December 31, 2014. The table below shows the distribution by class of asset.

SEKm	2014	2013	2012
Other intangible assets	-	-	29
Buildings	15	17	244
Land	43	13	231
Machinery and equipment	1	1	1,357
Construction in progress	1	1	76
<b>Total</b>	<b>60</b>	<b>32</b>	<b>1,937</b>

In 2014, additional land assets amounting to SEK 30m and attributable to the Georgia-Pacific acquisition in 2012 were designated to Non-current assets held for sale.

## 24 Equity

Equity totaled SEK 72,872m (67,811; 61,699) at December 31, 2014. The table below shows the distribution and the change during the year.

SEKm	Share capital	Other capital provided	Reserves <sup>1)</sup>	Retained earnings	Equity attributable to SCA's shareholders	Non-controlling interests	Total equity
<b>Value at January 1, 2012</b>	<b>2,350</b>	<b>6,830</b>	<b>-2,170</b>	<b>53,742</b>	<b>60,752</b>	<b>1,889</b>	<b>62,641</b>
<b>Profit for the year recognized in profit or loss</b>				<b>4,957</b>	<b>4,957</b>	<b>285</b>	<b>5,242</b>
<b>Other comprehensive income for the period</b>							
<b>Items that cannot be transferred to profit for the period</b>							
Actuarial gains and losses relating to defined benefit pension plans <sup>2)</sup>				-2,011	-2,011	-	-2,011
Income tax attributable to components in other comprehensive income				479	479	-	479
				<b>-1,532</b>	<b>-1,532</b>	<b>-</b>	<b>-1,532</b>
<b>Items that have been or can be transferred to profit for the period</b>							
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity			286		286	-	286
Transferred to profit or loss at sale			-		-	-	-
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity			-33		-33	-	-33
Transferred to profit or loss for the period			-2		-2	-	-2
Transferred to cost of hedged investments			13		13	-	13
Translation differences in foreign operations			-2,916		-2,916	-33	-2,949
Result from hedging of net investments in foreign operations			1,134		1,134	-	1,134
Tax on items recognized directly in/transferred from equity <sup>3)</sup>			1		1	-	1
<b>Other comprehensive income for the period, net after tax</b>			<b>-1,517</b>	<b>-1,532</b>	<b>-3,049</b>	<b>-33</b>	<b>-3,082</b>
<b>Total comprehensive income for the period</b>			<b>-1,517</b>	<b>3,425</b>	<b>1,908</b>	<b>252</b>	<b>2,160</b>
Change in Group composition			-	-	-	-7	-7
Remeasurement effect upon acquisition of non-controlling interests			-4	-	-4	-	-4
Dividend, SEK 4.20 per share				-2,950	-2,950	-141	-3,091
<b>Value at December 31</b>	<b>2,350</b>	<b>6,830</b>	<b>-3,691</b>	<b>54,217</b>	<b>59,706</b>	<b>1,993</b>	<b>61,699</b>
<b>2013</b>							
<b>Profit for the year recognized in profit or loss</b>				<b>5,547</b>	<b>5,547</b>	<b>314</b>	<b>5,861</b>
<b>Other comprehensive income for the period</b>							
<b>Items that cannot be transferred to profit for the period</b>							
Actuarial gains and losses relating to defined benefit pension plans <sup>2)</sup>				1,927	1,927	-	1,927
Income tax attributable to components in other comprehensive income				-488	-488	-	-488
				<b>1,439</b>	<b>1,439</b>	<b>-</b>	<b>1,439</b>
<b>Items that have been or can be transferred to profit for the period</b>							
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity			249		249	-	249
Transferred to profit or loss at sale			-		-	-	-
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity			-123		-123	-	-123
Transferred to profit or loss for the period			49		49	-	49
Transferred to cost of hedged investments			26		26	-	26
Translation differences in foreign operations			763		763	-107	656
Result from hedging of net investments in foreign operations			-423		-423	-	-423
Tax on items recognized directly in/transferred from equity <sup>3)</sup>			-131		-131	-	-131
<b>Other comprehensive income for the period, net after tax</b>			<b>410</b>	<b>1,439</b>	<b>1,849</b>	<b>-107</b>	<b>1,742</b>
<b>Total comprehensive income for the period</b>			<b>410</b>	<b>6,986</b>	<b>7,396</b>	<b>207</b>	<b>7,603</b>
Acquisition of non-controlling interests			-	-666	-666	2,482	1,816
Remeasurement effect upon acquisition of non-controlling interests			-	-4	-4	-	-4
Dividend, SEK 4.50 per share				-3,161	-3,161	-142	-3,303
<b>Value at December 31</b>	<b>2,350</b>	<b>6,830</b>	<b>-3,281</b>	<b>57,372</b>	<b>63,271</b>	<b>4,540</b>	<b>67,811</b>

<sup>1)</sup> Revaluation reserve, Hedge reserve, Available-for-sale assets and Translation reserve are included in the reserves line in the balance sheet, see specification page 117.

<sup>2)</sup> Including payroll tax.

<sup>3)</sup> For a specification of income tax attributable to components in other comprehensive income, see page 117.

SEKm	Share capital	Other capital provided	Reserves <sup>1)</sup>	Retained earnings	Equity attributable to SCA's shareholders	Non-controlling interests	Total equity
<b>2014</b>	<b>2,350</b>	<b>6,830</b>	<b>-3,281</b>	<b>57,372</b>	<b>63,271</b>	<b>4,540</b>	<b>67,811</b>
<b>Profit for the year recognized in profit or loss</b>				<b>6,599</b>	<b>6,599</b>	<b>469</b>	<b>7,068</b>
<b>Other comprehensive income for the period</b>							
<b>Items that cannot be transferred to profit for the period</b>							
Actuarial gains and losses relating to defined benefit pension plans <sup>2)</sup>				-2,925	-2,925	-	-2,925
Income tax attributable to components in other comprehensive income				660	660	-	660
				<b>-2,265</b>	<b>-2,265</b>	<b>-</b>	<b>-2,265</b>
<b>Items that have been or can be transferred to profit for the period</b>							
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity			140		140	-	140
Transferred to profit or loss at sale			-		-	-	-
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity			-428		-428	-	-428
Transferred to profit or loss for the period			344		344	-	344
Transferred to cost of hedged investments			3		3	-	3
Translation differences in foreign operations			4,597		4,597	572	5,169
Result from hedging of net investments in foreign operations			-1,497		-1,497	-	-1,497
Tax on items recognized directly in/transferred from equity <sup>3)</sup>			359		359	-	359
<b>Other comprehensive income for the period, net after tax</b>			<b>3,518</b>	<b>-2,265</b>	<b>1,253</b>	<b>572</b>	<b>1,825</b>
<b>Total comprehensive income for the period</b>			<b>3,518</b>	<b>4,334</b>	<b>7,852</b>	<b>1,041</b>	<b>8,893</b>
Issue cost in associated companies			-	-49	-49	-	-49
Acquisition of non-controlling interests			-	-112	-112	-61	-173
Effect of confirmation of acquisition balance sheet			-	-	-	-42	-42
Remeasurement effect upon acquisition of non-controlling interests			-	-4	-4	-	-4
Dividend, SEK 4.75 per share <sup>4)</sup>				-3,336	-3,336	-228	-3,564
<b>Value at December 31</b>	<b>2,350</b>	<b>6,830</b>	<b>237</b>	<b>58,205</b>	<b>67,622</b>	<b>5,250</b>	<b>72,872</b>

<sup>1)</sup> Revaluation reserve, Hedge reserve, Available-for-sale assets and Translation reserve are included in the reserves line in the balance sheet, see specification below.

<sup>2)</sup> Including payroll tax.

<sup>3)</sup> For a specification of income tax attributable to components in other comprehensive income, see below.

<sup>4)</sup> Dividend SEK 4.75 (4.50; 4.20) per share pertains to owners of the Parent. For the 2014 fiscal year, the Board has decided to propose a dividend of SEK 5.25 per share to the Annual General Meeting.

For further information regarding equity, see Parent Company Note 47.

#### Equity, specification of reserves

SEKm	Revaluation reserve <sup>1)</sup>			Hedge reserve <sup>2)</sup>			Available-for-sale assets			Translation reserve		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
<b>Value at January 1</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>-128</b>	<b>-87</b>	<b>-68</b>	<b>519</b>	<b>270</b>	<b>-14</b>	<b>-3,779</b>	<b>-3,981</b>	<b>-2,195</b>
Available-for-sale financial assets:												
Result from measurement at fair value recognized in equity	-	-	-	-	-	-	140	249	286	-	-	-
Transferred to profit or loss at sale	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedges:												
Result from remeasurement of derivatives recognized in equity	-	-	-	-428	-123	-33	-	-	-	-	-	-
Transferred to profit or loss for the period	-	-	-	344	49	-2	-	-	-	-	-	-
Transferred to cost of hedged investments	-	-	-	3	26	13	-	-	-	-	-	-
Translation differences in foreign operations <sup>3)</sup>	-	-	-	-9	-2	0	-	-	-	4,606	765	-2,920
Result from hedging of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-1,497	-423	1,134
Tax on items recognized directly in/transferred from equity	-	-	-	30	9	3	0	0	-2	329	-140	-
<b>Other comprehensive income for the period, net after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-60</b>	<b>-41</b>	<b>-19</b>	<b>140</b>	<b>249</b>	<b>284</b>	<b>3,438</b>	<b>202</b>	<b>-1,786</b>
<b>Value at December 31</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>-188</b>	<b>-128</b>	<b>-87</b>	<b>659</b>	<b>519</b>	<b>270</b>	<b>-341</b>	<b>-3,779</b>	<b>-3,981</b>

<sup>1)</sup> Revaluation reserve includes effect on equity of step acquisitions.

<sup>2)</sup> See also Note 18 for details of when profit or loss is expected to be recognized.

<sup>3)</sup> Transfer to profit or loss of realized exchange gains relating to divested companies is included in the amount of SEK -m (3; -20).

#### Specification of income tax attributable to components in other comprehensive income

SEKm	2014			2013			2012		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Actuarial gains and losses on defined benefit pension plans	-2,925	660	-2,265	1,927	-488	1,439	-2,011	479	-1,532
Available-for-sale financial assets	140	0	140	249	0	249	286	-2	284
Cash flow hedges	-81	30	-51	-48	9	-39	-22	3	-19
Translation differences in foreign operations	5,169	-	5,169	656	-	656	-2,949	-	-2,949
Result from hedging of net investments in foreign operations	-1,497	329	-1,168	-423	-140	-563	1,134	-	1,134
<b>Other comprehensive income</b>	<b>806</b>	<b>1,019</b>	<b>1,825</b>	<b>2,361</b>	<b>-619</b>	<b>1,742</b>	<b>-3,562</b>	<b>480</b>	<b>-3,082</b>

At December 31, 2014, the debt/equity ratio amounted to 0.49, which is below SCA's long-term target of 0.70. The debt/equity ratio deviates from this target at times and, over the past ten-year period, has varied between 0.49 and 0.70. Change in liabilities and equity is described on page 47 under Financial position. SCA has a credit rating for long-term debt of Baa1 from Moody's and A- from Standard & Poor's. SCA's financial risk management is described in the Risk and risk management section on pages 82–83. SCA's dividend policy and capital structure are described on page 38.

## 25 Financial liabilities

At December 31, 2014, interest-bearing gross debt amounted to SEK 38,886m (38,712; 34,182). The specification of financial liabilities is shown in the table below:

Financial liabilities SEKm	Carrying amount		
	2014	2013	2012
<b>Current financial liabilities</b>			
Amortization within one year	497	211	462
Bond issues	4,177	1,021	–
Derivatives	674	75	121
Loans with maturities of less than one year	9,292	7,823	9,522
Acquisition of Vinda, see Note 3	–	879	–
<b>Total<sup>1)</sup></b>	<b>14,640</b>	<b>10,009</b>	<b>10,105</b>
<b>Non-current financial liabilities</b>			
Bond issues	14,646	15,921	12,897
Derivatives	31	296	176
Other long-term loans with maturities > 1 year < 5 years	5,447	8,694	8,404
Other long-term loans with maturities > 5 years	4,122	2,160	2,600
Acquisition of Vinda, see Note 3	–	1,632	–
<b>Total</b>	<b>24,246</b>	<b>28,703</b>	<b>24,077</b>
<b>Total</b>	<b>38,886</b>	<b>38,712</b>	<b>34,182</b>
Fair value of financial liabilities	39,243	36,500 <sup>2)</sup>	34,506

<sup>1)</sup> Fair value of short-term loans is estimated to be the same as the carrying amount.

<sup>2)</sup> Excluding Vinda.

### Borrowing

SCA has a Euro Medium Term Note (EMTN) program with a program amount of EUR 3,000m (SEK 28,602m) for issuing bonds in the European capital market. As of December 31, 2014, a nominal EUR 2,043m (2,131; 1,652) was outstanding with a remaining maturity of 3.4 years (4.0; 3.2). SCA also utilizes bond markets outside Europe and has issued a bond in the US for USD 414m (SEK 3,240m).

### Bond issues

Issued	Maturity	Carrying amount SEKm	Fair value SEKm
Notes USD 414m	2015	3,346	3,346
Index Linked Interest Note SEK 300m	2015	312	312
Index Linked Interest Note SEK 500m	2015	519	519
Notes SEK 1,800m	2016	1,891	1,871
Floating Rate Note SEK 200m	2016	200	202
Notes EUR 600m	2016	6,021	6,027
Green bond SEK 1,500m	2019	1,498	1,536
Notes EUR 500m	2023	5,036	5,132
<b>Total</b>		<b>18,823</b>	<b>18,945</b>

SCA has a Swedish and a Belgian commercial paper program that can be utilized for current borrowing.

### Commercial paper program<sup>1)</sup>

Program size	Issued SEKm
Commercial paper SEK 15,000m	5,117
Commercial paper EUR 400m	142
<b>Total</b>	<b>5,259</b>

<sup>1)</sup> Included in Loans with maturities of less than one year in the Financial liabilities table.

SCA has syndicated bank facilities to limit the refinancing risk and maintain a liquidity reserve. Contracted bilateral credit facilities with banks are used to supplement these syndicated bank facilities.

### Credit facilities

	Nominal	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm
Syndicated credit facilities	EUR 1,000m	2018	9,534	–	9,534
	EUR 1,000m	2019	9,534	–	9,534
Bilateral credit facilities	SEK 328m	2015	328	–	328
<b>Total</b>			<b>19,396</b>	<b>–</b>	<b>19,396</b>

### Maturity profile of gross debt

SEKm	Total	2015	2016	2017	2018	2019	2020+
Commercial paper	5,259	5,259	–	–	–	–	–
Bond issues	18,823	4,177	8,112	–	–	1,498	5,036
Utilization of credit facilities	–	–	–	–	–	–	–
Other loans	14,972	5,372	4,154	1,515	1,132	330	2,469
<b>Total<sup>1)</sup></b>	<b>39,054</b>	<b>14,808</b>	<b>12,266</b>	<b>1,515</b>	<b>1,132</b>	<b>1,828</b>	<b>7,505</b>

<sup>1)</sup> Gross debt includes accrued interest in the amount of SEK 168m.

After additions for net pension provisions and deductions for cash and cash equivalents, interest-bearing receivables and capital investment shares, the net debt was SEK 35,947m (33,919; 33,063).

For a description of the methods used by SCA to manage its refinancing risk, refer to page 83 of the Board of Directors' Report.

## 26 Provisions for pensions

SCA has both defined contribution and defined benefit pension plans. The most substantial defined benefit plans are based on period of service and the remuneration received by employees on or close to retirement. The total pension costs for the defined benefit pension plans are shown below.

<b>Costs for the year for defined benefit plans</b>			
SEKm	2014	2013	2012
Current service cost, excluding contributions by plan participants	-494	-514	-440
Past service cost	19	-7	15
Tax expense for pensions	-35	-40	-
Remeasurement, net	-33	-3	-38
Net interest income/expense	-65	-120	34
<b>Pension costs before effects of settlements</b>	<b>-608</b>	<b>-684</b>	<b>-429</b>
Settlements	2	10	4
<b>Pension costs after effects of settlements</b>	<b>-606</b>	<b>-674</b>	<b>-425</b>

The increase in costs for 2014 and 2013 compared with 2012 is mainly attributable to the new accounting rules in IAS 19, which apply as of 2013.

Pension plans with surpluses are recognized as an asset in the balance sheet, provided that they are not limited by the asset ceiling. Other pension plans, which are not fully funded or unfunded, are recognized as Provisions for pensions. The value of all pension plans is distributed among defined benefit obligations and plan assets, as shown below.

<b>Provisions for pensions and similar obligations</b>			
SEKm	2014	2013	2012
Defined benefit obligations	28,943	21,793	23,857
Fair value of plan assets	-24,850	-20,603	-20,499
Effect of asset ceiling	1,004	916	780
<b>Provision for pensions, net</b>	<b>5,097</b>	<b>2,106</b>	<b>4,138</b>

Surpluses in funded plans recognized as interest-bearing assets amounted to SEK 3m (442; 682) on the balance sheet date and provisions for pensions totaled SEK 5,100m (2,548; 4,820). Defined benefit obligations include obligations in an amount of SEK 2,363m (1,913; 2,101) pertaining to unfunded plans.

<b>Defined benefit obligations</b>			
SEKm	2014	2013	2012
<b>Value at January 1</b>	<b>21,793</b>	<b>23,857</b>	<b>20,625</b>
Current service cost	527	519	444
Interest expense	912	780	701
Past service cost	-19	7	14
Tax expense for pensions	35	40	-
Settlements and transfers	9	214	16
Acquisitions and disposals	-	-2,598	561
Benefits paid	-932	-908	-727
Pension taxes paid	-20	-26	-
Remeasurement: financial assumptions	4,079	-1,053	2,216
Remeasurement: demographic assumptions	38	388	108
Remeasurement: experience-based assumptions	-17	280	191
Pension taxes pertaining to remeasurement	221	-193	-
Translation effects	2,317	486	-292
<b>Value at December 31</b>	<b>28,943</b>	<b>21,793</b>	<b>23,857</b>

For 2013, settlements and transfers include SEK 186m attributable to the reclassification of payroll tax to pension liability.

Remeasurements of defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, etc. any changes in demographic assumptions and experience-based deviations. Unexpectedly high or low rates for employee turnover, early retirement or salary increases are considered to be deviations from experience-based assumptions.

The changes to the Group's plan assets are distributed as follows:

<b>Plan assets</b>			
SEKm	2014	2013	2012
<b>Fair value at January 1</b>	<b>-20,603</b>	<b>-20,499</b>	<b>-17,971</b>
Interest income	-883	-684	-758
Acquisitions and disposals	-	2,123	465
Contributions by plan participants	-7	-4	-4
Contributions by the employer	-785	-571	-1,884
Benefits paid, excl. settlements	932	908	727
Benefits paid for settlements	10	16	-
Return in excess of recognized interest income	-1,440	-1,461	-1,484
Administrative expenses for pension obligations	25	-	-
Translation effects	-2,099	-431	410
<b>Fair value at December 31</b>	<b>-24,850</b>	<b>-20,603</b>	<b>-20,499</b>

The plan assets are distributed according to the following classes of assets:

	2014	2013	2012
Shares and mutual funds	59%	62%	55%
Interest-bearing securities	31%	31%	38%
Properties, real estate	5%	3%	3%
Other	5%	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

95% (97; 97) of the assets on the balance sheet date were traded on active markets in which market quotations are used for valuation of the assets.

As in the preceding year, no financial instruments issued by SCA are included in the fair value of plan assets at December 31, 2014.

<b>Effect of asset ceiling</b>			
SEKm	2014	2013	2012
<b>Value at January 1</b>	<b>916</b>	<b>780</b>	<b>616</b>
Interest expense	36	24	23
Other changes to asset ceiling	52	112	141
<b>Value at December 31</b>	<b>1,004</b>	<b>916</b>	<b>780</b>

Effect of asset ceiling pertains to funds in two Swedish foundations that can be used for possible future undertakings for early retirement for certain categories of employees.

► **Note 26** – Provisions for pensions, cont.**Principal actuarial assumptions**

	Sweden	UK	Eurozone	USA
<b>2014</b>				
Discount rate	2.46	3.59	1.62	4.11
Expected salary increase rate	3.25	4.00	3.00	N/A
Expected inflation	2.00	3.00	1.75	2.00
Life expectancy, men <sup>1)</sup>	23	22	21	20
Life expectancy, women <sup>1)</sup>	24	24	24	21
<b>2013</b>				
Discount rate	3.94	4.54	3.10	4.92
Expected salary increase rate	3.25	4.00	3.25	N/A
Expected inflation	2.00	3.00	2.00	2.00
Life expectancy, men <sup>1)</sup>	23	22	22	19
Life expectancy, women <sup>1)</sup>	24	24	24	21
<b>2012</b>				
Discount rate	3.07	4.10	2.75	4.09
Expected salary increase rate	3.25	3.80	3.25	N/A
Expected inflation	2.00	2.60	2.00	2.00
Life expectancy, men <sup>1)</sup>	23	21	22	19
Life expectancy, women <sup>1)</sup>	24	24	24	21

<sup>1)</sup> Life expectancy, expressed in years, for an individual currently aged 65.

The actuarial assumptions comprise the most significant assumptions applied when calculating defined benefit obligations at the balance sheet date.

SCA determines the discount rate based on AA-rated corporate bonds that match the duration of the obligations. If no such corporate bonds are available, government bonds or mortgage bonds are used.

Inflation assumptions are based on a combination of central bank targets, implicit market expectations and long-term analyst forecasts. Assumptions regarding salary increases are based on market expectations and market research forecasts.

Remeasurement effects arise: as a result of deviations from actuarial and experience-based assumptions; when the return is different than expected; and as a result of any changes to the asset ceiling. These gains and losses are recognized directly in equity in the period in which they arise. The table below shows the sensitivity of the defined benefit obligations with respect to the principal actuarial assumptions.

The sensitivity of the defined benefit obligations with respect to the changes in the principal actuarial assumptions is as follows:

<b>Change of obligation, increased obligation (-), SEKm</b>	
Discount rate +0.25%	1,173
Price inflation, incl. salary inflation +0.25%	-973
Life expectancy +1 year	-1,030

The above sensitivity analysis is calculated by changing one assumption while the others remain constant.

The most significant individual pension plans are distributed as follows, SEKm:

Country	Active	Paid-up pension policies	Pensioners	Total obligation	Plan assets, fair value	Effect of asset ceiling	Net	Duration of obligation, years
Netherlands	1,541	783	932	3,256	-3,227	-	29	21
UK	1,817	6,182	6,717	14,716	-13,977	-	739	17
Sweden	1,778	758	1,097	3,633	-2,898	-	735	20
Germany	1,024	327	1,145	2,496	-2,070	-	426	17
US	642	111	259	1,012	-814	-	198	13
Other	2,269	418	1,143	3,830	-1,864	1,004	2,970	13
<b>Total</b>	<b>9,071</b>	<b>8,579</b>	<b>11,293</b>	<b>28,943</b>	<b>-24,850</b>	<b>1,004</b>	<b>5,097</b>	

The budgeted contributions for the company's defined benefit pension plans for 2015 were calculated at SEK 730m.

**Netherlands**

The plan is a defined benefit plan with premiums paid by the company and is managed by an independent fund. Surpluses in the fund remain in the fund assets but can be utilized in the form of premium discounts.

The plan is based on average salary and includes beneficiaries' pension and disability pension. The plan is obligated to meet the minimum legislated funding level. The plan applies a duration matching strategy to control the interest rate risk in the plan.

**United Kingdom**

The plan is a defined benefit plan with premiums paid by the company and the employee, and is managed by an independent fund in accordance with British law.

Surpluses in the pension fund remain in the fund assets but can be utilized in the form of premium discounts. The plan is based on final salary and includes beneficiaries' pension and disability pension. The plan was closed to new participants in July 2007. The plan is obligated to meet the minimum funding level according to an agreement with the pension fund.

**Sweden**

The ITP2 plan (supplementary pensions for salaried employees) encompasses employees born before 1979 and is a defined benefit plan that provides retirement pension based on final salary. The ITP2 plan provides pension as a percentage of various salary intervals. The pension is reduced proportionately if the total period of service is less than 30 years. The ITP2 plan is managed by a fund, and the company may compensate itself using any surpluses in the plan assets.

**Germany**

The plan is a defined benefit plan and, in addition to retirement pension, includes beneficiaries' pension and disability pension. The plan, which is managed by a fund, provides pension as a percentage of a salary interval and is based on final salary. The plan also includes individual pensions based on average salary. No premium payments are required by the company or its employees. The company may compensate itself using any surpluses in the plan assets.

**US**

The plan includes retirement pension, accident insurance and life insurance. The plan is a defined benefit plan with premiums paid by the company. Benefits are based on a standard amount per service year and are financed through a pension fund.

The plan is obligated to meet the minimum legislated funding level. Surpluses in the pension fund can be utilized in the form of premium discounts.

**Other**

SCA has a number of minor pension obligations in some 15 countries, the largest of which are in France, the Netherlands, Norway, Sweden and Austria. Some of these plans are funded.

**Multiemployer plans**

SCA has obligations for disability and family pensions for salaried employees in Sweden, secured through insurance with the insurance company Alecta. The company also has employees in Finland who are covered by the country's statutory TyEL pension plan. These obligations are secured through the insurance company Varmu. These benefits are reported as defined contribution plans, since there is no basis for allocating the obligations, plan assets and costs to the individual companies covered by the plan. The contributions for these plans are expected to amount to SEK 50m for 2015.

## 27 Other provisions

As of December 31, 2014, other provisions totaled SEK 1,586m (1,583; 1,764). The table below shows the distribution of the total amount and the change during the year.

SEKm	Efficiency programs	Current operations	Tax risks	Environment	Legal disputes	Other	Total
<b>Value at January 1</b>	<b>846</b>	<b>46</b>	<b>298</b>	<b>142</b>	<b>119</b>	<b>132</b>	<b>1,583</b>
Provisions during the year	326	16	197	73	28	74	714
Utilization during the year	-555	-43	-	-98	-24	-32	-752
Reclassifications	-	-1	-	-	-2	1	-2
Dissolved during the year	-	-3	-2	-11	-3	-4	-23
Translation differences	48	4	1	-2	9	6	66
<b>Value at December 31</b>	<b>665</b>	<b>19</b>	<b>494</b>	<b>104</b>	<b>127</b>	<b>177</b>	<b>1,586</b>
Provisions comprise:							
Short-term component							986
Long-term component							600

During the year, new provisions were made totaling SEK 714m, of which SEK 326m relates to provisions for restructuring programs and SEK 197m to provisions for tax risks. Of the provisions for the year for "Environment," SEK 62m pertains to a liability for carbon dioxide emissions, which will be paid out in 2015. Of the "Efficiency programs" provisions, SEK

555m was paid out in 2014 and SEK 512m is expected to be paid out in 2015. SEK 115m is expected to be paid out in 2016, SEK 19m in 2017 and SEK 18m in 2018.

## 28 Other non-current liabilities

As of December 31, 2014, other non-current liabilities totaled SEK 206m (177; 205). The table below shows the distribution of the total amount between derivatives and other non-current liabilities.

SEKm	2014	2013	2012
Derivatives	57	36	28
Other non-current liabilities	149	141	177
<b>Total</b>	<b>206</b>	<b>177</b>	<b>205</b>

Of other non-current liabilities, SEK 19m (15; 13) falls due for payment later than within five years.

## 29 Other current liabilities

At December 31, 2014, other non-current liabilities amounted to SEK 11,180m (9,943; 9,258). The table below shows the distribution of the total amount and a specification of Accrued expenses and deferred income.

Other current liabilities			
SEKm	2014	2013	2012
Liabilities to associates	-	4	6
Derivatives	321	240	159
Accrued expenses and prepaid income	8,282	7,050	7,065
Other operating liabilities	2,577	2,113	2,028
Acquisition of Vinda, see Note 3	-	536	-
<b>Total</b>	<b>11,180</b>	<b>9,943</b>	<b>9,258</b>
Accrued expenses and prepaid income			
SEKm	2014	2013	2012
Accrued social security costs	391	349	345
Accrued vacation pay liability	526	491	519
Other liabilities to personnel	995	920	986
Accrued financial expenses	177	170	156
Bonus and discounts to customers	3,715	3,057	2,793
Other items	2,478	2,063	2,266
<b>Total</b>	<b>8,282</b>	<b>7,050</b>	<b>7,065</b>

## 30 Liquidity risk

The table below shows the Group's liquidity risk regarding financial liabilities (including interest payments), net settled derivatives that constitute financial liabilities and negative cash flows from gross settled derivatives. For a description of how SCA manages its liquidity risk, refer to page 83 of the Board of Directors' Report.

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
<b>Liquidity risk</b>			
<b>December 31, 2014</b>			
Loans including interest	14,699	17,858	7,791
Net settled derivatives	197	9	-
Energy derivatives	244	57	-
Trade payables	12,893	1,071	-
<b>Total</b>	<b>28,033</b>	<b>18,995</b>	<b>7,791</b>
Gross settled derivatives <sup>1)</sup>	34,964	2,195	-
<b>December 31, 2013</b>			
Loans including interest	10,107	22,423	5,999
Net settled derivatives	-60	55	-232
Energy derivatives	126	36	-
Trade payables	11,968	885	-
<b>Total</b>	<b>22,141</b>	<b>23,399</b>	<b>5,767</b>
Gross settled derivatives <sup>1)</sup>	24,724	2,321	-
<b>December 31, 2012</b>			
Loans including interest	10,940	23,458	2,131
Net settled derivatives	-4	203	-
Energy derivatives	89	28	-
Trade payables	11,622	1,083	-
<b>Total</b>	<b>22,647</b>	<b>24,772</b>	<b>2,131</b>
Gross settled derivatives <sup>1)</sup>	24,309	2,334	-

<sup>1)</sup> The gross settled derivatives have, largely, corresponding positive cash flows and therefore in SCA's opinion do not constitute any real liquidity risk.

## 31 Financial instruments by category

The following categorization has been conducted for financial instruments:

SEKm	Carrying amount in the balance sheet	Of which		Measured at fair value through profit or loss <sup>1)</sup>	Derivatives used for hedge accounting	Available-for-sale financial assets	Held-to-maturity investments
		Loans and receivables	Financial liabilities measured at amortized cost				
<b>December 31, 2014</b>							
Non-current financial assets	3,137	252		–	794	1,815	276
Other non-current assets	2	–		–	2	–	–
Trade receivables	16,827	16,827		–	–	–	–
Other current receivables	70	–		64	6	–	–
Current financial assets	1,252	278		761	213	–	–
Cash and cash equivalents	3,815	3,815		–	–	–	–
<b>Total assets</b>	<b>25,102</b>	<b>21,172</b>		<b>824</b>	<b>1,015</b>	<b>1,815</b>	<b>276</b>
Non-current financial liabilities	24,246		11,311	12,927	8		
Other non-current liabilities	57		–	2	55		
Current financial liabilities	14,640		9,841	4,495	304		
Trade payables	13,964		13,964	–	–		
Other current liabilities	321		–	106	215		
<b>Total liabilities</b>	<b>53,228</b>		<b>35,116</b>	<b>17,530</b>	<b>582</b>		
<b>December 31, 2013</b>							
Non-current financial assets	2,748	27		98	739	1,657	227
Other non-current assets	3	–		2	1	–	–
Trade receivables	15,420	15,420		–	–	–	–
Other current receivables	72	–		46	26	–	–
Current financial assets	536	366		127	43	–	–
Cash and cash equivalents	3,785	3,785		–	–	–	–
<b>Total assets</b>	<b>22,564</b>	<b>19,598</b>		<b>273</b>	<b>809</b>	<b>1,657</b>	<b>227</b>
Non-current financial liabilities	27,071		10,979	15,796	296		
Other non-current liabilities	36		–	10	26		
Current financial liabilities	9,130		8,534	590	6		
Trade payables	12,853		12,853	–	–		
Other current liabilities	240		–	107	133		
Financial liabilities, Vinda	2,511						
<b>Total liabilities</b>	<b>51,841</b>		<b>32,366</b>	<b>16,503</b>	<b>461</b>		
<b>December 31, 2012</b>							
Non-current financial assets	2,895	29		298	894	1,448	226
Other non-current assets	16	–		–	16	–	–
Trade receivables	14,606	14,606		–	–	–	–
Other current receivables	129	–		74	55	–	–
Current financial assets	401	324		39	38	–	–
Cash and cash equivalents	2,118	2,118		–	–	–	–
<b>Total assets</b>	<b>20,165</b>	<b>17,077</b>		<b>411</b>	<b>1,003</b>	<b>1,448</b>	<b>226</b>
Non-current financial liabilities	24,077		10,958	12,943	176		
Other non-current liabilities	28		–	–	28		
Current financial liabilities	10,105		9,984	105	16		
Trade payables	12,705		12,705	–	–		
Other current liabilities	159		–	51	108		
<b>Total liabilities</b>	<b>47,074</b>		<b>33,647</b>	<b>13,099</b>	<b>328</b>		

<sup>1)</sup> Liabilities measured at fair value through profit or loss pertain to loans for hedge accounting. For more information, see Note 1 Accounting principles under the heading Measurement.

### Distribution by level when measured at fair value

SEKm	Carrying amount December 31			Of which fair value by Level		
	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	1	2	3
<b>December 31, 2014</b>						
Derivatives	824	1,015	–	–	1,839	–
Non-current financial assets	–	–	1,815	1,807	8	–
<b>Total assets</b>	<b>824</b>	<b>1,015</b>	<b>1,815</b>	<b>1,807</b>	<b>1,847</b>	<b>–</b>
Derivatives	500	582	–	–	1,082	–
Current financial liabilities	4,126	–	–	–	4,126	–
Non-current financial liabilities	12,904	–	–	–	12,904	–
<b>Total liabilities</b>	<b>17,530</b>	<b>582</b>	<b>–</b>	<b>–</b>	<b>18,112</b>	<b>–</b>

## Distribution by level when measured at fair value

SEKm	Carrying amount December 31			Of which fair value by Level		
	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	1	2	3
<b>December 31, 2013</b>						
Derivatives	273	809		–	1,082	–
Non-current financial assets	–		1,657	1,649	8	–
<b>Total assets</b>	<b>273</b>	<b>809</b>	<b>1,657</b>	<b>1,649</b>	<b>1,090</b>	<b>–</b>
Derivatives	186	461		–	647	–
Current financial liabilities	521			–	521	–
Non-current financial liabilities	15,796			–	15,796	–
<b>Total liabilities</b>	<b>16,503</b>	<b>461</b>		<b>–</b>	<b>16,964</b>	<b>–</b>
<b>December 31, 2012</b>						
Derivatives	411	1,003		–	1,414	–
Non-current financial assets	–		1,448	1,440	8	–
<b>Total assets</b>	<b>411</b>	<b>1,003</b>	<b>1,448</b>	<b>1,440</b>	<b>1,422</b>	<b>–</b>
Derivatives	156	328		–	484	–
Current financial liabilities	–			–	–	–
Non-current financial liabilities	12,943			–	12,943	–
<b>Total liabilities</b>	<b>13,099</b>	<b>328</b>		<b>–</b>	<b>13,427</b>	<b>–</b>

The table above specifies how financial instruments, excluding financial liabilities, were measured at fair value in accordance with the fair value hierarchy with the following three levels:

Level 1: Quoted prices on an active market for identical assets or liabilities, such as shares or bonds quoted on the stock exchange.

Level 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (price quotations) or indirectly (obtained from price quotations), such as forward contracts or interest rate swaps.

Level 3: Inputs for the asset or liability not based on observable market data, but containing the assumptions and estimates of management, for example, unquoted shares. For more information, see Note 1 Accounting principles under the heading Fair value hedges.

## 32 Offsetting of financial assets and liabilities

SEKm	Assets	Liabilities
<b>December 31, 2014</b>		
<b>Derivatives</b>		
Gross amount	3,163	2,406
Offsettable amount	–1,324	–1,324
<b>Net amount recognized in the balance sheet</b>	<b>1,839</b>	<b>1,082</b>
ISDA agreements whose transactions are not offset in the balance sheet	–567	–567
<b>Net after offsetting in accordance with ISDA agreements</b>	<b>1,272</b>	<b>515</b>
<b>December 31, 2013</b>		
<b>Derivatives</b>		
Gross amount	1,641	1,206
Offsettable amount	–559	–559
<b>Net amount recognized in the balance sheet</b>	<b>1,082</b>	<b>647</b>
ISDA agreements whose transactions are not offset in the balance sheet	–451	–451
<b>Net after offsetting in accordance with ISDA agreements</b>	<b>631</b>	<b>196</b>
<b>December 31, 2012</b>		
<b>Derivatives</b>		
Gross amount	3,072	2,142
Offsettable amount	–1,658	–1,658
<b>Net amount recognized in the balance sheet</b>	<b>1,414</b>	<b>484</b>
ISDA agreements whose transactions are not offset in the balance sheet	–422	–422
<b>Net after offsetting in accordance with ISDA agreements</b>	<b>992</b>	<b>62</b>

Other financial assets and liabilities have not been offset in the balance sheet and are not subject to framework agreements pertaining to offsetting.

## 33 Contingent liabilities

At December 31, 2014, contingent liabilities amounted to SEK 1,884m (691; 594). The table below shows the distribution of the total amount.

SEKm	2014	2013	2012
Guarantees for			
associates	17	19	20
customers and others	51	48	46
Tax disputes	1,554	374	349
Other contingent liabilities	262	250	179
<b>Total</b>	<b>1,884</b>	<b>691</b>	<b>594</b>

Contingent liabilities for tax mainly relate to two disputes. The Swedish Tax Agency has decided on additional taxes and tax surcharges for the years 2008 to 2012 of approximately SEK 1,100m, including interest. The dispute pertains to interest expenses on loans in a Group company that arose in connection with the move of operations to Sweden in 2004. The second dispute pertains to claims for additional taxes in Spain. The claim by the Spanish tax authorities amounts to approximately SEK 300m, including interest. The claim is related to restructuring measures that the sellers of a Spanish company carried out prior to SCA's acquisition of the company in 1997. SCA has provided a security for payment of the tax, but is challenging the claim and has appealed the decision. In both of these disputes, SCA's assessment is that the tax claims will not be upheld in court. Consequently, no provision has been made in the accounts for these claims.

SCA entered into lease-out/lease-in transactions during 1996 with US banks as counterparties pertaining to the two LWC plants in Ortviden, Sweden. The terms of the contracts were originally 32 and 36 years. However, SCA has the opportunity to cancel the transactions in 2014 and 2015, respectively, without incurring any financial consequences. At the time the transactions were entered into, the net present value of the leasing amount which SCA has undertaken to pay totaled about SEK 4bn or USD 611m. This amount, in accordance with the agreements, is partly deposited in accounts in banks with at least A– rating, and partly in US securities with an AA+ rating. The value of outstanding deposits and US securities amounted to SEK 3.1bn at December 31, 2014. SCA bears the credit risk against the depositary banks. Should the rating of a depositary bank decline in the future, SCA has the possibility to transfer the deposit to another bank with a better rating. Moreover, SCA is liable to take such action if the depositary bank's rating falls below A–. In January and June 2014, SCA exercised its right to premature termination of the transactions. Payments totaling SEK 3.8bn or USD 487m have been made in 2014 and 2015. The value of outstanding deposits and securities has thus declined by a corresponding amount, and following these payments, the risk amounts to USD 144m.

The counterparties have accepted that the deposited funds are applied for the leasing undertakings. The advance payments and deposits have been netted in the balance sheet since 1996.

During 2000, SCA also entered into a leasing transaction with US banks as counterparties pertaining to the Östrand pulp mill in Timrå, Sweden. The term of the transaction was originally 30 years. However, SCA has the opportunity to cancel the transaction in 2017 without incurring any financial consequences. At the time the transaction was entered into, the present value of the leasing amount that SCA has undertaken to pay amounted to about SEK 4bn, or USD 442m. Of this amount, in accordance with the agreement, an amount corresponding to SEK 3.6bn was partly invested in accounts in banks and partly in US securities, which at the time of the agreement had an AA and AAA rating, respectively. In 2009, the leasing transaction with one of the US banks was terminated prematurely. The value of outstanding deposits and US securities subsequently amounted to SEK 2.1bn at December 31, 2014. SCA carries the credit risk against the depositary bank. Should the rating of the depositary bank decline in the future, SCA has the possibility to transfer the deposit to another bank with a better rating. SCA also has an obligation to exchange the US securities if their rating falls below AA– or A, respectively. The rating of the original securities declined in 2008, which resulted in SCA exchanging these securities for bank-guaranteed securities and US government bonds. The counterparties have accepted that the deposited funds are applied for the leasing undertakings. The advance payments and deposits have been netted in the balance sheet since 2000. Should SCA, as the result of extraordinary events (of a force majeure nature), elect not to fulfill, or cannot fulfill the leasing contracts, SCA is liable to compensate the counterparties for financial losses, which may be incurred as a result. Compensation varies during the duration and can amount to a max-

► **Note 33** – Contingent liabilities, cont.

imum of about 8% of the present value of the leasing amount, which subsequent to the above-mentioned premature termination, amounts to USD 227m.

The agreements, as in the 1996 transactions, were drafted and examined by legal experts in Sweden and the US and are considered to follow the standard practice for this type of transaction.

In 2007, SCA entered into a sale and leaseback transaction with a European bank relating to the new soda recovery boiler at the kraftliner plant in Obbola, Sweden. The original term of the contract is 25 years and SCA has a right to terminate the transaction in 2023 without any financial consequences. The present value of SCA's future rental amounts was SEK 671m, which was invested in a security with an A rating issued by the counterparty and deposited in a Swedish bank assigned to handle rental payments during the term of the contract. Should the counterparty's rating fall below BBB-, SCA is entitled, without incurring any financial consequences, to terminate the transaction in advance. Should SCA, as the result of extraordinary events (of a force majeure nature), elect not to fulfill, or cannot fulfill the leasing contract, SCA is liable to compensate the counterparty for any economic loss that may be incurred as a result. Compensation varies during the term and can amount to a maximum of 12% of the transaction amount. SCA has the use of the facility without operational restrictions. The lease and depositary arrangement have been recognized net in SCA's balance sheet since 2007.

SCA has a ten-year fixed-price agreement with a Norwegian electricity supplier comprising electricity deliveries corresponding to approximately 17% of SCA Graphic Sundsvall's estimated consumption. The agreement became effective in 2009.

**34** Pledged assets

As of December 31, 2014, pledged assets totaled SEK 481m (424; 426). The table below shows the distribution.

SEKm	Pledged assets related to financial liabilities		Total		
		Other	2014	2013	2012
Real estate mortgages	11	–	11	10	10
Chattel mortgages	36	20	56	50	50
Other	276	138	414	364	366
<b>Total</b>	<b>323</b>	<b>158</b>	<b>481</b>	<b>424</b>	<b>426</b>

Liabilities for which some of these assets were pledged as collateral amounted to SEK 5m (5; 5).

**35** Effects of recalculations of previous periods**EFFECTS OF RECALCULATIONS OF PREVIOUS PERIODS**

SCA applies IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures from January 1, 2014. These standards are applied retrospectively, entailing that the income statements and balance sheets for 2013 and 2012 have been recalculated to reflect the changes in the new and amended reporting standards.

In light of the new standards, an analysis of shareholder agreements has been carried out. The analysis resulted in some joint ventures being classified as subsidiaries where SCA is deemed to have control. Several of the companies that were previously considered

to be joint ventures and for which the proportional share was recognized in SCA's balance sheet are deemed to comprise joint ventures under the new classification and will continue to be recognized using the equity method. A small number of companies are deemed to be joint operations and will continue to be recognized in accordance with the proportional method.

For a more detailed description of the changes in accounting policies, refer to Note 1.

The effects caused by the recalculations of IFRS 10 and IFRS 11 on the comparative years in SCA's balance sheets at December 31, 2013 and December 31, 2012 and for the income statement and cash flow statement for the years 2012 and 2013 are presented below.

**CONSOLIDATED INCOME STATEMENT AFTER RECALCULATION IN ACCORDANCE WITH IFRS 10 AND 11**

SEKm	Note	2013			2012		
		Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
Net sales	5	89,019	3,854	92,873	85,408	3,821	89,229
Cost of goods sold	4	-67,006	-2,579	-69,585	-64,449	-2,586	-67,035
<b>Gross profit</b>		<b>22,013</b>	<b>1,275</b>	<b>23,288</b>	<b>20,959</b>	<b>1,235</b>	<b>22,194</b>
Sales, general and administration	4	-12,285	-837	-13,122	-12,472	-851	-13,323
Items affecting comparability <sup>1)</sup>	4	-1,251	12	-1,239	-2,634	20	-2,614
Share of profits of associates		206	9	215	159	10	169
<b>Operating profit</b>		<b>8,683</b>	<b>459</b>	<b>9,142</b>	<b>6,012</b>	<b>414</b>	<b>6,426</b>
Financial income	8	120	12	132	91	16	107
Financial expenses	8	-1,120	-73	-1,193	-1,355	-75	-1,430
<b>Profit before tax</b>		<b>7,683</b>	<b>398</b>	<b>8,081</b>	<b>4,748</b>	<b>355</b>	<b>5,103</b>
Tax	9	-2,119	-101	-2,220	-251	-113	-364
<b>Profit for the year from continuing operations</b>		<b>5,564</b>	<b>297</b>	<b>5,861</b>	<b>4,497</b>	<b>242</b>	<b>4,739</b>
<b>Profit from disposal group held for sale</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>503</b>	<b>–</b>	<b>503</b>
<b>Profit for the year</b>		<b>5,564</b>	<b>297</b>	<b>5,861</b>	<b>5,000</b>	<b>242</b>	<b>5,242</b>
<b>Earnings attributable to:</b>							
Owners of the Parent		5,547	–	5,547	4,956	–	4,956
Non-controlling interests		17	297	314	44	242	286
<b>Earnings per share</b>							
Earnings per share, SEK – owners of the Parent							
before dilution effects		7:90		7:90	7:06		7:06
after dilution effects		7:90		7:90	7:06		7:06
Earnings per share, SEK – owners of the Parent excluding divested operations							
before dilution effects		7:90		7:90	6:34		6:34
after dilution effects		7:90		7:90	6:34		6:34
Dividend per share, SEK		4:75		4:75	4:50		4:50
<b>Profit for the year attributable to owners of the Parent</b>		<b>5,547</b>		<b>5,547</b>	<b>4,956</b>		<b>4,956</b>
Average number of shares before dilution, million		702.3		702.3	702.3		702.3
Average number of shares after dilution, million		702.3		702.3	702.3		702.3
<sup>1)</sup> Distribution of expenses affecting comparability by function							
Cost of goods sold		-288	–	-288	-300	–	-300
Sales, general and administration		-740	–	-740	-982	–	-982
Impairment, etc.		-223	12	-211	-1,352	20	-1,332
<b>Total items affecting comparability</b>		<b>-1,251</b>	<b>12</b>	<b>-1,239</b>	<b>-2,634</b>	<b>20</b>	<b>-2,614</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AFTER RECALCULATION IN ACCORDANCE WITH IFRS 10 AND 11

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
<b>Profit for the period</b>	<b>5,564</b>	<b>297</b>	<b>5,861</b>	<b>5,000</b>	<b>242</b>	<b>5,242</b>
<b>Other comprehensive income for the year</b>						
<b>Items that cannot be transferred to profit or loss for the period</b>						
Actuarial gains and losses on defined benefit pension plans	1,974	-47	1,927	-2,011	-	-2,011
Income tax attributable to components in other comprehensive income	-500	12	-488	479	-	479
	<b>1,474</b>	<b>-35</b>	<b>1,439</b>	<b>-1,532</b>	<b>-</b>	<b>-1,532</b>
<b>Items that have been or can be transferred to profit or loss for the period</b>						
Available-for-sale financial assets:						
Result from measurement at fair value recognized in equity	249	-	249	286	-	286
Transferred to profit or loss upon sale	-	-	-	-	-	-
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity	-123	-	-123	-33	-	-33
Transferred to profit or loss for the period	49	-	49	-2	-	-2
Transferred to cost of hedged investments	26	-	26	13	-	13
Translation differences in foreign operations	845	-189	656	-2,984	35	-2,949
Result from hedging of net investments in foreign operations	-423	-	-423	1,134	-	1,134
Income tax attributable to components in other comprehensive income	-131 <sup>1)</sup>	-	-131	1	-	1
	<b>492</b>	<b>-189</b>	<b>303</b>	<b>-1,585</b>	<b>35</b>	<b>-1,550</b>
<b>Other comprehensive income for the period, net after tax</b>	<b>1,966</b>	<b>-224</b>	<b>1,742</b>	<b>-3,117</b>	<b>35</b>	<b>-3,082</b>
<b>Total comprehensive income for the period</b>	<b>7,530</b>	<b>73</b>	<b>7,603</b>	<b>1,883</b>	<b>277</b>	<b>2,160</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Parent	7,396	-	7,396	1,908	-	1,908
Non-controlling interests	134	73	207	-25	277	252

<sup>1)</sup> Of which SEK -249m pertains to an adjustment for the 2012 fiscal year.

### Net sales by business area

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
Personal Care	26,914	2,822	29,736	26,294	2,790	29,084
Tissue	46,987	1,109	48,096	42,375	1,101	43,476
Forest Products	15,525	-	15,525	18,283	-	18,283
Other	125	-30	95	1,268	-28	1,240
Intra-Group deliveries	-532	-47	-579	-2,812	-42	-2,854
<b>Total</b>	<b>89,019</b>	<b>3,854</b>	<b>92,873</b>	<b>85,408</b>	<b>3,821</b>	<b>89,229</b>

### Operating profit by business area<sup>1)</sup>

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
Personal Care	3,201	318	3,519	3,180	257	3,437
Tissue	5,595	129	5,724	4,640	138	4,778
Forest Products	1,843	-	1,843	1,363	-	1,363
Other	-705	-	-705	-537	-1	-538
<b>Total</b>	<b>9,934</b>	<b>447</b>	<b>10,381</b>	<b>8,646</b>	<b>394</b>	<b>9,040</b>

<sup>1)</sup> Excluding items affecting comparability.

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AFTER RECALCULATION IN ACCORDANCE WITH IFRS 10 AND 11

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
<b>Attributable to owners of the Parent</b>						
Opening balance, January 1	59,706	-	59,706	60,752	-	60,752
Total comprehensive income for the period	7,396	-	7,396	1,908	-	1,908
Dividend	-3,161	-	-3,161	-2,950	-	-2,950
Acquisition of non-controlling interests	-666	-	-666	-	-	-
Remeasurement effect upon acquisition of non-controlling interests	-4	-	-4	-4	-	-4
<b>Closing balance, December 31</b>	<b>63,271</b>	<b>-</b>	<b>63,271</b>	<b>59,706</b>	<b>-</b>	<b>59,706</b>
<b>Non-controlling interests</b>						
Opening balance, January 1	458	1,535	1,993	539	1,350	1,889
Total comprehensive income for the period	134	73	207	-25	277	252
Dividend	-41	-101	-142	-49	-92	-141
Change in Group composition	2,482	-	2,482	-7	-	-7
<b>Closing balance, December 31</b>	<b>3,033</b>	<b>1,507</b>	<b>4,540</b>	<b>458</b>	<b>1,535</b>	<b>1,993</b>
<b>Total equity, closing balance</b>	<b>66,304</b>	<b>1,507</b>	<b>67,811</b>	<b>60,164</b>	<b>1,531</b>	<b>61,699</b>

► **Note 35** – Effects of recalculations of previous periods, cont.

**CONSOLIDATED OPERATING CASH FLOW STATEMENT AFTER RECALCULATION IN ACCORDANCE WITH IFRS 10 AND 11**

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
Net sales	89,019	3,854	92,873	85,408	3,821	89,229
Operating expenses	-74,361	-3,341	-77,702	-71,995	-3,369	-75,364
<b>Operating surplus</b>	<b>14,658</b>	<b>513</b>	<b>15,171</b>	<b>13,413</b>	<b>452</b>	<b>13,865</b>
Adjustment for material non-cash items	-1,166	-1	-1,167	-789	-8	-797
<b>Operating cash surplus</b>	<b>13,492</b>	<b>512</b>	<b>14,004</b>	<b>12,624</b>	<b>444</b>	<b>13,068</b>
Change in						
Inventories	133	-57	76	561	-54	507
Operating receivables	123	-8	115	1,411	-61	1,350
Operating liabilities	-540	21	-519	-813	75	-738
<b>Change in working capital</b>	<b>-284</b>	<b>-44</b>	<b>-328</b>	<b>1,159</b>	<b>-40</b>	<b>1,119</b>
Current capital expenditures, net	-3,427	-62	-3,489	-3,161	-111	-3,272
Restructuring costs, etc.	-1,292	-2	-1,294	-978	-10	-988
<b>Operating cash flow</b>	<b>8,489</b>	<b>404</b>	<b>8,893</b>	<b>9,644</b>	<b>283</b>	<b>9,927</b>
Financial items	-1,000	-61	-1,061	-1,264	-59	-1,323
Income taxes paid	-1,634	-107	-1,741	-1,193	-72	-1,265
Other	134	27	161	84	18	102
<b>Cash flow from current operations</b>	<b>5,989</b>	<b>263</b>	<b>6,252</b>	<b>7,271</b>	<b>170</b>	<b>7,441</b>
<b>Strategic capital expenditures and divestments</b>						
Acquisitions	-5,466	-22	-5,488	-14,872	-1	-14,873
Strategic capital expenditures in non-current assets	-1,868	-38	-1,906	-1,863	-108	-1,971
<b>Total strategic capital expenditures</b>	<b>-7,334</b>	<b>-60</b>	<b>-7,394</b>	<b>-16,735</b>	<b>-109</b>	<b>-16,844</b>
Divestments	1,716	-	1,716	17,682	-	17,682
<b>Cash flow from strategic capital expenditures and divestments</b>	<b>-5,618</b>	<b>-60</b>	<b>-5,678</b>	<b>947</b>	<b>-109</b>	<b>838</b>
<b>Cash flow before dividend</b>	<b>371</b>	<b>203</b>	<b>574</b>	<b>8,218</b>	<b>61</b>	<b>8,279</b>
Dividend to shareholders	-3,202	-101	-3,303	-2,997	-92	-3,089
<b>Cash flow after dividend</b>	<b>-2,831</b>	<b>102</b>	<b>-2,729</b>	<b>5,221</b>	<b>-31</b>	<b>5,190</b>
Net cash flow from disposal group <sup>1)</sup>	-	-	-	468	-	468
<b>Net cash flow</b>	<b>-2,831</b>	<b>102</b>	<b>-2,729</b>	<b>5,689</b>	<b>-31</b>	<b>5,658</b>

<sup>1)</sup> Operating cash flow in disposal group divested on June 30, 2012, is recognized on one line as of 2012, with retroactive adjustment for 2011.

**NET DEBT**

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
<b>Net debt, January 1</b>	<b>-32,927</b>	<b>-136</b>	<b>-33,063</b>	<b>-36,648</b>	<b>-172</b>	<b>-36,820</b>
Net cash flow	-2,831	102	-2,729	5,689	-31	5,658
Remeasurements to equity	2,223	-47	2,176	-1,847	60	-1,787
Exchange rate effects, etc.	-165	48	-117	-121	7	-114
Effect of reclassification of operating liability to net debt <sup>1)</sup>	-186	-	-186	-	-	-
<b>Net debt, December 31</b>	<b>-33,886</b>	<b>-33</b>	<b>-33,919</b>	<b>-32,927</b>	<b>-136</b>	<b>-33,063</b>

<sup>1)</sup> Provision for payroll tax was reclassified to net debt in accordance with IAS 19.

**CONSOLIDATED CASH FLOW STATEMENT AFTER RECALCULATION IN ACCORDANCE WITH IFRS 10 AND 11**

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
<b>Operating activities</b>						
Profit before tax	7,683	398	8,081	5,427	355	5,782
Adjustment for non-cash items	3,665	77	3,742	6,130	39	6,169
	<b>11,348</b>	<b>475</b>	<b>11,823</b>	<b>11,557</b>	<b>394</b>	<b>11,951</b>
Paid tax	-1,634	-107	-1,741	-1,303	-72	-1,375
<b>Cash flow from operating activities before changes in working capital</b>	<b>9,714</b>	<b>368</b>	<b>10,082</b>	<b>10,254</b>	<b>322</b>	<b>10,576</b>
<b>Cash flow from changes in working capital</b>						
Change in inventories	133	-56	77	495	-54	441
Change in operating receivables	123	-8	115	-607	-62	-669
Change in operating liabilities	-540	20	-520	1,059	75	1,134
<b>Cash flow from operating activities</b>	<b>9,430</b>	<b>324</b>	<b>9,754</b>	<b>11,201</b>	<b>281</b>	<b>11,482</b>
<b>Investing activities</b>						
Acquisition of operations	-1,976	-22	-1,998	-14,144	-1	-14,145
Divested operations	1,371	-	1,371	17,068	-	17,068
Investments in property, plant and equipment and intangible assets	-5,550	-103	-5,653	-5,673	-229	-5,902
Sale of property, plant and equipment	255	3	258	359	10	369
Loans granted to external parties	-	-	-	-1,081	293	-788
Repayment of loans to external parties	390	-108	282	-	-	-
<b>Cash flow from investing activities</b>	<b>-5,510</b>	<b>-230</b>	<b>-5,740</b>	<b>-3,471</b>	<b>73</b>	<b>-3,398</b>
<b>Financing activities</b>						
Acquisition of non-controlling interests	-1,028	-	-1,028	-	-	-
Loans raised	1,955	56	2,011	-	-	-
Amortization of debt	-	-	-	-5,421	-207	-5,628
Dividend paid	-3,202	-101	-3,303	-2,999	-92	-3,091
<b>Cash flow from financing activities</b>	<b>-2,275</b>	<b>-45</b>	<b>-2,320</b>	<b>-8,420</b>	<b>-299</b>	<b>-8,719</b>
<b>Cash flow for the year</b>	<b>1,645</b>	<b>49</b>	<b>1,694</b>	<b>-690</b>	<b>55</b>	<b>-635</b>
Cash and cash equivalents at the beginning of the year	2,017	101	2,118	2,752	54	2,806
Exchange rate differences in cash and cash equivalents	-13	-14	-27	-45	-8	-53
<b>Cash and cash equivalents at the end of the period</b>	<b>3,649</b>	<b>136</b>	<b>3,785</b>	<b>2,017</b>	<b>101</b>	<b>2,118</b>

► **Note 35** – Effects of recalculations of previous periods, cont.**CORRELATION BETWEEN CASH FLOW STATEMENT AND OPERATING CASH FLOW STATEMENT, SUPPLEMENTARY DISCLOSURES****Cash flow from operating activities**

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
Cash flow from operating activities	9,430	324	9,754	11,201	281	11,482
<i>Less</i>						
Cash flow from operating activities in disposal group	–	–	–	–764	–	–764
<i>Add</i>						
Current capital expenditures	–3,427	–62	–3,489	–3,161	–111	–3,272
Accrued interest	–14	1	–13	–4	–	–4
<i>Less</i>						
Accrued interest in disposal group	–	–	–	–1	–	–1
<b>Cash flow from current operations as shown in the operating cash flow statement</b>	<b>5,989</b>	<b>263</b>	<b>6,252</b>	<b>7,271</b>	<b>170</b>	<b>7,441</b>

**Cash flow from investing activities**

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
Cash flow from investing activities	–5,510	–230	–5,740	–3,471	73	–3,398
<i>Less</i>						
Cash flow from investing activities in disposal group	–	–	–	321	–	321
Current capital expenditures	3,427	62	3,489	3,161	111	3,272
Loans granted to external parties	–	–	–	1,081	–293	788
<i>Less</i>						
Cash flow from loans granted to external parties in disposal group	–	–	–	–26	–	–26
Repayment of loans to external parties	–390	108	–282	–	–	–
<i>Add</i>						
Net debt in acquired and divested operations	–2,117	–	–2,117	–119	–	–119
Acquisition of non-controlling interests	–1,028	–	–1,028	–	–	–
<b>Cash flow from strategic capital expenditures and divestments according to the operating cash flow statement</b>	<b>–5,618</b>	<b>–60</b>	<b>–5,678</b>	<b>947</b>	<b>–109</b>	<b>838</b>

**Cash flow for the year**

SEKm	2013			2012		
	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
Cash flow for the year	1,645	49	1,694	–690	55	–635
<i>Less</i>						
Loans granted to external parties	–	–	–	1,081	–293	788
Repayment of loans to external parties	–390	108	–282	–	–	–
Amortization of debt	–	–	–	5,421	207	5,628
Loans raised	–1,955	–56	–2,011	–	–	–
<i>Add</i>						
Net debt in acquired and divested operations	–2,117	–	–2,117	–119	–	–119
Accrued interest	–14	1	–13	–4	–	–4
<b>Net cash flow according to operating cash flow statement</b>	<b>–2,831</b>	<b>102</b>	<b>–2,729</b>	<b>5,689</b>	<b>–31</b>	<b>5,658</b>

**CONSOLIDATED BALANCE SHEET AFTER RECALCULATION IN ACCORDANCE WITH IFRS 10 AND 11**

SEKm	Note	Dec. 31, 2013			Dec. 31, 2012		
		Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation	Before recalculation	Recalculation IFRS 10 & IFRS 11	After recalculation
<b>ASSETS</b>							
<b>Non-current assets</b>							
Goodwill	10	13,630	155	13,785	12,169	180	12,349
Other intangible assets	10	8,031	105	8,136	5,460	120	5,580
Buildings, land, machinery and equipment	11	51,803	974	52,777	46,702	1,069	47,771
Biological assets	12	28,767	–	28,767	27,503	–	27,503
Holdings in associates	13	1,258	–238	1,020	2,457	–200	2,257
Shares and participations	14	52	–	52	60	–	60
Surplus in funded pension plans	26	442	–	442	682	–	682
Non-current financial assets	17	2,779	–31	2,748	2,932	–37	2,895
Deferred tax assets	9	867	81	948	818	73	891
Other non-current assets		853	18	871	87	18	105
<b>Total non-current assets</b>		<b>108,482</b>	<b>1,064</b>	<b>109,546</b>	<b>98,870</b>	<b>1,223</b>	<b>100,093</b>
<b>Current assets</b>							
Inventories	19	12,071	508	12,579	11,264	498	11,762
Trade receivables	20	14,941	479	15,420	14,105	501	14,606
Current tax assets	9	417	118	535	517	100	617
Other current receivables	21	2,453	90	2,543	2,653	98	2,751
Current financial assets	22	227	309	536	168	233	401
Non-current assets held for sale	23	32	–	32	1,937	–	1,937
Cash and cash equivalents	22	3,649	136	3,785	2,017	101	2,118
<b>Total current assets</b>		<b>33,790</b>	<b>1,640</b>	<b>35,430</b>	<b>32,661</b>	<b>1,531</b>	<b>34,192</b>
<b>Total assets</b>		<b>142,272</b>	<b>2,704</b>	<b>144,976</b>	<b>131,531</b>	<b>2,754</b>	<b>134,285</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
<i>Owners of the Parent</i>							
Share capital		2,350	–	2,350	2,350	–	2,350
Other capital provided		6,830	–	6,830	6,830	–	6,830
Reserves		–3,281	–	–3,281	–3,691	–	–3,691
Retained earnings		57,372	–	57,372	54,217	–	54,217
		<b>63,271</b>	<b>–</b>	<b>63,271</b>	<b>59,706</b>	<b>–</b>	<b>59,706</b>
Non-controlling interests		3,033	1,507	4,540	458	1,535	1,993
<b>Total equity</b>		<b>66,304</b>	<b>1,507</b>	<b>67,811</b>	<b>60,164</b>	<b>1,535</b>	<b>61,699</b>
<b>Non-current liabilities</b>							
Non-current financial liabilities	25	28,444	259	28,703	23,759	318	24,077
Provisions for pensions	26	2,546	2	2,548	4,861	–41	4,820
Deferred tax liabilities	9	10,432	99	10,531	9,107	100	9,207
Other non-current provisions	27	414	2	416	814	3	817
Other non-current liabilities	28	172	5	177	199	6	205
<b>Total non-current liabilities</b>		<b>42,008</b>	<b>367</b>	<b>42,375</b>	<b>38,740</b>	<b>386</b>	<b>39,126</b>
<b>Current liabilities</b>							
Current financial liabilities	25	9,828	181	10,009	9,955	150	10,105
Trade payables		12,504	349	12,853	12,325	380	12,705
Current tax liabilities	9	745	73	818	378	67	445
Current provisions	27	1,158	9	1,167	937	10	947
Other current liabilities	29	9,725	218	9,943	9,032	226	9,258
<b>Total current liabilities</b>		<b>33,960</b>	<b>830</b>	<b>34,790</b>	<b>32,627</b>	<b>833</b>	<b>33,460</b>
<b>Total liabilities</b>		<b>75,968</b>	<b>1,197</b>	<b>77,165</b>	<b>71,367</b>	<b>1,219</b>	<b>72,586</b>
<b>Total equity and liabilities</b>		<b>142,272</b>	<b>2,704</b>	<b>144,976</b>	<b>131,531</b>	<b>2,754</b>	<b>134,285</b>
Capital employed		100,190	1,540	101,730	93,091	1,671	94,762
Net debt		33,886	33	33,919	32,927	136	33,063

## Notes – Parent Company

**36** Operating loss

## Operating loss by type of cost

SEKm	2014	2013
Other operating income	414	457
Other external costs	-379	-443
Personnel and Board costs	-353	-389
Depreciation/amortization	-64	-62
Other operating expenses excluding depreciation/amortization	-146	-156
<b>Total</b>	<b>-528</b>	<b>-593</b>

The item "Other external costs" includes consultancy fees, travel expenses, leasing expenses, management costs, and so forth.

**AUDITING EXPENSES**

Remuneration to auditors can be specified as follows:

SEKm	2014	2013
<b>PwC</b>		
Audit assignments	-9	-9
Auditing activities other than the audit assignment	0	-1
Tax consultancy services	-2	-1
Other assignments	-6	-11
<b>Total</b>	<b>-17</b>	<b>-22</b>

**LEASING**

Future payment commitments for non-cancellable operating leases are as follows:

SEKm	2014	2013
Within 1 year	49	44
Between 2 and 5 years	111	126
Later than 5 years	5	26
<b>Total</b>	<b>165</b>	<b>196</b>

Cost for the year for leasing of assets amounted to SEK -48m (-45). Leased assets comprise means of transportation, office premises and technical equipment. In reality, such contracts can be terminated early.

**37** Personnel and Board costs

## Salaries and remuneration

SEKm	2014	2013
Board of Directors <sup>1)</sup> , President, Executive Vice Presidents and senior executives (5 (5))	-76	-72
of which variable remuneration	-32	-30
Other employees	-121	-116
<b>Total</b>	<b>-197</b>	<b>-188</b>

<sup>1)</sup> Board fees decided by the Annual General Meeting amounted to SEK -7.8m (-6.3). For further information, see Note 6.

## Social security costs

SEKm	2014	2013
Total social security costs	-150	-194
of which, pension costs <sup>2)</sup>	-92	-136

<sup>2)</sup> Of the Parent Company's pension costs, SEK -36m (-56) pertain to the Board, President, Executive Vice Presidents and senior executives. Former Presidents and Executive Vice Presidents and their survivors are also included. The company's outstanding pension obligations to these individuals amount to SEK 344m (326).

## Pension costs

SEKm	2014	2013
<b>Self-administered pension plans</b>		
Costs excl. interest expense	-43	-81
Interest expense (recognized in personnel costs)	-16	-14
	<b>-59</b>	<b>-95</b>

## Retirement through insurance

Insurance premiums	-21	-17
Other	7	1
	<b>-73</b>	<b>-111</b>
Policyholder tax	0	0
Special payroll tax on pension costs	-16	-24
Cost of credit insurance, etc.	-3	-1
<b>Pension costs for the year</b>	<b>-92</b>	<b>-136</b>

Premiums during the year for disability and family pension insurance with Alecta amounted to SEK -3m (-2). Premiums for 2015 are expected to amount to SEK -2m (see also Note 26 Pension provisions). Personnel costs also include other personnel costs in the amount of SEK -9m (-10).

## Average number of employees

	2014	2013
Sweden	117	108
of whom women, %	51	51

## Breakdown of employees by age groups, %

2014	21-30 yrs	31-40 yrs	41-50 yrs	51-60 yrs	61- yrs
	8	21	43	21	7

Women comprised 17% (17) of Board members and 24% (24) of senior executives.

## 38 Depreciation/amortization of tangible and intangible fixed assets

SEKm	2014	2013
Buildings	-5	-4
Land improvements	-56	-55
Machinery and equipment	-2	-3
<b>Sub-total</b>	<b>-63</b>	<b>-62</b>
Capitalized development costs	-1	0
<b>Total</b>	<b>-64</b>	<b>-62</b>

## 39 Financial items

SEKm	2014	2013
<b>Result from participations in Group companies</b>		
Dividends from subsidiaries	6,200	7,268
Group contributions received from subsidiaries	1,591	1,964
Group contributions paid to subsidiaries	-1,267	-699
<b>Result from participations in other companies</b>		
Dividend from other companies	-	9
Capital gains	-	7
<b>Interest income and similar profit items</b>		
Interest income, external	0	68
Interest income, subsidiaries	1,414	960
<b>Interest expenses and similar loss items</b>		
Interest expenses, external	-1,775	-1,230
Interest expenses, subsidiaries	-1,519	-1,884
<b>Total</b>	<b>4,644</b>	<b>6,463</b>

## 40 Appropriations and untaxed reserves

Accumulated depreciation in excess of plan totaling SEK 213m (197) is included in the Parent Company's untaxed reserves.

## 41 Income taxes

### Tax on profit for the year

SEKm	2014	2013
Deferred tax expense (+) income (-)	-70	30
Current tax expense (+) income (-)	1	-
<b>Total</b>	<b>-69</b>	<b>30</b>

	2014		2013	
	SEKm	%	SEKm	%
<b>Reconciliation</b>				
Tax expense/income	-69	-1.7	30	0.5
Expected tax	902	22.0	1,288	22.0
<b>Difference</b>	<b>-971</b>	<b>-23.7</b>	<b>-1,258</b>	<b>-21.5</b>
<b>Difference is due to:</b>				
Taxes related to prior periods	-50	-1.2	80	1.4
Non-taxable dividends from subsidiaries	-1,364	-33.3	-1,599	-27.3
Non-taxable Group contributions from subsidiaries	-53	-1.3	-143	-2.5
Non-deductible Group contributions to subsidiaries	457	11.1	395	6.7
Assumed replacement reserves for land	35	0.9	-	-
Other non-taxable/non-deductible items	4	0.1	9	0.2
<b>Total</b>	<b>-971</b>	<b>-23.7</b>	<b>-1,258</b>	<b>-21.5</b>

The Parent Company participates in the Group's tax pooling arrangement and pays the majority of the Group's total Swedish taxes. These are recognized in profit and loss as Group contributions paid and received.

## CURRENT TAX LIABILITY (+), TAX ASSETS (-)

The change in the current tax asset during the period is explained below:

SEKm	2014	2013
<b>Value at January 1</b>	<b>-18</b>	<b>-18</b>
Current tax income	1	-
Income taxes paid	-1	0
Tax expense for other Group companies	-	-
<b>Value at December 31</b>	<b>-18</b>	<b>-18</b>

## DEFERRED TAX EXPENSE (+), TAX INCOME (-)

SEKm	2014	2013
Changes in temporary differences	-20	-50
Adjustments for prior periods	-50	80
<b>Total</b>	<b>-70</b>	<b>30</b>

## PROVISIONS FOR TAXES

The change to the provisions for taxes is explained below:

SEKm	Value at January 1	Deferred tax expense	Value at December 31
Land and buildings	1,442	88	1,530
Provisions for pensions	-120	-3	-123
Tax loss carryforwards	-604	-155	-759
Other	-39	0	-39
<b>Total</b>	<b>679</b>	<b>-70</b>	<b>609</b>

## 42 Intangible fixed assets

### Capitalized development costs

SEKm	2014	2013
Accumulated costs	20	20
Accumulated amortization	-20	-19
<b>Residual value according to plan</b>	<b>0</b>	<b>1</b>
<b>Value at January 1</b>	<b>1</b>	<b>1</b>
Investments	0	0
Amortization for the year	-1	0
<b>Value at December 31</b>	<b>0</b>	<b>1</b>

## 43 Tangible fixed assets

SEKm	Buildings		Land and land improvements		Machinery and equipment	
	2014	2013	2014	2013	2014	2013
Accumulated costs	165	148	3,876	3,357	23	23
Accumulated depreciation	-100	-95	-853	-796	-14	-12
Accumulated write-ups	-	-	5,011	5,019	-	-
<b>Planned residual value</b>	<b>65</b>	<b>53</b>	<b>8,034</b>	<b>7,580</b>	<b>9</b>	<b>11</b>
<b>Value at January 1</b>	<b>53</b>	<b>57</b>	<b>7,580</b>	<b>6,654</b>	<b>11</b>	<b>13</b>
Investments	17	1	527	1,056	0	1
Sales and disposals	0	0	-17	-76	0	0
Depreciation for the year	-5	-5	-56	-54	-2	-3
<b>Value at December 31</b>	<b>65</b>	<b>53</b>	<b>8,034</b>	<b>7,580</b>	<b>9</b>	<b>11</b>

Land includes forest land in the amount of SEK 7,340m (6,915).

## 44 Participations

SEKm	Subsidiaries		Associates		Other companies	
	2014	2013	2014	2013	2014	2013
Accumulated costs	133,636	129,161	–	–	13	13
Accumulated write-ups	140	140	–	–	–	–
Accumulated write-downs	–140	–140	–	–	–	–
<b>Residual value according to plan</b>	<b>133,636</b>	<b>129,161</b>	<b>–</b>	<b>–</b>	<b>13</b>	<b>13</b>
<b>Value at January 1</b>	<b>129,161</b>	<b>124,066</b>	<b>–</b>	<b>–</b>	<b>13</b>	<b>187</b>
Investments	4,475	5,377	–	–	–	2
Repayment of equity	–	–64	–	–	–	–
Divestments	–	–218	–	–	–	–152
Revaluations for the year	–	–	–	–	–	–24
<b>Value at December 31</b>	<b>133,636</b>	<b>129,161</b>	<b>–</b>	<b>–</b>	<b>13</b>	<b>13</b>

The events in 2014 pertain to additional investments of new shares in the Belgium company SCA Capital NV.

### Parent Company's holdings of shares and participations in subsidiaries, December 31, 2014

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount SEKm
<b>Swedish subsidiaries:</b>					
Fastighets- och Bostads-aktiefbolaget FOBOF	556047-8520	Stockholm	1,000	100	0
SCA Försäkrings-aktiefbolag	516401-8540	Stockholm	140,000	100	14
SCA Kraftfastigheter AB	556449-7237	Stockholm	1,000	100	0
SCA Research AB	556146-6300	Stockholm	1,000	100	0
SCA Hedging AB	556666-8553	Stockholm	1,000	100	0
<b>Foreign subsidiaries:</b>					
SCA Group Holding BV	33181970	Amsterdam	246,347	100	94,350
SCA Capital NV	0810.983.346	Diegem	1,199,999	100	38,993
SCA UK Holdings Ltd	03665635	Dunstable	1	0	0
SCA Hygiene Products S.p.A.	03318780966	Capannori	125,000	25	279
<b>Total carrying amount of subsidiaries</b>					<b>133,636</b>

## 45 Receivables from and liabilities to subsidiaries

SEKm	2014	2013
<b>Fixed assets</b>		
Interest-bearing receivables	348	354
<b>Total</b>	<b>348</b>	<b>354</b>
<b>Current assets</b>		
Other receivables	3,637	1,740
<b>Total</b>	<b>3,637</b>	<b>1,740</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	2,326	2,180
<b>Total</b>	<b>2,326</b>	<b>2,180</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	65,897	61,022
Other liabilities	1,320	1,271
<b>Total</b>	<b>67,217</b>	<b>62,293</b>

## 46 Other current receivables

SEKm	2014	2013
Prepaid expenses and accrued income	60	24
Other receivables	44	113
<b>Total</b>	<b>104</b>	<b>137</b>
<b>Prepaid expenses and accrued income</b>		
SEKm	2014	2013
Prepaid lease of premises	6	6
Prepaid financial expenses	1	0
Prepaid pension premiums	4	4
Other items	49	14
<b>Total</b>	<b>60</b>	<b>24</b>

## 47 Equity

The change in equity is shown in the financial report relating to Equity presented on page 91. The share capital and number of shares have increased since 1993 with new issues, conversions and splits as set out below:

Year	Event	No. of shares	Increase in share capital	Cash payment, SEKm
1993	Number of shares, January 1, 1993	172,303,839		
1993	Conversion of debentures and new subscription through Series 1 warrants	4,030,286	40.3	119.1
	New issue 1:10, issue price SEK 80	17,633,412	176.3	1,410.7
1994	Conversion of debentures	16,285	0.2	–
1995	Conversion of debentures	3,416,113	34.2	–
1999	New issue 1:6, issue price SEK 140	32,899,989	329.0	4,579.0
2000	Conversion of debentures	101,631	1.0	15.0
2001	New issue, private placement	1,800,000	18.0	18.0
2002	New subscription through IIB warrants	513	0	0.1
2003	Conversion of debentures	1,127,792	11.3	288.4
	New subscription through IIB warrants	1,697,683	17.0	434.5
2004	Conversion of debentures	9,155	0.1	1.1
2007	Split 3:1	470,073,396	–	–
<b>2014</b>	<b>Number of shares, December 31, 2014</b>	<b>705,110,094</b>		

### SCA's share capital, December 31, 2014

	Number of votes	No. of shares	Share capital, SEKm
Class A shares	10	86,049,923	287
Class B shares	1	619,060,171	2,063
<b>Total</b>		<b>705,110,094</b>	<b>2,350</b>

The quotient value of the Parent Company's shares amounts to SEK 3.33.

Treasury shares at the beginning and at the end of the year amounted to 2,767,605 shares. Shares were held as part of the employee stock option programs that expired in 2008 and 2009.

## 48 Provisions for pensions

The Parent Company has both defined contribution and defined benefit pension plans. Below is a description of the Parent Company's defined benefit plans.

### PRI PENSIONS

Pension liabilities pertaining to PRI pensions have been secured through a common Swedish SCA pension fund. The market value of the Parent Company's portion of the foundation's assets at December 31, 2014 amounted to SEK 98m (88). In the past two years, no compensation has been received. The capital value of the pension obligations at December 31, 2014 amounted to SEK 113m (107). Pension payments of SEK –6m (–6) were made in 2014. Since the value of the assets in 2014 is below that of the pension obligations in the amount of SEK 15m (19), this is recognized as a provision in the balance sheet. The provision is included below.

**OTHER PENSION OBLIGATIONS**

Note 6 Personnel and Board costs in the Group's notes describes the other defined benefit pension plans of the Parent Company. The table below shows the change between the years.

**Capital value of pension obligations relating to self-administered pension plans**

SEKm	2014	2013
<b>Value at January 1</b>	<b>598</b>	<b>536</b>
Reclassification	–	5
Costs excl. interest expense	43	81
Interest expense (recognized in personnel costs)	16	14
Payment of pensions	–38	–38
<b>Value at December 31</b>	<b>619</b>	<b>598</b>

External actuaries have carried out capital value calculations pursuant to the provisions of the Swedish Act on Safeguarding of Pension Obligations. The discount rate is 2.6% (2.6). The defined benefit obligations are calculated based on salary levels valid on the respective balance sheet dates.

Next year's expected disbursements regarding defined benefit pension plans amount to SEK 37m.

**49 Non-current interest-bearing liabilities**

SEKm	Carrying amount		Fair value	
	2014	2013	2014	2013
Bond issues	13,933	11,766	14,721	12,086
Other non-current loans with a term > 1 year < 5 yrs	2,985	5,454	3,100	5,624
Other non-current loans with a term > 5 yrs	1,972	1,967	2,048	1,870
<b>Total</b>	<b>18,890</b>	<b>19,187</b>	<b>19,869</b>	<b>19,580</b>

**Bond issues**

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm
Notes SEK 1,800m	2016	1,800	1,870
Floating Rate Note SEK 200m	2016	200	203
Notes EUR 600m	2016	5,719	6,025
Green bond SEK 1,500m	2019	1,498	1,534
Notes EUR 500m	2023	4,716	5,089
<b>Total</b>		<b>13,933</b>	<b>14,721</b>

**50 Other current liabilities****Other current liabilities**

SEKm	2014	2013
Accrued expenses and prepaid income	419	428
Other operating liabilities	77	5
<b>Total</b>	<b>496</b>	<b>433</b>

**Accrued expenses and prepaid income**

SEKm	2014	2013
Accrued interest expenses	261	235
Accrued social security costs	26	26
Accrued vacation pay liability	11	13
Other liabilities to personnel	59	59
Other items	62	95
<b>Total</b>	<b>419</b>	<b>428</b>

**51 Contingent liabilities**

SEKm	2014	2013
Guarantees for subsidiaries	26,020	20,161
Other contingent liabilities	15	14
<b>Total</b>	<b>26,035</b>	<b>20,175</b>

The Parent Company has issued a guarantee in relation to the Group's UK pension plan in the event of the plan being dissolved or one of the companies covered by the plan becoming insolvent.

**52 Pledged assets**

SEKm	Other	Total 2014	Total 2013
Chattel mortgages	20	20	20
Other	138	138	137
<b>Total</b>	<b>158</b>	<b>158</b>	<b>157</b>

**53 Financial instruments by category**

The accounting policies for financial instruments are applied for the items below.

The financial instruments in the Parent Company are classified as loans and receivables for assets, and other financial liabilities measured at amortized cost for liabilities. No other categories have been utilized over the past two years. These balance sheet items are not fully reconcilable since they may include items that are not financial instruments.

**Loans and receivables**

SEKm	2014	2013
<b>Assets</b>		
<i>Financial assets</i>		
Interest-bearing receivables	123	123
Interest-bearing receivables from subsidiaries	348	354
<i>Current assets</i>		
Receivables from subsidiaries	2,524	282
Other current receivables	43	41
Cash and bank balances	0	0
<b>Total</b>	<b>3,038</b>	<b>800</b>

**Financial liabilities measured at amortized cost**

SEKm	2014	2013
<b>Liabilities</b>		
<i>Non-current liabilities</i>		
Liabilities to subsidiaries	2,326	2,180
Interest-bearing liabilities	18,890	19,187
<i>Current liabilities</i>		
Interest-bearing liabilities	1,726	581
Liabilities to subsidiaries	65,950	61,594
Trade payables	54	39
Other current liabilities	261	235
<b>Total</b>	<b>89,207</b>	<b>83,816</b>

**54 Adoption of the annual accounts**

The annual accounts are subject to adoption by SCA's Annual General Meeting and will be presented for approval at the Annual General Meeting on April 15, 2015.

# Proposed disposition of earnings

## Annual accounts 2014

### Disposition of earnings, Parent Company

Non-restricted equity in the Parent Company:

retained earnings	38,669,576,137
net profit for the year	4,168,657,987
<b>Total</b>	<b>42,838,234,124</b>

The Board of Directors and the President propose:

to be distributed to shareholders, a dividend of SEK 5.25 per share	3,687,298,067 <sup>1)</sup>
to be carried forward	39,150,936,057
<b>Total</b>	<b>42,838,234,124</b>

<sup>1)</sup> Based on the number of outstanding shares at December 31, 2014. The amount of the dividend may change if any treasury share transactions are executed before the record date, April 17, 2015. The company's equity would have been SEK 591,971,012 lower if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

Stockholm February 20, 2015

The Board of Directors and President declare that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the EU and that disclosures herein give a true and fair view of the Group's financial position and results of operations. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Board of Directors' Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.



Sverker Martin-Löf  
Chairman of the Board



Pär Boman  
Board member



Roger Boström  
Board member,  
appointed by the employees



Rolf Börjesson  
Board member



Leif Johansson  
Board member



Bert Nordberg  
Board member



Anders Nyrén  
Board member



Louise Julian Svanberg  
Board member



Örjan Svensson  
Board member,  
appointed by the employees



Barbara Milian Thoralfsson  
Board member



Thomas Wiklund  
Board member,  
appointed by the employees



Jan Johansson  
President, CEO and Board member

Our audit report was submitted on March 10, 2015

PricewaterhouseCoopers AB



Anna-Clara af Ekenstam  
Authorized Public Accountant  
Auditor in charge

# Auditor's report

## To the annual meeting of the shareholders of Svenska Cellulosa Aktiebolaget SCA (publ), corporate identity number 556012-6293

### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 40–134.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2014.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm March 10, 2015

PricewaterhouseCoopers AB



Anna-Clara af Ekenstam  
Authorized Public Accountant  
Auditor in charge

## Independent assurance report relating to Sustainability Report

Pages 13 and 32 of this document contain an extract of the Sustainability Report. A complete Sustainability Report has been prepared by the company, which contains our full assurance report. Based on our review, nothing has come to our attention that causes us to believe that the sustainability report has not, in all material respects, been prepared in accordance with the criteria stipulated in the full version of the assurance report.

Stockholm March 10, 2015

PricewaterhouseCoopers AB



Anna-Clara af Ekenstam  
Authorized Public Accountant  
Auditor in charge



Fredrik Ljungdahl  
Expert member, Far

Multi-year summary<sup>1)</sup>

SEKm	2014	2013 <sup>2)</sup>	2012 <sup>2)</sup>	2011	2010	2009	2008	2007	2006	2005
<b>INCOME STATEMENT</b>										
Net sales <sup>3)</sup>	104,054	92,873	89,229	81,337	82,731	109,358	110,449	105,913	101,439	96,385
<b>Operating profit</b>	<b>10,449</b>	<b>9,142</b>	<b>6,426</b>	<b>2,299</b>	<b>7,793</b>	<b>8,190</b>	<b>8,554</b>	<b>10,147</b>	<b>8,505</b>	<b>1,928</b>
Personal Care	3,526	3,519	3,437	2,645	2,922	3,235	2,912	2,960	2,799	2,474
Tissue	6,652	5,724	4,778	3,150	3,041	3,946	2,375	1,724	1,490	1,577
Packaging	-	-	-	-	-	413	1,493	2,651	2,072	1,775
Forest Products	2,505	1,843	1,363	2,423	2,915	2,503	2,207	2,870	2,475	1,886
Other operations <sup>4)</sup>	-2,234	-1,944	-3,152	-5,919	-1,085	-1,907	-433	-58	-331	-5,784
Financial income	217	132	107	129	57	158	246	193	179	156
Financial expenses	-1,178	-1,193	-1,430	-1,454	-1,227	-1,802	-2,563	-2,103	-1,851	-1,651
<b>Profit before tax</b>	<b>9,488</b>	<b>8,081</b>	<b>5,103</b>	<b>974</b>	<b>6,623</b>	<b>6,546</b>	<b>6,237</b>	<b>8,237</b>	<b>6,833</b>	<b>433</b>
Tax	-2,420	-2,220	-364	-1,267	-1,755	-1,716	-639	-1,076	-1,366	21
Profit for the period from disposal group	-	-	503	900	724	-	-	-	-	-
<b>Profit for the year</b>	<b>7,068</b>	<b>5,861</b>	<b>5,242</b>	<b>607</b>	<b>5,592</b>	<b>4,830</b>	<b>5,598</b>	<b>7,161</b>	<b>5,467</b>	<b>454</b>
<b>BALANCE SHEET</b>										
Non-current assets (excl. financial receivables)	112,345	106,356	96,516	83,428	105,655	111,745	113,866	104,150	95,994	101,840
Receivables and inventories	34,124	31,077	29,736	25,577	31,890	30,605	36,121	33,793	29,907	29,356
Non-current assets held for sale	60	32	1,937	3,379	93	105	102	55	2,665	68
Financial receivables	3,140	3,190	3,577	2,083	3,254	2,062	2,499	3,663	2,970	2,035
Current financial assets	1,252	536	401	292	220	194	642	366	409	237
Cash and cash equivalents	3,815	3,785	2,118	2,644	1,866	5,148	5,738	3,023	1,599	1,684
Assets in disposal group held for sale	-	-	-	21,601	-	-	-	-	-	-
<b>Total assets</b>	<b>154,736</b>	<b>144,976</b>	<b>134,285</b>	<b>139,004</b>	<b>142,978</b>	<b>149,859</b>	<b>158,968</b>	<b>145,050</b>	<b>133,544</b>	<b>135,220</b>
Equity	67,622	63,271	59,706	60,752	67,255	67,156	66,450	63,590	58,299	56,343
Non-controlling interests	5,250	4,540	1,993	539	566	750	802	689	664	767
Provisions	15,295	13,079	14,027	12,651	13,908	13,351	13,292	14,199	14,240	17,035
Interest-bearing debt	39,692	39,305	35,204	37,834	37,297	44,766	52,886	42,323	38,601	39,036
Operating and other non-interest bearing liabilities	26,877	24,781	23,355	19,627	23,952	23,836	25,538	24,249	21,740	22,039
Liabilities in disposal group held for sale	-	-	-	7,601	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>154,736</b>	<b>144,976</b>	<b>134,285</b>	<b>139,004</b>	<b>142,978</b>	<b>149,859</b>	<b>158,968</b>	<b>145,050</b>	<b>133,544</b>	<b>135,220</b>
Capital employed <sup>5)</sup>	105,409	95,349	87,059	83,374	84,664	112,264	105,955	96,368	96,192	95,341
Net debt, incl. pension liabilities	-35,947	-33,919	-33,063	-36,648	-34,406	-40,430	-47,002	-37,368	-36,399	-39,826
<b>CASH FLOW STATEMENT</b>										
Operating cash flow	11,184	8,893	9,927	7,418	8,725	14,133	7,813	8,127	6,304	7,471
Cash flow from current operations	8,149	6,252	7,441	5,306	6,490	11,490	3,810	4,508	2,772	4,362
Cash flow before dividend	6,031	574	8,279	2,671	5,049	8,483	77	1,473	1,538	1,768
Current capital expenditures	-3,737	-3,489	-3,272	-3,250	-3,017	-4,037	-5,353	-5,165	-5,672	-4,859
Strategic capital expenditures, non-current assets	-1,816	-1,906	-1,971	-1,637	-2,254	-3,031	-3,109	-1,342	-935	-2,086
Business combinations	-508	-5,488	-14,873	-983	-484	-51	-1,764	-4,545	-323	-428
Divestments	206	1,716	17,682	-15	1,297	75	1,140	2,852	48	1
<b>KEY FIGURES<sup>6)</sup></b>										
Equity/assets ratio, %	44	44	44	44	47	45	42	44	44	42
Interest coverage, multiple	10.9	8.6	4.9	1.7	6.7	5.0	3.7	5.3	5.1	1.3
Debt payment capacity, incl. pension liabilities, %	39	38	38	36	35	31	26	35	29	27
Debt/equity ratio, incl. pension liabilities	0.49	0.50	0.54	0.60	0.51	0.60	0.70	0.58	0.62	0.70
Debt/equity ratio, excl. pension liabilities	0.42	0.47	0.47	0.52	0.48	0.55	0.66	0.58	0.59	0.62
Return on capital employed, %	10	10	8	4	8	7	8	11	9	2
Return on capital employed, excl. items affecting comparability, %	11	11	10	9	9	9	8	10	9	8
Return on equity, %	10	9	9	1	8	7	9	12	9	1
Operating margin, %	10	10	7	3	9	7	8	10	8	2
Operating margin, excl. items affecting comparability, %	11	11	10	10	10	9	8	9	8	8
Net margin, % <sup>7)</sup>	7	6	5	0	6	4	5	7	6	0
Capital turnover rate, multiple <sup>2)</sup>	0.99	0.97	1.02	0.98	0.98	0.97	1.04	1.10	1.05	1.01
Operating cash flow per share, SEK	11.60	8.90	10.59	7.55	9.24	16.36	5.42	6.42	3.95	6.22
Earnings per share, SEK	9.40	7.90	7.06	0.78	7.90	6.78	7.94	10.16	7.75	0.61
Dividend per share, SEK <sup>8)</sup>	5.25	4.75	4.50	4.20	4.00	3.70	3.50	4.40	4.00	3.67

<sup>1)</sup> Up to 2009 including packaging operations, which were divested in June 2012.

<sup>2)</sup> 2012 and 2013 restated in accordance with IFRS 10 and 11.

<sup>3)</sup> Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2009.

<sup>4)</sup> 2014, 2013, 2012, 2011, 2010, 2009, 2007 and 2005 include items affecting comparability of SEK -1,400m, SEK -1,239m, SEK -2,614m, SEK -5,439m, SEK -702m, SEK -1,458m, SEK 300m and SEK -5,365m.

<sup>5)</sup> Calculation of average capital employed is based on five measurements.

<sup>6)</sup> Key figures are defined on page 140.

<sup>7)</sup> Net margin for 2012 excludes Profit for the period from disposal group.

<sup>8)</sup> Dividend for 2014 relates to the proposed dividend.

# Comments to the multi-year summary

## Income statement

### Net sales

In 2006, SCA's net sales exceeded SEK 100bn for the first time as a result of volume growth. In 2008, sales increased by 4% to slightly more than SEK 110bn. SCA's European packaging operations were reclassified to Disposal group held for sale with retroactive adjustment from 2010. Sales declined 24% in 2010 mainly due to the reclassification of the European packaging operations, but also to negative exchange rate effects and the divestment of the Asian packaging operations. Net sales in 2011 fell 2% since both Personal Care and Tissue reported lower sales, while sales for Forest Products remained largely unchanged. All business areas were impacted by negative exchange rate effects. A number of strategic acquisitions and divestments were carried out in 2012, including the acquisition of Georgia-Pacific's European tissue operations and the divestment of SCA's European packaging operations. Net sales for 2012 rose 5%. Sales for both Personal Care and Tissue increased, whereas sales for Forest Products declined. In 2013, SCA divested its publication paper mill in Laakirchen, Austria, as well as the areas of Georgia-Pacific's European tissue operations which the European Commission ordered SCA to divest in conjunction with the acquisition in 2012. Net sales rose 4% and primarily pertained to acquisitions and increased volumes. The Chinese tissue company Vinda has been consolidated as of 2014. Net sales rose 12% and primarily pertained to acquisitions, exchange rate effects and increased volumes.

### Operating profit

For the period up to 2006, Personal Care had been under pressure from rising raw material costs and intense competition, although growth was favorable in both established and new markets. The profit level improved in 2007. Operating profit was stable in 2008 and increased 11% in 2009 as a result of an improved product mix, higher prices and lower raw material costs. Profit declined in 2010. Higher volumes and lower costs failed to offset increased costs of raw materials, marketing activities and negative exchange rate effects. Operating profit for 2011 declined 5% excluding exchange rate effects compared with the preceding year. Higher volumes, prices and cost savings did not offset higher costs for raw materials. In 2012, operating profit rose 20% compared with the preceding year. The earnings improvement was attributable to higher volumes and prices, an improved product mix, lower raw material costs and cost savings. In 2013, profit increased 1%. Earnings were impacted positively by higher volumes, cost savings and acquisitions. Investments in

increased market activity resulted in higher volumes, but impacted earnings, particularly in the area of baby diapers. Increased raw material costs and negative exchange rate effects had an adverse impact on profit. Operating profit for 2014 was in line with the preceding year. Higher volumes, an improved price/mix and cost savings had a positive impact on earnings, while higher raw material costs and investments in market activity had an adverse impact on earnings.

The Tissue operations experienced a number of years (2005–2006) of lower prices, higher raw material and energy costs, and negative exchange rate effects. In 2007, this negative trend was reversed and operating profit increased. As of the fourth quarter of 2007, the acquisition of Procter & Gamble's European tissue unit is included in SCA's Tissue operations, which has had a positive impact on profit. In 2008, the profit level increased mainly as a result of acquisitions and higher prices and volumes, which were offset by higher costs for raw materials. In 2009, the profit level increased as a result of higher prices and lower costs for raw materials. SCA invested in emerging markets, including Russia, which also made a positive contribution to the earnings trend. In 2010, profit declined for Tissue compared with the preceding year, due to a sharp increase in costs for raw materials. Operating profit for 2011 increased 4% compared with the preceding year. Higher prices, a changed product mix and increased volumes had a positive impact, while higher raw material and distribution costs combined with negative exchange rate effects had an adverse impact on profit. In 2012, operating profit rose 47%. Higher prices, an improved product mix, increased volumes, acquisitions, lower raw material costs and cost savings contributed to the improvement in earnings. Earnings for 2013 increased 21% compared with the preceding year. The improvement in earnings was due to acquisitions, increased volumes and cost savings. Acquisitions accounted for 9% of the improvement in earnings. Higher energy and raw material costs, negative exchange rate effects and slightly lower prices caused earnings to decline. In 2014, operating profit rose 16% as a result of higher volumes, an improved price mix, cost savings and the acquisition of the Chinese company Vinda. Higher raw material and distribution costs and the harsh winter in North America resulted in a decline in earnings.

In 2005, price reductions resulted in lower earnings in Packaging. In 2006, prices improved gradually, first for containerboard, which led to increases in the price of corrugated board, and thus an improvement in profit. Packaging also implemented successive price increases in 2007. SCA sold its North American packaging

operations in the first quarter of 2007. Operating profit declined in 2008 due to the financial crisis and the ensuing recession. Production cutbacks in liner operations and lower demand for corrugated board caused a deterioration in profit. The recession continued in 2009 and the result from Packaging declined 72% compared with 2008. The Asian packaging operations were divested in 2010. In 2012, the European packaging operations were divested and reclassified to Disposal group held for sale with retroactive adjustment from 2010.

Forest Products' earnings gradually improved between 2005 and 2007. The earnings improvement was mainly an effect of higher prices. Deliveries of publication papers and solid-wood products were stable in 2008, but profit declined due to increased energy and raw material costs. In 2009, profit improved, primarily for publication papers, an area in which higher prices, lower raw material costs and efficiency enhancements made a positive contribution. Profit increased 16% in 2010 due to productivity improvements and implemented price increases in pulp and solid-wood products. In 2011, profit declined 17% primarily as a result of higher costs for raw materials and negative exchange rate effects. Operating profit in 2012 fell 44%. The lower earnings were largely attributable to lower prices and negative exchange rate effects in all product categories due to the stronger SEK. The Austrian publication paper mill in Laakirchen was divested in 2013. Profit increased 35% compared with the preceding year due to cost savings, lower raw material costs and profit from forest swaps. In 2014, profit rose 36% as a result of higher prices (including exchange rate effects), increased volumes, lower energy costs and cost savings. Earnings were adversely impacted by higher felling costs as a result of windthrow, lower profit from forest swaps and the divestment of the publication paper mill in Laakirchen.

## Cash flow statement

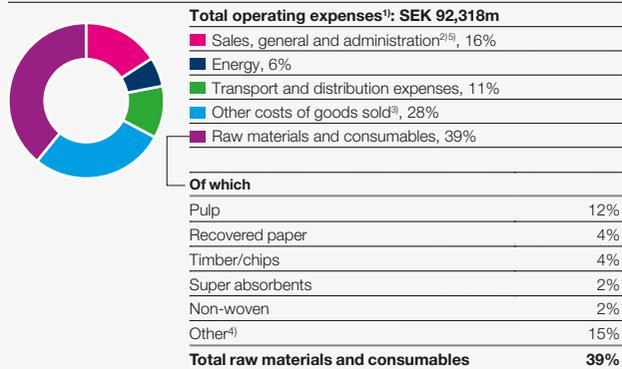
A total of SEK 50bn has been invested in expansion during the reported ten-year period, of which SEK 29bn is attributable to company acquisitions. Maintenance investments amounted to SEK 42bn and have remained at a steady level of about 4% in relation to sales.

## Key figures

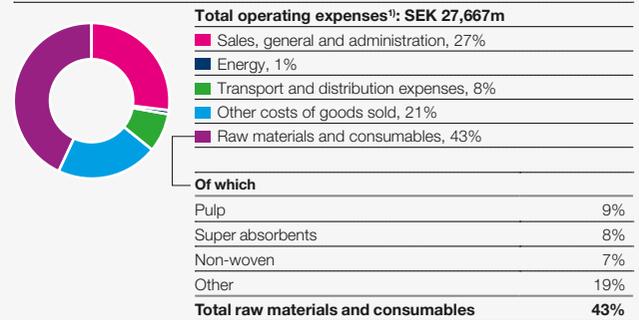
During the reporting period, the Group's dividend rose from SEK 3.67 to the proposed SEK 5.25, corresponding to an average annual increase of approximately 4.1%. The proposed dividend of SEK 5.25 per share corresponds to an increase of 10.5% compared with the preceding year.

# Description of costs

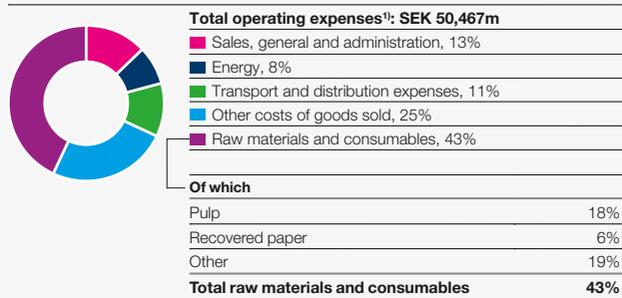
## SCA Group



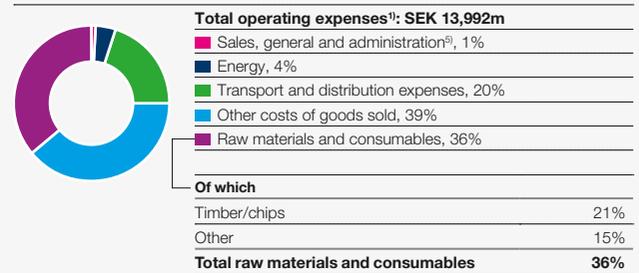
## Personal Care



## Tissue



## Forest Products



<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> Sales, general and administration include costs for marketing (5 percentage points).

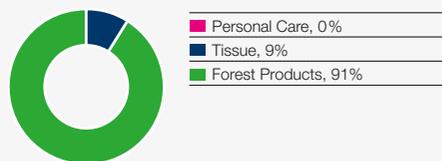
<sup>3)</sup> The two largest items of Other costs of goods sold comprise personnel (1.1 percentage points) and depreciation/amortization (6 percentage points).

<sup>4)</sup> The item Other in Raw materials and consumables includes costs for chemicals, packaging material and plastic material.

<sup>5)</sup> Sales, general and administration for Forest Products include profit from forest swaps.

# Raw materials, energy and transport activities

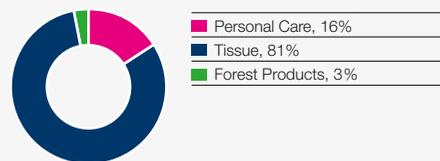
## Timber and chips consumption



**Total of 11.0 million cubic meters**

of which, 52% comprises timber from own forests and chips from own sawmills and 48% purchased externally

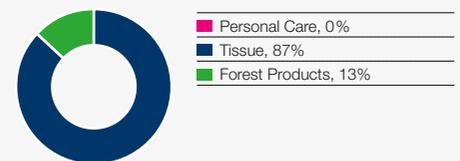
## Pulp consumption



**Total of 2.8 million tons**

of which, 26% from own pulp mills and 74% purchased externally

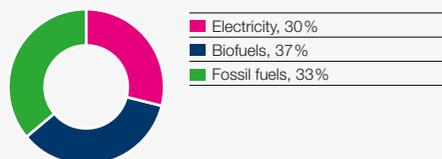
## Recovered paper consumption



**Total of 2.5 million tons**

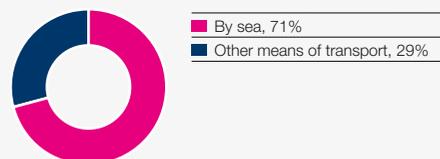
of which, 5% from own collection and 95% purchased externally

## Energy consumption



**Total of 22.9 TWh**

## Transport activities



**Total of 30 billion ton kilometers**

# Production plants

(Capacity is stated in thousands of tons, unless otherwise indicated, and per year)

Personal Care		Tissue			Tissue		
Production plant	Country	Production plant	Country	Capacity	Production plant	Country	Capacity
Annaba	Algeria	Ortmann	Austria	130	Cuijk	Netherlands	51
Buenos Aires	Argentina	Stembert	Belgium	75	Suameer	Netherlands <sup>1)</sup>	8
Sao Paulo	Brazil	Santiago	Chile	61	Sovetsk	Russia	90
Drummondville	Canada	Beijing	China	30	Svetogorsk	Russia	55
Wuhan	China	Zhejiang	China	150	Allo	Spain	160
Caloto	Colombia	Guangdong	China	380	La Riba	Spain	26
Rio Negro	Colombia	Hubei	China	180	Mediona	Spain	45
San Cristobal	Dominican Republic	Liaoning	China	55	Valls	Spain	120
Lasso	Ecuador	Sichuan	China	45	Lilla Edet	Sweden	100
Cairo	Egypt	Shangdong	China	50	Chesterfield	UK	31
Amman	Jordan	Cajica	Colombia	70	Manchester	UK	50
Shah Alam	Malaysia	Medellin	Colombia	39	Oakenholt	UK	68
Ecatepec	Mexico	Lasso	Ecuador	24	Prudhoe	UK	91
Guadalajara	Mexico	Nokia	Finland	67	Stubbins	UK	105
Gennep	Netherlands	Gien	France	145	Barton	US	180
Hoogezand	Netherlands	Hondouville	France	78	Flagstaff	US	55
Olawa	Poland	Kunheim	France	50	Menasha	US	211
Veniov	Russia	Le Theil	France	62	South Glens Falls	US	60
Jeddah	Saudi Arabia	Orleans	France	35			
Gemerská Hôrka	Slovakia	Kostheim	Germany	152	<b>Converting plants:</b>		
Kliprivier	South Africa	Mannheim	Germany	279	St. Etienne du Rouvray	France	
Valls	Spain	Neuss	Germany	105	Lucca	Italy	
Falkenberg	Sweden	Witzenhausen	Germany	30	Hlohovec	Slovakia	
Mölnlycke	Sweden	Altopascio	Italy	25	Mapacasa	Spain	
Kao Hsiung	Taiwan	Collodi	Italy	42	Dubai	United Arab Emirates	
Ksibet el Mediouni	Tunisia	Lucca	Italy	140	Skelmersdale	UK	
Istanbul	Turkey	Monterrey	Mexico	57	Bellemont	US	
Istanbul	Turkey	Sahagun	Mexico	60	Greenwich	US	
Bowling Green	US	Uruapan	Mexico	36	Neennah	US	
		<b>Total</b>					<b>4,158</b>

## Forest Products

Production plant	Country	Uncoated paper	Coated paper	Kraftliner	CTMP pulp	Kraft pulp	Total pulp and paper	Solid-wood products 1,000 m <sup>3</sup>
Ortviken	Sweden	390	510				900	
Östrand	Sweden				100	430	530	
Munksund	Sweden			415			415	400
Obbola	Sweden			450			450	
Bollsta	Sweden							550
Tunadal	Sweden							500
Rundvik	Sweden							300
Gällö Timber	Sweden							320
<b>Total</b>		<b>390</b>	<b>510</b>	<b>865</b>	<b>100</b>	<b>430</b>	<b>2,295</b>	<b>2,070</b>

<sup>1)</sup> Non-woven production.

# Definitions and key figures

## Capital definitions

**Capital employed** The Group's and business area's capital employed is calculated as an average of the balance sheet's total assets, excluding interest-bearing assets and pension assets, less total liabilities, excluding interest-bearing liabilities and pension liabilities.

**Equity** The equity reported in the consolidated balance sheet consists of taxed equity increased by the equity portion of the Group's untaxed reserves and non-controlling interests. (Deferred tax liability in untaxed reserves has been calculated at a 22.0% rate for Swedish companies and at the applicable tax rate for foreign companies in each country outside Sweden).

**Net debt** The sum of consolidated interest-bearing liabilities, including pension liabilities and accrued interest less cash and cash equivalents and interest-bearing current and non-current receivables and capital investment shares.

**Equity per share** Equity in relation to the total number of registered shares.

## Financial measurements

**Equity/assets ratio** Equity expressed as a percentage of total assets.

**Debt/equity ratio** Expressed as net debt in relation to equity.

**Interest coverage ratio** Calculated according to the net method where operating profit is divided by financial items.

**Cash earnings** Calculated as profit before tax, with a reversal of depreciation and impairment of property, plant and equipment and intangible assets, share of profits of associates, and nonrecurring items, reduced by tax payments.

**Debt payment capacity** Expressed as cash earnings in relation to average net debt.

**Operating surplus** Expressed as operating profit before depreciation/impairment of property, plant and equipment and intangible assets and share of profits of associates.

**Operating cash flow** The sum of operating cash surplus and change in working capital, with deductions for current capital expenditures in property, plant and equipment and restructuring costs.

**Cash flow from current operations** Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.

**Strategic capital expenditure** Strategic investments increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost SCA's competitiveness.

**Current capital expenditure** Investments to maintain competitiveness, such as maintenance, rationalisation and replacement measures or investments of an environmental nature.

**Organic sales growth** Sales growth excluding exchange rate effects, acquisitions and divestments.

## Margins, etc.

**Operating surplus margin** Operating surplus as a percentage of net sales for the year.

**Operating margin** Operating profit as a percentage of net sales for the year.

**Net margin** Profit for the year as a percentage of net sales for the year.

**Capital turnover** Net sales for the year divided by average capital employed.

## Profitability ratios

**Return on capital employed** Return on capital employed is calculated for the Group as operating profit as a percentage of average capital employed.

**Return on equity** Return on equity is calculated for the Group as profit for the year as a percentage of average equity.

## Other measurements

**Value added per employee** Operating profit plus salaries, wages and payroll expenses divided by the average number of employees.

# Glossary

**CTMP (Chemical thermo mechanical pulp)** A high-yield pulp produced through mechanical defibration in a refiner of preheated, chemically pre-treated softwood.

**FSC® – Forest Stewardship Council** An international organization working to ensure responsible forest management. The FSC has developed principles for responsible forestry that can be applied for certifying forest management and that facilitate FSC labeling of wood products from FSC-certified forests.

**Kraftliner** The surface layer of corrugated board based on fresh wood fiber.

**Liner** The surface layer of corrugated board. Available in various grades, such as kraftliner (based on fresh wood fiber) and testliner (based on recovered fiber).

**LWC paper** Light Weight Coated paper is a coated paper with a high mechanical pulp content. Used for high-quality magazines and advertising materials with demanding color-printing requirements.

**Consumer tissue** Includes toilet and kitchen paper, facial tissues and handkerchiefs.

**AfH (Away-from-Home)** Tissue sold to bulk consumers such as hospitals, restaurants, hotels, offices and industrial premises.

**M<sup>3</sup>s or m<sup>3</sup>sub** Solid cubic meter under bark. Specifies the volume of timber excluding bark and tops. Used in felling and the timber trade.

**M<sup>3</sup>fo** Forest cubic meter. Volume of timber including tops and bark, but excluding branches. Used to describe the forest portfolio of standing timber. Growth is also specified in forest cubic meters.

**PEFC™ – Programme for the Endorsement of Forest Certification** An international forest certification system.

**Personal care products** Here defined as incontinence products, baby diapers and feminine care products.

**Productive forest land** Land with a productive capacity that exceeds one cubic meter of forest per hectare annually.

**Kraft pulp** Pulp from wood fiber that is chemically treated, usually by boiling.

**Super absorbents** Collective name of a number of synthetic absorbent materials based on polymers. Important material in personal care products such as diapers and pads.

**Solid-wood products** Wood sawn into various sizes used in, for example, furniture manufacturing and the joinery industry or as construction timber.

# Addresses

## SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

PO Box 200, SE-101 23 Stockholm, Sweden. Visiting address: Klarabergsviadukten 63  
Tel +46 8 788 51 00, fax +46 8 788 53 80  
Corp. Reg. No.: 556012-6293 www.sca.com

## Business units

### SCA INCONTINENCE CARE EUROPE

SE-405 03 GOTHENBURG  
Sweden  
Visiting address: Bäckstengatan 5,  
Möndal  
Tel +46 31 746 00 00  
Fax +46 31 746 19 00

### SCA AMERICAS

2929 Arch Street  
Suite 2600  
PHILADELPHIA, PA 19104  
US  
TEL +1 610 499 3700  
FAX +1 610 499 3402

### GHC

#### (GLOBAL HYGIENE CATEGORY)

SE-405 03 GOTHENBURG  
Sweden  
Visiting address: Bäckstengatan 5,  
Möndal  
Tel +46 31 746 00 00  
Fax +46 31 746 19 00

### SCA CONSUMER GOODS EUROPE

Postfach 1265  
DE-85730 ISMANING  
Germany  
Visiting address: Adalperostrasse 31  
Tel +49 89 970 06 0  
Fax +49 89 970 06 644

### SCA ASIA PACIFIC

5th Floor, Building 1  
No.3 Fenyang Road  
Xuhui District  
SHANGHAI 200031  
China  
Tel +86 21 2405 9800

### GHS

#### (GLOBAL HYGIENE SUPPLY)

Postfach 1265  
DE-85730 ISMANING  
Germany  
Visiting address: Adalperostrasse 31  
Tel +49 89 970 06 0  
Fax +49 89 970 06 644

### SCA AfH PROFESSIONAL HYGIENE EUROPE

Postfach 1265  
DE-85730 ISMANING  
Germany  
Visiting address: Adalperostrasse 31  
Tel +49 89 970 06 0  
Fax +49 89 970 06 644

### SCA FOREST PRODUCTS

SE-851 88 SUNDSVALL  
Sweden  
Visiting address: Skepparplatsen 1  
Tel +46 60 19 30 00, 19 40 00  
Fax +46 60 19 34 97

### GBS

#### (GLOBAL BUSINESS SERVICES)

Box 200  
SE-101 23 STOCKHOLM  
Sweden  
Visiting address: Klarabergsviadukten 63  
Tel +46 8 788 51 00  
Fax +46 8 788 53 80

### SCA MEIA

Universite Mah. Baglarici Cad.  
No:29 Kat:6 Avcilar  
34320 ISTANBUL  
Turkey  
Tel + 90 212 509 38 22  
Fax + 90 212 676 01 06

## Recognitions



SCA's initiatives and results have gained recognition – SCA is included in a number of sustainability indices and has received several prestigious awards.

SCA plays an active role in leading organizations at the global, regional and local level with the aim of contributing to a sustainable future for companies, society and the environment.

## Memberships





**SVENSKA CELLULOOSA AKTIEBOLAGET SCA (publ)**  
 PO Box 200, SE-101 23 Stockholm, Sweden.  
 Visiting address: Klarabergsviadukten 63  
 Tel +46 8 788 51 00, fax +46 8 788 53 80  
 Corp. Reg. No.: 556012-6293 www.sca.com

