SCA Annual Report
2012

Contents

Each year, SCA publishes a separate Sustainability Report that is available in English and Swedish in a printed version and at www.sca.com

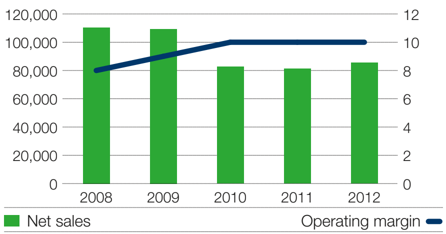
Key figures

Key figures

	2012[4]		2011		2010	
	SEK	EUR[2]	SEK	EUR[2]	SEK	EUR[2]
Net sales, SEKm/EURm	85,408	9,815	81,337	9,013	82,731	8,679
Operating profit, SEKm/EURm	6,012	691	2,299	255	7,793	818
Operating profit, SEKm/EURm[1]	8,646	994	7,738	858	8,495	891
Operating margin, %	7		3		9	
Operating margin, %[1]	10		10		10	
Profit before tax, SEKm/EURm	4,748	546	974	108	6,623	695
Profit before tax, SEKm/EURm[1]	7,382	849	6,413	711	7,325	768
Profit for the year, SEKm/EURm	5,000	575	607	68	5,592	587
Profit for the year, SEKm/EURm[1]	7,257	834	5,678	629	6,113	641
Earnings per share, SEK	7:06		0:78		7:90	
Earnings per share, SEK[1]	10:27		8:00		8:65	
Cash flow from current operations per share, SEK	10:35		7:55		9:24	
Dividend, SEK	4:50[3]		4:20		4:00	
Strategic capital expenditures, incl. acquisitions, SEKm/EURm	–16,735	–1,923	–2,620	–290	–2,738	–287
Divestments, SEKm/EURm	17,682	2,032	–15	–2	1,297	136
Equity, SEKm/EURm	60,164	6,989	61,291	6,857	67,821	7,538
Return on capital employed, %	7		4		8	
Return on capital employed, %[1]	10		9		9	
Return on equity, %	8		1		8	
Return on equity, %[1]	12		9		9	
Debt/equity ratio, multiple	0.55		0.60		0.51	
Debt/equity ratio, multiples, excluding pension liabilities	0.48		0.52		0.48	
Average number of employees	33,775		43,697[5]		45,341[5]	
Number of employees on Dec. 31	35,701		43,314[5]		44,337[5]	

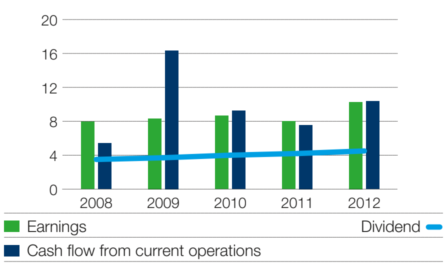
1) Excluding items affecting comparability.
2) See footnote 1) on pages 68 and 71 for exchange rates.
3) Proposed dividend.
4) In conjunction with the creation of a joint venture in Australia and New Zealand, the operations were deconsolidated from 2012.
5) Of which Packaging operations that were divested in June 2012: Average number of employees 12,015; 12,960 and Number of employees on December 31 11,733; 12,551.

Net sales and operating margin



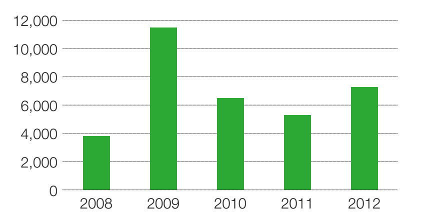
Excluding items affecting comparability.
Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Earnings, dividend and cash flow per share



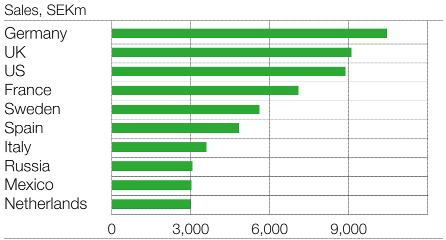
Excluding items affecting comparability.
Reclassified 2010 and 2011 due to divestment of the European packaging operations.
Dividend for 2012 relates to the proposed dividend.

Operating cash flow

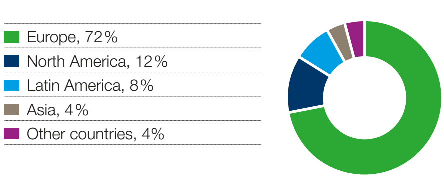


Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Group's largest markets



SCA's sales per region



SCA is a leading global hyg
company that develops and
personal care, tissue and fo

36,000 employees

Annual sales of SEK 85 billion

SCA has sales in about 100 countries

Many strong brands

iene and forest products
d produces sustainable
orest products.

BUSINESS AREAS

Net sales (share of Group)

- Personal Care, 30%
- Tissue, 49%
- Forest Products, 21%

Total Group: SEK 85,408m

Personal Care

The business area comprises three product segments: incontinence products, baby diapers and feminine care. Production is conducted at 30 facilities in 25 countries.

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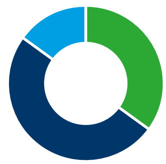
Operating profit (share of Group)

- Personal Care, 35%
- Tissue, 50%
- Forest Products, 15%



Total Group: SEK 8,646m

Excluding items affecting comparability.

Tissue

The business area comprises two product segments: consumer tissue and Away-From-Home (AFH) tissue. Production is conducted at 55 facilities in 23 countries.

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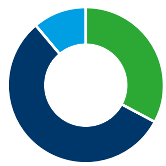
Operating cash flow (share of Group)

- Personal Care, 33%
- Tissue, 56%
- Forest Products, 11%



Total Group: SEK 9,644m

Forest Products

The business area comprises five product segments: publication papers, kraftliner (packaging papers), pulp, solid-wood products and renewable energy. Production is conducted at 20 facilities. Products are mainly sold in Europe, but also in Asia, North Africa and North America.

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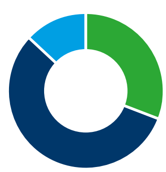
Capital employed (share of Group)

- Personal Care, 12%
- Tissue, 47%
- Forest Products, 41%

Total Group: SEK 93,091m

Number of employees on December 31
(share of Group)

- Personal Care, 31%
- Tissue, 56%
- Forest Products, 13%



Total Group: 35,701

The year at a glance

- Divested the packaging operations, excluding the kraftliner mills.
- Acquired Georgia-Pacific's European tissue operations.
- Acquired Asian hygiene company Everbeauty.
- Established a joint venture in Australia and New Zealand.
- Launched cost-savings and efficiency-enhancement programs.
- New hygiene organization.
- Divested the 50% holding in Aylesford Newsprint.
- Signed an agreement for the sale of the Austrian publication paper mill Laakirchen.

- Net sales amounted to SEK 85,408m (81,337).
- Operating profit[1)] amounted to SEK 8,646m (7,738).
- Profit before tax[1)] amounted to SEK 7,382m (6,413).
- Earnings per share amounted to SEK 7.06 (0.78).
- Cash flow from current operations amounted to SEK 7,271m (5,306).
- Proposed dividend SEK 4.50 (4.20) per share.

1) Excluding items affecting comparability.

An eventful year marked by change

The year 2012 was a fantastic and exciting time for SCA. Some of the largest business transactions in SCA's history transformed us into a hygiene and forest products company. We continued to pursue our work on the strategic priorities of efficiency, innovation and growth. Despite a turbulent global economy, we increased our sales and profits in 2012.

Turbulent global economy

The global economy remains in a precarious situation. However, SCA's strong exposure to hygiene products, which are less cyclical, speaks to its advantage. Such macrofactors as a growing middle class, population increases and an aging population indicate greater future demand for our products and services. Our hygiene operations performed well in 2012, while the forest products operations were negatively affected by the economic downturn and stronger Swedish krona.

A company in transformation

During 2012, SCA carried out two historically important business transactions: the purchase of Georgia-Pacific's European tissue operations and the sale of our packaging operations.

We invested a great deal of time and energy in the acquisition of Georgia-Pacific. In July, our new colleagues were given a warm reception in the form of general meetings, individual letters and a personal welcome from members of management. The acquisition will strengthen our competitiveness in the European tissue market and is a good complement to our market positions. The integration process will be assigned high priority in 2013. The acquisition will generate annual cost synergies of EUR 125m with full effect from 2016.

The sale of SCA's packaging operations was another step on our journey of change and will lower our sensitivity to business cycles and provide financial growth opportunities in our hygiene operations. We retained two kraftliner mills in Sweden since they form an integral part of our Forest Products business area.

At the end of 2012, the 50% holding in the newsprint mill in Aylesford, UK, was sold and we signed an agreement for the sale of the publication paper mill Laakirchen, Austria. Accordingly, our Forest Products business area is now concentrated to our Swedish operations, which are well-integrated with our forestry operations.

Focus on efficiency and profitability

Since the world around us is in state of constant change, we must continuously improve and enhance the efficiency of our operations to strengthen our competitiveness. During the year, we launched a new hygiene organization and an extensive cost-savings program. Under the program, about 1,500 positions will be made redundant and annual cost savings of about EUR 300m will be generated mainly in production and purchasing, with full effect from 2015.

We also introduced an efficiency-enhancement program for the forest products operations, which will result in annual earnings improvements of SEK 1,300m with full effect from 2015. A total of about 200 positions will be made redundant.

China – one of the most important emerging markets

One of the factors that is critical to SCA's future development is our success in emerging markets. We have had a strong presence in Latin America for many years, which was bolstered with the purchase of the remaining 50% of the Chilean hygiene company PISA. The purchase of the hygiene company Everbeauty and the increase in the holding in the tissue company Vinda to 21.6% strengthened our presence in China.

Innovation – growth engine and competitive advantage

Our ability to create a culture of innovation and reward out-of-the-box thinking so that we surpass customer and consumer expectations is vital to SCA's profitability and growth. We are working on accelerating the innovation process, for example, by increasing the share of open innovation with external parties. Partnerships make us stronger and simultaneously enable us to use our resources wisely.

Sustainability part of our business model

Many companies claim that sustainability is an integrated part of their operations. I would go further than that. Sustainability is part of SCA's business model. Our work on sustainability is based on economic, environmental and social value creation – for which all parts are equally as important in the creation of a successful company. Global macrotrends, from population increases, an aging global population and higher standard of living to scarcity of resources and climate change, are altering the conditions of our business activities. Our sustainable business model allows us to capture these opportunities and address these challenges, thus creating the conditions for further growth, innovation and efficiency enhancements.

Our aim is to improve the standard of hygiene and minimize our environmental footprint. We have a unique opportunity with our products and offering in our hygiene and forest products operations to make a real difference for people and the environment.

To further raise our sustainability ambitions, we launched a number of new sustainability targets last year (read more about these targets on page 63). To support a high level of transparency and understanding, we want to make these targets measureable and enable comparisons by producing key performance indicators. These targets also have an inherent value in themselves – if it's measured, it gets done!

We constantly receive confirmation that we are at the very forefront of the sustainability area. For the fifth consecutive year, we were ranked among the world's most ethical companies by the US Ethisphere Institute and we were again included in the prestigious Dow Jones Sustainability Indexes and Carbon Disclosure Leadership Index. Our 2011 Sustainability Report was named the best in Sweden by FAR (the professional institute for authorized public accountants).

Strong corporate culture

SCA's journey of change does not only involve divesting and acquiring companies. The most important journey – and sometimes perhaps even the most difficult – is the cultural journey. SCA has a strong corporate culture. During my meetings with our employees, I can distinctly feel the inherent power in our corporate culture and how proud everyone is of working for SCA. With last year's changes of restructuring and reorganization, I feel the strength of our employees' ability to continuously keep sight of what is best for customers and consumers, to focus on innovation and to act as professionally as they always have done in the past. Our aim is to further enhance our corporate culture and make it more performance-oriented and innovative.

Market assessment

In 2012, SCA was reclassified by the Stockholm Stock Exchange and MSCI (leading provider of investment decision support tools) to a personal & household goods company. We are noticing increasing interest among new analysts and investors and our share price rose 38% during the year. This is positive but imposes considerable demands on us for the future. Nevertheless, with the strategy in place and our employees, I am convinced that we will deliver on our long-term targets.

A symbolic journey with brand in focus

SCA decided last year to participate in the Volvo Ocean Race 2014–2015 with an all-female crew. This competition is one of the most demanding sporting events in the world and the purpose of our participation is to support the SCA brand and our product brands, such as TENA, Tork, Libero, Libresse and Lotus. The race is a unique, global marketing platform, where the characteristics of teamwork and leadership and the ability to formulate a successful strategy and have clear objectives are crucial to the result. Just as is the case in business. I am proud that we have given women the opportunity to enter an arena that is normally reserved for men. I view our participation as a symbol of the journey of change that SCA is undergoing, in terms of its culture, organization and business.

SCA has experienced major change in recent years and today we are a leading global hygiene and forest products company. We have updated our logotype so that it can also be part of this journey of change.

I look forward to continuing on the journey that SCA has ahead.

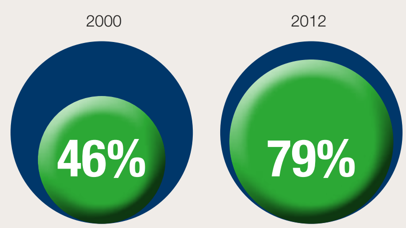
Jan Johansson,
President and CEO

SCA's value creation

A leading global hygiene and forest products company

SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care products, tissue and forest products. In 2012, the Group had sales of approximately SEK 85bn (EUR 9.8bn). The hygiene business accounts for approximately 80%. At the end of 2012, SCA had about 36,000 employees. Sales take place in about 100 countries under many strong brands, including TENA and Tork, which are globally leading brands.

Increased share for Hygiene business



SCA's market positions 2012

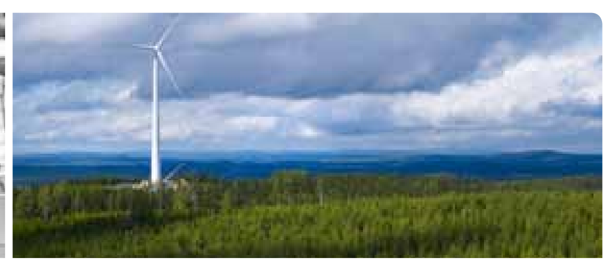
	Europe	North America	Global
Incontinence products	1	2	1
Baby diapers	2	–	4
Feminine care	3	–	4
Consumer tissue	1	–	2
AFH tissue	1	3	1
Publication papers	5		
Solid-wood products	2		

SCA is Europe's largest private forest owner.

Driving forces 1

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

page 6



Objectives and strategy 2

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

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

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Innovation and brands 3

Innovation activities drive SCA's growth and improve competitiveness and profitability. By developing and differentiating products and services, the company's market positions and brands are strengthened. Strong brands improve competitiveness and the Group's relationships with its stakeholders.

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TORK TENA Libresse

Tempo lotus Libero

Value for stakeholders 4

The share

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

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Stakeholder perspective of value creation

SCA's strategic approach is based on a holistic perspective where sustainability is integrated into how the company's works to create value for all of its stakeholders. The driving forces identified as the most important to the business demand that SCA understands its stakeholders' needs and can translate its strengths into relevant and sustainable offerings to the market. The value created by SCA for its shareholders relies on its ability to also generate value in relationships with its other stakeholders.

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Driving forces – a changing world offers new opportunities

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

MORE AND OLDER

When SCA was founded in 1929, the world's population was about 2 billion. Today, we are 7 billion. According to figures from the UN, the global population will reach 9 billion by 2050. We are also getting older. Over the coming decade, the number of people over the age of 65 will increase by 33%. This generates demand for incontinence products and other hygiene products.

HIGHER STANDARD OF LIVING

Improved economic conditions around the world mean new opportunities for consumers, especially in emerging markets such as Asia, Latin America and Eastern Europe. Those who do not have the same financial possibilities nonetheless want to have access to the same hygiene products, freedom to choose and the right to the same degree of well-being as those who live in countries with a more developed market. SCA sees opportunities to generate growth and profitability with new business models and relevant offerings for consumers with limited resources.

HEALTH AND HYGIENE

As healthcare services struggle to meet the increasing demands from a growing and aging population, it becomes even more important to improve standards and products in health and hygiene. Poor or no access to hygiene and sanitation is one of the greatest global challenges to be resolved. Here, hygiene products are an important part of the solution.

1

FOREST MANAGEMENT

Every year, seven million hectares or 0.2% of all forest areas globally is deforested. Illegal logging and timber from controversial sources threaten the forests of the world and biological diversity. Checking the origin of the wood raw material is therefore extremely important. Sustainably managed forests are one of the world's few renewable resources. Growing forests also absorb carbon dioxide and counteract climate changes. SCA has goals for both preservation of biological diversity and responsible use of wood raw material. SCA's forests have an annual net growth of 1% and are FSC and PEFC certified.

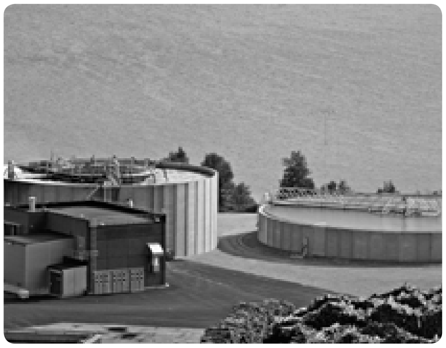
CLIMATE CHANGES

The climate issue is one of the most serious environmental and social problems facing the world. Authorities are setting targets to reduce carbon dioxide emissions and the private sector is expected to contribute. SCA has the target of reducing its carbon dioxide emissions by 20% by 2020.

Every year, the Group's forest holdings net absorb 2.6 million tons of carbon dioxide, which exceeds the emissions from SCA's production.

WATER SHORTAGE

The UN predicts that two-thirds of the world's population may live in areas with water shortages in 2025. Access to water is critical for people, industries, agriculture and food production. A large proportion of SCA's production processes are dependent on access to water. A great deal of focus is therefore placed on effective water consumption and purifying processes. Special focus is placed on reducing water consumption in the mills that are located in water-stressed areas.



ENERGY CONSUMPTION

Access to energy has become a strategic issue in most countries in the world. The International Energy Agency (IEA) predicts that the need for energy will increase by 36% up to 2035, which will probably entail higher costs and shortages in some cases. Since SCA is a large energy consumer, it is important for the company and its competitiveness to constantly work to streamline energy use. SCA conducts development in renewable energy, such as wind power and biofuels, in order to secure access to sustainable energy and reduce the risk of higher costs.

CHANGED CONSUMER BEHAVIOR

The planet's limited resources, political prioritizations and more knowledgeable and aware customers and consumers increase demand for sustainable products and services. This drives SCA's innovation of products, services and business models to meet the growing demand for sustainable consumption.

CHANGED MARKET BALANCE

Emerging markets are accounting for an increasing share of the global economy in pace with the development of the economies in these regions. In recent years, SCA has strengthened its presence in emerging markets where a growing share of the Group's future expansion will take place.

Objectives and strategy

Mission

To sustainably develop, produce, market and sell increasingly value-added products and services within hygiene and forest products markets for customers and consumers. Satisfying needs through understanding of customers and consumers, knowledge of local and regional market conditions and superior go-to-market approaches, combined with global experience, strong brands, efficient production and innovation.

Objective

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

Financial targets

Return on capital employed

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

Growth

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

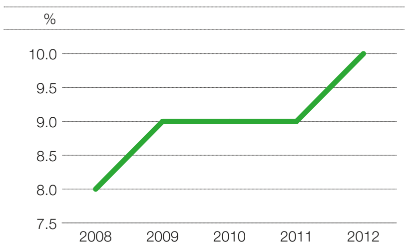
Capital structure

A long-term debt/equity target of 0.70 and a debt payment capacity of more than 35%.

Sustainability targets

In 2012, SCA launched a number of new sustainability targets relating to climate, energy, water usage, fiber purchases and biological diversity. The people targets relate to health and safety, hygiene solutions, sustainable innovation and compliance with SCA's Code of Conduct. See page 63 for more information.

Return on capital employed



Excluding items affecting comparability.

2

Strategy

SCA is a leading global hygiene and forest products company. SCA's strategy is based on a sustainable business model where value creation for people and nature is put on a par with growth and profitability to ensure a successful company in both the short and long term. A continuous stakeholder dialog and a comprehensive risk analysis lay the foundation for the strategic priorities. Three strategic priorities are in focus to deliver on the strategy: efficiency, innovation and growth. Efficient processes are a part of SCA's endeavor to reduce costs, improve capital efficiency and increase cash flow. A higher pace of innovation, based on customer and consumer insight, improves SCA's competitiveness and strengthens and differentiates the offering. SCA has the ambition of growing in both mature and emerging markets.

Increasing the hygiene business' share of the SCA Group is a strategic direction to reduce sensitivity to economic fluctuations and thereby ensure a more long-term stable level of profitability and growth. In 2012, SCA acquired Georgia-Pacific's European tissue operations and the Asian hygiene business Everbeauty. The Group divested its packaging business, excluding the two kraftliner mills in Sweden. In addition, the 50% holding in the newsprint mill in Aylesford, UK, was divested and an agreement was signed regarding the sale of the publication paper mill in Laakirchen, Austria.

Efficiency

SCA operates in an intensely competitive market and a continuous focus on cost efficiency is vital to ensure continued competitiveness. Reducing costs and increasing capital efficiency is important to improve cash flow and value creation.

Enhanced capital efficiency, lower costs and strengthened cash flow are achieved through restructuring, efficiency enhancement, savings measures and optimization of capital employed in all parts of the Group. More efficient production provides lower costs and in most cases positive environmental effects. One example of this is the 1,700 small-scale energy-saving activities carried out by the Group in recent years, resulting in a reduction in carbon dioxide emissions and annual savings of about SEK 700m.

SCA leverages synergies between operations and improves productivity and the supply chain, while it also discontinues non-competitive units.

Global functions in the hygiene operations relating to, among other areas, innovation and brand activities, as well as production, generate cost synergies and enable efficient resource allocation.

During the year, SCA launched an efficiency program in hygiene and forest products operations.

Innovation

SCA's presence in about 100 countries combined with local innovation centers around the world, form the basis for innovation activities that are founded on extensive insight into customer and consumer needs – today and in the future. Innovation is a means of developing and differentiating SCA's products and services, retaining and strengthening market positions, building strong brands, driving growth and profitability by expanding the offering to existing customers in existing markets, and attracting new customers in new markets. Sustainability aspects and product safety are high on the agenda of customers and consumers and, consequently, so is the development of new products and services. Innovation work is an important tool for developing sustainability programs and helps to satisfy the growing demand for sustainable and safe products. Special focus is also reserved for identifying new and more cost-efficient and sustainable production solutions and processes. New innovations enable improved resource utilization and reduced environmental footprint.

For the hygiene operations, the strategic direction is to increase the pace of innovation, capitalize on global economies of scale and ensure that all segments have a competitive and balanced portfolio of innovations. Particular focus is given to exploring the possibilities of broadening the product portfolio.

In Forest Products, the strategic focus is to increase the value for customers and identify new alternative fields of application for existing products.

Growth

SCA has strong leading positions in Europe, North America, Latin America and Asia. Through strong global and regional market positions and brands, innovation, efficient production and world-leading sustainability work, SCA is well positioned to leverage the growth potential existing in both mature and emerging markets. SCA's competitiveness is also supported by the Group's broad product portfolio, with strong brands and raw material integration.

SCA aims to be the leading company in the markets that it serves. All operations in mature markets, such as Western Europe and North America, will continue to strengthen their positions. In addition to defending and reinforcing its position in mature markets, the aim is to advance positions in emerging markets, primarily in regions where SCA already has representation.

While growth will mainly be organic in old and new segments, acquisition-driven growth will also be pursued. In existing markets, the aim is to continue growing by, for example, broadening the offering of product categories, product ranges and services. A strategic priority is also to increase the number of global brand platforms. During the year, SCA strengthened its market positions in Europe and Asia through the acquisitions of Georgia-Pacific's European tissue operations and the Asian hygiene company Everbeauty.

The importance of innovation and brands

Innovation activities drive SCA's growth and strengthen competitiveness and profitability. By developing and differentiating products and services, the company's market positions and brands are strengthened. Strong brands improve competitiveness and the Group's relationships with its stakeholders.

INNOVATION FOR PROFITABLE GROWTH

SCA's innovation process is deeply embedded in the Group's strategy and business model. The innovation efforts are based on external trends, customer and consumer insight, new technology and business models, with sustainability and product safety integrated into the process. The innovation work is supported by SCA's innovation centers around the world and a well-developed innovation culture. Open innovation, or cooperation with external parties, constitutes a growing part of SCA's innovation efforts since it is a resource-efficient way of working.

For SCA, the innovation work involves the development of new products and services, further development and improvement of existing offerings, and the expansion of the offering. SCA's new hygiene organization, which was implemented in 2012, has strengthened both processes and the innovation culture.

Sustainability is an important element of SCA's innovation process. Sustainability-driven innovation may involve continuous efficiency enhancements, reduced resource consumption along the value chain, replacing fossil fuels with renewable fuels or developing business models that increase the quality of life of customers and consumers.

A strong presence in emerging markets provides greater insight into trends and customer and consumer needs. This is used to develop new business models, products and services adapted to the conditions in these markets.

In 2012, SCA filed applications for 89 patents. Patenting activities are pursued in a central organization that maintains a global focus. The patenting activities take the form of industry intelligence and ensuring appropriate protection for SCA innovations in order to create and maintain a valuable patent portfolio.

3

The dark blue color stands for SCA's extensive and professional background, brand history and its foundation.

The green symbolizes the company's sustainability activities and forest products operations.

The light blue represents the hygiene business and one of the natural elements, water.

This infinity symbol carries the Group onward on its innovative journey into the future.

SCA ON A JOURNEY OF CHANGE

SCA has undergone major changes in recent years and has become a leading global hygiene and forest products company with a strong sustainability profile. Accordingly, the Group has updated its logotype to feature stronger, more distinct colors and softer lines. "Care of life" has been written out, which clarifies and strengthens the message.

SCA has the ambition of building a strong Group-wide brand. The SCA brand will strengthen and associate with the Group's product brands, leverage their collective strengths and values and together form a clear link to customers and consumers. The SCA brand and the company's values will function as a benchmark, ensuring that employees, products, processes and the entire operation develop in a sustainable and responsible manner. The SCA brand communicates the company's identity and how it wants to be perceived, meaning its values, Code of Conduct and comprehensive sustainability activities, from products and processes to the manner in which the Group makes a difference for people, nature and society.

The core of SCA is summarized in the concept "SCA *Care of life*."

SCA *Care of life*; Because our products make life easier for you and for millions of people around the world. Because our resources and the way we work are natural parts of the global lifecycle. And because we care.

PRODUCT BRANDS

SCA has some 60 product brands, of which TENA and Tork are global brands. SCA has the ambition to own and develop between six and ten global brand platforms, each with more than SEK 10bn in annual sales.

TEAM SCA IN VOLVO OCEAN RACE

A part of SCA's work to strengthen brand awareness is its participation in the Volvo Ocean Race 2014–2015. This global yachting race is a unique platform to increase awareness of SCA and its product brands. SCA will participate in the world's toughest ocean race with an all-female crew. For SCA, the competition is about cooperation and striving towards common goals with a clear strategy. The Group also makes it possible for women to participate in an arena normally reserved for men. It is also about mastering the unexpected and facing the future as a strong team.

The SCA share

SCA shares are quoted and traded primarily on NASDAQ OMX Stockholm, and as American Depository Receipts (ADR level 1) in the US through Deutsche Bank. The final 2012 closing price on NASDAQ OMX Stockholm for SCA's B share was SEK 141.00 (102.00), corresponding to a market capitalization of SEK 99bn (72). In 2012, the share price rose 38%, while NASDAQ OMX Stockholm rose 12% during the same period. The highest closing price for SCA's B share during the year was SEK 142.50, which was noted on December 28. The lowest price was SEK 98.75 on June 5. The proposed dividend is SEK 4.50 per share, see below under the section "Dividend" on page 14.

Index

On NASDAQ OMX Stockholm, SCA is included in the OMX 30 Stockholm Index and in the Personal & Household Goods sector within Consumer Goods. In addition to indexes directly linked to NASDAQ OMX Stockholm, SCA is included in other indexes, such as the FTSE Eurotop 300 and MSCI Eurotop 300. Within MSCI, SCA is included in Household Products within Consumer Staples as of September 1, 2012. SCA is also represented in sustainability indexes, including the FTSE-4Good, OMX GES Sustainability Sweden PI, OMX GES Sustainability Nordic PI and the Dow Jones Sustainability Europe Index.

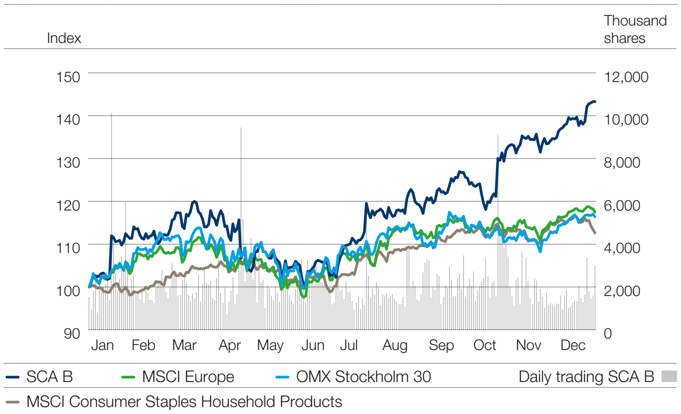
Liquidity

In 2012, the volume of SCA shares traded on NASDAQ OMX Stockholm was 550 million (645), representing a value of approximately SEK 64bn (61). Average daily trading for SCA on NASDAQ OMX Stockholm amounted to 2.2 million shares, corresponding to a value of SEK 256m (242). Trading on Chi-X, BATS Europe, Burgundy and Turquoise amounted to approximately 480 million SCA shares during the year, corresponding to 47% of total trading in the share.

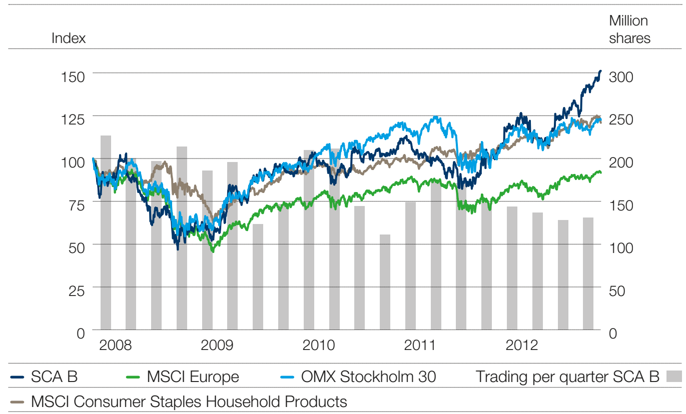
Ownership

Some 42% (55) of the share capital is owned by investors registered in Sweden and 58% (45) by foreign investors. The US and the UK account for the highest percentage of shareholders registered outside Sweden.

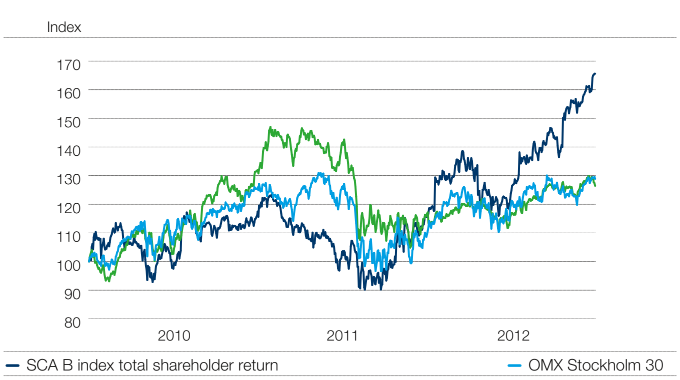
Total shareholder return 2012



Total shareholder return 2008–2012



Total shareholder return 2010–2012



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

SCA's ten largest shareholders

According to SIS Ägarservice at December 31, 2012, the following companies, foundations and mutual funds were the ten largest registered shareholders based on voting rights (before dilution):

Shareholder	No. of A Shares	No. of B Shares	Votes (%)	Holding (%)
Industrivärden	43,100,000	27,750,000	29.7	10.0
Handelsbanken*	21,568,566	10,566,319	14.6	4.5
Norges Bank Investment Management	8,034,787	44,718,385	8.1	7.5
Skandia	3,050,046	584,334	2.0	0.5
Swedbank Robur funds		17,438,851	1.1	2.5
AMF – Insurance and Funds		17,391,587	1.1	2.5
SEB Funds & SEB Trygg life insurance	625,100	9,221,192	1.0	1.4
Capital Group funds		12,214,016	0.8	1.7
SCA Employee Foundation	982,845	74,406	0.6	0.1
Skagen funds		7,626,202	0.5	1.1

* Including mutual funds and foundations.

Source: SIS

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Data per share

All earnings figures include items affecting comparability unless otherwise indicated.

SEK per share unless otherwise indicated	2012	2011	2010	2009	2008
Earnings per share after full tax:					
After dilution	7.06	0.78	7.90	6.78	7.94
After dilution, excluding items affecting comparability [7]	10.27	8.00	8.65	8.32	7.94
Before dilution	7.06	0.78	7.90	6.78	7.94
Market price for B share:					
Average price during the year	116.77	95.80	100.20	83.18	84.76
Closing price, December 31	141.00	102.00	106.20	95.45	66.75
Cash flow from current operations [1] [7]	10.35	7.55	9.24	16.36	5.42
Dividend	4.50[2]	4.20	4.00	3.70	3.50
Dividend growth, % [3]	3	4	4	5	6
Dividend yield, %	3.2	4.1	3.8	3.9	5.2
P/E ratio [4]	20	N/A	13	14	12
P/E ratio, excluding items affecting comparability [4] [7]	14	13	12	11	8
Price/EBIT [5] [7]	22	47	14	13	11
Price/EBIT, excluding items affecting comparability [5] [7]	15	14	13	11	11
Beta coefficient [6]	0.86	0.83	0.82	0.78	0.84
Pay-out ratio (before dilution), %	64	N/A	51	55	44
Equity, after dilution	85	87	96	96	95
Equity, before dilution	85	87	96	96	94
Number of registered shares December 31 (millions)	705.1	705.1	705.1	705.1	705.1
of which treasury shares (millions)	2.8	2.8	2.8	2.8	2.8

1) See definitions of key ratios on page 116.
2) Board proposal.
3) Rolling 10-year data.
4) Share price at year-end divided by earnings per share after full tax and dilution.
5) Market capitalization plus net debt plus non-controlling interests divided by operating profit. (EBIT = earnings before interest and taxes).
6) Share price volatility compared with the entire stock exchange (measured for rolling 48 months).
7) Reclassified 2010 and 2011 due to sale of the European packaging operations.

Ticker names

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

Percentage of foreign ownership, capital

Sweden, 42%
Outside Sweden, 58%

Shareholder structure

Holding	No. of shareholders	No. of shares	Holding (%)	Votes (%)
1–500	48,136	8,717,392	1.3	1.2
501–1,000	12,716	9,716,469	1.5	1.3
1,001–5,000	14,170	30,804,491	4.3	4.4
5,001–10,000	1,864	13,287,088	1.9	1.9
10,001–20,000	782	11,249,025	1.6	1.4
20,001–	1,186	631,339,629	89.4	89.8
Total	**78,854**	**705,114,094**	**100.00**	**100.00**

Source: Euroclear

Share distribution

Dec 31, 2012	Series A	Series B	Total
Number of registered shares	93,278,137	611,831,957	705,110,094
of which treasury shares		2,767,605	2,767,605

Share issues, etc. 1993–2012

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

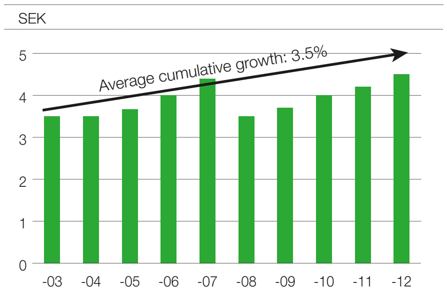
		No. of shares	Increase in share capital, SEKm	Cash payment, SEKm	Series A	Series B	Total
1993	Conversion of debentures and new subscription through Series 1 warrants	4,030,286	40.3	119.1			
	New share issue 1:10, issue price SEK 80	17,633,412	176.3	1,410.7	62,145,880	131,821,657	193,967,537
1994	Conversion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

The SCA share, cont.

Dividend and dividend policy
SCA aims to provide long-term stable and rising dividends to its shareholders. Over a business cycle, approximately one-third of cash flow from current operations (after interest expenses and tax) is normally allocated to dividends. If, in the long term, cash flow from current operations exceeds what the company can place in profitable expansion investments, the surplus shall be used to amortize loans or is returned to shareholders through higher dividends or share repurchases. The Board proposed a dividend of SEK 4.50 per share for the 2012 fiscal year, an increase of 7.1% compared with 2011. Accordingly, dividends have risen by an average of 3.5% per year over the past decade. The 2012 dividend represents a dividend yield of 3.2% per share, based on SCA's share price at the end of the year.

Incentive program
SCA's incentive program is designed to contribute to the creation of shareholder value. The program for senior executives consists of two components of which one is tied to the development of the SCA share compared with an index consisting of SCA's largest global competitors. For more information about the structure of the program, see Note 6 (Personnel and Board costs), on pages 85–86.

Dividend per share



One of the year's major investor activities was SCA's capital market day held in Stockholm, Sweden, in November 2012.

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Information to shareholders

Annual General Meeting

The Annual General Meeting of Svenska Cellulosa Aktiebolaget SCA will be held on Wednesday, April 10, 2013 at 3 p.m. in Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Sweden. Registration to the Annual General Meeting will start at 1.30 p.m.

Notification of attendance

Shareholders who wish to attend the Annual General Meeting must

- be listed in the shareholders' register maintained by Euroclear Sweden AB on Thursday, April 4, 2013 and
- give notice of their intention to attend the meeting no later than Thursday, 4 April 2013.

Notification may be given in any of the following manners:

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

In order to attend the meeting, shareholders with custodian registered shares must have such shares registered in their own names. Temporary registration of ownership, so-called voting rights registration, should be requested from the bank or fund manager managing the shares well in advance of Thursday, April 4, 2013.

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

The Notice convening the Annual General Meeting can be found on the company website www.sca.com.

Dividend

The Board of Directors proposes a dividend of SEK 4.50 per share and that the record date for the dividend be Monday, April 15, 2013. Payment through Euroclear Sweden AB is estimated to be made on Thursday, April 18, 2013.

Nomination Committee

- Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee
- Håkan Sandberg, Handelsbankens Pensionsstiftelse and others
- Caroline af Ugglas, Skandia Liv
- Ramsay Brufer, Alecta
- Sverker Martin-Löf, Chairman of the Board of SCA

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

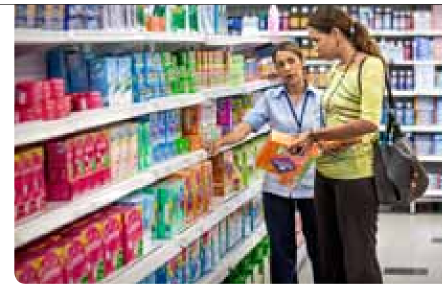
Financial information 2013–2014

Interim report (Jan 1–Mar 31, 2013)	April 29, 2013
Interim report (Jan 1–Jun 30, 2013)	July 18, 2013
Interim report (Jan 1–Sep 30, 2013)	October 18, 2013
Year-end report for 2013	January 29, 2014
Annual Report for 2013	March 2014

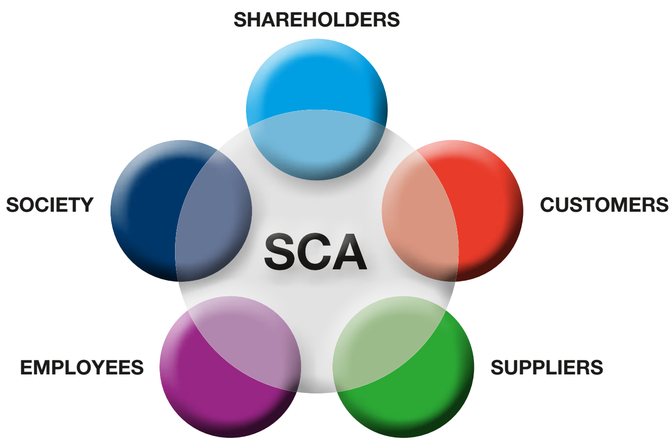
Annual reports, year-end reports and interim reports are published in Swedish and English (in the event of differences between the English translation and the Swedish original, the Swedish text shall prevail) and can be downloaded from SCA's website www.sca.com.
Annual Reports can also be ordered from: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

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

Stakeholder perspective
of value creation

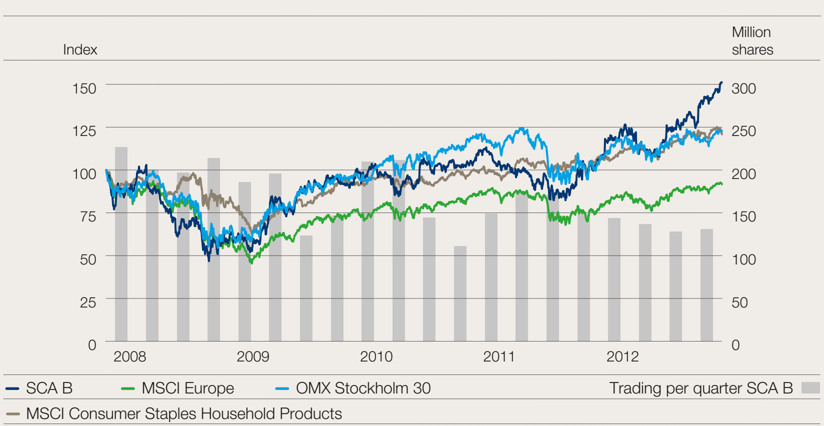


SCA's strategic approach is based on a holistic perspective where sustainability is integrated into how the company works to create value for all of its stakeholders. The driving forces identified as the most important to the business demand that SCA understands its stakeholders' needs and can translate its strengths into relevant and sustainable offerings to the market. The value created by SCA for its shareholders relies on its ability to also generate value in relationships with its other stakeholders.



SHAREHOLDERS

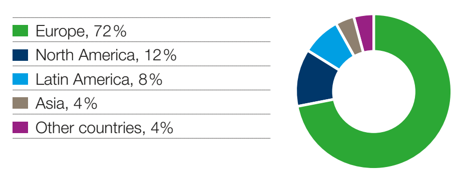
SCA creates value for its shareholders through dividends and share price appreciation. Dividends have risen by an average of 3.5% per year over the past decade. In 2012, the share price rose 38%. Over a five-year period, the total shareholder return on the SCA share has exceeded that of the competition.



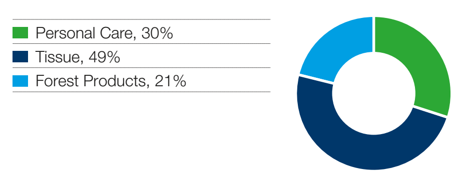
CUSTOMERS

SCA has many different customers, from end-consumers of SCA's products to corporate customers that include the retail trade, distributors, printing houses, medical and healthcare services. SCA helps corporate customers reduce their risks and increase the value of their brands. By jointly working for greater efficiency and innovation, SCA and its customers can supply high-quality sustainable products that meet and exceed consumer needs and expectations.

SCA's sales by region



SCA's sales by business area



SUPPLIERS

The company strives for transparent and long-term relationships with its suppliers to guarantee both high quality and financial stability for both parties. Purchasing is the largest single expense for SCA, corresponding to 65% of sales.

Many input goods, such as pulp, electricity and chemicals, are global commodities and are mostly purchased centrally with the objective of achieving economies of scale. However, forest raw materials are almost always purchased locally. This provides a substantial financial contribution to local suppliers and the local economy.

Another way of building value is to develop the suppliers' expertise through training and cooperation.

EMPLOYEES

SCA's employees are crucial to the company's success. The objective is to have skilled and motivated employees who are offered an attractive and supportive workplace. SCA is determined to develop its employees by offering a broad range of opportunities and challenges as well as a stimulating, safe and healthy work environment. Together with diversity, respect and trust, this strengthens the Group's position as a leading global hygiene and forest products company.

At SCA, there are opportunities for personal and professional development. Among other efforts, the Group continued to develop its open labor market through a global "Job portal" that shows current and prospective employees the range of available positions. SCA strives to be a long-term employer. Value is created for employees through opportunities for skills development and by offering employment terms and benefits that are competitive in the markets in which SCA is active.

SOCIETY

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

In 2012, SCA invested approximately SEK 45m (24) in community involvement. Many of the more than 200 initiatives support improved health and hygiene. This may involve educating school children in Russia about hand hygiene, educating young women in Latin America about puberty and menstruation and educating Chinese nurses about incontinence. SCA also conducts tree planting projects in, for example, Brazil, Germany, Poland and Mongolia.

* Current expenditures, restructuring costs, strategic capital expenditures and acquisitions.
** Raw materials, transportation and distribution, energy and other expenses for goods sold.

Board of Directors' Report

SCA Group

Business areas

Responsibility and Governance

Financial statements

Operations and structure

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

Although Europe is SCA's main market, the Group also holds strong positions in North America, Latin America and Asia Pacific. Expansion takes place through organic growth and acquisitions, primarily within Personal Care and Tissue. SCA owns approximately 2.6 million hectares of forest land, which guarantees just under half of the Group's timber supplies and enables efficient raw material integration and effective cost control. SCA conducts extensive sawmill operations as a natural complement to the forest operations.

Organization

SCA consists of three business areas – Personal Care, Tissue and Forest Products. The business areas are organized into seven business units. SCA's European hygiene business comprises: SCA AFH Professional Hygiene Europe, focusing on AFH tissue, SCA Consumer Goods Europe, focusing on consumer products, and SCA Incontinence Care Europe for manufacturing and sales of incontinence products. In Europe, SCA Forest Products manufactures publication papers, kraftliner, pulp, solid-wood products and renewable energy. The SCA Asia Pacific and SCA Americas business units focus on tissue and personal care products. The SCA MEIA business unit includes Middle East, India and Africa. SCA also has three global units: one for category control in the hygiene area (product brands and innovation) named Global Hygiene Category (GHC), one unit in charge of purchasing, production planning, technology and investments in the hygiene segment called Global Hygiene Supply (GHS) and one dedicated unit that develops and is responsible for joint support functions, known as Global Business Services (GBS).

Significant events during the year

During the year, SCA divested the company's European packaging operations, excluding two kraftliner mills in Sweden.

SCA acquired Georgia-Pacific's European tissue operations, which strengthens the product offering and SCA's geographic presence in Europe.

During the year, SCA strengthened its presence in South America through acquisition of the remaining 50% in the Chilean hygiene company PISA, and thus owns 100% of the company.

In 2012, SCA acquired an additional 5% of shares in the leading Chinese tissue company Vinda International. Following the transaction, SCA's ownership amounted to 21.6% (after dilution effects).

In the Forest Products business area, SCA divested its 50% shareholding in Aylesford Newsprint in the UK. An agreement concerning divestment of the Austrian publication paper mill in Laakirchen was also signed. During the year, SCA acquired PLF, the largest independent supplier of wood-based construction products to the builders merchants sector in France.

In 2012, SCA consolidated its position in Asia through the acquisition of Everbeauty, an Asian personal care company with sales in China, Taiwan and Southeast Asia.

During the year, SCA signed a joint venture agreement with E.ON. The joint venture includes approximately 270 wind power stations and total energy production of more than 2 TWh.

In 2012, SCA established a new organization in the hygiene business and launched a comprehensive cost-savings and efficiency-enhancement program. SCA also introduced an efficiency program in its forest products operation.

Organization

Acquisitions, investments and divestments

Strategic tissue operation acquisition in Europe
At the end of 2011, SCA delivered a binding offer to acquire Georgia-Pacific's European tissue operations. Following consultation with the relevant employee representatives, Georgia-Pacific accepted SCA's binding offer of EUR 1.32bn. The acquisition received EU clearance in mid-2012 and was finalized soon after. The acquisition price was SEK 11,514m and the investment amounted to SEK 11,357m on a debt-free basis.

Investment in timber processing
In 2012, SCA acquired the French timber processing company PLF, the largest independent supplier of wood-based construction products to the builders merchants sector in France. PLF processes approximately 70,000 cubic meters of solid-wood products annually, including planing and surface treatment. PLF has annual sales of about SEK 250m and 70 employees. The acquisition will bring SCA closer to customers and increase the company's share of processed products in France, similar to the position already held by the company in the UK and Scandinavia. The operations were consolidated as of March 2012.

Acquisition in Asia
In 2012, SCA acquired the Taiwan-based Everbeauty Corporation, an Asian personal care company with sales in China, Taiwan and Southeast Asia. The company manufactures and markets baby diapers and incontinence care products under its strong brands Dr P, for incontinence care products, and Sealer, for baby diapers. The company holds the number two position for incontinence care products in China and the number one position in Taiwan. In baby diapers, the company is ranked fifth in both China and Taiwan. Through this transaction, SCA acquires access to an extensive distribution network, a strong sales organization and proprietary production in China and Taiwan. The acquisition price was SEK 1,983m and the investment amounted to SEK 1,868m on a debt-free basis.

Increased hygiene product investment in Chile
During the year, SCA acquired the remaining 50% of shares in the Chilean hygiene company PISA (Papeles Industriales S.A.). In 2012, PISA's sales amounted to approximately SEK 900m. The company primarily operates in the consumer tissue and AFH tissue segments, which account for almost 70% and 30% of sales, respectively. PISA also launched incontinence care products in Chile under SCA's global brand TENA. The purchase price amounted to SEK 536m. The operations were consolidated as of May 2012.

Increased investment in tissue in China
In 2012, SCA increased its ownership in the Chinese tissue company Vinda. The purchase price was SEK 653m. Following the transaction, SCA's ownership in Vinda amounted to 21.6% (after dilution effects). SCA's total investment in the company amounted to SEK 1.1bn. Vinda is listed on the Hong Kong Stock Exchange and, in 2011, the company generated sales corresponding to approximately SEK 4bn.

Expanded TENA range
Two new products were added to TENA's product portfolio through the acquisition of two companies: Dutch JOYinCARE BV and Swiss Medical Solution AG. The two innovative products comprise a test for early detection of urinary tract infections and impregnated wet gloves. Both products contribute to better care and save time for patients and caregivers.

Investments in the hygiene business
During the year, investments in expanded tissue capacity in Russia and Germany continued. These include investments of about SEK 1.2bn in Sovetsk, Russia, and about SEK 1.1bn in Kostheim, Germany, for new tissue machines. Each of the machines has an annual capacity of 60,000 tons. A decision was also made in 2012 to invest in expanded diaper production capacity in Valls, Spain, and to upgrade five machines for the production of new incontinence products in Hoogezand in the Netherlands.

Investment in kraftliner
In 2012, SCA decided to invest approximately SEK 490m in a new lime kiln at the kraftliner mill in Munksund. This means that oil will be replaced by biofuel, generating annual cost savings of about SEK 50m and a significant reduction of fossil-fuel carbon emissions. The lime kiln is scheduled for operation in autumn 2014.

Expanded cooperation with Sundsvall Energi
At the end of 2012, SCA decided to invest about SEK 380m in an expanded cooperation between SCA's industries in the Sundsvall region and Sundsvall Energi AB. The agreement entails that SCA will increase its energy deliveries to Sundsvall's district heating network. Commissioning is scheduled for November 2013.

Joint venture in Australia and New Zealand for SCA's existing hygiene business
In early 2012, a joint venture was established in Australia/New Zealand by divesting 50% of SCA's existing operations in the region to the Australian company Pacific Equity Partners (PEP). The joint venture enables more efficient financing and faster development of the operations. In connection with the establishment, SCA deconsolidated the operations as of 2012 and they will now be reported according to the equity method.

Divestment of SCA's packaging operations
In early 2012, an agreement was signed with DS Smith concerning the divestment of SCA's packaging operations, excluding the two kraftliner mills in Sweden. The purchase price amounted to EUR 1.7bn on a debt-free basis. The divestment received EU clearance in mid-2012 and was finalized soon after. The selling price will be adjusted following a customary reconciliation of working capital, and so forth.

Divestment of UK-based newsprint facility
In 2012, SCA divested its 50% shareholding in the UK-based newsprint facility Aylesford Newsprint. Total sales for 2011 were approximately SEK 1,600m (GBP 150m). The operations have been loss-making for the past few years. The shares were divested on a debt-free basis for a symbolic amount. The transaction involved a book loss of SEK 848m and a negative cash flow effect of SEK 158m for SCA.

Divestment of publication paper mill in Austria
In 2012, an agreement was signed with Heinzel Group concerning a divestment of SCA's Austrian publication paper mill in Laakirchen. In connection with the divestment, the two companies also decided to establish a sales cooperation. Total sales for 2012 amounted to SEK 2,759m (EUR 316m). The initial purchase price was EUR 100m, with a possible additional purchase price of not more than EUR 100m based on a two-year profit-sharing model. In connection with the transaction, a book impairment loss of SEK 435m (EUR 50m) was charged to profit. The transaction is scheduled for completion in the first quarter of 2013 pending approval by the relevant authorities.

Other Group information

Parent Company
The Group's Parent Company, Svenska Cellulosa Aktiebolaget SCA (publ), owns most of the forest land and other real estate relating to forestry operations, and grants felling rights for standing forest to the subsidiary SCA Skog AB. The Parent Company is otherwise a holding company with the main task of owning and managing shares in a number of business group companies and performing Group-wide management and administrative functions. In 2012, the Parent Company recognized operating income of SEK 98m (174) and reported a profit before appropriations and tax of SEK 4,291m (2,128). During the year, the Parent Company's net investments and divestments in shares and participations in companies outside SCA amounted to SEK 125m (114). Investments in property and plant totaled SEK 299m (118) during the year. Cash and cash equivalents at year-end were SEK 0m (0).

Research and development (R&D)
During the year, research and development costs amounted to SEK 845m (832), corresponding to 1.0% of consolidated net sales. Research and development is conducted both centrally and locally in the various business units. The central activities are carried out in the form of R&D in the fields of materials and technology, while the local units work with product development, often in direct cooperation with customers.

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

Distribution of shares
During the year, 3,312,293 Class A shares were converted into Class B shares. The proportion of Class A shares was 13.2% at year-end.

Dividend
The Board of Directors proposes that the dividend be raised by 7.1% to SEK 4.50 (4.20) per share. The dividend is expected to total approximately SEK 3,161m (2,950). Accordingly, dividend growth in the most recent ten-year period has amounted to 3.5%. The Board's assessment is that the proposed dividend will provide the Group with the scope to fulfill its obligations and make the required investments. The record date for entitlement to receive dividends is proposed as April 15, 2013.

Environmental impact in Sweden
SCA conducted 16 operations for which a permit is required in Sweden. Operations for which permits are required accounted for 17% of consolidated net sales. Six permits relate to the manufacture of pulp and paper. These operations impact the environment through emissions to air and water, solid waste and noise. Nine permits relate to the production of solid-wood and value-added products, and biofuel. These operations affect the environment through emissions to air and water, and noise. One permit relates to the manufacture of fuel pellets. This operation affects the environment through emissions to air and water, as well as noise.

Guidelines for remuneration of senior executives
The Board of Directors has decided to propose to the 2013 Annual General Meeting the following unchanged guidelines for determining salaries and other remuneration for senior executives to apply for the period following the Annual General Meeting.

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

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

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

The Board's proposal concurs with the guidelines adopted by the 2012 Annual General Meeting. For information concerning the company's application of these guidelines and information on the company's expenses, see Note 6 on pages 85–86.

Sales and earnings

Operating profit, excluding items affecting comparability, exchange rate effects and divestments, rose 17% compared with the preceding year. Earnings improved due to higher volumes, lower raw material costs, acquisitions in Europe and cost savings.

Net sales

SCA's net sales increased, amounting to SEK 85,408m (81,337). Sales rose 6% in local currencies compared with the preceding year. Exchange rate movements reduced consolidated net sales by 1%. Sales for Personal Care and Tissue increased by 6% and 8%, respectively, due to higher volumes, an improved product mix and acquisitions. Excluding exchange rate effects, the sales increase in emerging markets was 22% for Personal Care and 19% for Tissue. For Forest Products, net sales declined 9% compared with the preceding year, mainly as a result of lower prices.

Earnings

Operating profit, excluding items affecting comparability of SEK 2,634m (5,439), improved compared with the preceding year and amounted to SEK 8,646m (7,738). Operating profit for Personal Care and Tissue increased 20% and 47%, respectively. Forest Products reduced its profit by 44%. The lower earnings level is largely attributable to lower prices and negative exchange rate effects due to a strengthening of the SEK.

Financial items amounted to an expense of SEK 1,264m (expense: 1,325). The decrease was attributable to lower interest rates and a lower average net debt. Profit before tax, excluding items affecting comparability, improved by SEK 969m, amounting SEK 7,382m (6,413). The average tax rate for operating earnings, excluding items affecting comparability, was 23%. Profit for the year, excluding items affecting comparability after tax of SEK 2,257m (5,071), amounted to SEK 7,257m (5,678). Earnings per share attributable to owners of the Parent, excluding items affecting comparability, rose to SEK 10.27 (8.00), and to SEK 7.06 (0.78) including items affecting comparability.

Key figures

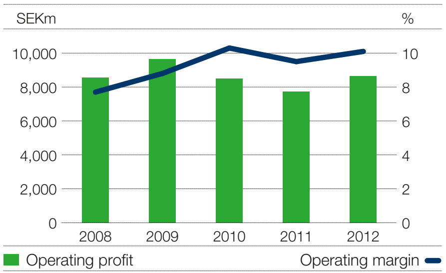
The Group's gross margin, excluding items affecting comparability, amounted to 24.5% compared with 24.1% in the preceding year, and the operating margin was 10.1%, compared with 9.5% in 2011. Return on capital employed, excluding items affecting comparability, improved and amounted to 10% (9) as did return on equity, excluding items affecting comparability, which amounted to 12% (9). The interest coverage ratio rose to 4.8, compared with 1.7 in the preceding year.

Summary income statement

SEKm	2012	2011	2010
Net sales	**85,408**	**81,337**	**82,731**
Gross profit	**20,959**	**19,636**	**20,825**
Operating profit[1)]	**8,646**	**7,738**	**8,495**
Financial items	–1,264	–1,325	–1,170
Profit before tax[1)]	**7,382**	**6,413**	**7,325**
Tax[1)]	–628	–1,635	–1,936
Profit for the period from disposal group	503	900	724
Profit for the year[1)]	**7,257**	**5,678**	**6,113**

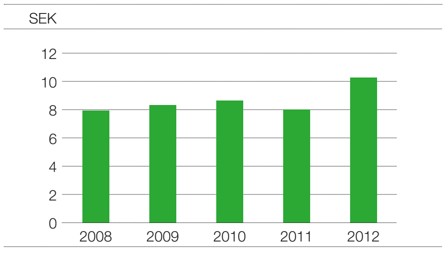
1) Excluding items affecting comparability in 2012 amounting to an expense of SEK 2,634m before tax and SEK 2,257m after tax, in 2011 an expense of SEK 5,439m before tax and SEK 5,071m after tax, and in 2010 an expense of SEK 702m before tax and SEK 521m after tax.

Operating profit and operating margin



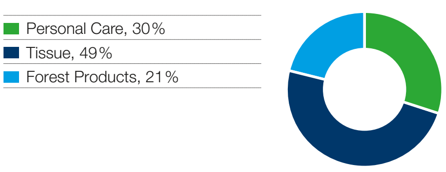
Excluding items affecting comparability.
Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Earnings per share after dilution effects



Excluding items affecting comparability.
Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Net sales, share of Group



Operating cash flow

A high level of control of the operating cash flow is an integral part of SCA's long-term competitiveness strategy. Cash flow from current operations amounted to SEK 7,271m (5,306). The increase is primarily attributable to a higher operating cash surplus, lower tied-up working capital and lower investments for the period compared with the preceding year.

Operating cash surplus rose 5% to SEK 12,624m (11,982). Working capital declined due to lower trade receivables, reduced inventory values and increased trade payables. Working capital in proportion to net sales amounted to 8% (8). Current capital expenditures, which declined SEK 89m during the year, amounted to SEK 3,161m (3,250), corresponding to 4% (4) of net sales. Operating cash flow increased to SEK 9,644m (7,418).

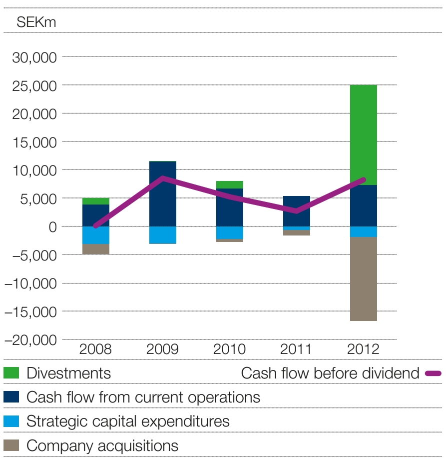
Financial items declined SEK 61m to an expense of SEK 1,264m (expense: 1,325). The decrease was an effect of lower interest rates and lower average net debt. Tax payments totaled SEK 1,193m (850). Cash flow from current operations amounted to SEK 7,271m (5,306).

Strategic capital expenditures made to strengthen organic growth totaled SEK 1,863m (1,637). The year's expense for strategic capital expenditures primarily pertained to investments in Tissue in Germany, Russia and North and South America, and Forest Products in Sweden.

Net debt declined SEK 3,721m during the year to SEK 32,927m at year end. Net cash flow reduced net debt by SEK 5,689m. The fair value measurement of pension assets, pension obligations and financial instruments increased net debt by SEK 1,847m. Exchange rate movements, attributable to a strengthening of the SEK, increased net debt by SEK 121m.

The debt/equity ratio declined to 0.55 (0.60), while the debt payment capacity improved to 37% (36). The debt/equity ratio, excluding pension liabilities, was 0.48 (0.52).

The Group's cash flow

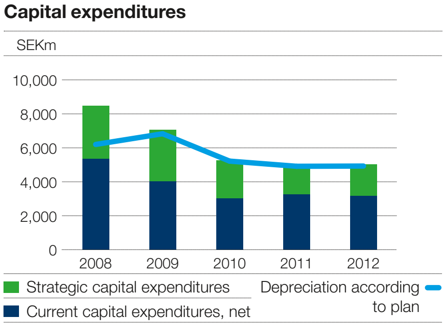


Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Summary operating cash flow statement

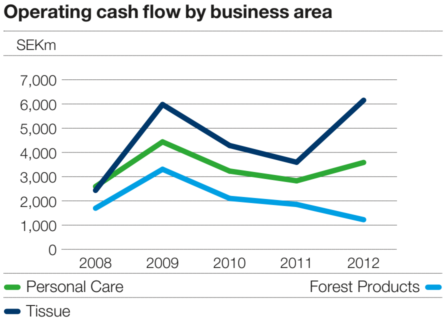
SEKm	2012	2011	2010
Operating cash surplus	12,624	11,982	12,758
Change in working capital	1,159	–665	–743
Current capital expenditures, net	–3,161	–3,250	–3,017
Restructuring costs, etc	–978	–649	–273
Operating cash flow	**9,644**	**7,418**	**8,725**
Financial items	–1,264	–1,325	–1,145
Income taxes paid, etc	–1,109	–787	–1,090
Cash flow from current operations	**7,271**	**5,306**	**6,490**
Strategic capital expenditures, net	947	–2,635	–1,441
Cash flow before dividend	**8,218**	**2,671**	**5,049**

Capital expenditures



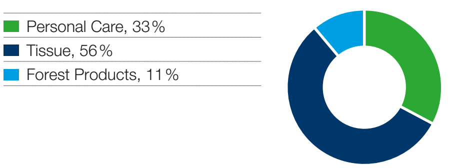
Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Operating cash flow by business area



Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Operating cash flow, share of Group



Financial position

Assets and capital employed

The Group's total assets declined 5% compared with the preceding year, amounting to SEK 131,531m (139,004). Non-current assets rose SEK 13,359m, compared with the preceding year, to SEK 98,870m, of which property, plant and equipment rose SEK 4,103m to SEK 46,702m and intangible assets rose SEK 5,567m to SEK 17,629m. Current and strategic capital expenditures in property, plant and equipment increased to SEK 4,959m and depreciation for the year to SEK 4,647m.

Current assets rose SEK 769m to SEK 32,661m (31,892). Working capital amounted to SEK 6,625m (6,816). Capital employed was 13% higher than in the preceding year and totaled SEK 93,091m (97,939). The distribution of capital employed per currency is shown in the table on the right.

The value denominated in SEK of the Group's foreign net assets amounted to SEK 55,776m (72,984) at year end. Foreign net assets declined due to divestments and changed Group structure.

Equity

Consolidated equity amounted to SEK 60,164m (61,291) at year end. Net profit for the period increased equity by SEK 5,000m (607), while shareholder dividends reduced equity by SEK 2,999m (2,898). Equity declined by SEK 1,533m after tax through remeasurements of the net pension liability to fair value. The remeasurement of financial instruments to fair value increased equity by SEK 266m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, reduced equity by SEK 1,861m.

Financing

At year-end, the Group's interest-bearing gross debt amounted to SEK 33,714m (37,128). The maturity period was 2.3 years at the same date.

Net debt amounted to SEK 32,927m (36,648) at year end. The net cash flow was impacted in the amount of SEK 5,689m. Furthermore, net debt increased by SEK 1,847m due to the fair value measurement of pension assets, pension obligations and financial instruments. Exchange rate movements, attributable to a strengthening of the SEK, increased net debt by SEK 121m.

Key figures

The debt/equity ratio was 0.55 (0.60). Excluding pension liabilities, the debt/equity ratio was 0.48 (0.52). The visible equity/assets ratio was 45% (44). Return on capital employed (ROCE) and on equity (ROE), excluding items affecting comparability, amounted to 10% (9) and 12% (9), respectively. The capital turnover rate was 0.93 (0.80). At year-end, working capital amounted to 8% (8) of net sales.

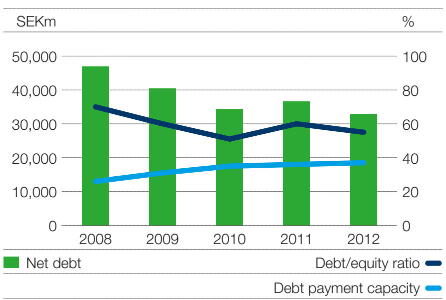
Consolidated capital employed by currency, SEKm

	2012	%	2011	%	2010	%
EUR	27,004	29	28,868	30	31,381	31
SEK	38,623	41	35,646	36	35,141	34
USD	6,550	7	7,564	8	7,639	8
GBP	5,489	6	6,167	6	7,322	7
Other	15,425	17	19,694	20	20,744	20
Total	**93,091**	**100**	**97,939**	**100**	**102,227**	**100**
Of which disposal group	–		15,194		19,142	
Total excluding disposal group	**93,091**		**82,745**		**83,085**	

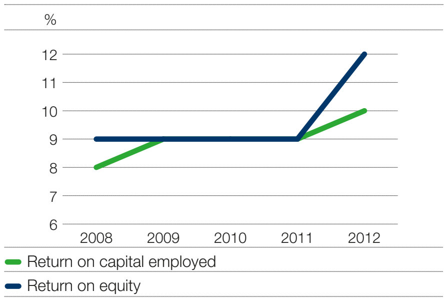
Consolidated balance sheet

SEKm	2012	2011	2010
Intangible assets	17,629	12,062	20,958
Property, plant and equipment	46,702	42,599	56,167
Biological assets	27,503	26,729	26,069
Other non-current assets	7,036	4,121	5,715
Total non-current assets	**98,870**	**85,511**	**108,909**
Current assets	32,661	31,892	34,069
Assets in disposal group held for sale	–	21,601	–
Total assets	**131,531**	**139,004**	**142,978**
Equity	60,164	61,291	67,821
Non-current liabilities	38,740	41,219	38,158
Current liabilities	32,627	28,893	36,999
Liabilities in disposal group held for sale	–	7,601	–
Total equity and liabilities	**131,531**	**139,004**	**142,978**
Working capital	6,625	6,816	8,899
Capital employed	93,091	97,939	102,227
Net debt	32,927	36,648	34,406

Net debt, debt/equity ratio and debt payment capacity

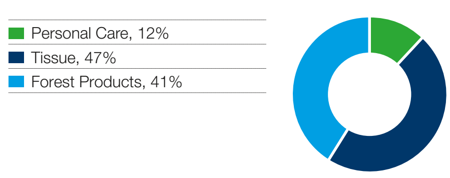


Return on capital employed and equity



Excluding items affecting comparability.
Reclassified 2010 and 2011 due to divestment of the European packaging operations.

Capital employed, share of Group



Personal Care

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

In 2012, sales in the Personal Care business area amounted to just over SEK 26bn.

The single largest product brand in the portfolio is TENA, a globally leading brand for incontinence products with annual sales exceeding SEK 10bn.

Market

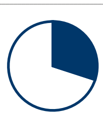
The global market for personal care products is valued at approximately SEK 340bn and is growing at a rate of some 5% annually.

The factors pointing to continued strong growth for personal care products include demand that is driven by global population growth – due mainly to a lower infant mortality rate, increased longevity and an aging population – greater market penetration, higher disposable incomes, more awareness of the importance of hygiene and innovation. The growth potential is greatest in emerging markets where market penetration is significantly lower than in mature markets and where urbanization, improved infrastructure and the retail trade are evolving rapidly. One example of the lower market penetration in emerging markets is that diaper consumption per capita in Asia is only about 10% of that in Western Europe.

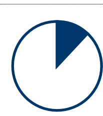
In mature markets, baby diapers and feminine care products have attained high market penetration, while market penetration for incontinence products – for which the aging population is driving demand, among other factors – remains relatively low.

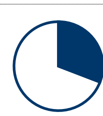
In emerging markets, the use of all product categories is expanding as the disposable income level grows and awareness of hygiene's importance gains a more central role in conjunction with this development.

Share of Group


Net sales, 30%
SEK 26,294m


Operating profit, 35%
SEK 3,180m


Capital employed, 12%
SEK 11,303m


No. of employees at Dec. 31, 31%
11,074 employees

SCA's market positions

	Europe	North America	Global
Incontinence products	1 (41%)	2 (17%)	1 (25%)
Baby diapers	2 (12%)	–	4 (5%)
Feminine care	3 (8%)	–	4 (6%)

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

SCA's sales by product segment

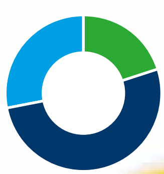
- Incontinence products, 56%
- Baby diapers, 30%
- Feminine care, 14%

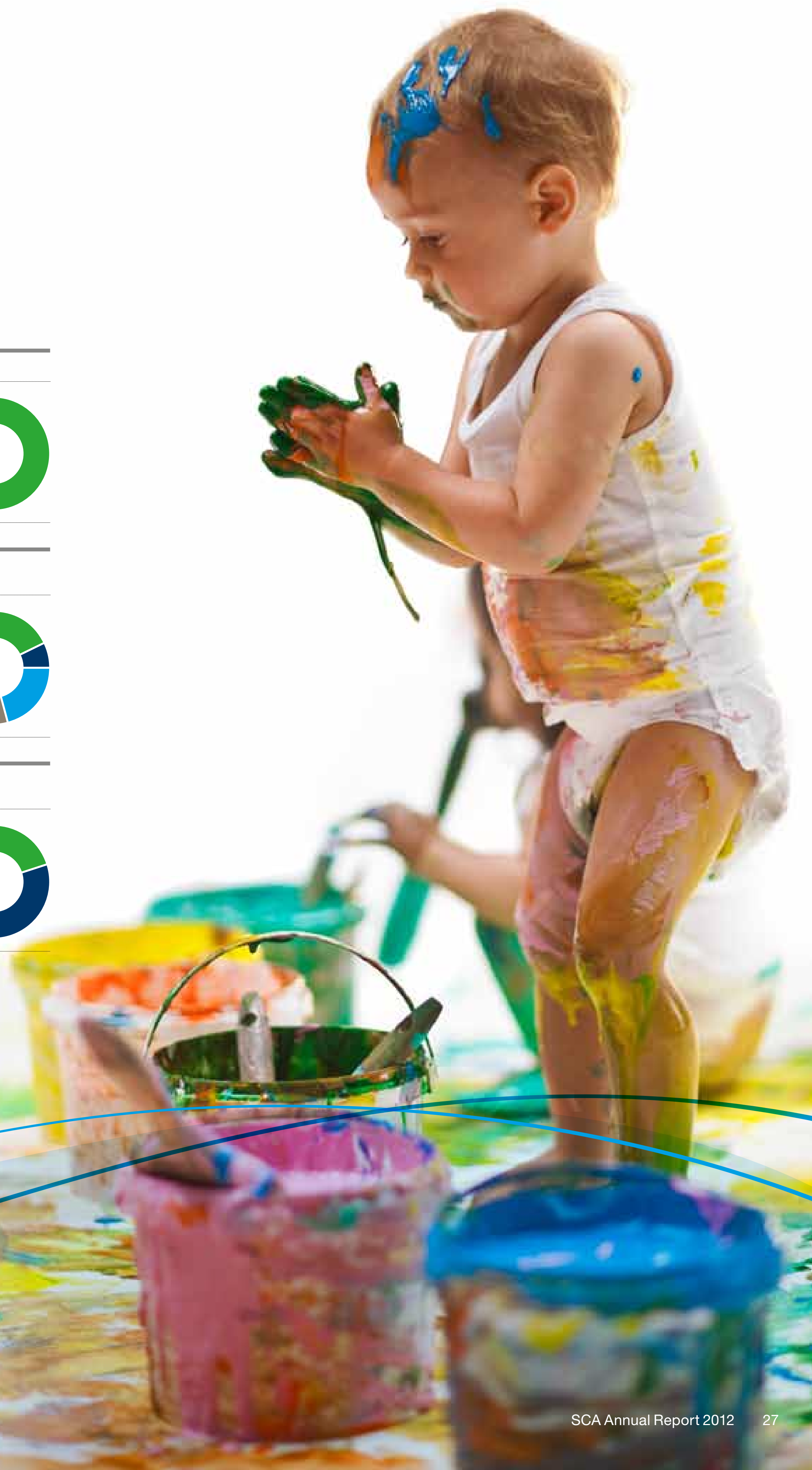
Personal care products – global market

- Western Europe, 18%
- Eastern Europe, 7%
- North America, 21%
- Latin America, 13%
- Asia, 29%
- Other, 12%

Personal care products – global market by product segment

- Incontinence products, 20%
- Baby diapers, 52%
- Feminine care, 28%





Efficiency

At the end of the year, SCA had production at 30 plants in 25 countries. Products are distributed via the retail trade, pharmacies and care institutions. Production efficiency is being improved consistently through modernization of and investment in new and existing facilities, thereby enhancing the cost structure and operational reliability.

The cost-cutting and efficiency-enhancement program launched in 2012 and affecting both of SCA's hygiene operations, meaning Personal Care and Tissue, will generate annual cost savings of EUR 300m with full effect from 2015. The measures will affect about 1,500 employees. The bulk of the savings relates to production and purchasing. In terms of production, SCA is working to standardize activities by implementing the most efficient processes at all of its production facilities. For purchasing, the main focus is on achieving economies of scale by more efficiently centralizing purchasing and consolidating suppliers.

Innovations

In 2010–2011 , SCA launched TENA Solutions, supporting nursing homes in delivering the best care by supplying routines, analysis tools and training in combination with innovative product solutions. The advantages include improved well-being for care recipients, a better work environment and less waste and use of resources as well as a lower total cost.

2011 marked the launch in China of SCA's TENA Belt, an incontinence product with a separate washable belt. The new product helps lower the environmental impact, reduces workloads for healthcare personnel and ensures improved skin comfort for the user. In 2012, a TENA Belt product adapted to the economy segment was launched.

TENA Lady, featuring wings that provide even greater assurance of a dry and fresh feeling, was launched during the year. An upgraded and more discreet TENA Pants product with improved comfort and fit while reducing transportation costs and carbon dioxide emissions was also introduced in the market during the year. An XXL version of TENA Slip was launched in the UK and Ireland.

In 2011, thin baby diapers were launched in the Nordic region and Russia under the Libero brand and in 2012 the market introduction continued in several other European markets.

In 2012, SCA launched an upgraded slim sanitary pad with improved absorption in Europe, the Middle East and South Africa. In Europe, the company also launched a pad offering a better fit and reduced material usage with maintained absorption capabilities.

Growth

In 2012, the Personal Care business area increased its sales in all product categories and global growth amounted to 12%, excluding exchange rate effects and divestments. Acquisitions increased sales by 5%. The sales increase in emerging markets, which accounted for 36% of the business area's sales, amounted to 22%, excluding exchange rate effects.

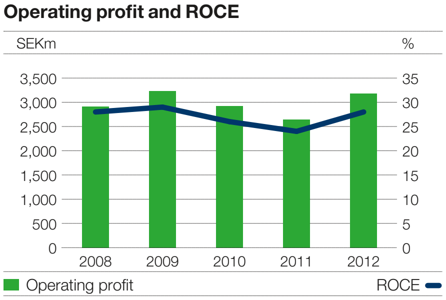
SCA's target for the business area is an annual rate of organic growth of 5–7%.

FINANCIAL TARGETS:

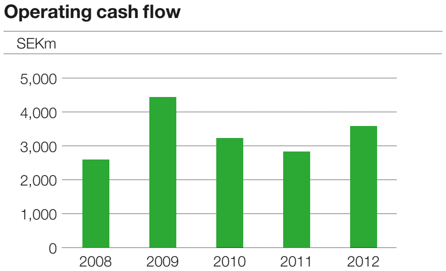
- 5–7% annual organic growth
- 30% return on capital employed

Net sales and operating margin

Operating profit and ROCE



Operating cash flow



In 2012, SCA grew both organically and through acquisitions. A key emerging market for SCA is Asia, which is expected to account for 60% of future global market growth in the hygiene area. In 2012, SCA strengthened its position in Asia through the acquisition of Everbeauty, an Asian personal care company with its own sales organization in China and Taiwan, and export sales to the rest of Asia. The company produces and markets baby diapers and incontinence products with such strong brands as Dr P for incontinence products and Sealer for baby diapers. For incontinence care, the company holds the number two position in China and number one in Taiwan. Together, Dr P and TENA are clear market leaders in Asia (excluding Japan). For baby diapers, the company occupies the number five spot in both China and Taiwan. The acquisition provides SCA with access to a comprehensive distribution network and a strong sales organization as well as its own production at two facilities in China and Taiwan. The acquisition creates a solid platform for high growth in Asia and China in particular.

Other important emerging markets where SCA commands a strong position are Latin America and Eastern Europe. Brazil, which is the most populous country in South America, is demonstrating favorable economic growth and the market there for hygiene products has considerable growth potential, not least for incontinence care products, which have shown double-digit growth figures. With the acquisition of Pro Descart in 2011, SCA established a position as the second largest player in the Brazilian incontinence care market.

Incontinence products

SCA offers a broad range of incontinence products under the TENA brand and is the clear global market leader. SCA's offering, which includes both products and services, improves the quality of life for consumers while also reducing costs for institutional customers.

Market

The global market for incontinence products is valued at some SEK 70bn, and is growing at about 5% annually.

Incontinence, which is classed as a disease by the World Health Organization (WHO), affects 5–7% of the world's population. Many indicators point to the proportion of people affected increasing on a global scale as a result of an aging population and a higher proportion of overweight people. The occurrence of incontinence is three times more common among women than men and calculations show that one-fourth of the world's women aged over 35, at some time in life will be affected. Market penetration is generally low for incontinence care, particularly among men. Only 20% of all men with incontinence use care products that are available in the market.

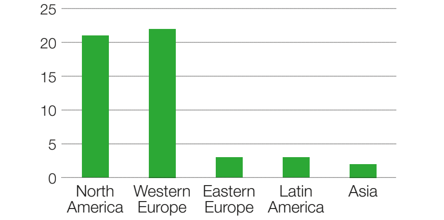
Institutional care and homecare account for 60% of the global market for incontinence products. Here, the main focus is on supplying high-quality products combined with qualified advisory services that simplify handling procedures and reduce costs for care providers. The retail market accounts for approximately 40% of the global market.

Lights by TENA – for less leakage

Light incontinence is a very common condition. Some 70% of women still use panty liners or pads that are not adapted for the purpose. The reason is that they view the problem as temporary "small leakages" and not as incontinence. For this target group, SCA has developed the Lights by TENA range, products designed for small urine leaks. Lights by TENA is a discreet incontinence care product that quickly absorbs fluids and provides a drier and fresher feeling.

Use of incontinence products

Units/per capita/per year



SCA's business
SCA is the world leader in incontinence products through its global brand TENA, which has annual sales in excess of SEK 10bn.

In 2012, SCA's global market share in incontinence products was about 25% and its market shares in Europe, North America and Asia (excluding Japan) were 41%, 17% and approximately 20%, respectively.

SCA prioritizes high growth in all segments, strengthened global market leadership and a continued focus on building leading positions in Eastern Europe, Russia, Asia, the Middle East and Latin America.

China is a market with low penetration and an aging population with high growth potential for incontinence products. Over the past three years, SCA has trained 6,500 nurses from more than 1,000 hospitals in a number of cities throughout the country. The response has been very positive and, in 2012, about 1,000 nursing assistants and more than 1,000 managers of care institutions received training.

In 2012, SCA expanded its range with two innovative products in the category by acquiring two companies in Europe. The first of these is a test for early detection of urinary tract infections that is placed in the incontinence product and the second is disposable wash gloves. These products enhance patient care and save time and resources for patients and care providers.

Since in many parts of the world, incontinence is surrounded by a social taboo, it is crucial to raise awareness and acceptance of the disease. SCA is endeavoring to break this taboo by providing information and through marketing activities, training and global forums.

In five years, the population of the world over the age of 60 is estimated to pass the one billion mark. The fact that the world's elderly population has never been as large provides SCA with a sound basis on which to grow in incontinence products. The TENA brand has large growth potential thanks to an aging population and low market penetration. In Europe, the degree of penetration is only 37%, while it is lower than 5% in emerging markets.

For the retail trade, SCA works with information, advertising and the development of increasingly discrete, comfortable, easy-to-use and effective products, always with the customer and consumer benefits in mind.

Baby diapers
SCA offers baby diapers and baby-care products and is the world's fourth largest player in the segment.

Market
The global market for baby diapers is valued at some SEK 180bn, and is expected to grow at about 6% annually.

There are about half a billion children in the world today. While the markets in Western Europe and North America have high penetration, the majority of children worldwide still do not enjoy the practical and effective hygiene provided by disposable diapers, thus indicating considerable future potential for SCA. The most significant market growth is taking place in Asia, Latin America, the Middle East and Africa, where birth rates are high at the same time as infant mortality rates are falling and household incomes are rising.

Incontinence products – global market shares

- SCA, 25%
- Kimberly-Clark, 8%
- Unicharm, 8%
- Hartmann, 5%
- Others, 54%

Incontinence products – global market

- Western Europe, 28%
- Eastern Europe, 6%
- North America, 25%
- Latin America, 7%
- Asia, 29%
- Other, 5%

Incontinence products – sales channels, global market

- Institutional and homecare, 60%
- Retail trade, 40%

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

SCA's business
SCA is the world's fourth largest player in the baby diapers segment, with a market share of 5%. SCA holds the number two position in Europe, with a market share of 12%. In Europe, SCA markets baby diapers under its own Libero brand and under retailers' brands.

SCA's strongest market is the Nordic region, where the Libero brand accounts for about 60% of the market. During the year, the Group successfully carried out two campaigns involving designer diapers, further strengthening Libero's brand and position.

SCA also holds leading positions in Southeast Asia with the Drypers brand and South America with the Pequeñín brand. In 2012, SCA launched a new baby diaper under the Drypers brand containing four botanical extracts and featuring improved skin comfort that strengthens the product range in Malaysia, Singapore, Thailand and the Philippines. To complement the baby diaper offering, a range of baby-care products were launched under the Drypers brand in selected markets in Southeast Asia. In China, the Group uses the Sealer and Libero brands for the various market segments.

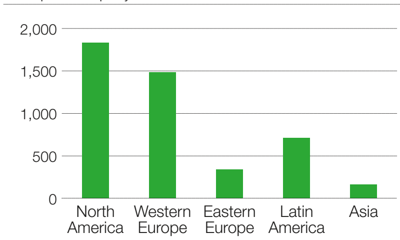
SCA works to strengthen the positions of its own brands in mature markets, including the Nordic region and New Zealand, and in fast-growing markets in Eastern Europe, Russia, Latin America, the Middle East and Asia. Emerging markets have excellent potential for continued growth due to low market penetration of baby diapers and growing demand.

Young artists – Libero Art Collection

In 2012, SCA launched the limited edition Libero Art Collection diaper, featuring a motif painted by children. The children were allowed to experiment and paint freely and SCA's designer Karoline Lenhult then selected the details that were most suitable for printing on diapers. The collection was sold in the Nordic region and the Baltic countries.

Use of baby diapers

Units/per child/per year



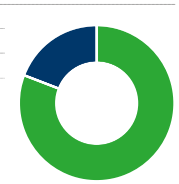
Baby diapers – global market

- Western Europe, 15%
- Eastern Europe, 7%
- North America, 21%
- Latin America, 16%
- Asia, 26%
- Other, 15%

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

Baby diapers – brand categories, European market

- Brands, 81%
- Retailers' brands, 19%



Feminine care

SCA is the world's fourth largest player in feminine care. SCA offers a broad product portfolio that includes pads, panty liners and tampons.

Market

The global market for feminine care is valued at some SEK 100bn, and is growing at about 4% annually.

SCA's business

SCA is the world's fourth largest player in feminine care with a 6% market share. In Europe, SCA is the third largest player, with a market share of 8%. SCA also holds strong market positions in Latin America, Australia and New Zealand.

A large and growing share of SCA's sales is taking place in emerging markets such as Latin America, Russia, Eastern Europe, the Middle East and Asia. In emerging markets, SCA offers packs with fewer feminine care products and products in the economy segments in an effort to increase availability. In 2011, SCA launched feminine care products in Malaysia under the Libresse brand, which has quickly reached the number three position in the market. In Malaysia, a green-tea scented feminine care product was launched under the Libresse brand in 2012. During the year, SCA introduced its feminine care products under the Saba brand in selected stores in the Southwestern US. Since Saba is a strong brand in Mexico and Central America, SCA has chosen to launch the product in cities in the Southwestern US, where a large share of the population have Latin American roots.

Bodyform – a PR success

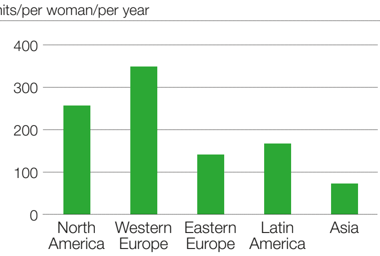
It all began with a sarcastic post on Facebook in which a man in the UK described – in disappointed terms – how as a child he was misled by SCA's cheery advertisements for feminine care products that featured happy women who once a month decided to go sky-diving, dancing or mountain biking. He envied that unbridled happiness he saw in the adverts. As an adult, and with a girlfriend who transformed into a monster, he realized that he had been deceived. His post quickly got 90,000 likes. Shortly thereafter, SCA produced a new advertisement as a tongue-in-cheek response to the man's Facebook post. The PR impact was immense for Bodyform and it was picked up on by leading newspapers such as *The Daily Mirror*, *The Guardian* and *The New York Times*. The YouTube clip got 3.5 million views in just a short period.

Examples of regional brands supported by SCA's global brand platform include Libresse in the Nordic region, Russia and Malaysia, Libra in Australia, Bodyform in the UK, Nana in France and Saba and Nosotras in Latin America.

SCA views it as an important task to promote awareness of hygiene and menstruation. Several school programs are under way in Latin America and Asia that aim to educate girls about what happens to their bodies during puberty and when they have their period.

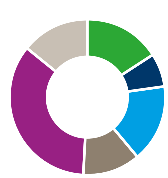
Use of feminine care

Units/per woman/per year



Feminine care – global market

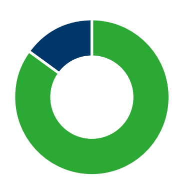
- Western Europe, 16%
- Eastern Europe, 7%
- North America, 16%
- Latin America, 12%
- Asia, 35%
- Other, 14%



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

Feminine care – brand categories, European market

- Brands, 85%
- Retailers' brands, 15%



Operations in 2012

Net sales increased by 6% (12% excluding exchange rate effects and divestments) and amounted to SEK 26,294m (24,775). Higher volumes and an improved product mix increased sales by 6% and 1%, respectively. Acquisitions accounted for an increase in sales of 5%, while divestments reduced sales by 5%. In emerging markets, sales increased by 22%, excluding exchange rate effects.

Excluding exchange rate effects and divestments, sales for incontinence products under the globally leading TENA brand rose by 9%, driven primarily by emerging markets.

Sales for baby diapers increased by 17%, excluding exchange rate effects and divestments, primarily due to new contracts in Europe and higher sales in Latin America, as well as acquisition in Asia. Sales for feminine care rose by 9%, excluding exchange rate effects and divestments, which was mainly attributable to emerging markets.

Operating profit, excluding items affecting comparability, was 20% higher than in the preceding year (28% excluding exchange rate effects and divestments) and amounted to SEK 3,180m (2,645). Profit was positively impacted by increased volumes and prices, an improved product mix, lower raw material costs and cost savings.

Operating margin was 12.1% (10.7).

Return on capital employed amounted to 28% (24).

Operating cash surplus was SEK 4,091m (3,732). Operating cash flow rose to SEK 3,586m (2,828). The higher operating cash surplus and lower working capital were among the factors behind the increase.

Capital expenditures amounted to SEK 636m (895).

Operating profit, SEKm:

3,180

Operating margin:

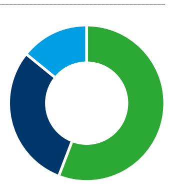
12%

KEY EVENTS

- Acquired the Asian hygiene company Everbeauty.
- Launched cost-savings and efficiency-enhancement program.
- New hygiene organization.
- Established joint venture in Australia and New Zealand.

SCA's sales by product segment

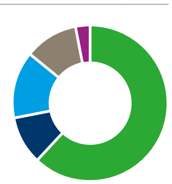
- Incontinence products, 56%
- Baby diapers, 30%
- Feminine care, 14%



SCA's sales to retailers' brands as a proportion of total sales:
Incontinence products, 1%
Baby diapers, 27%
Feminine care, 9%

SCA's sales by region

- Europe, 62%
- North America, 10%
- Latin America, 14%
- Asia, 11%
- Other, 3%



Key figures[1)]

SEKm	2012	2011
Net sales	26,294	24,775
Operating cash surplus	4,091	3,732
Change in working capital	313	143
Current capital expenditures	–573	–689
Other operating cash flow	–245	–358
Operating cash flow	3,586	2,828
Operating profit	3,180	2,645
Operating margin, %	12	11
Capital employed	11,303	11,052
ROCE, %	28	24
Strategic investments		
plant and equipment	–63	–206
company acquisitions/divestments	–1,744	–614
Average number of employees	10,914	9,352
No. of employees at Dec. 31	11,074	9,657

1) Excluding restructuring costs.

Tissue

SCA is a global leading **consumer tissue** and **Away-From-Home (AFH) tissue** company. The consumer tissue product portfolio comprises toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. Products are sold both under own and retailers' brands. In the AFH product segment, encompassing hospitals, large workplaces, restaurants and hotels, SCA develops and markets complete hygiene solutions comprising dispensers, tissue, soap, service and maintenance.

Sales in the Tissue business area in 2012 totaled slightly more than SEK 42bn. In the AFH segment, the globally leading brand Tork is the business area's single largest brand, with sales exceeding SEK 10bn annually.

Market

The global market for tissue is valued at slightly more than SEK 410bn and is growing by 5% annually.

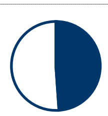
The factors pointing to continued strong growth for tissue are that it is driven by global population growth – due mainly to a lower infant mortality rate and increased longevity – greater market penetration, higher disposable incomes, more awareness of the importance of hygiene and innovation. The growth potential is greatest in emerging markets where market penetration is significantly lower than in mature markets. One example of the lower market penetration in emerging markets is that tissue consumption per capita per year in Eastern Europe is only about a quarter of that in Western Europe.

Efficiency

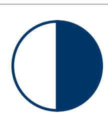
SCA produces tissue at 55 plants in a total of 23 countries. The manufacturing processes and logistics are optimized through continuous improvements, investments in more efficient plants and the discontinuation of unprofitable capacity. The integration of previous acquisitions facilitated the rationalization of the European tissue operations and production was concentrated to efficient facilities in strategic locations.

The cost-cutting and efficiency-enhancement program launched in 2012 and affecting both of SCA's hygiene operations, meaning Personal Care and Tissue, will generate annual cost savings of EUR 300m with full effect from 2015. The measures will affect about 1,500 employees. The bulk of the savings relates to production and purchasing. In terms of production, SCA initiated a standardization project by implementing the most efficient processes at all of its production facilities. For purchasing, the main focus is on achieving economies of scale by more efficiently centralizing purchasing and consolidating suppliers.

Share of Group



Net sales, 49%
SEK 42,375m



Operating profit, 50%
SEK 4,640m

Capital employed, 47%
SEK 42,466m

No. of employees at Dec. 31, 56%
19,823 employees

SCA's market positions

	Europe	North America	Global
Consumer tissue	1 (30%)	–	2 (10%)
AFH tissue	1 (31%)	3 (20%)	1 (19%)

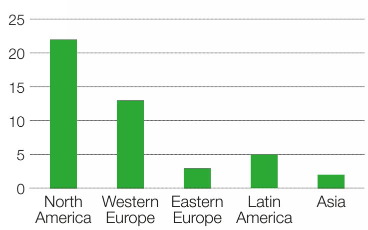
Data is based on market data and SCA's estimates.

SCA's sales by product segment

- Consumer tissue, 62%
- AFH tissue, 38%

Use of tissue

Kg/per capita/per year



Tissue – global market

- Western Europe, 21%
- Eastern Europe, 5%
- Asia, 21%
- North America, 33%
- Latin America, 13%
- Other , 7%

FINANCIAL TARGETS:
- 3–4% annual organic growth
- 15% return on capital employed

Tork Xpressnap in an eye-catching design

SCA Tork Xpressnap is a napkin dispenser that dispenses one-at-a-time, saving money and reducing waste. In 2012, SCA launched its new Tork Xpressnap Signature Family, providing more style options. For example, it can be customized to match a restaurant logotype or a school's colors. It also enables enhanced promotional opportunities, a wider range of colors, more stylish design and improved function.

Innovations

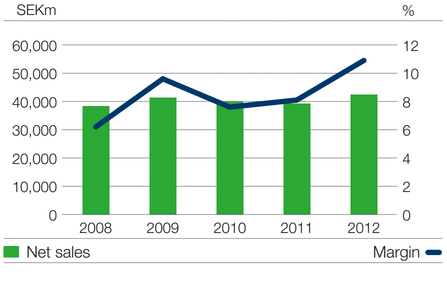
SCA's Tork Xpressnap guarantees customers in the AFH segment a significant reduction in napkin usage compared with conventional dispensers. Its one-at-a-time napkin dispensing system reduces the amount used and waste, and offers a more hygienic solution. The dispenser also has a larger capacity than conventional models, cutting down on work and maintenance. During the year, SCA launched several different dispenser models of the Tork Xpressnap Signature, featuring improved design, higher capacity and the possibility of customizing dispensers to customer preferences.

In response to demands for intelligent hygiene solutions, which are driven by greater awareness of hygiene and pandemic threats, SCA launched the Tork Elevation H1 Sensor touch-free hand towel roll dispenser. One towel at a time is dispensed and the user is not required to touch anything.

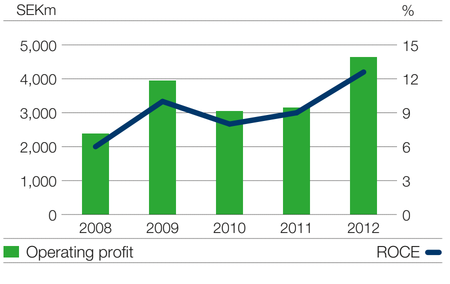
2-in-1 Tork, a patented soap that both cleans and sanitizes, was launched globally in 2012. The product is gentle on skin and better for the environment than many other antibacterial products.

SCA has developed a new packaging system, Tork Easy Handling, in the AFH segment aimed at simplifying the day-to-day jobs of cleaners. The idea behind the Tork Easy Handling systems of boxes and plastic packs is to prevent stress injuries, raise efficiency and

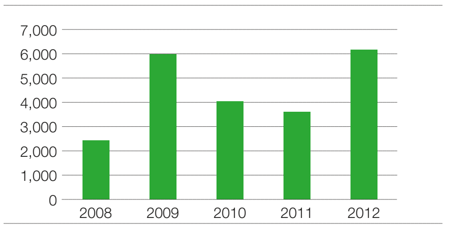
Net sales and operating margin



Operating profit and ROCE



Operating cash flow



simplify cleaning. Tork Easy Handling, consisting of the plastic Carry Pack and the cardboard Carry Box, introduces several functions that improve efficiency and ergonomics compared with traditional packaging. New handles allow cleaners to carry one cardboard box in each hand, making the task more comfortable. The packaging is also easier to open and to flatten as no special tools are required.

SCA launched Plenty Super Strong, a kitchen towel that is three times stronger in wet condition than its conventional counterpart due to its patented surface. The towel is as strong as a dishcloth, as absorbent as other high-quality kitchen towels and 100% biodegradable.

During the year, SCA launched Velvet Almond Milk, toilet paper with almond milk lotion, in the UK. Almond milk is being used increasingly for skincare purposes in hygiene products, but has not previously been used for toilet paper.

Growth

In 2012, sales of the Tissue business area rose in both product categories. Global growth amounted to 17%, excluding exchange rate effects and divestments. Acquisitions increased sales by 13%. The sales increase in emerging markets, which accounted for 17% of the business area's sales, amounted to 19%, excluding exchange rate effects.

SCA's target for the business area is an annual rate of organic growth of 3–4%.

In 2012, SCA grew both organically and through acquisitions. The largest acquisition completed during the year was the purchase of Georgia-Pacific's European tissue operations, which was finalized in July. The company reported sales in 2011 of about SEK 12bn. The acquisition strengthens SCA's product offering and geographic presence in strategic key European markets. The annual cost synergies are estimated at SEK 1.1bn, with full effect from 2016. The acquisition affords SCA a clear market-leading position for tissue in Europe, with a market share of approximately 30% in both consumer tissue and the AFH segment. For consumer tissue, the acquisition entails that an increased proportion of sales will be generated from SCA's own product brands.

In April, SCA strengthened its presence in South America by acquiring the outstanding 50% interest in the Chilean hygiene company PISA, thus increasing its holding to 100% of the company. PISA is the second largest tissue company in Chile.

In 2012, SCA acquired a further 5% of the shares in the leading Chinese tissue company Vinda International. SCA's holding totals 21.6% following the purchase (after dilution effects). Vinda is the third largest tissue company in China, which is the number two tissue market globally in terms of size, and is growing faster than the market.

Consumer tissue

SCA is the world's second largest supplier of consumer tissue, which includes toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins.

Market

The global market for consumer tissue is valued at approximately SEK 310bn and is growing about 5% annually. Growth in mature markets is in the low single-digit figures, while it is considerably higher in emerging markets.

Emerging markets are growing at a faster rate than mature markets due to increasing disposable incomes and greater use of tissue. Growth in mature markets is instead driven by an increased proportion of products with higher intrinsic value.

Launch of toilet paper in Hong Kong

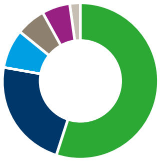
With the Tempo brand, SCA is the clear market leader in handkerchiefs and facial tissues in Hong Kong. To leverage the strength of the brand, toilet paper in the premium segment was launched.

Brand categories for consumer tissue, European market

- Manufacturers' brands, 47%
- Retailers' brands, 53%

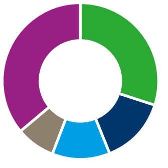
Product breakdown for consumer tissue, European market

- Toilet paper, 55%
- Kitchen roll, 23%
- Handkerchiefs, 8%
- Napkins, 6%
- Boxed facial tissues, 6%
- Others, 2%



Market shares for consumer tissue, Europe

- SCA, 30%
- Kimberly-Clark, 14%
- Sofidel, 12%
- Metsä, 8%
- Others, 36%



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

SCA's business

In the market for consumer tissue, SCA holds the global number two position with a market share of approximately 10%. In Europe, SCA is the clear market leader and the acquisition of Georgia-Pacific's tissue operation has further strengthened its market share, which is now about 30%. SCA also commands strong positions in many emerging markets, such as Russia and Colombia, where SCA is the market leader, and in Mexico, where it holds the number two position.

About 50% of products are marketed under SCA's brands, while the remaining 50% is sold under retailers' brands. SCA's brand portfolio comprises several strong regional and local brands. Tempo, Zewa, Plenty and Lotus are market leaders in large areas of Europe, while Cushelle, Velvet and Edet are strong in the UK and the Nordic region. In Hong Kong, Tempo is the clear market leader in handkerchiefs with a market share of about 70%. In 2012, toilet paper under the Tempo brand was launched in Hong Kong.

In South America, SCA markets products under the Familia and Favorita brands, and holds strong positions in emerging markets including Colombia, Chile and Ecuador. In the Mexican market, SCA occupies a strong position with the Regio brand and, in Australia, SCA is the second largest supplier of tissue through its joint venture.

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

AFH tissue

With the global Tork brand, SCA is the world's largest supplier of AFH tissue. The AFH segment comprises institutions and companies, including hospitals, healthcare institutions, large workplaces, restaurants and hotels, for which SCA develops and sells complete hygiene solutions comprising dispensers, tissue, soap, service and maintenance. The products are distributed by wholesalers and service companies.

Market

The global market for AFH tissue is valued at about SEK 100bn and is growing by slightly more than 3% annually. Growth in mature markets is in the low single-digit figures, while it is considerably higher in emerging markets.

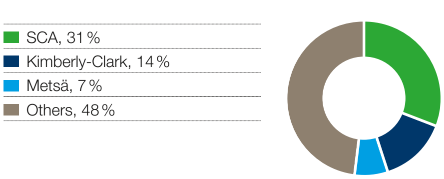
SCA's business

For AFH tissue, SCA is a world leader with the global Tork brand, which has annual sales in excess of SEK 10bn. The global market share is 19%.

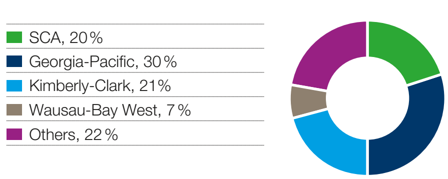
The global brand Tork provides significant synergies since the difference in consumer and customer requirements is minimal in regard to tissue and dispenser systems in the various parts of the world.

SCA is the clear market leader in Europe and has increased its market share to 31% as a result of the acquisition of Georgia-Pacific's tissue operation. SCA is the third largest player in North America with a market share of about 20%. SCA's market position is particularly strong in the fast-food restaurant sector in North America, where nearly every second napkin is supplied by SCA. The Group also commands strong positions in emerging markets, such as Russia and Colombia, where SCA is the market leader.

Market shares for AFH tissue, Europe



Market shares for AFH tissue, North America



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

Operations in 2012

Net sales rose by 8% (17% excluding exchange rate effects and divestments) and amounted to SEK 42,375m (39,118). Higher volumes and an improved product mix increased sales by 3% and 1% respectively. Acquisitions increased sales by 13% while divestments decreased sales by 8%. Sales in emerging markets grew by 19%, excluding exchange effects.

Sales of consumer tissue increased by 21%, excluding exchange rate effects and divestments, mainly as a result of acquisitions in Europe and Latin America.

Sales of AFH tissue increased by 14%, excluding exchange rate effects and divestments, principally attributable to acquisition in Europe.

Operating profit, excluding items affecting comparability, improved by 47% (50% excluding exchange rate effects and divestments) to SEK 4,640m (3,150). Higher prices, an improved product mix, increased volumes, acquisitions, lower raw material costs and cost savings contributed to the earnings improvements.

Operating margin was 10.9% (8.1).

Return on capital employed amounted to 13% (9).

Operating cash surplus increased to SEK 6,872m (5,303). Operating cash flow rose to SEK 6,154m (3,595). The higher operating cash surplus and lower working capital contributed to the increase.

Capital expenditures amounted to SEK 2,571m (2,328).

Operating profit, SEKm:

4,640

Operating margin:

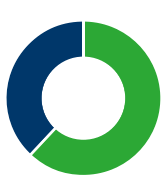
11%

KEY EVENTS

- Acquired Georgia-Pacific's European tissue operations.
- Launched cost-savings and efficiency-enhancement program.
- New hygiene organization.
- Acquired outstanding 50% of the Chilean hygiene company PISA.
- Increased ownership in the Chinese tissue company Vinda.
- Established joint venture in Australia and New Zealand.

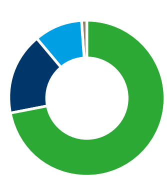
SCA's sales by product segment

- Consumer tissue, 62%
- AFH tissue, 38%



SCA's sales by region

- Europe, 72%
- North America, 17%
- Latin America, 10%
- Asia, 1%



Key figures[1)]

SEKm	2012	2011
Net sales	42,375	39,118
Operating cash surplus	6,872	5,303
Change in working capital	744	–447
Current capital expenditures	–1,432	–1,162
Other operating cash flow	–30	–99
Operating cash flow	6,154	3,595
Operating profit	4,640	3,150
Operating margin, %	11	8
Capital employed	42,466	33,761
ROCE, %	13	9
Strategic investments		
plant and equipment	–1,139	–1,166
company acquisitions/divestments	–9,746	–10
Average number of employees	17,811	17,181
No. of employees at Dec. 31	19,823	17,019

1) Excluding restructuring costs.

Forest Products

SCA is Europe's largest private forest owner, encompassing some 2.6 million hectares of forest land, and one of the region's most profitable producers of forest products with a strong environmental profile. Operations are based on in-depth customer insight, high innovative ability and a sustainability perspective at all levels. SCA offers **publication papers**, **kraftliner (packaging papers)**, **pulp**, **solid-wood products** and **renewable energy**.

The Forest Products business area reported sales of just over SEK 18bn in 2012 and offers publication papers, kraftliner (packaging papers), pulp, solid-wood products and renewable energy. SCA has a well-integrated supply chain in Sweden between its forest holdings and production facilities.

Efficiency

At the end of 2012, SCA conducted manufacturing activities at 20 sites. Having its own logistics is part of the company's integration strategy, with loading and unloading terminals in Sweden and on the continent and freight transportation on vessels.

SCA's forest assets and industries are concentrated to northern Sweden, where the Group has built up an efficient supply system for its own mills and sawmills. The company's forest holdings are managed on a very long-term basis. Integration of SCA's own wood raw material is a key aspect of the company's strategy that contributes to stable cash flow and reliable supplies, and facilitates improved quality and cost control. SCA's forest holdings are becoming increasingly important as competition for timber raw material in northern Europe intensifies and demand for biomass from the energy sector grows.

Productive, cost-effective production plants – and not necessarily a high market share – are essential for favorable profitability. SCA thus applies what is referred to as the strong-mill concept, which focuses resources on a number of large, high-tech paper and pulp mills and sawmills located in Sweden.

In light of the prevailing economic and currency situation, SCA launched a program in 2012 to enhance the efficiency of the forest operation. The program will yield an earnings improvement of approximately SEK 1.3bn with full effect from 2015. Measures include the closure of two smaller sawmills which, combined with other announced rationalization actions, will affect about 200 positions. The program also includes a structured plan to reduce fixed and variable costs, improve earnings by increasing production and efficiency, and change the product and market mix.

Innovations

Innovation is an integral part of the business area's strategy to move its operations toward increasingly advanced products in high-value segments and toward more attractive customer offerings. The focus is on profitable growth through further processing and customization in segments with favorable price trends. Efforts in this respect permit Forest Products to move up the value chain and produce products and solutions with higher value and margins. In doing this, SCA differentiates itself from the rest of the industry, while also meeting requirements of business partners and customers.

Publication and packaging papers are continuously developed to satisfy the needs and requirements of customers in relation to profile and message.

Share of Group

Net sales, 21%
SEK 18,283m

Operating profit, 15%
SEK 1,363m

Capital employed, 41%
SEK 37,008m

No. of employees at Dec. 31, 13%
4,804 employees

SCA's sales by product segment

- LWC paper, 17%
- SC paper, 15%
- Newsprint, 12%
- Solid-wood products, 23%
- Pulp, 12%
- Timber, 2%
- Kraftliner, 19%

In 2012, for example, SCA launched GraphoInvent, a lower-weight publication paper that is perceived to be as thick, bright and bulky as more expensive alternatives. This translates into reduced costs for customers as well as a paper with a lower environmental footprint. GraphoInvent is ideal for advertising matter, catalogs and magazines. The kraftliner mill in Munksund increased its production capacity of white-top kraftliner for use in packaging with high-quality print requirements.

In solid-wood products, SCA develops and further processes purpose-designed products for interiors, carpentry and the building trade. To an ever-increasing degree, products are customized for the next stage in the processing chain and are supported by services and warehousing integrated into the customer's distribution and sales network.

In 2012, SCA BioNorr complemented its production of fuel pellets with pellets for stall bedding and horsekeeping. The pellets are manufactured from pure sawdust and form an effective bedding product that saves both time and space and improves the finances of horse owners. The bedding product has also demonstrated highly positive results for horses previously suffering from pressure sores.

Development programs are not solely focused on products, but also on the development of business models, service and distribution solutions in close collaboration with SCA's customers.

FINANCIAL TARGET:

- Return on capital employed is to be in the top quartile of the sector.

Growth

Continuing the work on enhancing efficiency and customer-driven innovation is essential for strengthening positions and creating growth. The primary focus is on increasing the share of customized high-value products. Efforts to develop and streamline the supply chain, make it more sustainable, and develop new product areas are also important in terms of strengthening competitiveness.

Timber continues to strengthen its long-term position as a material and its favorable environmental and climate-neutral properties have resulted in incentives in several countries to encourage increased wood utilization.

Activities continued in the SCA Energy business unit, which is tasked with managing and developing SCA's renewable energy business.

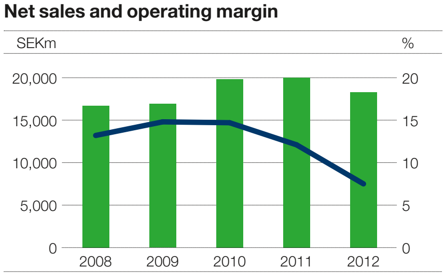
SCA has set itself a target to increase wind power generation on the Group's forest land to 5 TWh by 2020. SCA's wind-power initiative has three components:

- development of partnership projects
- development of proprietary projects
- leasing of land

In 2012, SCA signed a joint-venture agreement with E.ON. The joint venture includes approximately 270 wind power stations and total energy production of more than 2 TWh. Future investment decisions can be expected in 2014–2015 at the earliest. The project is expected to be operational by 2016–2017 at the earliest.

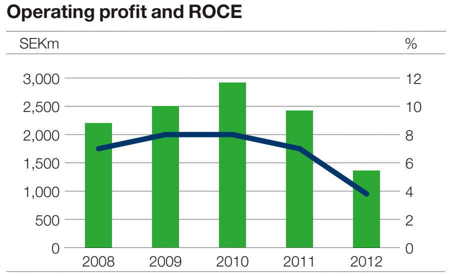
In 2012, SCA formed a jointly venture with Fred.Olsen Renewables aimed at establishing two wind farms with annual output corresponding to 2 TWh.

Net sales and operating margin



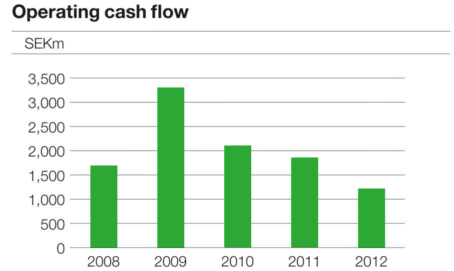
Reclassified 2010 and 2011 with kraftliner due to the sale of the European packaging operations.

Operating profit and ROCE



Reclassified 2010 and 2011 with kraftliner due to the sale of the European packaging operations.

Operating cash flow



Reclassified 2010 and 2011 with kraftliner due to the sale of the European packaging operations.

In 2007, SCA and Statkraft formed a joint venture, the purpose of which is to establish seven wind farms with an annual output of about 3 TWh. At the end of 2012, the construction of 13 wind turbines had been completed. An investment decision has been taken on a total of 186 turbines with a combined annual production output of 1.6 TWh and these are expected to be fully operational by 2015.

Market for forest products

The European market for publication papers is valued at approximately SEK 100bn. Future demand is expected to decline as a consequence of more intense competition for public and advertising expenditures from electronic media.

The European market for Kraftliner, paper for corrugated board packaging manufactured from fresh wood fiber, is valued at approximately SEK 30bn and growth over an economic cycle is approximately 2%.

The European market for solid-wood products is valued at some SEK 130bn, with demand primarily deriving from the construction and house building industries, which are relatively cyclical. Future growth is expected to amount to 1–2%. The industry is dominated by many small and mid-sized producers. Combined, the five leading suppliers – located in Scandinavia and Central Europe – account for only 13% of the European market.

The pulp market is exposed to significant movements in volume and price due to intense international competition.

SCA's business

SCA is one of the world's largest suppliers of FSC-certified forest products.

In 2012, SCA divested its 50% holding in the UK-based facility Aylesford Newsprint. During the year, the Group also signed an agreement covering the sale of the Austrian publication paper mill in Laakirchen. These changes entail a reduction in the exposure to the publication paper market. Following these divestments, all of SCA's publication paper production will take place at Ortviken paper mill in Sweden. Ortviken produces high-grade publication papers from fresh wood fiber sourced from the Group's own forests. After these divestments, SCA is the ninth largest supplier of publication papers in Europe.

SCA's sales of publication papers mainly take place within the Western European market. The single largest markets are the Nordic Region, Germany and the UK.

SCA mainly specializes in the prime-quality segments in publication papers that are used in such products as magazines, catalogs and advanced printed advertising. This focus on quality segments is supported by the company's in-depth expertise of paper production, as well as its capacity for innovation and ability to select the right raw materials for specific pulp and paper grades.

SCA is Europe's third largest supplier of the packaging paper kraftliner and commands a market share of some 13%. Production is carried out at two mills in Sweden.

During the year, the decision was taken to invest approximately SEK 490m in a new lime kiln in Munksund. The new biomass-powered lime kiln will replace the current oil-fired system, thus generating annual savings of approximately SEK 50m and reducing fossil carbon emissions by 75%. The lime kiln is expected to be commissioned in autumn 2014.

Sharper approach

In 2012, SCA took a further step in a new sawing process at the Swedish Bollsta sawmill that uses thinner saw blades. The result was a higher yield, with the proportion of the sawlog becoming a solid-wood product increasing from 43% to nearly 50%. This is of major significance, since the value of solid-wood products is four to five times greater than the value of byproducts, such as sawdust.

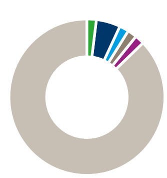
Publication papers, producers in Europe (capacity)

- SCA, 5%
- UPM, 29%
- Stora Enso, 18%
- Norske Skog, 9%
- Holmen, 6%
- Burgo, 5%
- Others, 28%

Source: Pöyry, PPPC

Market shares, solid-wood products, Europe

- SCA, 2%
- Stora Enso, 5%
- Moelven, 2%
- Mayr Melnhof, 2%
- Setra Group, 2%
- Others, 87%



Source: UNECE/Timber Committee, FAOSTAT

Market shares, Kraftliner, Europe

- SCA, 13%
- Smurfit Kappa, 27%
- Mondi, 15%
- Metsä Group, 6%
- Europac, 6%
- Others, 33%

Source: Pöyry

SCA's sawmill operation is the second largest in Europe. The strategy for solid-wood products is to move toward more value-added and customized products in markets and with customers that offer long-term growth. SCA's own raw materials, production and logistics expertise, combined with close cooperation with customers, generate competitive advantages.

SCA is a qualified supplier of purpose-designed wood products to industry for further processing into such items as panels, floors, windows, doors and furniture. Finished-wood components for window manufacturing, for example, represent another high-growth market. Products for the building materials trade are delivered planed and pre-packaged.

Service and advanced logistics solutions are of key significance for the building materials trade. SCA works in close cooperation with its customers in its principal markets in Scandinavia, France and the UK. In 2012, SCA acquired France's largest independent supplier of wood-based construction products to the builders merchants sector, PLF. With the acquisition, SCA becomes one the largest suppliers to the builders merchants sector in France – a position it also holds in the UK and Scandinavia. In Italy, Asia, North Africa and the US, SCA is a specialized supplier within several niche markets.

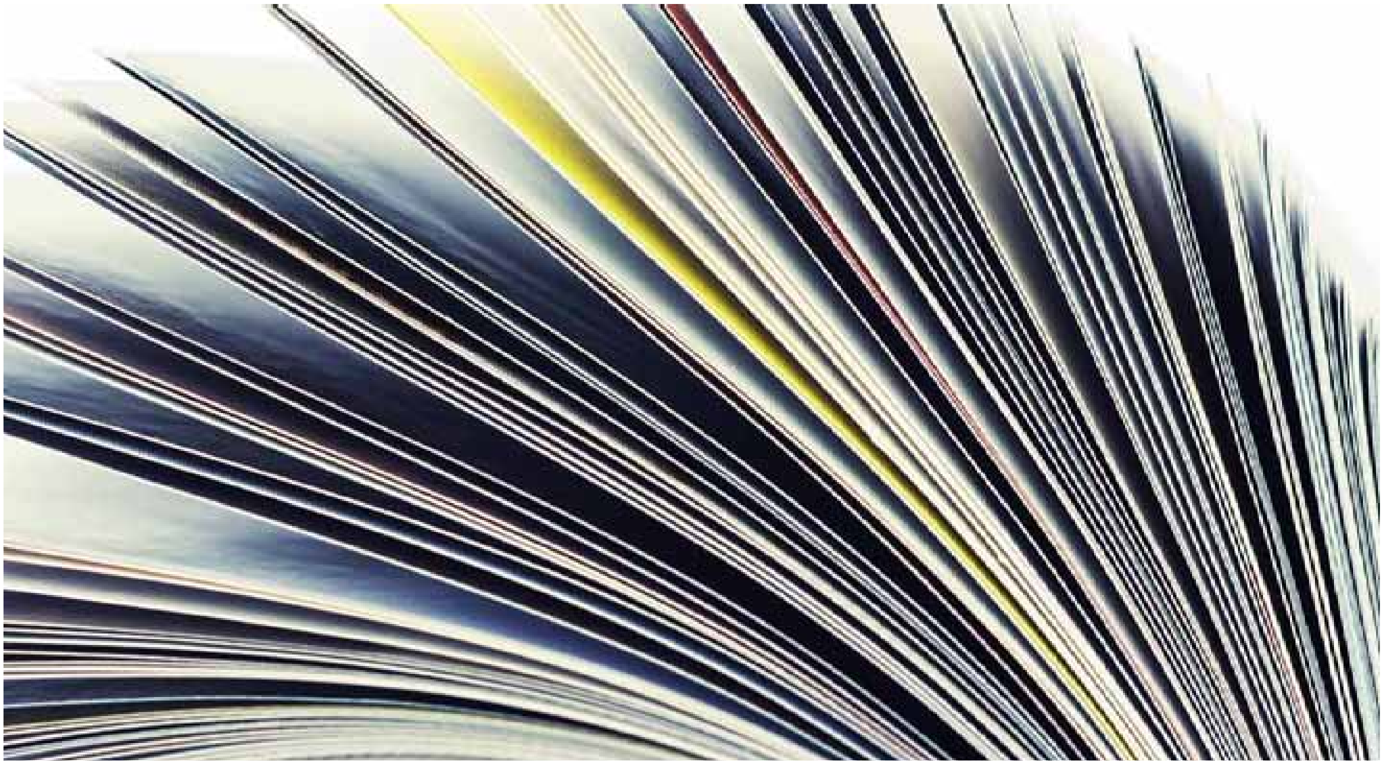
In the pulp market, SCA has positioned itself in the high-quality segment based on its excellent access to, and expertise in, the unique Nordic long-fiber forest raw material. Forest Products has an annual pulp capacity of 530,000 tons. Approximately 40% of this capacity is utilized within SCA for production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

SCA is Europe's largest private forest owner with a holding of 2.6 million hectares of FSC and PEFC-certified forest land, of which 2.0 million is cultivated. Over the past 50 years, the standing volume in SCA's FSC-certified forests has increased by nearly 50%, at the same time as growth, and thus the sustainable harvesting potential, has more than doubled. In 2012, SCA's Bogrundet nursery in Sweden produced just over 100 million seedlings, of which 57% was sold externally.

SCA is one of Europe's largest suppliers of forest-based biofuels, such as tree branches, crowns, stumps, bark, sawdust, peat and processed products, which includes pellets and briquettes. In 2012, production of biofuel amounted to 2.9 TWh.

GraphoInvent – new lower-weight publication paper

In 2012, SCA launched GraphoInvent, a lower-weight publication paper that is perceived to be as thick, bright and bulky as more expensive alternatives. GraphoInvent reduces costs for customers and has a lower environmental footprint. GraphoInvent is ideal for advertising matter, catalogs and magazines.



Operations in 2012

Net sales declined by 9% (8% excluding exchange rate effects and divestments) and amounted to SEK 18,283m (20,003). Acquisitions accounted for a 1% increase in sales. Lower prices (including exchange rate effects) accounted for a decrease in sales of 9%. Divestments represented a 1% decrease in sales.

Sales of publication papers fell on account of lower volumes and prices (including exchange rate effects). For kraftliner, solid-wood products and pulp, sales declined as a result of lower prices (including exchange rate effects), which were not fully offset by higher volumes.

Operating profit, excluding items affecting comparability, declined by 44% to SEK 1,363m (2,423). The fall in profit was largely the result of lower prices and negative exchange rate effects across all product categories as a consequence of the stronger SEK.

The operating margin was 7.5% (12.1).

Return on capital employed was 4% (7).

Operating cash surplus amounted to SEK 2,313m (3,398), while the operating cash flow was SEK 1,223m (1,854).

Capital expenditures totaled SEK 1,777m (1,565).

Operating profit, SEKm:

1,363

Operating margin:

7.5%

KEY EVENTS

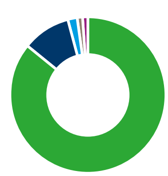
- Divested the 50% holding in Aylesford Newsprint.
- Signed agreement to divest the Austrian publication paper mill Laakirchen.
- Joint venture agreement with E.ON concerning wind power project.
- Acquired French wood-based product company PLF.
- Launched efficiency-enhancement program.

SCA's sales by product segment

- LWC paper, 17%
- SC paper, 15%
- Newsprint, 12%
- Solid-wood products, 23%
- Pulp, 12%
- Timber, 2%
- Kraftliner, 19%

SCA's sales by region

- Europe, 86%
- Asia, 10%
- Africa, 2%
- North America, 1%
- Latin America, 1%



Key figures[1)]

SEKm	2012	2011
Net sales	18,283	20,003
of which internal	1,272	2,228
Operating cash surplus	2,313	3,398
Change in working capital	85	145
Current capital expenditures	–1,116	–1,301
Other operating cash flow	–59	–388
Operating cash flow	1,223	1,854
Operating profit	1,363	2,423
Operating margin, %	7	12
Capital employed	37,008	35,567
ROCE, %	4	7
Strategic investments		
plant and equipment	–661	–264
company acquisitions/divestments	–286	–284
Average number of employees	5,050	4,263
No. of employees at Dec. 31	4,804	4,152

1) Excluding restructuring costs.

Corporate governance

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

To contribute to greater efficiency, market presence and growth, SCA initiated a reorganization of the global hygiene business in 2011. The new organization was put into effect in January 2012.

Corporate governance, including remuneration, pages 46–55
This section describes the rules and regulations and the Group's corporate governance, including a description of the operational organization. It also details the Board of Directors' responsibilities and its work during the year. Information regarding remuneration and remuneration issues in SCA and internal control in the Group are also included here. SCA applies the Swedish Code of Corporate Governance without any deviations.

Risk management, pages 56–61
SCA's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and Group-wide level. The section dealing with risk management describes the most significant risks, and the policies and measures that the Group applies to manage these.

Sustainability, pages 62–65
SCA's sustainability work is an integral part of the company's business operations and values. In the same way as governance and responsibility are based on targets and strategies, sustainability efforts also apply this approach. This helps the company reduce risk and costs, strengthen competitiveness and attract talent and investors.

More detailed information at www.sca.com

- Articles of association
- Swedish Code of Corporate Governance
- Information from Annual General Meetings of previous years since 2004 (notices, minutes, President's speeches and press releases)
- Information from the Nomination Committee, since 2006 (composition, proposals and work)
- Information ahead of the 2013 Annual General Meeting (notice, Nomination Committee proposals, Board's proposal for principles for remuneration of the President and other senior executives, information routines for notifying attendance at the meeting, etc.)
- Earlier Corporate Governance Reports, since 2005

Governance at SCA

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

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

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

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

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

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

Information regarding SCA's ownership structure is presented on page 13.

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

Internal audit
At SCA, it is the responsibility of all employees to ensure sound internal governance and control in the operation or process for which they are responsible. Since 2006, internal audit has been a separate function with the task of evaluating and improving efficiency of SCA's internal governance and control, as well as its risk management. The function has 14 employees and the manager reports to the Audit Committee and the Board regarding internal audit matters and to the CFO with respect to other matters. The internal auditors are geographically located throughout the world where SCA conducts operations. The function examines, among other aspects, SCA's internal processes for ordering, invoicing, purchasing and financial reporting, IT systems, compliance with SCA's policies, including its Code of Conduct, HR issues and various types of projects. The function also offers internal consultancy services in connection with internal control matters.

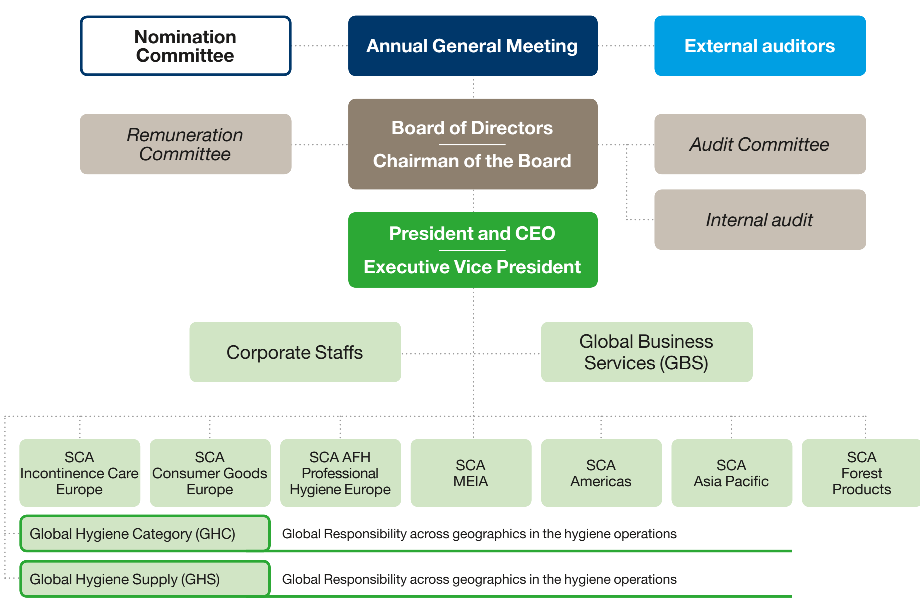
President
SCA's President and CEO is responsible for and manages the day-to-day administration of the Group and follows the Board's guidelines and instructions. The President and CEO is supported by two Executive Vice Presidents, one of whom is also the CFO, and the Corporate Senior Management Team, see pages 54–55, the work of which is led by the President. The Corporate Senior Management Team consists of the President, the Executive Vice Presidents, Business Unit Presidents and the equivalent, and managers for the corporate staffs Finance, Communications, Strategy and Business Development, Sustainability, HR and Legal Affairs. In addition, the hygiene business has a separate management body. The formal work plan for the Board of Directors and terms of reference issued by the Board of Directors to the President detail, for example, the division of work between the Board and President. In consultation with the Chairman of the Board, the President prepares documentation and decision data for the Board's work.

After having divested its packaging operations in 2012, SCA has since conducted business in three business areas (Personal Care, Tissue and Forest Products), which are divided into seven business units. The Group also has three separate global units: one for category control in the hygiene area (brands and innovation) called Global Hygiene Category (GHC), one that is responsible for purchasing, production planning, technology and investments in the hygiene business called Global Hygiene Supply (GHS), and one called Global Business Services (GBS) that develops and is responsible for Group-wide support functions.

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

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

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



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

External rules and regulations, etc.
- The Swedish Companies Act
- Swedish and international accounting legislation
- NASDAQ OMX Stockholm's rules and regulations
- Swedish Code of Corporate Governance

Activities during the year

Annual General Meeting

The AGM was held on Thursday, March 29, 2012, in Stockholm, Sweden. The meeting was attended by 702 shareholders, either personally or by proxy, corresponding to 65.7% of votes in the company. Attorney-at-Law Claes Beyer was elected Chairman of the Meeting.

Resolutions by the meeting

- dividend of SEK 4.20 (4.00) per share to be paid for the 2011 fiscal year,
- re-election of Board members Pär Boman, Rolf Börjesson, Jan Johansson, Leif Johansson, Sverker Martin-Löf, Anders Nyrén and Barbara M. Thoralfsson and the election of Louise Julian and Bert Nordberg as new Board members,
- re-election of Sverker Martin-Löf as Chairman of the Board,
- adoption of guidelines for determining the salary and other remuneration of the President and other senior executives, see page 22 and Note 6 on pages 85–86.

The minutes of the meeting in full and information on the 2012 AGM, including the President's speech, can be accessed at www.sca.com

Nomination Committee

The 2012 AGM decided that the Nomination Committee should comprise representatives of not fewer than four and not more than the six of the largest shareholders in terms of voting rights, as well as the Chairman of the Board, who is also the convener. The Nomination Committee shall submit proposals relating to the Chairman of the Meeting, the Board of Directors, the Chairman of the Board, Board fees and remuneration for committee work, the election of the company's auditor and remuneration for services rendered.

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

Composition of the Nomination Committee for the 2013 AGM

The composition of the Nomination Committee for the 2013 AGM is as follows:

- Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee
- Håkan Sandberg, Handelsbanken Pension Foundation, among others
- Caroline af Ugglas, Skandia Liv
- Ramsay Brufer, Alecta
- Sverker Martin-Löf, Chairman of the Board of SCA

All shareholders have had an opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposals for the 2013 Annual General Meeting are presented in the notification of the AGM on SCA's website www.sca.com. The 2013 AGM will be held on April 10, see page 14.

The Nomination Committee was convened on two occasions. The Chairman of the Board presented the Board evaluation, which is conducted annually, and provided the Nomination Committee with information regarding Board and committee work during the year.

Board of Directors

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

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

The independence of Board members is presented in the table below. SCA complies with the requirements of the Swedish Code of Corporate Governance that stipulate that not more than one member elected by the AGM is to be a member of company management, that the majority of the members elected by the AGM are to be independent of the company and company management, and that not fewer than two of these are also to be independent of the company's major shareholders. All of the Board members have experience of the requirements incumbent upon a listed company. The employees have appointed the following three representatives to the Board for the period until the 2013 AGM: Lars Jonsson, Örjan Svensson and Thomas Wiklund, and their deputies, Mikael Svensson, Bert-Ivar Pettersson and Harriet Sjöberg.

Board activities

In 2012, the Board was convened ten times. The Board has a fixed formal work plan that describes in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, investments and adoption of the financial statements. On a regular basis throughout the year, the Board also dealt with reports from the Audit and Remuneration Committees and reports on internal control

Composition of the largest shareholders, Nomination Committee at August 31, 2012 (share of votes)

	%
AB Industrivärden	29.3
Handelsbanken*	14.4
Skandia Liv	2.0
Alecta	1.7

* Including funds and trusts.

Board of Directors and committees

			Committee		Attendance		
Board member	Elected	Dependent[1]	Audit	Remuneration	Board meetings	Audit Committee	Remuneration Committee
Pär Boman	2010	■			9/10		
Rolf Börjesson	2003			x	10/10		4/4
Jan Johansson	2008	■			10/10		
Leif Johansson	2006			x	10/10		4/4
Louise Julian	2012				7/7		
Sverker Martin-Löf, Chairman	1986	■	x	Chairman	10/10	5/5	4/4
Bert Nordberg	2012				6/7		
Anders Nyrén	2001	■	Chairman		10/10	4/5	
Barbara Milian Thoralfsson	2006		x		8/10	3/4	

1) As defined in the Swedish Code of Corporate Governance.

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

■ = President of SCA, dependent in relation to the company.

■ = Dependent in relation to company management.

and financial operations. The company's auditors regularly present a report on their audit work and these issues are discussed by the Board. The Business Unit Presidents present reports on their respective operations and current issues affecting them to the Board.

Evaluation of the Board's work

The work of the Board, like that of the President, is evaluated annually using a systematic and structured process, the purpose of which is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with decision data for its nomination work. The Chairman of the Board is responsible for the evaluation. In 2012, the evaluation took the form of a questionnaire and discussions between the Chairman of the Board and the members. The evaluation covers such areas as the Board's method of work, expertise and the year's work. The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the results of the evaluation.

Audit Committee

In 2012, the Audit Committee comprised Chairman Anders Nyrén, Barbara Milian Thoralfsson and Sverker Martin-Löf. The Audit Committee held five meetings during the year. In its work that includes monitoring financial reporting, the committee dealt with relevant accounting issues, internal auditors' reviews, auditing work and a review of various measurement issues, such as testing of impairment requirements for goodwill, the measurement of forest assets and the preconditions for the year's pension liability calculations.

Remuneration Committee

The Remuneration Committee consists of Chairman Sverker Martin-Löf, Leif Johansson and Rolf Börjesson. The Remuneration Committee held four meetings during the year. In addition, a number of issues were addressed by circular letter. Activities in 2012 mainly concerned remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group.

Internal audit

The basis of the work is a risk analysis conducted in cooperation with SCA's management team. The risk analysis concludes in an audit plan, which is presented to the Audit Committee. In 2012, just over 100 audit projects were performed. During the year, the function reported its observations at each meeting with the Audit Committee and on one occasion to the Board of Directors of SCA.

Work in 2012 also involved following up the units' progress with process-based control, follow-up and reporting on the efficiency in internal governance and control, and separate assessments of the internal control in countries where SCA has major investments and in joint ventures.

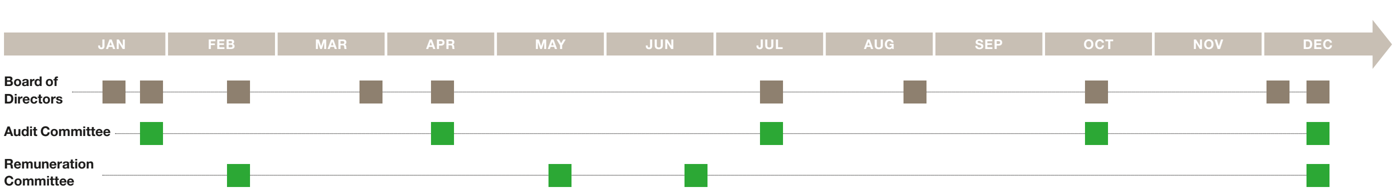
External auditors

The 2012 Annual General Meeting appointed the accounting firm of PricewaterhouseCoopers AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Anders Lundin, Authorized Public Accountant, would be the senior auditor. Anders Lundin is also auditor for AarhusKarlshamn AB, AB Electrolux, Husqvarna AB, Melker Schörling AB and TeliaSonera AB. The auditor holds no shares in SCA.

In accordance with its formal work plan, the Board met with the auditors at two scheduled Board meetings in 2012. The auditors also attended each meeting of the Audit Committee. At these meetings, the auditors presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Furthermore, at the Board's third scheduled autumn meeting, the auditors delivered an in-depth verbal report on the audit for the year.

The formal work plan specifies a number of mandatory issues that must be covered. These include matters of importance that have been a cause for concern or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditors also provide an account of consultancy work assigned to the audit firm by SCA and the audit firm's independence in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditors questions. Certain parts of the detailed discussion on the accounts take place without representatives of company management being present.

Board and Committee meetings



Remuneration, Corporate Senior Management and Board of Directors

Guidelines

The 2012 Annual General Meeting adopted guidelines for remuneration of senior executives that are based on a total remuneration package comprising a fixed salary, variable salary and other benefits, and a pension. These unchanged guidelines are also proposed for the 2013 AGM, see page 22 and Note 6 on pages 85–86.

Remuneration of the President and other senior executives

Remuneration of the President and other senior executives is presented in Note 6 on pages 85–86. Variable remuneration for the CEO, Executive Vice Presidents and Business Unit Presidents was maximized to a total of 100% of the fixed salary for 2012. For one Business Unit President, stationed in the US, the maximum outcome is 130%, while the corresponding limit for other senior executives is 90%.

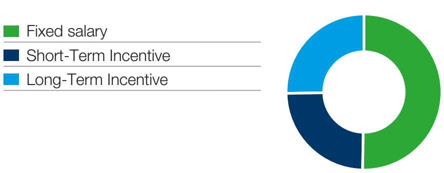
Variable remuneration and strategic targets

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

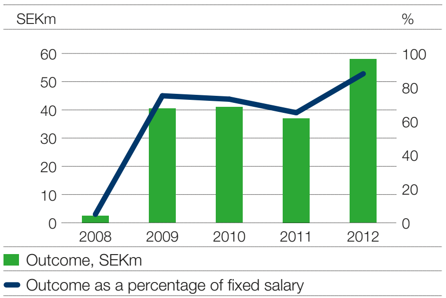
Remuneration of the Board

According to the resolution by the AGM, the fees paid to the AGM-elected Board members totaled SEK 5,975,000. See Note 6, on pages 85–86 for further information.

Potential maximum remuneration, breakdown



Outcome, variable remuneration, 2008–2012



Internal control of the financial reporting

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

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

Financial reporting to the Board

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

External financial reporting

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

Risk management

With regard to financial reporting, the risk that material errors may be made when reporting the company's financial position and results is considered the primary risk. To minimize this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. A Group-wide system for reporting annual accounts has also been introduced. SCA's Board of Directors and management assess the financial reporting from a risk perspective on an ongoing basis. To provide support for this assessment, the company's income statement and balance sheet items are compared with earlier reports, budgets and other planned figures. Control activities that are significant to financial reporting are carried out using the company's IT system. For further information, see Risk and risk management on pages 56–61.

Control activities and follow up

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

In recent years, SCA has introduced a standardized system of control measures involving processes that are significant to the company's financial reporting. The controls are adapted to the operational process and system structure of each unit. Accordingly, each unit prepares a record of the actual controls to be carried out in the unit in question. Control of these processes is assessed through self-evaluation followed up by an internal audit. In some cases, SCA has enlisted external help to validate these control measures.

Financial results are reported and examined regularly within the management teams of the operating units and communicated to SCA's management at monthly and quarterly meetings. Before reports are issued, results are analyzed to identify and eliminate any mistakes in the process until the year-end closing. For additional information, see Internal audit on page 49.

Activities in 2012

For a number of years now, the entire SCA Group has used a shared reporting system for financial statements. An increasing number of units within SCA are also introducing the same accounting system based on a common IT platform. In 2012, the introduction of the common accounting system was begun in the companies acquired from Georgia-Pacific and other companies acquired during the year.

Another development is the co-location of accounting and reporting of several units in Shared Service Centers. Reporting is thus more efficient and uniform. A project was initiated in 2010 and continued in 2012 aimed at reducing the number of legal entities in SCA and thereby simplifying the reporting and system structures. This project has developed to encompass the coordination of SCA's global processes in finance and HR. In 2012, existing units in these areas were merged into a joint organizational unit, Global Business Services, which also comprises the management of the Group's office premises. This will gradually impact and enhance the efficiency of the processes during 2013 and in the future.

Board of Directors and Auditors

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10 11 12


Elected by the Annual General Meeting

1 Sverker Martin-Löf (1943)
Tech Lic., Honorary PhD
Chairman of the Board since 2002, formerly President and CEO of SCA. Chairman of the Board of Industrivärden and SSAB. Vice Chairman of Ericsson.
Member of the Board of Handelsbanken and Skanska.
Elected: 1986
A shares: 3,000 B shares: 77,823
Independent of the company and corporate management.

2 Pär Boman (1961)
Engineering and Business/Economics degree
President, CEO and member of the Board of Handelsbanken.
Elected: 2010
A shares: 1,000
Independent of the company and SCA's major shareholders.

3 Rolf Börjesson (1942)
MSc Eng.
Chairman of the Board of Biolight AB. Member of the Board of Avery Dennison and Huhtamäki Oyj.
Elected: 2003
B shares: 25,350
Independent of the company, corporate management and SCA's major shareholders.

4 Jan Johansson (1954)
Master of Laws
President and CEO of SCA.
Member of the Board of Handelsbanken, SSAB and the Confederation of Swedish Enterprise.
Elected: 2008
B shares: 71,200
Independent of corporate management and SCA's major shareholders.

5 Leif Johansson (1951)
MSc Eng.
Chairman of the Board of Ericsson and Astra Zeneca. Chairman of the Royal Swedish Academy of Engineering Sciences (IVA). Chairman of the European Round Table of Industrialists (ERT).
Elected: 2006
B shares: 6,040
Independent of the company, corporate management and SCA's major shareholders.

6 Louise Julian (1958)
MSc Econ
Elected: 2012
B shares: 15,000
Independent of the company, corporate management and SCA's major shareholders.

7 Bert Nordberg (1956)
Engineer
Chairman of the Board of Vestas Wind Systems A/S.
Elected: 2012
B shares: 5,000
Independent of the company, corporate management and SCA's major shareholders.

8 Anders Nyrén (1954)
MSc Econ, MBA
President of AB Industrivärden and CEO. Chairman of the Board of Sandvik and Vice Chairman of Handelsbanken. Member of the Board of Ericsson, Ernströmgruppen, Industrivärden, SSAB, Volvo, Stockholm School of Economics and the Stockholm School of Economics Association.
Elected: 2001
B shares: 1,200
Independent of the company and corporate management.

9 Barbara Milian Thoralfsson (1959)
MBA, BA
Member of the Board of Electrolux AB, Fleming Invest AS, Orkla ASA and Telenor ASA.
Elected: 2006
Independent of the company, corporate management and SCA's major shareholders.

Appointed by the employees

10 Örjan Svensson (1963)
Senior Industrial Safety Representative at SCA Hygiene Products AB, Edet Bruk, Lilla Edet.
Member of the Swedish Trade Union Confederation (LO).
Appointed: 2005
B shares: 75

11 Lars Jonsson (1956)
Chairman Swedish Paper Workers' Union dept. 167 at SCA Graphic Sundsvall AB, Östrand pulp mill, Timrå.
Member of the Swedish Trade Union Confederation (LO).
Appointed: 2005

12 Thomas Wiklund (1955)
Shift Production Manager and Chairman of Ledarna (Swedish Organisation for Managers) at Munksund paper mill. Member of the Council for Negotiation and Cooperation (PTK).
Appointed: 2009

Deputies

Harriet Sjöberg (1946)
Chairman, Unionen, SCA Hygiene Products AB, Gothenburg. Member of the Council for Negotiation and Cooperation (PTK).
Appointed: 2001
B shares: 1,815

Bert-Ivar Pettersson (1955)
Works Manager at SCA Graphic Sundsvall AB, Ortviken paper mill, Sundsvall. Member of the Council for Negotiation and Cooperation (PTK).
Appointed: 2005

Mikael Svensson (1966)
Quality control engineer and treasurer of IF Metall's club 56 at SCA Hygiene Products AB, Falkenberg plant. Member of the Swedish Trade Union Confederation (LO).
Appointed: 2012

Honorary Chairman

Bo Rydin
MSc Econ., Hon PhD Econ., Hon PhD Engineering

Auditor

PricewaterhouseCoopers AB
Senior Auditor:
Anders Lundin, Authorized Public Accountant.

Secretary to the Board

Mikael Schmidt (1960)
Master of Laws
Senior Vice President, Corporate Legal Affairs, General Counsel.
B shares: 2,500

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2012.

Corporate Senior Management Team

1 **Jan Johansson** (1954)
President and CEO
Master of Laws
Employed since: 2007
B shares: 71,200

2 **Lennart Persson** (1947)
CFO and Executive Vice President
Head of Finance
BSc BA
Employed since: 1987
B shares: 46,665

3 **Mats Berencreutz** (1954)
Executive Vice President
MSc ME
Employed since: 1981
B shares: 7,600

4 **Joséphine Edwall-Björklund** (1964)
Senior Vice President, Corporate Communications.
BSc in Communications
Employed since: 2012
B shares: 750

5 **Magnus Groth** (1963)
President, SCA Consumer Goods Europe
MBA and MSc ME
Employed since: 2011
B shares: 1,500

6 **Gordana Landén** (1964)
Senior Vice President, Corporate Human Resources
BSc
Employed since: 2008
B shares: 660

7 **Ulf Larsson** (1962)
President, SCA Forest Products
BSc Forestry
Employed since: 1992
B shares: 4,400

8 **William Ledger** (1967)
President, Global Hygiene Supply
BSc, Industrial Chemical Engineer
Employed since: 2002
B shares: 1,550

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2012.

9 **Margareta Lehmann** (1958)
President, SCA Incontinence Care Europe
BSc BA
Employed since: 1983
B shares: 1,828

10 **Don Lewis** (1961)
President, SCA Americas
BSc BA
Employed since: 2002
SCA ADR: 4,545

11 **Sune Lundin** (1951)
President, SCA AFH Professional Hygiene Europe
MSc Eng.
Employed since: 2008
B shares: 12,500

12 **Christoph Michalski** (1966)
President, Global Hygiene Category
MSc Econ.
Employed since: 2007
B shares: 13,550

13 **Mikael Schmidt** (1960)
Senior Vice President, Corporate Legal Affairs, General Counsel.
Master of Laws
Employed since: 1992
B shares: 2,500

14 **Robert Sjöström** (1964)
Senior Vice President, Strategy and Business Development, Global Business Services and IT
MSc Econ, MBA
Employed since: 2009
B shares: 7,400

15 **Kersti Strandqvist** (1963)
Senior Vice President, Corporate Sustainability
MSc Chem., Tech Lic.
Employed since: 1997
B shares: 3,797

16 **Ulf Söderström** (1964)
President, SCA Asia Pacific
Studies in economics, MBA
Employed since: 2009
B shares: 8,000

17 **Thomas Wulkan** (1961)
President, SCA MEIA
BSc BA
Employed since: 2000
B shares: 8,400

Risk and risk management

SCA is exposed to a number of risks that could exert a greater or lesser material impact on the Group. These risks are generally defined as factors that impact SCA's ability to achieve established targets for the Group. This applies to both financial targets and targets in other areas. SCA's targets are outlined in the section Strategy, on pages 8–9.

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

The description in this section pertains to the structure that the SCA Group had at year-end 2012, meaning that it excludes the divested Packaging business area (excluding the two kraftliner mills in Sweden).

SCA's structure and value chain

SCA's structure and geographically dispersed business entails in itself a certain degree of risk reduction. SCA conducts operations in three business areas that deliver to entirely, or partially, different customer segments and end-users. The operations are influenced to varying degrees by the business cycle and general economic prosperity and their competitive situations also differ. SCA's products are sold through many different channels and distribution paths.

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

SCA's structure also ensures that the raw material flows are, to a certain degree, integrated from forest land to the finished consumer products. In 2012, 50% of SCA's wood raw material requirements were sourced from the Group's own forests. The wood fiber is used for SCA's production of pulp, kraftliner and publication papers, in sawmill operations, and for the manufacture of tissue. Forest waste from SCA's activities is used in biofuel operations. The energy generated in the production process is used internally or sold.

The pulp is subsequently used in the production of mainly tissue, some 37% of the pulp requirement was satisfied by the Group's own pulp production.

Processes for risk management

SCA's Board determines the Group's strategic direction based on recommendations from Corporate Senior Management. The responsibility for long-term and overall management of strategic risks follows the company's delegation scheme, from the Board to the President, and from the President to the Business Unit Presidents. This implies that most operational risks are managed by SCA's business units at a local level, but are coordinated when deemed necessary. The tools for this work primarily comprise continuous reporting by the business units and the annual strategy process, which includes risk and risk management as part of the process.

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

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

Risks that impact SCA's ability to achieve established targets

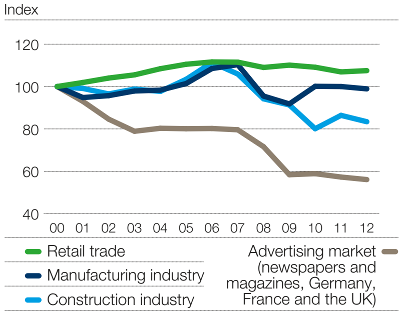
Risk	Policy/Action

GDP trend and economic conditions

Risk

SCA's volume trend is linked to the development of GDP and related factors, including industrial output, in countries representing SCA's main markets. Movements in the GDP trend influence demand for some of SCA's products, primarily in the Forest Products business area.

Trend within SCA's key customer segments (Europa, Index in 2000 = 100)



Policy/Action

SCA has reduced the impact of the general economic trend by focusing on its hygiene business.

In 2012, Personal Care and Tissue accounted for around 80% of SCA's sales. Sales to the retail market, which accounts for the bulk of sales of hygiene products, are more dependent on established consumption patterns and distribution than the economic climate. The institutional care and homecare facilities segment for incontinence products is also relatively unaffected by the business cycle, although it can be impacted by the public budget situation in certain countries. The segment in the hygiene business that is most sensitive to economic movements is AFH tissue, which is affected by the consumption of tissue outside the home, for example, within industry and offices, as well as in the hotel and restaurant industry.

Forest Products are vulnerable to economic movements. Sales of publication papers, representing 9% of SCA's sales, are affected by fluctuations in business activity in the advertising sector. The relatively cyclical construction and private house industries impact SCA's solid-wood product business, which accounts for 5% of sales.

For all businesses, it is important that SCA manages the effects of the economic movements that occur by taking actions to reduce costs and by reviewing the capacity and production structure.

Risk	Policy/Action
Environmental impact and climate change	
SCA's operations have an impact on air, water, land and biological processes. These effects could lead to costs for restoring the environment or other kinds of negative effects. The matter of the economic impact of climate change is also growing in significance.	A number of years ago, SCA established a sustainability policy, detailing guidelines for the Group's actions in the areas of environmental and social responsibility. Risks are minimized through preventive work in the form of certified environmental management systems, environmental risk inspections in conjunction with acquisitions, and remediation projects in connection with plant closures. The Group's large forest holding has an extremely positive environmental effect through the absorption of carbon dioxide. Furthermore, the forest guarantees access to renewable forest raw materials. Through its extensive Resource Management System (RMS), SCA monitors how the company utilizes energy, water, transport activities and raw materials. The data is used for internal control and follow-up of established targets. SCA works proactively to decrease its climate footprint by reducing its energy consumption and emissions of greenhouse gases. Continuous work is conducted to reduce the already low levels of oil and coal used in the Group, and to increase the proportion of renewable energy, such as wind power. A comprehensive description of SCA's work and governance in this area is provided in the Group's Sustainability Report.
Impact of political decisions	
SCA is affected by political decisions and administrative regulations in the about 100 countries in which the Group conducts operations. These relate to general regulations, such as taxation and financial reporting. SCA is also impacted by more specific regulations, such as the granting of permits in accordance with the Environmental Code and reimbursement of expenses in the healthcare system.	Through SCA's Public Affairs function, the company works to monitor and evaluate changes in its surroundings, including amended legislation, and identify actions that lead to improvements for all relevant stakeholder groups. SCA is also a member of national and international trade associations, which comprise the primary bodies for participation in current public debates. For issues of importance to the company, SCA can also work directly in cooperation with regulatory bodies and the public. Examples include the project to construct wind turbines on SCA's land in Sweden. A key area for SCA is global energy and environmental legislation. Because SCA has major operations in Europe and the EU plays a leading role in developing environmental legislation, SCA is focusing its activities on the various EU institutions. For example, SCA monitors developments in policy areas of major importance to the company, such as resource consumption in general and issues of water, air and waste, such as EU trade in emission rights, the EU Waste Directive and the issue of the use of sulfurous fuels in shipping. Since the public sector is both a significant customer and stakeholder group for SCA, the health debate is important to the company, especially with regard to the development of systems for healthcare with greater patient benefit and greater cost efficiency. SCA also works actively to disseminate knowledge regarding various national systems to decision-makers in countries where new structures are being built up. Examples include the development of systems for cost-free prescription of incontinence aids in countries where such benefits were not offered in the past.
Impact of substitutes	
Other product solutions (substitutes) can replace products that are included in SCA's offering and thereby reduce sales. By offering competitive products, SCA can also take market shares from the substitute. The issue of substitutes is also linked to changes in the patterns and attitudes of customers and consumers that affect demand for certain products and thus profitability.	Substitutes exist for virtually all SCA products. This may involve different products with a similar function, such as cloth diapers, cloth rags for household or industrial cleaning, or completely different solutions to the needs of customers and consumers, such as electric hand dryers and the spread of news by electronic media instead of on paper. SCA takes proactive steps to adapt to the existence of substitutes and take advantage of the possibilities to expand the Group's business by viewing the substitutes as a potential market opportunity. Another way of being proactive is through innovation, including in-house research and development. A major driver for innovation comprises demands and requests from customers and consumers. Accordingly, development work is often conducted in direct cooperation with customers. An increasingly important factor is greater focus on sustainability with respect to environmental, financial and social factors. Other demands imposed on SCA's innovation include the desire to create profitable differentiation for SCA's product range and create value and growth, both for customers and SCA (read more about innovation on page 10). In many countries, the degree of penetration is low, meaning only a small proportion of the population uses SCA's products, compared with more developed countries. To increase acceptance of products, SCA focuses on matters influencing attitudes and on breaking taboos. This also applies to Europe and North America with regard to such items as incontinence care products.
Dependence on major customers and distributors	
The retail trade is SCA's single largest customer group and thus exercises considerable influence. Approximately half of SCA's sales are made to the retail trade, under both SCA's brands and retailers' brands. SCA also uses other distributors or retailers that could impact the Group. A general consolidation process is taking place in several of SCA's sales channels, thus increasing dependence on individual customers. This increase in dependence could result in negative consequences if SCA does not fulfill the demands imposed.	SCA's customer structure is relatively dispersed, with customers in many different areas of business. In the retail trade, the prevailing trend is towards increased concentration, which has mainly resulted in fewer retail companies at a national and regional level. This could also present opportunities through closer cooperation. There are still a considerable number of retail companies, which reduces the risk for SCA. SCA also uses distributors, mainly for AFH tissue. A very large number of distributors are active in this segment and the international concentration is relatively low. In 2012, SCA's ten largest customers accounted for 22% of the Group's sales. The single largest customer accounted for 3% of sales. Most of these customers were retail companies. The ten largest customers also include some large distributors of AFH tissue. Credit risk in accounts receivable is dealt with in the section Credit risk, on page 61.

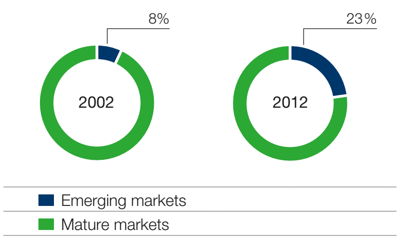
Risk	Policy/Action

Expansion into new markets

Risk

In recent years, SCA has expanded the operation into emerging markets outside Western Europe and North America. If the conditions differ from those in already established markets, this expansion could involve new risks for SCA.

Sales in emerging markets



Emerging markets include the countries in Eastern Europe, Latin America, Asia (excluding Japan) and Africa.

Policy/Action

SCA can expand its business in various ways. The sale of SCA's products in new markets can be managed by agents or by the Group's own sales company. When it has been decided to conduct manufacturing in the local market, this may be carried out through a joint venture in cooperation with other owners or by SCA acquiring or forming a wholly owned company. A joint venture, through collaboration with a partner with solid local knowledge, reduces the risk for SCA.

Prior to initiating operations, SCA conducts a feasibility study. Depending on how the business will be operated, varying methods are used in the feasibility study, including market studies, and a review of the legal requirements, including environmental legislation, due diligence of existing companies, and assessments of the business climate and common business practices in the market in question. A risk analysis of issues related to the environment and business ethics is also performed.

When the business is operational, SCA has often improved its knowledge of the market and can thus adapt the organization. The recruitment of personnel with the appropriate values is crucial, as is maintaining contact with the market in question through communication. SCA's Group policies, including its Code of Conduct and Sustainability Policy, apply to all markets in which SCA conducts operations.

Movements in the market price for SCA's products

Risk

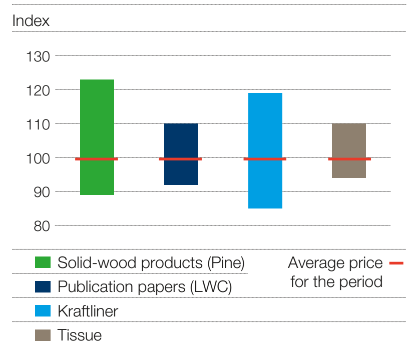
Movements in the market price of SCA's products could create large fluctuations in the profitability of the product in question when these movements are not linked to changes in costs for SCA.

Policy/Action

Several methods can be applied to address this risk. Long-term contracts at fixed prices and price hedging only occur in exceptional cases. To reduce the impact of price movements on SCA, actions are taken to adapt the cost scenario to lower market prices, for example, by renegotiating purchasing agreements, implementing personnel and capacity reductions, and reviewing the business structure. In other cases, the product's content can be adapted to the new market price level.

Movements in the market price in a number of SCA's product segments are detailed in the figure to the right. The diagram specifies the average price per year (Index 100) and movements around this value over the past ten years.

Highest/lowest market prices (annual average) 2002–2012 per product



Risks at plants

Risk

SCA has a large number of production facilities in some 30 countries and many of these conduct continuous production. Fires, machinery breakdowns and other types of harmful incidents could damage the plant in question and also cause delivery problems.

Policy/Action

SCA's activities in this area are governed by its Risk Management Policy, which controls how SCA shall manage insurable risks. From this perspective, the aim of risk management is to effectively and cost efficiently protect employees, the environment, the company assets and the business, and to minimize SCA's risk management costs. This can be achieved by creating and retaining a balance between loss prevention and insurance coverage.

The loss-prevention work is conducted in accordance with established guidelines that include inspections by risk engineers and benchmarking with other plants, within and outside SCA. Other important elements of loss-prevention activities include maintenance of plants, staff training, good orderliness, and documentation. Every year, SCA invests in loss-prevention measures and production plants continuously work to reduce their risks. For example, new facilities are fitted with sprinkler systems as standard. All wholly owned plants are insured to replacement cost and for the loss of contribution margin. Within the EU, insurance is carried out by one of the Group's own companies, with external reinsurance for major damages. Outside the EU, SCA cooperates with market-leading insurance companies.

Risk	Policy/Action

Suppliers

Risk

SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in manufacturing. Suppliers could also cause problems for SCA through non-compliance with applicable legislation and regulations or by otherwise acting in an unethical manner.

Policy/Action

To reduce this risk, SCA has supply contracts with several suppliers and continuously enters into agreements with various durations. The Group has a number of suppliers for essentially all important input goods. These contracts ensure deliveries of a significant proportion of input goods at the same time as the effects of sudden cost increases are limited. The Group also has more intensive cooperation with selected suppliers that covers the development of materials and processes.

SCA continuously assesses all key suppliers to ensure that they fully comply with the Group requirements in all respects. The assessment may take the form of a questionnaire, an on-site visit or the use of independent auditors. For essentially all important input goods, SCA assesses the following factors at current and potential suppliers:

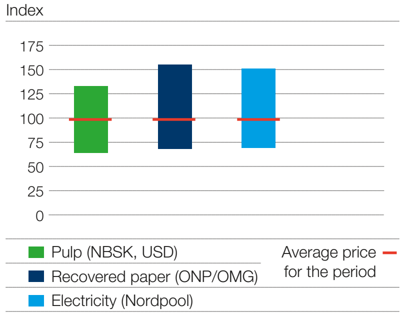
- Quality
- Product safety
- Impact on the environment, including the issue of the origin of the input goods
- Use of chemicals
- Compliance with SCA's Code of Conduct

Cost of input goods

Risk

The market price of many of the input goods used in the manufacture of SCA's products fluctuates over time and this could influence SCA's earnings.

Highest/lowest market prices (annual average) 2002–2012 per product



Policy/Action

The risk of price movements related to input goods and the impact of these on earnings can be managed in several ways. SCA's structure means that a significant share of raw materials is produced within the Group and, consequently, price movements have a smaller impact on earnings. In 2012, 50% of SCA's wood raw material requirements were sourced from its own forests and 37% of its pulp requirements were satisfied by the Group's own pulp production.

Another method used to manage the price risk is by availing of financial hedges and long-term contracts. SCA is an energy-intensive company and hedges the energy price risk for electricity and natural gas. More detailed information on the energy price risk and management activities related to this is presented on page 60. Under normal circumstances, no other price risks related to input goods are hedged, although this could be carried out in exceptional cases. SCA has also begun building up its own energy operations based on the utilization of the Group's own holdings of forest land. More information on these operations is provided in the Group's Sustainability Report.

A significant cost item comprises oil-based materials and other oil-related costs, such as transportation. The oil-based materials are principally used in Personal Care and generally as packaging material. When possible, these and other costs are managed principally through compensation in the form of raised prices for SCA's products, by adjusting product specifications or through streamlining of the Group's own operation. The impact of price movements on input goods can be delayed through purchasing agreements.

SCA's relative costs for various key input goods are described on page 114. The price trend for a number of the input goods is presented by the diagram to the left.

Employee-related risks

Risk

SCA must have access to skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.

Policy/Action

SCA's strategic manpower planning secures access to people with the right expertise at the right time. Recruitment can take place both externally and internally, and internal recruitment and job rotation are facilitated by a "Job portal", where available positions are advertised both internally and externally. Salaries and other conditions are to be adapted to the market and linked to SCA's business priorities. An established succession planning program protects operations. SCA strives to maintain good relationships with union organizations.

Legal risks

Risk

New legislation in various countries could negatively impact SCA. Legal processes can be protracted and costly.

Policy/Action

SCA monitors the development of legislation through its internal corporate legal staff and external advisors. Another important issue is the management of SCA's intellectual property rights (patents, trademarks, etc.), which is largely centralized. In the approximately 100 countries in which SCA conducts operations, local legal issues and disputes are handled through an extensive network of local legal advisors.

IT risks

Risk

SCA relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production. Errors in the handling of financial systems can affect the company's reporting of results.

Policy/Action

SCA has established a management system for information security, including quality assurance procedures, that govern IT operations. Information security is monitored through continuous reviews. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The majority of SCA's system landscape is based on well-proven products, such as SAP.

Risk	Policy/Action

Energy price risk

Energy price risk is the risk that increased energy prices could adversely impact SCA's operating profit. SCA is exposed to price movements of electricity and natural gas, but the price of other energy commodities also directly and indirectly impacts SCA's operating profit.

SCA centrally manages the energy price risk related to electricity and natural gas. According to SCA's policy, these price risks can be hedged for a period of up to 36 months. Energy price hedging is effected through financial instruments and fixed pricing in existing supply agreements.

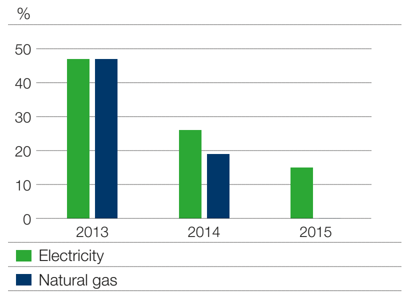
SCA safeguards the supply of electricity and natural gas through centrally negotiated supply agreements with well-established suppliers. The portfolio of supply agreements shall be effectively diversified to minimize SCA's counterparty risk.

In 2012, SCA purchased about 7 TWh (7; 7) of electricity and about 8 TWh (9; 9) of natural gas.

The graph to the right displays SCA's price hedges in relation to forecast consumption of electricity and natural gas for the next three years. The graph includes financial hedges and hedging effected via supply agreements. Some of the Swedish electricity exposure is hedged for a longer period through supply agreements maturing in 2019.

For further information concerning financial price hedges, see Note 18 Derivatives on page 96.

Energy price hedges in relation to forecast consumption, December 31, 2012



Currency risk

Transaction exposure
Transaction exposure is the risk that exchange rate movements in export revenues and import expenses could negatively impact the Group's operating profit and the cost of non-current assets.

Translation exposure
Translation exposure is the risk to which SCA is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK.

Long-term currency sensitivity
The table below presents a breakdown of the Group net sales and operating expenses by currency, which provides an overview of the Group's long-term currency sensitivity. The largest exposures are denominated in SEK, EUR, GBP and USD. The imbalance between sales and expenses in SEK is because the Swedish operations have a high proportion of exports that are invoiced in foreign currencies.

Currency	Sales %	Expenses %	Operating profit[1] SEKm	Closing rate December 31, 2012	Average rate 2012
EUR	45	41	7,339	8.6084	8.7014
USD	13	17	–1,705	6.5077	6.7686
GBP	10	6	3,933	10.4761	10.7255
SEK	6	19	–8,801		
MXN	4	4	88	0.5015	0.5149
RUB	4	3	573	0.2144	0.2181
COP	2	2	496	0.0037	0.0038
NOK	2	0	1,351	1.1673	1.1640
Other	14	8	5,372		
Total	**100**	**100**	**8,646**		

[1] Operating profit, excluding items affecting comparability.

Transaction exposure
Transaction exposure, resulting from exports and imports, can be hedged for a period of up to 18 months. Contracted future payments for non-current assets in foreign currencies can be hedged up to the full cost.

The forecast net flow of currency against SEK amounts to SEK 9,024m (10,544; 10,430) on an annual basis. The forecast flows are expected to occur evenly over time. At year-end, a net flow against SEK corresponding to 3.4 months of the forecast flow for 2013 was hedged. The majority of hedges mature during the first and second quarters of 2013.

The forecast and hedges of the 2013 flows are shown in the table to the right.

For further information relating to hedging of transaction exposure, see Note 18 Derivatives on page 96.

Forecast and hedges relating to flows in 2013

Currency	Net flows SEKm	Currency inflows SEKm	Currency outflows SEKm	Hedged inflows %	Hedged outflows %
GBP	3,034	3,565	–531	14	0
EUR	2,339	14,769	–12,430	5	2
RUB	1,259	1,319	–60	3	0
NOK	1,085	1,216	–131	14	0
CHF	718	719	–1	12	0
DKK	668	736	–68	42	0
JPY	505	506	–1	24	0
HUF	484	503	–19	0	9
Other	2,275	6,404	–4,129	3	0
USD	–3,343	5,326	–8,669	0	4
SEK	–9,024	7,251	–16,275	0	10

Translation exposure
The policy relating to translation exposure for foreign net assets is to hedge a sufficient proportion in relation to SEK so that the Group's debt/equity ratio is unaffected by exchange rate movements. Hedging takes place by financing a certain portion of capital employed in foreign currencies with loans and derivatives in corresponding currencies. The optimal degree of matching in connection with hedging depends on the current consolidated debt/equity ratio. Translation exposure in the income statements of foreign subsidiaries is not currency-hedged.

At December 31, 2012, capital employed in foreign currency amounted to SEK 54,468m (62,293; 67,086). Distribution by currency is shown in the table to the right. At year-end, capital employed was financed in the amount of SEK 16,486m (23,572; 22,141) in foreign currency, which is equivalent to a total matching ratio of 30% (38; 33).

For further information relating to hedging of translation exposure, see Note 18 Derivatives on page 96.

Financing of capital employed

			Matching financing	
Currency	Capital employed SEKm	Net debt SEKm	2012 %	2011 %
EUR	27,004	9,005	33	35
USD	6,550	1,852	28	29
GBP	5,489	1,442	26	59
MXN	4,960	2,051	41	47
RUB	2,378	1,125	47	56
COP	1,447	381	26	30
PLN	1,054	464	44	60
Other	5,586	166	3	28
Total currency	**54,468**	**16,486**	**30**	**38**
SEK	38,623	16,441		
Total	**93,091**	**32,927**		

Risk	Policy/Action

Credit risk

Risk

Credit risk refers to the risk of losses due to failure to meet payment obligations by SCA's counterparties in financial agreements or by customers.

Policy/Action

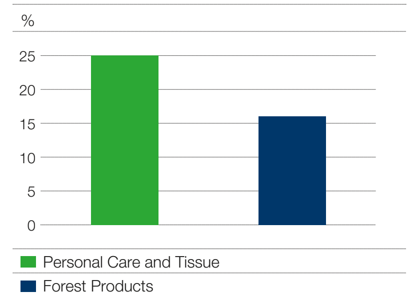
Credit risk in accounts receivable
Credit risk in accounts receivable is managed through credit checks of customers using credit rating companies. The credit limit is set and regularly monitored. Accounts receivable are recognized at the amount that is expected to be paid based on an individual assessment of each customer.

Financial credit risk
The objective is that counterparties must have a minimum credit rating of A- from at least two of the rating institutes Moody's, Fitch and Standard & Poor's.

SCA strives to enter into agreements that allow net calculation of receivables and liabilities. As of 2011, credit exposure in derivative instruments is determined as the fair value of the instrument. In 2010, there was an additional risk amount and the year has not been restated.

At year-end, the total credit exposure was SEK 9,321m (9,739; 13,128). This exposure also includes credit risk for financial investments in the amount of SEK 8,376m (7,487; 8,296) of which SEK 6,354m (6,167; 6,431) was attributable to leasing transactions (see Note 32 Contingent liabilities). Credit exposure in derivative instruments amounted to SEK 945m (820; 4,832) at December 31, 2012.

Ten largest customers' share of outstanding accounts receivable by business area



Liquidity and refinancing risk

Risk

Liquidity and refinancing risk is the risk that SCA is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.

Policy/Action

SCA is to maintain financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilized credit facilities totaling at least 10% of the Group's forecasted annual sales. SCA limits its refinancing risk by having a good distribution for the maturity profile of its gross debt. The gross debt must have an average maturity in excess of three years, considering unutilized credit facilities that are not liquidity reserves. Surplus liquidity should primarily be used to amortize external liabilities. SCA's policy is to not agree to terms that entitle the lender to withdraw loans or adjust interest rates as a direct consequence of movements in SCA's financial key figures or credit rating.

SCA's financing is mainly secured by bank loans, bond issues and through issuance of commercial papers. The refinancing risk in short-term borrowing is limited through medium-term credit facilities from bank syndicates and individual banks with favorable credit-worthiness.

SCA's net debt was reduced by SEK 3,721m in 2012. At year-end, the average maturity of gross debt was 2.3 years (2.9; 2.9). If short-term loans were replaced with drawings under long-term unutilized credit facilities, the maturity would amount to 3.5 years. Unutilized credit facilities amounted to SEK 17,531m at year-end. In addition, cash and cash equivalents totaled SEK 2,017m. In December 2012, SCA obtained a new syndicated credit facility of EUR 1,000m (SEK 8,608m) with final maturity in 2018. The credit facility became effective in January 2013 when the previous credit facility in the same amount with final maturity in 2014 was annulled. For further information, see Note 22 Current financial assets, cash and cash equivalents, and Note 25 Financial liabilities.

Liquidity reserve

SEKm	2012	2011	2010
Unutilized credit facilities	17,531	21,016	28,393
Cash and cash equivalents	2,017	2,752	1,866
Total	**19,548**	**23,768**	**30,259**

Interest rate risk

Risk

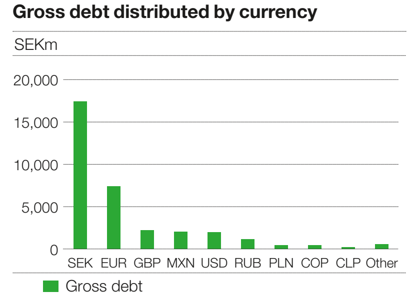
Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA. SCA is affected by interest rate movements through its net financial income and expense.

Policy/Action

SCA seeks to achieve a good spread of its interest due dates to avoid large volumes of renewals occurring at the same time. SCA's policy is to raise loans with floating rates, since it is SCA's understanding that this leads to lower interest expense over time. The interest rate risk and interest period are measured by currency and the average interest term is to be within the interval 3–15 months.

In 2012, SCA's net financial items decreased as a result of lower interest rates and a lower net debt. SCA's largest funding currencies are denominated in SEK and EUR; refer to the graph. To achieve the desired fixed interest period and currency balance, SCA uses financial derivatives. The average interest period for the gross debt, including derivatives, was 5.5 months (6.2; 6.5) at year-end. The average interest rate for the total outstanding net debt, including derivatives, amounted to 3.10% (4.14; 3.36) at year-end.

Gross debt distributed by currency



Sustainability as part of the business model

SCA's business is based on economic, environmental and social value creation. Understanding the link between financial return and value creation for people and nature is decisive for the company's future success.

Global macro trends – from an aging population and growing middle class to scarcity of resources and climate change – impact SCA's business operations. Managing the opportunities and challenges brought about by a changing world and understanding the link to financial return is vital for ensuring the future relevance of the company and creating the conditions for growth, innovative capacity and the efficient use of resources. A business model based on sustainability enhances competitiveness and reduces costs and risks, making SCA an attractive investment and employer and strengthening the brand.

In 2012, SCA launched a number of new ambitions and targets in the sustainability sphere. While the ambitions describe the long-term vision, the targets are specific and measurable and represent the milestones. Measurability is prioritized at SCA to promote transparency, meet stakeholder expectations and to drive the sustainability program forward.

The sustainability strategy is continuously developed – new targets and KPIs will be added, while other targets that have already been achieved will be finalized. This approach will create value, drive innovation and further integrate sustainability into business operations.

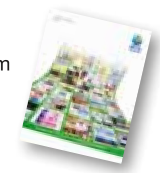
About the Sustainability Report

SCA publishes a separate Sustainability Report each year. The Global Reporting Initiative (GRI) guidelines, level A+, are applied in the report and a detailed GRI index table can be viewed at www.sca.com. The Sustainability Report was reviewed in its entirety by PwC.

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

The Sustainability Report and the Annual Report should be viewed as a single unit in which information may be provided in either report or, where appropriate, in both.

Read more at www.sca.com or in SCA's 2012 Sustainability Report.



The SCA
Sustainability Effect

"Care and respect for **people** and **nature** are absolutely central to SCA's way of working.

"This is the lens we use to look at the world – from the big picture right down to the finer points of harvesting a forest, testing a new innovation or designing a new diaper.

"It means we constantly challenge ourselves to deliver solutions that make a difference to everyday life. And we have found that it is amazing what you can achieve when living our values of respect, excellence and responsibility."

SCA's people and nature ambitions

People ambitions

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

Nature ambitions

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

People targets

Hygiene solutions

We will make our knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life.

Outcome:

- SCA held the number one or two position in at least one hygiene product category in nearly 80 countries.
- We conducted hygiene training programs in all product categories on all continents.
- SCA offered a broad portfolio of products ranging from the premium segment to the economy segment.
- Our products were distributed to both major corporate customers and to small local stores. Our 14 TENA online stores were examples of how we work to make our products more accessible.

Sustainable innovation

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

Outcome:

- We defined criteria for sustainable product and service innovations.
- A number of innovations were evaluated in accordance with these criteria.
- We launched several sustainable innovations, such as TENA Solutions, Tork Easy Handling and GraphoInvent.

Code of Conduct

Our SCA supplier standard will be used to drive shared values and priorities through our supply chain. We will use it in all our supply chain contracts by 2015.

Outcome: 73% of the hygiene operations and 65% of forest industry operations have committed to comply with the SCA supplier standard.

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

Outcome: 87% of employees received training in the Code of Conduct.

Employee Health & Safety

Our aim is zero work place accidents, and we will decrease our accident frequency rate by 25% between 2011–2016.

Outcome: The accident frequency rate was 8.5% (7.1).

All major facilities will have introduced OHSAS 18001 by 2016.

Outcome: By the end of 2012, 28% of SCA's main sites were certified according to OHSAS 18001.

Nature targets

Climate & energy

We will reduce CO_2 emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.

Outcome: At year-end 2012, CO_2 emission had been reduced by 10.4% in relation to output.

We will triple our production of biofuels from the forests by 2020, with 2010 as reference year.

Outcome: SCA's production of biofuel from its own forests amounted to 890 GWh. (870 in the reference year 2010).

The production of wind power on SCA forest land will increase to 5 TWh by 2020.

Outcome: 0.4 TWh of wind energy was delivered to the grid. The first turbines in the partnership with Statkraft were installed.

Fiber sourcing & biodiversity

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

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

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

Outcome: Nearly 7% of SCA's productive forested area was excluded from harvesting. In addition, 12% of forest area planned for harvesting was set aside for preservation.

* Controversial sources are defined as:
– Illegally logged timber.
– Timber from forests with a high conservation value.
– Timber from areas where human rights or traditional rights of indigenous people are being violated.

Water

We aim to achieve water sustainability and we will reduce our water consumption in water-stressed regions by 10% by 2015, with 2010 as reference year.

Outcome: At year-end 2012, water consumption in water-stressed regions had fallen by 3.4%.

All SCA pulp and paper mills will employ mechanical and biological wastewater treatment plants by 2015.

Outcome: Of the Group's 40 pulp and paper mills, mechanical and biological wastewater treatment is installed, or is in the process of being installed, at 39 facilities.

Economic responsibility

Sustainability programs are of key importance to SCA's ability to attract customers, employees and investors. From a shareholder perspective, sustainability initiatives help to maximize the value of the company.

Creating value for stakeholders
Through its business operations, SCA helps to generate economic development in society and economic development among its stakeholders – both directly and indirectly.

SCA provides its customers with products and it purchases materials and services from suppliers. Wages are paid to employees, who in turn contribute to society through taxes and purchasing power. Shareholders receive dividends and society receives income in the form of taxes. SCA's community involvement contributes positively to local communities. SCA's operations in emerging markets help these regions to develop economically through the business relationships SCA has with local stakeholders, such as employees and local suppliers.

Sustainable business important to long-term competitiveness
In recent years, customer and consumer interest in sustainability has grown strongly. In contract negotiations, it is increasingly common for customers to both ask questions and set requirements, mainly relating to the area of the environment, but also to corporate social and financial responsibility. The crucial importance of sustainability for business was confirmed in a survey carried out on 400 SCA employees who deal with customers. A full 41% stated that sustainability activities had played a decisive role in the outcome of contract negotiations. Economic value is also generated by SCA helping its customers to fulfill their own sustainability objectives.

Growing proportion of investors with sustainability requirements
An increasing number of investors judge SCA on its sustainability performance. The SCA share is a part of the investment portfolios of 96 European sustainability funds, which means that SCA is among the companies most frequently included in these funds.

SCA frequently featured in sustainability indexes
SCA is listed on the Dow Jones Sustainability index, one of the world's most prestigious sustainability indexes. Since 2001, SCA has been listed on FTSE4Good, an index measuring earnings and performance among companies that meet globally recognized norms for corporate responsibility. The Carbon Disclosure Leadership Index, Global Challenges Index, Vigeo and OMX GES Nordic Sustainability Index are examples of other indexes and funds in which SCA is included. In 2012, interest from SRI (Socially Responsible Investment) players remained considerable. SCA participated in two SRI conferences.

Environmental responsibility

SCA endeavors to minimize its environmental footprint to the greatest possible extent. The emphasis of environmental work is on climate and energy, fiber sourcing, biodiversity and water management.

Climate and energy
SCA is an energy-intensive company and improved energy efficiency and investments are required to achieve the Group's carbon dioxide target. SCA works systematically to replace oil and coal with natural gas and biofuel.

At the end of 2011, the world's first wood-pellet-fuelled lime kiln was inaugurated at Östrand pulp mill, replacing two oil-fired kilns that consumed 17,000 m^3 of fuel oil. The investment reduces fossil CO_2 emissions by 50,000 tons or 80% and cuts energy costs by SEK 50m on an annual basis. In 2012, SCA decided to invest SEK 490m in another lime kiln for the kraftliner mill in Munksund, which will generate annual cost savings of about SEK 50m and a reduction in fossil CO_2 emissions of 25,000 tons, or 75%.

In Kostheim, Germany, SCA is investing SEK 1.1bn in a paper machine that uses new drying methods for premium-quality tissue. The machine will be installed in the first quarter of 2013 and will increase production capacity, reduce energy use and cut CO_2 emissions compared with other technologies.

ESAVE is the Group's energy-efficiency program. Since its launch in 2003, about 1,700 projects have been carried out, yielding approximately SEK 700m in annual savings. In 2012, 225 projects were executed leading to a reduction of 1.7% in energy use per ton produced, which corresponds to a decrease in fossil CO_2 emissions of about 47,000 tons.

Another way of reducing carbon dioxide emissions is to seek alternative energy sources. SCA is involved in wind power projects with the companies Statkraft, E.ON and Fred.Olsen Renewables, projects that will have a combined annual output of about 7 TWh when fully built. SCA is also carrying out project planning work for its own wind power projects and leases land for the establishment of wind turbines.

Social responsibility

SCA activities in the field of corporate social responsibility are based on the Code of Conduct, which provides the basis for the company's approach to such issues as health and safety, employee relations, respect for human rights, business ethics and community involvement.

SCA's Code of Conduct

SCA is committed to ensuring compliance with the Code of Conduct and policies by all employees throughout the world. Regular reviews are performed to monitor deviations from the Code. In 2012, a total of 14 cases of non-compliance with the Code of Conduct were reported.

Business Practice Reviews are carried out at regular intervals by the SCA internal audit unit and, since 2005, SCA has been conducting these reviews using the SA 8000 standard as a basis. In 2012, reviews were carried out in Russia, Poland, Sweden, the US, Hungary and Malaysia. During the year, SCA's manufacturing sites were also recorded in Sedex (a leading ethical database) to evaluate the operations' compliance with the Code of Conduct.

Supplier reviews

In 2012, implementation of SCA's global supplier standard from 2010 continued among suppliers. Among the hygiene operation's global suppliers, 73% had committed to complying with the standard while the corresponding figure in forest industry operations was 65%. The number of suppliers registered in the Sedex database rose to 238 (125).

Health and safety

The provision of a safe working environment is paramount at SCA, which is particularly reflected in the health and safety sustainability targets. In 2012, the accident frequency rate was 8.5%. The increase compared with the preceding year is the result of acquired units and adaptations in production. Regrettably, SCA reported one fatality at SCA Transforest's facility in Rotterdam.

Safety statistics

	2012	2011	2010	2009	2008
Lost Time Accidents	477	492	569	564	685
Days Lost due to Accidents	8,539	11,070	13,810	15,947	16,181
Accident Severity Rate	17.9	22.5	24.3	28.3	23.7
Incident Rate (incidents/100 employees)	1.5	1.3	1.5	1.4	1.6
Accident Frequency Rate	8.5	7.1	8.3	7.3	8.5
Fatalities	1	1	1	2	0

Responsible use of wood raw material

SCA makes extensive efforts to verify its own forest management and that conducted by external suppliers. With its holding of 2.6 million hectares of forest, SCA is the largest private forest owner in Europe.

SCA's own forest holding is certified in accordance with the requirements of the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). SCA is one of the world's largest suppliers of FSC-certified products. All of the timber supplied to SCA's pulp and paper mills and sawmills is FSC certified or meets the FSC criteria for controlled wood.

SCA purchases large quantities of raw materials in the form of wood or raw materials that originate from wood, such as pulp. In order to ensure that no fresh fiber-based material originating from controversial sources is used in the Group's production, SCA evaluates its existing and potential suppliers.

Systematic work to enhance water usage

SCA uses large volumes of water in the production of pulp, publication papers and tissue. The Group has chosen to concentrate its water management efforts on areas experiencing water shortages. The company has identified nine facilities located in water-stressed regions in Italy, Spain, Australia, Colombia, Mexico and the US. Former Georgia-Pacific facilities will be evaluated in 2013.

Forests as a carbon sink

SCA's forests have a net growth of 1%, which means that they absorb a net amount of 2.6 million tons of carbon dioxide on an annual basis. This exceeds the total amount of carbon emissions generated by the Group's production activities.

Financial statements

Contents

Consolidated income statement

		2012		2011		2010	
Group	Note	SEKm	EURm[1]	SEKm	EURm[1]	SEKm	EURm[1]
Net sales	5	85,408	9,815	81,337	9,013	82,731	8,679
Cost of goods sold	4	–64,449	–7,406	–61,701	–6,837	–61,906	–6,494
Gross profit		**20,959**	**2,409**	**19,636**	**2,176**	**20,825**	**2,185**
Sales and administration expenses	4	–12,472	–1,433	–11,981	–1,328	–12,426	–1,304
Items affecting comparability	4	–2,634	–303	–5,439	–603	–702	–73
Share of profits of associates		159	18	83	10	96	10
Operating profit		**6,012**	**691**	**2,299**	**255**	**7,793**	**818**
Financial income	8	91	10	129	14	57	6
Financial expenses	8	–1,355	–155	–1,454	–161	–1,227	–129
Profit before tax		**4,748**	**546**	**974**	**108**	**6,623**	**695**
Tax	9	–251	–29	–1,267	–140	–1,755	–184
Net profit for the year from continuing operations		**4,497**	**517**	**–293**	**–32**	**4,868**	**511**
Profit from disposal group held for sale*	3	**503**	**58**	**900**	**100**	**724**	**76**
Net profit for the year		**5,000**	**575**	**607**	**68**	**5,592**	**587**
Earnings attributable to:							
Owners of the Parent		4,956	570	548	61	5,552	583
Non-controlling interests		44	5	59	7	40	4
Earnings per share							
Earnings per share, SEK – owners of the Parent							
before dilution effects		7:06		0:78		7:90	
after dilution effects		7:06		0:78		7:90	
Earnings per share, SEK – owners of the Parent excluding divested operations							
before dilution effects		6:34		–0:50		6:87	
after dilution effects		6:34		–0:50		6:87	
Dividend per share, SEK		4:50[2]		4:20		4:00	
Earnings attributable to owners of the Parent		**4,956**	**570**	**548**	**61**	**5,552**	**583**
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	

* Packaging operations divested in June 2012 are recognized net on the line Profit from disposal group held for sale.

Consolidated statement of comprehensive income

SEKm	2012	2011	2010
Profit for the year	**5,000**	**607**	**5,592**
Other comprehensive income for the year			
Actuarial gains/losses on defined-benefit pension plans	–2,011	–3,512	523
Available-for-sale financial assets:			
Gains/losses from fair-value measurement recognized in equity	286	–352	328
Transferred to profit or loss upon sale	–	–	8
Cash flow hedges:			
Gains/losses from remeasurement of derivatives recognized in equity	–33	–172	711
Transferred to profit or loss for the period	–2	–308	–234
Transferred to cost of hedged investments	13	19	15
Exchange differences on translating foreign operations	–2,984	–684	–8,633
Gains/losses from hedges of net investments in foreign operations	1,134	–252	4,613
Income tax relating to components of other comprehensive income	480	1,023	–292
Other comprehensive income for the year, net after tax	**–3,117**	**–4,238**	**–2,961**
Total comprehensive income for the year	**1,883**	**–3,631**	**2,631**
Total comprehensive income attributable to:			
Owners of the Parent	1,908	–3,690	2,699
Non-controlling interests	–25	59	–68

By business area	Net sales[3]			Operating profit/loss[3], [4]		
SEKm	2012	2011	2010	2012	2011	2010
Personal Care	26,294	24,775	25,027	3,180	2,645	2,922
Tissue	42,375	39,118	39,870	4,640	3,150	3,041
Forest Products	18,283	20,003	19,830	1,363	2,423	2,915
Other	1,268	1,881	2,471	–537	–480	–383
Intra-Group deliveries	–2,812	–4,440	–4,467	–	–	–
Total	**85,408**	**81,337**	**82,731**	**8,646**	**7,738**	**8,495**

1) Average exchange rate of 8.70 (9.02; 9.53) was applied in translation to EUR.
2) Board proposal.
3) Retroactive adjustment for Forest Products due to the inclusion of two kraftliner mills after the divestment of the packaging operations.
4) Excluding items affecting comparability.

Consolidated statement of changes in equity

SEKm	2012	2011	2010
Attributable to owners of the Parent			
Opening balance, January 1	60,752	67,255	67,156
Total comprehensive income for the year	1,908	–3,690	2,699
Remeasurement effect upon acquisition of non-controlling interest	–4	–4	–1
Dividend	–2,950	–2,809	–2,599
Closing balance	**59,706**	**60,752**	**67,255**
Non-controlling interests			
Opening balance, January 1	539	566	750
Total comprehensive income for the year	–25	59	–68
Dividend	–49	–89	–58
Change in Group composition	–7	3	–58
Closing balance	**458**	**539**	**566**
Total equity, closing balance	**60,164**	**61,291**	**67,821**

For further information, see Note 24 Equity.

Consolidated operating cash flow statement, supplementary disclosure

	2012		2011		2010	
Group	**SEKm**	**EURm[1)]**	**SEKm**	**EURm[1)]**	**SEKm**	**EURm[1)]**
Net sales	85,408	9,815	81,337	9,013	82,731	8,679
Operating expenses	–71,995	–8,273	–68,770	–7,620	–69,273	–7,267
Operating surplus	**13,413**	**1,542**	**12,567**	**1,393**	**13,458**	**1,412**
Adjustment for significant non-cash items	–789	–91	–585	–65	–700	–74
Operating cash surplus	**12,624**	**1,451**	**11,982**	**1,328**	**12,758**	**1,338**
Change in						
Inventories	561	64	–500	–55	–1,449	–152
Operating receivables	1,411	162	–567	–63	–1,896	–199
Operating liabilities	–813	–93	402	44	2,602	273
Change in working capital	**1,159**	**133**	**–665**	**–74**	**–743**	**–78**
Current capital expenditures, net	–3,161	–363	–3,250	–360	–3,017	–316
Restructuring costs, etc.	–978	–113	–649	–72	–273	–29
Operating cash flow	**9,644**	**1,108**	**7,418**	**822**	**8,725**	**915**
Financial items	–1,264	–145	–1,325	–147	–1,145	–120
Income taxes paid	–1,193	–137	–850	–94	–1,189	–125
Other	84	9	63	7	99	11
Cash flow from current operations	**7,271**	**835**	**5,306**	**588**	**6,490**	**681**
Strategic capital expenditures and divestments						
Acquisitions	–14,872	–1,709	–983	–109	–484	–51
Strategic capital expenditures, non-current assets	–1,863	–214	–1,637	–181	–2,254	–236
Total strategic capital expenditures	**–16,735**	**–1,923**	**–2,620**	**–290**	**–2,738**	**–287**
Divestments	17,682	2,032	–15	–2	1,297	136
Cash flow from capital expenditures and divestments	**947**	**109**	**–2,635**	**–292**	**–1,441**	**–151**
Cash flow before dividend	**8,218**	**944**	**2,671**	**296**	**5,049**	**530**
Dividend to shareholders	–2,997	–344	–2,896	–321	–2,656	–279
Cash flow after dividend	**5,221**	**600**	**–225**	**–25**	**2,393**	**251**
Net cash flow from disposal group[3)]	468	54	1,109	123	726	76
Net cash flow	**5,689**	**654**	**884**	**98**	**3,119**	**327**

Net debt

	2012		2011		2010	
	SEKm	**EURm**	**SEKm[2)]**	**EURm[2)]**	**SEKm[2)]**	**EURm[2)]**
Net debt, January 1	**–36,648**	**–4,100**	**–34,406**	**–3,825**	**–40,430**	**–3,916**
Net cash flow	5,689	654	884	98	3,119	327
Remeasurements to equity	–1,847	–212	–3,505	–388	695	73
Exchange rate effects	–121	–167	379	15	2,210	–309
Net debt, December 31	**–32,927**	**–3,825**	**–36,648**	**–4100**	**–34,406**	**–3,825**

1) Average exchange rate of 8.70 (9.02; 9.53) was applied in translation to EUR.
2) Including net debt from the packaging operations divested in 2012.
3) Operating cash flow in Disposal group divested in June 2012 is recognized on one line as of 2012, with retroactive adjustment for 2011 and 2010.

Consolidated cash flow statement including the packaging operations divested in June 2012[1)]

Group	2012 SEKm	2012 EURm*	2011 SEKm	2011 EURm*	2010 SEKm	2010 EURm*
Operating activities						
Profit before tax	5,427	624	2,258	250	7,561	793
Adjustment for non-cash items 2)	6,130	704	10,093	1,118	5,751	603
	11,557	**1,328**	**12,351**	**1,368**	**13,312**	**1,396**
Paid tax	–1,303	–150	–961	–106	–1,255	–132
Cash flow from operating activities before changes in working capital	**10,254**	**1,178**	**11,390**	**1,262**	**12,057**	**1,264**
Cash flow from changes in working capital						
Change in inventories	495	57	–562	–62	–1,866	–196
Change in operating receivables	–607	–70	–894	–99	–3,197	–335
Change in operating liabilities	1,059	122	211	23	4,021	422
Cash flow from operating activities	**11,201**	**1,287**	**10,145**	**1,124**	**11,015**	**1,155**
Investing activities						
Acquisition of operations 3)	–14,144	–1,626	–932	–103	–458	–48
Divested operations 4)	17,068	1,962	109	12	1,205	126
Investments in property, plant and equipment and intangible assets 5)	–5,673	–652	–5,911	–655	–6,370	–668
Sale of property, plant and equipment	359	41	265	29	303	32
Loans granted to external parties	–1,081	–124	–179	–20	–	–
Repayment of loans to external parties	–	–	–	–	934	98
Cash flow from investing activities	**–3,471**	**–399**	**–6,648**	**–737**	**–4,386**	**–460**
Financing activities						
Loans raised	–	–	294	33	–	–
Amortization of debt	–5,421	–623	–	–	–7,179	–753
Dividend paid**	–2,999	–344	–2,898	–321	–2,657	–279
Cash flow from financing activities	**–8,420**	**–967**	**–2,604**	**–288**	**–9,836**	**–1,032**
Cash flow for the year	**–690**	**–79**	**893**	**99**	**–3,207**	**–337**
Cash and cash equivalents at the beginning of the year	2,752	308	1,866	207	5,148	499
Exchange differences in cash and cash equivalents	–45	5	–7	2	–75	45
Cash and cash equivalents at the end of the year 6)	**2,017**	**234**	**2,752**	**308**	**1,866**	**207**

* Average exchange rate of 8.70 (9.02; 9.53) was applied in translation to EUR.
** Including dividend to non-controlling interests.

1) Of which packaging operations divested in June 2012, SEKm	2012	2011	2010
Operating activities			
Profit before tax	679	1,284	938
Adjustment for non-cash items	408	981	966
	1,087	**2,265**	**1,904**
Paid tax	–110	–111	–66
Cash flow from operating activities before changes in working capital	**977**	**2,154**	**1,838**
Change in working capital	–213	–580	–299
Cash flow from operating activities	**764**	**1,574**	**1,539**
Cash flow from investing activities	**–321**	**–678**	**–754**
Dividend	–2	–2	–1
Other cash flow from financing activities	–39	–521	–313
Cash flow from financing activities	**–41**	**–523**	**–314**
Cash flow for the year	**402**	**373**	**471**

2) Adjustment for non-cash items, SEKm	2012	2011	2010
Depreciation/amortization and impairment of non-current assets	6,058	11,235	6,442
Fair-value measurement of forest assets	–643	–623	–629
Gain on divestments	851	25	–
Unpaid relating to efficiency program	479	15	577
Payments relating to efficiency program already recognized	–382	–408	–482
Other	–233	–151	–157
Total	**6,130**	**10,093**	**5,751**

3) Acquisition of operations, SEKm	2012	2011	2010
Intangible assets	3,077	–	–
Non-current assets	7,357	819	415
Operating assets	4,987	125	116
Cash and cash equivalents	941	11	3
Provisions and other non-current liabilities	–1,447	–27	–112
Net debt excl. cash and cash equivalents	–728	–51	–35
Operating liabilities	–3,263	–90	–31
Non-controlling interests	–	–3	–
Non-current assets held for sale	911	–	–
Fair value of net assets	**11,835**	**784**	**356**
Goodwill	3,353	314	83
Consolidated value of share in associates	–88	–	–
Revaluation of previously owned share	–15	–	–
Acquisition price	**15,085**	**1,098**	**439**
Acquisition price	– 15,085	– 1,098	–439
Unpaid purchase price related to acquisition	–	155	–
Settled debt pertaining to acquisitions in earlier years	–	–	–22
Cash and cash equivalents in acquired companies	941	11	3
Effect on Group's cash and cash equivalents, acquisition of operations	**–14,144**	**–932**	**–458**

4) Divested operations, SEKm	2012	2011	2010
Non-current assets	384	47	1,262
Operating assets	1,417	–	853
Non-current assets held for sale	3,378	–	–
Operating assets in disposal group	21,096	580	–
Cash and cash equivalents	153	–	135
Cash and cash equivalents in disposal group	200	22	–
Net debt excl. cash and cash equivalents	8	–	–92
Net debt in disposal group excl. cash and cash equivalents	–617	–56	–
Provisions	–583	–	–19
Operating liabilities	–767	–48	–742
Operating liabilities in disposal group	–6,377	–261	–
Non-controlling interests	–	–	–58
Gain/loss on sale*)	–866	–14	1
Loss in disposal group on sale*)	–5	–19	–
Purchase price received after divestment costs	**17,421**	**251**	**1,340**
Less:			
Unpaid purchase consideration in disposal group	–	–109	–
Cash and cash equivalents in divested companies	–153	0	–135
Cash and cash equivalents in disposal group	–200	–22	–
Cash and cash equivalents in disposal group upon reclassification of joint ventures to associates	–	–11	–
Effects on the Group's cash and cash equivalents, Divested operations (Consolidated cash flow statement)	**17,068**	**109**	**1,205**

*) 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.

5) Investments in intangible assets and property, plant and equipment

Payments due to investments in intangible assets, property, plant and equipment, and biological assets totaled SEK 5,673m (5,911; 6,370). In addition, investments amounting to SEK 0m (11; 7) were financed through finance leases. Of total investments of SEK 5,673m (5,922; 6,377) including finance leases, SEK 1,987m (1,910; 2,427) relates to expansion investments and SEK 3,686m (4,012; 3,950) to current expenditures.

6) Cash and cash equivalents, SEKm	2012	2011	2010
Cash and bank balances	1,717	1,121	1,291
Short-term investments, maturity < 3 months	300	1,631	575
Total	**2,017**	**2,752**	**1,866**

The Group's total liquidity reserve at year-end amounted to SEK 19,548m (23,768; 30,259), including unutilized lines of credit of SEK 17,531m (21,016; 28,393).

Interest paid, SEKm	2012	2011	2010
Interest paid	–1,437	–1,383	–1,328
Interest received	84	45	43
Total	**–1,353**	**–1,338**	**–1,285**

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

Cash flow from operating activities

SEKm	2012	2011	2010
Cash flow from operating activities	11,201	10,145	11,015
Less			
Cash flow from operating activities in disposal group	–764	–1,574	–1,539
Add			
Current capital expenditures	–3,161	–3,250	–3,017
Accrued interest	–4	–15	31
Less accrued interest in disposal group	–1	–	–
Cash flow from current operations as shown in the operating cash flow statement	**7,271**	**5,306**	**6,490**

Cash flow from investing activities

SEKm	2012	2011	2010
Cash flow from investing activities	–3,471	–6,648	–4,386
Less			
Cash flow from investing activities in disposal group	321	678	754
Current capital expenditures	3,161	3,250	3,017
Loans granted to external parties	1,081	179	–
Less cash flow from loans granted to external parties in disposal group	–26	–17	–
Repayment of loans from external parties	–	–	–934
Less repayment of loans from external parties in disposal group	–	–	58
Add			
Net debt in acquired and divested operations	–119	132	57
Less net debt in acquired and divested operations in disposal group	–	–198	–
Investments financed by leasing	–	–11	–7
Cash flow from strategic capital expenditures and divestments according to the operating cash flow statement	**947**	**–2,635**	**–1,441**

Cash flow for the year

SEKm	2012	2011	2010
Cash flow for the year	–690	893	–3,207
Less			
Loans granted to external parties	1,081	179	–
Repayment of loans from external parties	–	–	–934
Amortization of debt	5,421	–	7,179
Loans raised	–	–294	–
Add			
Net debt in acquired and divested operations	–119	132	57
Accrued interest	–4	–15	31
Investments through finance leases	–	–11	–7
Net cash flow according to Consolidated operating cash flow statement	**5,689**	**884**	**3,119**

Consolidated balance sheet

Group	Note	31 Dec. 2012 SEKm	31 Dec. 2012 EURm[1]	31 Dec. 2011 SEKm	31 Dec. 2011 EURm[1]	31 Dec. 2010 SEKm	31 Dec. 2010 EURm[1]
ASSETS							
Non-current assets							
Goodwill	10	12,169	1,414	9,433	1,055	17,688	1,966
Other intangible assets	10	5,460	634	2,629	294	3,270	363
Buildings, land, machinery and equipment	11	46,702	5,425	42,599	4,766	56,167	6,243
Biological assets	12	27,503	3,195	26,729	2,991	26,069	2,898
Participations in associates	13	2,457	285	1,067	119	1,021	113
Shares and participations	14	60	7	69	8	77	9
Surplus in funded pension plans	26	682	79	2	0	1,056	118
Non-current financial assets	17	2,932	341	2,081	233	2,198	244
Deferred tax assets	9	818	95	715	80	1,169	130
Other non-current assets		87	10	187	21	194	21
Total non-current assets		**98,870**	**11,485**	**85,511**	**9,567**	**108,909**	**12,105**
Current assets							
Inventories	19	11,264	1,308	11,009	1,232	12,511	1,391
Trade receivables	20	14,105	1,639	11,548	1,292	15,616	1,736
Current tax assets	9	517	60	377	42	547	61
Other current receivables	21	2,653	308	2,643	295	3,216	357
Current financial assets	22	168	20	292	33	220	24
Non-current assets held for sale	23	1,937	225	3,379	378	93	10
Cash and cash equivalents	22	2,017	234	2,644	296	1,866	207
Total current assets		**32,661**	**3,794**	**31,892**	**3,568**	**34,069**	**3,786**
Assets in disposal group held for sale	3	–	–	21,601	2,417	–	–
Total assets		**131,531**	**15,279**	**139,004**	**15,552**	**142,978**	**15,891**
EQUITY AND LIABILITIES							
Equity	24						
Owners of the Parent							
Share capital		2,350	273	2,350	263	2,350	261
Other capital provided		6,830	793	6,830	764	6,830	677
Reserves		–3,691	–429	–2,170	–243	–543	–60
Retained earnings		54,217	6,299	53,742	6,013	58,618	6,597
		59,706	**6,936**	**60,752**	**6,797**	**67,255**	**7,475**
Non-controlling interests		458	53	539	60	566	63
Total equity		**60,164**	**6,989**	**61,291**	**6,857**	**67,821**	**7,538**
Non-current liabilities							
Non-current financial liabilities	25	23,759	2,760	27,711	3,100	23,459	2,608
Provisions for pensions	26	4,861	565	3,301	370	3,108	345
Deferred tax liabilities	9	9,107	1,058	9,350	1,046	10,800	1,201
Other non-current provisions	27	814	94	640	72	553	61
Other non-current liabilities	28	199	23	217	24	238	26
Total non-current liabilities		**38,740**	**4,500**	**41,219**	**4,612**	**38,158**	**4,241**
Current liabilities							
Current financial liabilities	25	9,955	1,156	9,266	1,037	13,047	1,450
Trade payables		12,325	1,432	10,866	1,216	13,574	1,509
Current tax liabilities	9	378	44	247	28	388	43
Current provisions	27	937	109	629	70	894	99
Other current liabilities	29	9,032	1,049	7,885	882	9,096	1,011
Total current liabilities		**32,627**	**3,790**	**28,893**	**3,233**	**36,999**	**4,112**
Liabilities in disposal group held for sale	3	–	–	7,601	850	–	–
Total liabilities		**71,367**	**8,290**	**77,713**	**8,695**	**75,157**	**8,353**
Total equity and liabilities		**131,531**	**15,279**	**139,004**	**15,552**	**142,978**	**15,891**

Contingent liabilities and pledged assets, see Notes 32 and 33.

Capital employed	93,091	10,814	97,939[2]	10,957[2]	102,227[2]	11,363[2]
Net debt	32,927	3,825	36,648[3]	4,100[3]	34,406[3]	3,825[3]

[1] Closing exchange rate of 8.61 (8.94; 9.00) was applied in translation to EUR.
[2] Including capital employed in the packaging operations divested in June 2012.
[3] Including net debt in the packaging operations divested in June 2012.

Financial statements, Parent Company

Income statement

SEKm	Note	2012	2011
Administrative expenses		–493	–630
Other operating income		98	174
Other operating expenses		–95	–171
Operating loss	34, 35, 36	**–490**	**–627**
Financial items	37		
Result from participations in Group companies		7,517	5,436
Result from participations in other companies		43	–5
Interest income and similar profit items		939	629
Interest expenses and similar loss items		–3,718	–3,305
Total financial items		**4,781**	**2,755**
Profit after financial items		**4,291**	**2,128**
Appropriations	38	–12	–13
Tax on profit for the year	39	–226	173
Net profit for the year		**4,053**	**2,288**

Statement of comprehensive income

SEKm	2012	2011
Net profit for the year	**4,053**	**2,288**
Other comprehensive income	–	–
Total comprehensive income	**4,053**	**2,288**

Cash flow statement

SEKm	2012	2011
Operating activities		
Profit after financial items	4,291	2,128
Adjustment for non-cash items [1]	–345	150
	3,946	**2,278**
Income taxes paid	0	0
Cash flow from operating activities before changes in working capital	**3,946**	**2,278**
Cash flow from changes in working capital		
Change in operating receivables [2]	–1,978	4,684
Change in operating liabilities [2]	–359	–3,963
Cash flow from operating activities	**1,609**	**2,999**
Investing activities		
Acquisition of subsidiaries	–474	–370
Repayment of equity from subsidiaries	860	–
Acquisition of non-current assets	–299	–212
Sale of property, plant and equipment	52	25
Cash flow from investing activities	**139**	**–557**
Financing activities		
Loans raised	1,201	367
Dividend paid	–2,949	–2,809
Cash flow from financing activities	**–1,748**	**–2,442**
Cash flow for the year	**0**	**0**
Cash and cash equivalents at the beginning of the year	0	0
Cash and cash equivalents at the end of the year [3]	0	0

1)

Adjustment for non-cash items	**2012**	**2011**
Depreciation/amortization of non-current assets	58	53
Change in accrued items	–290	83
Other	–113	14
Total	**–345**	**150**

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

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

Supplementary disclosures

Interest and dividends paid and received	2012	2011
Dividends received	3,643	3,839
Group contribution received	2,364	6,910
Group contribution paid	–623	–4,692
Interest paid	–3,215	–2,795
Interest received	472	265
Total	**2,641**	**3,527**

Balance sheet

SEKm	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Fixed assets			
Capitalized development costs		1	1
Intangible fixed assets	40	**1**	**1**
Land and buildings		6,711	6,490
Machinery and equipment		13	14
Tangible fixed assets	41	**6,724**	**6,504**
Participations	42	124,253	124,484
Receivables from subsidiaries	43	427	2,894
Other long-term receivables		124	125
Financial fixed assets		**124,804**	**127,503**
Total fixed assets		**131,529**	**134,008**
Current assets			
Receivables from subsidiaries	43	3,297	1,394
Current income taxes	39	18	18
Other current receivables	44	165	100
Cash and cash equivalents		0	0
Total current assets		**3,480**	**1,512**
Total assets		**135,009**	**135,520**

SEKm	Note	31 Dec. 2012	31 Dec. 2011
EQUITY, PROVISIONS AND LIABILITIES			
Equity	45		
Share capital		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		35,289	35,950
Net profit for the year		4,053	2,288
Total non-restricted equity		**39,342**	**38,238**
Total equity		**50,338**	**49,234**
Untaxed reserves	38	**181**	**169**
Provisions			
Provisions for pensions	46	536	491
Provisions for taxes	39	649	423
Other provisions		9	1
Total provisions		**1,194**	**915**
Non-current liabilities			
Liabilities to subsidiaries	43	2,100	2,181
Non-current interest-bearing liabilities	47	13,493	13,630
Other non-current liabilities		0	0
Total non-current liabilities		**15,593**	**15,811**
Current liabilities			
Liabilities to subsidiaries	43	67,303	68,935
Accounts payables		24	87
Other current liabilities	48	376	369
Total current liabilities		**67,703**	**69,391**
Total equity, provisions and liabilities		**135,009**	**135,520**
Contingent liabilities	49	19,972	22,286
Pledged assets	50	156	156

Change in equity (Refer also to Note 45)

SEKm	Share capital	Revaluation reserve	Statutory reserve	Retained earnings and net profit for the year	Total equity
Equity at December 31, 2010	**2,350**	**1,363**	**7,283**	**38,759**	**49,755**
Profit for the year				2,288	2,288
Dividend, SEK 4.00 per share				–2,809	–2,809
Equity at December 31, 2011	**2,350**	**1,363**	**7,283**	**38,238**	**49,234**
Profit for the year				4,053	4,053
Dividend, SEK 4.20 per share				–2,949	–2,949
Equity at December 31, 2012	**2,350**	**1,363**	**7,283**	**39,342**	**50,338**

Notes

1 Accounting principles

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

BASIS FOR PREPARATION

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

The Parent Company's financial statements are prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2, Reporting by Legal Entities, and the Annual Accounts Act. The accounts for both the Group and the Parent Company pertain to the fiscal year that ended on December 31, 2012. 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/loss or in other comprehensive income. In the Parent Company, biological assets or the aforementioned financial assets and liabilities are not measured at fair value.

INTRODUCTION OF NEW AND REVISED IAS/IFRS

New IAS/IFRS standards and amendments (IAS/IFRS) and interpretations (IFRIC) that came into effect in 2012 and were adopted by the EU:

The below amendments of standards (IAS/IFRS) and new and amended interpretations (IFRIC) came into effect in 2012 and were adopted by the EU. None of these had any material impact on SCA's financial reporting.

- IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets
- IFRS 7 Financial Instruments: Disclosures relating to new disclosure requirements for transfer of financial assets

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

- IAS 19 Employees Benefits was revised in June 2011. The change mainly comprises the removal of the corridor approach and that interest expenses and expected return on plan assets will be replaced by a net interest figure calculated using the discounting rate, based on the net surplus or deficit in the defined-benefit plan. The Group intends to apply the revised standard for the fiscal year commencing on January 1, 2013. For SCA, which already applies immediate recognition of actuarial gains and losses, the revision imposes a restriction insofar as the return on plan assets in profit or loss is limited to a predetermined discounting rate instead of the company's long-term expectation of the actual return on plan assets, as is currently applied. For 2012, the amended interest calculation would have reduced profit for the year by SEK 205m.
- IFRS 9 Financial Instruments relates to the classification, measurement and recognition of financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and October 2010 for financial liabilities and replaces those parts of IAS 39 related to classification and measurement of financial instruments. IFRS 9 states that financial assets must be classified in two categories: Fair value and measurement at amortized cost. The classification is determined at initial recognition based on the company's business model and the characteristic conditions in the contractual cash flows. For financial liabilities, no major changes take place compared with IAS 39. The most significant change relates to liabilities identified at fair value. For these, the portion of the fair value change arising from own credit risk is to be recognized in other comprehensive income instead of profit or loss provided that this does not give rise to an accounting mismatch. The Group intends to implement the new standard not later than the fiscal year commencing January 1, 2015 and has not yet evaluated its impact. The standard has not yet been adopted by the EU.
- IFRS 10 Consolidated Financial Statements is based on already existing principles defining control as the decisive factor in determining whether a company is to be included in the consolidated accounts. The definition of control is based upon the premise that the owner has the ability to control the company, is entitled to a return and has the power to influence the activities that impact return. The standard provides further guidance should it not be clear whether there is a controlling influence. The Group intends to apply IFRS 10 for the fiscal year commencing January 1, 2014. Based on the current Group structure, IFRS 10 is not expected to have a material impact, although it may influence future acquisitions.
- IFRS 11 Joint Arrangements is a new standard for classification of joint arrangements as joint ventures or joint operations. Decisive for the classification is how the rights and obligations are shared by the parties in a joint arrangement. In joint operations, parties to the agreement have rights to the assets and obligations for the liabilities associated with the investment, meaning that the operator must account for its share of the assets, liabilities, revenues and costs according to the proportional method. A joint venture entitles the joint owners to the net assets of the investment. In the future, joint ventures will be recognized in accordance with the equity method. The Group intends to apply IFRS 11 for the fiscal year commencing January 1, 2014. As of 2014, most of the company's joint ventures will be recognized in accordance with the equity method, which will mainly entail lower sales of approximately 5%.
- IFRS 12 Disclosures of Interests in Other Entities includes the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group intends to apply IFRS 12 for the fiscal year commencing January 1, 2014. The standard will increase the number of disclosures in the Group's 2014 Annual Report.
- IFRS 13 Fair Value Measurement aims to improve consistency and reduce complexity in the application of fair value measurement by providing a precise definition and a shared source in IFRS for fair value measurements and the associated disclosures. The requirements do not expand the area of application for when fair value is required to be used, but provide guidance on how it should be applied when other IFRSs already require or permit fair value measurement. The standard is not expected to have a material impact on the Group. The Group intends to apply the new standard for the fiscal year commencing January 1, 2013.

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

- IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
- IFRS 1 Government loans – amendments to IAS 1
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

USE OF ASSESSMENTS

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

CONSOLIDATED ACCOUNTS

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

Parent Company:

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

Subsidiaries

All companies in which the Group holds or controls more than 50% of the votes or where the Group alone, through agreement or in another manner, exercises control, are consolidated as subsidiaries. The consolidated financial statements are prepared in accordance with the purchase method. In business combinations, acquired assets and assumed liabilities are identified and classified, and measured at fair value on the date of acquisition (also known as a purchase price allocation). In step acquisitions when a controlling interest is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. The effects of the remeasurement upon payment of the liability related to a contingent consideration are recognized in profit for the period. If the controlling influence is lost upon divestment, the result is recognized in profit or loss; any residual holding in the divested business is then measured at fair value on the date of divestment and the effect is also recognized in profit or loss. Transaction costs in conjunction with acquisitions are not included in cost, but rather expensed directly.

Joint ventures

Joint ventures are defined as companies in which SCA together with other parties through an agreement, has shared control over operations. Joint ventures are recognized according to the proportional consolidation method. Measurement of acquired assets and liabilities is carried out in the same way as for subsidiaries.

Associates

Associates are companies in which the Group exercises a significant influence without the partly owned company being a subsidiary or a joint venture. 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 on one line in the consolidated income statement. Share in profits is calculated on the basis of SCA's share of equity in the respective associate.

Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity. Profit or loss and every component of other comprehensive income are attributable to the owners of the Parent and to non-controlling interests. Losses attributable to non-controlling interests are recognized even if this results in a negative balance for the 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.

TRANSLATION OF FOREIGN CURRENCY

Functional currency and presentation currency

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

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

Translation of foreign Group companies

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

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

Exchange differences arising on the financial instruments held to hedge these net assets are also taken directly to consolidated equity under other comprehensive income. When a foreign operation is divested, both translation differences and exchange differences in financial instruments held for the currency hedging of net assets in the income statement are recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments that arise on acquisition are treated as assets and liabilities of the operation and translated according to the same principles as the foreign operation. The financial statements of a subsidiary in a hyperinflationary country are adjusted for inflation using the price index for the country in question before these statements are included in the consolidated financial statements.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCY

Transactions in foreign currency are translated to a functional currency using the exchange rate prevailing on the transaction date. Monetary receivables and liabilities in foreign currency are remeasured at closing date rates at each balance sheet date. Exchange gains or losses that arise from such remeasurement and on payment of the transaction are recognized in profit or loss, except for – as stated in IAS 39 – approved hedging transactions relating to cash flows or net investments where the gain or loss is recognized in equity under other comprehensive income. Gains and losses on operating receivables and liabilities are recognized net and reported within operating profit. Gains and losses on borrowing and financial investments are recognized as other financial items. Change in the fair value of monetary securities issued in foreign currency and classified as available-for-sale financial assets is analyzed and the change attributable to changed exchange rates is recognized in profit or loss, while other unrealized change is recognized in equity under other comprehensive income. Translation differences for non-monetary financial assets and liabilities valued at fair value through profit or loss are recognized as part of the fair value gain or loss. Translation differences for non-monetary financial assets, classified as available-for-sale assets are taken directly to equity under other comprehensive income. Non-monetary assets and liabilities recognized at historical cost are translated at the exchange rate prevailing on the transaction date.

REVENUE RECOGNITION

Sales revenue, synonymous with net sales, comprises the fair value of the consideration received or receivable for sold goods and services within the Group's ordinary activities. Revenue is recognized when delivery to the customer has taken place according to the terms of the sale. Other income includes compensation for sales that are not included in the Group's ordinary activities and includes rental revenue, which is recognized in the period covered by the rental contract, royalties and similar items, which are recognized in accordance with the implied financial effect of the contract. Interest income is recognized in accordance with the effective interest method. Dividends received are recognized when the right to receive a dividend has been established.

SEGMENT REPORTING

Operating segments are recognized in a manner that complies with the internal reporting submitted to the highest authority in the decision-making base. The highest authority in the decision-making base is the function that is responsible for allocating resources and assessing the result of the operating segments. At SCA, this function has been identified as the company's President, who is responsible for and manages the day-to-day administration of the Group in accordance with the Board's guidelines and terms of reference. The Executive Vice President and Corporate Senior Management support him in his work; see the section Responsibility and governance, Corporate governance on pages 46–47. SCA's three business areas, Personal Care, Tissue and Forest Products, comprise the operating segments.

LEASING

Leases for non-current assets in which the Group essentially carries all the risks and rewards incidental to ownership of an asset are classified as finance leases. The leased asset is recognized as a non-current asset and a corresponding financial liability is recognized among interest-bearing liabilities. The initial value of both these items comprises the lower of the fair value of the assets or the present value of the minimum lease payments. Future lease payments are divided between amortization of the liability and financial expenses, so that each reporting period is charged with an interest amount that corresponds to a fixed interest rate on the recognized liability for the respective period. The leased asset is depreciated according to the same principles that apply to other assets of the same nature. If it is uncertain whether the asset will be taken over at the end of the leasing period, the asset is depreciated over the lease term if this is shorter than the useful life that applies to other assets of the same nature. Leases for assets in which the risks and rewards incidental to ownership are essentially carried by the lessor are classified as operating leases. The lease payments are recognized as an expense on a straight-line basis over the lease term.

Parent Company:
The Parent Company reports all leases as operating leases.

IMPAIRMENT LOSSES

Assets that have an indefinite useful life are not depreciated, but are annually tested for impairment. The value of depreciated assets is tested for impairment whenever there are indications that the carrying amount might not be recoverable. In cases in which the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognized on the asset down to the recoverable amount. An impairment loss recognized earlier is reversed, if the reasons for the earlier impairment no longer exist. However, a reversal is not higher than the carrying amount would have been if an impairment loss had not been recognized in previous years. When testing for impairment of goodwill, the assets are grouped in cash-generating units and assessments are made on the basis of these units' future cash flows. Impairment losses on goodwill are never reversed.

TAXES

The Group's tax expense comprises deferred tax and current tax on Group companies' recognized profits during the accounting period, adjustments relating to tax for prior periods as well as other changes in deferred taxes for the period. Interest items attributable to income tax and withholding taxes deducted at source on intra-Group transactions are also recognized as income tax. Deferred tax is calculated and recognized on all temporary differences between the tax base and the carrying amount. Deferred tax assets relating to deductible temporary differences, loss carryforwards and tax credits are recognized to the extent it is probable that deductions can be made against future profits.

Deferred tax is not recognized for non-deductible goodwill, or for temporary differences that arise on initial recognition of an asset or liability, and which are not attributable to a business combination and do not affect either recognized profit or taxable profit.

Deferred taxes are measured at their nominal amount and based on the tax rates enacted or substantively enacted on the balance sheet date. For items recognized in profit or loss, related tax effects are also recognized in profit or loss. For items recognized in equity under other comprehensive income, related tax effects are also recognized in equity under other comprehensive income. Deferred taxes relating to temporary differences attributable to investments in subsidiaries and participations in joint ventures are not recognized in SCA's consolidated financial statements since SCA AB, in all cases, can control the time of reversal of the temporary differences and it is not considered probable that such reversal will occur in the near future.

Parent Company:
Due to the links between accounting and taxation, the deferred tax liability on untaxed reserves in the Parent Company is recognized in the Parent Company's annual accounts as a component of untaxed reserves.

1 Accounting principles, cont.

INTANGIBLE ASSETS

Goodwill

The compensation transferred in a business combination is measured at fair value. In connection with a business combination when the consideration transferred, any non-controlling interests and the fair value of previous shares of equity (for step acquisitions) exceeds the fair value of the acquired net assets, the difference is recognized as goodwill. When this difference is negative, the amount is recognized in profit or loss. Acquisitions of non-controlling interests are measured on an acquisition-by-acquisition basis, either as a proportional share of the fair value of identifiable net assets excluding goodwill (partial goodwill) or at fair value, which means that goodwill is also recognized on non-controlling interests (full goodwill). Goodwill that arises in acquisitions of associates is included in the carrying amount of the associate. Goodwill is distributed to the cash-generating units within each operating segment that is expected to benefit from the business combination for which the goodwill arose. Goodwill is tested annually for any impairment requirement. Goodwill is recognized at cost reduced by accumulated impairment losses. Impairment losses on goodwill are not reversed. Net gains or losses from the sale of Group companies include the remaining carrying amount of the goodwill attributable to the divested unit.

Trademarks

Trademarks are recognized at cost after any accumulated amortization and accumulated impairments. Trademarks that are found to have an indefinite useful life are not amortized, but instead tested annually for impairment in the same manner as goodwill. Cash-generating units identified for these trademarks comprise the geographical market where the trademark exists. Trademarks with a limited useful life are amortized on a straight-line basis during their anticipated useful life, which varies between three and seven years.

Research and development

Research expenditure is recognized as an expense as incurred. In cases in which it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately. Identifiable expenditure for development of new products and processes is capitalized to the extent it is expected to provide future economic benefits. In other cases, development costs are expensed as incurred. Capitalized expenditure is depreciated in a straight line from the date when the asset starts to be used or produces commercially and during the estimated useful life of the asset. The depreciation period is between five and ten years.

Emission allowances and costs for carbon dioxide emissions

Emission allowances relating to carbon dioxide emissions are recognized as an intangible asset and as deferred income (liability) when they are received. Allowances are received free of charge and measured and recognized at market value as of the date to which the allocation pertains. For allocated emission allowances, the recognized cost and provisions for emissions amount to the market value as of the date to which the allocation pertains. For purchased emission allowances, the recognized cost and provisions for emissions amount to the purchase price. During the year, the initial liability for emission allowances received is dissolved over profit or loss as income in pace with carbon dioxide emissions made. If the market price of emission allowances on the balance sheet date is less than recognized 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. If the emission allowances received do not cover emissions made, SCA makes a provision for the deficit valued at the market value on the balance sheet date. Sales of surplus emission allowances are recognized as income on the settlement date.

Other intangible assets

Intangible assets also include patents, licenses and other rights. At acquisition of such assets, the cost of the acquisition is recognized as an asset and amortized on a straight-line basis over the anticipated useful life, which varies between 3 and 20 years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost after deduction for accumulated depreciation and any accumulated impairment. Cost includes expenditure that can be directly attributed to the acquisition of the asset as well as transfer from equity of the gains and losses from approved cash flow hedges relating to purchases in foreign currency of property, plant and equipment. The cost of properties and production facilities included in major projects includes, unlike costs for other investments, expenditure for running-in and start-up. Expenditure for interest during the construction and assembly period is included in cost for qualifying investment projects. All expenditure for new investments in progress is capitalized. All other forms of repair and maintenance are recognized as expenses in profit or loss in the period in which they are incurred. Land is regarded as having an indefinite useful life and is therefore not depreciated. Depreciation of other property, plant and equipment is performed on a straight-line basis down to the estimated residual value of the asset and during the anticipated useful life of the asset. Useful lives are assessed as:

	Number of years
Pulp and paper mills, sawmills	10–25
Converting machines, other machinery	7–18
Tools	3–10
Vehicles	4–5
Buildings	15–50
Energy plants	15–30
Computers	3–5
Office equipment	5–10
Harbors, railways	20–30
Land improvements, forest roads	10–20

The residual values and useful lives of assets are tested on a continuous basis and adjusted when required.

Parent Company:

The Parent Company's property, plant and equipment, which are recognized in accordance with the Group's accounting principles, include standing timber, which in the Group is classified as a biological asset. No systematic depreciation or changes in value in conjunction with felling is carried out in the Parent Company. Collective revaluation of forest assets has occurred. The revaluation amount was placed in a revaluation reserve in equity.

BIOLOGICAL ASSETS

The Group's standing timber is defined and recognized as a biological asset. Forest land and forest roads are classified as land and land improvements. The biological assets are measured and recognized at fair value after deduction for estimated selling costs. The change in value is recognized in profit or loss. The fair value of the Group's standing timber is calculated as the present value of anticipated future cash flow from the assets before tax. The calculation is based on existing, sustainable felling plans and assessments regarding growth, timber prices, felling costs and silviculture costs, including costs for statutory replanting. Environmental restrictions and other limitations are taken into account and the calculation is performed for a production cycle that SCA estimates at an average of 100 years. The discount factor is based on a normal forest company's weighted average cost of capital (WACC).

Parent Company:

The Parent Company reports standing timber as property, plant and equipment at historical cost.

FINANCIAL INSTRUMENTS

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

Recognition in and derecognition from the balance sheet

Purchases and sales of financial instruments are recognized in the financial statements on the trade date, with the exception of loan receivables, available-for-sale financial assets and other financial liabilities, all of which are recorded on the settlement date. Financial instruments are initially recognized at cost, which corresponds to the fair value of the instrument including transaction costs. Financial assets are derecognized from the balance sheet when the risk and the right to receive cash flows from the instrument have ceased or been transferred to another counterparty. Financial liabilities are derecognized from the balance sheet when SCA has met its commitments or they have been otherwise extinguished. SCA reports financial instruments with a remaining maturity of less than 12 months as current assets and liabilities and those that exceed 12 months as non-current assets and liabilities. The duration of utilized loans under syndicated lines of credit are recognized with the same duration as the line of credit. Recognition takes place on the basis of the categories specified below.

Measurement

The fair value of financial instruments is calculated on the basis of prevailing market listings on the balance sheet date. For financial assets and listed securities, the actual prices on the balance sheet date are used. In the absence of market listings, SCA determines fair values with the aid of common valuation models, such as discounting of future cash flows to listed market rates for each duration. These calculated cash flows are established based on available market information. Impairment of financial assets takes place when there is objective proof of impairment, such as cessation of an active market or where it is probable that the debtors cannot meet their commitments. For disclosures in a note relating to non-current loans, current market interest rates and an estimate of SCA's risk premium are taken into account in fair value calculations. The fair value of short-term loans and investments is considered to correspond to the carrying amount, since a change in market interest rates does not have a significant effect on market value.

Cash and cash equivalents
Cash and cash equivalents are defined as cash and bank balances as well as short-term investments with a maturity of less than three months from the acquisition date. Restricted deposits are not included in cash and cash equivalents.

Classification and subsequent recognition
Classification of financial instruments is determined on the original acquisition date, and the purpose of the transaction determines the choice of category. SCA classifies its financial instruments in the categories below.

Financial assets at fair value through profit or loss
Assets are classified in this category when the intention is to sell in the short term. Derivatives with a positive market value are classified in this category if they are not identified as hedges and meet the requirements for hedge accounting. Assets in this category are recognized continuously at fair value and changes in value are recognized in profit or loss. Only financial derivatives were classified in this category during the year.

Held-to-maturity investments
Held-to-maturity investments are defined as financial assets that are not derivatives and that have fixed or determinable payments and that SCA intends and is able to hold to maturity. Assets in this category are measured at amortized cost applying the effective interest method, which means they are accrued so that a constant return is obtained.

Loans and trade receivables
Loans and trade receivables are financial assets, which are not derivatives, with fixed or determinable payments, that are not quoted in an active market. Receivables arise when SCA provides money, goods or services directly to another party without any intention of conducting trading in the receivables. Assets in this category are measured at amortized cost less a potential provision for impairment. Trade receivables are recognized in the amount at which they are expected to be paid, based on an individual assessment of bad debts. Any impairment of trade receivables affects SCA's operating profit.

Available-for-sale financial assets
This category includes financial assets that are not derivatives and that are designated in this category at initial recognition or that have not been classified in any other category. Assets in this category are measured continuously at fair value. Changes in value are recognized in equity under other comprehensive income. A change attributable to exchange rate movements, however, is recognized in profit or loss. When the asset is sold, the cumulative gain or loss that was recognized in equity is recognized in profit or loss.

Financial liabilities at fair value through profit or loss
This category includes derivatives with negative fair values that are not used for hedge accounting and financial liabilities held for trading. Liabilities in this category are continuously measured at fair value and changes in value are recognized in profit or loss. Only derivatives were classified in this category during the year.

Financial liabilities measured at amortized cost
This category includes financial liabilities that are not held for trading. These are recognized initially at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method.

Accounting for derivatives used for hedging purposes
All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below. In hedge accounting, the relationship between the hedge instrument and the hedged item is documented. Assessment of the effectiveness of the hedge is also documented, both when the transaction is initially executed and on an ongoing basis. Hedge effectiveness is the extent to which the hedging instrument offsets changes in value in a hedged item's fair value or cash flow.

Cash flow hedges
Gains and losses on remeasurement of derivatives intended for cash flow hedging are recognized in equity under other comprehensive income and reversed to profit or loss at the rate at which the hedged cash flow affects profit or loss. Any ineffective part of the change in value is recognized directly in profit or loss. If a hedge relationship is 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.

Hedges of net investments in foreign operations
Gains and losses on remeasurement of derivatives intended to hedge SCA's net investments in foreign operations are recognized in equity under other comprehensive income. The cumulative gain or loss in equity is recognized in profit or loss in the event of divestment of the foreign operation.

Fair value hedges
The gain or loss from remeasurement of a derivative relating to fair value hedges is recognized in profit or loss with changes in fair value of the asset or liability exposed to the hedged risk. For SCA, this means that non-current loans that are subject to hedge accounting are discounted without a credit spread to market interest rates and meet inherent interest rate derivatives' discounted cash flows at the same rate. Since the entire change in value from the derivative is recognized directly in profit or loss, any ineffectiveness is recognized on an ongoing basis in profit or loss.

Financial hedges
When SCA conducts hedges and the transactions do not meet requirements for hedge accounting according to IAS 39, changes in fair value of the hedging instrument are recognized directly in profit or loss.

INVENTORIES
Inventories are recognized at the lower of cost and net realizable value on the balance sheet date. Cost is calculated using the first-in, first-out (FIFO) or weighted average cost formula. However, the cost of goods produced and segregated for specific projects is assigned by using specific identification of their individual costs. The cost of finished goods and work in progress includes raw materials, direct labor, other direct expenses and production-related overheads, based on a normal production level. Interest expenses are not included in measurement of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and sale of the item. The holding of felling rights for standing timber is valued at contract prices, which on average do not exceed the lower of net realizable value and cost.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS
Non-current assets (and disposal groups) are classified as Non-current assets held for sale if their value, within one year, will be recovered through a sale and not through continued utilization in operations. On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. Following reclassification, no depreciation is carried out on these assets.

If there is an increase of the fair value less a deduction for selling expenses, a gain is recognized. The gain is limited to the amount equivalent to previously made impairment charges. Both gains and losses on subsequent value changes are recognized in profit or loss for the year.

Classification as a discontinued operation occurs either when an independent business segment or a significant operation within a geographic area is divested. The divestment date, or the point in time when the operation fulfils the criteria for classification as held for sale, determines when the operation should be classified as a discontinued operation.

Profit/loss after tax from discontinued operations is recognized on a separate line in the income statement. Comparative figures in the income statement are adjusted as though the discontinued operation had been disposed of at the start of the comparative year.

Parent Company:
Non-current assets held for sale are not reclassified and depreciation does not cease. Instead, if such assets exist, the information is disclosed.

EQUITY
Transaction costs directly relating to the issue of new shares or options are recognized, net after tax, in equity as a reduction in the issue proceeds. Expenditure for the purchase of SCA's treasury shares reduces retained earnings in equity in the Parent Company and the portion of consolidated equity that pertains to owners of the Parent. When these are sold, the sales proceeds are included in retained earnings in the equity pertaining to owners of the Parent.

EMPLOYEE BENEFITS
Pensions
There are many defined-contribution and defined-benefit pension plans within the Group, part of these are funded with plan assets. The liability recognized in the balance sheet for defined-benefit pension plans is the present value of the obligation on the balance sheet date minus the fair value of the plan assets. Funded plans with net assets, that is, plans with assets exceeding obligations, are recognized as a financial asset. The defined-benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The obligation is valued at the present value of anticipated future cash flows using a discount rate that corresponds to the interest on first-class corporate bonds or, where these do not exist, government bonds issued in the currency in which the benefits will be paid and with a remaining maturity that is comparable to the actual pension liability. Actuarial gains and losses are recognized directly in equity under other comprehensive income in the period in which they arise. The total cost relating to defined-benefit plans is divided

1 Accounting principles, cont.

between personnel costs and financial expenses. Financial expenses are calculated from the net value of each plan at the beginning of the year and the discount factor decided for each country. The Group's payments relating to defined-contribution plans are recognized as an expense during the period the employees carry out the service to which the payment relates. Prepaid contributions are only recognized as an asset to the extent the Group is entitled to a repayment or reduction of future payments. Past service costs are recognized directly in profit or loss unless changes in the pension plan are subject to employees remaining in service for a specific, stated period. In such cases, the cost is allocated on a straight-line basis over this period. A special payroll tax (corresponding to contributions) is calculated on the difference between the pension cost determined according to IAS 19 and the pension cost determined according to the rules applied in the legal entity. Payroll tax is recognized as an expense in profit or loss except with regard to actuarial gains and losses where the payroll tax, like the actuarial gains and losses, is recognized directly in equity under other comprehensive income.

Parent Company:

The Parent Company applies the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Accounting complies with FAR SRS's (the institute for the accountancy profession in Sweden) accounting recommendation No. 4, Accounting for pension liabilities and pension costs. The main difference compared with IAS 19 is that Swedish practice disregards future increases in salaries and pensions when calculating the present value of the pension obligation. This present value includes, however, a special reserve for future payments of pension supplements indexed for inflation. Both defined-contribution and defined-benefit plans exist in the Parent Company.

Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits. The obligation and anticipated costs for these benefits has been calculated and recognized in a similar manner to that applying to defined-benefit pension plans.

Severance pay

Severance pay is paid when the Group issues notice to an employee prior to the retirement date or when an employee voluntarily accepts retirement in exchange for such compensation. Severance pay is recognized as an expense when the Group has an obligation to compensate employees whose employment was terminated early.

PROVISIONS

Provisions for clean-up costs, restructuring or legal disputes are recognized when the Group has, or can be considered to have, an obligation as the result of events that have occurred and it is probable that payments will be required to fulfill the obligation. In addition, it must be possible to make a reliable estimate of the amount to be paid. The provision is valued at the present value of the anticipated future expenditure to settle the obligation. If the impact of time is material, discounting is applied with an interest rate before taxes. Increases in provisions due to time are recognized on an ongoing basis as an interest expense in profit or loss.

GOVERNMENT GRANTS

Government grants are recognized at fair value when there is reasonable assurance the grants will be received and that the Group will comply with the conditions attached to them. Government grants related to acquisition of assets are recognized in the balance sheet by the grant reducing the carrying amount of the asset. Government grants received as compensation for costs are accrued and recognized in profit or loss during the same period as the costs. If the government grant or assistance is neither related to the acquisition of assets nor to compensation for costs, the grant is recognized as other income.

2 Key assessments and assumptions

Preparation of annual accounts and application of different accounting standards are often based on management assessments or on assumptions and estimates that are regarded as reasonable under the prevailing circumstances. These assumptions and estimates are often based on historical experience, but also on other factors, including expectations of future events. With other assumptions and estimates, the result may be different and the actual result will, by definition, seldom concur with the estimated result.

The assumptions and estimates that SCA considers to have the greatest impact on earnings, as well as assets and liabilities, are discussed below.

VALUATION OF BIOLOGICAL ASSETS

Since a market price or other comparable value does not exist for assets the size of SCA's, the biological assets, that is, standing forest, are measured at the value of anticipated future cash flows.

Calculation of these cash flows is based on the felling plan from the most recent forest survey that is available. Forest surveys are updated every ten years. The calculation is also based on assumptions with regard to growth, selling prices, costs for felling and silviculture as well as costs for replanting, which is a prerequisite for felling. These assumptions are mainly based on experience and are only changed when a change in price and cost levels is assessed as being long term. The cash flow covers a production cycle which SCA estimates to amount to an average of 100 years. The discount factor used is the weighted average cost of capital (WACC) that is normally used in valuations of similar assets.

The consolidated value of biological assets at December 31, 2012 amounted to SEK 27,503m. For further information see Note 12.

GOODWILL

Each year, the Group examines whether there is any impairment requirement relating to goodwill. Goodwill is divided among cash-generating units and these concur with the Group's operating segments.

The recoverable amount for the cash-generating units is determined by calculating value in use. This calculation is based on the Group's existing strategic plans. These plans rest on market-based assumptions and include anticipated future cash flows for the existing operations during the next ten-year period. Cash flows beyond the ten-year period are taken into account by applying an operating surplus multiple to sustained cash flow. This multiple concurs with current market multiples for similar operations.

The discount factors used in the present value calculation of the anticipated future cash flows is the current weighted average cost of capital (WACC) established within the Group for the markets in which the cash-generating units conduct operations. Impairment testing for the year did not indicate any impairment requirement. Goodwill for the Group at December 31, 2012 amounted to SEK 12,169m. For further information see Note 10.

PENSIONS

Costs, as well as the value of pension obligations for defined-benefit pension plans, are based on actuarial calculations that are based on assumptions on discount rate, anticipated return on plan assets, future salary increases, inflation and demographic conditions.

The discount rate assumption is based on high-quality fixed-income investments with maturities corresponding to the Group's existing pension obligations. The funded assets include equities and bonds. The expected return on these is calculated on the basis of the assumption that the return on bonds equals the interest on a 10-year government bond and that the return on equities amounts to the same rate but with an addition for risk premium.

The Group's net defined-benefit obligations and the fair value of plan assets amounted to SEK 4,179m at December 31, 2012. For further information see Note 26.

TAXES

Deferred tax is calculated on temporary differences between the carrying amounts and the tax values of assets and liabilities. There are primarily two areas where assumptions and assessments affect recognized deferred tax. One is assumptions and assessments used to determine the carrying amounts of the different assets and liabilities. The other is assumptions and assessments related to future taxable profits, where future utilization of deferred tax assets depends on this. As at December 31, 2012, SEK 1,653m was recognized as deferred tax assets based on such assumptions and assessments. For further information see note 9. Significant assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks. For further information see note 27 and 32.

3 Acquisitions and divestments

ACQUISITIONS

Acquisitions made during the year totaled SEK 14,872m, including assumed net debt. The acquisitions mainly relate to:

Company	Operations	Acquisition date	Acquisition price[1], SEKm	Goodwill, SEKm	Acquired %	Total holding after acquisition %
Georgia-Pacific, Europe	Tissue	July, 2012	11,357	1,960	100	100
Everbeauty, Taiwan	Personal Care	June, 2012	1,868	913	100	100
PISA (Papeles Industriales S.A.), Chile	Tissue	May 2012	536	163	50	100
Vinda, China	Tissue	April, 2012	653	–	5	21.6
PLF, France	Forest Products	March, 2012	127	9	100	100
Other			331	308		
Total			**14,872**	**3,353**		

1) Acquisition price pertains to purchase price including assumed net debt.

The acquisitions above are reported in the Board of Directors' Report on page 21 under the section Acquisitions, investments and divestments. The consideration transferred for the Georgia Pacific acquisition amounted to SEK 11,514m and the final installment will be paid in 2013. In addition to these acquisitions, SCA signed an agreement in December with E.ON under which E.ON will develop a number of wind power projects together with SCA. The partnership agreement covers about 270 wind turbines and the project is expected to commence in 2014 and be operational not earlier than 2016–2017. Of acquisitions for the year totaling SEK 14,872m, SEK 14,144m was paid in cash including assumed cash and cash equivalents, and the remaining SEK 728m comprises assumed net debt. Acquisition costs of approximately SEK 200m relating to acquisitions in 2012 are included in operating profit.

The fair value of acquired receivables amounts to SEK 3,205m, which concurs with the contractual gross amount. The acquisition of Georgia Pacific will strengthen competitiveness by broadening the product range through the addition of well-known brands and by improving the geographic footprint in Europe. These values justify the acquired goodwill. The goodwill recognized for the Everbeauty acquisition matches the company's access to an extensive distribution network and a strong sales organization in China and Taiwan. The acquisition will provide favorable growth opportunities in a strategic emerging market, particularly in the area of incontinence care, while also strengthening market positions and the geographic footprint for diapers in Asia. Acquired goodwill is not deductible in income taxation in Europe or Asia. Georgia Pacific's consumer tissue operation, including production capacity in the UK and brands in the Benelux countries, will be divested in compliance with a ruling by the EU competition authority. These assets were recognized as "Non-current assets held for sale."

Effect on sales and earnings of acquisitions for the year

The acquisition of Georgia Pacific's European tissue operations increased SCA's net sales in 2012, from the date of acquisition, by SEK 4,976m and net profit for the period by SEK 145m. Had the European operations been consolidated as of January 1, 2012, the acquired operation's net sales would have amounted to about SEK 11,200m and net profit to approximately SEK 335m. The impact on consolidated net sales since the acquisition of the Taiwan-based hygiene group Everbeauty was SEK 628m and the impact on net profit for the period was SEK 16m. Had the operations in Asia been consolidated as of January 1, 2012, the acquired operations' net sales would have amounted to approximately SEK 1,187m and net profit to about SEK 38m. The impact on consolidated net sales of other acquisitions since the dates of acquisition was SEK 1,348m and the impact on net profit for the period was SEK 186m. Had the other acquisitions been consolidated as of January 1, 2012, the acquired net sales would have amounted to about SEK 1,722m and net profit to SEK 240m.

Acquired operations

The table to the right 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 of all acquisitions. Refer to the separate table for changes to acquisition balances for 2011. Previously reported preliminary acquisition balances for Everbeauty and Georgia Pacific in the interim reports for the second and third quarters of 2012 have been changed. The following acquisition balances are also preliminary since the measurement of property, plant and equipment and intangible assets is still ongoing, however, no major changes are expected to occur in 2013.

Acquisition balance sheet

SEKm	2012[1]	2011	2010
Intangible assets	3,077	–	–
Non-current assets	7,357	819	415*
Operating assets	4,987	125	116
Cash and cash equivalents	941	11	3
Provisions and other non-current liabilities	–1,447	–27	–112
Net debt excl. cash and cash equivalents	–728	–51	–35
Operating liabilities	–3,263	–90	–31
Non-controlling interests	–	–3	–
Non-current assets held for sale	911	–	–
Fair value of net assets	**11,835**	**784**	**356***
Goodwill	3,353	314	83
Consolidated value of share in associates	–88	–	–
Revaluation of previously owned share	–15	–	–
Consideration transferred	**15,085**	**1,098**	**439***
Consideration transferred	–15,085	–1,098	–439
Unpaid purchase price related to acquisition	–	155	–
Settled debt pertaining to acquisitions in earlier years	–	–	–22
Cash and cash equivalents in acquired companies	941	11	3
Effect on Group's cash and cash equivalents, Acquisition of operations (Consolidated cash flow statement)	**–14,144**	**–932**	**–458**
Less: Cash flow from acquisitions within disposal group	–	–	9
Acquired net debt excl. cash and cash equivalents	–728	–51	–35
Acquisition of operations during the year incl. net debt assumed (Consolidated operating cash flow statement)	**–14,872**	**–983**	**–484**

* Of which 9 relate to acquisitions within the disposal group.

1) **Specification: Acquisition balance sheets 2012, preliminary**

SEKm	Georgia Pacific	Ever-beauty	Other	Total
Intangible assets	2,493	519	65	3,077
Non-current assets	5,830	431	1,096	7,357
Operating assets	4,292	351	344	4,987
Cash and cash equivalents	633	254	54	941
Provisions and other non-current liabilities	–1,193	–212	–42	–1,447
Net debt excl. cash and cash equivalents	–476	–139	–113	–728
Operating liabilities	–2,775	–295	–193	–3,263
Non-current assets held for sale	750	161	–	911
Fair value of net assets	**9,554**	**1,070**	**1,211**	**11,835**
Goodwill	1,960	913	480	3,353
Consolidated value of share in associates	–	–	–88	–88
Revaluation of previously owned share	–	–	–15	–15
Consideration transferred	**11,514**	**1,983**	**1,588**	**15,085**
Consideration transferred	–11,514	–1,983	–1,588	–15,085
Cash and cash equivalents in acquired companies	633	254	54	941
Effect on Group's cash and cash equivalents, Acquisition of operations (Consolidated cash flow statement)	**–10,881**	**–1,729**	**–1,534**	**–14,144**
Acquired net debt excl. cash and cash equivalents	–476	–139	–113	–728
Acquisition of operations during the year incl. net debt assumed (Consolidated operating cash flow statement)	**–11,357**	**–1,868**	**–1,647**	**–14,872**

3 Acquisitions and divestments, cont.

Acquisition of Georgia Pacific and Everbeauty, specification of fair value

SEKm	Carrying amount	Adjusted fair value	Fair value
Intangible assets	1,959	1,053	3,012
Non-current assets	6,186	75	6,261
Operating assets	4,368	275	4,643
Cash and cash equivalents	887	–	887
Provisions and other non-current liabilities	–959	–446	–1,405
Net debt excl. cash and cash equivalents	–570	–45	–615
Operating liabilities	–3,138	68	–3,070
Non-current assets held for sale	911	–	911
Fair value of net assets	**9,644**	**980**	**10,624**

ADJUSTMENT OF THE PRELIMINARY PURCHASE PRICE ALLOCATION 2011

In 2012, the following changes were made to the preliminary acquisition balance sheets relating to the acquisition in 2011 of Pro Descart, Brazil, and San Saglik, Turkey, following final measurement of acquired assets and liabilities.

SEKm	
Goodwill	–66
Brands	–60
Deferred tax	126
Total	**0**

DIVESTMENTS

Assets and liabilities included in divestments

SEKm	2012	2011	2010
Non-current assets	384	47	1,262
Operating assets	1,417	–	853
Non-current assets held for sale	3,378	–	–
Operating assets in disposal group	21,096	580	–
Cash and cash equivalents	153	–	135
Cash and cash equivalents in disposal group	200	22	–
Net debt excl. cash and cash equivalents	8	–	–92
Net debt in disposal group excluding cash and cash equivalents	–617	–56	–
Provisions	–583	–	–19
Operating liabilities	–767	–48	–742
Operating liabilities in disposal group	–6,377	–261	–
Non-controlling interests	–	–	–58
Gain/loss on sale[1)]	–866	–14	1
Loss in disposal group on sale[1)]	–5	–19	–
Purchase price received after divestment costs	**17,421**	**251**	**1,340**
Less:			
Unpaid purchase consideration in disposal group	–	–109	–
Cash and cash equivalents in divested companies	–153	0	–135
Cash and cash equivalents in disposal group	–200	–22	–
Cash and cash equivalents in disposal group upon reclassification of joint venture to associates	–	–11	–
Effect on the Group's cash and cash equivalents, Divested operations (Consolidated cash flow statement)	**17,068**	**109**	**1,205**
Less:			
Divested net debt excl. cash and cash equivalents	–8	–	92
Cash flow from divestments in disposal group	5	–322	–
Add:			
Cash and cash equivalents in disposal group	–	22	–
Cash and cash equivalents in disposal group upon reclassification of joint venture to associates	–	11	–
Divested net debt in disposal group excl. cash and cash equivalents	617	56	–
Unpaid purchase consideration in disposal group	–	109	–
Divestment of operations during the year incl. net debt transferred (Consolidated operating cash flow statement)	**17,682**	**–15**	**1,297**

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.

In early 2012, SCA established a joint venture for its existing hygiene operation in Australasia together with Pacific Equity Partners (PEP). Accordingly, the operation in Australasia was deconsolidated and recognized in accordance with the equity method. In conjunction with the refinancing of the operation and the sale of 50% of the shares, SCA received SEK 3,121m on a debt-free basis. Annual sales in Australasia amounted to approximately SEK 4,150m in 2011.

On June 30, 2012, the packaging operations were divested, excluding the two kraftliner mills in Sweden, and the compensation received amounted to SEK 14,719m on a debt-free basis. The sales price will be adjusted according to customary reconciliation of working capital, etc. The part of the operation that was divested has been classified and recognized as a disposal group held for sale, in accordance with IFRS 5.

In October, 2012, the newsprint mill in Aylesford, UK, was divested to the private equity company Martland Holdings. The mill was sold for a symbolic amount on a debt-free basis and gave rise to an accounting loss of SEK 848m and a negative cash flow effect of SEK 158m on a debt-free basis.

On December 19, 2012, an agreement was reached with Heinzel Group concerning the divestment of SCA's Austrian publication paper mill in Laakirchen. The initial purchase consideration amounts to EUR 100m with a possible additional purchase price amounting to a maximum of EUR 100m based on a two-year profit-sharing model. In conjunction with the transaction, an impairment of SEK 435m in the accounts was charged to earnings for 2012. The transaction is expected to be concluded in the first quarter of 2013 following approval by the relevant authorities.

Information concerning disposal group divested in June 2012

The following summaries present the revenues and expenses as well as the cash flow statement for the packaging operations for the financial year and for each comparative year. Summaries of the assets and liabilities of the packaging operations that were reclassified to Disposal group as of December 31, 2011 are also presented below.

Income statement for disposal group divested in June 2012

SEKm	2012	2011	2010
Net sales	11,611	24,413	24,234
Cost of goods sold	–9,490	–20,410	–20,441
Gross profit	**2,121**	**4,003**	**3,793**
Sales and administration expenses	–1,444	–2,518	–2,695
Items affecting comparability	19	–237	–229
Share of profits of associates	6	1	15
Operating profit	**702**	**1,249**	**884**
Financial items	–23	35	54
Profit before tax	**679**	**1,284**	**938**
Tax	–176	–384	–214
Profit from disposal group held for sale	**503**	**900**	**724**

Cash flow statement for disposal group divested in June 2012

SEKm	2012	2011	2010
Cash flow from operating activities	764	1,574	1,539
Cash flow from investing activities	–321	–678	–754
Cash flow from financing activities	–41	–521	–314
Cash flow for the year from disposal group held for sale	**402**	**375**	**471**

Assets and liabilities in disposal group divested in June 2012

SEKm	2012	2011	2010
Assets			
Non-current assets	–	14,673	–
Current assets	–	6,928	–
Total assets	**–**	**21,601**	**–**
Non-current liabilities	–	2,650	–
Current liabilities	–	4,951	–
Total liabilities	**–**	**7,601**	**–**

4 Operating expenses by type of costs

Operating expenses by function

SEKm	2012	2011	2010
Cost of goods sold	–64,449	–61,701	–61,906
Sales and administration expenses	–12,472	–11,981	–12,426
Items affecting comparability	–2,634	–5,439	–702
Total	**–79,555**	**–79,121**	**–75,034**
Disposal group	–	–23,165	–23,365
Total including disposal group	**–79,555**	**–102,286**	**–98,399**

See also page 114 for description of costs.

Operating expenses by type of cost

SEKm	Note	2012	2011	2010
Other income		1,711	5,053	4,513
Change in net value of biological assets	12	643	623	629
Change in inventory of finished products and products in progress[1]	19	–192	512	63
Raw materials and consumables[1]	19	–28,310	–39,327	–37,250
Personnel expenses[1]	6	–15,687	–20,228	–21,137
Other operating expenses[1]		–31,349	–37,684	–38,775
Depreciation	7	–4,926	–5,927	–6,324
Impairments[1]	7	–623	–5,308	–118
Revaluation of acquisitions[2]		24	–	–
Loss on divestment[3]	3	–846	–	–
Total		**–79,555**	**–102,286**	**–98,399**

1) Including items affecting comparability.
2) Remeasurement of previous equity portion at fair value in conjunction with acquisition of remaining 50% of PISA (Papeles Industriales S.A.), Chile.
3) Loss on divestment of newsprint mill in Aylesford, UK and 50% of the hygiene operations in Australasia.

ITEMS AFFECTING COMPARABILITY

Items affecting comparability in 2012 totaled SEK 2,634m. Of total items affecting comparability, SEK 624m pertains to impairment and SEK 2,010m to other expenses. Impairment includes impairment of goodwill in the amount of SEK 89m. Items affecting comparability include restructuring costs totaling SEK 791m (955; 931), of which SEK 205m (396; 622) related to the Personal Care business, SEK 332m (291; –) to the Tissue business, SEK 179m (88; 63) to the Forest Products business and SEK 75m to other operations. Restructuring costs for 2011 and 2010 include SEK 180m and SEK 246m, respectively, pertaining to the disposal group. Of restructuring costs, SEK 683m (595; 787) pertains to restructuring costs being paid, SEK 83m (324; 118) to impairment of non-current assets, SEK 12m (–; –) to impairment of goodwill and SEK 13m (36; 26) to impairment of working capital, mainly inventory. Restructuring costs being paid comprise personnel costs in the amount of SEK 528m (517; 603) and other operating expenses of SEK 155m (78; 184).

OTHER INCOME

Other income includes income from activities or sales of goods and services outside SCA's core business. The income can be of a recurring or occasional nature. During 2012, sales of goods and services outside SCA's core business amounted to SEK 732m, revenue from SCA's transport business amounted to SEK 755m and rental income amounted to SEK 44m. Income of a more occasional nature amounted to SEK 180m, of which SEK 179m pertains to gains from the sale of non-current assets.

OTHER OPERATING EXPENSES

SEKm	2012	2011	2010
Transport expenses	–7,053	–8,614	–8,989
Energy expenses[1]	–4,828	–6,154	–6,289
Purchased finished goods for onward sale	–3,034	–5,025	–4,797
Marketing costs	–3,807	–3,696	–4,052
Repairs and maintenance	–2,497	–3,160	–3,211
IT, telephony and lease of premises	–1,330	–2,153	–2,925
Other operating expenses, production	–3,571	–3,591	–3,431
Other operating expenses, distribution, sales and administration	–4,207	–4,245	–3,558
Other	–1,022	–1,046	–1,523
Total	**–31,349**	**–37,684**	**–38,775**
Disposal group	–	7,396	7,509
Total excluding disposal group	**–31,349**	**–30,288**	**–31,266**

1) After deduction for revenues from energy in the amount of SEK 913m (929; 903).

OTHER DISCLOSURES

Exchange rate differences totaling SEK 95m (252; 232) are included in operating profit. Government grants received reduced operating expenses by SEK 38m (78; 52). Costs for research and development amounted to SEK 845m (832; 713).

OPERATING LEASES

Future payment obligations in the Group of minimum leasing fees for non-cancellable operating leases are distributed as follows:

SEKm	2012	2011	2010
Within 1 year	570	1,452	1,054
Between 2 and 5 years	1,250	2,967	2,490
Later than 5 years	419	1,908	1,389
Total	**2,239**	**6,327**	**4,933**
Disposal group	–	–1,143	–1,245
Total excluding disposal group	**2,239**	**5,184**	**3,688**

Cost for the year related to operating leasing of assets amounted to SEK 633m (1,214; 1,104). Leasing objects comprise a large number of items, including energy plants, warehouses, offices, other buildings, machinery and equipment, IT equipment, office fixtures and various transport vehicles. The assessment for a number of the objects is that, in reality, it is possible to terminate contracts early.

FINANCE LEASES

Future payment obligations in the Group of minimum leasing fees for finance leases are distributed as follows:

SEKm	2012	2011	2010
Within 1 year	54	49	920
Between 2 and 5 years	57	118	112
Later than 5 years	26	–	54
Total	**137**	**167**	**1,086**
Future expenses for financial leasing	–21	–22	–40
Present value of liabilities relating to finance leases	**116**	**145**	**1,046**
Disposal group			
Within 1 year	–	–25	–7
Between 2 and 5 years	–	–30	–37
Later than 5 years	–	–	–10
Total	**–**	**–55**	**–54**
Future financial expenses for financial leasing	–	7	7
Present value of liabilities relating to finance leases, disposal group	**–**	**–48**	**–47**
Total present value of liabilities relating to finance leases, excluding disposal group	**116**	**97**	**999**

Total payments for finance leases during the year amounted to SEK 35m (35; 112). During the year, SEK 4m (7; 19) was recognized as an interest expense and SEK 24m (18; 93) as amortization of debt. Depreciation of finance lease assets during the year amounted to SEK 12m (16; 89). The carrying amount of finance lease assets at year-end amounted to SEK 165m (120; 152) relating to buildings/land and SEK 5m (9; 873) relating to machinery.

For information about significant leasing contracts, refer to Note 32 Contingent liabilities.

AUDITING EXPENSES

Remuneration to auditors can be specified as follows:

SEKm	2012	2011	2010
PwC			
Audit assignments	57	80	71
Auditing activities other than the audit assignment	2	3	2
Tax consultancy services	19	20	8
Other assignments	52	36	10
Total PwC	**130**	**139**	**91**
Other auditors			
Audit assignments	4	1	2
Tax consultancy services	2	8	2
Other assignments	9	5	3
Total other auditors	**15**	**14**	**7**
Total	**145**	**153**	**98**
Disposal group	–	–28	–27
Total excluding disposal group	**145**	**125**	**71**

5 Segment reporting

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total Group
2012 financial year						
REVENUES						
External sales	25,955	42,186	17,011	256	–	85,408
Internal sales	339	189	1,272	1,012	–2,812	0
Total revenues	**26,294**	**42,375**	**18,283**	**1,268**	**–2,812**	**85,408**
RESULT						
Segment result	**3,180**	**4,640**	**1,363**	**–537**	**–**	**8,646**
Items affecting comparability	–205	–678	–1,462	–289	–	–2,634
Operating profit/loss	**2,975**	**3,962**	**–99**	**–826**	**–**	**6,012**
Financial income						91
Financial expenses						–1,355
Tax expense for the year						–251
Profit from disposal group						503
Net profit for the year						**5,000**
OTHER DISCLOSURES						
Assets	17,375	57,664	48,416	3,385	–3,565	**123,275**
Holdings in associates	257	1,358	56	786	–	**2,457**
Unallocated assets						**5,799**
Total assets	**17,632**	**59,022**	**48,472**	**4,171**	**–3,565**	**131,531**
Investments/acquisitions	–2,680	–15,268	–2,112	–178	–	–20,238
Depreciation	–983	–2,357	–1,526	–60	–	–4,926
Expenses, in addition to depreciation, not matched by payments	–67	74	–572	–224	–	–789

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total Group
2011 financial year						
REVENUES						
External sales	24,436	38,885	17,775	241	–	81,337
Internal sales	339	233	2,228	1,640	–4,440	0
Total revenues	**24,775**	**39,118**	**20,003**	**1,881**	**–4,440**	**81,337**
RESULT						
Segment result	**2,645**	**3,150**	**2,423**	**–480**	**–**	**7,738**
Items affecting comparability	–744	–597	–4,003	–95	–	–5,439
Operating profit/loss	**1,901**	**2,553**	**–1,580**	**–575**	**–**	**2,299**
Financial income						129
Financial expenses						–1,454
Tax expense for the year						–1,267
Profit from disposal group						900
Net profit/loss for the year						**607**
OTHER DISCLOSURES						
Assets	17,399	45,880	49,280	7,940	–9,445	111,054
Allocated to disposal group	–	–	–	–	–	21,601
Holdings in associates	252	653	54	108	–	1,067
Unallocated assets						5,282
Total assets	**17,651**	**46,533**	**49,334**	**8,048**	**–9,445**	**139,004**
Investments	–1,584	–2,366	–1,530	–1,425[1]	–	–6,905
Depreciation	–1,101	–2,210	–1,292	–1,324[1]	–	–5,927
Expenses, in addition to depreciation, not matched by payments	–14	91	–585	–93[1]	–	–601

[1] Including the packaging operations divested in June 2012.

SEKm	Personal Care	Tissue	Forest Products	Other operations	Eliminations	Total Group
2010 financial year						
REVENUES						
External sales	24,729	39,672	17,474	856	–	82,731
Internal sales	298	198	2,356	1,615	–4,467	0
Total revenues	**25,027**	**39,870**	**19,830**	**2,471**	**–4,467**	**82,731**
RESULT						
Segment result	**2,922**	**3,041**	**2,915**	**–383**	**–**	**8,495**
Items affecting comparability	–622	–	–80	–	–	–702
Operating profit/loss	**2,300**	**3,041**	**2,835**	**–383**	**–**	**7,793**
Financial income						57
Financial expenses						–1,227
Tax expense for the year						–1,755
Profit from disposal group						724
Net profit for the year						**5,592**
OTHER DISCLOSURES						
Assets	16,873	47,102	43,538	38,551 [1]	–9,592	136,472
Holdings in associates	–	595	41	386 [1]	–	1,022
Unallocated assets						5,484
Total assets	**16,873**	**47,697**	**43,579**	**38,937** [1]	**–9,592**	**142,978**
Investments	–1,884	–2,558	–1,061	–1,367 [1]	–	–6,870
Depreciation	–1,189	–2,265	–1,374	–1,496 [1]	–	–6,324
Expenses, in addition to depreciation, not matched by payments	–28	23	–605	–113 [1]	–	–723

[1] Including the packaging operations divested in June 2012.

Items affecting comparability

	2012		2011		2010	
SEKm	**Expenses**	**Impair-ments**	**Expenses**	**Impair-ments**	**Expenses**	**Impair-ments**
Personal Care	–168	–37	–107	–637	–527	–95
Tissue	–570	–108	51	–648	–	–
Forest Products	–990	–472	–66	–3,937	–80	–
Other	–283	–6	–93	–2	–	–
Total	**–2,011**	**–623**	**–215**	**–5,224**	**–607**	**–95**
Net		**–2,634**		**–5,439**		**–702**

Business Segments: SCA is a global leading 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 care 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, napkins and cotton pads. In AFH tissue, SCA develops and sells complete hygiene solutions comprising dispensers, tissue, soap, service and maintenance. Forest Products sells publication papers, packaging papers, pulp, solid-wood products and renewable energy. SCA has a well integrated value chain in Sweden between its forest assets and production facilities. Pulp production contributes to the Group's raw material integration, since the Group's pulp is mainly delivered internally. In addition, the Group's pulp is mainly produced from timber from the Group's own forests, which also, to a large extent, supply the sawmills.

Assets and liabilities: The assets included in each business segment comprise all operating assets used in the business segment, primarily trade receivables, inventories and non-current assets after deduction for operating liabilities and provisions. Most of the assets are directly attributable to each business segment. In addition, some assets that are common to two or more business segments are allocated among the business segments.

Intra-Group deliveries: Revenues, expenses and results for the various business segments were affected by intra-Group deliveries. Internal prices are market-based. Intra-Group deliveries are eliminated when preparing the consolidated financial statements.

5 Segment reporting, cont.

Group by country

	Net sales				Average number of employees				Non-current assets[1]	
	2012		2011						2012	2011
	SEKm	%	SEKm	%	2012	Of whom women, %	2011	Of whom women, %	SEKm	SEKm
Sweden	**5,587**	**7**	**7,444**	**7**	**5,812**	**26**	**6,668**	**26**	**42,272**	**38,742**
EU excl. Sweden										
Germany	10,438	12	14,890	14	3,455	18	6,150	19	5,530	8,729
United Kingdom	9,084	11	9,098	9	1,846	19	2,592	22	4,591	5,673
France	7,085	8	8,442	8	2,013	26	2,410	27	6,166	2,889
Spain	4,817	6	4,867	5	1,042	25	968	29	3,602	2,343
Italy	3,573	4	7,758	7	775	22	2,150	19	2,616	4,746
Netherlands	2,976	3	4,560	4	1,268	16	1,886	6	2,239	2,848
Austria	1,710	2	2,347	2	1,332	14	1,478	15	839	2,586
Belgium	1,640	2	2,497	2	379	23	807	25	2,325	776
Finland	1,273	1	1,547	1	223	35	327	37	731	640
Denmark	1,188	1	2,653	3	87	65	826	28	2	1,742
Poland	811	1	1,232	1	591	25	918	27	813	1,080
Greece	780	1	888	1	117	32	158	24	232	27
Hungary	657	1	1,066	1	145	56	595	37	3	167
Czech Republic	560	1	1,068	1	69	61	623	45	1	238
Ireland	411	1	327	0	25	25	18	44	64	78
Portugal	409	1	385	1	31	58	37	57	65	69
Romania	260	0	387	1	25	72	147	39	2	98
Slovakia	243	0	353	0	759	32	755	31	580	526
Lithuania	161	0	335	0	19	37	196	32	0	77
Rest of EU	608	1	730	1	13	85	97	35	1	69
Total EU excl. Sweden	**48,684**	**57**	**65,430**	**62**	**14,214**	**22**	**23,138**	**22**	**30,402**	**35,401**
Rest of Europe										
Russia	2,935	3	2,776	3	1,166	45	1,389	44	2,178	1,974
Norway	1,825	2	1,762	2	220	50	256	48	84	168
Switzerland	1,202	1	1,880	2	24	50	248	37	83	241
Ukraine	276	1	278	0	72	53	73	49	5	6
Turkey	270	0	313	0	62	26	65	5	94	80
Other	436	1	506	0	8	38	11	45	0	0
Total, Rest of Europe	**6,944**	**8**	**7,515**	**7**	**1,552**	**45**	**2,042**	**42**	**2,444**	**2,469**
Rest of world										
US	8,868	10	8,549	8	2,651	25	2,683	26	6,864	7,449
Mexico	3,011	4	2,804	3	2,370	27	2,605	24	4,008	3,983
Colombia	1,811	2	1,570	1	1,388	35	1,298	40	1,271	1,122
Japan	1,537	2	1,436	1	57	74	58	72	3	3
Canada	1,097	1	1,038	1	301	39	338	46	330	390
Malaysia	1,013	1	890	1	1,330	58	1,286	57	877	959
Chile	762	1	400	1	475	13	224	78	939	411
Ecuador	477	1	387	0	481	35	472	32	83	87
Brazil	441	1	202	0	468	43	105	41	242	398
China	399	1	133	0	614	59	187	53	372	8
Costa Rica	392	1	359	0	81	46	85	38	2	2
Hong Kong	309	0	245	0	20	75	19	74	14	17
Morocco	284	0	236	0	–	–	–	–	–	–
South Africa	247	0	260	0	95	58	88	56	43	27
Philippines	244	0	122	0	37	51	39	46	8	8
Taiwan	224	0	69	0	227	68	24	79	1,421	–
Singapore	183	0	182	0	34	68	31	68	8	8
Other	2,894	3	6,479	4	1,568	46	2,307	42	231	3,185
Total, Rest of world	**24,193**	**28**	**25,361**	**24**	**12,197**	**36**	**11,849**	**35**	**16,716**	**18,057**
Sub-total	**85,408**	**100**	**105,750**	**100**	**33,775**	**29**	**43,697**	**27**	**91,834**	**94,669**
Allocated to disposal group	–	–	–24,413	–	–	–	–12,051	–	–	–13,279
Total Group	**85,408**	**100**	**81,337**		**33,775**	**29**	**31,646**		**91,834**	**81,390**

1) Non-current assets include Goodwill, Other intangible assets, Buildings, land, machinery and equipment and Biological assets.

6 Personnel and Board costs

Personnel costs

SEKm	2012	2011	2010
Salaries and remuneration	11,365	15,046	15,654
of which Group management	134	101	107
of which Board	6	5	5
Pension costs	970	958	915
of which defined-benefit pension plans	257	261	162
of which defined-contribution pension plans	713	697	753
Other social security costs	2,476	3,114	3,382
Other personnel costs	876	1,110	1,186
Total[1)]	**15,687**	**20,228**	**21,137**
Disposal group	–	–5,682	–5,676
Total excluding disposal group	**15,687**	**14,546**	**15,461**

1) Total personnel costs include SEK 528m (517; 603) attributable to costs for implemented efficiency-enhancement measures.

Average number of employees

	2012	2011	2010
Average number of employees	33,775	43,697	45,341
of whom women	29%	27%	26%
Number of countries	62	58	61

Women comprised 21% (18; 17) of the total number of Board members and senior executives.

Breakdown of employees by age groups, %

2012	21–30 yrs	31–40 yrs	41–50 yrs	51–60 yrs
	17	28	30	21

2% (2; 2) of the employees are under the age of 20, and 2% (3; 3) are over the age of 60.

During 2012, SCA invested approximately SEK 100m (151; 147) or SEK 3,000 (3,500; 3,200) per employee in skills-enhancement activities.

The added value per employee in 2012 amounted to SEK 617,000 (519,000; 633,000). The proportion of university graduates amounts to about 18% (16; 16).

In 2012, 3,993 (5,207; 4,269) people left SCA while 6,344 (4,809; 4,262) joined the Group. These figures include both voluntary retirement and the effects of rationalization activities and retirements. In addition, a significant portion relates to summer jobs for students and seasonal work. In addition, the average number of employees was reduced by about 12,000 people due to the divestment of the packaging operations in June 2012 and by 740 people due to the sale of 50% of the operations in Australia/New Zealand at the start of 2012. The average number of employees rose by about 2,200 people on the basis of the acquisition of Georgia-Pacific's European tissue operations in July 2012 and by 635 people through the acquisition of Asian company Everbeauty in June 2012.

FEES TO BOARD MEMBERS IN THE PARENT COMPANY DURING THE YEAR

Members of the Board elected by the AGM who are not employees in the company received the following remuneration in 2012 in accordance with the AGM resolution.

SEK	Board fee	Audit Committee fee	Remuneration Committee fee	Total
Sverker Martin-Löf (Chairman)	1,575,000	125,000	125,000	1,825,000
Pär Boman	525,000			525,000
Rolf Börjesson	525,000		100,000	625,000
Jan Johansson	–			–
Leif Johansson	525,000		100,000	625,000
Louise Julian	525,000			525,000
Bert Nordberg	525,000			525,000
Anders Nyrén	525,000	150,000		675,000
Barbara Milian Thoralfsson	525,000	125,000		650,000
Total	**5,250,000**	**400,000**	**325,000**	**5,975,000**

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 54–55.

AGM guidelines for remuneration of senior executives

The 2012 Annual General Meeting adopted the following guidelines for remuneration of senior executives.

"Remuneration of the CEO and other senior executives will be a fixed amount, 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, if exceptional circumstances prevail, has the possibility to limit, or refrain from, payment of variable remuneration if such an action is considered reasonable and in compliance with the company's responsibility to shareholders, employees and other stakeholders.

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

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

Company's application of guidelines

The company applied the guidelines approved by the AGM in the following manner.

Fixed salary

The fixed salary is to be in proportion to the individual's position and the authority and responsibilities this entails. It is set individually at a level that, combined with other remuneration, is assessed as a market rate and competitive in the labor market in which the executive works.

Variable remuneration

Variable remuneration of the CEO, Executive Vice Presidents and Business Unit Presidents and equivalents is maximized to a total of 100% of the fixed salary. For one Business Unit President, stationed in the US, the maximum outcome is 130%, while the corresponding limit for other senior executives is 90%.

The program for variable remuneration is divided into a short and long-term portion.

The short-term portion (Short-term Incentive, or STI) for the CEO, Executive Vice Presidents and Business Unit Presidents and equivalents may amount to a maximum of 50% of fixed salary. For one Business Unit President, stationed in the US, the maximum outcome is 80%, while the corresponding limit for other senior executives is 40%. The STI goals set for the Business Unit Presidents are mainly based on operating cash flow, cost control, operating profit and growth for each business unit, while the goal for the CEO and others reporting directly to him is based primarily on the Group's profit before tax and operating cash flow. Furthermore, a non-financial goal also applies accounting for 20% of the variable remuneration.

The long-term portion (Long-Term Incentive, or LTI) may amount to a maximum of 50% of the fixed salary. In return, the senior executive must invest half of the variable LTI compensation, after tax withholdings, in SCA shares. The shares may then not be sold before the end of the third calendar year after entry into the relevant LTI program. The established LTI goal is based on the performance of the company's B share, measured as the TSR (Total Shareholder Return) index, compared with a weighted index of competitors' and consumer companies' shares performance (TSR) over a three-year period. The structure of the LTI was approved by the Board in 2003.

6 Personnel and Board costs, cont.

Outcome, variable remuneration
For the CEO, Executive Vice Presidents and Central Staff Managers, STI resulted in 28–37% of fixed salary for 2012. STI resulted in variable remuneration corresponding to 19–77% of fixed salary for the Business Unit Presidents. The LTI target was achieved for 2010–2012, 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
For the CEO, who is entitled to retire at the age of 60, the pension agreement provides a retirement pension (excluding national pension benefits and previously earned paid-up policies) between the age of 60 and 65 of approximately 40% of final salary (excluding variable remuneration) and thereafter of approximately 20% of final salary (excluding variable remuneration) for life. Upon termination of employment prior to retirement age, a paid-up policy is received for pension payments from age 60. In addition, beneficiaries' pension amounts to approximately 50% of retirement pension in the case of death before the age of 65 and thereafter to 30% of the retirement pension (including previously earned paid-up policies).

Most of the other senior executives in the Group have a combination of defined-benefit and defined-contribution pension plans that entitle the executives, on reaching the age of 60, to receive a retirement pension (including national pension benefits) of up to 45% of the average salary (excluding variable remuneration) for three years prior to retirement age. For full pension, the individual must have been employed for at least 20 years calculated from 40 years of age. Upon termination of employment prior to reaching retirement age, a paid-up policy is received for pension payments from age 60, on condition that the executive, after reaching the age of 40, has been employed in the Group for at least three years. In addition, beneficiaries' pension amounts to about 50% of retirement pension. In addition to the defined-benefit pension, a pension is paid based on premiums paid by the company. The premiums paid for each year of service amount to 10% of the executive's base salary and are invested in a fund or traditional insurance chosen by the executive.

Some senior executives have a pension plan, which is closed to new entrants, that is a defined-benefit pension plan, which grants the executive the right at the age of 65 to receive a pension (including national pension benefits) at up to 70% of the salary (excluding variable salary). However, they are entitled to retire at 60 with 70% of the final salary at retirement (excluding variable remuneration), between 60 and 65 and subsequently with 50% of the salary at retirement (excluding variable remuneration). Normally, full pension requires the executive to have been employed in the Group for 20 years. Upon termination of employment prior to reaching retirement age, a paid-up policy is received for pension payments from age 65 or 60, on condition that the executive, after reaching the age of 40, has been employed in the Group for at least three years. In addition, beneficiaries' pension amounts to about 50% of retirement pension.

Two senior executives have a defined-contribution pension plan (in addition to national pension benefits) into which the company pays 30–40% of the executives' fixed salary, which is invested in funds or traditional insurance.

Two senior executives are employed in companies outside Sweden. One executive is encompassed by the defined-contribution pension plan that applies to employees in the US. One executive is encompassed by the defined-benefit pension plan that applies to employees in Belgium.

Notice period and severance pay
The agreement with the CEO stipulates a period of notice of termination of two years if such notice is given by the company. The CEO has a corresponding right with a period of termination of one year. If notice is given by the company, the CEO is not obligated to serve during the notice period. The agreement does not contain any stipulations with regard to severance pay. Between the company and other senior executives, a period of notice of termination of one to two years normally applies, if such notice is given by the company. The executive has a corresponding right with a period of notice of termination of six months to one year. The executive is normally expected to be available to the company during the notice period. The agreements have no stipulations with regard to severance pay.

Preparation and decision process for remuneration
During the year, the Remuneration Committee submitted recommendations to the Board regarding the principles for remuneration of senior executives. The recommendations encompassed the ratio between fixed and variable remuneration and the size of any salary increases. In addition, the Remuneration Committee proposed criteria for assessing variable remuneration and pension terms. The Board discussed the Remuneration Committee's proposal and decided on the basis of the Committee's recommendations. The remuneration of senior executives for the 2012 financial 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 49.

The Board's proposal for new guidelines
The Board has decided to propose to the 2013 Annual General Meeting the unchanged guidelines for determining salaries and other remuneration for senior executives. With the salary situation prevailing in 2013 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 75m.

Remuneration and other benefits during the year

SEK	Fixed salary	Variable remuneration	Other benefits	Total salary and remuneration
CEO Jan Johansson	10,300,000	8,991,900	131,864	19,423,764
Other senior executives (16 people)	55,894,921	49,253,171	9,240,665	114,388,757
Total	**66,194,921**	**58,245,071**	**9,372,529**	**133,812,521**

SEK	Pension costs
CEO Jan Johansson	6,079,031
Other senior executives (16 people)	23,356,875
Total	**29,435,906**

Comments to the tables:
- Variable remuneration covers the 2012 financial year but is paid in 2013.
- Pension costs pertain to the costs that affected profit for the year, excluding special payroll tax.

7 Depreciation/amortization and impairment of property, plant and equipment, and intangible assets

SEKm	2012	2011	2010
Depreciation			
Buildings	608	835	836
Land	119	114	109
Machinery and equipment	3,920	4,675	5,054
Sub-total	**4,647**	**5,624**	**5,999**
Patents, trademarks and similar rights	259	272	292
Capitalized development costs	20	31	33
Sub-total	**279**	**303**	**325**
Total	**4,926**	**5,927**	**6,324**
Impairment losses			
Buildings	24	53	94
Land	9	40	13
Machinery and equipment[1)]	501	225	11
Construction in progress	0	6	–
Sub-total	**534**	**324**	**118**
Goodwill	89	4,910	–
Patents, trademarks and similar rights	–	74	0
Sub-total	**89**	**4,984**	**0**
Total[1)]	**623**	**5,308**	**118**
Total			
Buildings	632	888	930
Land	128	154	122
Machinery and equipment	4,421	4,900	5,065
Construction in progress	0	6	–
Sub-total	**5,181**	**5,948**	**6,117**
Goodwill	89	4,910	–
Patents, trademarks and similar rights	259	346	292
Capitalized development costs	20	31	33
Sub-total	**368**	**5,287**	**325**
Total	**5,549**	**11,235**	**6,442**
Disposal group	–	–915	–1,130
Total excluding disposal group	**5,549**	**10,320**	**5,312**

1) The total includes reversal of impairment for machinery and equipment of SEK –m (62; –).

Depreciation/amortization is based on the costs and estimated useful lives of the assets outlined in the accounting principle section on page 76.

8 Financial income and expenses

SEKm	2012	2011	2010
Results from shares and participations in other companies			
Dividend	48	44	32
Capital gains/losses, impairment losses	–	–	–2
Interest income and similar profit/loss items			
Interest income, investments	39	72	27
Other financial income	4	20	7
Total financial income	**91**	**136**	**64**
Interest expenses and similar profit/loss items			
Interest expenses, borrowing	–1,342	–1,370	–1,237
Interest expenses, derivatives	37	14	78
Fair value hedges, unrealized	6	–8	8
Other financial expenses	–56	–62	–29
Total financial expenses	**–1,355**	**–1,426**	**–1,180**
Total	**–1,264**	**–1,290**	**–1,116**
Disposal group	–	–35	–54
Total excluding disposal group	**–1,264**	**–1,325**	**–1,170**

Other financial income and expenses include exchange gains of SEK 4m (20; 7).

If interest rate levels had been 1 percentage point higher/lower, with unchanged fixed-interest terms and volumes in the net debt, interest expenses for the year would have been SEK 178m (177; 158) higher/lower. Sensitivity analysis calculations have been performed on the risk to which SCA was exposed at December 31, 2012 using assumptions on market movements that are regarded as reasonably possible in one year's time.

For a description of how SCA manages its interest rate risk, refer to page 61 of the Board of Directors' Report.

9 Income taxes

TAX EXPENSE

SEKm	2012	2011	2010
Current tax expense	1,154	1,142	1,038
Deferred tax expense	–903	509	931
Total including disposal group	**251**	**1,651**	**1,969**
Disposal group	–	–384	–214
Total	**251**	**1,267**	**1,755**

Tax expense amounted to 5.3% (73.1; 26.0) of the Group's profit before tax. The difference between recognized tax expense and expected tax expense is explained below. The expected tax expense is calculated according to the current Group structure and current profit levels in each country.

	2012		2011		2010	
	SEKm	%	SEKm	%	SEKm	%
Tax expense including disposal group	251	5.3	1,651	73.1	1,969	26.0
Expected tax expense	1,135	23.9	435	19.3	1,908	25.2
Difference	**–884**	**–18.6**	**1,216**	**53.8**	**61**	**0.8**
The difference is explained by:						
Permanent effects[1]						
Effects of other subsidiary financing	–82	–1.7	–139	–6.2	–135	–1.7
Goodwill impairment and currency impact[2]	–	–	1,231	54.5	–	–
Effects of divestments[3]	437	9.2	–	–	–	–
Other permanent effects[4]	–188	–4.0	–18	–0.8	159	2.1
Taxes related to prior years[5]	246	5.2	86	3.8	3	0.0
Changes in unrecognized deferred tax assets[6]	34	0.7	76	3.4	34	0.4
Changed tax rates[7]	–1,331	–28.0	–20	–0.9	–	–
Total	**–884**	**–18.6**	**1,216**	**53.8**	**61**	**0.8**

1) Permanent effects are attributable to permanent differences between the accounting and fiscal result.
2) The effects of goodwill impairment and currency impact in 2011 pertain to the divestments of the Packaging operations and sale of 50% of the operation in Australasia.
3) The effects of divestments for the year pertain to the capital loss on shares attributable to the newsprint mill in Aylesford, UK and effects relating to the divestment of 50% of the operation in Australasia.
4) The effects of the year include tax expenses of SEK 28m related to profit-taking within the Group. 2011 includes SEK 35m and 2010 includes SEK 34m in tax expenses for corresponding profit-taking.
5) Income taxes related to prior years recognized in 2012 primarily pertain to a provision for tax risk in Denmark, which increased tax expense by SEK 236m. 2011 primarily pertain to the impairment of tax assets belonging to the operation in Australia. In 2010, the reversal of a previous provision for tax risks decreased the tax expense by SEK –33m.
6) The changes in unrecognized deferred tax assets in 2011 include SEK 43m concerning the operations in the UK.
7) The changed tax rates in 2012 primarily relate to the revaluation of deferred taxes due to a corporate tax rate decrease in Sweden. The changed tax rates in 2011 primarily relate to the effect of a corporate tax rate decrease in the UK.

CURRENT TAX

Current tax expense (+), tax income (–)

SEKm	2012	2011	2010
Income tax for the year	1,177	1,125	1,142
Adjustments for prior years	–23	17	–104
Total including disposal group	**1,154**	**1,142**	**1,038**
Disposal group	–	–271	–168
Total	**1,154**	**871**	**870**

Current tax liability (+), tax asset (–)
The change during the year to the current tax asset is explained below:

SEKm	2012	2011	2010
Value at January 1	**–130**	**–159**	**53**
Current tax expense	1,154	1,142	1,038
Paid tax	–1,193	–961	–1,255
Other changes	31	–3	–5
Exchange differences	–1	–3	10
Allocated to disposal group	–	–146	–
Value at December 31	**–139**	**–130**	**–159**

Other changes relate to acquisitions and divestments in the amount of SEK 31m (–3; –5). The closing current tax liability comprises tax assets of SEK 517m (377; 547) and tax liabilities of SEK 378m (247; 388).

DEFERRED TAX

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

SEKm	2012	2011	2010
Changes in temporary differences	186	453	849
Adjustments for prior years	269	69	108
Other changes	–1,358	–13	–26
Total including disposal group	**–903**	**509**	**931**
Disposal group	–	–113	–46
Total	**–903**	**396**	**885**

Other changes include the effects of changed tax rates amounting to SEK –1,331m (–20; 0), revaluation of deferred tax assets of SEK 0m (7; 0) and capitalization of tax assets related to the right to future tax deductions of SEK –27m (0; –26).

Deferred tax liability (+), tax asset (–)
The change during the year to the deferred tax liability is explained below:

SEKm	Opening balance	Deferred tax expense	Other changes	Exchange differences	Closing balance
Intangible assets	741	–125	374	–21	969
Land and buildings	7,760	–922	436	–31	7,243
Machinery and equipment	3,890	–1,185	825	–109	3,421
Financial assets	–164	–97	68	7	–186
Current assets	–61	100	151	–1	189
Provisions for pensions	–501	234	–692	16	–943
Other provisions	–25	312	–426	0	–139
Liabilities	–335	–160	–51	5	–541
Tax credits and tax loss carryforwards	–2,625	771	157	44	–1,653
Other	–45	169	–233	38	–71
Total	**8,635**	**–903**	**609**	**–52**	**8,289**

Other changes include deferred tax recognized directly in equity according to IAS 19 of SEK –251m, IAS 39 of SEK –2m, effects of acquisitions and divestments SEK 1,098m and changes in provisions for tax risks of SEK –236m. The closing deferred tax liability comprises deferred tax assets of SEK 818m (715; 1,169) and deferred tax liabilities of SEK 9,107m (9,350; 10,800).

LOSS CARRYFORWARDS

Loss carryforwards for which no deferred tax assets were recognized amounted to SEK 3,378m (1,699; 1,898) at December 31, 2012. Of these, SEK 103m have an indefinite life. The remainder expire as follows:

Year	SEKm
2013	12
2014	9
2015	6
2016	32
2017 and later	3,216
Total	**3,275**

During 2012, uncapitalized loss carryforwards amounting to SEK 79m expired and SEK 19m was either utilized or capitalized. The tax value of uncapitalized loss carryforwards amounted to SEK 1,048m.

OTHER

SCA recognized no deferred tax relating to temporary differences attributable to investments in subsidiaries, associates and joint ventures. Any future effects (tax deducted at source and other deferred tax on profit-taking within the Group) are recognized when SCA can no longer control reversal of such differences or when, for other reasons, it is no longer improbable that reversal can take place in the foreseeable future.

10 Intangible assets

SEKm	Goodwill 2012	Goodwill 2011	Goodwill 2010	Trademarks 2012	Trademarks 2011	Trademarks 2010	Licenses, patents and similar rights 2012	Licenses, patents and similar rights 2011	Licenses, patents and similar rights 2010	Capitalized development costs 2012	Capitalized development costs 2011	Capitalized development costs 2010
Accumulated costs	12,258	15,481	17,688	4,440	1,806	2,316	2,988	3,084	3,009	268	473	497
Accumulated amortization	–	–	–	–35	–20	–124	–2,098	–2,252	–2,106	–171	–327	–312
Accumulated impairment	–89	–3,962	–	–57	–56	–200	–13	–8	–9	–1	–21	–21
Total	**12,169**	**11,519**	**17,688**	**4,348**	**1,730**	**1,992**	**877**	**824**	**894**	**96**	**125**	**164**
Allocated to disposal group	–	–2,086	–	–	–	–	–	–112	–	–	–62	–
Total excluding disposal group	**12,169**	**9,433**	**17,688**	**4,348**	**1,730**	**1,992**	**877**	**712**	**894**	**96**	**63**	**164**
Value at January 1	**9,433**	**17,688**	**19,147**	**1,730**	**1,992**	**1,774**	**712**	**894**	**1,170**	**63**	**164**	**218**
Investments	–	–	–	–	–	–	75	115	142	10	11	5
Sales and disposals	–	–	–	–	–	–	–1	–	–3	–	0	–8
Business combinations	3,353	314	83	2,695	100	203	365	–	–	–	–	–
Company divestments	–168	–53	–75	–	–	–	0	–1	–107	–	–	–9
Reclassifications	–81	–1,408	–36	–52	–218	24	–27	84	17	42	–20	2
Amortization for the year	–	–	–	–20	–10	–10	–239	–263	–282	–20	–31	–33
Impairment for the year	–89	–4,910	–	–	–74	–	–	–	–	–	–	–
Translation differences	–279	–112	–1,431	–5	–60	1	–8	–5	–43	1	1	–11
Value at December 31	**12,169**	**11,519**	**17,688**	**4,348**	**1,730**	**1,992**	**877**	**824**	**894**	**96**	**125**	**164**
Allocated to disposal group	–	–2,086	–	–	–	–	–	–112	–	–	–62	–
Value at December 31 excluding disposal group	**12,169**	**9,433**	**17,688**	**4,348**	**1,730**	**1,992**	**877**	**712**	**894**	**96**	**63**	**164**

Business combinations for the year primarily comprise the acquisitions of Georgia-Pacific's European tissue operations, Everbeauty, a leading Asian hygiene company and the remaining 50% in the Chilean hygiene products company PISA (Papeles Industriales S.A) (see Note 3). The completion of the acquisition of Georgia-Pacific's tissue operations in Europe entailed a requirement from the EU to divest operations in the UK and Scandinavia. This led to a SEK 77m impairment of goodwill. During the year, SCA divested its 50% shareholding in the British newsprint mill Aylesford Newsprint. The divestment led to a SEK 168m impairment of goodwill. These impairments of goodwill are recognized in 2012 as items affecting comparability in the consolidated income statement.

IMPAIRMENT TESTING

Goodwill is tested for impairment every year. Goodwill is distributed among business segments as follows:

Goodwill by business segment

SEKm	Average WACC 2012, %	2012	2011	2010
Personal Care	6.6	2,804	508	2,546
Tissue	5.5	8,600	8,125	8,232
Forest Products	4.8	38	205	202
Other operations	4.8	727	595	6,708
Total		**12,169**	**9,433**	**17,688**

The recoverable amount for each cash-generating unit is determined based on a calculation of value in use. These calculations are based on the strategic plans adopted by Group management for the next ten years. Assumptions in strategic plans are based on current market prices and costs with an addition for real price reductions and cost inflation as well as assumed productivity development. Volume assumptions follow the Group's target of an average annual growth of 3 to 4%, depending on business segment and geographic market. Effects of expansion investments are excluded when goodwill is tested for impairment. Anticipated future cash flows, according to strategic plans, form the basis of the calculation of the recoverable amount. Sustained growth of 2% has been used in the calculation. Cash flows for the period beyond ten years are calculated by an operating surplus multiple being applied to estimated sustained cash flow. In a present value calculation of anticipated future cash flows, the current weighted cost of capital (WACC) decided for each area within the Group at that time is applied. Discounted cash flows are compared with the carrying amount of capital employed per cash-generating unit and an impairment requirement may exist if the discounted cash flow is less than the carrying amount of capital employed. Since the calculation of the recoverable amount is based on Group Management's strategic plans for the next ten years, the calculated amount may deviate from the amount received if immediately divested. Testing for impairment is carried out in the fourth quarter and testing for 2012 showed that no impairment of remaining goodwill was needed. The sensitivity analysis shows that reasonable changes to key parameters do not give rise to any impairment.

In addition to goodwill, there are acquired trademarks in the Group that are judged to have an indefinite useful life. The useful life is judged as indefinite when it relates to well-established trademarks within their respective markets which the Group intends to retain and further develop. The trademarks identified and measured relate to the 2012 acquisition of Georgia-Pacific´s European tissue operations, 2012 acquisition of the Asian hygiene company Everbeauty, 2012 acquisition of the remaining 50% shareholding in the Chilean hygiene company PISA, 2011 acquisition of the personal care operations in Brazil, 2010 acquisition of Personal Care in South America, the 2007 acquisition of the European tissue operations and the 2004 acquisitions in Mexico, Australia and Malaysia. The cost of the trademarks was established at the time of acquisition according to the so-called relief from royalty method. The need for impairment is tested every year. Testing is carried out during the fourth quarter and is performed for each trademark or group of trademarks. An evaluation is made of the royalty rate determined at the time of acquisition as well as assessed future sales development over ten years. A multiple is used for time beyond ten years. This is discounted with the current weighted cost of capital (WACC) for each market. Testing for the year of the carrying amount of trademarks in the 2012 accounts showed no impairment need for trademarks. At year-end, the value of SCA's trademarks with an indefinite useful life amounted to SEK 4,274m (1,725; 1,977).

10 Intangible assets, cont.

EMISSION ALLOWANCES

The SCA Group participates in the European system for emission allowances. SCA receives a permit from each country in which operations requiring a permit are conducted, to emit a specific volume of carbon dioxide during a calendar year. At year-end 2012, surplus emission allowances not required to cover the provision for emissions were adjusted downward by SEK 7m to the current market price on the balance sheet date. In conjunction with this, the deferred income was also reversed by a corresponding amount so that the net cost for the revaluation is zero. Settlement with each government regarding 2012 emissions will take place in April 2013.

SEKm	2012	2011	2010
Accumulated costs	146	195	222
Accumulated revaluation of surplus	–7	–19	–2
Total	**139**	**176**	**220**
Allocated to disposal group	–	–52	–
Total excluding disposal group	**139**	**124**	**220**
Value at January 1	**124**	**220**	**242**
Emission allowances received	93	237	221
Purchases	29	–	–
Sales	–5	–91	–3
Business combinations	17	–	–
Company divestments	–14	–	–
Reclassifications	–1	–	0
Settlement with the government	–102	–170	–212
Revaluation of surplus	1	–20	–2
Translation differences	–3	0	–26
Value at December 31	**139**	**176**	**220**
Allocated to disposal group	–	–52	–
Value at December 31 excluding disposal group	**139**	**124**	**220**

11 Property, plant and equipment

	Buildings			Land			Machinery and equipment			Construction in progress		
SEKm	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Accumulated costs	17,406	21,634	22,290	6,604	6,826	6,945	70,124	84,930	85,057	3,879	4,160	4,866
Accumulated depreciation	–7,494	–9,760	–9,578	–1,445	–1,418	–1,360	–40,870	–51,166	–50,201	–	–	–
Accumulated impairment	–214	–389	–496	–49	–76	–52	–1,231	–1,168	–1,304	–8	–6	–
Total	**9,698**	**11,485**	**12,216**	**5,110**	**5,332**	**5,533**	**28,023**	**32,596**	**33,552**	**3,871**	**4,154**	**4,866**
Allocated to disposal group	–	–2,941	–	–	–911	–	–	–6,341	–	–	–775	–
Total excluding disposal group	**9,698**	**8,544**	**12,216**	**5,110**	**4,421**	**5,533**	**28,023**	**26,255**	**33,552**	**3,871**	**3,379**	**4,866**
Value at January 1	**8,544**	**12,216**	**14,009**	**4,421**	**5,533**	**5,842**	**26,255**	**33,552**	**37,336**	**3,379**	**4,866**	**4,217**
Investments	126	286	318	258	141	139	1,574	2,594	2,146	3,001	2,801	3,651
Sales and disposals	–4	–13	–59	–7	–88	–41	–35	–62	–91	–7	–3	–29
Business combinations	1,738	0	10	896	0	5	3,940	361	142	110	1	1
Company divestments	–60	–68	–443	–149	–9	0	–269	–16	–452	–7	0	–18
Reclassifications[1)]	180	75	535	–106	–68	146	1,564	1,300	2,087	–2,583	–3,402	–2,766
Depreciation for the year	–608	–835	–836	–119	–114	–109	–3,920	–4,675	–5,054	–	–	–
Impairment for the year	–24	–53	–94	–9	–40	–13	–501	–225	–11	0	–6	–
Translation difference	–194	–123	–1,224	–75	–23	–436	–585	–233	–2,551	–22	–103	–190
Value at December 31	**9,698**	**11,485**	**12,216**	**5,110**	**5,332**	**5,533**	**28,023**	**32,596**	**33,552**	**3,871**	**4,154**	**4,866**
Allocated to disposal group	–	–2,941	–	–	–911	–	–	–6,341	–	–	–775	–
Value at December 31 excluding disposal group	**9,698**	**8,544**	**12,216**	**5,110**	**4,421**	**5,533**	**28,023**	**26,255**	**33,552**	**3,871**	**3,379**	**4,866**

1) In 2012, property, plant and equipment was changed due to reclassification to Non-current assets held for sale in the negative amount of SEK 1,034m, to Intangible assets in the negative amount of SEK 42m and Inventory of SEK 129m.

During the year, SEK –m (9; 8) pertaining to interest during the construction period was capitalized in Buildings, SEK 19m (18; 1) was capitalized in Machinery and equipment and SEK 8m (28; 35) was capitalized in Construction in progress, at an average interest rate of 4% (4; 4). Government grants reduced investments for the year in buildings by SEK –m (1; –) and machinery and equipment by SEK 2m (13; 13).

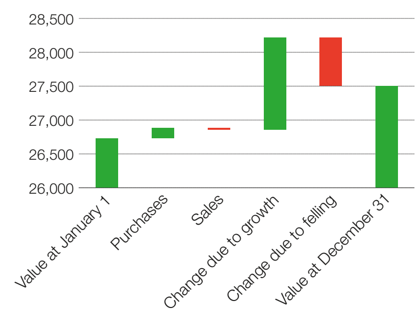
12 Biological assets

SCA's forest assets are divided up and reported as biological assets, that is, standing forest, and land assets. Standing forest is recognized at fair value according to IAS 41 and amounted at December 31, 2012 to SEK 27,503m (26,729; 26,069). The total value of SCA's forest assets was SEK 28,426m (27,652; 26,983). The difference of SEK 923m (923; 914) comprises of forestland reported under non-current assets Land.

Standing forest

SEKm	2012	2011	2010
Value at January 1	**26,729**	**26,069**	**25,397**
Purchases	154	40	47
Sales	–23	–3	–4
Change due to growth	1,357	1,616	1,692
Change due to felling	–714	–993	–1,063
Value at December 31	**27,503**	**26,729**	**26,069**
Deferred tax related to standing forest	6,051	7,030	6,856

Value trend, standing forest 2012



In income statement, changes due to growth and felling are recognized as a net value, SEK 643m (623; 629).

The annual valuation of standing forest was carried out during the fourth quarter of the year. The same valuation method used in 2010 and 2011 was applied in 2012.

The valuation was based on the felling plan which was based on forest tax assessments performed in 2006–2007. No change was made in the WACC, amounted to 6.25% after tax, in the 2012 valuation and the valuation in the fourth quarter did not result in any adjustment to the planned change in fair value of forest assets recognized on an ongoing basis during the year.

SCA's forest holdings comprise approximately 2.6 million hectares of forestland primarily in northern Sweden, of which approximately 2.0 million is productive forestland. The forest portfolio amounts to 211 million cubic meters of forest (m^3fo) and is divided into pine 43%, spruce 39%, deciduous 13% and contorta 5%. Average growth amounts to approximately 3.9 m^3fo per hectare and year. Felling in 2012 amounted to approximately 4.0 million m^3sub. Approximately 50% of the holdings comprise forest less than 40 years old, while about 60% of timber volume is in forests that are more than 80 years old.

	2012	2011	2010
Value/hectare productive forestland, SEK	13,765	13,177	13,047
Value timber supplies SEK/m^3fo	130	128	125

Sensitivity analysis

	Change assumption		Change in value before tax, SEKm	
WACC	+/–	0.25%	+/–	1,685
Wood price, real	+/–	0.50% per year 2013–2022	+/–	2,234
Felling, real cost	+/–	0.50% per year 2013–2022	+/–	530
Volume (felling and thinning)	+/–	150,000 m^3sub 2014–2035	+/–	742

Forest area

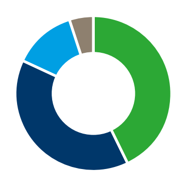
Proportion younger than 40 yrs, 50%

Timber volume

Proportion older than 80 yrs, 60%

Forest portfolio

- Pine, 43%
- Spruce, 39%
- Deciduous, 13%
- Contorta, 5%



13 Holdings in associates

SEKm	2012	2011	2010
Value at January 1	**1,067**	**1,021**	**979**
Investments	1,395	358	12
Net increase in associates for the year [1)]	133	64	96
Reclassifications, joint ventures or subsidiaries	–88	239	–4
Impairment for the year	–	–20	–
Translation differences	–50	7	–62
Value at December 31	**2,457**	**1,669**	**1,021**
Allocated to disposal group	–	–602	–
Value at December 31 excluding disposal group	**2,457**	**1,067**	**1,021**

1) Net increase for the year includes the Group's share of associates' profit after tax and any non-controlling interests as well as adjustment for dividends received during the year.

Investments refer mainly to the establishment of the joint venture in Australia/New Zealand at the start of 2012 through the sale of 50% of SCA's existing operation to the Australian company Pacific Equity Partners (PEP). The operation is recognized as an associate in accordance with the equity method. Also, an additional 5% of the shares in a Chinese tissue company was acquired.

The Group's holdings in major subsidiaries, joint ventures and associates are specified in Note 16.

The Group's total receivables from associates at December 31, 2012 amounted to SEK 42m (40; 34), of which SEK 0m (2; 2) was interest-bearing. The Group's total liability to associates at December 31, 2012 amounted to SEK 6m (4; 7) of which SEK 0m (0; 0) was interest-bearing.

14 Shares and participations

SEKm	2012	2011	2010
Value at January 1	**69**	**77**	**80**
Increase through acquisition of subsidiaries	1	7	–
Divestments	–5	–1	–1
Other reclassifications	–	–6	–
Impairment	–4	–3	–
Translation differences	–1	–1	–2
Value at December 31	**60**	**73**	**77**
Allocated to disposal group	–	–4	–
Value at December 31 excluding disposal group	**60**	**69**	**77**

Shares and participations pertain to holdings in other companies that are not classified as subsidiaries, joint ventures or associates and assets which are also not classified as available-for-sale financial assets since the holding is of an operating nature. Carrying amounts concur with fair value.

The Group's holdings in major subsidiaries, joint ventures and associates are specified in Note 16.

15 Joint ventures

Joint ventures, that is, companies that SCA owns together with other parties and in which the parties by agreement exercise joint control, are consolidated according to the proportional method.

Most of the joint ventures operate within the hygiene area, mainly in Latin America. In May 2012, SCA acquired the remaining 50% in SCA Chile S.A., which was subsequently consolidated as a wholly owned subsidiary. In October 2012, SCA divested its holding in the newsprint mill in Aylesford, UK. For more information, refer to Note 3. SCA's share of income statement and balance sheet items as well as the average number of employees in joint ventures that are part of the SCA Group are set out below:

SEKm	2012	2011	2010
Income statement			
Net sales	4,969	5,434	5,856
Cost of goods sold	–3,642	–4,408	–4,713
Gross profit	**1,327**	**1,026**	**1,143**
Sales and administration expenses	–902	–1,175	–940
Operating profit/loss	**425**	**–149**	**203**
Financial items	–48	–76	–39
Profit/loss before tax	**377**	**–225**	**164**
Tax	–129	–40	–59
Net profit/loss for the year	**248**	**–265**	**105**
Disposal group	–	–2	–16
Net profit/loss for the year excluding disposal group	**248**	**–267**	**89**
Profit attributable to:			
Owners of the Parent	248	–265	105

SEKm	2012	2011	2010
Balance sheet			
Non-current assets	1,822	2,280	2,968
Current assets	1,346	1,955	1,967
Total	**3,168**	**4,235**	**4,935**
Allocated to disposal group	–	–160	–
Total excluding disposal group	**3,168**	**4,075**	**4,935**
Equity	1,830	2,147	2,824
Non-current liabilities	449	544	626
Current liabilities	889	1,544	1,485
Total equity and liabilities	**3,168**	**4,235**	**4,935**
Allocated to disposal group	–	–160	–
Total excluding disposal group	**3,168**	**4,075**	**4,935**

	2012	2011	2010
Average number of employees	2,923	3,105	3,231
of whom women, %	32	27	27
Disposal group	–	–87	–240
Average number of employees excluding disposal group	**2,923**	**3,018**	**2,991**
of whom women, %	32	27	28

SEKm	2012	2011	2010
Capital employed	1,860	2,396	3,033
of which disposal group	–	51	–
Net debt, incl. pension liability	316	510	498
of which disposal group	–	21	–

Personnel costs

SEKm	2012	2011	2010
Boards, Presidents and Executive Vice Presidents	18	22	25
of which variable remuneration	0	1	0
Other employees	277	329	260
Salaries and remuneration	**295**	**352**	**285**
Pension costs[1]	7	12	12
Other social security costs[1]	133	119	89
Total	**435**	**483**	**386**
Disposal group	–	–17	–47
Total excluding disposal group	**435**	**466**	**339**

[1] Social security costs amount to SEK 140m (131; 101), of which pension costs are 7 (12; 12).

Average number of employees by country

	2012		2011		2010	
		Of whom women, %		Of whom women, %		Of whom women, %
Algeria	109	6	114	4	90	14
Argentina	122	42	123	46	121	63
Chile	113	13	224	11	239	8
Colombia	1,388	35	1,298	29	1,300	29
Ecuador	481	35	472	32	480	33
United Kingdom	80	13	169	13	172	13
Tunisia	366	14	358	13	338	13
Turkey	–	–	52	6	207	6
Other countries	264	59	295	52	284	60
Total	**2,923**	**32**	**3,105**	**27**	**3,231**	**26**
Disposal group	–	–	–87	6	–240	8
Total excluding disposal group	**2,923**	**32**	**3,018**	**27**	**2,991**	**28**

The Group's holdings in major subsidiaries, joint ventures and associates are specified in Note 16.

16 List of major subsidiaries, joint ventures and associates

Group holdings of shares and participations in major companies at December 31, 2012.
The selection of subsidiaries and joint ventures includes companies with sales in excess of SEK 500m in 2012.

Company name	Corporate registration number	Domicile	Share of capital %
Subsidiaries			
SCA Skog AB	556048-2852	Sundsvall	100
SCA Tissue North America LLC	58-2494137	Delaware	100
SCA Hygiene Products Nederland B.V.	135724	Zeist	100
SCA Graphic Sundsvall AB	556093-6733	Sundsvall	100
SCA Hygiene Products (Fluff) Ltd.	577116	Dunstable	100
SCA Hygiene Products Vertriebs GmbH	HRB713332	Mannheim	100
SCA Hygiene Products AB	556007-2356	Gothenburg	100
SCA Hygiene Products S.A., France	509395109	Linselles, Bobigny	100
SCA Hygiene Products S.A., Spain	B28451383	Madrid	100
SCA Hygiene Products GmbH, Mannheim	HRB3248	Mannheim	100
Copamex Comercial SA de CV	SCM-931101-3S5	Mexico City	100
SCA Hygiene Products S.p.a	3318780966	Lucca	100
SCA Timber AB	556047-8512	Sundsvall	100
OOO SCA Hygiene Products Russia	4704031845	Moscow	100
SCA Graphic Laakirchen AG	FN171841h	Laakirchen	100
SCA Hygiene Products GmbH, Wiesbaden	HRB5301	Wiesbaden	100
SCA Tissue France SAS	702 055 187	Bois-Colombes	100
SCA Hygiene Products GmbH, Vienna	FN49537z	Vienna	100
SCA Hygiene Products Sp.z.o.o.	KRS No.000008615	Olawa	100
SCA Hygiene Products Inc	421987	Ontario	100
SCA Packaging Obbola AB	556147-1003	Umeå	100
SCA Hygiene Products SA-NV, Belgium	BE405.681.516	Stembert	100
SCA Personal Care, Inc	23-3036384	Delaware	100
SCA Packaging Munksund AB	556237-4859	Piteå	100
SCA Hygiene Products AFH Sales GmbH	HRB 710 878	Mannheim	100
Uni-Charm Mölnlycke B.V.	330631	Hoogezand	40
SCA Hygiene Products Sloviakia s.r.o	36590941	Gemerskâ Hôrka	100
SCA Hygiene Products A/S, Norway	915620019	Brønnøysund	100
SCA Hygiene Products GmbH Neuss	HRB 14343	Neuss	100
SCA HP Supply SAS	509599619	Roissy, Bobigny	100
SCA Hygiene Products Tissue Ltd	8033620	Dunstable	100
SCA Hygiene Malaysia Sdn Bhd	320704-U	Kuala Lumpur	100
SCA Hygiene Marketing (M) Sdn Bhd	313228-T	Kuala Lumpur	100
SCA Hygiene Products AG	CH-020.3.917.992-8	Zug	99
OY SCA Hygiene Products AB	F101650275	Espoo	100
Bunzl & Biach Ges.m.b.H	FN79555v	Vienna	100
SCA Hygiene Products Manchester Ltd	4119442	UK/ Dunstable	100
SCA Hygiene Products A/S, Denmark	20638613	Allerod	100
SCA Chile S.A.	RUT: 97,282,000-3	Santiago de Chile	100
SCA Timber Supply Ltd	2541468	Stoke on Trent	100
SCA Hygiene Products SA	283601000	N. Kifissia (Athens)	100
SCA Hygiene Spain S.COM.p.A	D31235260	Allo	100
SCA Graphic Paper Netherlands	33137904	Amsterdam	100
SCA Hygiene Products Kft	01-09-716945	Budapest	100
Manufacturas Papeleras Canarias S.L	B35089242	Telde (Gran Canaria)	100
SCA Tissue Finland OY	0733538-0	Nokia	100
SCA Timber BM Scandinavien AB	556302-0667	Sundsvall	100
Gällö Timber AB, (50% – option 2016–2021)	556801-1786	Bräcke	100

Company name	Corporate registration number	Domicile	Number of shares	Share of capital %	Carrying amount at year-end, SEKm
Joint ventures					
Productos Familia S.A., Colombia	Sharecertif. 1260	Medellin		50	
Associates					
Vinda Hong Kong, Associated comp	92035	Hong Kong	216,431,897	22	1,332
PEPSCA Pty Limited	154461300	Victoria	105,000,000	50	761
SCA Yildiz Kagit ve Kisisel Bakim üretim A.S.	12559	Kocaeli	3,080,000	50	235
IL Recycling AB	556056-2687	Solna	28,000	33	23
Komili Teknik Hizmetler ve Sanayi A.S.	166673	Istanbul	1	48	22
Cartographica S.p.a. Guamo, Lucca, 33% Associated	1333330464	Lucca	16,667	33	20
Other					**64**
Value at December 31					**2,457**

17 Non-current financial assets

SEKm	2012	2011	2010
Available-for-sale financial assets	1,448	1,034	1,366
Derivatives	1,192	986	750
Loan receivables, associates	–	2	2
Loan receivables, other	292	63	80
Value at December 31	**2,932**	**2,085**	**2,198**
Allocated to disposal group	–	–4	–
Value at December 31 excluding disposal group	**2,932**	**2,081**	**2,198**
Available-for-sale financial assets			
Value at January 1	**1,034**	**1,366**	**1,042**
Investments	132	20	325
Divestments	–	–	–324
Remeasurement for the year taken to equity, net	286	–351	336
Translation differences	–4	–1	–13
Value at December 31	**1,448**	**1,034**	**1,366**

In addition to shares in AB Industrivärden, pension assets attributable to some pension obligations are classified as available-for-sale financial assets. These obligations are not included in the normal pension calculations, as set out in Note 26 Provisions for pensions.

Available-for-sale financial assets, fair value

SEKm	2012	2011	2010
Shares – AB Industrivärden	1,341	931	1,262
Pension assets not included in IAS 19 calculation	99	95	96
Other	8	8	8
Total	**1,448**	**1,034**	**1,366**

The holding in AB Industrivärden amounted to 12,093,643 shares (10,682,679; 10,525,655). No impairment provisions were made for available-for-sale financial assets in 2012, 2011 or 2010.

If the stock market had risen/fallen by 15%, all other variables being unchanged, and the Group's shareholdings changed in accordance with the stock market, equity would have increased/decreased by SEK 216m (154; 204). Sensitivity analysis calculations have been performed on the risk to which SCA was exposed at December 31, 2012 using assumptions on market movements that are regarded as reasonably possible in one year's time.

18 Derivatives

BALANCE SHEET

SCA uses financial derivatives to manage currency, interest rate and energy price risks. For a description of how SCA manages these risks, refer to pages 60–61 of the Board of Directors' Report. The table below shows the derivatives that impacted the Group's balance sheet on December 31, 2012. For more information relating to derivatives in the balance sheet, see Note 31 Financial instruments by category.

Outstanding derivatives

		Of which			
SEKm	Total	Currency[1]	Interest rate	Energy	Allocated to disposal group
2012					
Nominal	41,652	24,789	14,300	2,563	–
Asset	1,400	332	1,024	44	–
Liability	484	178	188	118	–
2011					
Nominal	42,571	29,626	10,669	2,284	–8
Asset	1,354	327	920	107	–
Liability	646	304	172	171	–1
2010					
Nominal	43,098	25,051	16,053	1,994	–
Asset	1,462	532	676	254	–
Liability	553	314	173	66	–

1) Nominal SEK 116,297m (112,609; 99,758) is outstanding before the right of set-off.

INCOME STATEMENT

During the year, transaction exposure hedges had an impact on operating profit for the year of SEK 125m (260; 427). At year-end, the net market value amounted to SEK 46m (18; 278). Currency hedges increased the cost of non-current assets by SEK 13m (increased: 19; increased: 26). At year-end, the net market value amounted to negative SEK 14m (negative: 4; negative: 40).

In 2012, energy derivatives had a negative impact on operating profit for the year of SEK 46m (0; negative: 98). Energy derivatives have an outstanding market value of negative SEK 74m (negative: 64; positive: 188) at year-end.

Derivatives positively impacted net interest items in the amount of SEK 43m (positive 6; positive: 86). The net market value on outstanding interest rate derivatives amounted to SEK 836m (749; 503) at year-end. For further information relating to net financial items, see Note 8 Financial income and expenses.

Sensitivity analysis

Sensitivity analysis calculations have been performed on the financial instruments' risk to which SCA was exposed at December 31, 2012 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 increased/decreased profit for the year before tax by SEK 51m (31; 95).

Currency hedges relating to the cost of non-current assets, if the Swedish krona had unilaterally weakened/strengthened by 5%, would have increased/decreased equity by SEK 4m (7; 10).

If energy prices had increased/decreased by 20%, outstanding financial hedges relating to natural gas and electricity, all other things being equal, would have decreased/increased energy costs for the year by SEK 250m (236; 235). In addition to the earnings impact, equity would have increased/decreased by SEK 137m (129; 144). The total energy cost for the Group, however, would have been affected differently if the price risk related to supply contracts was taken into account.

OUTSTANDING DERIVATIVES WITH HEDGE ACCOUNTING

The table below presents outstanding derivatives with hedge accounting at December 31, 2012.

Derivatives with hedge accounting[1]

		Of which					
		Cash flow					
		Transaction exposure					
SEKm	Total	Export and import flows	Investments	Interest	Energy	Net investments in foreign entities[2]	Fair value of interest rate risk in financing
2012							
Asset	2,714	27	–	–	26	1,637	1,024
Liability	375	5	14	44	110	74	128
Hedge reserve after tax	–88	17	–11	–34	–60		
2011							
Asset	1,976	19	3	–	91	942	921
Liability	637	12	7	35	149	312	122
Hedge reserve after tax	–70	5	–3	–26	–46		
2010							
Asset	2,390	210	19	32	219	1,266	644
Liability	290	11	34	–	59	56	130
Hedge reserve after tax	275	147	–14	24	118		

1) Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives.
2) Pertains to derivatives before right of set-off.

Hedging reserve in equity

Currency derivatives relating to hedging of transaction exposure mostly mature during the first half year of 2013. All derivatives in the hedging reserve at year-end 2012 will be realized before January 31, 2014. With unchanged exchange rates, profit after tax will be affected positively by SEK 17m (5; 147). Currency derivatives relating to hedging of the cost of non-current assets have a maturity spread until the first quarter of 2014. With unchanged exchange rates, the cost of non-current assets will increase by SEK 11m (increase: 3; increase: 14) after tax.

Derivatives pertaining to hedging of interest expenses mature in December 2015 and August 2017. With unchanged interest rates, net financial items would be impacted negatively by SEK 34m (negative: 26; positive: 24) after tax.

The derivatives intended to hedge energy costs in the Group mature during 2013 and 2014. With unchanged prices, the Group's profit after tax will be affected negatively by SEK 60m (negative: 46; positive: 118).

Hedging of net investments

In order to achieve the desired hedging level for foreign capital employed, SCA has hedged the net investments in a number of selected legal entities. In total, hedging positions affected equity in 2012 by SEK 1,134m (13; 4,613). This result is largely due to hedges of net investments in EUR. The total market value of outstanding hedging transactions at year-end was SEK 1,563m (630; 1,210). In total at year-end, SCA hedged net investments outside Sweden amounting to negative SEK 18,612m. SCA's total foreign net investments at year-end amounted to SEK 55,776m.

Hedging of net investments in foreign operations, SEKm

Currency	2012	2011	2010
EUR	14,234	29,971	30,517
USD	2,917	2,673	1,325
GBP	1,236	1,466	1,448
CAD	327	339	204
CLP	228	130	142
TWD	224	–	–
MXN	–771	–728	–147
Other	217	1,377	–805
Total	**18,612**	**35,228**	**32,684**

19 Inventories

SEKm	2012	2011	2010
Raw materials and consumables	2,913	3,297	3,045
Spare parts and supplies	1,769	1,840	1,809
Products in progress	1,010	1,034	1,289
Finished products	4,775	5,614	5,303
Felling rights	788	1,089	1,047
Advance payments to suppliers	9	14	18
Total	**11,264**	**12,888**	**12,511**
Allocated to disposal group	–	–1,879	–
Total excluding disposal group	**11,264**	**11,009**	**12,511**

20 Trade receivables

SEKm	2012	2011	2010
Trade receivables, gross	14,302	16,461	16,069
Provision to reserves for doubtful receivables	–197	–445	–453
Total	**14,105**	**16,016**	**15,616**
Allocated to disposal group	–	–4,468	–
Total excluding disposal group	**14,105**	**11,548**	**15,616**

Analysis of credit risk exposure in trade receivables

SEKm	2012	2011	2010
Trade receivables neither overdue nor impaired	12,408	13,811	13,875
Trade receivables overdue but not impaired			
< 30 days	1,281	1,712	1,367
30–90 days	248	304	265
> 90 days	168	189	109
Trade receivables overdue but not impaired	**1,697**	**2,205**	**1,741**
Total	**14,105**	**16,016**	**15,616**
Allocated to disposal group	–	–4,468	–
Total excluding disposal group	**14,105**	**11,548**	**15,616**

In total, the Group has collateral mainly in the form of credit insurance taken out amounting to SEK 1,186m (1,434; 1,603). Of this amount, SEK 192m (331; 213) relates to the category Trade receivables overdue but not impaired.

Provision to reserves for doubtful receivables

SEKm	2012	2011	2010
Value at January 1	**–167**	**–453**	**–539**
Provision for possible loan losses	–21	–50	–67
Confirmed losses	21	2	47
Increase due to acquisitions	–42	–	–
Decrease due to divestments	0	21	15
Decrease due to reversal of reserve for possible loan losses	5	27	42
Translation differences	7	8	49
Value at December 31	**–197**	**–445**	**–453**
Allocated to disposal group	–	278	–
Value at December 31 excluding disposal group	**–197**	**–167**	**–453**

Total expense for the year for doubtful receivables amounted to SEK 16m (expense: 26; expense: 43).

21 Other current receivables

SEKm	2012	2011	2010
Receivables from associates	42	38	32
Accrued financial income	0	29	2
Derivatives	115	144	539
Prepaid expenses and accrued income	763	680	641
Other current receivables	1,733	2,092	2,002
Total	**2,653**	**2,983**	**3,216**
Allocated to disposal group	–	–340	–
Total excluding disposal group	**2,653**	**2,643**	**3,216**

Other current receivables

SEKm	2012	2011	2010
VAT receivables	766	851	859
Suppliers with debit balance	112	254	145
Receivables for electricity and gas	183	169	115
Receivables from authorities	40	48	43
Other receivables	632	770	840
Total	**1,733**	**2,092**	**2,002**
Allocated to disposal group	–	–236	–
Total excluding disposal group	**1,733**	**1,856**	**2,002**

22 Current financial assets, cash and cash equivalents

Current financial assets

SEKm	2012	2011	2010
Financial assets	6	5	12
Derivatives	77	193	108
Loan receivables, other	85	97	100
Total	**168**	**295**	**220**
Allocated to disposal group	–	–3	–
Total excluding disposal group	**168**	**292**	**220**

Cash and cash equivalents

SEKm	2012	2011	2010
Cash and bank balances	1,718	1,121	1,291
Short-term investments < 3 months	299	1,631	575
Total	**2,017**	**2,752**	**1,866**
Allocated to disposal group	–	–108	–
Total excluding disposal group	**2,017**	**2,644**	**1866**

For a description of how SCA manages its credit and liquidity risks, refer to page 61 of the Board of Directors' Report.

23 Non-current assets held for sale

SEKm	2012	2011	2010
Goodwill	–	1,385	–
Other intangible assets	29	241	–
Buildings	244	283	–
Land	231	216	50
Machinery and equipment	1,357	921	43
Construction in progress	76	382	–
Total	**1,937**	**3,428**	**93**
Allocated to disposal group	–	–49	–
Total excluding disposal group	**1,937**	**3,379**	**93**

SCA has divested the Austrian newsprint mill in Laakirchen to Heinzel Group, leading to non-current assets held for sale of SEK 1,042m.

The completion of the acquisition of Georgia-Pacific´s tissue operations in Europe led to a requirement to divest tissue operations in the UK and Scandinavia. These operations are valued at SEK 860m.

24 Equity

SEKm	Share capital	Other capital provided	Reserves[1)]	Retained earnings	Equity attributable to SCA's shareholders	Non-controlling interests	Total equity
2010							
Value at January 1, 2010	**2,350**	**6,830**	**2,682**	**55,294**	**67,156**	**750**	**67,906**
Profit for the year recognized in profit or loss	**–**	**–**	**–**	**5,552**	**5,552**	**40**	**5,592**
Other comprehensive income							
Actuarial gains and losses relating to defined-benefit pension plans[2)]	–	–	–	528	528	–5	523
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity	–	–	328	–	328	–	328
Transferred to profit or loss upon sale	–	–	8	–	8	–	8
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity	–	–	711	–	711	–	711
Transferred to profit or loss for the period	–	–	–234	–	–234	–	–234
Transferred to cost of hedged investments	–	–	15	–	15	–	15
Translation differences in foreign operations	–	–	– 8,529	–	–8,529	–104	–8,633
Result from hedging of net investments in foreign operations	–	–	4,613	–	4,613	–	4,613
Tax on items recognized directly in/transferred from equity[4)]	–	–	–137	–156	–293	1	–292
Other comprehensive income, net after tax	**–**	**–**	**–3,225**	**372**	**–2,853**	**–108**	**–2,961**
Total comprehensive income	**–**	**–**	**–3,225**	**5,924**	**2,699**	**–68**	**2,631**
Change in Group composition	–	–	–	–	–	–58	–58
Remeasurement effect upon acquisition of non-controlling interests	–	–	–	–1	–1	–	–1
Dividend, SEK 3.70 per share[3)]	–	–	–	–2,599	–2,599	–58	–2,657
Value at December 31, 2010	**2,350**	**6,830**	**–543**	**58,618**	**67,255**	**566**	**67,821**
2011							
Profit for the year recognized in profit or loss	**–**	**–**	**–**	**548**	**548**	**59**	**607**
Other comprehensive income							
Actuarial gains and losses relating to defined-benefit pension plans[2)]	–	–	–	–3,517	–3,517	5	–3,512
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity	–	–	–352	–	–352	–	–352
Transferred to profit or loss upon sale	–	–	–	–	–	–	–
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity	–	–	–172	–	–172	–	–172
Transferred to profit or loss for the period	–	–	–308	–	–308	–	–308
Transferred to cost of hedged investments	–	–	19	–	19	–	19
Translation differences in foreign operations	–	–	–680	–	–680	–4	–684
Result from hedging of net investments in foreign operations	–	–	–252	–	–252		–252
Tax on items recognized directly in/transferred from equity[4)]	–	–	118	906	1,024	–1	1,023
Other comprehensive income, net after tax	**–**	**–**	**–1,627**	**–2,611**	**–4,238**	**0**	**–4,238**
Total comprehensive income	**–**	**–**	**–1,627**	**–2,063**	**–3,690**	**59**	**–3,631**
Change in Group composition	–	–	–	–	–	3	3
Remeasurement effect upon acquisition of non-controlling interests	–	–	–	–4	–4	–	–4
Dividend, SEK 4.00 per share[3)]	–	–	–	–2,809	–2,809	–89	–2,898
Value at December 31, 2011	**2,350**	**6,830**	**–2,170**	**53,742**	**60,752**	**539**	**61,291**
2012							
Profit for the year recognized in profit or loss	–	–	–	**4,957**	**4,957**	**43**	**5,000**
Other comprehensive income							
Actuarial gains and losses relating to defined-benefit pension plans[2)]	–	–	–	–2,011	–2,011	0	–2,011
Available-for-sale financial assets:							
Result from measurement at fair value recognized in equity	–	–	286	–	286	–	286
Transferred to profit or loss at sale	–	–	–	–	–	–	–
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity	–	–	–33	–	–33	–	–33
Transferred to profit or loss for the period	–	–	–2	–	–2	–	–2
Transferred to cost of hedged investments	–	–	13	–	13	–	13
Translation differences in foreign operations	–	–	–2,916	–	–2,916	–68	–2,984
Result from hedging of net investments in foreign operations	–	–	1,134	–	1,134	–	1,134
Tax on items recognized directly in/transferred from equity[4)]	–	–	1	479	480	0	480
Other comprehensive income, net after tax	–	–	**–1,517**	**–1,532**	**–3,049**	**–68**	**–3,117**
Total comprehensive income	–	–	**–1,517**	**3,425**	**1,908**	**–25**	**1,883**
Change in Group composition	–	–	–	–	–	–7	–7
Remeasurement effect upon acquisition of non-controlling interests	–	–	–4	–	–4	–	–4
Dividend, SEK 4.20 per share[3)]	–	–	–	–2,950	–2,950	–49	–2,999
Value at December 31, 2012	**2,350**	**6,830**	**–3,691**	**54,217**	**59,706**	**458**	**60,164**

1) Revaluation reserve, Hedging reserve, Available-for-sale assets and Translation reserve are included in the Provisions line in the balance sheet, see specification on next page.
2) Including payroll tax.
3) Dividend SEK 4.20 (4.00; 3.70) per share pertains to Parent Company shareholders. For fiscal year 2012, the Board has decided to propose a divided of SEK 4.50 per share to the Annual General Meeting.
4) For a specification of income tax attributable to components in other comprehensive income, refer to the next page.

For further information regarding equity, see Parent Company Note 45.

Equity, specification of reserves

SEKm	Revaluation reserve[1] 2012	2011	2010	Hedging reserve[2] 2012	2011	2010	Available-for-sale assets 2012	2011	2010	Translation reserve 2012	2011	2010
Value at January 1	**107**	**107**	**107**	**–68**	**275**	**–89**	**–14**	**338**	**3**	**–2,195**	**–1,263**	**2,661**
Available-for-sale financial assets:												
Result from measurement at fair value recognized in equity	–	–	–	–	–	–	286	–352	328	–	–	–
Transferred to profit or loss upon sale	–	–	–	–	–	–	–	–	8	–	–	–
Cash flow hedges:												
Result from remeasurement of derivatives recognized in equity	–	–	–	–33	–172	711	–	–	–	–	–	–
Transferred to profit or loss for the period	–	–	–	–2	–308	–234	–	–	–	–	–	–
Transferred to cost of hedged investments	–	–	–	13	19	15	–	–	–	–	–	–
Translation differences in foreign operations[3]	–	–	–	0	0	8	–	–	–	–2,920	–680	–8,537
Result from hedging of net investments in foreign operations[4]	–	–	–	–	–	–	–	–	–	1,134	–252	4,613
Tax on items recognized directly in/transferred from equity	–	–	–	3	118	–136	–2	–	–1	–	–	–
Other comprehensive income for the year, net after tax	**0**	**0**	**0**	**–19**	**–343**	**364**	**284**	**–352**	**335**	**–1,786**	**–932**	**–3,924**
Value at December 31	**107**	**107**	**107**	**–87**	**–68**	**275**	**270**	**–14**	**338**	**–3,981**	**–2,195**	**–1,263**

1) Revaluation reserve includes effect on equity of step acquisitions.
2) See also Note 18 for details of when profit or loss is expected to be recognized.
3) Of which transfer to income statement of realized exchange losses relating to divested companies is included in the amount of SEK 20m (loss: 228; loss: 87).
4) Of which transfer to income statement of prior years result from hedging positions relating to divested companies is included in the amount of SEK –m (loss: 265; –).

Specification of income tax attributable to components in other comprehensive income

SEKm	2012 Before tax	2012 Tax effect	2012 After tax	2011 Before tax	2011 Tax effect	2011 After tax	2010 Before tax	2010 Tax effect	2010 After tax
Actuarial gains and losses relating to defined-benefit pension plans	–2,011	479	–1,532	–3,512	905	–2,607	523	–155	368
Available-for-sale financial assets	286	–2	284	–352	0	–352	336	–1	335
Cash flow hedges	–22	3	–19	–461	118	–343	492	–136	356
Translation differences in foreign operations	–2,984	–	–2,984	–684	–	–684	–8,633	–	–8,633
Result from hedging of net investments in foreign operations	1,134	–	1,134	–252	–	–252	4,613	–	4,613
Other comprehensive income	**–3,597**	**480**	**–3,117**	**–5,261**	**1,023**	**–4,238**	**–2,669**	**–292**	**–2,961**

At December 31, 2012, the debt/equity ratio amounted to 0.55, which is below SCA's long-term target of 0.70. The debt/equity ratio deviates from this target at times and, over the past ten-year period, has varied between 0.44 and 0.70. The debt/equity ratio excluding pension liabilities was 0.48 at December 31, 2012. Change in liabilities and equity is described on page 25, Financial position. 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 60–61. SCA's dividend policy is described on page 14.

25 Financial liabilities

At December 31, 2012, interest-bearing gross debt amounted to SEK 33,714m (37,128; 36,506). The specification of financial liabilities is shown in the table below:

Financial liabilities

	Carrying amount		
SEKm	**2012**	**2011**	**2010**
Current financial liabilities			
Amortization within one year	462	442	399
Bond issues	–	–	5,966
Derivatives	121	258	204
Loans with maturities of less than one year	9,372	8,607	6,478
Total[1)]	**9,955**	**9,307**	**13,047**
Allocated to disposal group	–	–41	–
Total excluding disposal group	**9,955**	**9,266**	**13,047**
Non-current financial liabilities			
Bond issues	12,897	13,206	7,258
Derivatives	176	158	173
Other long-term loans with maturities > 1 year < 5 years	8,086	10,930	10,233
Other long-term loans with maturities > 5 years	2,600	3,527	5,795
Total	**23,759**	**27,821**	**23,459**
Allocated to disposal group	–	–110	–
Total excluding disposal group	**23,759**	**27,711**	**23,459**
Total	**33,714**	**37,128**	**36,506**
Allocated to disposal group	–	–151	–
Total excluding disposal group	**33,714**	**36,977**	**36,506**
Fair value of financial liabilities	33,979	36,913	36,418
Allocated to disposal group	–	–159	–
Fair value of financial liabilities excluding disposal group	33,979	36,754	36,418

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

Borrowing

For issuing bonds in the European capital market, SCA has a Euro Medium Term Note (EMTN) program with a program amount of EUR 3,000m (SEK 25,825m). As of December 31, 2012, a nominal EUR 1,652m (1,631; 1,801) was outstanding with a remaining maturity of 3.2 years (4.3; 3.2). SCA also utilizes bond markets outside Europe and has issued a bond in the US for USD 450m (SEK 2,928m).

Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm
Notes SEK 500m	2014	500	516
Notes SEK 500m	2014	536	516
Notes USD 450m	2015	3,242	3,187
Index Linked Interest Note SEK 300m	2015	328	319
Index Linked Interest Note SEK 500m	2015	547	532
Notes SEK 1,800m	2016	1,918	1,914
Floating Rate Note SEK 200m	2016	200	205
Notes EUR 600m	2016	5,626	5,604
Total		**12,897**	**12,793**

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

Commercial paper program[1)]

Program size	Issued SEKm
Commercial paper SEK 15,000m	6,642
Commercial paper EUR 400m	701
Total	**7,343**

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

To limit the refinancing risk and maintain a liquidity reserve, SCA has syndicated bank facilities. In addition, SCA has contracted bilateral credit facilities with banks.

Credit facilities

	Nominal	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm
Syndicated credit facilities	EUR 1,000m	2016	8,608	–	8,608
	EUR 1,000m	2018	8,608	–	8,608
Bilateral credit facilities	SEK 315m	2013	315	–	315
Total			**17,531**		**17,531**

The table below shows the maturity profile of the gross debt:

Maturity profile of gross debt

SEKm	Total	2013	2014	2015	2016	2017	2018+
Commercial paper	7,343	7,343	–	–	–	–	–
Bond issues	12,897	–	1,000	3,930	7,967	–	–
Utilization of credit facilities	–	–	–	–	–	–	–
Other loans	13,625	2,763	1,024	4,150	2,592	1,088	2,008
Total[1)]	**33,865**	**10,106**	**2,024**	**8,080**	**10,559**	**1,088**	**2,008**

1) Gross debt includes accrued interest in the amount of SEK 151m.

After additions for net pension provisions and deductions for cash and cash equivalents, interest-bearing receivables and capital investment shares, the net debt was SEK 32,927m (36,648; 34,406).

For a description of the methods used by SCA to manage its refinancing risk, refer to page 61 of the Board of Directors' Report.

26 Provisions for pensions

SCA has both defined-contribution and defined-benefit pension plans. The most substantial defined-benefit plans are based on period of service and the remuneration received by employees on or close to retirement.

The total pension costs for the defined-benefit plans are shown below.

SEKm	2012	2011	2010
Current service cost, excluding contributions by plan participants	444	443	393
Past service cost	1	0	–9
Actuarial gains and losses, net	38	0	0
Interest expense	706	1,009	996
Expected return on plan assets	–740	–1,069	–1,025
Pension costs before effects of curtailments and settlements	**449**	**383**	**355**
Curtailments	–17	–25	–35
Settlements	–4	0	0
Net pension costs after effects of curtailments and settlements	**428**	**358**	**320**
Disposal group	–	43	–4
Net pension costs excluding disposal group	**428**	**315**	**324**

Of the pension costs for defined-benefit plans, SEK 171m (cost: 96; cost 158) is recognized as a financial expense, which is calculated on the net value of each plan at the beginning of the year.

Expected return on plan assets is determined on the basis of the assumption that the return on bonds will be the same as the interest on a 10-year government bond and that return on equities will reach the same interest with the addition of a risk premium.

The interest decided for each country is weighted on the basis of how large a proportion comprises equities and bonds, respectively. At year-end, 54% (53; 61) of the total fair value of the plan assets was invested in equities, 39% (44; 39) comprised interest-bearing investments and 7% (3; 0) comprised property. The actual return on the plan assets in 2012 was SEK 2,076m (neg: 606; pos: 2,533).

Pension plans with balance sheet surpluses are recognized as an asset in the balance sheet, Surplus in funded pension plans. Other pension plans, which in balance sheet terms are not fully funded or unfunded, are recognized as Provisions for pensions. The value of all pension plans is distributed among surplus in funded pension plans and provisions for pensions, respectively, as shown below.

SEKm	2012	2011[1]	2010[1]
Provisions for pensions	4,861	4,691	3,108
Allocated to disposal group	–	–1,390	–
Provisions for pensions excluding disposal group	**4,861**	**3,301**	**3,108**
Surplus in funded pension plans	–682	–186	–1,057
Allocated to disposal group	–	184	–
Surplus in funded pension plans excluding disposal group	**–682**	**–2**	**–1,057**
Provision for pensions, net	**4,179**	**4,505**	**2,051**
Allocated to disposal group	–	–1,206	–
Provision for pensions, net, excluding disposal group	**4,179**	**3,299**	**2,051**

The summary below specifies the net value of the defined-benefit pension obligations.

SEKm	2012	2011	2010
Defined-benefit obligations	–24,017	21,988	19,953
Fair value of plan assets	19,845	–17,471	–17,889
Net value	**– 4,172**	**4,517**	**2,064**
Unrecognized past service costs	–7	–12	–13
Provision for pensions, net	**–4,179**	**4,505**	**2,051**

Actuarial gains and losses for the year are negative and amount to SEK 1,193m (pos: 3,152; pos: 358). Including translation differences, the accumulated gains and losses recognized in this manner thus amount to a negative SEK 3,474m (neg: 3,930; neg: 740).

In addition to the effect of changes in actuarial assumptions, such as change of discount rate, etc., actuarial gains and losses arose as a result of deviation from initial assumptions based on experience. Experience-based deviations include unexpectedly high or low figures for employee turnover, early retirement, mortality or salary increases, as well as deviation from expected rate of return on plan assets.

The percentage effect of such adjustments when it applies to defined-benefit obligations amounts to about 1% (0; 2). With regard to plan assets, the deviation is positive 7% (neg: 10; pos: 8), which means that the return on the plan assets was higher than expected in 2012. In addition to what is recognized in the net value as plan assets for existing obligations, there are assets in two Swedish foundations amounting to SEK 780m (616; 886), which can be used for possible future undertakings for early retirement for certain categories of employees.

SCA has obligations for disability and family pensions for salaried employees in Sweden, secured through insurance with the insurance company Alecta. These benefits are reported as a defined-contribution plan, since the net after deduction for assets with the insurance provider is only a minor amount and since SCA did not have access to sufficient information to report this obligation as a defined-benefit plan. Premiums during the year for disability and family pension insurance with Alecta amounted to SEK 18m (17; 27).

The following table shows the net value of provisions for pensions divided between funded and unfunded pension plans. The funding level varies depending on the plan.

SEKm	2012	2011[1]	2010[1]
Funded plans			
Defined-benefit obligations	21,930	20,013	18,057
Fair value of plan assets	–19,845	–17,471	–17,889
Net value funded plans	**2,085**	**2,542**	**168**
Unrecognized past service costs	–9	–34	–42
Provision for pensions, funded plans	**2,076**	**2,508**	**126**
Unfunded plans			
Defined-benefit obligations	2,087	1,975	1,896
Unrecognized past service costs	16	22	29
Provision for pensions, unfunded plans	**2,103**	**1,997**	**1,925**
Provision for pensions, net	**4,179**	**4,505**	**2,051**

1) 2010 and 2011 include the packaging operations that were divested in June 2012.

As in the preceding year, no financial instruments issued by the company are included in the fair value of plan assets at December 31, 2012.

SCA's budgeted contributions for the defined-benefit obligations amount to SEK 638m for 2013.

26 Provisions for pensions, cont.

The following table shows the development of the net pension liability.

	2012		2011		2010	
SEKm	Defined-benefit obligations	Plan assets	Defined-benefit obligations	Plan assets	Defined-benefit obligations	Plan assets
Value at January 1	**20,749**	**–17,471**	**19,953**	**–17,889**	**20,332**	**–16,921**
Current service cost	448	–	489	–	451	–
Interest expense	706	–	1,009	–	996	–
Expected return on plan assets	–	–739	–	–1,069	–	–1,025
Past service cost	15	–	–1	–	–63	–
Acquisitions and disposals	561	465	–25	–	3	–
Curtailments, settlements and transfers	–5	–	–17	–	–19	–
Contributions by plan participants	–	–4	–	–46	–	–58
Contributions by the employer	–	–1,902	–	–1,057	–	–988
Benefits paid	–728	728	–994	994	–1,098	1,098
Actuarial gains and losses	2,568	–1,336	1,477	1,675	1,146	–1,508
Translation effects	–297	414	97	–79	–1,795	1,513
Value at December 31	**24,017**	**–19,845**	**21,988**	**–17,471**	**19,953**	**–17,889**
Allocated to disposal group, net	–	–	–1,239	–	–	–
Value at December 31, excluding disposal group	**24,017**	**–19,845**	**20,749**	**–17,471**	**19,953**	**–17,889**
of which:						
Sweden	3,867	–2,472	3,426	–2,147	2,584	–2,710
United Kingdom	9,510	–10,151	9,735	–8,556	8,711	–8,345
Eurozone	9,239	–6,373	7,221	–5,775	7,148	–5,857

Principal actuarial assumptions

	Sweden	United Kingdom	Eurozone
2012			
Discount rate	3.07	4.10	2.75
Expected salary increase rate	3.25	3.80	3.25
Expected inflation	2.00	2.60	2.00
Expected return on plan assets	7.80–8.53	6.50–6.71	3.58–6.84
2011			
Discount rate	3.66	4.87	4.80
Expected salary increase rate	3.25	4.00	3.25
Expected inflation	2.00	3.00	2.00
Expected return on plan assets	6.37	6.54–6.63	4.19–6.10
2010			
Discount rate	5.03	5.63	4.69
Expected salary increase rate	3.25	4.00	3.25
Expected inflation	2.00	3.00	2.00
Expected return on plan assets	5.80	7.20–7.41	4.45–5.73

The actuarial assumptions comprise the most significant assumptions applied when calculating defined-benefit obligations at the balance sheet date.

Actuarial gains and losses arise as a result of deviations from actuarial and experience-based assumptions, as well as a different return than expected. These gains and losses are recognized directly in equity in the period in which they arise. A change in the discount rate of 0.25 percentage points would affect the total value of obligations by approximately SEK 1,044m. Taking into account that 54% of plan assets are invested in equities, a 10% upturn/decline in the total shareholding would lead to a change in value of approximately SEK 1,045m.

27 Other provisions

SEKm	Efficiency programs	Current operations	Tax risks	Environment	Legal disputes	Other	Total
Value at January 1	**494**	**5**	**248**	**143**	**61**	**318**	**1,269**
Provisions during the year	683	23	240	71	62	26	1,105
Utilization during the year	–449	–3	–	–102	–3	–32	–589
Acquisition of operations	–	–	–	11	–	–	11
Reclassifications	3	–	–	–	–	–8	–5
Dissolved during the year	–	–	–	–30	–	1	–29
Translation differences	–14	–	–	–1	–1	5	–11
Value at December 31	**717**	**25**	**488**	**92**	**119**	**310**	**1,751**
Provisions comprise:							
Short-term component							937
Long-term component							814

Other provisions amount to SEK 1,751m (1,600; 1,447). During the year, new provisions were made totaling SEK 1,105m, of which SEK 683m relates to provisions for the restructuring programs. Of provisions for the year for Environment, SEK 71m pertains to a liability for carbon dioxide emissions. Of the efficiency programs' provisions, SEK 449m was paid out in 2012, SEK 411m is anticipated to be paid out in 2013, SEK 129m in 2014, SEK 41m in 2015 and the remaining SEK 136m in 2016. Provisions for efficiency programs were changed in 2012 due to reclassifications of SEK 3m from other operating liabilities.

The predominant proportion in "Other" pertains to payroll tax on actuarial gains and losses recognized against equity in accordance with IAS 19. This item will not be paid out.

28 Other non-current liabilities

SEKm	2012	2011	2010
Derivatives	28	39	7
Other non-current liabilities	171	180	231
Total	**199**	**219**	**238**
Allocated to disposal group	–	–2	–
Total excluding disposal group	**199**	**217**	**238**

Of other non-current liabilities, SEK 13m (27; 136) falls due for payment later than within five years.

29 Other current liabilities

Other current liabilities

SEKm	2012	2011	2010
Liabilities to associates	6	4	7
Derivatives	159	191	169
Accrued expenses and prepaid income	6,873	7,449	7,298
Other operating liabilities	1,994	1,731	1,622
Total	**9,032**	**9,375**	**9,096**
Allocated to disposal group	–	–1,490	–
Total excluding disposal group	**9,032**	**7,885**	**9,096**

Accrued expenses and prepaid income

SEKm	2012	2011	2010
Accrued social security costs	322	431	397
Accrued vacation pay liability	514	885	813
Other liabilities to personnel	971	1,101	1,221
Accrued financial expenses	151	176	134
Bonus and discounts to customers	2,793	2,415	2,328
Other items	2,122	2,441	2,405
Total	**6,873**	**7,449**	**7,298**
Allocated to disposal group	–	–1,067	–
Total excluding disposal group	**6,873**	**6,382**	**7,298**

30 Liquidity risk

The table below shows the Group's liquidity risk regarding financial liabilities (including interest payments), net settled derivatives that constitute financial liabilities and negative cash flows from gross settled derivatives. For a description of how SCA manages its liquidity risk, refer to page 61 of the Board of Directors' Report.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
December 31, 2012			
Loans including interest	10,774	23,122	2,075
Net settled derivatives	–4	203	–
Energy derivatives	89	28	–
Trade payables	11,258	1,067	–
Total	**22,117**	**24,420**	**2,075**
Allocated to disposal group	–	–	–
Total excluding disposal group	**22,117**	**24,420**	**2,075**
Gross settled derivatives[1]	24,309	2,334	–
December 31, 2011			
Loans including interest	10,175	27,350	3,054
Net settled derivatives	–5	175	0
Energy derivatives	132	39	–
Trade payables	12,456	1,270	–
Total	**22,758**	**28,834**	**3,054**
Allocated to disposal group	–2,856	–5	–
Total excluding disposal group	**19,902**	**28,829**	**3,054**
Gross settled derivatives[1]	27,497	2,372	–
December 31, 2010			
Loans including interest	13,531	18,927	7,313
Net settled derivatives	–24	24	–20
Energy derivatives	59	7	–
Trade payables	12,435	1,139	–
Total	**26,001**	**20,097**	**7,293**
Gross settled derivatives[1]	23,691	125	–

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

31 Financial instruments by category

The following categorization has been conducted for financial instruments:

SEKm	Carrying amount in the balance sheet	Of which Loans and receivables	Financial liabilities measured at amortized cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	Held-to-maturity investments	Allocated to disposal group
December 31, 2012								
Non-current financial assets	2,932	66		298	894	1,448	226	–
Other non-current assets	16	–		–	16	–	–	–
Trade receivables	14,105	14,105		–	–	–	–	–
Other current receivables	115	–		60	55	–	–	–
Current financial assets	168	91		39	38	–	–	–
Cash and cash equivalents	2,017	2,017		–	–	–	–	–
Total assets	**19,353**	**16,279**		**397**	**1,003**	**1,448**	**226**	–
Non-current financial liabilities	23,759		10,640	12,943	176			–
Other non-current liabilities	28		–	–	28			–
Current financial liabilities	9,955		9,834	105	16			–
Trade payables	12,325		12,325	–	–			–
Other current liabilities	159		–	51	108			–
Total liabilities	**46,226**		**32,799**	**13,099**	**328**			–
December 31, 2011								
Non-current financial assets	2,081	65		176	810	1,034		–4
Other non-current assets	31	–		–	31	–		–
Trade receivables	11,548	16,016		–	–	–		–4,468
Other current receivables	144	–		46	98	–		–
Current financial assets	292	102		165	28	–		–3
Cash and cash equivalents	2,644	2,752		–	–	–		–108
Total assets	**16,740**	**18,935**		**387**	**967**	**1,034**		**–4,583**
Non-current financial liabilities	27,711		14,772	12,891	158			–110
Other non-current liabilities	39		–	–	39			–
Current financial liabilities	9,266		8,963	316	27			–40
Trade payables	10,866		13,726	–	–			–2,860
Other current liabilities	190		–	41	150			–1
Total liabilities	**48,072**		**37,461**	**13,248**	**374**			**–3,011**
December 31, 2010								
Non-current financial assets	2,198	82		74	676	1,366		
Other non-current assets	65	–		1	64	–		
Trade receivables	15,616	15,616		–	–	–		
Other current receivables	539	–		144	395	–		
Current financial assets	220	112		96	12	–		
Cash and cash equivalents	1,866	1,866		–	–	–		
Total assets	**20,504**	**17,676**		**315**	**1,147**	**1,366**		
Non-current financial liabilities	23,459		16,198	7,092	169			
Other non-current liabilities	7		–	–	7			
Current financial liabilities	13,047		6,537	6,504	6			
Trade payables	13,574		13,574	–	–			
Other current liabilities	169		–	58	111			
Total liabilities	**50,256**		**36,309**	**13,654**	**293**			

Distribution by level when measured at fair value

	Carrying amount December 31			Of which fair value by Level		
SEKm	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	1	2	3
December 31, 2012						
Derivatives	397	1,003	–	–	1,400	–
Non-current financial assets, excluding derivatives	–	–	1,448	1,440	8	–
Total assets	**397**	**1,003**	**1,448**	**1,440**	**1,408**	–
Derivatives	156	328		–	484	–
Total liabilities	**156**	**328**		**–**	**484**	**–**
December 31, 2011						
Derivatives	387	967	–	–	1,354	–
Non-current financial assets, excluding derivatives	–	–	1,034	1,026	8	–
Total assets	**387**	**967**	**1,034**	**1,026**	**1,362**	
Derivatives	272	374		–	646	–
Total liabilities	**272**	**374**		**–**	**646**	**–**

Distribution by level when measured at fair value

SEKm	Carrying amount December 31: Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	Of which fair value by Level: 1	2	3
December 31, 2010						
Derivatives	315	1,147	–	–	1,462	–
Non-current financial assets, excluding derivatives	–	–	1,366	1,358	8	–
Total assets	**315**	**1,147**	**1,366**	**1,358**	**1,470**	
Derivatives	260	293		–	553	–
Total liabilities	**260**	**293**		**–**	**553**	**–**

The table above specifies how financial instruments, excluding financial liabilities, were measured at fair value in accordance with the fair value hierarchy with the following three levels:
Level 1: Quoted prices on an active market for identical assets or liabilities, such as shares or bonds quoted on the stock exchange.
Level 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (that is, price quotations) or indirectly (that is, obtained from price quotations), such as forward contracts or interest rate swaps.
Level 3: Inputs for the asset or liability not based on observable market data, but containing the assumptions and estimates of management, for example, unquoted shares.

32 Contingent liabilities

SEKm	2012	2011	2010
Guarantees for			
employees	–	9	3
associates	20	23	25
customers and others	46	45	42
Tax disputes	349	507	270
Other contingent liabilities	179	114	44
Total	**594**	**698**	**384**
Allocated to disposal group	–	–111	–
Total excluding disposal group	**594**	**587**	**384**

Contingent liabilities for tax disputes mainly relate to claims for additional taxes in Spain. The claim by the Spanish tax authorities amounts to EUR 28.6m, including interest. The claim is related to restructuring measures that the sellers of a Spanish company carried out prior to SCA's acquisition of the company in 1997. SCA has provided a security for payment of the tax, but is challenging the claim and assesses that the claim will not be upheld in court. Consequently, no provision has been made in the accounts for this claim.

SCA entered into lease-out/lease-in transactions during 1996 with US banks as counterparties pertaining to the two LWC plants in Ortviken, Sweden. The terms of the contracts were originally 32 and 36 years. However, SCA has the opportunity to cancel the transactions in 2014 and 2015, respectively, without incurring any financial consequences. At the time the transactions were entered into, the net present value of the leasing amount which SCA has undertaken to pay totaled about SEK 4bn or USD 611m. This amount, in accordance with the agreements, is partly deposited in accounts in banks with at least A– rating, and partly in US securities with an AA+ rating. The value of outstanding deposits and US securities amounted to SEK 3.72bn at December 31, 2012. SCA bears the credit risk against the depositary banks. Should the rating of a depositary bank decline in the future, SCA has the possibility to transfer the deposit to another bank with a better rating. Moreover, SCA is liable to take such action if the depositary bank's rating falls below A–.

The counterparties have accepted that the deposited funds are applied for the leasing undertakings. The advance payments and deposits were netted during 1996 in the balance sheet. Should SCA, as the result of extraordinary events (of a force majeure nature), elect not to fulfill, or cannot fulfill the leasing contracts, SCA is liable to compensate the counterparties for financial losses, which may be incurred as a result. Compensation varies during the duration and can amount to a maximum of about 6% of the present value of the leasing amount. The agreements were composed and examined by legal experts in Sweden and the US and are considered to follow the standard practice for lease-out/lease-in transactions.

During 2000, SCA also entered into a leasing transaction with US banks as counterparties pertaining to the Östrand pulp mill in Timrå, Sweden. The term of the transaction was originally 30 years. However, SCA has the opportunity to cancel the transactions in 2017 without incurring any financial consequences. At the time the transactions were entered into, the current value of the leasing amount that SCA has undertaken to pay amounted to about SEK 4bn or USD 442m. Of this amount, in accordance with the agreement, an amount corresponding to SEK 3.6bn was partly invested in accounts in banks, partly in US securities, which at the time of the agreement had an AA and AAA rating, respectively. In 2009, the leasing transaction with one of the US banks was terminated prematurely. The value of outstanding deposits and US securities subsequently amounted to SEK 1.66bn at December 31, 2012. SCA carries the credit risk against the depositary banks. Should the rating of a depositary bank decline in the future, SCA has the possibility to transfer the deposit to another bank with a better rating. SCA also has an obligation to exchange the US securities if their rating falls below AA– or A, respectively. The rating of the original securities declined in 2008, which resulted in SCA exchanging these securities for bank-guaranteed securities and US government bonds. The counterparties have accepted that the deposited funds are applied for the leasing undertakings. The advance payments and deposits were netted during 2000 in the balance sheet. Should SCA, as the result of extraordinary events (of a force majeure nature), elect not to fulfill, or cannot fulfill the leasing contracts, SCA is liable to compensate the counterparties for financial losses, which may be incurred as a result. Compensation varies during the duration and can amount to a maximum of about 9% of the present value of the leasing amount, which subsequent to the above-mentioned premature termination, amounts to USD 227m. The agreements, as in the 1996 transactions, were composed and examined by legal experts in Sweden and the US and are considered to follow the standard practice for this type of transaction.

In 2007, SCA entered into a sale and leaseback transaction with a European bank relating to the new soda recovery boiler at the liner plant in Obbola, Sweden. The original term of the contract is 25 years and SCA has a right to terminate the transaction in 2023 without any financial consequences. The present value of SCA's future rental amounts was SEK 671m, which was invested in a security with an A rating issued by the counterparty and deposited in a Swedish bank assigned to handle rental payments during the term of the contract. Should the counterparty's rating fall below BBB–, SCA is entitled, without incurring any financial consequences, to terminate the transaction in advance. Should SCA, as the result of extraordinary events (of a force majeure nature), elect not to fulfill, or cannot fulfill the leasing contract, SCA is liable to compensate the counterparty for any economic loss that may be incurred as a result. Compensation varies during the term and can amount to a maximum of 12% of the transaction amount. SCA has the use of the facility without operational restrictions. The lease and depositary arrangement were recognized net in SCA's balance sheet in 2007.

In 2005, SCA signed an eight-year fixed-price agreement with a Swedish electricity supplier for electricity deliveries to the company's Swedish plants. The agreement covers approximately 45% of estimated consumption at these plants. SCA signed a ten-year fixed-price agreement with a Norwegian electricity supplier comprising electricity deliveries corresponding to approximately 17% of the estimated consumption. The agreement with the Norwegian supplier became effective in 2009.

33 Pledged assets

SEKm	Pledged assets related to financial liabilities	Other	Total: 2012	2011	2010
Real estate mortgages	7	–	7	7	6
Chattel mortgages	15	20	35	36	31
Other	226	140	366	140	139
Total	**248**	**160**	**408**	**183**	**176**
Allocated to disposal group	–	–	–	–1	–
Total excluding disposal group	**248**	**160**	**408**	**182**	**176**

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

34 Operating loss

Operating loss by type of cost

SEKm	2012	2011
Other operating income	98	174
Other external costs	–156	–303
Personnel and Board costs	–331	–321
Depreciation/amortization	–58	–53
Other operating expenses excluding depreciation/amortization	–43	–124
Total	**–490**	**–627**

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

AUDITING EXPENSES

Remuneration to auditors can be specified as follows:

SEKm	2012	2011
PwC		
Audit assignments	9	9
Auditing activities other than the audit assignment	1	1
Tax consultancy services	7	2
Other assignments	12	44
Total	**29**	**56**

LEASING

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

SEKm	2012	2011
Within 1 year	45	45
Between 2 and 5 years	147	171
Later than 5 years	47	66
Total	**239**	**282**

Cost for the year for leasing of assets amounted to SEK 46m (44). Leased assets comprise means of transportation, office premises and technical equipment. In reality, such contracts can be terminated early.

35 Personnel and Board costs

Salaries and remuneration

SEKm	2012	2011
Board of Directors[1], President, Executive Vice Presidents and Central Staff Managers (5 (5))	70	60
of which variable remuneration	30	21
Other employees	99	101
Total	**169**	**161**

[1] Board fees decided by the Annual General Meeting amounted to SEK 6.0m (5.2). For further information, see Note 6.

Social security costs

SEKm	2012	2011
Total social security costs	143	148
of which, pension costs [2]	89	96

[2] Of the Parent Company's pension costs, SEK 38m (26) pertain to the Board, President, Executive Vice Presidents and senior executives. Former Presidents and Executive Vice Presidents and their survivors are also included. The company's outstanding pension obligations to these individuals amount to SEK 291m (304).

Pension costs

SEKm	2012	2011
Self-administered pension plans		
Costs excl. interest expense	36	46
Interest expense (recognized in personnel costs)	17	16
	53	**62**
Retirement through insurance		
Insurance premiums	20	18
Other	–1	–1
	72	**79**
Policyholder tax	0	0
Special payroll tax on pension costs	15	17
Cost of credit insurance, etc.	2	0
Pension costs for the year	**89**	**96**

Premiums during the year for disability and family pension insurance with Alecta amounted to SEK 3m (3). (See also Note 26 Pension provisions, page 101). Personnel costs also include other personnel costs in the amount of SEK 15m (12).

Average number of employees

	2012	2011
Sweden	108	105
of whom women, %	50	51

Breakdown of employees by age groups, %

2012	21–30 yrs	31–40 yrs	41–50 yrs	51–60 yrs	61– yrs
	4	31	38	19	8

Of the total number of Board members and senior executives, 17% (9) and 24% (22), respectively, are women.

36 Depreciation/amortization of property plant and equipment, and intangible assets

SEKm	2012	2011
Buildings	5	5
Land improvements	50	45
Machinery and equipment	3	3
Sub-total	**58**	**53**
Capitalized development costs	0	0
Total	**58**	**53**

37 Financial items

SEKm	2012	2011
Result from participations in Group companies		
Dividends from subsidiaries	3,643	3,839
Group contributions received from subsidiaries	4,093	1,733
Group contributions paid to subsidiaries	–219	–136
Result from participations in other companies		
Dividend from other companies	2	–
Capital gains/losses	41	–5
Interest income and similar profit items		
Interest income, external	389	32
Interest income, subsidiaries	550	597
Interest expenses and similar loss items		
Interest expenses, external	–524	–551
Interest expenses, subsidiaries	–3,194	–2,754
Total	**4,781**	**2,755**

38 Appropriations and untaxed reserves

Of the Parent Company's untaxed reserves, SEK 181m (169) pertains to accumulated depreciation in excess of plan.

39 Income taxes

Tax on profit for the year

SEKm	2012	2011
Deferred tax income (–) expense (+)	226	–173
Total	**226**	**–173**

	2012		2011	
Reconciliation	**SEKm**	**%**	**SEKm**	**%**
Tax income/expense	226	5.3	–173	–8.2
Expected tax	1,125	26.3	556	26.3
Difference	**–899**	**–21.0**	**–729**	**–34.5**
Difference is due to:				
Taxes related to prior periods	0	0.0	1	0.0
Non-taxable dividends from subsidiaries	–958	–22.4	–1,010	–47.7
Non-taxable Group contributions from subsidiaries	–162	–3.8	–100	–4.7
Non-deductible Group contributions to subsidiaries	412	9.6	352	16.6
Changed tax rate	–127	–2.9	–	–
Other non-taxable/non-deductible items	–64	–1.5	28	1.3
Total	**–899**	**–21.0**	**–729**	**–34.5**

The Parent Company participates in the Group's tax pooling arrangement and pays the majority of the Group's total Swedish taxes. These are now recognized in profit and loss as Group contributions paid and received.

CURRENT TAX LIABILITY (+), TAX ASSETS (–)

The change to the current tax asset during the period is explained below:

SEKm	2012	2011
Value at January 1	**–18**	**–18**
Current tax income	–	–
Income taxes paid	0	0
Tax expense for other Group companies	–	–
Value at December 31	**–18**	**–18**

DEFERRED TAX EXPENSE (+), TAX INCOME (–)

SEKm	2012	2011
Changes in temporary differences	226	–174
Adjustments for prior periods	0	1
Total	**226**	**–173**

PROVISIONS FOR TAXES

The change to the provisions for tax is explained below:

SEKm	Value at January 1	Deferred tax expense	Value at December 31
Land and buildings	1,397	–222	1,175
Provisions for pensions	–115	8	–107
Tax loss carryforwards	–812	432	–380
Other	–47	8	–39
Total	**423**	**226**	**649**

40 Intangible fixed assets

Capitalized development costs

SEKm	2012	2011
Accumulated costs	20	35
Accumulated amortization	–19	–34
Residual value according to plan	**1**	**1**
Value at January 1	**1**	**1**
Investments	0	–
Amortization for the year	0	0
Value at December 31	**1**	**1**

41 Tangible fixed assets

	Buildings		Land		Machinery and equipment	
SEKm	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Accumulated cost	148	152	2,330	2,039	22	23
Accumulated depreciation	–91	–88	–742	–692	–9	–9
Accumulated write-ups	–	–	5,066	5,079	–	–
Planned residual value	**57**	**64**	**6,654**	**6,426**	**13**	**14**
Value at January 1	**64**	**68**	**6,426**	**6,357**	**14**	**16**
Investments	0	1	299	117	2	1
Sales and disposals	–2	0	–21	–3	0	–
Depreciation for the year	–5	–5	–50	–45	–3	–3
Value at December 31	**57**	**64**	**6,654**	**6,426**	**13**	**14**

Land includes forest land in the amount of SEK 6,013m (5,873).

42 Participations

	Subsidiaries		Associates		Other companies	
SEKm	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Accumulated costs	124,066	124,364	–	88	157	37
Accumulated write-ups	140	140	–	–	30	–
Accumulated write-downs	–140	–140	–	–	–	–5
Planned residual value	**124,066**	**124,364**	**0**	**88**	**187**	**32**
Value at January 1	**124,364**	**123,994**	**88**	**–**	**32**	**11**
Investments	–	370	–	88	130	26
Increase through acquisition of subsidiaries	344	–	–	–	–	–
Reclassifications	218	–	–88	–	–	–
Repayment of equity	–860	–	–	–	–	–
Divestments	–	–	–	–	–5	–
Impairments for the year	–	–	–	–	30	–5
Value at December 31	**124,066**	**124,364**	**0**	**88**	**187**	**32**

The 2012 events pertain to the intra-Group purchase of 125,000 shares in the Italian subsidiary SCA Hygiene Products S.p.A., and part repayment of equity in the Belgian company SCA Capital NV. Shares in three companies belonging to the packaging operations were provided as a shareholders' contribution to the subsidiary SCA Group Holding BV. In addition, the company received shares as compensation for pension payments, and purchased shares in AB Industrivärden from a pension foundation. The company also sold shares in a tenant-owner association. The shares in AB Industrivärden are recognized at fair value.

Parent Company's holdings of shares and participations in subsidiaries, December 31, 2012

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
Swedish subsidiaries:					
Fastighets- och Bostadsaktiebolaget FOBOF	556047-8520	Stockholm	1,000	100	0
SCA Försäkringsaktiebolag	516401-8540	Stockholm	140,000	100	14
SCA Kraftfastigheter AB	556449-7237	Stockholm	1,000	100	0
SCA Research AB	556146-6300	Stockholm	1,000	100	0
SCA Hedging AB	556666-8553	Stockholm	1,000	100	0
Foreign subsidiaries:					
SCA Group Holding BV	33181970	Amsterdam	246,347	100	94,567
SCA Capital NV	0810.983.346	Diegem	999,999	100	29,141
SCA UK Holdings Ltd	03665635	Dunstable	1	0	0
SCA Hygiene Products S.p.A.	03318780966	Capannori	125,000	25	344
Total carrying amount of subsidiaries					**124,066**

43 Receivables from and liabilities to subsidiaries

SEKm	2012	2011
Financial fixed assets		
Interest-bearing receivables	427	2,894
Total	**427**	**2,894**
Current assets		
Interest-bearing receivables	3	–
Other receivables	3,294	1,394
Total	**3,297**	**1,394**
Non-current liabilities		
Interest-bearing liabilities	2,100	2,181
Total	**2,100**	**2,181**
Current liabilities		
Interest-bearing liabilities	66,496	67,826
Other liabilities	807	1,109
Total	**67,303**	**68,935**

44 Other current receivables

SEKm	2012	2011
Prepaid expenses and accrued income	67	16
Other receivables	98	84
Total	**165**	**100**

Prepaid expenses and accrued income

SEKm	2012	2011
Prepaid lease of premises	6	6
Prepaid financial expenses	46	–
Prepaid pension premiums	1	1
Other items	14	9
Total	**67**	**16**

45 Equity

The change in equity is shown in the financial report relating to Equity presented on page 73. The share capital and number of shares have increased since 1993 with new issues, conversions and splits as set out below:

Year	Event	No. of shares	Increase in share capital	Cash payment, SEKm
1993	Number of shares, January 1, 1993	172,303,839		
1993	Conversion of debentures and new subscription through warrants 1	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 warrants IIB	513	0	0.1
2003	Conversion of debentures	1,127,792	11.3	288.4
	New subscription through warrants IIB	1,697,683	17.0	434.5
2004	Conversion of debentures	9,155	0.1	1.1
2007	Split 3:1	470,073,396	–	–
2012	**Number of shares, December 31, 2012**	**705,110,094**		

SCA's share capital, December 31, 2012

	Number of votes	Number of shares	Share capital, SEKm
A shares	10	93,278,137	311
B shares	1	611,831,957	2,039
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.

46 Provisions for pensions

The Parent Company has both defined-contribution and defined-benefit pension plans. Below is a description of the Parent Company's defined-benefit plans.

PRI PENSIONS

Pension liabilities pertaining to PRI pensions have been secured through a common Swedish SCA pension fund. The market value of the Parent Company's portion of the foundation's assets at December 31, 2012 amounted to SEK 73m (57). In the past two years, no compensation has been received. The capital value of the pension obligations at December 31, 2012 amounted to SEK 102m (96). Pension payments of SEK 5m (3) were made in 2012. Since the value of the assets in 2012 is below that of the pension obligations in the amount of SEK 29m (39), this is recognized as a provision in the balance sheet. The provision is included below.

OTHER PENSION OBLIGATIONS

Note 6 Personnel and Board costs in the Group's notes describes the other defined-benefit pension plans of the Parent Company. The table below shows the change between the years.

Capital value of pension obligations relating to self-administered pension plans

SEKm	2012	2011
Value at January 1	**491**	**453**
Compensation received from assumed pension obligations	27	–
Costs excl. interest expense	36	45
Interest expense (recognized in personnel costs)	17	16
Payment of pensions	–35	–23
Value at December 31	**536**	**491**

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 3.5% (3.6). The defined-benefit obligations are calculated based on salary levels valid on the respective balance sheet dates.

Next year's expected disbursements regarding defined-benefit pension plans amount to SEK 38m.

47 Non-current interest-bearing liabilities

	Carrying amount		Fair value	
SEKm	2012	2011	2012	2011
Bond issues	7,160	7,358	7,723	7,634
Other non-current loans with a term > 1 year < 5 yrs	5,399	5,493	5,649	5,711
Other non-current loans with a term > 5 yrs	934	779	1,004	831
Total	**13,493**	**13,630**	**14,376**	**14,176**

Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm
Notes SEK 1,800m	2016	1,800	1,914
Floating Rate Note SEK 200m	2016	200	205
Notes EUR 600m	2016	5,160	5,604
Total		**7,160**	**7,723**

48 Other current liabilities

Other current liabilities

SEKm	2012	2011
Accrued expenses and prepaid income	367	363
Other operating liabilities	9	6
Total	**376**	**369**

Accrued expenses and prepaid income

SEKm	2012	2011
Accrued interest expenses	172	190
Accrued social security costs	26	21
Accrued vacation pay liability	12	11
Other liabilities to personnel	59	46
Other items	98	95
Total	**367**	**363**

49 Contingent liabilities

SEKm	2012	2011
Guarantees for:		
subsidiaries	19,950	22,266
Other contingent liabilities	22	20
Total	**19,972**	**22,286**

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.

The Parent Company is also a guarantor for all the subsidiary SCA Graphic Sundsvall AB's obligations according to contracts regarding physical deliveries of electric power between 2005 and 2013.

50 Pledged assets

SEKm	Other	Total 2012	Total 2011
Chattel mortgages	20	20	20
Other	136	136	136
Total	**156**	**156**	**156**

51 Financial instruments by category

The accounting principles 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	2012	2011
Assets in the balance sheet		
Financial fixed assets		
Interest-bearing receivables	124	126
Interest-bearing receivables from subsidiaries	427	2,894
Current assets		
Receivables from subsidiaries	268	199
Other current receivables	40	46
Cash and bank balances	0	0
Total	**859**	**3,265**

Financial liabilities measured at amortized cost

SEKm	2012	2011
Liabilities in the balance sheet		
Non-current liabilities		
Liabilities to subsidiaries	2,100	2,181
Interest-bearing liabilities	13,492	13,630
Current liabilities		
Liabilities to subsidiaries	67,083	68,311
Trade payables	24	87
Other current liabilities	172	190
Total	**82,871**	**84,399**

52 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 10, 2013.

Proposed disposition of earnings

Annual accounts 2012

Disposition of earnings, Parent Company	
Non-restricted equity in the Parent Company:	
retained earnings	35,287,955,997
net profit for the year	4,053,542,729
Total	**39,341,498,726**
The Board of Directors and the President proposes:	
to be distributed to shareholders, a dividend of SEK 4.50 per share	3,160,541,201[1)]
to be carried forward	36,180,957,525
Total	**39,341,498,726**

1) Based on the number of outstanding shares at December 31, 2012. The amount of the dividend may change if any treasury share transactions are executed before the record date, April 15, 2013. The company's equity would have been SEK 323,943 higher if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

Stockholm, February 21, 2013

The Board of Directors and President declare that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the EU and that disclosures herein give a true and fair view of the Group's financial position and results of operations. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Board of Directors' Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Sverker Martin-Löf
Chairman of the Board

Pär Boman
Board member

Rolf Börjesson
Board member

Leif Johansson
Board member

Lars Jonsson
Board member

Louise Julian
Board member

Bert Nordberg
Board member

Anders Nyrén
Board member

Örjan Svensson
Board member

Barbara Milian Thoralfsson
Board member

Thomas Wiklund
Board member

Jan Johansson
President and CEO

Our audit report was submitted on February 28, 2013

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of Svenska Cellulosa Aktiebolaget SCA, corporate identity number 556012-6293

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Svenska Cellulosa Aktiebolaget SCA for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18–110.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Svenska Cellulosa Aktiebolaget SCA for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 28 February 2013

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor-in-charge

Independent assurance report relating to Sustainability Report

Pages 62–65 of this document contain an extract of the Sustainability Report. A complete Sustainability Report has been prepared by the company, which contains our full assurance report. Based on our review, nothing has come to our attention that causes us to believe that the sustainability report has not, in all material respects, been prepared in accordance with the criteria stipulated in the full version of the assurance report.

Stockholm, 28 February 2013

PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant

Fredrik Ljungdahl
Expert member, Far

Multi-year summary[1)]

SEKm	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
INCOME STATEMENT										
Net sales [2)]	85,408	81,337	82,731	109,358	110,449	105,913	101,439	96,385	89,967	85,338
Operating profit	**6,012**	**2,299**	**7,793**	**8,190**	**8,554**	**10,147**	**8,505**	**1,928**	**7,669**	**7,757**
Personal Care	3,180	2,645	2,922	3,235	2,912	2,960	2,799	2,474	2,429	2,403
Tissue	4,640	3,150	3,041	3,946	2,375	1,724	1,490	1,577	2,026	2,418
Packaging	–	–	–	413	1,493	2,651	2,072	1,775	2,604	2,482
Forest Products	1,363	2,423	2,915	2,503	2,207	2,870	2,475	1,886	1,777	1,559
Other operations [3)]	–3,171	–5,919	–1,085	–1,907	–433	–58	–331	–5,784	–1,167	25
Goodwill amortization	–	–	–	–	–	–	–	–	–	–1,130
Financial income	91	129	57	158	246	193	179	156	453	544
Financial expenses	–1,355	–1,454	–1,227	–1,802	–2,563	–2,103	–1,851	–1,651	–1,537	–1,334
Profit before tax	**4,748**	**974**	**6,623**	**6,546**	**6,237**	**8,237**	**6,833**	**433**	**6,585**	**6,967**
Tax	–251	–1,267	–1,755	–1,716	–639	–1,076	–1,366	21	–1,393	–1,861
Profit for the period from disposal group	503	900	724	–	–	–	–	–	–	–
Non-controlling interests	–	–	–	–	–	–	–	–	–	–31
Profit for the year	**5,000**	**607**	**5,592**	**4,830**	**5,598**	**7,161**	**5,467**	**454**	**5,192**	**5,075**
BALANCE SHEET										
Non-current assets (excl. financial receivables)	95,256	83,428	105,655	111,745	113,866	104,150	95,994	101,840	96,162	77,885
Receivables and inventories	28,539	25,577	31,890	30,605	36,121	33,793	29,907	29,356	25,681	22,880
Non-current assets held for sale	1,937	3,379	93	105	102	55	2,665	68	–	–
Financial receivables	3,614	2,083	3,254	2,062	2,499	3,663	2,970	2,035	682	4,146
Non-current financial assets	168	292	220	194	642	366	409	237	128	749
Cash and cash equivalents	2,017	2,644	1,866	5,148	5,738	3,023	1,599	1,684	3,498	1,696
Assets in disposal group held for sale	–	21,601	–	–	–	–	–	–	–	–
Total assets	**131,531**	**139,004**	**142,978**	**149,859**	**158,968**	**145,050**	**133,544**	**135,220**	**126,151**	**107,356**
Equity	59,706	60,752	67,255	67,156	66,450	63,590	58,299	56,343	54,350	49,754
Non-controlling interests	458	539	566	750	802	689	664	767	768	751
Provisions	13,968	12,651	13,908	13,351	13,292	14,199	14,240	17,035	16,962	13,620
Interest-bearing debt	34,727	37,834	37,297	44,766	52,886	42,323	38,601	39,036	35,021	25,429
Operating and other non-interest bearing liabilities	22,672	19,627	23,952	23,836	25,538	24,249	21,740	22,039	19,050	17,802
Liabilities in disposal group held for sale	–	7,601	–	–	–	–	–	–	–	–
Total liabilities and equity	**131,531**	**139,004**	**142,978**	**149,859**	**158,968**	**145,050**	**133,544**	**135,220**	**126,151**	**107,356**
Capital employed [4)]	85,458	83,374	84,664	112,264	105,955	96,368	96,192	95,341	87,208	71,687
Net debt, incl. pension liabilities	–32,927	–36,648	–34,406	–40,430	–47,002	–37,368	–36,399	–39,826	–34,745	–22,306
CASH FLOW STATEMENT										
Operating cash flow	9,644	7,418	8,725	14,133	7,813	8,127	6,304	7,471	8,837	10,102
Cash flow from current operations	7,271	5,306	6,490	11,490	3,810	4,508	2,772	4,362	5,688	8,134
Cash flow before dividend	8,218	2,671	5,049	8,483	77	1,473	1,538	1,768	–6,276	901
Current capital expenditures, net	–3,161	–3,250	–3,017	–4,037	–5,353	–5,165	–5,672	–4,859	–4,270	–3,902
Strategic capital expenditures, non-current assets	–1,863	–1,637	–2,254	–3,031	–3,109	–1,342	–935	–2,086	–2,398	–2,949
Business combinations	–14,872	–983	–484	–51	–1,764	–4,545	–323	–428	–9,340	–4,808
Divestments	17,682	–15	1,297	75	1,140	2,852	48	1	0	961
KEY RATIOS [5)]										
Equity/assets ratio, %	45	44	47	45	42	44	44	42	44	47
Interest coverage, multiple	4.8	1.7	6.7	5.0	3.7	5.3	5.1	1.3	7.1	9.8
Debt payment capacity incl. pension liabilities, %	37	36	35	31	26	35	29	27	35	54
Debt/equity ratio, incl. pension liabilities	0.55	0.60	0.51	0.60	0.70	0.58	0.62	0.70	0.63	0.44
Debt/equity ratio, excl. pension liabilities	0.48	0.52	0.48	0.55	0.66	0.58	0.59	0.62	0.56	0.44
Return on capital employed, %	7	4	8	7	8	11	9	2	9	11
Return on capital employed, excluding items affecting comparability, %	10	9	9	9	8	10	9	8	10	10
Return on equity, %	8	1	8	7	9	12	9	1	10	10
Operating margin, %	7	3	9	7	8	10	8	2	9	9
Operating margin, excluding items affecting comparability, %	10	10	10	9	8	9	8	8	9	9
Net margin, %	5	0	6	4	5	7	6	0	6	6
Capital turnover rate, multiple [2)]	1.00	0.98	0.98	0.97	1.04	1.10	1.05	1.01	1.03	1.19
Operating cash flow per share, SEK	10:35	7:55	9:24	16:36	5:42	6:42	3:95	6:22	8:12	11:66
Earnings per share, SEK	7:06	0:78	7:90	6:78	7:94	10:16	7:75	0:61	7:37	7:28
Dividend per share, SEK [6)]	4:50	4:20	4:00	3:70	3:50	4:40	4:00	3:67	3:50	3:50

1) Up to 2009 including packaging operations, which was divested in June 2012.
2) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2009.
3) 2012, 2011, 2010, 2009, 2007, 2005 and 2004 include items affecting comparability of SEK –2,634m, SEK –5,439m, SEK –702m, SEK –1,458m, SEK 300m, SEK –5,365m and SEK –770m, respectively.
4) Calculation of average capital employed is based on five measurements.
5) Key ratios are defined on page 116.
6) Dividend for 2012 relates to the proposed dividend.

Comments to the multi-year summary

Income statement

Sales

In 2003 and 2004, SCA continued to expand by acquiring companies, which contributed to an increase in sales of 13% up to the end of 2005. In 2006, the Group launched more new products than ever before and as a result of the growth in volume, SCA's net sales exceeded SEK 100bn for the first time. In 2008, sales increased by 4% to slightly more than SEK 110bn. Sales in Personal Care and Tissue rose, while Packaging and Forest Products declined. In 2009, sales fell 1% due to lower sales in Packaging. SCA's European packaging operations were reclassified to Disposal group held for sale with retroactive adjustment from 2010. Sales declined 24% in 2010 mainly due to the divestment of the European packaging operations, but also to negative exchange rate effects and the divestment of the Asian packaging operations. Net sales in 2011 fell 2% since both Personal Care and Tissue reported lower sales, while sales for Forest Products remained unchanged. All business areas were impacted by negative exchange rate effects. A number of strategic acquisitions and divestments were made in 2012, for example, SCA's European packaging operations were divested and Georgia-Pacific's European tissue operations were acquired. Net sales for 2012 rose 5% (11% excluding exchange rate effects and divestments). Sales for both Personal Care and Tissue increased sharply, whereas sales for Forest Products declined. During the ten-year period, the Group's sales have remained unchanged (CAGR = 0%).

Operating profit

For the period up to 2006, Personal Care had been under pressure from rising raw material costs and intense competition, although growth was favorable in both established and new markets. The profit level improved further in 2007. In 2008, operating profit was stable, while it increased 11% in 2009 as a result of an improved product mix, higher prices and lower raw material costs. Profit declined in 2010. Higher volumes and lower costs failed to offset higher costs of raw materials, marketing activities and exchange rate effects. Operating profit for 2011 declined 5% excluding exchange rate effects compared with the preceding year. Higher volumes, prices and cost savings did not offset higher costs for raw materials. In 2012, operating profit rose 20% compared with the preceding year (28% excluding exchange rate effects and divestments). The earnings improvement was attributable to higher volumes and prices, an improved product mix, lower raw material costs and cost savings.

The Tissue business area experienced a number of years (2003–2006) of lower prices, higher raw material and energy costs and the negative effects of currency movements. In 2007, this negative trend was reversed and operating profit increased once again. With effect from the fourth quarter of 2007, the acquisition of Procter & Gamble's European tissue unit is included in SCA's Tissue operations, which had a positive impact on profit. In 2008, the profit level increased mainly as a result of acquisitions and higher prices and volumes, which were offset by higher costs for raw materials. Up to that point, 2009 was the strongest year for Tissue. Prices rose at the same time as raw material prices declined. SCA invested in emerging markets, including Russia, which also made a positive contribution to the earnings trend. In 2010, profit declined for Tissue compared with the preceding year due to a sharp increase in raw material costs. Operating profit for 2011 rose 4% (10% excluding exchange rate effects) compared with the preceding year. Higher prices, a changed product mix and increased volumes had a positive impact, while higher raw material and distribution costs combined with negative exchange rate effects had an adverse impact on profit. In 2012, operating profit increased 47% to the highest ever level (50% excluding exchange rate effects and divestments). Higher prices, an improved product mix, increased volumes, acquisitions, lower raw materials costs and cost savings contributed to the improvement in earnings.

Packaging's operating profit declined in 2003 but improved again in 2004, before price reductions caused lower profit levels in 2005. In 2006, prices improved gradually, first for containerboard, which led to increases in the price of corrugated board, and thus an improvement in profits. Packaging also implemented successive price increases in 2007. SCA sold its North American packaging operations in the first quarter of 2007. Operating profit declined sharply in 2008 due to the financial crisis and the ensuing recession. Production cutbacks in liner operations and lower demand for corrugated board caused a deterioration in profit. The recession continued in 2009 and the result from Packaging declined 72% compared with 2008. The Asian packaging operations were divested in 2010. In 2012, the European packaging operations were divested and reclassified to Disposal group held for sale with retroactive adjustment from 2010.

For Forest Products, profit declined in 2003 as a result of lower prices and negative exchange rate movements. The profit level subsequently improved at a gradual pace and the business area reported its highest profit up to that date in 2007. The earnings improvement was mainly an effect of higher prices. Deliveries of publishing papers and solid-wood products were stable in 2008, but profit declined due to increased costs for raw materials, energy and timber. In 2009, profit improved, primarily for publishing papers, where higher prices, lower raw material costs and productivity enhancements made a positive contribution. In 2010, profit rose 16%. Productivity improvements and implemented price increases in pulp and solid-wood products had a positive effect on profit. In 2011, profit declined 17% due mainly to higher costs for raw materials and negative exchange rate effects in the pulp and sawmill operations. Operating profit in 2012 fell 44%. The lower earnings were largely attributable to lower prices and negative exchange rate effects in all product categories due to the stronger SEK.

Cash flow statement

A total of SEK 59bn has been invested in expansion during the reported ten-year period, of which SEK 38bn is attributable to company acquisitions. Maintenance investments amounted to SEK 43bn and have remained at a steady level of about 4% in relation to sales.

Key ratios

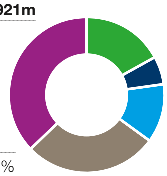
During the reporting period, the Group's dividend rose from SEK 3.50 to the proposed SEK 4.50, corresponding to an annual increase of approximately 3.5%. The proposed dividend of SEK 4.50 per share corresponds to an increase of 7.1% compared with the preceding year.

Description of costs

SCA Group

Total operating expenses[1]: SEK 76,921m

- Sales and administration expenses[2], 17%
- Energy, 6%
- Transport and distribution expenses, 12%
- Other costs of goods sold[3], 28%
- Raw materials and consumables, 37%

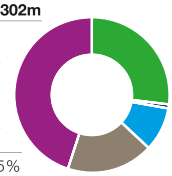


Of which	
Pulp	9%
Recovered paper	4%
Timber/chips	5%
Super absorbents	3%
Non-woven	2%
Other [4]	14%
Total Raw materials and consumables	**37%**

Personal Care

Total operating expenses[1]: SEK 23,302m

- Sales and administration expenses, 27%
- Energy, 1%
- Transport and distribution expenses, 9%
- Other costs of goods sold, 18%
- Raw materials and consumables, 45%

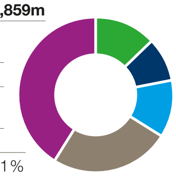


Of which	
Pulp	10%
Super absorbents	9%
Non-woven	8%
Other	18%
Total Raw materials and consumables	**45%**

Tissue

Total operating expenses[1]: SEK 37,859m

- Sales and administration expenses, 13%
- Energy, 9%
- Transport and distribution expenses, 12%
- Other costs of goods sold, 25%
- Raw materials and consumables, 41%

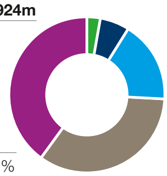


Of which	
Pulp	12%
Recovered paper	7%
Other	22%
Total Raw materials and consumables	**41%**

Forest Products

Total operating expenses[1]: SEK 16,924m

- Sales and administration expenses, 3%
- Energy, 6%
- Transport and distribution expenses, 17%
- Other costs of goods sold, 34%
- Raw materials and consumables, 40%



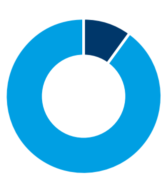
Of which	
Timber/chips	19%
Other	21%
Total Raw materials and consumables	**40%**

1) Excluding items affecting comparability.
2) Sales and administration expenses include costs for marketing (5 percentage points).
3) The two largest items of Other costs of goods sold comprise personnel (12 percentage points) and depreciation/amortization (6 percentage points).
4) The item Other in Raw materials and consumables includes costs for chemicals, packaging material and plastic material.

Raw materials, energy and transport activities

Timber/chips

- Personal Care, 0%
- Tissue, 10%
- Forest Products, 90%

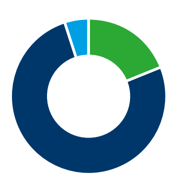


Total of 10.1 million cubic meters

of which, 50% from own forest and 50% purchased externally

Pulp

- Personal Care, 19%
- Tissue, 76%
- Forest Products, 5%

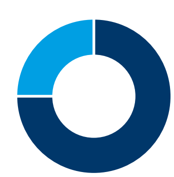


Total of 2 million tons

of which, 37% from own pulp mills and 63% purchased externally

Recovered paper

- Personal Care, 0%
- Tissue, 75%
- Forest Products, 25%



Total of 2.6 million tons

of which, 30% from own collection and 70% purchased externally

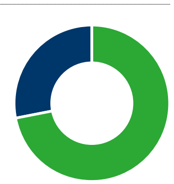
Energy

- Electricity, 29%
- Fossil fuels, 33%
- Biofuels, 38%

Total of 22.7 TWh

Transport activities

- By sea, 72%
- Other means of transport, 28%



Total of 31 billion ton kilometers

Production capacity (Capacity is stated in thousands of tons, unless otherwise indicated, and per year)

Personal Care

Production plant	Country
Annaba	Algeria[1]
Buenos Aires	Argentina[1]
Springvale	Australia
Sao Paolo	Brazil
Drummondville	Canada
Song Jiang	China
Caloto	Colombia[1]
Rio Negro	Colombia[1]
San Cristobal	Dominican Republic[1]
Lasso	Ecuador[1]
Cairo	Egypt[1]
Amman	Jordan[1]
Shah Alam	Malaysia
Ecatepec	Mexico
Guadalajara	Mexico
Gennep	Netherlands
Hoogezand	Netherlands
Te Rapa	New Zealand
Olawa	Poland
Veniov	Russia
Jeddah	Saudi Arabia[1]
Gemerská Hôrka	Slovakia
Kliprivier	South Africa[1]
Falkenberg	Sweden
Mölnlycke	Sweden
Kao Hsiung	Taiwan
Ksibet el Mediouni	Tunisia[1]
Istanbul	Turkey
Istanbul	Turkey[1]
Bowling Green	US

Tissue

Mill	Country	Capacity
Box Hill	Australia[1]	53
Stembert	Belgium	75
Santiago	Chile[1]	61
Bogota	Colombia[1]	35
Medellin	Colombia[1]	39
Lasso	Ecuador[1]	24
Nokia	Finland	67
Le Theil	France	62
Orleans	France	35
Kunheim	France	50
Gien	France	145
Houndouville	France	78
Patras	Greece	18
Altopascio	Italy	25
Collodi	Italy	42
Lucca	Italy	140
Monterrey	Mexico	57
Uruapan	Mexico	36
Sahagun	Mexico	60
Cuijk	Netherlands	51
Suameer	Netherlands[2]	8
Kawerau	New Zealand[1]	61
Drammen	Norway	22
Sovetsk	Russia	30
Svetogorsk	Russia	55
La Riba	Spain	26
Mediona	Spain	45
Valls	Spain	120
Allo	Spain	160
Chesterfield	United Kingdom	31
Manchester	United Kingdom	50
Oakenholt	United Kingdom	68
Prudhoe	United Kingdom	87
Stubbins	United Kingdom	105
Lilla Edet	Sweden	100
Kostheim	Germany	106
Mannheim	Germany	279
Neuss	Germany	105
Witzenhausen	Germany	30
Barton	US	180
Flagstaff	US	53
Menasha	US	211
South Glens Falls	US	75
Ortmann	Austria	124
Total		**3,284**

Forest Products

Mill	Country	Uncoated paper	SC and LWC paper	CTMP pulp	Kraft pulp	Total pulp and paper	Solid-wood products 1,000 m³	Kraftliner
Ortviken	Sweden	390	510			900		
Östrand	Sweden			100	430	530		
Munksund	Sweden						400	365
Obbola	Sweden							450
Bollsta	Sweden						500	
Tunadal	Sweden						500	
Rundvik	Sweden						260	
Vilhelmina	Sweden						120	
Holmsund	Sweden						100	
Gällö Timber[1]	Sweden						320	
Laakirchen	Austria		530			530		
Total		**390**	**1,040**	**100**	**430**	**1,960**	**2,200**	**815**

1) Joint venture companies.
2) Non-woven production.

Definitions and key ratios[1)]

Capital definitions

Capital employed The Group's and business area's capital employed is calculated as an average of the balance sheet's total assets, excluding interest-bearing assets and pension assets, less total liabilities, excluding interest-bearing liabilities and pension liabilities.

Equity The equity reported in the consolidated balance sheet consists of taxed equity increased by the equity portion of the Group's untaxed reserves and non-controlling interests. (Deferred tax liability in untaxed reserves has been calculated at a 22.0% rate for Swedish companies and at the applicable tax rate for foreign companies in each country outside Sweden).

Net debt The sum of consolidated interest-bearing liabilities, including pension liabilities and accrued interest less cash and cash equivalents and interest-bearing current and non-current receivables and capital investment shares.

Financial measurements

Equity/assets ratio Equity expressed as a percentage of total assets.

Debt/equity ratio Expressed as net debt in relation to equity.

Interest coverage ratio Calculated according to the net method where operating profit is divided by financial items.

Cash earnings Calculated as profit before tax, with a reversal of depreciation and impairment of property, plant and equipment and intangible assets, share of profits of associates, and nonrecurring items, reduced by tax payments.

Debt payment capacity Expressed as cash earnings in relation to average net debt.

Operating surplus Expressed as operating profit before depreciation/impairment of property, plant and equipment and intangible assets and share of profits of associates.

Operating cash flow The sum of operating cash surplus and change in working capital, with deductions for current capital expenditures in property, plant and equipment and restructuring costs.

Cash flow from current operations Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.

Strategic capital expenditure Strategic investments increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost SCA's competitiveness.

Current capital expenditure Investments to maintain competitiveness, such as maintenance, rationalization and replacement measures or investments of an environmental nature.

Margins, etc.

Operating surplus margin Operating surplus as a percentage of net sales for the year.

Operating margin Operating profit as a percentage of net sales for the year.

Net margin Profit for the year as a percentage of net sales for the year.

Capital turnover Net sales for the year divided by average capital employed.

Profitability ratios

Return on capital employed Return on capital employed is calculated for the Group as operating profit as a percentage of average capital employed.

Return on equity Return on equity is calculated for the Group as profit for the year as a percentage of average equity.

Other measurements

Value added per employee Operating profit plus salaries, wages and payroll expenses divided by the average number of employees.

Glossary

AFH (Away-From-Home) Tissue sold to bulk consumers such as hospitals, restaurants, hotels, offices and industrial premises.

Consumer tissue Includes toilet and kitchen paper, facial tissues and handkerchiefs.

CTMP (Chemical thermo mechanical pulp) A high-yield pulp produced through the mechanical defibration in a refiner of preheated, chemically pre-treated softwood.

Dispenser A device to dispense tissue or soap in public places.

FSC – Forest Stewardship Council An international organization working to ensure responsible forest management. FSC has developed principles for responsible forestry that can be applied for certifying forest management and that facilitate FSC labeling of wood products from FSC-certified forests.

Kraftliner surface layer of corrugated board based on fresh wood fiber.

Kraft pulp Pulp from wood fiber that is chemically treated usually by boiling.

Liner The surface layer of corrugated board. Available in various grades, such as kraftliner (based on fresh wood fiber) and testliner (based on recovered fiber).

LWC paper Light Weight Coated paper is a coated paper with a high mechanical pulp content. Used for high-quality magazines and advertising materials with demanding color-printing requirements.

M^{3}fo Forest cubic meter Volume of timber including tops and bark, but excluding branches. Used to describe the forest portfolio of standing forest. Growth is also specified in forest cubic meters.

M^{3}s or m^{3}sub Solid cubic meter under bark. Specifies the volume of timber excluding bark and tops. Used in felling and the timber trade.

PEFC – Programme for the Endorsement of Forest Certification An international forest certification system.

Personal care products Here defined as incontinence care products, baby diapers and feminine care products.

Productive forest land Land with a productive capacity that exceeds one cubic meter of forest per hectare annually.

SC paper Supercalendered publication paper with a high-gloss surface and with a high content of mechanical and/or recycled pulp. Mainly used for catalogues, magazines and advertising materials.

Solid-wood products Wood sawn into various sizes used in, for example, furniture manufacturing and the joinery industry or as construction timber.

Super absorbents Collective name of a number of synthetic absorbent materials based on polymers. Important material in personal care products such as diapers and pads.

1) Calculations of key ratios are mainly based on guidelines issued by the Swedish Society of Financial Analysts. Averages are calculated based on five metrics.

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Awards and recognition

SCA was named one of the world's most ethical companies by the Ethisphere Institute.

SCA is included in the Dow Jones Sustainability Index, one of the world's most prestigious sustainability indexes.

SCA is included in the Carbon Disclosure Leadership Index.

SCA has been listed on the FTSE4Good global sustainability index since 2001.

SCA is on the Fortune Most Admired Companies list, ranked third in the Forestry and Paper class, and number one in this class for social responsibility.

SCA became a UN Global Compact member in 2008.

SCA is a member of the World Business Council for Sustainable Development (wbcsd).

In WWF's Environmental Paper Company Index 2011 SCA had the highest score in both in the tissue and packaging categories.

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