

Financial statements and notes

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Amounts that are reconcilable to the balance sheet, income statement, cash flow statement and operating cash flow statement are marked with the following symbols:

- BS** Balance sheet
- IS** Income statement
- CF** Cash flow statement
- OCF** Operating cash flow statement

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Statement of comprehensive income
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Consolidated income statement ^{IS}

Group	Note	2016		2015		2014	
		SEKm	EURm ¹⁾	SEKm	EURm ¹⁾	SEKm	EURm ¹⁾
Net sales	B1	117,314	12,406	115,316	12,334	104,054	11,449
Cost of goods sold	B2	-85,721	-9,065	-85,476	-9,142	-77,520	-8,529
Items affecting comparability	B2	-529	-56	-323	-35	-436	-48
Gross profit		31,064	3,285	29,517	3,157	26,098	2,872
Sales, general and administration	B2	-17,756	-1,877	-17,025	-1,821	-14,798	-1,628
Items affecting comparability	B2	-2,181	-231	-1,744 ²⁾	-186 ²⁾	-964	-106
Share of profits of associates and joint ventures		152	16	199	21	113	12
Operating profit		11,279	1,193	10,947²⁾	1,171²⁾	10,449	1,150
Financial income	E7	132	14	205 ³⁾	22 ³⁾	217	24
Financial expenses	E7	-1,051	-111	-1,160	-124	-1,178	-130
Profit before tax		10,360	1,096	9,992	1,069	9,488	1,044
Taxes	B4	-4,348	-460	-2,540	-272	-2,420	-266
Profit for the period		6,012	636	7,452	797	7,068	778
Earnings attributable to:							
Owners of the Parent		5,570	589	7,002	749	6,599	726
Non-controlling interests		442	47	450	48	469	52
Earnings per share							
Earnings per share, SEK – owners of the Parent							
before dilution effects		7.93		9.97		9.40	
after dilution effects		7.93		9.97		9.40	
Dividend per share, SEK		6.00 ⁴⁾		5.75		5.25	
Profit for the period attributable to owners of the Parent		6,012	636	7,002	749	6,599	726
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	

¹⁾ Translation to EUR is provided for the convenience of the reader. An average exchange rate of 9.46 (9.35; 9.09) was used.

²⁾ Includes the sale of securities, SEK 970m, EUR 103.7m.

³⁾ Excludes the sale of securities, SEK 970m, EUR 103.7m.

⁴⁾ Board proposal.

Consolidated statement of comprehensive income

SEKm	2016	2015	2014
IS Profit for the period	6,012	7,452	7,068
Other comprehensive income for the period			
Items that cannot be transferred to profit for the period			
Actuarial gains and losses relating to defined benefit pension plans	-1,525	2,562	-2,925
Income tax attributable to components in other comprehensive income	411	-558	660
	-1,114	2,004	-2,265
Items that have been or can be transferred to profit for the period			
Available-for-sale financial assets:			
Result from measurement at fair value recognized in equity	-1	318	140
Transferred to profit or loss upon sale	-	-970	-
Cash flow hedges:			
Result from remeasurement of derivatives recognized in equity	495	-499	-428
Transferred to profit or loss for the period	274	342	344
Transferred to cost of hedged investments	-19	-	3
Translation differences in foreign operations	2,652	-1,871	5,169
Result from hedging of net investments in foreign operations	-437	-58	-1,497
Other comprehensive income from associates	12	-17	-
Income tax attributable to components in other comprehensive income	-89	44	359
	2,887	-2,711	4,090
Other comprehensive income for the period, net after tax	1,773	-707	1,825
Total comprehensive income for the period	7,785	6,745	8,893
Total comprehensive income attributable to:			
Owners of the Parent	7,108	6,510	7,852
Non-controlling interests	677	235	1,041

By operating segment	Net sales			Operating profit ¹⁾		
SEKm	2016	2015	2014	2016	2015	2014
Personal Care	33,651	34,344	31,066	4,255	3,990	3,526
Tissue	67,561	64,184	56,994	8,155	7,217	6,652
Forest Products	16,587	17,279	16,490	2,211	2,605	2,505
Other	26	-9	-45	-632	-798	-834
Intra-Group deliveries	-511	-482	-451	-	-	-
Total	117,314	115,316	104,054	13,989	13,014	11,849

¹⁾ Excluding items affecting comparability.

Consolidated statement of change in equity

Group	2016	2015	2014
Attributable to owners of the Parent			
Value, January 1	70,401	67,622	63,271
Total comprehensive income for the period	7,108	6,510	7,852
Dividend	-4,038	-3,687	-3,336
Private placement to non-controlling interests	240	-	-
Private placement to non-controlling interests, dilution	-110	-	-
Issue expenses, private placement	-4	-	-
Acquisition of non-controlling interests	-799	-40	-112
Acquisition of non-controlling interests, dilution	348	-	-
Issue costs in associates	-	-	-49
Remeasurement effect upon acquisition of non-controlling interests	-4	-4	-4
Value, December 31	73,142	70,401	67,622
Non-controlling interests			
Value, January 1	5,290	5,250	4,540
Total comprehensive income for the period	677	235	1,041
Dividend	-190	-216	-228
Private placement to non-controlling interests	199	-	-
Private placement to non-controlling interests, dilution	110	-	-
Issue expenses, private placement	-4	-	-
Acquisition of non-controlling interests	643	21	-61
Acquisition of non-controlling interests, dilution	-348	-	-
Effect of confirmation of acquisition balance sheet	-	-	-42
Value, December 31	6,377	5,290	5,250
Total equity, value December 31	79,519	75,691	72,872

For further information, see Note E8 Equity.

Consolidated operating cash flow statement, supplementary disclosure OCF

Group	Note	2016		2015		2014	
		SEKm	EURm ¹⁾	SEKm	EURm ¹⁾	SEKm	EURm ¹⁾
IS Net sales		117,314	12,406	115,316	12,334	104,054	11,449
Operating expenses		-97,299	-10,289	-96,539	-10,326	-86,841	-9,555
Operating surplus		20,015	2,117	18,777	2,008	17,213	1,894
Adjustment for non-cash items		-672	-71	-465	-49	-963	-106
Operating cash surplus		19,343	2,046	18,312	1,959	16,250	1,788
Change in							
Inventories		1,076	114	-1,390	-149	-370	-40
Operating receivables		-236	-25	-1,129	-121	-162	-18
Operating liabilities		1,130	120	2,120	227	86	9
Change in working capital		1,970	209	-399	-43	-446	-49
Current capital expenditures		-5,181	-548	-4,162	-445	-3,737	-411
Restructuring costs, etc.		-1,184	-125	-830	-89	-883	-97
Operating cash flow		14,948	1,582	12,921	1,382	11,184	1,231
Financial items	E7	-919	-97	-955	-102	-961	-106
Paid tax	B4	-3,799	-402	-2,208	-236	-2,101	-231
Other		152	16	132	14	27	3
Cash flow from current operations		10,382	1,099	9,890	1,058	8,149	897
Strategic capital expenditures and divestments							
Company acquisitions	F6	-6,598	-698	-93	-10	-508	-56
Strategic capital expenditures in non-current assets		-4,264	-451	-3,125	-334	-1,816	-200
Total strategic capital expenditures		-10,862	-1,149	-3,218	-344	-2,324	-256
Divestments	F6	489	52	329	35	206	22
Cash flow from capital expenditures and divestments		-10,373	-1,097	-2,889	-309	-2,118	-234
Cash flow before dividend		9	2	7,001	749	6,031	663
Private placement to non-controlling interests		435	46	-	-	-	-
Dividend to shareholders		-4,228	-447	-3,903	-417	-3,564	-392
Net cash flow		-3,784	-399	3,098	332	2,467	271

Net debt	2016		2015		2014	
	SEKm	MEUR ²⁾	SEKm	MEUR ²⁾	SEKm	MEUR ²⁾
Net debt, January 1	-29,478	-3,228	-35,947	-3,770	-33,919	-3,797
Net cash flow	-3,784	-399	3,098	332	2,467	271
Remeasurements to equity	-1,526	-160	1,910	209	-2,785	-292
Exchange rate effects, etc.	-573	87	1,461	1	-1,710	48
Net debt, December 31	-35,361	-3,700	-29,478	-3,228	-35,947	-3,770

¹⁾ Translation to EUR is provided for the convenience of the reader. An average exchange rate of 9.46 (9.35; 9.09) was used.

²⁾ Translation to EUR is provided for the convenience of the reader. Closing exchange rate of 9.56 (9.13; 9.53) was used for net debt.

Consolidated cash flow statement **CF**

Group	Note	2016		2015		2014	
		SEKm	EURm ¹⁾	SEKm	EURm ¹⁾	SEKm	EURm ¹⁾
Operating activities							
IS Profit before tax		10,360	1,096	9,992	1,069	9,488	1,044
T:1 Adjustment for non-cash items		7,025	743	6,604	706	4,944	544
		17,385	1,839	16,596	1,775	14,432	1,588
Paid tax	B4	-3,799	-402	-2,208	-236	-2,101	-231
Cash flow from operating activities before changes in working capital		13,586	1,437	14,388	1,539	12,331	1,357
Cash flow from changes in working capital							
Change in							
Inventories		1,076	114	-1,390	-149	-370	-41
Operating receivables		-236	-25	-1,129	-121	-162	-18
Operating liabilities		1,130	119	2,120	227	86	10
Cash flow from operating activities		15,556	1,645	13,989	1,496	11,885	1,308
Investing activities							
Company acquisitions	F6	-4,420	-467	-74	-8	-508	-56
Divestments	F6	489	52	329	35	206	23
T:2 Investments in intangible assets and property, plant and equipment		-9,388	-993	-7,591	-812	-5,733	-631
Sale of property, plant and equipment		206	21	304	33	179	20
Loans granted to external parties		-	-	-	-	-186	-21
Sale of securities		-	-	2,046	219	-	-
Repayment of loans to external parties		141	15	177	19	-	-
Cash flow from investing activities		-12,972	-1,372	-4,809	-514	-6,042	-665
Financing activities							
Private placement to non-controlling interests		435	46	-	-	-	-
Acquisition of non-controlling interests		-50	-5	-11	-1	-173	-19
Loans raised		16,165	1,710	11,100	1,187	3,485	383
Amortization of debt		-15,614	-1,651	-15,039	-1,608	-5,819	-640
Dividend ³⁾		-4,228	-447	-3,903	-417	-3,564	-392
Cash flow from financing activities		-3,292	-347	-7,853	-839	-6,071	-668
Cash flow for the period		-708	-74	1,327	143	-228	-25
Cash and cash equivalents, January 1		5,042	533	3,815	400	3,785	424
Exchange differences in cash and cash equivalents		148	10	-100	9	258	1
Cash and cash equivalents, December 31 ²⁾	E2	4,482	469	5,042	552	3,815	400

¹⁾ Translation to EUR is provided for the convenience of the reader. An average exchange rate of 9.46 (9.35; 9.09) was used.

²⁾ Translation to EUR is provided for the convenience of the reader. Closing exchange rate of 9.56 (9.13; 9.53) was used.

³⁾ Including dividend to non-controlling interests.

For the Group's liquidity reserve, refer to the risk section on page 81.

T:1 Adjustment for non-cash items

SEKm	2016	2015	2014
Depreciation/amortization and impairment of non-current assets	6,815	8,216	5,607
Fair-value measurement of forest assets	-689	-476	-615
Gain/loss on asset sales and swaps	19	21	-350
Gain on sale of securities	-	-970	-
Gain/loss on divestments	-265	-92	395
Unpaid relating to efficiency program	571	232	234
Payments relating to efficiency program already recognized	-262	-302	-396
Revaluation of previous share upon acquisition	-	-	-36
Provision for ongoing competition case	813	-	-
Other	23	-25	105
Total	7,025	6,604	4,944

T:2 Investments in intangible assets and property, plant and equipment

SEKm	2016	2015	2014
Measures to raise the capacity level of operations (Strategic capital expenditures)	-4,264	-3,125	-1,816
Measures to uphold capacity level (Current capital expenditures)	-5,388	-4,466	-3,917
Investments in finance leases	264	-	-
Total	-9,388	-7,591	-5,733

Interest paid, SEKm

	2016	2015	2014
Interest paid	-889	-1,148	-1,290
Interest received	116	80	124
Total	-773	-1,068	-1,166

Correlation between consolidated cash flow statement and operating cash flow statement, supplementary disclosure

Cash flow from operating activities

SEKm	2016	2015	2014
Cash flow from operating activities	15,556	13,989	11,885
<i>Adjustment items</i>			
Current capital expenditures	-5,181	-4,162	-3,737
Accrued interest	8	64	1
Other	-1	-1	-
Cash flow from current operations according to consolidated operating cash flow statement	10,382	9,890	8,149

Cash flow from investing activities

SEKm	2016	2015	2014
Cash flow from investing activities	-12,972	-4,809	-6,042
<i>Adjustment items</i>			
Current capital expenditures	5,181	4,162	3,737
Loans granted to external parties	-	-	186
Sale of securities	-	-2,046	-
Repayment of loans from external parties	-141	-177	-
Net debt in acquired and divested companies	-2,128	-	174
Acquisition of non-controlling interests	-50	-11	-173
Financial liability (earn-out payment) upon acquisition	-	-9	-
Investments through finance leases	-264	-	-
Other	1	1	-
Cash flow from strategic capital expenditures and divestments according to the consolidated operating cash flow statement	-10,373	-2,889	-2,118

Cash flow for the period

SEKm	2016	2015	2014
Cash flow for the period	-708	1,327	-228
<i>Adjustment items</i>			
Amortization of debt	15,614	15,039	5,819
Loans raised	-16,165	-11,100	-3,485
Loans granted to external parties	-	-	186
Sale of securities	-	-2,046	-
Repayment of loans from external parties	-141	-177	-
Net debt in acquired and divested operations	-2,128	-	174
Financial liability (earn-out payment) upon acquisition	-	-9	-
Investments through finance leases	-264	-	-
Accrued interest	8	64	1
Net cash flow according to consolidated operating cash flow statement	-3,784	3,098	2,467

Consolidated balance sheet ^{BS}

Group	Note	2016		2015		2014	
		SEKm	EURm ¹⁾	SEKm	EURm ¹⁾	SEKm	EURm ¹⁾
Non-current assets							
Goodwill	D1	19,257	2,015	15,412	1,688	15,717	1,649
Other intangible assets	D1	7,750	811	7,440	815	7,963	835
Buildings, land, machinery and equipment	D2	62,184	6,506	54,532	5,972	56,345	5,910
Biological assets	D3	30,770	3,219	30,119	3,299	29,685	3,114
Participations in joint ventures and associates	F3	1,123	117	1,078	118	1,088	114
Shares and participations	F5	46	5	45	5	53	6
Surplus in funded pension plans	C5	1,186	124	371	41	3	
Non-current financial assets	E2	722	76	1,032	113	3,137	329
Deferred tax assets	B4	1,465	153	1,063	116	1,186	124
Other non-current assets		242	25	150	16	308	32
Total non-current assets		124,745	13,051	111,242	12,183	115,485	12,113
Current assets							
Inventories	D4	14,347	1,501	14,661	1,606	13,793	1,447
Trade receivables	E3	17,811	1,863	16,829	1,843	16,827	1,765
Current tax assets	B4	741	78	872	96	652	69
Other current receivables	D5	2,898	304	2,831	310	2,844	298
Current financial assets	E2	568	59	775	85	1,260	132
Non-current assets held for sale	G1	156	16	120	13	60	6
Cash and cash equivalents	E2	4,482	469	5,042	552	3,815	400
Total current assets		41,003	4,290	41,130	4,505	39,251	4,117
Total assets		165,748	17,341	152,372	16,688	154,736	16,230
EQUITY AND LIABILITIES							
Equity	E8						
Owners of the Parent							
Share capital		2,350	246	2,350	257	2,350	247
Other capital provided		6,830	714	6,830	748	6,830	716
Reserves		400	42	-2,242	-246	237	25
Retained earnings		63,562	6,650	63,463	6,951	58,205	6,105
		73,142	7,652	70,401	7,710	67,622	7,093
Non-controlling interests		6,377	667	5,290	580	5,250	550
Total equity		79,519	8,319	75,691	8,290	72,872	7,643
Non-current liabilities							
Non-current financial liabilities	E4	31,360	3,281	21,475	2,352	24,246	2,543
Provisions for pensions	C5	5,602	586	2,771	303	5,100	535
Deferred tax liabilities	B4	11,718	1,226	11,076	1,213	10,195	1,069
Other non-current provisions	D7	1,413	148	901	99	600	63
Other non-current liabilities	D6	181	19	258	28	206	22
Total non-current liabilities		50,274	5,260	36,481	3,995	40,347	4,232
Current liabilities							
Current financial liabilities	E4	5,357	561	12,452	1,364	14,817	1,554
Trade payables		15,750	1,648	14,351	1,572	13,964	1,465
Current tax liabilities	B4	935	98	827	91	747	78
Current provisions	D7	1,447	151	990	108	986	103
Other current liabilities	D6	12,466	1,304	11,580	1,268	11,003	1,154
Total current liabilities		35,955	3,762	40,200	4,403	41,517	4,355
Total liabilities		86,229	9,022	76,681	8,398	81,864	8,587
Total equity and liabilities		165,748	17,341	152,372	16,688	154,736	16,230
Contingent liabilities and pledged assets, see Note G3							
Capital employed		114,880	12,019	105,169	11,518	108,819	11,414
Net debt		35,361	3,700	29,478	3,228	35,947	3,770

¹⁾ Translation to EUR is provided for the convenience of the reader. Closing exchange rate of 9.56 (9.13; 9.53) was used.

A. ACCOUNTING PRINCIPLES AND APPLICATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

A1. GENERAL ACCOUNTING PRINCIPLES AND NEW ACCOUNTING RULES

READING INSTRUCTIONS

General accounting principles **AP** and new accounting rules are presented below. Other accounting principles considered material by SCA are presented in conjunction with the respective notes. 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 the respective note in the section about the Parent Company.

Key assessments and assumptions **KAA** are presented under the respective notes; see application of assessments below.

Amounts that are reconcilable to the balance sheet, income statement, cash flow statement and the operating cash flow statement are marked with the following symbols:

BS	Balance sheet
IS	Income statement
CF	Cash flow statement
OCF	Operating cash flow statement
Tx:x	Reference to table in note

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 relate to the fiscal year that ended on December 31, 2016. 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.

New or amended accounting standards 2016

As of January 1, 2016, SCA applies the following new or amended IFRSs:

- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- 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

None of the above standards are deemed to have a material impact on the earnings or financial position of the Group or the Parent Company.

New or amended accounting standards after 2016

No new standards will be implemented in 2017. However, a number amendments to existing standards will be introduced. See below:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses.
- Amendments to IAS 7: Disclosure Initiative

These amendments are not expected to have a material impact on the Group.

The material standards to be applied from their effective date are described below. No prospective application is planned.

IFRS 9 Financial instruments

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: Classification and measurement of financial assets and liabilities, impairment and hedging.

The standard will become mandatory on January 1, 2018 with prospective application permitted.

The company's business model for managing the asset and the nature of the asset's contractual cash flows comprise the basis for classification and measurement, in which the financial assets are classified in one of the following three categories: 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 through profit or loss. The new standard entails essentially unchanged recognition of financial liabilities.

The standard 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, provisions are established for credit losses that may arise within the next 12 months for assets with low credit risk. 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 has been developed for trade receivables and lease receivables, whereby anticipated losses are recognized over the estimated remaining term of the receivable.

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.

SCA has evaluated the new rules for hedge accounting and has concluded that these will provide SCA with greater scope to apply hedge accounting and will facilitate the Group's documentation of hedge accounting. With respect to impairment, trade receivables are the main item affected for SCA and the quantitative effects are deemed relatively small. SCA does not intend to prospectively apply IFRS 9.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers establishes a new regulatory framework for the manner in which a company should recognize revenue. The new standard will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC (International Financial Reporting Interpretations Committee) 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC (Standing Interpretation Committee of the IASC, predecessor to the IFRIC) 31 Revenue – Barter Transactions Involving Advertising Services. The date on which the standard will become effective has been postponed one year to January 1, 2018. During the year, IFRS 15 Clarification was issued, providing further guidance on when goods or services are to be recognized separately or jointly with other goods and services.

The new standard is designed according to a control-based five-step model framework. The standard regulates commercial agreements (contracts) with customers in which delivery of goods/services is divided into separately identifiable performance obligations that are recognized independently. In certain cases, the good/service can be integrated with other obligations in the contract, whereby a package of goods/services comprises a joint obligation. The standard establishes rules for calculating the transaction price for delivery of goods and services and the manner in which this can be allocated among the various performance obligations. Revenue is recognized when control has passed to the customer by the customer being able to use or benefit from the good/service, at which point it is deemed to have been transferred. Control may be passed at 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. Three different criteria have been established for determining whether a performance obligation is satisfied over time. Either the customer receives and consumes all of the benefits as the obligation is performed; the company's performance enhances an asset that the customer controls; or 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. IFRS 15 aims to create more comparable and transparent financial reporting, which will be achieved by separating customer contracts as specified above and by providing significantly expanded disclosures regarding how and when revenue is generated. Disclosures encompass both quantitative and qualitative information to help the users of financial statements to understand the company's business. Disclosures include information regarding contracts with

A1. GENERAL ACCOUNTING PRINCIPLES AND NEW ACCOUNTING RULES, CONT.

customers, separation of revenue into geographical regions, categories or similar with settlement against the recognized segment, information regarding balance sheet items and information concerning significant assessments.

In 2016, a project group at SCA analyzed the implications of a switch of revenue standard in 2018. The group's main task was to introduce and provide training to various parts of the Group in terms of what the standard involves and the implications it will have for SCA. In addition, the Group has produced a questionnaire to determine the various types of contracts that exist in the Group. The questionnaire has been discussed at various levels with the company's regions. Contact was made with the business development departments for various products, particularly within incontinence and AfH, to identify whether SCA's product offering encompasses services or whether the future development of new products will encompass services. Furthermore, information was compiled regarding how bonuses and discounts are handled in SCA's contracts and reporting.

The conclusion can be drawn that SCA's sales mainly comprise sales of products and, to a very limited extent, services, and thus the assessment has been made that no separate reporting of services is required. Developments in the area will continue to be monitored and in the event of a broadening of the service offering, separate reporting may be introduced.

The new reporting standard has transitioned from a risk and rewards concept to focusing more on when control has been transferred to the customer, which has given cargo clauses a more prominent role. As part of the project, it was found that for some of the shipments, SCA booked the sales revenues before control had been transferred to the customer. However, the extent was considered to be insignificant. Overall, this means that the new standard is not expected to have any significant impact on SCA's revenue recognition. During 2017, however, SCA intends to ensure that the data is available for the expanded disclosure requirements in 2017.

IFRS 16 Leases

In January 2016, the IASB published a new leases standard that will replace IAS 17 Leasing agreements and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that all assets and liabilities attributable to all lease agreements, with a few exceptions, be recognized in the balance sheet. This type of recognition is based on the approach that the lessee is entitled to use an asset over a specific period and simultaneously has an obligation to pay for this entitlement. The only exceptions are agreements with a term of less than 12 months or assets with a low value, such as leasing contracts for computers and office furniture. Recognition for the lessor will remain essentially unchanged. The standard is applicable to fiscal years beginning on January 1, 2019 or later. Prospective application is permitted. The standard has not yet been adopted by the EU.

SCA will need to develop an overview of the lease agreements that exist in the Group to assess the measures required and to adapt recognition to the new standard as well as the extent to which SCA is to continue leasing equipment. The cost of operational lease agreements for the 2016 fiscal year amounted to SEK 857m. As of December 31, 2016, the undiscounted amount relating to payment commitments for operational lease agreements totaled approximately SEK 3,500m. However, the application of IFRS 16 would entail that a lower amount would be recognized as a liability and asset given that components of the lease agreements may refer to service and, moreover, the future payment commitments are also to be discounted. For more information about the company's lease commitments, including the maturity structure, refer to G2.

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.

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 seldom fully concur with the estimated result.

In SCA's opinion, the areas that are impacted the most by assumptions and estimates are:

Biological assets, D3
Goodwill, D1
Pensions, C5

Taxes, B4

Provisions, D7

SCA's assessments and assumptions are presented in the respective notes.

PRINCIPLES OF CONSOLIDATION

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.

Joint arrangements

SCA classifies its joint arrangements as joint ventures or joint operations. A joint venture entitles the joint owners to the net assets of the investment and is therefore recognized according to the equity method. In joint operations, parties to the agreement have rights to the assets and an obligation 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.

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% and 50% of the votes. Accounting for associates is carried out according to the equity method and they are initially measured at cost.

For further information, see Note F3.

TRANSLATION OF FOREIGN CURRENCY

Functional currency and translation of foreign Group companies to the presentation currency

SCA's Parent Company has Swedish kronor (SEK) as its functional currency. The functional currency of each SCA Group company is determined on the basis of the primary economic environment in which it operates. The financial statements of Group companies are translated to the Group's presentation currency, which is SEK in the case of SCA. Assets and liabilities are translated at the closing rate, while income and expenses are translated at the average rate for the respective period. Translation differences on net assets are recognized as translation differences in other comprehensive income, which is a component of equity (translation reserve).

Exchange rate effects arising from financial instruments used to hedge foreign subsidiaries' net assets are recognized in the same manner in other comprehensive income, which is a component of equity (translation reserve). On divestment, the translation difference on the foreign subsidiary and exchange rate effects on the financial instrument used to currency hedge the net assets in the company are recognized as part of the gain or loss on disposal.

Goodwill and surplus value adjustments arising in connection with the acquisition of a foreign subsidiary are to be translated, in a manner corresponding to the net assets in the company, from their functional currency to the presentation currency.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCY

Transactions in foreign currency are translated to a functional currency using the rate prevailing on the transaction date. At accounting year-end, monetary assets and liabilities are translated at the closing day rate and any exchange

rate effects are recognized in profit or loss. In cases where the exchange rate effect is related to the operations, the effect is recognized net in operating profit. Exchange rate effects pertaining to borrowing and financial investments are recognized as other financial items. Non-monetary assets and liabilities recognized at historical cost are translated at the exchange rate prevailing on the transaction date.

If hedge accounting has been applied, for example, for cash flow hedges or hedging of net investments, the exchange rate effect is recognized in total equity under other comprehensive income.

If a financial instrument has been classified as available-for-sale financial assets, the portion of the value change pertaining to currency is recognized in profit or loss, while any other unrealized change is recognized in equity under other comprehensive income.

REVENUE RECOGNITION

Sales revenue, which is synonymous with net sales, refers to the consideration received or receivable for goods and services sold 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 com-

pensation for sales that are not included in the Group's ordinary activities and includes income from SCA's transport activities and rental revenue, which is recognized in the period covered by the rental contract, as well as 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.

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.

A2. USE OF NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") PERFORMANCE MEASURES

Guidelines concerning non-IFRS performance measures for companies with securities listed on a regulated market in the EU have been issued by the ESMA (The European Securities and Markets Authority). These guidelines are to be applied to alternative performance measures (APM) applied as of July 3, 2016.

The Annual Report refers to a number of non-IFRS performance measures used to assist investors and company management to analyze the company's operations. A description of the various non-IFRS performance measures used as a complement to the financial information reported according to IFRS is presented below.

The Board of Directors of SCA has established that the Group's overall profitability target is to achieve a return on capital employed of 13% over a busi-

ness cycle. The target is 30% for Personal Care, 15% for Tissue and to be in the top quartile of the industry for Forest Products. The growth target for Personal Care is annual organic sales growth of 5–7%, while the target for Tissue is 3–4%. For Forest Products, the target is to grow in line with the market.

It is important that SCA maintains an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt is to be taken into consideration in the target to maintain a solid investment grade rating.

A number of financial performance measures and how these are used to analyze the company's objective are described below.

CALCULATION OF PERFORMANCE MEASURES NOT INCLUDED IN IFRS FRAMEWORK

RETURN MEASURES		Return is a financial term that describes how much the value of an asset changes from an earlier point in time
Non-IFRS performance measure	Description	Reason for use of the measure
Return on capital employed, ROCE	Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of capital employed for the two most recent quarters.	This is the central ratio for measuring return on capital tied up in operations.
Return on equity	For the Group, return on equity is calculated as profit for the year as a percentage of average equity.	Shows, from a shareholder perspective, the return that is generated on the owners' capital that is invested in the company.
CAPITAL MEASURES		Shows how capital is utilized and the company's financial strength
Non-IFRS performance measure	Description	Reason for use of the measure
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.	Equity is the difference between the Group's assets and liabilities, which corresponds to the Group's equity contributed by owners and the Group's accumulated profits.
Equity per share	Equity in relation to the total number of registered shares.	A measure of the amount of equity that exists per share and is used for measuring the share against the share price.
Equity/assets ratio	Equity expressed as a percentage of total assets.	A traditional measure for showing financial risk, expressing the amount of restricted equity that is financed by the owners.
Capital employed	The Group's and business areas' capital employed is calculated as the balance sheet's total assets, excluding interest-bearing assets and pension assets, less total liabilities, excluding interest-bearing liabilities and pension liabilities.	This measure shows the amount of total capital that is used in the operations and is thus one of the components for measuring the return from operations.

Capital Measures	Shows how capital is utilized and the company's financial strength			
Non-IFRS performance measure	Description	Reason for use of the measure		
SEKm		2016	2015	2014
CAPITAL EMPLOYED				
Total assets		165,748	152,372	154,736
Financial assets		–6,958	–7,220	–8,215
Non-current, non-interest-bearing liabilities		–13,312	–12,235	–11,001
Current, non-interest-bearing liabilities		–30,598	–27,748	–26,701
Capital employed		114,880	105,169	108,819
CAPITAL EMPLOYED				
Personal Care		13,665	13,149	13,578
Tissue		61,335	55,054	55,489
Forest Products		40,109	37,216	37,831
Other		–229	–250	1,921
Capital employed		114,880	105,169	108,819

Non-IFRS performance measure	Description	Reason for use of the measure		
Capital turnover	Sales for the year divided by average capital employed.	Shows in a clear manner how effectively capital is employed. Together with sales growth and the operating margin, the capital turnover ratio is a key measure for monitoring value creation		
Working capital	The Group's and business areas' current capital is calculated as current operating receivables less current operating liabilities.	This measure shows how much working capital is tied up in the operations and can be put in relation to sales to understand how effectively tied-up working capital is used.		
SEKm		2016	2015	2014
WORKING CAPITAL				
Inventories		14,347	14,661	13,793
Trade receivables		17,811	16,829	16,827
Other current receivables		2,898	2,831	2,844
Trade payables		-15,750	-14,351	-13,964
Other current liabilities		-12,466	-11,580	-11,004
Adjustments		43	-223	-146
Working capital		6,883	8,167	8,350

Non-IFRS performance measure	Description	Reason for use of the measure		
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.	Net debt is the most relevant measure for showing the company's total debt financing.		
SEKm		2016	2015	2014
NET DEBT				
Surplus in funded pension plans		1,186	371	3
Non-current financial assets		722	1,032	3,137
Current financial assets		568	775	1,260
Cash and cash equivalents		4,482	5,042	3,815
Financial assets		6,958	7,220	8,215
Non-current financial liabilities		31,360	21,475	24,246
Provisions for pensions		5,602	2,771	5,100
Current financial liabilities		5,357	12,452	14,816
Financial liabilities		42,319	36,698	44,162
Net debt		35,361	29,478	35,941

Non-IFRS performance measure	Description	Reason for use of the measure
Debt/equity ratio	Expressed as net debt in relation to equity.	Helps show financial risk and is the most useful measure for management to monitor the level of the company's indebtedness.
Debt payment capacity	Expressed as the cash surplus in relation to average net debt.	A financial measure that shows the company's capacity to repay its debt.
Interest coverage ratio	Calculated according to the net method where operating profit is divided by financial items.	The ratio indicates a company's ability to cover its interest expenses.

PERFORMANCE MEASURES			
Various types of performance measures and margin measures expressed as a percentage of sales			
Non-IFRS performance measure	Description	Reason for use of the measure	
Organic sales	Sales growth excluding exchange rate effects, acquisitions and divestments.	This measure is of major importance for management in its monitoring of underlying sales growth driven by changes in volume, price and product mix for comparable units between different periods.	
SEKm		2016	2015
ORGANIC SALES			2014
Personal Care			
Organic sales		865	2,282
Exchange rate effects		-1,313	1,015
Acquisitions/Divestments		-245	-18
Recognized change		-693	3,279
			1,330
Tissue			
Organic sales		1,818	2,588
Exchange rate effects		-1,375	4,602
Acquisitions/Divestments		2,934	0
Recognized change		3,377	7,190
			8,897
Forest Products			
Organic sales		-557	537
Exchange rate effects		-134	252
Acquisitions/Divestments		0	0
Recognized change		-691	789
			965
Group			
Organic sales		2,131	5,412
Exchange rate effects		-2,822	5,868
Acquisitions/Divestments		2,689	-18
Recognized change		1,998	11,262
			11,181

Non-IFRS performance measure	Description	Reason for use of the measure	
Adjusted gross profit	Net sales minus cost of goods sold excluding items affecting comparability.	Adjusted gross profit is stripped of items affecting comparability and is thus a better measure for showing the company's margins before the effect of costs such as selling and administrative costs.	
Operating surplus/EBITDA	Calculated as operating profit before depreciation/impairment of property, plant and equipment and intangible assets and share of profits of associates.	This measure is a good complement to operating profit, as it shows the cash surplus from operations.	
Adjusted operating surplus/EBITDA	Calculated as operating profit before depreciation/impairment of property, plant and equipment and intangible assets and share of profits of associates, excluding items affecting comparability.	This measure is a good complement to operating profit, as it shows the cash surplus from operations adjusted for the impact of items affecting comparability.	
SEKm		2016	2015
OPERATING SURPLUS/EBITDA			2014
Operating profit		11,279	10,947
Share of profits of associates and joint ventures		-152	-199
Depreciation/amortization		6,258	5,961
Operating surplus		17,385	16,709
Items affecting comparability		2,710	2,067
Depreciation/amortization in items affecting comparability		-80	0
Adjusted operating surplus/EBITDA		20,015	18,776
			17,214

Non-IFRS performance measure	Description	Reason for use of the measure	
Operating surplus margin/EBITDA margin	Operating surplus as a percentage of net sales for the year.	This measure is a good complement to operating margin, as it shows the cash surplus in relation to net sales.	
Items affecting comparability	Under items affecting comparability, SCA includes costs in connection with acquisitions, restructuring, impairment and other specific events.	Separate reporting of items affecting comparability between periods provides a better understanding of the company's operating activities.	
Restructuring costs	Costs for impairment together with personnel costs in connection with restructuring.	This measure shows the specific costs that have arisen in connection with restructuring of a specific operation, which contributes to a better understanding of the underlying cost level in the continuing operations.	
Operating margin	Operating profit as a percentage of net sales for the year.	The operating margin is a key measure together with sales growth and capital turnover ratio for monitoring value creation.	
Adjusted operating profit	Calculated as operating profit before financial items and tax, excluding items affecting comparability.	Adjusted operating profit is a key ratio for control of the Group's profit centers and provides a better understanding of earnings performance of the operations than the non-adjusted operating profit.	
Financial net margin	Net financial items divided by net sales.	This measure shows the relationship between net financial items and net sales.	

A2. USE OF NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") PERFORMANCE MEASURES, CONT.

PERFORMANCE MEASURES cont. Various types of performance measures and margin measures expressed as a percentage of sales		
Non-IFRS performance measure	Description	Reason for use of the measure
Adjusted profit before tax	Calculated as operating profit before tax, excluding items affecting comparability.	This is a useful measure for showing total profit for the company including financing, but not affected by taxes and items that affect comparability with previous periods.
Adjusted profit for the period	Profit for the period after deducting items affecting comparability.	Shows the period's total earnings capacity.
Net margin	Profit for the year as a percentage of net sales for the year.	The net margin shows the remaining share of net sales after all of the company's costs have been deducted, apart from income tax.

CASH FLOW PERFORMANCE MEASURES Various performance measures and costs that have impacted the company's cash flow			
Non-IFRS performance measure	Description	Reason for use of the measure	
Operating cash surplus	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 items affecting comparability, reduced by tax payments.	This measure shows the cash flow generated by profit and is part of the follow-up of cash flow.	
Operating cash flow	Consists of the sum of operating cash surplus and change in working capital, with deductions for current capital expenditures in non-current assets and restructuring costs.	This is an important control measure used internally within the organization that shows the combined cash flow from operating activities including all parts that the units have control over themselves.	
SEKm		2016	2015
OPERATING CASH FLOW			2014
Personal Care			
Operating cash surplus		5,314	5,018
Change in working capital		289	-314
Current capital expenditures, net		-805	-840
Restructuring costs, etc.		-75	-72
Operating cash flow		4,723	3,792
Tissue			
Operating cash surplus		11,970	10,703
Change in working capital		861	-285
Current capital expenditures, net		-3,159	-2,260
Restructuring costs, etc.		-338	-491
Operating cash flow		9,334	7,667
Forest Products			
Operating cash surplus		2,639	3,319
Change in working capital		119	95
Current capital expenditures, net		-959	-869
Restructuring costs, etc.		85	-44
Operating cash flow		1,884	2,501

Non-IFRS performance measure	Description	Reason for use of the measure
Cash flow from current operations	Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.	This measure can be said to illustrate the cash flow generated by operations and that can potentially be used for strategic initiatives such as strategic capital expenditures or acquisitions.
Strategic capital expenditures in non-current assets	Strategic capital expenditures increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost SCA's competitiveness.	Shows that size of the capital expenditures that are made in expansion and other growth measures.
Current capital expenditures	Investments to maintain competitiveness, such as maintenance, rationalization and replacement measures or investments of an environmental nature.	Shows the size of the capital expenditures required to maintain existing manufacturing capacity.

B. SALES AND EARNINGS

B1. SEGMENT REPORTING

AP ACCOUNTING PRINCIPLES

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 and CEO, 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. One Executive Vice President and the Executive Management Team support him in his work; see the section Responsibility and governance, Corporate governance on pages 66–67. SCA's three business areas, Personal Care, Tissue and Forest Products, comprise the operating segments.

The tables below show parts of the consolidated balance sheet and income statement broken down by operating segment: Personal Care, Tissue and Forest Products.

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total, Group
2016 fiscal year						
REVENUES						
TB1:2 External sales	33,651	67,561	16,076	26	–	117,314
Internal sales	–	–	511	–	–511	–
IS Total revenues	33,651	67,561	16,587	26	–511	117,314
RESULT						
Performance by operating segment	4,255	8,155	2,211	–632	–	13,989
TB1:1 Items affecting comparability	–1,011	–1,815	122	–6	–	–2,710
IS Operating profit/loss	3,244	6,340	2,333	–638	–	11,279
IS Financial income						132
IS Financial expenses						–1,051
IS Tax expense for the period						–4,348
IS Profit for the period						6,012
OTHER DISCLOSURES						
Assets	22,483	84,778	51,811	3,333	–4,738	157,667
BS Holdings in associates	346	795	27	–45	–	1,123
Unallocated financial assets				6,958		6,958
BS Total assets	22,829	85,573	51,838	10,246	–4,738	165,748
Investments/acquisitions	–2,207	–10,409	–3,321	–313	–	–16,250
Depreciation/amortization	–1,105	–3,951	–1,114	–88	–	–6,258
Expenses, in addition to depreciation/amortization, not matched by payments	8	49	–692	–38	–	–673

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total, Group
2015 fiscal year						
REVENUES						
TB1:2 External sales	34,344	64,184	16,797	–9	–	115,316
Internal sales	–	–	482	–	–482	–
IS Total revenues	34,344	64,184	17,279	–9	–482	115,316
RESULT						
Performance by operating segment	3,990	7,217	2,605	–798	–	13,014
TB1:1 Items affecting comparability	–614	–618	–1,280	445	–	–2,067
IS Operating profit/loss	3,376	6,599	1,325	–353	–	10,947
IS Financial income						205
IS Financial expenses						–1,160
IS Tax expense for the period						–2,540
IS Profit for the period						7,452
OTHER DISCLOSURES						
Assets	20,871	75,825	48,719	3,664	–5,006	144,073
BS Holdings in associates	301	727	34	16	–	1,078
Unallocated financial assets				7,221		7,221
BS Total assets	21,172	76,552	48,753	10,901	–5,006	152,372
Investments/acquisitions	–1,810	–3,695	–1,913	–247	–	–7,665
Depreciation/amortization	–1,124	–3,552	–1,194	–91	–	–5,961
Expenses, in addition to depreciation/amortization, not matched by payments	6	24	–479	–15	–	–464

B1. SEGMENT REPORTING, CONT.

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total, Group
2014 fiscal year						
REVENUES						
TB1:2 External sales	31,066	56,994	16,066	-72	-	104,054
Internal sales	-	-	424	27	-451	-
IS Total revenues	31,066	56,994	16,490	-45	-451	104,054
RESULT						
Performance by operating segment	3,526	6,652	2,505	-834	-	11,849
TB1:1 Items affecting comparability	-252	-599	-392	-157	-	-1,400
IS Operating profit/loss	3,274	6,053	2,113	-991	-	10,449
IS Financial income						217
IS Financial expenses						-1,178
IS Tax expense for the period						-2,420
IS Profit for the period						7,068
OTHER DISCLOSURES						
Assets	21,363	76,768	49,048	2,870	-4,617	145,432
BS Holdings in associates	33	90	39	926	-	1,088
Unallocated financial assets				8,216		8,216
BS Total assets	21,396	76,858	49,087	12,012	-4,617	154,736
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/amortization, not matched by payments	2	-6	-953	-6	-	-963
TB1:1 Items affecting comparability allocated by segment						
SEKm	Personal Care	Tissue	Forest Products	Other		Total
2016 fiscal year						
Restructuring costs	-356	-458	7	11		-796
Costs	-438	-938	-	-114		-1,490
Impairment etc.	-217	-419	115	97		-424
Total	-1,011	-1,815	122	-6		-2,710
2015 fiscal year						
Restructuring costs	-72	-289	-52	-319		-732
Costs	-1	-70	0	-71		-142
Impairment etc.	-541	-259	-1,228	-135		-2,163
Gain/loss sale of securities				970		970
Total	-614	-618	-1,280	445		-2,067
2014 fiscal year						
Restructuring costs	-144	-257	12	-4		-393
Costs	-50	-311	-	-151		-512
Impairment etc.	-58	-31	-404	-2		-495
Total	-252	-599	-392	-157		-1,400

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 paper, 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 paper for packaging and print, pulp, solid-wood products and renewable energy. SCA has a well-integrated value chain in Sweden between its forest assets and Forest Products' production facilities. Pulp production contributes to the Group's raw material integration, since the Group's pulp is partly delivered internally. The Group's pulp is partly produced from timber from the Group's own forests, which also, to a large extent, supply the sawmills. Other operations consist of group common functions and unallocated tax.

Assets and liabilities: The assets included in each operating segment comprise all operating assets used in the operating 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 operating segment. Assets that are common to two or more operating segments are allocated among the operating segments.

Intra-Group deliveries: Revenues, expenses and results for the various operating 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 23% (23; 21) of the company's sales.

B1b. SEGMENT REPORTING, CONT.

	Net sales – sold to ¹⁾						Net sales – sold by ¹⁾					
	2016		2015		2014		2016		2015		2014	
TB1:2 Group by country	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Sweden	5,834	5	5,764	5	5,524	5	16,660	14	17,283	15	16,757	16
EU excl. Sweden												
Germany	12,110	10	12,007	11	11,442	11	10,443	9	10,023	9	9,644	9
UK	10,832	9	11,728	10	9,881	9	9,557	8	10,414	9	8,677	8
France	10,125	9	10,205	10	9,804	9	9,489	8	9,431	8	9,144	9
Spain	5,844	5	5,864	5	5,556	5	5,622	5	5,746	5	5,553	5
Netherlands	3,534	3	3,483	3	3,293	3	3,235	3	3,161	3	2,923	3
Italy	3,281	3	3,332	3	3,098	3	3,224	3	3,226	3	2,965	3
Belgium	1,963	2	1,943	2	1,843	2	1,521	1	1,515	1	1,454	1
Finland	1,742	1	1,785	2	1,687	2	1,467	1	1,475	1	1,401	1
Austria	1,662	1	1,629	1	1,548	1	1,679	1	1,646	1	1,562	2
Denmark	1,481	1	1,510	1	1,446	1	953	1	976	1	888	1
Poland	1,169	1	1,113	1	967	1	694	1	727	1	638	1
Hungary	806	1	795	1	649	1	851	1	710	1	628	1
Greece	639	1	673	1	781	1	384	0	415	0	516	0
Czech Republic	583	0	564	0	522	1	503	0	482	0	453	0
Ireland	507	0	477	0	452	0	388	0	375	0	351	0
Portugal	394	0	492	0	587	1	257	0	241	0	221	0
Romania	324	0	257	0	275	0	272	0	239	0	226	0
Croatia	278	0	237	0	244	0	–	0	–	0	–	0
Slovakia	246	0	254	0	234	0	388	0	370	0	361	0
Lithuania	234	0	226	0	209	0	182	0	173	0	170	0
Rest of EU	804	1	806	1	734	1	308	0	288	0	279	0
Total EU excl. Sweden	58,558	50	59,380	52	55,254	53	51,417	44	51,633	45	48,054	46
Rest of Europe												
Russia	2,880	2	3,024	3	3,120	3	3,061	3	3,178	3	3,247	3
Norway	1,704	1	1,741	2	1,802	2	1,117	1	1,130	1	1,172	1
Switzerland	1,346	1	1,325	1	1,242	1	1,195	1	1,200	1	1,082	1
Turkey	557	0	725	0	810	1	537	0	789	1	812	1
Ukraine	291	0	300	0	268	0	264	0	280	0	236	0
Other	318	0	305	0	273	0	0	0	0	0	0	0
Total, Rest of Europe	7,096	6	7,420	6	7,515	7	6,174	5	6,577	6	6,549	6
Rest of world												
US	13,385	11	10,459	10	8,389	8	13,325	11	10,227	9	8,216	8
China	10,495	9	9,562	9	6,976	7	13,148	11	10,456	9	7,299	7
Mexico	4,038	3	4,140	4	3,406	3	4,509	4	4,680	4	3,886	4
Colombia	3,441	3	3,513	4	3,492	3	3,978	3	3,960	3	3,810	4
Canada	1,677	1	1,479	1	1,302	1	1,525	1	1,505	1	1,334	1
Japan	1,390	1	1,324	1	1,328	1	718	1	679	1	467	0
Malaysia	1,298	1	1,343	1	1,123	1	373	0	1,701	1	1,412	1
Ecuador	1,295	1	1,402	1	1,242	1	1,291	1	1,400	1	1,242	1
Hong Kong	1,126	1	1,068	1	931	1	455	0	385	0	599	1
Chile	1,036	1	1,095	1	933	1	1,015	1	1,072	1	919	1
Costa Rica	495	0	519	0	410	0	499	0	523	0	415	0
Brazil	461	0	563	0	514	0	460	0	561	0	514	0
Argentina	380	0	451	0	296	0	372	0	452	0	306	0
Taiwan	363	0	400	0	349	0	83	0	333	0	444	0
Morocco	361	0	346	0	377	0	43	0	0	0	0	0
Tunisia	326	0	342	0	301	0	546	0	624	1	662	1
India	282	0	224	0	85	0	163	0	108	0	34	0
Dominican Republic	255	0	216	0	159	0	121	0	114	0	84	0
Peru	253	0	220	0	163	0	12	0	7	0	3	0
Singapore	230	0	252	0	245	0	46	0	186	0	162	0
Nicaragua	159	0	174	0	142	0	0	0	0	0	0	0
Egypt	144	0	203	0	313	0	39	0	53	0	46	0
South Africa	123	0	371	0	346	0	79	0	331	0	334	0
Other	2,813	2	3,086	3	2,939	4	263	0	466	0	506	0
Total, Rest of world	45,826	39	42,752	37	35,761	34	43,063	37	39,823	34	32,694	32
Total, Group	117,314	100	115,316	100	104,054	100	117,314	100	115,316	100	104,054	100

¹⁾ Net sales have been recognized from two perspectives. The first column "Net sales – sold to" is based on sales to the countries where SCA has its customers, or SCA's "footprint". The second column "Net sales – sold by" takes the perspective of IFRS 8, meaning revenue from external customers where the company is domiciled and in all other countries from which the company receives revenues.

B1c. SEGMENT REPORTING, CONT.

TB1:2 Group by country	Average number of employees									Non-current assets ¹⁾		
	2016	Of whom men, %	Of whom women, %	2015	Of whom men, %	Of whom women, %	2014	Of whom men, %	Of whom women, %	2016 SEKm	2015 SEKm	2014 SEKm
Sweden	5,502	73	27	5,481	73	27	5,576	74	26	50,294	46,465	44,659
EU excl. Sweden												
Germany	3,410	81	19	3,382	81	19	3,391	82	18	6,377	5,839	6,244
UK	1,779	82	18	1,767	82	18	1,798	83	17	4,436	4,998	5,127
France	2,552	76	24	2,677	76	24	2,755	77	23	5,298	5,331	5,889
Spain	1,182	75	25	1,173	76	24	1,137	76	24	3,707	3,812	4,041
Netherlands	1,277	84	16	1,260	84	16	1,254	85	15	2,414	3,030	3,022
Italy	851	77	23	830	78	22	812	78	22	2,567	2,043	2,179
Belgium	381	78	22	373	77	23	382	76	24	465	770	2,856
Finland	311	72	28	321	73	27	362	72	28	811	819	812
Austria	616	82	18	628	82	18	635	81	19	728	707	745
Denmark	91	36	64	84	37	63	83	37	63	3	3	1
Poland	687	71	29	625	74	26	606	76	24	1,081	882	912
Hungary	134	42	58	136	43	57	137	43	57	6	3	4
Greece	53	55	45	53	54	46	66	59	41	14	64	70
Czech Republic	67	37	63	68	41	59	71	40	60	1	–	–
Ireland	15	67	33	17	70	30	23	75	25	27	26	28
Portugal	22	50	50	23	43	57	26	40	60	71	68	70
Romania	31	39	61	24	33	67	26	31	69	10	–	1
Croatia	9	33	67	7	29	71	6	33	67	–	–	–
Slovakia	746	71	29	761	70	30	779	68	32	652	580	593
Lithuania	25	48	52	23	58	42	23	58	42	–	–	1
Rest of EU	36	33	67	30	33	67	15	20	80	1	1	17
Total EU excl. Sweden	14,275	77	23	14,262	78	22	14,385	78	22	28,669	28,976	32,612
Rest of Europe												
Russia	1,374	60	40	1,296	59	41	1,275	59	41	1,817	1,432	1,652
Norway	104	38	62	105	36	64	135	32	68	2	2	–
Switzerland	30	37	63	29	42	58	29	51	49	88	82	87
Turkey	235	80	20	264	82	18	221	81	19	402	430	435
Ukraine	68	47	53	67	46	54	73	48	52	4	1	2
Other	–	–	–	–	–	–	–	–	–	–	–	–
Total, Rest of Europe	1,811	60	40	1,761	61	39	1,733	59	41	2,313	1,947	2,176
Rest of world												
US	3,376	76	24	2,497	75	25	2,507	75	25	14,685	7,806	7,655
China	10,341	54	46	8,166	53	47	8,222	52	48	13,025	13,131	12,346
Mexico	2,389	76	24	2,438	73	27	2,418	74	26	3,370	3,666	4,143
Colombia	3,561	69	31	3,154	69	31	3,091	69	31	2,104	1,880	2,224
Canada	283	65	35	281	64	36	292	63	37	261	224	294
Japan	104	22	78	112	23	77	118	21	79	4	5	6
Malaysia	347	46	54	1,306	44	56	1,275	43	57	845	762	871
Ecuador	1,104	66	34	1,148	59	41	1,108	50	50	305	263	241
Hong Kong	6	50	50	5	60	40	19	34	66	1,323	–	–
Chile	596	80	20	647	83	17	637	85	15	884	792	892
Costa Rica	89	54	46	88	54	46	83	54	46	3	3	3
Brazil	507	62	38	501	61	39	501	57	43	816	411	222
Argentina	345	60	40	302	60	40	298	61	39	69	63	86
Taiwan	66	55	45	276	57	43	300	57	43	602	552	713
Morocco	13	46	54	–	–	–	–	–	–	–	–	–
Tunisia	894	88	12	864	88	12	880	89	11	170	180	137
India	229	96	4	185	94	6	106	90	10	–	175	158
Dominican Republic	115	73	27	107	64	36	102	55	45	10	8	9
Peru	12	50	50	10	37	63	24	18	82	–	–	1
Singapore	8	25	75	32	31	69	30	32	68	9	8	8
Nicaragua	8	37	63	8	37	63	9	33	67	–	–	–
Egypt	5	–	–	4	–	–	1	–	–	–	2	2
South Africa	20	35	65	108	55	45	143	55	45	3	1	65
Other	165	80	20	257	65	35	396	48	52	197	183	186
Total, Rest of world	24,583	64	36	22,496	63	37	22,553	61	39	38,685	30,115	30,262
Total, Group	46,171	69	31	44,000	69	31	44,247	68	32	119,961	107,503	109,710

¹⁾ Non-current assets comprise Goodwill, Other intangible assets, Buildings, Land, Machinery and equipment, and Biological assets.

B2. OPERATING EXPENSES

Operating expenses by function and type of cost

Operating expenses by function

SEKm	2016	2015	2014
IS Cost of goods sold	-85,721	-85,476	-77,520
IS Sales, general and administration	-17,756	-17,025	-14,798
IS TB2:1 Items affecting comparability	-2,710	-2,067	-1,400
Total	-106,187	-104,568	-93,718

Refer also to page 142 for a description of costs.

Operating expenses by type of cost

SEKm	Note	2016	2015	2014
TB2:2 Other income		1,794	1,834	2,469
Change in net value of biological assets	D3	689	476	615
Change in inventory of finished products and products in progress ¹⁾		-214	680	198
Raw materials and consumables ¹⁾		-41,091	-42,166	-36,255
Personnel costs ¹⁾	C1	-20,513	-19,529	-17,700
TB2:3 Other operating expenses ¹⁾		-40,245	-38,709	-37,081
Amortization of intangible assets ¹⁾	D1	-397	-293	-282
Depreciation of property, plant and equipment ¹⁾	D2	-5,861	-5,668	-5,228
Impairment of intangible assets ¹⁾	D1	-137	-554	-36
Impairment of property, plant and equipment ¹⁾	D2	-420	-1,639	-62
Impairment of associates		-	-62	-
Financial items		208	970	-
Revaluation of acquisitions ¹⁾		-	-	36
Gain/loss on divestment ¹⁾	F6	-	92	-392
Total		-106,187	-104,568	-93,718

¹⁾ Including items affecting comparability.

TB2:1 Items affecting comparability

Distribution of items affecting comparability by function

SEKm	2016	2015	2014
Cost of goods sold	-529	-323	-436
Sales, general and administration	-1,757	-551	-469
Impairment, etc.	-424	-2,163	-495
Gain on sale of securities	-	970	-
IS Total	-2,710	-2,067	-1,400

Distribution of items affecting comparability by type of cost

SEKm	2016	2015	2014
Impairment in inventory of finished products and products in progress	-156	-30	-221
Raw materials and consumables	-102	-15	-14
Personnel costs	-69	-350	-282
Other operating expenses	-1,955	-479	-396
Amortization of intangible fixed assets	-43	-	-
Depreciation of property, plant and equipment	-36	-	-32
Impairment of intangible assets	-137	-554	-
Impairment of property, plant and equipment	-420	-1,639	-99
Impairment of associates	-	-62	-
Revaluation of acquisitions	-	-	36
Gain/loss on divestment	208	92	-392
Gain on sale of securities	-	970	-
IS Total	-2,710	-2,067	-1,400

Distribution of items affecting comparability by category

SEKm	2016
Costs for legal disputes	-1,086
Costs for closure of operations in Spain and France	-757
Costs for closure of operations in India	-374
Costs in conjunction with Wausau acquisition	-204
Costs for closure of operations in Mexico	-174
Transaction costs BSN medical	-143
Impairment of Smart Fresh operations	-75
Costs of potential split of SCA Group into two listed companies	-12
Gain on divestment of IL Recycling	218
Other	-103
IS Total	2,710

For information on items affecting comparability by segment, refer to Note B1 Segment reporting.

TB2:2 Other income

SEKm	2016	2015	2014
Sales not included in core operations	1,141	1,114	1,736
SCA's transport business	653	720	733
Total	1,794	1,834	2,469

TB2:3 Distribution of other operating expenses

SEKm	2016	2015	2014
Transport expenses	-8,433	-8,457	-7,928
Energy costs ¹⁾	-4,860	-5,308	-5,097
Purchased finished goods for resale	-4,826	-4,315	-4,452
Marketing costs	-5,523	-5,223	-4,655
Repairs and maintenance	-3,189	-2,758	-2,635
IT, telephony and lease of premises	-1,805	-1,638	-1,339
Other operating expenses, production	-4,695	-4,949	-5,062
Other operating expenses, distribution, sales and administration	-4,849	-5,341	-5,247
Other	-2,065	-720	-666
Total	-40,245	-38,709	-37,081

¹⁾ After deduction for revenues for energy in the amount of SEK 795m (800; 954).

Other disclosures

Exchange rate effects had a negative impact of SEK -80m (-175; -182) on operating profit. Government grants received reduced operating expenses by SEK 86m (90; 71). Costs for research and development amounted to SEK -1,258m (-1,093; -1,050) during the period.

B3. AUDITING EXPENSES

Auditing expenses

SEKm	2016	2015	2014
PwC			
Audit assignments	-13	-59	-56
Auditing activities other than the audit assignment	-1	-2	-2
Tax consultancy services	-12	-17	-9
Other assignments	-22	-24	-13
Total PwC	-48	-102	-80
Other auditors			
Audit assignments	-6	-5	-5
Tax consultancy services	-4	-4	-3
Other assignments	-2	-8	-7
Total other auditors	-12	-17	-15
EY			
Audit assignments	-53	-	-
Auditing activities other than the audit assignment	-1	-	-
Tax consultancy services	-	-	-
Other assignments	-5	-	-
Total EY	-59	-	-
Total	-119	-119	-95

B4. INCOME TAXES

AP ACCOUNTING PRINCIPLES

The Group's tax expense comprises current tax and deferred tax.

Current tax is calculated on the taxable profit for the period based on the tax rules prevailing in the countries where the Group operates. Since taxable profit excludes costs that are not tax deductible and income that is not taxable, this is differentiated from profit before tax in profit or loss. Current tax also includes adjustments relating to recognized current tax from prior periods. Interest attributable to income tax and withholding taxes deducted at source on intra-Group transactions are also recognized as income tax.

Deferred tax is calculated based on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carryforwards in so far as it is probable that these can be utilized against future taxable profits. Deferred taxes are measured at their nominal amount and based on the tax rates enacted or substantively enacted on the balance sheet date. Deferred tax is not calculated on the initial recognition of goodwill or when an asset or liability is recognized for the first time, provided that

the asset or liability is not attributable to an acquisition. SCA does not recognize tax that may arise on future dividends of the retained earnings of foreign subsidiaries. Any such future effects (withholding tax deducted at source 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.

The recognition of tax effects is determined by the manner in which the underlying transaction is recognized. For items in profit or loss, the tax effect is recognized in profit or loss. For transactions in equity and in other comprehensive income, the tax effect is recognized in equity and in other comprehensive income, respectively.

Tax liabilities and tax assets are recognized net when SCA has a legal right to offset.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

For companies that operate globally and thus apply significantly different taxation legislation, determining deferred tax assets and tax liabilities is complicated. This requires that assessments and assumptions be made to determine the value of the deferred tax asset and deferred tax liability on the balance sheet date. Future changes to taxation legislation and trends in the business climate will impact the company's future taxable profits and thus its possibility to utilize deferred tax assets on loss carryforwards and other temporary differences. As of December 31, 2016, SEK 1,465m was recognized as deferred tax assets based on best assessment of future taxable profits in the

Group. At year-end 2016, the Group also had taxable losses of SEK 4,687m, for which no deferred tax asset had been recognized. Accordingly, a changed assessment of the probability of future taxable profits could have a positive or negative effect.

Key assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks. For further information, see Note D7 and Note G3.

Tax expense

Tax expense (+), tax income (-)

SEKm	2016	%	2015	%	2014	%
Current tax						
Income tax for the period	2,872	27.7	2,019	20.2	2,145	22.6
Adjustments for prior periods	1,656	16.0	-2	-0.0	-155	-1.6
Current tax expense	4,528	43.7	2,017	20.2	1,990	21.0
Deferred tax						
Changes in temporary differences	-46	-0.4	323	3.2	472	5.0
Adjustments for prior periods	-419	-4.1	349	3.5	97	1.0
Revaluation	285	2.8	-149	-1.5	-139	-1.5
TB4:2 Deferred tax expense	-180	-1.7	523	5.2	430	4.5
IS Tax expense	4,348	42.0	2,540	25.4	2,420	25.5

Explanation of tax expense

The difference between the recognized tax expense and expected tax expense is explained below. The expected tax expense is calculated based on profit before tax in each country multiplied by the tax rate in effect in the country.

Tax expense	2016	%	2015	%	2014	%
SEKm						
IS Profit before tax	10,360		9,992		9,488	
IS Tax expense	4,348	42.0	2,540	25.4	2,420	25.5
Expected tax expense	2,258	21.8	2,267	22.7	2,251	23.7
Difference	2,090	20.2	273	2.7	169	1.8
The difference is explained by:						
Permanent differences between accounting and taxable result						
Effects of subsidiary financing	-152	-1.5	-71	-0.7	-21	-0.2
Effects of acquisitions and divestments	27	0.3	-23	-0.2	99	1.0
Taxes relating to profit-taking in the Group	37	0.4	27	0.3	9	0.1
Other permanent effects ¹⁾	377	3.6	17	0.2	176	1.9
Taxes related to prior periods ²⁾	1,237	12.0	347	3.4	-58	-0.6
Changes in the value of deferred tax assets ³⁾	668	6.4	23	0.2	-76	-0.8
Changes in tax rates	-104	-1.0	-47	-0.5	40	0.4
Total	2,090	20.2	273	2.7	169	1.8

¹⁾ Other permanent effects relate primarily to non-deductible costs for ongoing competition cases.

²⁾ Taxes attributable to prior periods for 2016 relate, for the most part, to an ongoing tax dispute in Sweden totaling SEK 1,223m. The effect attributable to 2015 includes a tax provision of SEK 294m concerning a tax dispute in Spain. The year 2014 primarily pertains to effects in Taiwan of SEK -54m.

³⁾ The change in value of deferred tax assets for 2016 relates mainly to the revaluation of losses in Spain of SEK 227m, in Brazil of SEK 185m and in India of SEK 213m. The amount for 2015 includes the utilization of uncapped losses of SEK -81m in Belgium and SEK 62m relating to the operation in Asia. The change in value of deferred tax assets for 2014 includes SEK -179m relating to the operation in Poland.

B4. TAXES, CONT.

Current tax liability

Current tax liability (+), current tax asset (-)

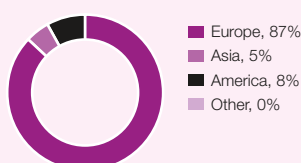
SEKm	2016	2015	2014
Value, January 1	-45	95	283
Current tax expense	4,528	2,017	1,990
CF TB4:1 Paid tax	-3,799	-2,208	-2,101
Other changes from acquisitions, divestments and reclassifications	-487	13	-111
Translation differences	-3	38	34
Value, December 31	194	-45	95
BS of which current tax liability	935	827	747
BS of which current tax asset	741	872	652

TB4:1 Paid tax

Tax payments by SCA entities in different countries, paid tax (-)

SEKm	2016	2015	2014
Country			
Sweden	-1,313	-79	-65
Germany	-516	-358	-271
Spain	-405	-90	-90
Netherlands	-215	-59	-191
China	-146	-236	-51
Belgium	-144	-80	-91
UK	-136	-115	-92
Austria	-94	-100	-60
Italy	-94	-87	-77
Mexico	-88	-121	-107
Colombia	-83	-72	-179
Ecuador	-67	-41	-21
Russia	-64	-59	-81
Slovakia	-61	-30	-39
Japan	-57	-35	-45
Denmark	-40	-26	-36
Finland	-37	-48	-8
Norway	-30	-41	-34
Costa Rica	-26	-14	-12
Poland	-26	-2	-26
Other countries	-157	-515	-525
CF Total	-3,799	-2,208	-2,101

Paid tax by region 2016, % of Group



TB4:2 Deferred tax liability

Deferred tax liability (+), tax asset (-)

SEKm	Value, January 1	Deferred tax expense	Other changes ⁴⁾	Translation differences	Value, December 31
Intangible fixed assets	1,435	89	85	70	1,679
Property, plant and equipment	11,437	-234	524	285	12,012
Financial non-current assets	-89	180	-52	8	47
Current assets	-260	-42	20	-6	-288
Provisions	-497	-386	-127	-53	-1,063
Liabilities	-655	-290	367	-28	-606
Tax credits and tax loss carryforwards	-1,405	526	-541	-69	-1,489
Other	47	-23	-66	3	-39
BS Total⁴⁾	10,013	-180	210	210	10,253

⁴⁾ The closing deferred tax liability comprises deferred tax assets of SEK 1,465m (1,063; 1,186) and deferred tax liabilities of SEK 11,718m (11,076; 10,195).

⁵⁾ Other changes include deferred tax recognized directly in equity according to IAS 19 of SEK -436m, IAS 39 of SEK 184m, changes in tax risk provisions of SEK 575m, changes relating to divestments and acquisitions of SEK -221m and reclassifications of SEK 108m.

Loss carryforwards

Future tax credit and loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount of SEK 1,489m in TB4:2.

Loss carryforwards for which no deferred tax assets were recognized amounted to SEK 4,687m (2,649; 2,644) gross at December 31, 2016. The expiry dates of these loss carryforwards are distributed as follows.

The change in uncapped loss carryforwards for the period includes SEK 85m that has expired and SEK 64m that was either utilized or capitalized. The tax value of uncapped tax loss carryforwards amounted to SEK 1,382m (779; 812).

Loss carryforwards for which no deferred tax assets were recognized 31 December 2016

Year of maturity	SEKm
2017	85
2018	917
2019	1
2020	1
2021 and later	1,001
Indefinite life	2,682
Total	4,687

C. EMPLOYEES

C1. PERSONNEL COSTS

Personnel costs

SEKm	Note	2016	2015	2014
Salaries and remuneration		-14,535	-13,810	-12,648
TC3:1 of which Executive Management Team		-140	-163	-144
of which Board	C4	-8	-6	-8
Pension costs		-1,392	-1,403	-1,179
of which defined benefit pension costs	C5	-612	-669	-541
of which other pension costs		-780	-734	-638
Other social security costs		-3,357	-3,246	-2,929
Other personnel costs		-1,229	-1,070	-944
Total ¹⁾		-20,513	-19,529	-17,700

¹⁾ Costs for implemented efficiency-enhancement activities of SEK -60m (-255; -302) are included in total personnel costs.

C2. PERSONNEL DATA

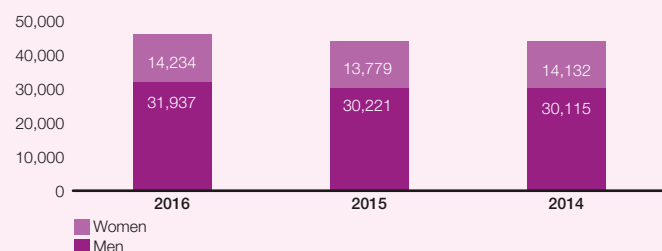
Personnel data

	2016	2015	2014
Employees under 20 years of age, %	1	1	2
Employees over 60 years of age, %	3	3	3
Investments in skills-enhancement activities			
total, SEKm	160	157	130
per employee, SEK	3,500	3,500	2,900
Value added per employee, KSEK	662	668	614
Proportion of university graduates, %	22	22	20
Number of employees who left the Group during the period	6,328	5,600	8,355
Number of employees who joined the Group during the period	8,432	5,988	7,319

The figures for the number of employees who left the Group during the period include both voluntary resignation and retirements. In addition, a significant portion relates to summer jobs for students and seasonal work.

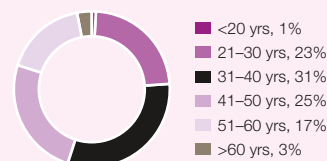
C2. PERSONNEL DATA, CONT.

Average number of employees



In 2016, SCA had employees in 60 countries (61; 62). Women comprised 38% (39; 21) of the total number of SCA Board members and senior executives.

Age distribution 2016



C3. 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 74–75.

Annual General Meeting guidelines for remuneration of senior executives

Remuneration to 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 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, in the event of exceptional financial conditions, 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. Previously agreed pension benefits in the company are either defined benefit or defined contribution plans, or a combination of both, and can entitle the senior executive to pension from the age of 60, at the earliest. To earn full defined benefit 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. Pension benefits in new employment contracts should, wherever possible, only include defined contribution pension and entitle the executive to receive a pension from the age of 65. 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 two Business Unit Presidents, stationed in Latin America and the US, the maximum outcome is 110–130%, 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 the Business Unit Presidents, stationed in Latin America and the US, the maximum outcome is 60–80% of the fixed salary, 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. 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 to 30% of the variable remuneration. The long-term portion (Long-Term Incentive, or LTI) may amount to a maximum of 50% of the fixed salary. The senior executive is to 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 the purchase of shares in 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 25 to 35% of fixed salary for 2016. STI resulted in variable remuneration corresponding to 8 to 37% of fixed salary for the Business Unit Presidents. The LTI target was achieved for 2014–2016, 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.

Pension

The CEO has a defined contribution pension based on an annual payment, to be paid by the company, amounting to 40% of the employee's fixed salary, and in addition to the agreed premium the basic pension benefits in the ITP plan, with retirement pension benefits limited to a maximum salary income of 7.5 income amounts. The retirement age for the CEO is 65. Six of the other senior executives in the Group in Sweden 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) three

C3. REMUNERATION OF SENIOR EXECUTIVES, CONT.

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 fixed salary and are invested in a fund or traditional insurance chosen by the executive. Four senior executives in Sweden have a defined contribution pension plan (in addition to national pension benefits) into which the company pays 30 to 40% of the executives' fixed salary, which is invested in funds or traditional insurance. Five senior executives are employed in companies outside Sweden, of whom three executives are encompassed by defined contribution pension plans and two by defined benefit pension plans.

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 expressed an opinion on the 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. The remuneration of senior executives for the fiscal year was based on the Remuneration Committee's recommendation 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 69.

The Board's proposal for new guidelines

The Board has decided to propose to the 2017 Annual General Meeting certain changes in the guidelines for determining salaries and other remuneration for senior executives for the purpose of simplifying and clarifying the guidelines and their application. In addition, it is proposed that the Board, in individual cases, is entitled to depart from the guidelines on special grounds. With the salary situation prevailing in 2017 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 73m.

Obligations in relation to former presidents and CEOs

For former presidents and CEOs, SCA has outstanding, non-funded obligations amounting to SEK 157m. These costs were recognized in previous years and largely comprise pension obligations.

Remuneration of senior executives

TC3:1 Remuneration and other benefits during the year 2016

SEK	Fixed salary	Variable remuneration ¹⁾	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	11,000,000	8,998,000 ²⁾	87,738	20,085,738
Other senior executives (15 people) ⁴⁾	63,817,033	49,682,430 ³⁾	6,248,771	119,748,234
Total	74,817,033	56,680,430	6,336,509	139,833,972

¹⁾ Variable remuneration covers the 2016 fiscal year but is paid in 2017.

²⁾ Of which LTI program SEK 5,500,000.

³⁾ Of which LTI program SEK 31,680,631.

⁴⁾ During the year, two business areas were discontinued. Remuneration and benefits for the two business area managers are included in the table, but not in the number of senior executives.

Pension costs 2016¹⁾

SEK	
President and CEO Magnus Groth ²⁾	4,495,961
Other senior executives (15 people) ³⁾	22,377,410
Total	26,873,371

¹⁾ The pension costs pertain to the costs that affected profit for 2016, excluding special payroll tax.

²⁾ Outstanding pension obligations amount to SEK 15,741,000.

³⁾ Outstanding pension obligations amount to SEK 162,635,322.

Remuneration and other benefits during the year 2015

SEK	Fixed salary	Variable remuneration ¹⁾	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth ²⁾	7,922,878	7,713,718 ⁴⁾	428,659	16,065,255
Other senior executives (17 people)	61,717,544	50,270,385 ⁵⁾	8,912,198	120,900,127
Former President and CEO Jan Johansson ³⁾	25,491,326	0	380,318	25,871,644
Total	95,131,748	57,984,103	9,721,175	162,837,026

¹⁾ Variable remuneration covers the 2015 fiscal year but is paid in 2016.

²⁾ President and CEO Magnus Groth, who assumed his position on March 1, collected a fixed annual salary of SEK 9.5m. In connection with the adjustment of the President and CEO's pension agreement to a defined contribution pension, his fixed annual salary was set at SEK 11m as of December 15. Accordingly, pension obligations will not continue to be earned.

³⁾ Former President and CEO Jan Johansson, who was dismissed from the position on March 1, will continue to collect contractual employment benefits during a period of notice of two years, with the exception of variable remuneration. The above amounts pertain to Jan Johansson's fixed salary, benefits and pension costs for the period from 2015 until February 28, 2017, when his employment ends.

⁴⁾ Of which LTI program SEK 3,992,608.

⁵⁾ Of which LTI program SEK 28,218,873.

Pension costs 2015¹⁾

SEK	
President and CEO Magnus Groth ²⁾	3,153,521
Other senior executives (17 people) ³⁾	63,845,664
Former President and CEO Jan Johansson ⁴⁾	25,027,185
Total	92,026,370

¹⁾ The pension costs pertain to the costs that affected profit for 2015, excluding special payroll tax.

²⁾ Outstanding pension obligations amount to SEK 16,304,000.

³⁾ Outstanding pension obligations amount to SEK 155,571,000.

⁴⁾ Outstanding pension obligations amount to SEK 83,014,000.

C4. FEES TO BOARD MEMBERS IN THE PARENT COMPANY DURING THE YEAR

Remuneration to non-executive Board members refers to the fees approved at the AGM on April 14, 2016 for the period until the next AGM in April 2017. No remuneration is paid to the President and CEO and other employees.

SEK	Board fee		Audit Committee fee		Remuneration Committee fee		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Pär Boman (Chairman)	2,100,000	2,100,000	200,000	130,000	135,000	135,000	2,435,000	2,365,000
Eva Björling	700,000						700,000	
Majja-Liisa Friman	700,000						700,000	
Annemarie Gardshol	700,000	700,000					700,000	700,000
Leif Johansson		700,000				105,000		805,000
Louise Svanberg	700,000	700,000			105,000	105,000	805,000	805,000
Johan Malmquist	700,000						700,000	
Bert Nordberg	700,000	700,000	200,000	130,000	105,000		1,005,000	830,000
Barbara Milian Thoralfsson	700,000	700,000	250,000	175,000			950,000	875,000
Total	7,000,000	5,600,000	650,000	435,000	345,000	345,000	7,995,000	6,380,000

C5. REMUNERATION AFTER EMPLOYMENT

AP ACCOUNTING PRINCIPLES

Defined benefit pension plans

Defined benefit pension plans are characterized by the fact that payment is based on the period of employment and the employee's salary at, or just prior to, retirement. The actuarial and investment-related risks associated with defined benefit pension plans are carried by the company.

The defined benefit obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. Calculation is based on actuarial assumptions. Actuarial assumptions comprise the company's best assessment of the variables that determine the final cost for providing the benefits. The obligation is measured at the present value of the anticipated future cash flows using a discount rate (see key assessments and assumptions below). Actuarial gains and losses (remeasurements) are recognized directly in equity under other comprehensive income in the period in which they arise. The recognized cost for the defined benefit plans includes personnel costs, as well as net interest items. Net interest items comprise the discount rate calculated on the average net pension liability for the period, taking fee and remuneration payments into consideration. The difference between the calculated interest income (discount rate) on the plan assets and SCA's actual 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. Past service costs are recognized in profit or loss in the period in which they arise.

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, meaning plans with assets exceeding obligations, are recognized as a financial non-current asset provided they are not limited by the "asset ceiling" in IAS 19. Other pension plans, which are not fully funded or unfunded, are recognized as Provisions for pensions.

In certain countries, pension payments are subject to taxes or fees. In such cases, these are included in the calculation of the obligation for the defined benefit pension plans. These taxes or fees are recognized as an expense in profit or loss, except in cases where they are attributable to actuarial gains or losses, in which case they are recognized directly in equity under other comprehensive income, as are the actuarial gains or losses.

Defined contribution pension plans

Plans where the employer's obligation is limited to the premiums the company has undertaken to pay are classified as defined contribution plans. In these plans, it is the employee who bears the investment risk, meaning the risk that the invested assets could be insufficient to generate the anticipated compensation. 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.

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 recognized as a payroll expense when the Group has an obligation to compensate employees whose employment was terminated early.

C5. REMUNERATION AFTER EMPLOYMENT, CONT.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

The calculation of recognized expenses and provisions for defined benefit pension plans, where the size of the future compensation is unknown and payment will occur far in the future, is dependent on assumptions and assessments. Key assumptions and assessments include the discount rate, future salary increases, inflation and life expectancy. SCA determines the discount rate based primarily on AA-rated corporate bonds issued in the currency in which the payments will be made 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. Key actuarial assumptions are presented in **TC5:5**. The sensitivity of the recognized provision with respect to key actuarial assumptions is described in **TC5:6**.

Provisions for pensions and similar obligations

SEKm	2016	2015	2014
TC5:2 Defined benefit obligations	32,352	27,101	28,943
TC5:3 Fair value of plan assets	-29,234	-25,863	-24,850
TC5:4 Effect of asset ceiling	1,298	1,162	1,004
TC5:1 Provision for pensions, net	4,416	2,400	5,097

Surpluses in funded plans recognized as financial non-current assets amounted to **BS** SEK 1,186m (371; 3) on the balance sheet date and provisions for pensions totaled **BS** SEK 5,602m (2,771; 5,100). Defined benefit obligations include obligations in an amount of SEK 2,461m (1,929; 2,363) pertaining to unfunded plans.

SCA has both defined contribution and defined benefit pension plans in a number of subsidiaries. The most significant defined benefit plans are the pension plans in the Netherlands, the UK, Sweden, Germany and the US, as described below.

TC5:1 Provisions for pensions and similar obligations per plan

SEKm	Country	Active	Paid-up pension policies	Pensioners	Total obligation	Plan assets, fair value	Effect of asset ceiling	Net obligation	Duration of obligation, years
	Netherlands	1,976	1,012	1,044	4,032	-3,725	-	307	24
	UK	1,603	6,663	7,171	15,437	-14,591	-	846	20
	Sweden	1,624	696	953	3,273	-3,588	-	-315	20
	Germany	1,180	346	1,042	2,568	-2,466	-	102	16
	US	825	135	432	1,392	-1,034	-	358	16
	Other	2,357	885	2,408	5,650	-3,830	1,298	3,118	13
	Total	9,565	9,737	13,050	32,352	-29,234	1,298	4,416	

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. Some of these plans are funded.

Costs for the period for defined benefit plans

SEKm	2016	2015	2014
Current service cost, after deduction for premiums paid by the employees	-584	-646	-494
Past service cost	-23	-21	19
Pension-tax expense	-36	-65	-35
Remeasurement, net	-5	-2	-33
Net interest income/expense	-100	-143	-65
Pension costs before effects of settlements	-748	-877	-608
Settlements	-	-	2
Pension costs after effects of settlements	-748	-877	-606

TC5:2 Defined benefit obligations

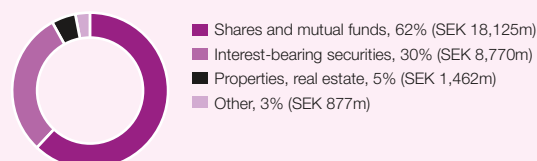
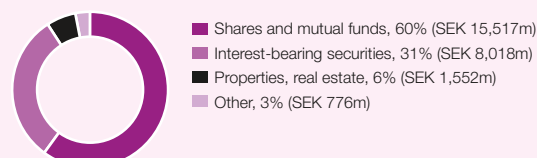
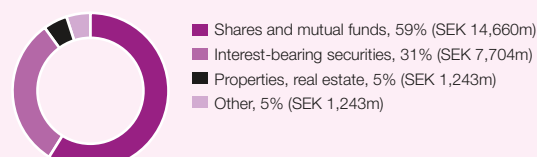
SEKm	2016	2015	2014
Value, January 1	27,101	28,943	21,793
Current service cost	598	657	527
Interest expense	971	893	912
Past service cost	23	21	-19
Pension-tax expense	36	65	35
Settlements and transfers	-15	11	9
Acquisitions and disposals	2,168	-	-
Benefits paid	-1,137	-1,040	-932
Pension taxes paid	-63	-43	-20
Remeasurement: financial assumptions	4,167	-1,888	4,079
Remeasurement: demographic assumptions	-34	-149	38
Remeasurement: experience-based assumptions	-588	-43	-17
Pension taxes pertaining to remeasurement	16	-340	221
Translation differences	-891	14	2,317
Value, December 31	32,352	27,101	28,943

Remeasurements in the 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. Experience-based deviations include unexpectedly high or low employee turnover or salary increases. For 2016, acquisitions and disposals relate to the acquisition of Wausau.

TC5:3 Plan assets

SEKm	2016	2015	2014
Fair value, January 1	-25,863	-24,850	-20,603
Interest income	-909	-775	-883
Acquisitions and disposals	-1,473	-	-
Contributions by plan participants	-14	-11	-7
Contributions by the employer	-1,036	-991	-785
Benefits paid, excluding settlements	1,129	1,040	932
Benefits paid for settlements	30	2	10
Return in excess of recognized interest income	-2,133	-275	-1,440
Administrative expenses for pension obligations	40	24	25
Translation differences	995	-27	-2,099
Fair value, December 31	-29,234	-25,863	-24,850

For 2016, acquisitions and disposals relate to the acquisition of Wausau.

The plan assets are distributed according to the following classes of assets, 2016:**The plan assets are distributed according to the following classes of assets, 2015:****The plan assets are distributed according to the following classes of assets, 2014:**

95% (94; 95) of the plan assets on the balance sheet date were traded on active markets in which market quotations are used for the valuation of assets. As in the preceding year, no financial instruments issued by SCA are included in the fair value of plan assets at December 31, 2016.

TC5:4 Effect of asset ceiling

SEKm	2016	2015	2014
Value, January 1	1,162	1,004	916
Interest expense	38	25	36
Other changes to asset ceiling	98	133	52
Value, December 31	1,298	1,162	1,004

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.

TC5:5 Principal actuarial assumptions

	Sweden	United Kingdom	Eurozone	US
2016				
Discount rate	2.73	2.72	1.31	4.13
Expected salary increase rate	2.75	3.00	2.85	N/A
Expected inflation	1.50	3.00	1.60	N/A
Life expectancy, men ¹⁾	22	22	22	20
Life expectancy, women ¹⁾	25	25	24	22
2015				
Discount rate	3.27	3.85	1.94	4.38
Expected salary increase rate	2.75	3.50	2.85	N/A
Expected inflation	1.50	3.00	1.60	N/A
Life expectancy, men ¹⁾	22	22	22	20
Life expectancy, women ¹⁾	25	25	24	22
2014				
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	N/A
Life expectancy, men ¹⁾	23	22	21	20
Life expectancy, women ¹⁾	24	24	24	21

¹⁾ Life expectancy, expressed in years, for an individual currently aged 65.

The sensitivity of the defined benefit obligations with respect to the changes in the principal actuarial assumptions is as follows:

TC5:6 Change of obligation, increased obligation (-)

SEKm	
Discount rate +0.25%	1,329
Price inflation, incl. salary inflation +0.25%	-925
Longevity +1 year	-1,174

The above sensitivity analysis is calculated by changing one assumption while the others remain constant.

Multemployer 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 Varma. 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.

Budgeted contributions

The budgeted contributions for the company's defined benefit pension plans for 2017 were calculated at SEK 1,006m. Contributions for multiemployer plans for 2017 were calculated at SEK 51m.

D. OPERATING ASSETS AND LIABILITIES

D1. INTANGIBLE ASSETS

AP ACCOUNTING PRINCIPLES

Goodwill

Goodwill arises in connection with business combinations where the consideration transferred exceeds the fair value of the acquired net assets. Goodwill is recognized at cost less accumulated impairment and is an intangible asset with an indefinite useful life. This means that goodwill is not amortized, but rather is tested annually for impairment. All goodwill is allocated to the cash-generating units that are expected to benefit from the synergies from the business combination. In connection with the sale of Group companies, the remaining carrying amount of the goodwill attributable to the divested unit is included in the capital gain/loss. Goodwill that arises in acquisitions of associates or joint ventures is included in the carrying amount of the respective associate or joint venture.

Trademarks

Trademarks arise either in connection with acquisitions or through agreements to purchase trademarks. Trademarks are recognized at cost after any accumulated amortization and accumulated impairment. Trademarks that have an indefinite useful life are not amortized, but rather are tested annually for impairment along with the impairment testing of goodwill. 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.

Licenses, patents and similar rights

Intangible assets also include patents, licenses and other similar rights. Acquired assets of this type are recognized at cost and are amortized on a straight-line basis during their anticipated useful life, which varies between three and 20 years.

Customer relations

Customer relations are measured at fair value at the time of the acquisition. The value of these customer relations is amortized over their useful life, which is considered to be between three and 15 years.

Research and development

Research expenditure is recognized as an expense as incurred. Identifiable expenditure for development of new products and processes is capitalized to the extent it is expected to provide future economic benefits. 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. Capitalized expenditure is amortized on a straight-line basis from the date when the asset starts to be used during the estimated useful life of the asset. The amortization period is between five and ten years.

Impairment testing

Goodwill is tested annually for impairment. When testing for impairment, the assets are grouped in cash-generating units. SCA's cash-generating units coincide with its defined operating segments. The test compares the carrying amounts of the cash-generating units with the recoverable amounts. The recoverable amount of each cash-generating unit is determined by discounting future cash flows in order to determine their value in use. The calculation of future cash flows is based on the strategic plans adopted by the Executive Management Team for the next three years. 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. Effects of expansion investments are excluded when calculating the value in use.

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 or cash-generating unit 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 impairment no longer exist. The carrying amount after the reversal is limited to what it would have been had no past impairment been recognized. Impairment losses on goodwill are never reversed.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

In connection with the annual impairment testing of goodwill, the recoverable amount is calculated. The recoverable amount for the cash-generating units is determined by calculating value in use. Calculation of the value in use is based on the three-year strategy plans adopted by the Executive Management Team, which in turn are based on assumptions and assessments. The most important assessments and assumptions pertain to forecasts for organic growth, the profit margin and the discount rate used. The discount rate 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.

Profit margin assumptions are based on current market prices and costs with an addition for real price reductions and cost inflation as well as assumed productivity development. Growth assumptions follow the Group's target of an average annual growth of 3 to 4%, depending on the operating segment, which is in line with historic outcome and expected global market growth.

The expected sustained future cash flow for periods that are beyond the planning horizon of the strategy plan are extrapolated for a ten-year period from the final year of the strategy plan using assumed sustained growth of 2%. The value of the cash flows for the period beyond ten years is calculated by applying an operating surplus multiple to estimated sustained cash flow.

D1. INTANGIBLE ASSETS, CONT.

Goodwill

SEKm	2016	2015	2014
Accumulated costs	19,452	15,472	15,806
Accumulated impairment	-195	-60	-89
Total	19,257	15,412	15,717
Value, January 1	15,412	15,717	13,785
Company acquisitions	3,379	-	308
Company divestments	-	-	-
Reclassifications	-	-	46
Impairment	-135	-87	-
Translation differences	601	-218	1,578
BS Value, December 31	19,257	15,412	15,717

Intangible assets excluding goodwill

SEKm	Trademarks			Licenses, patents and similar rights			Capitalized development costs			Total Other intangible assets		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Accumulated costs	6,782	6,647	6,552	4,528	3,889	3,737	273	286	267	11,583	10,822	10,556
Accumulated amortization	-318	-244	-118	-2,937	-2,471	-2,267	-173	-182	-184	-3,428	-2,897	-2,569
Accumulated impairment	-452	-532	-61	-5	-2	-8	-33	-36	-33	-490	-570	-102
Total	6,012	5,871	6,373	1,586	1,416	1,462	67	68	50	7,665	7,355	7,885
Value, January 1	5,871	6,373	7,129	1,416	1,462	833	68	50	57	7,355	7,885	8,019
Investments	-	-	-	155	221	115	10	35	6	165	256	121
Sales and disposals	-	-	-	-1	-2	-1	-	-	-	-1	-2	-1
Company acquisitions	33	-	-	180	-	20	-	-	3	213	-	23
Company divestments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	76	-1,242	128	-	591	3	-	-1	131	76	-652
Amortization ¹⁾	-59	-27	-33	-324	-251	-233	-14	-15	-15	-397	-293	-281
Impairment	-	-464	-36	-2	-	-	-	-3	-	-2	-467	-36
Translation differences	167	-87	555	34	-14	137	0	1	0	201	-100	692
Value, December 31	6,012	5,871	6,373	1,586	1,416	1,462	67	68	50	7,665	7,355	7,885
TD1:1 Emission allowances, net value										85	85	78
BS Value, December 31 including emission allowances										7,750	7,440	7,963

¹⁾ Amortization of Trademarks and Customer relations is included in Sales, general and administration while for Licenses and patents is included in Cost of goods sold.

Impairment testing

Annual testing for impairment of goodwill and trademarks with indefinite useful lives is carried out in the fourth quarter per operating segment. The testing for 2016 showed that no impairment was needed. Sensitivity analyses show that reasonable changes to key parameters do not give rise to any impairment requirement. In addition to annual impairment testing of the cash-generating units, which coincide with the defined operating segments, individual assets, goodwill and trademarks with indefinite useful lives are tested when there is an indication of an impairment need. During the period, goodwill was

impaired by SEK -135m in conjunction with the discontinuation of the baby diaper operation in Mexico, SEK -67m, and the discontinuation of Tork Smart-Fresh, SEK -68m. The recoverable amount of the trademarks was determined through a present value calculation, in which expected future cash flows were discounted using a WACC before tax varying from 5.8% to 19.2%, depending on the market, to determine the value in use. The WACC before tax used in the impairment testing of goodwill is presented in the table below.

Distribution by operating segment

SEKm	Goodwill			Trademarks			WACC, before tax %		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Personal Care	3,036	2,757	3,338	1,109	1,069	1,325	11.3	10.3	10.1
Tissue	16,216	12,655	12,322	4,903	4,802	5,048	8.3	8.4	8.3
Forest Products	5	-	57	-	-	-	5.7	6.1	7.2
Total	19,257	15,412	15,717	6,012	5,871	6,373			

D1. INTANGIBLE ASSETS, CONT.

AP ACCOUNTING PRINCIPLES

Emission allowances and costs for carbon dioxide emissions

SCA participates in the European system for emission allowances.

When emission allowances relating to carbon dioxide emissions are received from an individual EU state, they are recognized as an intangible asset and as deferred income (liability). Allowances are received free of charge and measured and recognized at market value as of the date to which the allocation pertains. During the period, the initial liability for emission allowances received is dissolved over profit or loss as income in pace with carbon dioxide emissions made. 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 delivery date.

If the market price of emission allowances on the balance sheet date is less than recognized cost, 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.

TD1:1 Emission allowances

SEKm	2016	2015	2014
Accumulated costs	98	93	88
Accumulated revaluation of surplus	-13	-8	-10
Total	85	85	78
Value, January 1	85	78	117
Emission allowances received	104	93	77
Purchases	-	4	0
Sales	-30	-29	-57
Reclassifications	-	-	-
Impairment	-	-3	-0
Settlement with the government	-71	-54	-58
Revaluation of surplus	-2	0	-3
Translation differences	-1	-4	2
Value, December 31	85	85	78

D2. PROPERTY, PLANT AND EQUIPMENT

AP ACCOUNTING PRINCIPLES

Property, plant and equipment

Property, plant and equipment is recognized at cost less accumulated depreciation and any impairment. In cases where an investment in foreign currency has been recognized using hedge accounting, the gain/loss from the hedge is recognized as part of the acquisition cost. The cost of properties and production facilities included in major projects includes costs for running-in and start-up. Borrowing costs are included in the cost of investments exceeding SEK 250m that take more than 12 months to complete. Expenditure for repairs and maintenance is expensed directly in profit or loss.

Depreciation and impairment

Land is not subject to depreciation. Buildings, machinery and equipment are depreciated on a straight-line basis over the useful lives of the assets. If, at accounting year-end, there is an indication that property, plant and equipment has declined in value, impairment testing is carried out.

Assessed useful lives	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

Carrying amounts

SEKm	Buildings			Land and land improvements			Machinery and equipment			Construction in progress		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Accumulated costs	24,980	22,802	22,007	7,701	7,437	7,422	96,247	86,804	84,367	7,125	4,023	4,368
Accumulated depreciation	-10,725	-9,653	-9,023	-2,006	-1,826	-1,679	-58,321	-52,403	-50,009	-24	-	-
Accumulated impairment	-485	-407	-222	-68	-70	-32	-2,202	-2,173	-847	-38	-2	-7
Total	13,770	12,742	12,762	5,627	5,541	5,711	35,724	32,228	33,511	7,063	4,021	4,361
Value, January 1	12,742	12,762	11,458	5,541	5,711	5,420	32,228	33,511	32,493	4,021	4,361	3,406
Investments	315	505	389	211	154	163	2,841	2,337	2,342	6,431	4,337	2,713
Sales and disposals	-34	-2	-13	-10	-7	-35	-117	-134	-56	-	-23	-8
Company acquisitions	511	-	1	28	-	1	2,289	-	52	68	-	2
Company divestments	-	-	-	10	-	-	-	-48	-	-	-	-
Reclassifications	686	926	796	-53	28	77	2,626	3,361	1,143	-3,536	-4,516	-1,711
Depreciation ¹⁾	-811	-873	-723	-148	-143	-136	-4,878	-4,652	-4,369	-24	-	-
Impairment	-159	-197	-9	-102	-48	-3	-127	-1,394	-50	-32	-	-
Translation differences	520	-379	863	150	-154	224	862	-753	1,956	135	-138	-41
Value, December 31	13,770	12,742	12,762	5,627	5,541	5,711	35,724	32,228	33,511	7,063	4,021	4,361

Total property, plant and equipment

SEKm	2016	2015	2014
Accumulated costs	136,053	121,066	118,164
Accumulated depreciation	-71,076	-63,882	-60,711
Accumulated impairment	-2,793	-2,652	-1,108
Total	62,184	54,532	56,345
Value, January 1	54,532	56,345	52,777
Investments	9,798	7,333	5,607
Sales and disposals	-161	-166	-112
Company acquisitions	2,896	-	56
Company divestments	10	-48	-
Reclassifications	-277	-201	305
Depreciation ¹⁾	-5,861	-5,668	-5,228
Impairment	-420	-1,639	-62
Translation differences	1,667	-1,424	3,002
BS Value, December 31	62,184	54,532	56,345

¹⁾ Included in Cost of goods sold.

Impairment losses for the year totaling SEK -420m are mainly attributable to the restructuring of the tissue operations in France and Spain and the closure of the hygiene operation in India and diaper operation in Mexico.

During the period, interest was capitalized in machinery and equipment in an amount of SEK 19m (47; 29) and in construction in progress in an amount of SEK 41m (3; 6). The average interest rate used was 10% (7; 2).

D3. BIOLOGICAL ASSETS

AP ACCOUNTING PRINCIPLES

The Group's standing timber is defined and recognized as biological assets at fair value in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. Forest assets are divided up and recognized as biological assets and land assets in accordance with IAS 16 Property, plant and equipment. Forest land and forest roads are classified as land and land improvements. The fair value of the Group's standing timber is calculated as the present value of anticipated future cash flows from the assets before tax and classified at Level 3 in accordance with IFRS 13. The calculation is based on existing, sus-

tainable 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 rate is based on a normal forest company's weighted average cost of capital (WACC).

The change in value is recognized in profit or loss in cost of goods sold.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

Since a market price or other comparable value does not exist for assets of the scope owned by SCA, biological assets are measured at the present value of anticipated future cash flows. Key assessments and assumptions pertain to future wood prices, felling costs, felling volumes and discount rates. As of 2014, expected future felling volume and growth are based on the forest sur-

vey conducted between 2012 and 2013. A new forest survey is performed every eight years. The calculation of future income and expenses is based on the trends of these items over the most recent five-year period. **TD3:1** describes the sensitivity of the carrying amount with respect to key assumptions.

Biological assets

SEKm	2016	2015	2014
Value, January 1	30,119	29,685	28,767
Purchases and forest swaps	17	33	375
Sales	-55	-75	-72
Other changes in fair value	1,472	1,549	1,646
Change due to felling	-783	-1,073	-1,031
BS Value, December 31	30,770	30,119	29,685
Deferred tax related to standing forest	6,769	6,626	6,531

The change in fair value and change due to felling are recognized as a net value in profit or loss under cost of goods sold, amounting to SEK 689m (476; 615). The unrealized change in value recognized during the year for assets held on the reporting date is estimated at SEK 1,472m.

For the valuation of standing timber, the same valuation model was used as in the past. For the 2016 valuation, the WACC was reduced from 6.25% to 5.25% as an adaption to the lower interest rate environment in Sweden. The lower WACC yielded a value increase of approximately SEK 7,100m. Assessed income and expenses are adjusted upward by an annual inflation rate of 2%. Assumptions regarding future price and cost levels have, in valuations in previous years, been based on the outcome for the ten preceding years. Application of the ten-year average yields prices and costs that are rel-

atively far from current levels. The assumptions concerning prices and costs are therefore based instead on the average historical outcome over five years. The adaptation to the five-year average has yielded a value decrease of about SEK 6,700m. The 2016 valuation used an average wood price of SEK 432 (467) per solid cubic meter under bark (m³sub). Annual harvesting is expected to rise over the calculated future production cycle and amount to 4.3 million m³sub for 2017, ending at 5.9 million m³sub by 2116.

On average, 89% of felling comprises final harvesting and 11% thinning. 56% is expected to comprise sawlogs and 44% pulpwood.

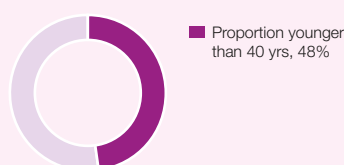
SCA's forest holdings comprise approximately 2.6 million hectares of forest land primarily in northern Sweden, of which approximately 2.0 million is productive forest land. The timber volume of the forest portfolio amounts to 230 million cubic meters of forest (m³fo) and is divided into types of trees according to the diagram below. Growth amounts to approximately 9.5 millions m³fo per year on the productive land. Net growth, i.e. gross growth less felling and losses due to natural causes is expected to be 3.0 million m³fo per year. Felling in 2016 amounted to approximately 4.1 million m³sub.

	2016	2015	2014
Value/hectare productive forest land, SEK	15,385	15,060	14,843
Value timber supplies SEK/m ³ fo	134	136	136

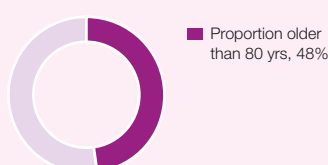
TD3:1 Sensitivity analysis

SEKm	Change in assumption		Change in value, before tax		
			2016	2015	2014
WACC	0.25%	+ / -	2,238	1,805	1,770
Wood price	0.50% the first 10 years	+ / -	2,884	2,309	2,264
Felling cost	0.50% the first 10 years	+ / -	742	494	397
Volume (final felling)	150.000 m ³ sub the first 10 years	+ / -	412	463	456

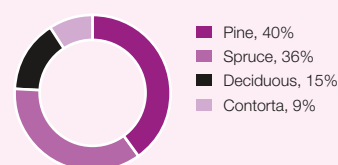
Forest area



Timber volume



Forest portfolio



D4. INVENTORIES

AP ACCOUNTING PRINCIPLES

Inventories are measured at the lower of cost and net realizable value. Cost is calculated mainly by applying the first-in, first-out (FIFO) principle or weighted average cost formula. The cost of inventories and work in progress includes raw material costs, direct labor, other direct expenses and production-related overheads, based on a normal capacity utilization.

The net sales price is the calculated sales price received for normal business transactions less calculated sales costs.

Felling rights for standing timber are measured at contract prices, which on average have not exceeded the lower of net realizable value and cost.

Inventories

SEKm	2016	2015	2014
Raw materials and consumables	4,254	4,731	4,163
Spare parts and supplies	1,906	1,734	1,812
Products in progress	1,346	1,243	1,165
Finished products	6,349	6,421	6,179
Felling rights	489	523	463
Advance payments to suppliers	3	9	11
BS Total	14,347	14,661	13,793

Impairment of inventory amounted to SEK 258m (45; 235) during the period. Refer to not B2 for further information.

D5. OTHER CURRENT RECEIVABLES

Other current receivables

SEKm	2016	2015	2014
VAT receivables	908	1,000	888
Prepaid expenses and accrued income ¹⁾	644	537	695
Suppliers with debit balance	155	229	190
Receivables for electricity and gas	171	169	149
Receivables from authorities	112	124	118
Derivatives	314	70	70
Receivables from associates	19	1	54
Other receivables	575	701	680
BS Total	2,898	2,831	2,844

¹⁾ Accrued financial income have been reclassified to current financial assets specified in Note E2.

D6. OTHER LIABILITIES

Other liabilities

SEKm	2016	2015	2014
Other non-current liabilities			
Derivatives	2	108	57
Other non-current liabilities	179	150	149
BS Total	181	258	206

Of which items that fall due for payment later than within five years

	28	16	19
Other current liabilities			
Derivatives	76	379	321
TD6:1 Accrued expenses and prepaid income ¹⁾	9,527	8,653	8,105
Other operating liabilities	2,863	2,548	2,577
BS Total	12,466	11,580	11,003

¹⁾ Accrued financial expenses have been reclassified to current financial liabilities and specified in Note E4.

TD6:1 Accrued expenses and prepaid income

SEKm	2016	2015	2014
Accrued social security costs	481	463	391
Accrued vacation pay liability	717	618	526
Other liabilities to personnel	1,167	1,073	995
Bonus and discounts to customers	4,116	3,886	3,715
Other items	3,046	2,613	2,478
Total	9,527	8,653	8,105

D7. OTHER PROVISIONS

AP ACCOUNTING PRINCIPLES

Provisions are recognized in the consolidated balance sheet when there is a legal or informal obligation arising from events that have occurred and it is probable that payments will be required to settle the obligation. It must also be possible to reliably estimate the amount to be paid. The provision is valued at the present value of the anticipated future expenditure to settle the obligation.

A provision for restructuring measures is recognized when the Group has established a detailed plan and either implementation has begun or the main features of the measures have been communicated to the parties involved. Restructuring costs include, for example, costs for plant closures, impairment of production machinery and costs for personnel reductions.

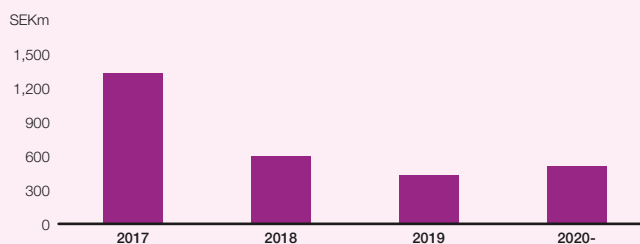
KAA KEY ASSESSMENTS AND ASSUMPTIONS

The amount of the provisions made relating to national competition investigations is based on the company's best assessment, which was determined in consultation with local expertise in the field. Considering the tax risks it is also based on SCA's best assessment, which in most cases is determined in consultation with local expertise.

Other provisions

SEKm	Efficiency programs	Tax risks	Environment	Legal disputes	Other	Total
Value, January 1	581	784	92	48	386	1,891
Provisions	738	91	76	1,173	95	2,173
Utilization	-402	-358	-72	-312	-41	-1,185
Reclassifications	-	-	-14	96	-67	15
Dissolutions	-28	-	-2	-2	-40	-72
Translation differences	28	3	-2	6	3	38
Value, December 31	917	520	78	1,009	336	2,860
Provisions comprise:						
BS Short-term component						1,447
BS Long-term component						1,413

Distribution of other provisions by maturity



Of the provisions for the period for "Environment," SEK 75m pertains to a liability for carbon dioxide emissions, which will be paid out in 2017. Of the "Efficiency programs" provisions, SEK 402m was paid out in 2016. The provisions for efficiency programs consist of personnel costs and closure costs in connection with restructuring. Tax risks mainly comprise one tax dispute attributable to Denmark. Legal disputes mainly consist of reserves relating to competition cases, primarily attributable to Poland, Chile, Hungary and Spain. During the year, provisions and payments were also made relating to a competition case in Colombia. The provisions for legal disputes were impacted by reclassification between the categories. Other provisions mainly comprise reserves in connection with prior divestments of operations, a reserve for final settlement of a prior investment and a reserve for potential packaging costs.

E. CAPITAL STRUCTURE AND FINANCING

E1. FINANCIAL INSTRUMENTS BY CATEGORY AND MEASUREMENT LEVEL

AP ACCOUNTING PRINCIPLES

Financial instruments recognized in the balance sheet include cash and cash equivalents, securities, other financial receivables, trade receivables, trade payables, loans and derivatives.

Current investments and derivatives are recognized on the trade date. Available-for-sale financial assets and loans are recognized on the settlement date. Trade receivables and trade payables are recognized in the balance sheet once the invoice has been sent or received, respectively.

Financial assets are initially recognized at cost, and transaction costs are included for certain instruments that are not measured at fair value. Financial assets are recognized in the balance sheet until the rights in the agreement have been realized or the company no longer has the rights to the asset. 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.

Financial liabilities are recognized at amortized cost, except in cases where they are recognized at fair value using hedge accounting. Financial liabilities are derecognized from the balance sheet when SCA has met its commitments.

SCA recognizes 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.

Fair value measurement

For the financial instruments for which market quotations are available, actual prices are used for fair value measurement (Level 1). In the absence of market quotations for the instruments, SCA determines fair values with the aid of common valuation models, using quoted prices of similar assets or liabilities in active markets (Level 2).

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.

Classification and subsequent recognition

On the acquisition date, SCA classifies financial instruments into the following categories.

Financial assets measured at fair value through profit or loss

Assets are classified in this category when the intention is to sell in the short term and, if such is the case, they are recognized continuously at fair value through profit or loss.

This category also includes derivatives with positive market values not recognized using hedge accounting. 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 have determinable payments and that SCA intends 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.

Loan and trade receivables

This category comprises loan receivables that have determinable payments and are not quoted in an active market, as well as trade receivables. 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.

Available-for-sale financial assets

This category includes assets that are available for sale or that have not been classified in any of the other categories. These assets are measured at fair value through other comprehensive income.

Financial liabilities measured 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.

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 in accordance with the accounting principles stated in Note E6 Derivatives and hedge accounting.

E1. FINANCIAL INSTRUMENTS BY CATEGORY AND MEASUREMENT LEVEL, CONT.

Financial instruments by category and measurement level

SEKm	Note	Measure- ment level	2016	2015	2014
Financial assets measured at fair value through profit or loss					
Derivatives – Non-current financial assets	E2	2	52	41	–
Derivatives – Current financial assets	E2	2	169	465	761
Derivatives – Other current receivables	D5	2	92	70	64
Total			313	576	825
Financial liabilities measured at fair value through profit or loss					
Non-current financial liabilities	E4	2	16,021	10,967	12,904
Current financial liabilities	E4	2	424	5,634	4,126
Derivatives – Non-current financial liabilities	E4	2	19	–	23
Derivatives – Current financial liabilities	E4	2	502	467	369
Derivatives – Other non-current liabilities	D6	2	–	12	2
Derivatives – Other current liabilities	D6	2	46	59	106
Total			17,012	17,139	17,530
Loans and receivables					
Non-current financial assets	E2	–	24	233	252
Current financial assets	E2	–	385	42	286
Trade receivables	E3	–	17,811	16,829	16,827
Cash and cash equivalents	E2	–	4,482	5,042	3,815
Total			22,702	22,146	21,180
Available-for-sale financial assets					
Non-current financial assets	E2	1	82	75	1,807
Current financial assets	E2	2	8	8	8
Total			90	83	1,815
Held-to-maturity investments					
Non-current financial assets	E2	–	–	296	276
Financial liabilities measured at amortized cost					
Non-current financial liabilities	E4	–	15,317	10,394	11,311
Current financial liabilities	E4	–	4,328	6,329	10,018
Trade payables	–	–	15,750	14,351	13,964
Total			35,395	31,074	35,293
Derivatives used for hedge accounting					
Non-current financial assets	E2	2	556	379	794
Other non-current assets	–	2	154	2	2
Other current receivables	D5	2	222	–	6
Current financial assets	E2	2	14	268	213
Total			946	649	1,015
Non-current financial liabilities	E4	2	3	115	8
Other non-current liabilities	D6	2	2	96	55
Current financial liabilities	E4	2	103	21	304
Other current liabilities	D6	2	30	320	215
Total			138	552	582

These financial instruments are measured at fair value, with the exception of loans and trade receivables and financial liabilities measured at amortized cost. According to SCA's assessment, the fair value essentially corresponds to the carrying amount, with the exception of non-current liabilities, the fair value of which is recognized in Note E4 Financial liabilities.

Measurement 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.

Financial instruments in other notes to the balance sheet

		2016		2015		2014	
		Financial instruments	Of which derivatives	Financial instruments	Of which derivatives	Financial instruments	Of which derivatives
SEKm	Note						
Assets							
Financial assets, cash and cash equivalents	E2	5,772	791	6,849	1,153	8,212	1,768
Other non-current assets		154	154	2	2	2	2
Trade receivables	E3	17,811	–	16,829	–	16,827	–
Other current receivables	D5	314	314	70	70	70	70
Total		24,051	1,259	23,750	1,225	25,111	1,840
Liabilities							
Financial liabilities	E4	36,717	627	33,927	603	39,063	704
Other non-current liabilities	D6	2	2	108	108	57	57
Trade payables		15,750	–	14,351	–	13,964	–
Other current liabilities	D6	76	76	379	379	321	321
Total		52,545	705	48,765	1,090	53,405	1,082

E2. FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS

AP ACCOUNTING PRINCIPLES

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.

Loan receivables are recognized at amortized cost.

Available-for-sale financial assets are measured at fair value. Changes in value are recognized in equity under other comprehensive income, while exchange gains and losses are recognized in profit or loss.

Financial assets, cash and cash equivalents

SEKm	Carrying amount		
	2016	2015	2014
Non-current financial assets			
TE2:1 Available-for-sale financial assets	90	83	1,815
Derivatives	608	420	751
Loan receivables, associates	–	207	270
Loan receivables, other	24	322	301
BS Total	722	1,032	3,137
Current financial assets			
Financial assets	19	–	2
Derivatives	183	733	974
Accrued financial income ¹⁾	–	1	8
Loan receivables, other	366	41	276
BS Total	568	775	1,260
Cash and cash equivalents			
Cash and bank balances	3,126	2,554	3,023
Short-term investments < 3 months	1,356	2,488	792
BS Total	4,482	5,042	3,815
Total financial assets, cash and cash equivalents	5,772	6,849	8,212

¹⁾ Accrued financial income have previously been specified in Note D5 Other current receivables.

Cash and cash equivalents at December 31, 2016 include SEK 1,683m (1,089) that is not fully available for use by the Group or for which other limitations exist, primarily cash or cash equivalents in countries that are subject to exchange restrictions and other legal restrictions. Accordingly, it is not possible to immediately use these cash and cash equivalents in other areas of the Group, although it is normally possible to use them in the operations of the respective country.

E2. FINANCIAL INSTRUMENTS BY CATEGORY AND MEASUREMENT LEVEL, CONT.

TE2:1 Available-for-sale financial assets

SEKm	2016	2015	2014
Value, January 1	83	1,815	1,657
Investments	4	–	12
Divestment of securities	–	–2,046	–
Remeasurement taken to equity, net	–1	318	140
Translation differences	4	–4	6
Value, December 31	90	83	1,815
Available-for-sale financial assets			
SEKm	2016	2015	2014
Shares – AB Industrivärden	–	–	1,729
Pension assets not included in IAS 19 calculation	82	75	77
Other	8	8	9
Total	90	83	1,815

Shares in pension assets attributable to certain pension obligations are classified as available-for-sale financial assets. These assets are not included in the normal pension calculations, as set out in Note C5 Remuneration after termination of employment.

E3. TRADE RECEIVABLES

AP ACCOUNTING PRINCIPLES

Trade receivables are recognized at amortized cost after a provision is made for doubtful receivables. The provision for doubtful receivables is based on an individual assessment of each customer. Any impairment of trade receivables affects SCA's operating profit. Translation differences on trade receivables are recognized on the line net sales. SCA's trade receivables are generally current and are not discounted.

Trade receivables

SEKm	2016	2015	2014
Trade receivables, gross	18,195	17,132	17,091
Provision to reserves for doubtful receivables	–384	–303	–264
BS TE3:1 Total	17,811	16,829	16,827

TE3:1 Analysis of credit risk exposure in trade receivables

SEKm	2016	2015	2014
Trade receivables neither overdue nor impaired	15,834	15,127	14,742
Trade receivables overdue but not impaired			
< 30 days	1,439	1,200	1,513
30–90 days	297	266	413
> 90 days	241	236	159
Trade receivables overdue but not impaired	1,977	1,702	2,085
Total	17,811	16,829	16,827

SCA's customer structure is dispersed, with customers in many different areas of business. In 2016, SCA's ten largest customers accounted for 23.0% of SCA's sales. The single largest customer accounted for 3.4% of sales. More information is available in the section on credit risks on page 81. In total, the Group has collateral mainly in the form of credit insurance taken out amounting to SEK 867m (1,593; 1,513). Of this amount, SEK 59m (767; 454) relates to the category Trade receivables overdue but not impaired.

Provision to reserves for doubtful receivables

SEKm	2016	2015	2014
Value, January 1	–303	–264	–218
Provision for possible loan losses	–159	–127	–51
Confirmed losses	27	71	14
Increase due to acquisitions	–	–	–9
Decrease due to divestments	–	–	0
Decrease due to reversal of provisions for possible loan losses	56	9	13
Translation differences	–5	8	–13
Value, December 31	–384	–303	–264

The expense for the period for doubtful receivables amounted to SEK –103m (–118; –38). Of this amount, a major portion relates to bad debt losses in Greece.

E4. FINANCIAL LIABILITIES

AP ACCOUNTING PRINCIPLES

The main principle for recognition of SCA's financial liabilities is that they are initially measured at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method. Transaction costs are recognized on a straight-line basis over the term of the loan.

In cases where loans with fixed interest rates are hedged using derivatives, both the loan and the derivative are measured at fair value through a fair value hedge. Non-current loans that are subject to hedge accounting are discounted to the market interest rate without a credit spread. The cash flows from the interest rate derivative are discounted to the same market interest rate as the loan and the changes in value are recognized in the income statement.

Financial liabilities

SEKm	2016	2015	2014
Current financial liabilities			
Amortization within one year	256	471	497
Bond issues	–	7,445	4,177
Derivatives	604	480	674
Loans with maturities of less than one year	4,400	3,950	9,292
Accrued financial expenses ¹⁾	97	106	177
BS Total²⁾	5,357	12,452	14,817
Non-current financial liabilities			
Bond issues	18,708	14,725	14,646
Derivatives	23	123	31
Other long-term loans with maturities > 1 year < 5 years	8,139	3,162	5,447
Other long-term loans with maturities > 5 years	4,490	3,465	4,122
BS Total	31,360	21,475	24,246
Total financial liabilities	36,717	33,927	39,063
Fair value of financial liabilities	37,047	33,877	39,243

¹⁾ Accrued financial expenses have previously been specified in Note D6 Other liabilities.

²⁾ Fair value of short-term loans is estimated to be the same as the carrying amount.

E4. FINANCIAL LIABILITIES, CONT.

Borrowing

SCA has a Euro Medium Term Note (EMTN) program with a program amount of EUR 4,000m (SEK 38,233m) for issuing bonds in the European capital market. As of December 31, 2016, a nominal EUR 2,217m (2,441; 2,043) was outstanding with a remaining maturity of 4.8 years (4.1; 3.4).

Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm
Notes SEK 600m	2019	603	602
Notes SEK 900m	2019	910	908
Green bond SEK 1,500m	2019	1,499	1,522
Notes EUR 300m	2020	2,895	2,871
Notes EUR 500m	2021	4,733	4,739
Notes EUR 500m	2023	5,157	5,269
Notes EUR 300m	2025	2,911	2,921
Total		18,708	18,832

SCA has a Swedish and a Belgian commercial paper program that can be utilized for current borrowing.

Commercial paper program¹⁾

Program size	Issued SEKm
Commercial paper SEK 15,000m	750
Commercial paper EUR 400m	909
Total	1,659

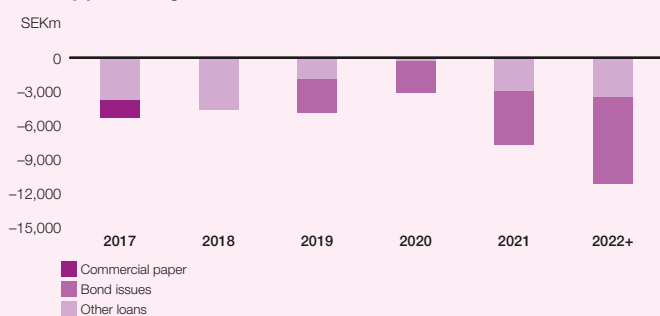
¹⁾ Included in Loans with maturities of less than one year in the Financial liabilities table.

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	2021	9,558	–	9,558
	EUR 1,000m	2019	9,558	–	9,558
Bilateral credit facilities	SEK 48m	2017	48	–	48
Total			19,164	–	19,164

Maturity profile of gross debt¹⁾



¹⁾ Gross debt includes accrued interest in the amount of SEK 97m.

After additions for net pension provisions and deductions for cash and cash equivalents, interest-bearing receivables and capital investment shares, net debt amounted to SEK 35,361m (29,478; 35,947). For a description of the methods used by SCA to manage its refinancing risk, refer to page 81.

E5. 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 81.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
2016			
Loans including interest	5,059	21,094	11,475
Net settled derivatives	-6	-27	–
Energy derivatives	29	1	–
Trade payables	14,519	1,231	–
Total	19,601	22,299	11,475
Gross settled derivatives ¹⁾	38,315	2,443	1,373
2015			
Loans including interest	12,204	12,483	10,284
Net settled derivatives	-18	-76	-69
Energy derivatives	357	96	–
Trade payables	13,244	1,107	–
Total	25,787	13,610	10,215
Gross settled derivatives ¹⁾	41,262	1,025	293
2014			
Loans including interest	14,699	17,858	7,791
Net settled derivatives	197	9	–
Energy derivatives	244	57	–
Trade payables	12,893	1,071	–
Total	28,033	18,995	7,791
Gross settled derivatives ¹⁾	34,964	2,195	–

¹⁾ The gross settled derivatives have, largely, corresponding positive cash flows and therefore in SCA's opinion do not constitute any real liquidity risk.

E6. DERIVATIVES AND HEDGE ACCOUNTING

AP ACCOUNTING PRINCIPLES

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. When using 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. The ineffective portion is recognized directly in profit or loss.

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 rate at which the hedged cash flow affects profit or loss. If a hedge relationship is interrupted 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 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.

E6. DERIVATIVES AND HEDGE ACCOUNTING, CONT.

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 with fixed interest rates that are subject to hedge accounting are discounted without a credit spread to the market interest rate and meet inherent interest rate derivatives' discounted cash flows at the same interest rate.

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.

Outstanding derivatives

SEKm	Total	of which currency ¹⁾	Interest rate	Energy
2016				
Nominal	56,599	38,695	16,094	1,810
Asset	1,259	351	561	347
Liability	705	664	11	30
2015				
Nominal	84,713	64,639	18,133	1,941
Asset	1,225	660	538	27
Liability	1,090	516	121	453
2014				
Nominal	64,773	44,793	17,718	2,262
Asset	1,839	893	931	15
Liability	1,082	575	207	300

¹⁾ Nominal SEK 110,115m (135,448; 82,957) is outstanding before the right of set-off.

Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
December 31, 2016		
Gross amount	2,394	1,840
Offsettable amount	-1,135	-1,135
Net amount recognized in the balance sheet	1,259	705
ISDA agreements whose transactions are not offset in the balance sheet	-288	-288
Net after offsetting in accordance with ISDA agreements	971	417
December 31, 2015		
Gross amount	2,236	2,101
Offsettable amount	-1,011	-1,011
Net amount recognized in the balance sheet	1,225	1,090
ISDA agreements whose transactions are not offset in the balance sheet	-472	-472
Net after offsetting in accordance with ISDA agreements	753	618
December 31, 2014		
Gross amount	3,163	2,406
Offsettable amount	-1,324	-1,324
Net amount recognized in the balance sheet	1,839	1,082
ISDA agreements whose transactions are not offset in the balance sheet	-567	-567
Net after offsetting in accordance with ISDA agreements	1,272	515

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 the Board of Directors' Report. The table above shows the derivatives that impacted the Group's balance sheet on December 31, 2016. For more information relating to derivatives in the balance sheet, see Note E1 Financial instruments by category.

Income statement

Hedges pertaining to transaction exposure had an impact of SEK 18m (54; -158) on operating profit for the period. At year-end, the net market value amounted to SEK 45m (28; -77). Currency hedges reduced the cost of non-current assets by SEK 19m (unchanged: 0; increased: 3) At year-end, the net market value amounted to SEK 24m (-17; 4).

Energy derivatives had an impact of SEK -225m (-360; -288) on operating profit for the period. Energy derivatives had an outstanding market value of SEK 317m (-426; -286) at year-end. Derivatives impacted net interest items in an amount of SEK -68m (16; 175). The net market value of outstanding interest rate derivatives amounted to SEK 550m (417; 724) at year-end. For further information relating to net financial items, see Note E7 Financial income and expenses.

Sensitivity analysis

SCA has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2016 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 period before tax by SEK 113m (26; 4).

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 46m (63; 7). 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 period by SEK 259m (187; 237). In addition to the earnings impact, equity would have increased/decreased by SEK 136m (73; 89). 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.

Outstanding derivatives with hedge accounting ¹⁾

SEKm	Assets	Liabilities	Net	Tax	Hedge reserve after tax
2016					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges					
Energy risk	329	-23	306	-78	228
Currency risk	45	-10	35	-8	27
Total	374	-33	341	-86	255
Derivatives with hedge accounting without hedge reserve					
Hedges of net investments in foreign operations					
Currency risk ²⁾	704	-537	167		
Fair value hedges					
Interest rate risk	561	-8	553		
Total	1,639	-578	1,061	-86	255
2015					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges					
Energy risk	2	-393	-391	102	-289
Currency risk	1	-18	-17	-4	-21
Total	3	-411	-408	98	-310
Derivatives with hedge accounting without hedge reserve					
Hedges of net investments in foreign operations					
Currency risk ²⁾	860	-259	601		
Fair value hedges					
Interest rate risk	538	-115	423		
Total	1,401	-785	616	98	-310

¹⁾ Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives.

²⁾ Derivatives before offsetting.

E6. DERIVATIVES AND HEDGE ACCOUNTING, CONT.

Outstanding derivatives with hedge accounting ¹⁾

SEKm	Assets	Liabilities	Net	Tax	Hedge reserve after tax
2014					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges					
Energy risk	4	-261	-257	72	-185
Interest rate risk	-	-8	-8	2	-6
Currency risk	17	-9	8	-5	3
Total	21	-278	-257	69	-188
Derivatives with hedge accounting without hedge reserve					
Hedges of net investments in foreign operations					
Currency risk ²⁾	281	-1,263	-982		
Fair value hedges					
Interest rate risk	920	-171	749		
Total	1,222	-1,712	-490	69	-188

¹⁾ Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives.

²⁾ Derivatives before offsetting.

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 affected equity in 2016 by a total of SEK -437m (58; -1,497). This result is largely due to hedges of net investments in EUR. The total market value of outstanding hedging transactions at the end of the period was SEK 167m (601; -982). In total at year-end, SCA hedged net investments outside Sweden amounting to SEK -11,405m. SCA's total foreign net investments at year-end amounted to SEK 61,009m.

E7. FINANCIAL INCOME AND EXPENSES

Financial income and expenses

SEKm	2016	2015	2014
Results from shares and participations in other companies			
Dividend	2	80	83
Interest income and similar profit items			
Interest income, investments	115	73	132
Other financial income	15	52	2
Total financial income	132	205	217
Interest expenses and similar loss items			
Interest expenses, borrowing	-842	-1,073	-1,280
Interest expenses, derivatives	-92	7	208
Fair value hedges, unrealized	24	9	-33
Other financial expenses	-141	-103	-73
Total financial expenses	-1,051	-1,160	-1,178
Total	-919	-955	-961

Other financial income and expenses include an exchange difference of SEK 15m (52; 2).

Sensitivity analysis

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 period would have been SEK 103m (66; 108) higher/lower. Sensitivity analysis calculations have been performed on the risk to which SCA was exposed at December 31, 2016 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 the Board of Directors' Report, see page 81.

The results from hedging of net investments in foreign operations are recognized in the translation reserve, refer to note E8 Equity. The results from fair value hedges are recognized directly in profit or loss.

Hedge reserve in equity

Currency derivatives relating to hedging of transaction exposure mature mainly during the first quarter of 2017. With unchanged exchange rates, profit after tax will be affected in an amount of SEK 9m (0; 0). Currency derivatives relating to hedging of the cost of non-current assets have a maturity spread until June 2019. With unchanged exchange rates, the cost of non-current assets will decrease by SEK 18m (increase: 21; decrease: 3) after tax.

Derivatives pertaining to hedging of interest expenses were concluded in 2015. The derivatives intended to hedge energy costs in the Group mature during 2017 and 2018. With unchanged prices, the Group's profit after tax will be affected positively in an amount of SEK 228m (neg: 289; neg: 185).

E8. EQUITY

AP ACCOUNTING PRINCIPLES

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.

Equity totaled SEK 79,519m (75,691; 72,872) at December 31, 2016. The following tables show the distribution and profit for the period.

SEKm	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Equity attributable to SCA's shareholders	Non-controlling interests	Total equity
Value, January 1, 2016	2,350	6,830	-2,242	63,463	70,401	5,290	75,691
IS Profit for the period recognized in profit or loss				5,570	5,570	442	6,012
Other comprehensive income for the period							
Items that cannot be transferred to profit for the period							
Actuarial gains and losses relating to defined benefit pension plans ²⁾				-1,526	-1,526	1	-1,525
Income tax attributable to components in other comprehensive income				411	411	-	411
				-1,115	-1,115	1	-1,114
Items that have been or can be transferred to profit for the period							
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity			-1		-1		-1
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity			495		495		495
Transferred to profit or loss for the period			274		274		274
Transferred to cost of hedged investments			-19		-19		-19
Translation differences in foreign operations			2,418		2,418	234	2,652
Result from hedging of net investments in foreign operations			-437		-437		-437
Other comprehensive income from associates				12	12		12
Tax on items recognized directly in/transferred from equity ³⁾			-88	-1	-89		-89
Other comprehensive income for the period, net after tax			2,642	-1,104	1,538	235	1,773
Comprehensive income for the period			2,642	4,466	7,108	677	7,785
Private placement to non-controlling interests				240	240	199	439
Private placement to non-controlling interests, dilution				-110	-110	110	-
Issue expenses, private placement				-4	-4	-4	-8
Acquisition of non-controlling interests				-799	-799	643	-156
Acquisition of non-controlling interests, dilution				348	348	-348	-
Remeasurement effect upon acquisition of non-controlling interests				-4	-4		-4
Dividend, SEK 5.75 per share ⁴⁾				-4,038	-4,038	-190	-4,228
BS Value, December 31	2,350	6,830	400	63,562	73,142	6,377	79,519
SEKm							
Value, January 1, 2015	2,350	6,830	237	58,205	67,622	5,250	72,872
IS Profit for the period recognized in profit or loss				7,002	7,002	450	7,452
Other comprehensive income for the period							
Items that cannot be transferred to profit for the period							
Actuarial gains and losses relating to defined benefit pension plans ²⁾				2,562	2,562	-	2,562
Income tax attributable to components in other comprehensive income				-558	-558	-	-558
				2,004	2,004	-	2,004
Items that have been or can be transferred to profit for the period							
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity			318		318		318
Transferred to profit or loss upon sale			-970		-970		-970
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity			-499		-499		-499
Transferred to profit or loss for the period			342		342		342
Translation differences in foreign operations			-1,656		-1,656	-215	-1,871
Result from hedging of net investments in foreign operations			-58		-58		-58
Other comprehensive income from associates				-17	-17		-17
Tax on items recognized directly in/transferred from equity ³⁾			44		44		44
Other comprehensive income for the period, net after tax			-2,479	1,987	-492	-215	-707
Comprehensive income for the period			-2,479	8,989	6,510	235	6,745
Acquisition of non-controlling interests				-40	-40	21	-19
Remeasurement effect upon acquisition of non-controlling interests				-4	-4		-4
Dividend, SEK 5.25 per share ⁴⁾				-3,687	-3,687	-216	-3,903
BS Value, December 31	2,350	6,830	-2,242	63,463	70,401	5,290	75,691

¹⁾ Revaluation reserve, Hedge reserve, Available-for-sale assets and Translation reserve are included in the Reserves line in the balance sheet; see specification below.

²⁾ Including payroll tax.

³⁾ For a specification of income tax attributable to components in other comprehensive income, see below.

⁴⁾ Dividend SEK 5.75 (5.25; 4.75) per share pertains to owners of the Parent. For the 2016 fiscal year, the Board has decided to propose a dividend of SEK 6.00 per share to the Annual General Meeting.

E8. EQUITY, CONT.

SEKm	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Equity attributable to SCA's shareholders	Non-controlling interests	Total equity
Value, January 1, 2014	2,350	6,830	-3,281	57,372	63,271	4,540	67,811
IS Profit for the period recognized in profit or loss				6,599	6,599	469	7,068
Other comprehensive income for the period							
Items that cannot be transferred to profit for the period							
Actuarial gains and losses relating to defined benefit pension plans ²⁾				-2,925	-2,925	-	-2,925
Income tax attributable to components in other comprehensive income				660	660	-	660
				-2,265	-2,265	-	-2,265
Items that have been or can be transferred to profit for the period							
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity			140		140	-	140
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 ³⁾			359		359	-	359
Other comprehensive income for the period, net after tax			3,518	-2,265	1,253	572	1,825
Comprehensive income for the period			3,518	4,334	7,852	1,041	8,893
Issue cost in associates			-	-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 ⁴⁾			-	-3,336	-3,336	-228	-3,564
BS Value, December 31	2,350	6,830	237	58,205	67,622	5,250	72,872

¹⁾ Revaluation reserve, Hedge reserve, Available-for-sale assets and Translation reserve are included in the Reserves line in the balance sheet; see specification below.

²⁾ Including payroll tax.

³⁾ For a specification of income tax attributable to components in other comprehensive income, see below.

⁴⁾ Dividend SEK 5.75 (5.25; 4.75) per share pertains to owners of the Parent. For the 2016 fiscal year, the Board has decided to propose a dividend of SEK 6.00 per share to the Annual General Meeting.

For further information regarding equity, see Parent Company Note PC11.

Equity, specification of reserves

SEKm	Revaluation reserve ¹⁾			Hedge reserve ²⁾			Available-for-sale assets			Translation reserve		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Value, January 1	107	107	107	-310	-188	-128	7	659	519	-2,046	-341	-3,779
Available-for-sale financial assets:												
Result from measurement at fair value recognized in equity	-	-	-	-	-	-	-1	318	140	-	-	-
Transferred to profit or loss upon sale	-	-	-	-	-	-	-	-970	-	-	-	-
Cash flow hedges:												
Result from remeasurement of derivatives recognized in equity	-	-	-	495	-499	-428	-	-	-	-	-	-
Transferred to profit or loss for the period	-	-	-	274	342	344	-	-	-	-	-	-
Transferred to cost of hedged investments	-	-	-	-19	-	3	-	-	-	-	-	-
Translation differences in foreign operations ³⁾	-	-	-	-1	5	-9	-	-	-	2,419	-1,661	4,606
Result from hedging of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-437	-58	-1,497
Tax on items recognized directly in/transferred from equity	-	-	-	-184	30	30	-	-	0	96	14	329
Other comprehensive income for the period, net after tax	-	-	-	565	-122	-60	-1	-652	140	2,078	-1,705	3,438
Value, December 31	107	107	107	255	-310	-188	6	7	659	32	-2,046	-341

¹⁾ Revaluation reserve includes effect on equity of step acquisitions.

²⁾ See also Note E6 for details of when profit or loss is expected to be recognized.

³⁾ Transfer to profit or loss of realized exchange gains relating to divested companies is included in the amount of SEK -13m (-; -).

Specification of income tax attributable to other comprehensive income for the period

SEKm	2016			2015			2014		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Actuarial gains and losses relating to defined benefit pension plans	-1,525	411	-1,114	2,562	-558	2,004	-2,925	660	-2,265
Available-for-sale financial assets	-1	-	-1	-652	-	-652	140	0	140
Cash flow hedges	750	-184	566	-157	30	-127	-81	30	-51
Translation differences in foreign operations	2,652	-	2,652	-1,871	-	-1,871	5,169	-	5,169
Other comprehensive income from associates	12	-1	11	-17	-	-17	-	-	-
Result from hedging of net investments in foreign operations	-437	96	-341	-58	14	-44	-1,497	329	-1,168
Other comprehensive income for the period	1,451	322	1,773	-193	-514	-707	806	1,019	1,825

At December 31, 2016, the debt/equity ratio amounted to 0.44. Change in liabilities and equity is described on page 45 under Financial position. SCA's target for capital structure is to establish an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt is to be taken into consideration in the target to maintain

a solid investment grade rating. SCA has a credit rating for long-term debt of Baa1 from Moody's and BBB+ from Standard & Poor's. SCA's financial risk management is described in the Risk and risk management section on pages 78-83. SCA's dividend policy and capital structure are described on page 34 and 16.

F. GROUP STRUCTURE

F1. SUBSIDIARIES

AP ACCOUNTING PRINCIPLES

Subsidiaries

The companies over which SCA has control are consolidated as subsidiaries. Control means that SCA has sufficient influence to control the activities of the subsidiary, has the right to its returns and has control over its exposure, and is able to impact the return of the company through its influence. Most of the Group's subsidiaries are wholly owned, which means that SCA has control over the companies. SCA owns 54.6% of Vinda and 50% of Familia; SCA also has control of these companies, despite the fact that there are significant non-controlling interests in the companies.

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 interest. In connection with 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.

List of major subsidiaries

The Group's participations in major subsidiaries at December 31, 2016. The following selection of wholly owned subsidiaries and subsidiaries with significant non-controlling interests includes companies with external sales in excess of SEK 500m in 2016.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2016	Share of equity at December 31, 2015	Share of equity at December 31, 2014
SCA Hygiene Products SAS	509 395 109	Saint-Ouen, France	100	100	100
SCA Hygiene Products Nederland B.V.	30-135 724	Zeist, Netherlands	100	100	100
SCA Hygiene Products (Fluff) Ltd.	577 116	Dunstable, UK	100	100	100
SCA Tissue North America LLC	58-2494137	Delaware, US	100	100	100
Vinda International Holdings Ltd ¹⁾	90235	Hong Kong, China	55	51	51
Wausau Paper Towel & Tissue LLC	41-2218501	Wisconsin, US	100	–	–
SCA Skog AB	556048-2852	Sundsvall, Sweden	100	100	100
SCA Hygiene Products Vertriebs GmbH	HRB 713 332	Mannheim, Germany	100	100	100
SCA Graphic Sundsvall AB	556093-6733	Sundsvall, Sweden	100	100	100
SCA Hygiene Products AB	556007-2356	Gothenburg, Sweden	100	100	100
SCA Hygiene Products S.L.	B28451383	Puigpelat, Spain	100	100	100
SCA Consumidor Mexico, S.A. de C.V.	SCM-931101-3S5	Mexico City, Mexico	100	100	100
Productos Familia S.A. Colombia ¹⁾	8909001619	Medellin, Colombia	50	50	50
SCA Timber AB	556047-8512	Sundsvall, Sweden	100	100	100
SCA Hygiene Products SPA	3 318 780 966	Altopascio, Italy	100	100	100
SCA Hygiene Products Russia OOO	704 031 845	Moscow, Russia	100	100	100
SCA Hygiene Sp.z.o.o.	KRS No. 0000427360	Warsaw, Poland	100	100	100
SCA Hygiene Products GmbH	FN49537z	Vienna, Austria	100	100	100
SCA Hygiene Products SA-NV	BE0405.681.516	Stembert, Belgium	100	100	100
SCA Hygiene Products AFH Sales GmbH	HRB 710 878	Mannheim, Germany	100	100	100
SCA Obbola AB	556147-1003	Umeå, Sweden	100	100	100
SCA Munksund AB	556237-4859	Piteå, Sweden	100	100	100
SCA North America-Canada Inc.	421984	Ontario, Canada	100	100	100
OY SCA Hygiene Products AB	0165027-5	Espoo, Finland	100	100	100
SCA PERSONAL CARE INC.	23-3036384	Delaware, US	100	100	100
Productos Familia del Sancela Ecuador S.A. ¹⁾	1791314379001	Quito, Ecuador	50	50	50
SCA Hygiene Products AS	915 620 019	Oslo, Norway	100	100	100
SCA Timber Supply Ltd	2541468	Stoke on Trent, UK	100	100	100
SCA Hygiene Products AG	CHE-106.977.885	Schenkon, Switzerland	99	99	99
SCA Hygiene Products A/S	DK20 638 613	Allerød, Denmark	100	100	100
SCA Chile SA	94.282.000-3	Santiago de Chile, Chile	100	100	100
Sancela S.A.	B14441997	La Chargaia, Tunisia	49	49	49
SCA Hygiene Products Kft	01-09-716945	Budapest, Hungary	100	100	100
SCA Timber Supply Skandinavien AB	556302-0667	Sundsvall, Sweden	100	100	100
Uni-Charm Mölnlycke kk	0104-01-046146	Tokyo, Japan	49	49	49
SCA Hygiene Products s.r.o.	485 36 466	Prague, Czech Republic	100	100	100
SCA Hygiene Spain, SL	B31235260	Allo, Spain	100	100	100
SCA Hygiene Products Slovakia s.r.o.	36 590 941	Gemerska Horská, Slovakia	100	100	100
SCA Hygiene Products GmbH Wiesbaden	HRB 5301	Mainz-Kostheim, Germany	100	100	100
SCA Tissue France SAS	702 055 187	Bois-Colombes, France	100	100	100
SCA Hygiene Products GmbH Mannheim	HRB 3248	Mannheim, Germany	100	100	100
SCA Hygiene Products GmbH Neuss	HRB14343	Neuss, Germany	100	100	100
SCA Hygiene Products Sp.z.o.o.	KRS No. 0000086815	Olawa, Poland	100	100	100
SCA Hygiene Products Supply SAS	509 599 619	Roissy, Bobigny, France	100	100	100
SCA Hygiene Products Manchester Ltd	4 119 442	Dunstable, UK	100	100	100

¹⁾ 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; see **TF2:1**.

F2. JOINTLY OWNED SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

Vinda

Vinda is one of China's largest hygiene companies. SCA has been a shareholder in Vinda since 2007, became its majority shareholder in late 2013, and has consolidated Vinda financials since the first quarter of 2014. In 2014, SCA divested its hygiene business in China, Hong Kong and Macau for integration with Vinda. In 2016, SCA's divestment of its business in Southeast Asia, Taiwan and South Korea for integration with Vinda was also approved by the company's independent shareholders and the transaction was completed on April 1, 2016. Following this transaction and at the end of the reporting period SCA's holding amounted to 54.6%. In 2017, Vinda is expected to acquire a property via a private placement that will dilute SCA's holding to about 52.1%. Vinda's market capitalization on the Hong Kong stock exchange was SEK 19,329m (16,533; 11,551) at the end of the period.

Familia

Familia is 50% owned by SCA and 49.8% owned by the Gomez family. SCA is considered to have a controlling influence over Familia, despite the fact that SCA does not hold a majority of votes in the company. SCA is deemed to have a controlling influence since it has control over the activities with the most significant impact on Familia's return. Familia operates in the South American market and sells tissue and personal care products.

Financial information

Financial information is disclosed below for both subsidiaries. Financial information has not been disclosed for other subsidiaries since no other individual subsidiary had a material impact on the Group's earnings and position. These balance sheets have been recognized taking into consideration the recognition of Vinda and Familia in SCA's consolidated financial statements, whereby consideration was given to adjustments for surplus values in connection with acquisitions.

TF2:1 Subsidiaries with significant non-controlling interests, 100% of operations

SEKm	Vinda ¹⁾			Familia ¹⁾		
	2016	2015	2014	2016	2015	2014
Condensed income statement						
Net sales	13,297	10,463	7,024	6,075	6,186	5,650
Operating profit	1,038	736	500	733	783	719
Profit for the period	685	302	368	236	607	499
- Of which attributable to owners of the Parent	374	155	189	115	311	247
Other comprehensive income for the period	-94	194	1,371	486	-684	41
- Of which attributable to owners of the Parent	-51	119	857	270	-412	27
Comprehensive income for the period	591	496	1,739	722	-77	540
- Of which attributable to owners of the Parent	323	274	1,046	385	-101	274
- Of which attributable to non-controlling interests	268	222	693	337	24	266
Dividend to non-controlling interests	55	88	63	87	92	145
Condensed balance sheet						
Non-current assets	17,327	13,587	12,535	3,250	2,917	3,344
Current assets	5,669	4,623	4,320	2,825	2,494	2,453
Total	22,996	18,210	16,855	6,075	5,411	5,797
Equity attributable to owners of the Parent	7,573	5,895	5,715	2,398	2,089	2,259
Equity attributable to non-controlling interests	4,503	3,570	3,437	1,764	1,510	1,583
Non-current liabilities	5,394	4,543	3,165	475	486	548
Current liabilities	5,526	4,202	4,538	1,438	1,326	1,407
Total	22,996	18,210	16,855	6,075	5,411	5,797
Cash flow from operating activities	2,439	810	739	569	440	767
Cash flow from investing activities	-1,129	-1,322	-2,092	-60	-135	-103
Cash flow from financing activities	583	171	1,384	-349	-249	-475
Cash flow for the period	1,893	-341	31	160	56	189

¹⁾ For more information about the companies, refer to the list of major subsidiaries.

F3. JOINT VENTURES AND ASSOCIATES

AP ACCOUNTING PRINCIPLES

Joint arrangements

SCA classifies its joint arrangements as joint ventures or joint operations, which are presented in further detail in Note F4.

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. Joint ventures are 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 a part of "Share of profits of associates and 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. Measurement of acquired assets and liabilities is carried out in the same way as for subsidiaries. SCA's single largest joint venture is Bunzl & Biach G.m.b.H., Vienna, which supplies the hygiene business with raw materials.

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% and 50% 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 as part of "Share of profits of associates and joint ventures" in the consolidated income statement. Share in profits is calculated on the basis of SCA's share of equity in the respective associate.

F3. JOINT VENTURES AND ASSOCIATES, CONT.

Carrying amounts of joint ventures and associates

SEKm	2016	2015	2014
Joint ventures			
Value, January 1	114	122	837
Investments	–	–	129
Net increase in joint ventures ¹⁾	10	4	–165
Reclassification between joint ventures and associates	–	–8	–719
Translation differences	6	–4	40
Value, December 31	130	114	122
Associates			
Value, January 1	964	966	183
Investments	–	68	–
Company divestments	–43	–	–
Net increase in associates ¹⁾	5	41	101
Impairment of associates	–	–62	–
Reclassification between associates and subsidiaries	–	–7	–72
Reclassifications due to changes in the acquisition balance sheet	–	–	–11
Reclassification between joint ventures and associates	–	8	719
Translation differences	67	–50	46
Value, December 31	993	964	966
BS TF3:1 Value, December 31, joint ventures and associates	1,123	1,078	1,088

¹⁾ Net increase for the period 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 period, which amounted to SEK 2m (11; 10) for joint ventures, and SEK 147m (125; 16) for associates.

Joint ventures and associates

Asaleo Care Ltd

As of 2014, Asaleo Care Ltd in Australia is recognized as an associate in accordance with the equity method, following the flotation of the company on the Australian Securities Exchange (ASX). In connection with the flotation, SCA's participation decreased to 32.5% from earlier 50%. In 2015, the company implemented a program to repurchase shares from the market, in which SCA did not participate. This caused SCA's participation in Asaleo Care to increase to 34.7% during the fourth quarter 2015. This program continued in 2016, resulting in SCA's share in the company increasing to 35.9%. Asaleo Care manufactures and markets consumer tissue and AfH tissue, baby diapers, feminine care products and incontinence products. SCA has licensed its Tork and TENA brands to Asaleo Care for sale in Australia, New Zealand and Fiji.

Bunzl & Biach

Bunzl & Biach is a joint venture that operates in the recovered paper market and supplies raw materials to SCA's hygiene business.

TF3:1 Material joint ventures and associates, 100% of operations

SEKm	Joint ventures			Associates			Total		
	Bunzl & Biach			Asaleo Care Ltd					
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Condensed income statement									
Net sales	955	852	776	3,851	3,946	3,890	4,806	4,798	4,666
Depreciation/amortization	–11	–11	–9	–185	–169	–154	–196	–180	–163
Operating profit	22	31	20	597	736	375	619	767	395
Interest income	–	–	–	2	3	–	2	3	–
Interest expenses	–	–	–	–67	–64	–153	–67	–64	–153
Other financial items	1	3	1	–2	–3	–208	–1	–	–207
Tax expense	–	–8	–6	–155	–193	5	–155	–201	–1
Profit for the period	23	26	16	375	479	18	398	505	34
Other comprehensive income for the period	–	–1	–	31	–49	106	31	–50	106
Comprehensive income for the period	23	25	16	406	430	124	429	455	140
Condensed balance sheet									
Non-current assets	118	106	53	3,600	3,343	3,555	3,718	3,449	3,608
Cash and cash equivalents	15	10	55	199	214	226	214	224	281
Other current assets	120	93	98	1,269	1,159	1,161	1,389	1,252	1,259
Total assets	253	209	206	5,068	4,716	4,942	5,321	4,925	5,148
Non-current financial liabilities	60	50	48	2,121	1,792	1,723	2,181	1,842	1,771
Other non-current liabilities	46	47	46	252	181	78	298	228	124
Current financial liabilities	–	–	–	28	24	5	28	24	5
Other current liabilities	25	16	18	652	668	658	677	684	676
Total liabilities	131	113	112	3,053	2,665	2,464	3,184	2,778	2,576
Net assets	122	96	94	2,015	2,051	2,478	2,137	2,147	2,572
Group share of net assets	60	47	46	725	711	806	785	758	852
Fair value adjustment	58	56	66	178	119	43	236	175	109
Carrying amount of the companies	118	103	112	903	830	849	1,021	933	961
Carrying amount of other joint ventures							12	11	10
Carrying amount of other associates							90	134	117
BS TF3:2 Carrying amount of joint ventures and associates							1,123	1,078	1,088
Market value, December 31				5,296	5,495	6,402			

F3. JOINT VENTURES AND ASSOCIATES, CONT.

TF3:2 Carrying amounts of joint ventures and associates

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2016, %	Share of equity at December 31, 2015, %	Share of equity at December 31, 2014, %	Carrying amount December 31, 2016, SEK m	Carrying amount December 31, 2015, SEK m	Carrying amount December 31, 2014, SEK m
Joint ventures								
Bunzl & Blach GmbH	FN79555v	Vienna, Austria	49	49	49	118	103	112
Other						12	11	10
Associates								
Asaleo Care Ltd	61 154 461 300	Melbourne, Australia	36	35	33	903	830	849
Other						90	134	117
BS TF3:1 Carrying amount, December 31						1,123	1,078	1,088

F4. JOINT OPERATIONS

AP ACCOUNTING PRINCIPLES

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 the company's assets, liabilities, income and expenses in its financial statements. A small number of companies in the SCA Group are deemed to be joint operations, namely Uni-Charm Mölnlycke, ProNARO and Nokianvirran Energia, in which the parties to the agreement acquire all products from the companies and the companies are operated with near-zero profit.

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Joint operations

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2016	Share of equity at December 31, 2015	Share of equity at December 31, 2014
Uni-Charm Mölnlycke B.V.	02-330 631	Hoogezand, Netherlands	40	40	40
ProNARO GmbH	HRB 8744	Stockstadt, Germany	50	50	50
Nokianvirran Energia Oy (NVE)	213 1790-4	Kotipakka, Finland	27	27	27

Uni-Charm Mölnlycke

Uni-Charm is classified as a joint operation since the parties to the agreement purchase all products produced 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. This means that the company in the joint operation is operated with near-zero profit and thus is not exposed to commercial risk. This joint operation has operations in Hoogezand in the Netherlands, Venio in Russia and Delaware in the US.

ProNARO

A number of paper mills merged and formed the company ProNARO, whose main task is to negotiate favorable prices, optimize inventory levels, improve timber quality and reduce lead times and costs when purchasing timber. ProNARO's purchasing is based on forecast volumes from the paper mills. The company's production and administration costs are charged to the paper mills through the price set for the timber. Any budget or price deviations are charged to the paper mills for these additional costs, which means that ProNARO is not exposed to commercial risk.

Nokianvirran Energia

SCA has entered into an agreement with two other stakeholders to form a joint so-called mankala company in the Finnish energy market, where the joint parties produce heat and steam from biofuel. Each party in the joint operation is obligated to bear a portion of the fixed costs in proportion to its holding in the company and to pay for the raw materials used in the production of heat and steam in proportion to its consumption. Accordingly, the company is not profit-driven since the parties themselves bear their respective costs. The company is expected to generate near-zero profit and thus is not exposed to commercial risk.

F5. SHARES AND PARTICIPATIONS

Shares and participations

SEKm	2016	2015	2014
Value, January 1	45	53	52
Investments during the year	1	–	–
Divestments	–1	–7	–
Other reclassifications	–	–	1
Impairment	–	–	–
Translation differences	1	–1	–
BS Value, December 31	46	45	53

Shares and participations pertain to holdings in other companies that are not classified as subsidiaries, joint arrangements 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.

F6. ACQUISITIONS AND DISPOSALS

AP ACCOUNTING PRINCIPLES

Acquisition of subsidiaries

SCA applies IFRS 3 Business Combinations in connection with acquisitions. In business combinations, acquired assets and assumed liabilities are identified and classified at fair value on the date of acquisition (also known as an acquisition analysis). The acquisition analysis also includes an assessment of whether there are any assets that are intangible in nature, such as trademarks, patents, customer contracts or similar assets that were not recognized in the acquired unit. If the cost is higher than the net value of the acquired assets, assumed liabilities and identified intangible assets in the company, the difference is recognized as goodwill. Any surplus value on property, plant and equipment is depreciated over the estimated useful life of the asset. Goodwill and strong trademarks with indefinite useful lives are not amortized; instead, they are subjected to annual impairment testing. Some trademarks and customer contracts are amortized over their estimated useful lives.

If the transferred consideration is contingent on future events, it is measured at fair value and any changes in value are recognized in profit for the period.

Transaction costs in conjunction with acquisitions are not capitalized, but rather expensed directly.

Companies acquired during the period are included in the consolidated financial statements as of the acquisition date. Divested companies are included in the consolidated financial statements until the divestment date.

Non-controlling interests

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).

In step acquisitions in which 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. If the controlling influence is lost upon the divestment of an operation, the result is recognized in profit or loss and the portion of the divested operation that remains in the Group is measured at fair value on the divestment date, with the remeasurement effect recognized in profit or loss.

Acquisitions in which a controlling influence is achieved that do not lead to loss of control are recognized as an equity transaction, meaning a transfer between equity attributable to owners of the Parent and non-controlling interests. The same applies for divestments that take place without the loss of a controlling influence.

Acquisitions

On October 13, 2015, SCA announced that it had made a public bid on Wausau Paper Corp., one of the largest AfH tissue companies in the North American market. The transaction was approved by US authorities on November 17, 2015, and Wausau Paper's shareholders accepted the bid from SCA at the general meeting held on January 20, 2016. The transaction was completed on January 21, 2016 and SCA consolidated the company as of this date. The consideration transferred amounted to USD 513m (SEK 4,401m) in cash. Goodwill is motivated by synergies between SCA and Wausau Paper, including the capacity to offer customers a broad portfolio of products. The acquisition is expected to generate annual synergies of approximately USD 40m, with full effect three years after closing. Synergies are expected in sourcing, production, logistics, reduced imports, increased volumes of premium products and reduced sales, general and administration costs. The restructuring costs are expected to amount to approximately USD 50m.

The cost for the acquisition amounted to SEK 90m.

Two minor acquisitions were completed during the year, Sensassure in Canada and Swedscot in the UK, for a total consideration of SEK 50m, of which SEK 19m relates to an earn-out payment that is contingent upon certain performance measures being met.

Effect on sales and earnings of acquisitions for the period

Since the acquisition date, the acquisition of Wausau Paper has had an impact of SEK 2,996m on consolidated net sales, of SEK 272m on adjusted operating profit and of SEK 32m on profit for the period, including items affecting comparability, before tax. If the acquisition had been consolidated from January 1, 2016, the expected net sales would have amounted to SEK 3,164m and profit before tax, including items affecting comparability, to SEK 48m. The acquisitions of Sensassure and Swedscot impacted consolidated net sales in the amount of SEK 9m and profit for the period before tax by SEK -1m. If the acquisitions had been consolidated from January 1, 2016, the expected net sales would have amounted to SEK 42m and profit before tax to SEK -2m.

F6. ACQUISITIONS AND DISPOSALS, CONT.

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 sheets			
SEKm	2016	2015	2014
Intangible assets	213	–	23
Property, plant and equipment	2,896	–	56
Other non-current assets		66	166
Operating assets	682	–	86
Cash and cash equivalents	14	2	27
Provisions and other non-current liabilities	–71	–	–5
Net debt excl. cash and cash equivalents	–2,128	–	–20
Operating liabilities	–534	–	–29
Fair value of net assets	1,072	68	304
Goodwill	3,379	–	269
Consolidated value of share in associates	–	–	–72
Revaluation of previously owned shares	–	–	–35
Consideration transferred	4,451	68	466
Consideration transferred	–4,451	–68	–466
Earn-out payment	19		
Settled debt pertaining to acquisitions in earlier years	–2	–6	–
Cash and cash equivalents in acquired companies	14	–	27
Adjustment of cash and cash equivalents in final acquisition analysis for Vinda	–	–	–69
CF Effect on Group's cash and cash equivalents, acquisition of operations	–4,420	–74	–508
Acquisition of non-controlling interests	–50	–19	–173
Acquired net debt excl. cash and cash equivalents	–2,138	–	–20
Adjustment of net debt in final acquisition analysis for Vinda	–	–	193
OCF Acquisition of operations during the period, including net debt assumed	–6,598	–93	–508

Specification of acquisition balance sheet 2016

SEKm	Wausau	Other	Total
Intangible assets	213	–	213
Property, plant and equipment	2,896	–	2,896
Operating assets	672	10	682
Cash and cash equivalents	14	–	14
Provisions and other non-current liabilities	–71	–	–71
Net debt excl. cash and cash equivalents	–2,127	–1	–2,128
Operating liabilities	–525	–9	–534
Fair value of net assets	1,072	–	1,072
Goodwill	3,329	50	3,379
Consideration transferred	4,401	50	4,451
Consideration transferred	–4,401	–50	–4,451
Earn-out payment	–	19	19
Settled debt pertaining to acquisitions in earlier years	–	–2	–2
Cash and cash equivalents in acquired companies	14	–	14
CF Effect on Group's cash and cash equivalents, acquisition of operations	–4,387	–33	–4,420
Acquisition of non-controlling interests		–50	–50
Acquired net debt excl. cash and cash equivalents	–2,127	–1	–2,128
OCF Acquisition of operations during the period, including net debt assumed	–6,514	–84	–6,598

Adjustment of preliminary acquisition balance sheets for 2016

An acquisition analysis is considered preliminary until it is confirmed. A preliminary acquisition analysis is changed 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 the acquisition balance sheet is confirmed. Adjustments to acquisition analyses result in changes to the income statements and balance sheets for the comparative period. The preliminary acquisition analysis for Wausau was adjusted compared with the first quarter as a result of further information being obtained regarding the market value and new calculations were made relating to intangible assets. The other acquisition analyses prepared in the preceding year were confirmed in accordance with the preliminary acquisition analyses.

Acquisitions after the end of the reporting period

On December 19, 2016, SCA announced that it had entered an agreement to acquire BSN medical, a leading medical technology company. BSN medical develops, manufactures, markets and sells products with the areas of wound care, compression therapy and orthopedics. The purchase consideration for shares amounted to EUR 1,400m and the takeover of net debt to approximately EUR 1,340m. The acquisition will be fully debt-funded, and the SCA Hygiene-group have committed credit facilities in place. The transaction is subject to the customary approvals from competition authorities. Closing of the transaction is expected in the second quarter of 2017.

Divestments

In June, SCA divested its holding of 33% in the recycling company IL Recycling. The purchase consideration amounted to SEK 239m and capital gain to SEK 218m.

In November, SCA divested its remaining non-current assets in China that were not included in the hygiene business transferred to Vinda in 2014. The purchase consideration amounted to SEK 169m and resulted in a capital gain of SEK 40m excluding divestment costs and the reversal of realized exchange rate differences in the divested operation. Including divestment costs and the reversal of realized exchange rate differences, the outcome was SEK –26m. In addition to these divestments, payment was received for a number of minor divestments in China and Sweden, with the total purchase consideration for these amounting to SEK 30m and the capital gain to SEK 27m.

All capital gains were recognized in items affecting comparability in profit or loss. In addition, final settlement totaling SEK 59m was received relating to the earn-out payment for the baby diaper operation in South Africa, which was divested in 2015.

Assets and liabilities included in divestments

SEKm	2016	2015	2014
Property, plant and equipment	–10	48	–
Other non-current assets	44	–	–
Operating assets	3	68	–
Non-current assets held for sale	124	–	–
Cash and cash equivalents	8	–	–
Net debt excl. cash and cash equivalents	–	–	–
Operating liabilities	–16	–	–
Gain/loss on sale ¹⁾	285	0	–
Purchase price received after divestment costs	438	116	–
Less:			
Unpaid purchase consideration	–	–67	–
Cash and cash equivalents in divested companies	–8	–	–
Add:			
Payment of receivable for purchase consideration	59	280	206
CF Effect on Group's cash and cash equivalents, divestments	489	329	206
Less:			
Divested net debt excl. cash and cash equivalents	–	–	–
OCF Divestment of operations during the period, including net debt transferred	489	329	206

¹⁾ Excluding reversal of realized translation differences in divested companies to profit or loss. Gain/loss on sale is included in items affecting comparability in profit or loss.

G. OTHER

G1. NON-CURRENT ASSETS HELD FOR SALE

AP ACCOUNTING PRINCIPLES

Non-current assets held for sale and discontinued operations

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. The assets are no longer depreciated after reclassification. The gain is limited to the amount equivalent to previously made impairment charges. Gains and losses recognized on remeasurement and divestment are recognized in profit and loss for the period.

When an independent business segment or a significant operation within a geographic area is divested, it is classified as a discontinued operation. 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. The income statement is adjusted for the comparative period as though the discontinued operation had already been disposed of at the start of the comparative period.

Non-current assets held for sale and discontinued operations

SEKm	2016	2015	2014
Buildings	59	53	15
Land	31	67	43
Machinery and equipment	66	–	1
Construction in progress	–	–	1
BS Total	156	120	60

In 2016, non-current assets held for sale are attributable to the closure of a tissue production plant in Spain in the amount of SEK 59m and the discontinuation of the hygiene operation in India in the amount of SEK 97m.

G2. LEASING

AP ACCOUNTING PRINCIPLES

Lease agreements are classified and recognized as either operating or finance leases. In cases where a lease agreement essentially entails that the risks and rewards incidental to ownership have been transferred to SCA, the lease agreement is classified as a finance lease. The leased asset is recognized as a non-current asset with a corresponding interest-bearing liability. 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 fees are divided between amortization and interest, 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. Lease agreements in which the risks and rewards incidental to ownership are essentially carried by the lessor are classified as operating leases, and the lease payments are expensed on a straight-line basis over the lease term.

Operating lease objects comprise a large number of items, including 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 minimum lease payments

SEKm	2016	2015	2014
Within 1 year	260	9	44
Between 2 and 5 years	1	13	9
Later than 5 years	–	35	–
Total	261	57	53
Of which, interest	0	–18	–3
Present value of future minimum lease payments	261	39	50

Other disclosures

Total payments for finance leases during the period amounted to SEK –46m (–13; –17), of which amortization of debt accounted for SEK –41m (–11; –15). The carrying amount of finance lease assets at year-end amounted to SEK 9m (39; 46) relating to buildings/land and SEK 264m (9; 12) relating to machinery. Significant events in 2016 included the renegotiation and termination of a rental contract for a soda recovery boiler and the termination of a contract for a distribution center. The renegotiated contract for the soda recovery boiler resulted in the contract being recognized as a leased asset with a carrying amount of SEK 258m at the end of the reporting period. The soda recovery boiler will be acquired for its carrying amount in 2017. The distribution center was acquired in 2016 for SEK 29m. For information about significant lease agreements, refer to Note G3 Contingent liabilities.

Leasing expenses

SEKm	2016	2015	2014
Operating leases	–842	–816	–797
Finance leases, depreciation/amortization	–10	–7	–9
Finance leases, interest expense	–5	–2	–3
Total	–857	–825	–809

Operating leases, future minimum lease payments

SEKm	2016	2015	2014
Within 1 year	602	624	605
Between 2 and 5 years	1,384	1,235	1,324
Later than 5 years	1,453	623	708
Total	3,439	2,482	2,637

G3. CONTINGENT LIABILITIES AND PLEDGED ASSETS

AP ACCOUNTING PRINCIPLES

A contingent liability is recognized when there is a potential or actual obligation arising from events that have occurred that is not recognized as a liability or provision, either because it is improbable that an outflow of resources will be required to settle the obligation or because the amount cannot be calculated in a reliable manner.

Contingent liabilities

SEKm	2016	2015	2014
Guarantees for:			
associates	13	15	17
customers and others	55	54	51
Tax disputes	–	1,302	1,554
Other contingent liabilities	227	256	262
Total	295	1,627	1,884

Other contingent liabilities above relates to recovery fees/taxes for packaging material in France where the requirements is subject to judicial review.

During 2000, SCA entered into a leasing transaction with US banks as counterparties relating to the Östrand pulp mill in Timrå, Sweden. The term of the transaction was originally 30 years. In January 2017, SCA discontinued this transaction with no resulting financial implications. At the time the transaction was entered into, the current value of the leasing amount that SCA had 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, partly in US securities, which at the time of the agreement had an AA and AAA rating, respectively. The value of outstanding deposits and US securities amounted to SEK 2.7bn at December 31, 2016. SCA carried the credit risk against the depository bank. The advance payments and deposits have been netted in the balance sheet since 2000.

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 a 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 11% of the transaction amount. SCA has the use of the facility without operational restrictions. The lease and depository arrangement have been recognized net in SCA's balance sheet since 2007.

SCA signed 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.

Pledged assets

SEKm	Pledged assets related to financial liabilities		Total		
			2016	2015	2014
Real estate mortgages	7	–	7	11	11
Chattel mortgages	35	20	55	52	56
Other	–	130	130	430	414
Total	42	150	192	493	481

Liabilities for which some of these assets were pledged as collateral amounted to SEK 0m (5; 5).

G4. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties were based on generally accepted commercial terms and conditions in the industry and were entered into on standard commercial conditions.

Joint ventures and joint arrangements are classified as transactions with related parties. Transactions with these parties are not of a material nature and are not specified separately below. For information regarding SCA's share of assets, liabilities and profit in joint ventures and associates, see Notes F3 and F4. For information regarding salaries and other remuneration, costs and obligations for pensions and similar benefits for the Board, President and other senior executives, refer to Notes C3 and C4. Otherwise, no transactions took place between SCA and related parties that materially impacted the company's financial position and earnings.

Financial statements, Parent Company

Income statement **IS**

SEKm	Note	2016	2015
Administrative expenses		-829	-1,109
Other operating income		539	430
Other operating expenses		-202	-200
Operating loss	PC1	-492	-879
Financial items	PC9		
Result from participations in Group companies		44,191	12,191
Interest income and similar profit items		266	25
Interest expenses and similar loss items		-1,063	-1,240
Total financial items		43,394	10,976
Profit after financial items		42,902	10,097
Appropriations	PC3	-12	-16
Tax on profit for the period	PC3	-345	-349
Profit for the period		42,545	9,732

Statement of comprehensive income

SEKm	2016	2015
Profit for the period	42,545	9,732
Other comprehensive income	-	-
Total comprehensive income	42,545	9,732

Cash flow statement **CF**

SEKm	2016	2015
Operating activities		
Profit after financial items	42,902	10,097
Adjustment for non-cash items T11	-33,087	-1,576
Total operating activities	9,815	8,521
Paid tax	-	-8
Cash flow from operating activities before changes in working capital	9,815	8,513
Change in operating receivables ¹⁾	128	-42
Change in operating liabilities ¹⁾	-258	-983
Cash flow from operating activities	9,685	7,488
Investing activities		
Acquisition of subsidiaries	-1	-6,346
Capitalization of subsidiaries	-75,000	-
Divestment of subsidiaries	167,601	-
Acquisition of fixed assets	-139	-126
Divestment of financial assets	6	10
Sale of tangible fixed assets	24	31
Cash flow from investing activities	92,491	-6,431
Financing activities		
Loans raised	-	2,630
Amortization of debt	-98,138	-
Dividend paid	-4,038	-3,687
Cash flow from financing activities	-102,176	-1,057
Cash flow for the period	0	0
Cash and cash equivalents, January 1	0	0
Cash and cash equivalents, December 31 ²⁾	0	0

T11 Adjustment for non-cash items	2016	2015
Depreciation/amortization of fixed assets	72	68
Change in accrued items	-632	498
Impairment of shares in subsidiaries	681	102
Non cash flow-impacting dividends	-32,493	-
Dividend income in the form of a reduction in internal financial liabilities	-	-2,272
Capital gain on sale of properties	-44	-64
Change in provisions	-671	92
Total	-33,087	-1,576

¹⁾ 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.

²⁾ The company's current account is a sub-account and is recognized in the balance sheet as Liabilities to subsidiaries.

Supplementary disclosures

Interest and dividends paid and received	2016	2015
Dividends received	43,623	10,688
Group contribution received	1,548	1,339
Group contribution paid	-64	-68
Interest paid	-1,233	-1,406
Interest received	427	227
Total	44,301	10,780

Balance sheet **BS**

SEKm	Note	2016	2015
Assets			
Non-current assets			
Capitalized development costs		-	0
Intangible fixed assets	PC4	-	0
Land and buildings		8,271	8,182
Machinery and equipment		0	8
Tangible fixed assets	PC5	8,271	8,190
Participations	PC6	79,772	139,886
Receivables from subsidiaries	PC7	-	186
Other long-term receivables		108	126
Financial fixed assets		79,880	140,198
Total fixed assets		88,151	148,388
Current assets			
Receivables from subsidiaries	PC7	61,063	2,345
Current tax assets	PC3	26	26
Other current receivables	PC8	58	59
Cash and bank balances		0	0
Total current assets		61,147	2,430
Total assets		149,298	150,818
Equity, provisions and liabilities			
Equity			
Share capital	PC11	2,350	2,350
Revaluation reserve		1,363	1,363
Statutory reserve		7,283	7,283
Total restricted equity		10,996	10,996
Retained earnings		44,845	39,151
Profit for the period		42,545	9,732
Total non-restricted equity		87,390	48,883
Total equity		98,386	59,879
Untaxed reserves	PC3	242	230
Provisions			
Provisions for pensions	PC2	24	713
Provisions for taxes	PC3	1,303	958
Other provisions		3	3
Total provisions		1,330	1,674
Non-current liabilities			
Liabilities to subsidiaries	PC7	-	-
Non-current interest-bearing liabilities	PC9	2,272	16,556
Other non-current liabilities		0	0
Total non-current liabilities		2,272	16,556
Current liabilities			
Liabilities to subsidiaries	PC7	46,558	64,319
Current interest-bearing liabilities	PC9	217	7,484
Accounts payable		60	27
Other current liabilities	PC10	233	649
Total current liabilities		47,068	72,479
Total equity, provisions and liabilities		149,298	150,818

Change in equity (Refer also to Note PC11)

SEKm	Share capital	Revaluation reserve	Statutory reserve	Retained earnings and profit for the period	Total equity
Equity at December 31, 2014	2,350	1,363	7,283	42,838	53,834
Profit for the period				9,732	9,732
Dividend, SEK 5.25 per share				-3,687	-3,687
Equity at December 31, 2015	2,350	1,363	7,283	48,883	59,879
Profit for the period				42,545	42,545
Dividend, SEK 5.25 per share				-4,038	-4,038
Equity at December 31, 2016	2,350	1,363	7,283	87,390	98,386

PC. PARENT COMPANY NOTES**PC1. OPERATING LOSS****Operating loss by type of cost**

SEKm	Note	2016	2015
Other operating income		539	430
Other external costs		-310	-586
Personnel and Board costs		-514	-517
Amortization of capitalized development costs	PC4	0	0
Depreciation of tangible fixed assets	PC5	-71	-68
Other operating expenses excluding depreciation/amortization		-136	-138
IS Total		-492	-879

The item "Other external costs" includes consultancy fees, travel expenses, leasing expenses, management costs, and so forth.

Auditing expenses

SEKm	2016	2015
EY		
Audit assignments	-10	-
Auditing activities other than the audit assignment	-1	-
Tax consultancy services	0	-
Other assignments	-2	-
Total	-13	-
PWC		
Audit assignments	-	-9
Auditing activities other than the audit assignment	-1	0
Tax consultancy services	-7	-14
Other assignments	-19	-6
Total	-27	-29

Leasing**AP ACCOUNTING PRINCIPLES**

The Parent Company recognizes all leases as operating leases.

Future payment commitments for non-cancellable operating leases are as follows:

SEKm	2016	2015
Within 1 year	-	24
Between 2 and 5 years	-	71
Later than 5 years	-	-
Total	-	95

Cost for the period for leasing of assets amounted to SEK -25m (-120). Costs for 2015 included the early termination of a leasing contract in the amount of SEK 73m. Leased assets comprised means of transportation, office premises and technical equipment. As per December 31, 2016, all outstanding leasing contracts have been transferred to the subsidiary SCA Hygiene AB.

PC2. PERSONNEL AND BOARD COSTS**Salaries and remuneration**

SEKm	2016	2015
Board of Directors ¹⁾ , President, Executive Vice Presidents and senior executives (6 (5))	-73	-85
of which variable remuneration	-31	-25
Other employees	-129	-149
Total	-202	-234

¹⁾ Board fees decided by the Annual General Meeting amounted to SEK -8.0m (-6.4). For further information, see Notes C1-C4.

Social security costs

SEKm	2016	2015
Total social security costs	-299	-272
of which pension costs ²⁾	-235	-198

²⁾ Of the Parent Company's pension costs, SEK -101m (-100) pertain to the Board, President, Executive Vice President and senior executives. Former Presidents and Executive Vice Presidents and their survivors are also included. The company's outstanding pension obligations to these individuals amounted to SEK 497m (409) prior to the agreement on the transfer of assets and liabilities between the company and SCA Hygiene AB. The company's outstanding pension obligations as per the balance sheet on December 31, 2016 relates to the pension obligation to the Executive Vice President.

Pension costs

SEKm	2016	2015
Self-administered pension plans		
Costs excluding interest expense	-152	-127
Interest expense (recognized in personnel costs)	-6	-12
	-158	-139
Retirement through insurance		
Insurance premiums	-24	-27
Other	-3	5
	-185	-161
Policyholder tax	0	0
Special payroll tax on pension costs	-47	-36
Cost of credit insurance, etc.	-3	-1
Pension costs for the period	-235	-198

Premiums during the year for disability and family pension insurance with Alecta amounted to SEK -3m (-2). Premiums for 2017 is expected to be SEK 3m, see also Pension provisions in this note. Personnel costs also include other personnel costs in the amount of SEK -13m (-11).

Average number of employees

	2016	2015
Sweden	120	118
of whom women, %	50	53

Breakdown of employees by age groups, %

	21-30 yrs	31-40 yrs	41-50 yrs	51-60 yrs	61+ yrs
2016	5	23	36	29	7

Women comprised 42% (30) of Board members and 33% (35) of senior executives.

PC2. PERSONNEL AND BOARD COSTS, CONT.

Provisions for pensions

AP ACCOUNTING PRINCIPLES

The Parent Company applies the regulations in the Pension Obligations Vesting Act (Tryggandelagen). The main difference compared with IAS 19 is that Swedish GAAP 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.

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, 2016 amounted to SEK 127m (111). In the past two years, no compensation has been received. The capital value of the pension obligations at December 31, 2016 amounted to SEK 125m (119). Pension payments of SEK -7m (-7) were made in 2016. The assets exceeded pension obligations during 2016, which is why provisions in the balance sheet of SEK 8m made in previous years could be dissolved.

Other pension obligations

The Group's Note C3 Remuneration of senior executives 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	2016	2015
Value, January 1	713	619
Compensation received for assumed pension obligations	24	-
Compensation paid for transferred pension obligations	-839	-
Costs excluding interest expense	152	127
Interest expense (recognized in personnel costs)	6	12
Payment of pensions	-32	-45
BS Value, December 31	24	713

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 0.8% (1.9). The defined benefit obligations are calculated based on salary levels valid on the respective balance sheet dates. The majority of pension obligations were transferred to the subsidiary SCA Hygiene AB on December 30, 2016. The pension obligations will be formally transferred when the County Administrative Board grants its approval, which is expected to occur in 2017. Next year's expected payments for the above defined benefit pension plans amount to SEK 30m, which will be charged to the subsidiary SCA Hygiene AB. Part of the pension obligations are covered by capital redemption policies. The capital redemption policies are reported as other long-term receivables in the balance sheet.

PC3. TAXES

AP ACCOUNTING PRINCIPLES

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.

Tax expense (+), tax income (-)

SEKm	2016	2015
Deferred tax	345	349
Current tax	0	0
IS Total	345	349

Explanation of tax expense

The difference between the recognized tax expense and expected tax expense is explained below. The expected tax expense is calculated based on profit before tax multiplied by the current tax rate.

	2016		2015	
Reconciliation	SEKm	%	SEKm	%
IS Profit before tax	42,890		10,081	
IS Tax expense/income	345	0.8	349	3.5
Expected tax	9,436	22.0	2,218	22.0
Difference	-9,091	-21.2	-1,869	-18.5
The difference is due to:				
Taxes related to prior periods	0	0.0	14	0.2
Non-taxable dividends from subsidiaries	-9,597	-22.4	-2,351	-23.3
Non-taxable Group contributions from subsidiaries ¹⁾	-49	-0.1	-50	-0.5
Non-deductible Group contributions to subsidiaries ¹⁾	394	0.9	487	4.8
Other non-taxable/non-deductible items	161	0.4	31	0.3
Total	-9,091	-21.2	-1,869	-18.5

¹⁾ Non-taxable and non-deductible group contributions relate to the repayment from/to respective subsidiary which amounts to 78% of the group contributions.

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. The net of given and received group contribution per subsidiary amount to 22% and is the respective subsidiary's share of the tax cost for the Group.

Current tax liability (+), tax asset (-)

SEKm	2016	2015
Value, January 1	-26	-18
Current tax expense	0	0
Paid tax	0	-8
BS Value, December 31	-26	-26

Deferred tax expense (+), tax income (-)

SEKm	2016	2015
Changes in temporary differences	345	335
Adjustments for prior periods	0	14
Total	345	349

Provisions for taxes

SEKm	Value, January 1	Deferred tax expense	Value, December 31
Land and buildings	1,539	-3	1,536
Provisions for pensions	-144	149	5
Tax loss carryforwards	-399	205	-194
Other	-38	-6	-44
BS Total	958	345	1,303

Appropriations and untaxed reserves

Accumulated depreciation in excess of plan totaling SEK 242m (230) is included in the Parent Company's untaxed reserves.

PC4. INTANGIBLE FIXED ASSETS

Capitalized development costs

SEKm	2016	2015
Accumulated costs	-	20
Accumulated amortization	-	-20
Residual value according to plan	-	0
Value, January 1	0	0
Investments	-	-
Sales and disposals	0	-
Amortization for the period	0	0
BS Value, December 31	-	0

PC5. TANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

The Parent Company's tangible fixed assets are recognized in accordance with the Group's accounting principles. The Parent Company recognizes standing timber as a tangible fixed asset at historical cost. 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.

Tangible fixed assets

SEKm	Buildings		Land and land improvements		Machinery and equipment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated costs	166	166	4,186	4,029	5	25	4,357	4,220
Accumulated amortization	-110	-106	-977	-913	-5	-17	-1,092	-1,036
Accumulated write-ups	-	-	5,006	5,006	-	-	5,006	5,006
Total	56	60	8,215	8,122	0	8	8,271	8,190
Value, January 1	60	65	8,122	8,034	8	9	8,190	8,108
Investments	1	1	164	154	0	2	165	157
Sales and disposals	0	0	-7	-6	-6	-1	-13	-7
Amortization for the period	-5	-6	-64	-60	-2	-2	-71	-68
BS Value, December 31	56	60	8,215	8,122	0	8	8,271	8,190

Land includes forest land in the amount of SEK 7,393m (7,384).

PC6. PARTICIPATIONS

AP ACCOUNTING PRINCIPLES

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

Participations in Group companies

SEKm	Subsidiaries		Other companies		Total	
	2016	2015	2016	2015	2016	2015
Accumulated costs	79,772	139,982	0	6	79,772	139,988
Accumulated write-ups	-	140	-	-	-	140
Accumulated impairment	-	-242	-	-	-	-242
Total	79,772	139,880	0	6	79,772	139,886
Value, January 1	139,880	133,636	6	13	139,886	133,649
Investments	108,174	6,346	-	-	108,174	6,346
Divestments	-167,601	0	-6	-7	-167,607	-7
Impairment for the period	-681	-102	-	-	-681	-102
BS TPC6:1 Value, December 31	79,772	139,880	0	6	79,772	139,886

In 2016, the Group acquired three intra-Group companies at a total value of SEK 0m. In addition, the company provided capital contributions to subsidiaries in the total amount of SEK 75,681m and obtained new shares in SCA Capital NV in the form of a one-off distribution valued at SEK 32,493m. All shares in SCA Group Holding BV were divested at the carrying amount of SEK 95,836m. Shares in subsidiaries were impaired with the amount of SEK 681m. As per December 30, 2016, all shares in six subsidiaries were transferred at carrying amount via an agreement on the transfer of assets and liabilities with SCA Hygiene AB. The shares in SCA Försäkringsaktiebolag were included in the transfer, however, pending the approval of the Swedish Financial Supervisory Authority, the holding is recognized among participations in subsidiaries.

TPC6:1 Parent Company's holdings of shares and participations in subsidiaries, December 31, 2016

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
Swedish subsidiaries:					
SCA Hygiene AB	556325-5511	Stockholm, Sweden	5,000	100	75,000
SCA Försäkringsaktiebolag	516401-8540	Stockholm, Sweden	140,000	100	14
SCA Graphic Holding Aktiebolag	556479-2058	Stockholm, Sweden	1,000	100	4,758
SCA Skogsfastigheter AB	556207-6256	Stockholm, Sweden	1,000	100	0
SCA Kraftfastigheter Aktiebolag	556449-7237	Stockholm, Sweden	1,000	100	0
Total carrying amount of subsidiaries					79,772

German subsidiaries released from public duties. The following German companies are fully consolidated and released from the publication duties pursuant to Sec. 264 para. 3 of the German Commercial Code ("HGB").

1. SCA GmbH, with registered office in Mannheim, Germany
2. SCA Hygiene Products Holding GmbH, with registered office in Ismaning, Germany
3. SCA Hygiene Products GmbH Neuss, with registered office in Neuss, Germany
4. SCA Hygiene Products GmbH, with registered office in Mannheim, Germany

PC7. RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES

Receivables from and liabilities to subsidiaries

SEKm	2016	2015
Non-current assets		
Interest-bearing receivables	-	186
BS Total	-	186
Current assets		
Interest-bearing receivables	59,604	625
Other receivables	1,459	1,720
BS Total	61,063	2,345
Non-current liabilities		
Interest-bearing liabilities	-	-
BS Total	-	-
Current liabilities		
Interest-bearing liabilities	45,766	64,108
Other liabilities	792	211
BS Total	46,558	64,319

5. SCA Hygiene Products GmbH, with registered office in Wiesbaden, Germany
6. SCA Hygiene Products AFH Sales GmbH, with registered office in Mannheim, Germany
7. SCA Hygiene Products Vertriebs GmbH, with registered office in Mannheim, Germany
8. SCA Hygiene Products GmbH Witzhausen, with registered office in Witzhausen, Germany
9. SCA Hygiene GmbH, with registered office in Mannheim, Germany

PC8. OTHER CURRENT RECEIVABLES

Other current receivables

SEKm	2016	2015
TPC8:1 Prepaid expenses and accrued income	22	22
Other receivables	36	37
BS Total	58	59
TPC8:1 Prepaid expenses and accrued income		
Prepaid lease of premises	–	6
Prepaid financial expenses	–	1
Prepaid pension premiums	–	0
Other items	22	15
Total	22	22

PC9. FINANCIAL INSTRUMENTS

Financial items

SEKm	2016	2015
Result from participations in Group companies		
Dividends from subsidiaries	46,623	10,688
Group contributions received from subsidiaries	1,312	1,669
Group contributions paid to subsidiaries	–63	–64
Impairment of shares in subsidiaries	–681	–102
Interest income and similar profit items		
Interest income, external	0	0
Interest income, subsidiaries	266	25
Interest expenses and similar loss items		
Interest expenses, external	–419	–607
Interest expenses, subsidiaries	–537	–563
Other financial expenses ¹⁾	–107	–70
IS Total	43,394	10,976

¹⁾ Other financial expenses are recognized separately as of 2015. The item includes exchange rate differences amounting to SEK 5m (0), net.

Interest-bearing liabilities

Non-current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2016	2015	2016	2015
Bond issues	–	14,490	–	14,666
Other non-current loans with a term > 1 year < 5 yrs	1,149	149	1,171	161
Other non-current loans with a term > 5 yrs	1,123	1,917	1,175	1,980
BS Total	2,272	16,556	2,346	16,807

The counterparty for all outstanding bond issues was changed to SCA Hygiene AB in 2016. All other outstanding non-current interest bearing liabilities have been transferred to SCA Hygiene AB during 2017.

Financial instruments by category

AP ACCOUNTING PRINCIPLES

In accordance with Paragraph 3 of RFR 2, the Parent Company has chosen not to apply IAS 39. The Parent Company recognizes financial fixed assets at cost less any impairment and financial current assets according to the lower of cost or market rule. For derivatives used for hedging purposes, recognition is determined by the hedged item. Currency derivatives used to hedge foreign receivables and liabilities are remeasured at the closing day rate to match the currency remeasurement in the receivable/liability. Interest rate derivatives used to hedge interest rate exposure in financial receivables or liabilities are recognized at amortized cost. 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	2016	2015
Assets		
<i>Financial fixed assets</i>		
Interest-bearing receivables	108	126
Interest-bearing receivables from subsidiaries	–	186
<i>Current assets</i>		
Receivables from subsidiaries ¹⁾	59,943	1,105
Other current receivables	34	35
Cash and bank balances	0	0
Total	60,085	1,452

Financial liabilities measured at amortized cost

SEKm	2016	2015
Liabilities		
<i>Non-current liabilities</i>		
Liabilities to subsidiaries	–	–
Interest-bearing liabilities	2,272	16,556
<i>Current liabilities</i>		
Interest-bearing liabilities	217	7,484
Liabilities to subsidiaries ¹⁾	45,829	64,152
Accounts payable	60	27
Other current liabilities	16	268
Total	48,394	88,487

¹⁾ The item Receivables from subsidiaries includes the carrying amount of financial derivatives in respect of subsidiaries of SEK 6m (162). The item Liabilities to subsidiaries includes the carrying amount of financial derivatives in respect of subsidiaries of SEK 35m (344). The net fair value of these derivatives amounts to SEK –18m (–169). The nominal value of the derivatives is SEK 2,548m (32,264).

PC10. OTHER CURRENT LIABILITIES

Other current liabilities

SEKm	2016	2015
PC10:1 Accrued expenses and prepaid income	179	596
Other operating liabilities	54	53
BS Total	233	649

PC10:1 Accrued expenses and prepaid income

SEKm	2016	2015
Accrued interest expenses	16	268
Accrued social security costs	5	36
Accrued vacation pay liability	1	18
Other liabilities to personnel	1	84
Other items	156	190
Total	179	596

PC11. SHARE CAPITAL

The change in equity is shown in the financial report relating to Equity presented on page 130. The share capital and number of shares have increased since 1993 with new issues, conversions and splits as set out below:

Change in SCA's share capital

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	–	–
2016	Number of shares, December 31, 2016	705,110,094		

SCA's share capital, December 31, 2016

	No. of votes	No. of shares	Share capital, SEKm
Class A shares	10	64,594,572	225
Class B shares	1	640,515,522	2,125
Total		705,110,094	2,350

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.

PC12. CONTINGENT LIABILITIES AND PLEDGED ASSETS

Contingent liabilities

SEKm	2016	2015
Guarantees for subsidiaries	76,476	13,072
Other contingent liabilities	17	17
Total	76,493	13,089

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.

Pledged assets

SEKm	2016	2015
Chattel mortgages	20	20
Other	130	134
Total	150	154

PC13. 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 5, 2017.

PC14. PROPOSED DISPOSITION OF EARNINGS

Annual accounts 2016

Disposition of earnings, Parent Company

Non-restricted equity in the Parent Company:

retained earnings	44,844,697,534
net profit for the year	42,545,369,155
Total	87,390,066,689

The Board of Directors and the President propose:

to be distributed to shareholders, a dividend of SEK 6.00 per share	4,214,054,934 ¹⁾
to be carried forward	83,176,011,755
Total	87,390,066,689

¹⁾ Based on the number of outstanding shares at December 31, 2016. The amount of the dividend may change if any treasury share transactions are executed before the record date, April 7, 2017. The company's equity would have been SEK 22,526,665 higher if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14a of the Swedish Annual Accounts Act.

Stockholm February 23, 2017

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.

Pär Boman
Chairman of the Board

Roger Boström
Board member,
appointed by the employees

Ewa Björling
Board member

Maija-Liisa Friman
Board member

Annemarie Gardshol
Board member

Johan Malmquist
Board member

Bert Nordberg
Board member

Louise Svanberg
Board member

Örjan Svensson
Board member,
appointed by the employees

Barbara Milian Thoralfsson
Board member

Thomas Wiklund
Board member,
appointed by the employees

Magnus Groth
President, CEO and Board member

Our audit report was submitted on February 23, 2017
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant
Auditor in charge

PC15. AUDITOR'S REPORT

To the general meeting of the shareholders of Svenska Cellulosa Aktiebolaget SCA (publ), corporate identity number 556012-6293.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 40–135 in this document.

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 2016 and its financial performance and cash flow 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities section*. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill and other intangible assets (trademarks)

The value of goodwill and other intangible assets (trademarks) with an indefinite useful life as of 31 December 2016 amounted to 25.3 billion SEK. An impairment test is a complex process and contains a high degree of judgment regarding future cash flows and other assumptions. We have therefore assessed valuation of goodwill and other intangible assets with an indefinite useful life to be a key audit matter. The company performs annual impairment tests as well as when impairment indicators have been identified. The recoverable amount for each cash-generating unit is determined as the value in use, which is calculated based on the discontinued present value of future cash flows. Key assumptions in these calculations are future growth rate, gross profit and applied discount rate. The process is by nature based on assumptions and judgment, not least because it is based on estimates of how the company's business will be effected by future market developments and by other economic events, and the underlying calculations are in themselves complex.

In our audit we have evaluated and reviewed key assumptions, application of recognized valuation practice, discount rate (called WAAC – "Weighted Average Cost of Capital") and other source data that the company has used. This has been done by i.e. comparing to external data sources, such as forecasts of inflation or assessment of future market growth and by evaluating the sensitivity in the company's valuation model. We have as appropriate included valuation experts in the team performing our review. We have specifically focused on the sensitivity in the calculations and have made an independent

evaluation of whether there is a risk that reasonably probable events would give rise to a situation where the value in use would be lower than the carrying amount. In this assessment we have also evaluated the company's historical capability to forecast. Finally we have evaluated if disclosures provided in note D1 ("Intangible assets") in the company's notes are appropriate, specifically with regards to disclosure of which of the stated assumptions that are most sensitive in calculating the value in use.

Forest valuation

The group's forest assets are accounted for as biological assets valued at fair value in accordance with IAS 41 Agriculture and by application of IFRS 13 Fair Value Measurement. As of 31 December 2016 the forest is accounted for at 30.8 billion SEK. The fair value of the group's forest assets is calculated as the present value of future cash flows before tax and is classified as Level 3 valuation as defined in IFRS 13. The valuation process is complex since a quoted price in an active market does not exist for these assets. As a result biological assets are valued based on the present value of future cash flows. Key assumptions are future forest prices, felling costs, volume assumptions and discount rate which all include a high degree of assumptions from the company.

In our audit we have evaluated and reviewed key assumptions, application of common valuation practice, discount rate ("WAAC") and other source data that the company has used by i.e. comparing to external data sources, such as forecasted inflation, forest prices and felling costs or assumptions of future felling volumes and by evaluating the sensitivity in the company's valuation model. We have as appropriate included valuation specialists in the team performing our review. We have specifically focused on the sensitivity in the calculations. Furthermore we have evaluated the company's historical capability to forecast. Finally we have evaluated if disclosures provided in note D3 ("Biological Assets") in the company's notes are appropriate, specifically with regards to disclosure of which of the stated assumptions that are most sensitive in calculating the fair value.

Provisions for tax risks and legal disputes

Provisions for tax risks and legal disputes amounted to 1.5 billion SEK in the statement of financial position for the group as of 31 December 2016. As follows from note D7 the provisions mainly relate to tax matters in Sweden as well as antitrust cases in Chile, Poland, Spain and Hungary. The provisions are made based on the company's best estimate of the outcome of these tax matters and legal disputes which is based on current regulation and praxis in the respective area.

Calculation of future expenditure for tax risks and legal disputes includes a number of assumptions made by the company and changes in these assumptions can have a considerable effect on the reported provision. Based on this we have made the assessment that provisions for tax risks and legal disputes is a key audit matter.

In our audit we have evaluated the company's process of assessing the outcome of the legal disputes and the size of the provisions. We have evaluated the company's process of identifying and assessing tax risks and size of provisions. Our audit has included to take part of correspondence with authorities, comparisons with current legislation and outcome of similar cases. We have considered opinions from the company's internal as well as external legal counsel. We have also included tax specialists in our audit. We furthermore evaluated whether disclosures provided are appropriate.

Revenue recognition and related sales incentives

Revenue recognition and related sales incentives are areas with a great element of estimates and assessments. We have noted that rebates and adjustments to sales prices in some cases can be material. Normal incentives related to sales are reported as reduction of the company's revenue. The company applies different incentive programs to increase sales. Incentives can for example be structured as percentage reductions on sales, discounts per item, fixed amounts with or without thresholds or in other ways. The company calculates an estimate of final incentives based on the information available at the end of the period. In our audit we have reviewed the company's

revenue recognition with a focus on such bonuses and rebates. We have evaluated the company's revenue process and tested the company's controls within the process. We have also reviewed the accrued costs related to bonuses and rebates to customers as of 31 December 2016 which amounted to 4.1 billion SEK to underlying customer agreements and performed a retrospective analysis of the accruals per 31 December 2015. Our audit has also included review of credit invoices and other adjustments to trade receivables that have taken place after 31 December 2016. We have also reviewed non-standard customer agreements. In our audit we have tested larger payments to the company's customers that have taken place during 2016 in order to confirm that they are in accordance with customer agreements and reported in the correct accounting period. Finally we have audited manual journal entries related to bonus and rebates in order to confirm that sufficient documentation and suitable attestations exist for these entries.

Initial audit engagement

We have been appointed as auditors during the year. The company conducts business in several business areas in closer to 100 markets. A first-time audit engagement of a company with such extensive and geographically spread operations includes a number of considerations that are not present in a recurring audit engagement. Additional planning activities and considerations become necessary in order to establish a suitable audit strategy and audit plan including:

- Obtaining sufficient knowledge of the company and its business including their control environment and information systems in order to make a risk assessment and develop an audit strategy and audit plan;
- Obtaining audit evidence regarding the opening balances including application of accounting principles; and
- Communication with the predecessor auditors.

Before we were appointed as auditors in April 2016 we developed a comprehensive plan for the audit transition. During the spring of 2016 we started to retrieve material in order to create an understanding of risks for material misstatements in the financial reporting and the company's internal control framework. Our work included a close interaction with the predecessor auditors and a review of their reporting from the prior year, including all formal audit procedures that are a part of generally accepted auditing standards. Furthermore we performed walkthroughs with the company's internal audit department in order to take part of their view of the operations, risks and material observations from their review and an assessment of key areas within accounting and auditing from prior years. We conducted a review of the company's internal control system in order to understand the company's business processes and processes for financial reporting. On the basis of this work our audit plan was presented to the audit committee in May 2016 and we have reported status and material observations from our audit throughout the year.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–35 and 139–147. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, con-

cerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Disclosures

The audit of the annual report for the years 2015 and 2014 has been performed by a different auditor who has issued an auditor's report dated 21 March 2016 and 10 March 2015 with unqualified opinions in the "Report on the annual accounts".

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.

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.

Stockholm 23 February 2017

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

INDEPENDENT ASSURANCE REPORT RELATING TO SUSTAINABILITY REPORT

Pages 18–19, 22, 28 and 30–31 of this document contains 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 our full version of the assurance report.

Stockholm, 23 February 2017

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant
Auditor in charge

Outi Alestalo
Expert member of the Swedish Institute of
Authorized Public Accountants (FAR)