Year-end report 2017

JANUARY 1 – DECEMBER 31, 2017*

(compared with the year-earlier period, continuing operations)

- Net sales increased 8% to SEK 16,664m (15,373)
- Adjusted EBITDA improved 15% to SEK 3,761m (3,269)
- The adjusted EBITDA margin increased to 22.6% (21.3)
- Adjusted operating profit totaled SEK 2,624m (2,155)
- Operating profit totaled SEK 2,511m (2,271)
- Net profit for the period totaled SEK 1,873m (1,770)
- Earnings per share amounted to SEK 2.67 (2.52)
- Operating cash flow totaled SEK 2,273m (1,917)
- The Board of Directors proposes a dividend of SEK 1.50 per share

EARNINGS TREND

Continuing operations	**Quarter**					**Full year**		
SEKm	**2017:4**	**2016:4**	*%*	**2017:3**	*%*	**2017**	**2016**	*%*
Net sales	4,242	3,939	*8*	4,231	*0*	16,664	15,373	*8*
Adjusted EBITDA[1]	1,078	826	*31*	1,049	*3*	3,761	3,269	*15*
Items affecting comparability	0	-7		0		-113	116	
EBITDA	1,078	819	*32*	1,049	*3*	3,648	3,385	*8*
Adjusted operating profit[1]	786	539	*46*	776	*1*	2,624	2,155	*22*
Operating profit	786	532	*48*	776	*1*	2,511	2,271	*11*
Net profit	596	413	*44*	627	*-5*	1,873	1,770	*6*
Adjusted EBITDA margin[1]	25.4	21.0		24.8		22.6	21.3	
Earnings per share, SEK	0.85	0.59		0.89		2.67	2.52	
Operating cash flow	842	570		525		2,273	1,917	*19*

[1] Excluding items affecting comparability before tax

** Shares in the discontinued operation Essity (the hygiene business) were distributed to SCA's shareholders in the second quarter, and Essity was listed on Nasdaq Stockholm on June 15, 2017. Unless otherwise stated, only SCA's continuing operations (the forest products business) are described in this report.*

The hygiene business, Essity, is recognized in this report as a discontinued operation under IFRS 5 (see Note 1 Accounting principles and Note 4 Discontinued operation) and is included in SCA's income statement up to June 13, 2017. Net profit from discontinued operations comprises Essity's profit for the January 1-June 13 period and a remeasurement of assets and liabilities at fair value on the date of distribution. For more detailed information about the hygiene business, refer to www.essity.com

COMMENTS ON THE FINANCIAL STATEMENTS

2017 was a strong year for SCA, with a generally healthy demand and price trend within all segments and geographies. Sales grew by 8% and adjusted EBITDA increased by 15%. The main contribution to this improvement was from kraftliner and wood products. The improvement in earnings took place despite project costs linked to the major investment in the Östrand pulp mill, more extensive maintenance stops than in 2016 and additional costs for SCA following the split.

The market trend in 2017 was positive for all SCA products, apart from publication paper where the market was stable. At the end of the year, the market for publication paper improved slightly. There were price increases for wood products, pulp and kraftliner during the year. These price increases were implemented successively. The price of publication paper decreased during the first six months of the year and was stable during the second half of the year.

Production remained stable in 2017. Pulp production was at slightly lower levels than in 2016 due to the ongoing expansion project and longer maintenance stops. Production of wood products and paper was higher in 2017 than in the previous year.

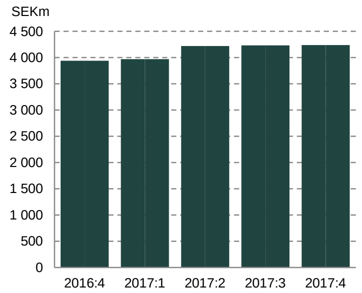
Earnings for the Forest segment were higher than in 2016, mainly as a result of a higher level of timber deliveries from SCA-owned forest. During the year timber prices and timber supply to SCA's industries remained stable.

The Wood segment reported a significant improvement in earnings, due to higher prices, strong production and higher volumes. Demand for wood products developed positively in all of SCA's main markets, driven by a high level of construction activity and an expanding renovation market.

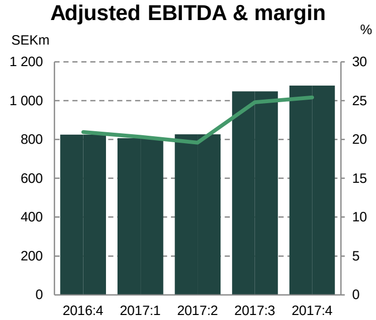
Lower delivery volumes for the Pulp segment resulted in weaker earnings compared with 2016. Longer maintenance stops and costs linked to the major investment in the Östrand pulp mill had a negative impact on earnings. SCA is investing SEK 7.8bn in doubling the production of bleached softwood kraft pulp. The project is in line with both budget and timetable. The expanded plant will begin operating in June 2018 and will thereafter gradually increase to full capacity.

Earnings for the Paper segment improved significantly. The earnings improvement was primarily due to the positive trend in the kraftliner market, with three price increases during 2017. Stable production in combination with a strong market contributed to the good result. Production in Obbola's kraftliner mill was at record levels in 2017. The structural reduction in demand for publication paper continued. Capacity reductions during the year compensated somewhat for the decline.

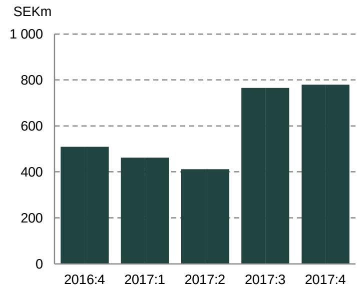
Net sales



Adjusted EBITDA & margin



Adjusted profit before tax



Change in net sales (%)

	2017:4 vs. 2016:4	2017:4 vs. 2017:3	1712 vs. 1612
Total	**8**	**0**	**8**
Price/mix	10	3	6
Volume	-1	-5	3
Currency	-1	2	-1

Change in adjusted EBITDA (%)

	2017:4 vs. 2016:4	2017:4 vs. 2017:3	1712 vs. 1612
Total	**31**	**3**	**15**
Price/mix	47	18	25
Volume	-1	-3	2
Raw materials	2	2	-3
Energy	8	-2	-1
Currency	-6	5	-1
Other	-19	-17	-7

GROUP

SALES AND OPERATING PROFIT

January-December 2017 compared with January-December 2016
Sales growth during the year was related to both higher prices and higher volumes in the industrial operations. Net sales amounted to SEK 16,664m (15,373) and increased 8%, of which price/mix accounted for 6% and volume 3%, which were offset by currency by -1%.

Adjusted EBITDA improved 15% to SEK 3,761m (3,269), which corresponds to an adjusted EBITDA margin of 22.6% (21.3). The increase was mainly attributable to higher selling prices. Higher planned project-related costs of SEK 100m (30) for the investment in Östrand had a negative impact on EBITDA. The cost of planned maintenance stops increased to SEK 253m (193). Refer to page 5 for details. The cost of additional Group functions following the split of the company also had a negative impact on earnings.

Adjusted operating profit increased 22% to SEK 2,624m (2,155).

Items affecting comparability amounted to SEK -113m (116), comprising costs related to splitting the SCA Group into two listed companies. The positive amount in the preceding year comprised capital gains on the sale of shares in IL Recycling.

Operating profit increased 11% to SEK 2,511m (2,271).

October-December 2017 compared with October-December 2016
Net sales increased 8%, of which price/mix accounted for 10%, volume -1% and currency -1%, and amounted to SEK 4,242m (3,939).

Adjusted EBITDA improved 31% to SEK 1,078m (826). The increase was mainly attributable to higher prices and lower energy costs due to impairment of electricity certificates for the preceding year of SEK 0m (36). Earnings were adversely affected by higher costs for Group functions following the split of the company and by negative exchange rate effects. The cost of planned maintenance stops amounted to SEK 83m (52) and planned project-related costs for the investment in Östrand totaled SEK 28m (13).

Adjusted operating profit increased 46% to SEK 786m (539).

Items affecting comparability amounted to SEK 0m (-7).

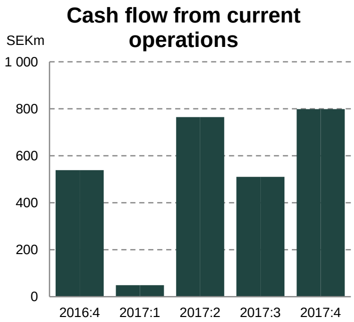
Operating profit increased 48% to SEK 786m (532).

October-December 2017 compared with July-September 2017
Net sales were in line with the comparative period, of which price/mix increased by 3%, volume -5% and currency 2%. Net sales amounted to SEK 4,242m (4,231).

Adjusted EBITDA increased 3% to SEK 1,078m (1,049). The increase was attributable to higher selling prices and positive exchange rate effects. Planned maintenance stops had a negative impact of SEK 83m (16) on earnings. Planned project-related costs of SEK 28m (22) for the investment in Östrand had a negative impact on earnings.

Adjusted operating profit increased 1% to SEK 786m (776).

Operating profit rose 1% to SEK 786m (776).



CASH FLOW

January-December 2017 compared with January-December 2016

The operating cash surplus amounted to SEK 3,145m (2,584). The cash flow effect from changes in working capital was SEK -143m (374). Working capital as a share of net sales was stable at 17.7% (17.8). Current capital expenditures amounted to SEK -638m (-959). Operating cash flow was SEK 2,273m (1,917).

Strategic capital expenditures amounted to SEK -2,863m (-2,231) and related to the investment in increased capacity at the Östrand pulp mill, see page 6. Cash flow before dividend, continuing operations, was SEK -754m (-350).

Net cash flow from continuing and discontinued operations was SEK -27,225m (-3,784). The largest impact was due to the acquisition of BSN Medical in the discontinued operation (Essity) in the second quarter.

FINANCING

In the second quarter, measures were taken to ensure that SCA's continuing operations, as previously announced and decided, would achieve net debt of SEK 5,000m, pro forma, at December 31, 2016. A dividend of SEK 4,214m was paid to the shareholders of SCA, and capital of SEK 598m was injected into the subsidiary Essity AB. Combined with existing net debt of SEK 188m at December 31, 2016, these two measures resulted in the intended level of net debt.

The negative cash flow combined with minor effects from translation differences and a remeasurement of equity, resulted in net debt of SEK 5,966m for SCA's continuing operations at December 31, 2017, an increase of SEK 966m compared with the pro forma net debt at the beginning of the year.

At December 31, 2017, gross debt amounted to SEK 7,177m, with an average maturity of 4.0 years and an average fixed-interest rate period of 6.9 months. Unutilized credit facilities amounted to approximately SEK 7,400m. Cash and cash equivalents amounted to SEK 538m.

At the end of the period, the debt/equity ratio was 0.16 (0.44).

In January-December 2017, financial items amounted to SEK -93m (-84).

TAX

January-December 2017

Tax expense, including items affecting comparability, was SEK 544m (417), corresponding to an effective tax rate of 22.5% (19.1). In the fourth quarter of 2016, a deferred tax asset of SEK 29m was recognized for the adjustment of income tax on capital gains on the sale of the publication paper mill in Laakirchen. In 2017, it was confirmed that no payment would be received, and thereby the tax asset was reversed and tax expense for the year was increased by SEK 29m. This non-recurring effect was offset by a reduced tax expense for the year due to issuance costs of SEK 21m associated with the distribution of Essity, which were recognized directly against equity.

EQUITY

January-December 2017

During the period, consolidated equity decreased SEK 42,766m to SEK 36,753m. Equity increased due to comprehensive income of SEK 142,217m for the period, and a private placement of SEK 960m to non-controlling interests. Equity decreased SEK 4,344m due to cash dividends (of which SEK 4,214m was distributed to SCA's shareholders and the remaining amount to non-controlling interests), and SEK 181,690m due to the distribution of shares in Essity AB. Other items increased equity by SEK 91m.

CURRENCY EXPOSURE AND CURRENCY HEDGING

Due to its major focus on exports, SCA's operations are sensitive to currency fluctuations. About 80% of sales are priced in currencies other than SEK. Most purchasing is conducted in SEK, but some purchasing is carried out in foreign currencies. Net exposure for the three largest currencies during the January-December period of 2017 are presented below, measured as sales in each foreign currency less purchases in the same currency.

EUR	EUR 579m
USD	USD 355m
GBP	GBP 118m
Others (translated to SEK)	SEK 689m
Total (translated to SEK)	SEK 10,579m

The company has hedged about 70% of the expected net exposure from sales minus purchases in EUR over the next 12 months at the average EUR/SEK exchange rate of 9.94. All balance-sheet items in foreign currency are hedged, as well as decided and contracted expense in foreign currency for investments in fixed assets.

PLANNED MAINTENANCE STOPS

In late September/early October in 2017, there was a maintenance stop at the kraftliner mill in Obbola (Paper) and the impact on earnings was distributed between the third and fourth quarters. In the fourth quarter, there was a maintenance stop at Östrand (Pulp). No maintenance stops are planned for the first quarter 2018.

The estimated effect of maintenance stops on earnings in 2018, calculated as the total of the direct cost of the maintenance and the effect from lower fixed cost coverage from the reduced production during the stop, is shown in the table below.

	Actual				
SEKm	**2016:1**	**2016:2**	**2016:3**	**2016:4**	**Total**
Pulp	24	24	24	23	**95**
Paper	2	48	19	29	**98**
Total	**26**	**72**	**43**	**52**	**193**

	Actual				
SEKm	**2017:1**	**2017:2**	**2017:3**	**2017:4**	**Total**
Pulp	8	65	0	58	**131**
Paper	3	78	16	25	**122**
Total	**11**	**143**	**16**	**83**	**253**

	Estimate				
SEKm	**2018:1**	**2018:2**	**2018:3**	**2018:4**	**Total**
Pulp	0	180	20	20	**220**
Paper	0	40	0	50	**90**
Total	**0**	**220**	**20**	**70**	**310**

INVESTMENT IN EXPANDED PULP CAPACITY AT ÖSTRAND

In 2015, SCA decided to invest in increased pulp production capacity at the Östrand pulp mill. The annual production capacity of bleached kraft pulp is expected to increase from the current level of 430,000 tonnes to about 900,000 tonnes. The estimated investment is SEK 7.8bn.

Over the past ten years, the annual market growth rate for bleached softwood kraft pulp has been 1.5-2%, or about 0.5 million tonnes.[1] Growth in tissue and packaging paper has been particularly strong. SCA believes that this growth will continue during the coming years.

Project proceeding as planned

The project is following the investment plan, in terms of both time and investment budget. At the end of the fourth quarter of 2017, about SEK 5.5bn had been invested in Östrand, corresponding to about 70% of the total investment. A further SEK 1.8bn is expected to be invested in 2018 and the remaining amount of SEK 0.5bn in 2019.

Production start-up is scheduled for June 2018, following an extended maintenance stop of about 45 days. For the full-year 2018, the production capacity for bleached kraft pulp is expected to reach approximately the same level as for the full-year 2017. The lost production volumes from the extended maintenance stop will be offset by higher capacity after the planned start-up in June.

Temporary project-related costs

During the investment, project-related costs will have a negative impact on earnings, in particular costs for additional wood handling, temporary staff increases to enable employee training and a higher rate of depreciation. For full-year 2017, project-related costs before tax amounted to approximately SEK 150m, of which depreciation accounted for about SEK 50m. For full-year 2016, project-related costs amounted to about SEK 75m, of which about SEK 45m was attributable to depreciation.

In 2018, project-related costs are expected to amount to approximately SEK 60m, of which about SEK 10m is attributable to depreciation. The costs will mainly impact the first and second quarters.

During the start-up period for the plant, direct costs for energy, chemicals, pulpwood and a higher share of B-grade pulp will be higher than normal. For 2018, these expenses are expected to impact earnings by between SEK 100m and SEK 250m depending on the start-up curve, primarily during the second and third quarters.

In 2018, the amount of capital tied up in working capital, in particular the raw material inventory, will successively increase due to higher production volumes.

Efficient production facility with double the capacity

The project will double SCA’s capacity and make Östrand one of the most cost-efficient production facilities in the world for softwood kraft pulp.

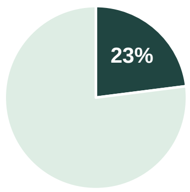
According to the start-up curve, production capacity is expected to gradually increase until the end of 2019. 2020 is therefore expected to be the first year with full effect, corresponding to 900,000 tonnes. The Östrand mill also has a chemical thermomechanical pulp (CTMP) production capacity of 100,000 tonnes per year, which will remain unchanged after the investment.

At full capacity utilization, Östrand’s cash costs are expected to decrease by about SEK 350 per tonne, mainly related to indirect costs. This places Östrand in the top quartile of the cost curve for the world’s bleached kraft pulp producers.[2]

Depreciation is expected to increase by about SEK 300m per year from the third quarter and onward.

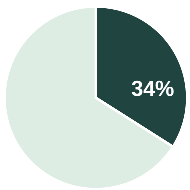
[1] Source: RISI, PPPC, SCA [2] Source: Pöyry, SCA’s estimate

Share of net sales 2017*



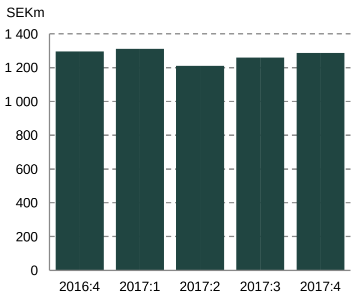
* before elimination of intra-Group sales

Share of adjusted EBITDA 2017**

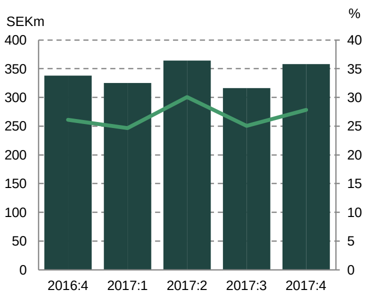


** share calculated of total EBITDA excluding central costs

Net sales



Adjusted EBITDA & margin



FOREST

SCA owns 2.6 million hectares of forest land, of which 2 million is productive, and supplies timber to SCA's forest industry operations (Wood, Pulp and Paper). Approximately the same amount of timber that is harvested from SCA's own forests is purchased from other forest owners. By-products are used in energy production.

	Quarter					Full year		
SEKm	**2017:4**	**2016:4**	*%*	**2017:3**	*%*	**2017**	**2016**	*%*
Net sales	1,287	1,296	*-1*	1,261	*2*	5,070	4,978	*2*
Adjusted EBITDA [1]	358	338	*6*	316	*13*	1,363	1,238	*10*
Depreciation	-36	-28	*29*	-29	*24*	-120	-107	*12*
Adjusted operating profit[1]	323	310	*4*	288	*12*	1,244	1,131	*10*
Adjusted EBITDA margin, %[1]	27.8	26.1		25.1		26.9	24.9	
Adjusted operating margin, %[1]	25.1	23.9		22.8		24.5	22.7	
Adjusted return on capital employed, %	4.8	4.7		4.3		4.7	4.3	
Harvesting of own forest, thousand m³ sub	1,468	1,368	*7*	964	*52*	4,449	4,099	*9*
Revaluation of biological assets	102	120	*-15*	181	*-44*	617	689	*-10*

[1] Excluding items affecting comparability

Management of SCA-owned forest

Forest includes net sales from timber sourced from SCA's own forests, and from timber purchased from other forest owners, which is sold internally to SCA's forest industry operations, as well as other income primarily from the sale of forest seedlings. Pricing to the industry is based on Forest's external timber purchasing prices. Logistics cost savings generated by location swaps are reported in the industries. These sales of internally and externally purchased timber volumes supplied to SCA's forest industry operations, together with the internal supply of by-products, represent Forest's net sales.

The proportion of timber harvested from SCA-owned forest relative to deliveries from external suppliers varies between quarters. The revaluation of biological assets amounted to SEK 102m in the fourth quarter, compared with SEK 181m in the third quarter.

During the year, the volume of timber harvested from SCA-owned forest was 4.4 million m³ sub. The current planned rate of timber harvested from SCA-owned forest is approximately 4.3 million m^3 sub per year.

January-December 2017 compared with January-December 2016
Net sales increased 2% to SEK 5,070m (4,978). This increase was related to higher deliveries. The price trend was stable with minor price increases at the end of the year.

Adjusted EBITDA improved 10% to SEK 1,363m (1,238). The increase was attributable to the higher share of timber deliveries from SCA-owned forest.

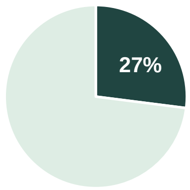
October-December 2017 compared with October-December 2016
Net sales decreased slightly to SEK 1,287m (1,296), largely due to lower deliveries. The price trend was stable with minor price increases.

Adjusted EBITDA improved 6% to SEK 358m (338). This increase was mainly due to a higher share of timber deliveries from SCA-owned forest.

October-December 2017 compared with July-September 2017
Net sales increased 2% to SEK 1,287m (1,261). This increase was related to higher deliveries. Prices were in line with the preceding quarter.

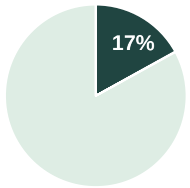
Adjusted EBITDA improved 13% to SEK 358m (316). The increase was mainly related to a higher share of timber deliveries from SCA-owned forest which was offset by lower earnings from the revaluation of biological assets.

Share of net sales 2017*



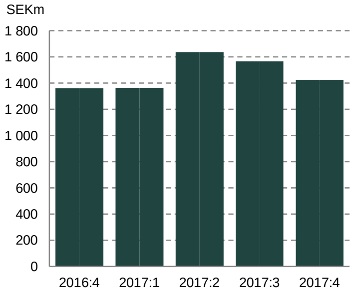
* before elimination of intra-Group sales

Share of adjusted EBITDA 2017**

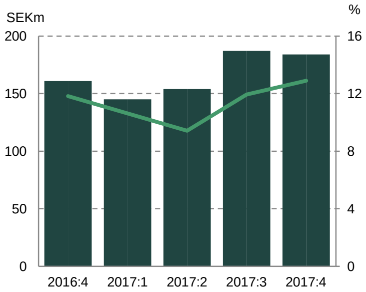


** share calculated of total EBITDA excluding central costs

Net sales



Adjusted EBITDA & margin



WOOD

The Wood segment comprises five sawmills in Sweden, wood processing units with planing mills in Sweden, the UK and France, as well as a distribution and wholesale business. All by-products from the sawmills are used; chips are used as raw material at pulp and paper mills, sawdust is used in SCA's pellet manufacturing and bark in SCA's energy production.

	Quarter					Full year		
SEKm	**2017:4**	**2016:4**	*%*	**2017:3**	*%*	**2017**	**2016**	*%*
Net sales	1,426	1,361	*5*	1,567	*-9*	5,994	5,441	*10*
Adjusted EBITDA [1]	184	161	*14*	187	*-2*	670	531	*26*
Depreciation	-55	-53	*4*	-54	*2*	-226	-197	*15*
Adjusted operating profit[1]	128	108	*19*	133	*-4*	443	334	*33*
Adjusted EBITDA margin, %[1]	12.9	11.8		11.9		11.2	9.8	
Adjusted operating margin, %[1]	9.0	7.9		8.5		7.4	6.1	
Adjusted return on capital employed, %	18.7	15.5		18.9		15.7	12.2	
Deliveries, wood products, thousand m³	602	617	*-2*	687	*-12*	2,595	2,480	*5*

[1] Excluding items affecting comparability

January-December 2017 compared with January-December 2016
Net sales increased 10% to SEK 5,994m (5,441). The increase was attributable to higher selling prices and higher volumes.

Adjusted EBITDA improved 26% to SEK 670m (531). The increase was mainly related to higher selling prices and volumes. The timber yield continued to improve and strong production also had a positive impact on earnings.

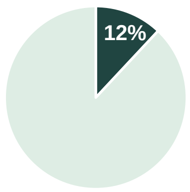
October-December 2017 compared with October-December 2016
Net sales increased 5% to SEK 1,426m (1,361), attributable to higher selling prices, which were slightly offset by lower volumes.

Adjusted EBITDA improved 14% to SEK 184m (161). The increase was mainly related to higher selling prices. Timber yield continued to improve and a good production level also had a positive impact on earnings. Higher raw material costs had a negative impact on earnings.

October-December 2017 compared with July-September 2017
Net sales declined 9% to SEK 1,426m (1,567). The decrease was mainly due to seasonally lower deliveries.

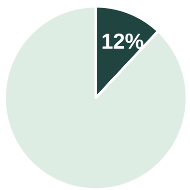
Adjusted EBITDA declined 2% to SEK 184m (187). The decrease was mainly attributable to lower volumes.

Share of net sales 2017*



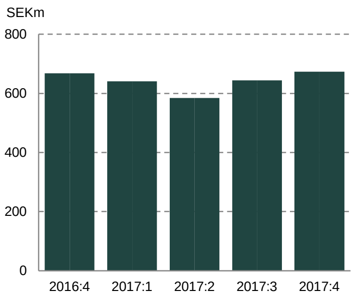
* before elimination of intra-Group sales

Share of adjusted EBITDA 2017**

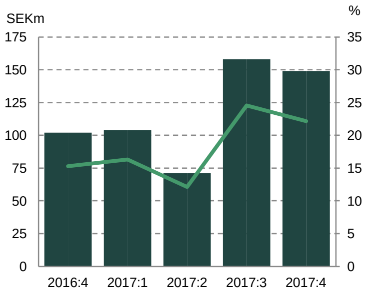


** share calculated of total EBITDA excluding central costs

Net sales



Adjusted EBITDA & margin



PULP

The Pulp segment comprises softwood kraft pulp and chemical thermomechanical pulp (CTMP). The pulp is produced in Östrand, where a major investment project to expand the production capacity is also ongoing.

	Quarter					Full year		
SEKm	**2017:4**	**2016:4**	%	**2017:3**	%	**2017**	**2016**	%
Net sales	672	668	*1*	644	*4*	2,542	2,492	*2*
Adjusted EBITDA [1]	149	102	*46*	158	*-6*	482	530	*-9*
Depreciation	-63	-65	*-3*	-56	*13*	-247	-258	*-4*
Adjusted operating profit[1]	87	37	*135*	102	*-15*	236	272	*-13*
Adjusted EBITDA margin, %[1]	22.2	15.3		24.5		19.0	21.3	
Adjusted operating margin, %[1]	12.9	5.5		15.8		9.3	10.9	
Adjusted return on capital employed, %	5.1	3.4		6.6		4.0	7.5	
Deliveries, pulp, thousand tonnes	125	131	-5	128	-2	495	507	-2

[1] Excluding items affecting comparability

January-December 2017 compared with January-December 2016

Net sales increased 2% to SEK 2,542m (2,492). The increase was related to higher selling prices, which was offset by lower volumes.

Adjusted EBITDA declined 9% to SEK 482m (530). Higher selling prices had a positive impact on earnings. EBITDA was adversely impacted by higher planned project-related costs of SEK 100m (30) for the investment in Östrand, an earnings impact of SEK 131m (95) from planned maintenance stops and a revaluation of SEK 35m (29) related to a market valuation of electricity certificates.

October-December 2017 compared with October-December 2016

Net sales increased 1% to SEK 672m (668). The increase was due to higher selling prices and was offset by lower deliveries and negative exchange rate effects.

Adjusted EBITDA improved 46% to SEK 149m (102). The increase was attributable to higher selling prices and lower energy costs due to the impairment of electricity certificates in the preceding year. Exchange rate effects had a negative impact on earnings. Planned maintenance stops had a negative impact of SEK 58m (23) on earnings. Higher planned project-related costs of SEK 28m (13) for the investment in Östrand had a negative impact on earnings.

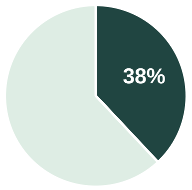
October-December 2017 compared with July-September 2017

Net sales increased 4% to SEK 672m (644), primarily due to higher selling prices and positive exchange rate effects, which were offset by lower deliveries.

Adjusted EBITDA declined 6% to SEK 149m (158). Earnings were positively impacted by higher selling prices. Higher energy costs during the planned maintenance stops had an adverse impact on earnings. The cost of planned maintenance stops amounted to SEK 58m (0). Planned project-related costs of SEK 28m (22) for the investment in Östrand had a negative impact on earnings, but were in line with the preceding quarter.

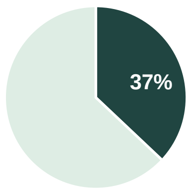
SCA provides more detailed information about the investment in expanded pulp capacity at Östrand on page 6 of this report.

Share of net sales 2017*



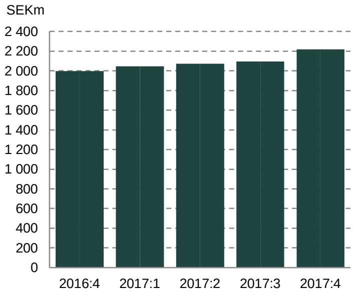
* before elimination of intra-Group sales

Share of adjusted EBITDA 2017**

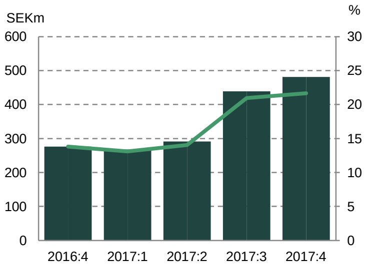


** share calculated of total EBITDA excluding central costs

Net sales



Adjusted EBITDA & margin



PAPER

The Paper segment comprises packaging paper (kraftliner) manufactured in Obbola and Munksund, and publication paper manufactured in Ortviken and used for magazines, catalogues and commercial print.

	Quarter					Full year		
SEKm	**2017:4**	**2016:4**	**%**	**2017:3**	**%**	**2017**	**2016**	**%**
Net sales	2,220	1,998	*11*	2,096	*6*	8,434	7,744	*9*
Adjusted EBITDA [1]	481	276	*74*	439	*10*	1,479	1,128	*31*
Depreciation	-131	-137	*-4*	-129	*2*	-523	-542	*-4*
Adjusted operating profit[1]	351	139	*153*	308	*14*	956	586	*63*
Adjusted EBITDA margin, %[1]	21.7	13.8		20.9		17.5	14.6	
Adjusted operating margin, %[1]	15.8	7.0		14.7		11.3	7.6	
Adjusted return on capital employed, %	23.6	8.8		20.5		15.8	9.7	
Deliveries, kraftliner, thousand tonnes	204	195	*5*	197	*4*	845	800	*6*
Deliveries, publication paper, thousand tonnes	187	194	*-4*	192	*-3*	732	730	*0*

[1] Excluding items affecting comparability

January-December 2017 compared with January-December 2016
Net sales increased 9% to SEK 8,434m (7,744). The increase was attributable to higher volumes and higher selling prices for kraftliner, but was offset by lower selling prices for publication paper.

Adjusted EBITDA improved 31% to SEK 1,479m (1,128). Higher selling prices for kraftliner had a positive impact on earnings. Higher raw material costs and lower selling prices for publication paper had an adverse impact on earnings. Planned maintenance stops of SEK 122m (98) had a negative impact on earnings.

October-December 2017 compared with October-December 2016
Net sales increased 11% to SEK 2,220m (1,998). The increase was mainly due to higher selling prices and volumes for kraftliner.

Adjusted EBITDA improved 74% to SEK 481m (276). The increase was mainly related to higher selling prices for kraftliner.

October-December 2017 compared with July-September 2017
Net sales increased 6% to SEK 2,220m (2,096). The increase was attributable to higher selling prices for kraftliner, and positive exchange rate effects.

Adjusted EBITDA improved 10% to SEK 481m (439). The increase was primarily related to higher selling prices for kraftliner and positive exchange rate effects. The cost of planned maintenance stops increased compared with the preceding quarter and amounted to SEK 25m (16).

DISTRIBUTION OF SHARES

December 31, 2017	Class A	Class B	Total
Registered number of shares	64,587,991	637,754,498	702,342,489

At the end of the period, the proportion of Class A shares was 9.2%. In the fourth quarter, a total of 5,600 Class A shares were converted to Class B shares at the request of shareholders. The total number of votes in the company has thereafter amounted to 1,283,634,408.

EVENTS AFTER THE QUARTER

No significant events took place after the end of the quarter.

FUTURE REPORTS

- Financial statements for the first quarter will be published on April 26, 2018.
- Financial statements for the second quarter will be published on July 25, 2018.
- Financial statements for the third quarter will be published on October 30, 2018.

CAPITAL MARKETS DAY

Due to the major interest in SCA's forest assets and forest operations, SCA will be hosting a forest-focused capital markets day in the Sundsvall area on May 22, 2018.

INVITATION TO PRESS CONFERENCE ON YEAR-END REPORT 2017

Members of the media and analysts are hereby invited to attend a press conference where this interim report will be presented by the President and CEO, Ulf Larsson, and CFO, Toby Lawton.

Time: January 30, 2018 at 10:00 a.m.

Venue: St:a Clara, Lundqvist & Lindqvist Klara Strand, Klarabergsviadukten 90 in Stockholm, Sweden.

The press conference will be webcast live at www.sca.com. It is also possible to participate by telephone by calling:

Sweden: +46 (0) 8 5661 9445, UK: +44 (0) 1452 541 003, or the US: +1 646 741 2120

Specify "SCA" or the conference ID: 3187733

Sundsvall, January 30, 2018

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Ulf Larsson
President and CEO

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Please note:

This is information that SCA is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of the contact person set out below, on January 30, 2018 at 08:00 a.m. CET. The report has not been reviewed by the company's auditors.

Björn Lyngfelt, Senior Vice President, Group Communications, +46 (0)60 19 34 98

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Quarter					Full year		
SEKm	**2017:4**	**2016:4**	*%*	**2017:3**	*%*	**2017**	**2016**	*%*
Net sales	4,242	3,939	*8*	4,231	*0*	16,664	15,373	*8*
Other income	436	451	*-3*	365	*19*	1,603	1,724	*-7*
Change in inventories	88	79		-143		-159	-132	
Change in value in biological assets	102	120	*-15*	181	*-44*	617	689	*-10*
Raw materials and consumables	-1,631	-1,698	*-4*	-1,394	*17*	-5,951	-5,585	*7*
Personnel costs	-761	-621	*23*	-635	*20*	-2,763	-2,536	*9*
Other external costs	-1,399	-1,439	*-3*	-1,555	*-10*	-6,251	-6,258	*0*
Share of profits of associates	1	-5		0		1	-6	
Items affecting comparability	0	-7		0		-113	116	
EBITDA	**1,078**	**819**	***32***	**1,049**	***3***	**3,648**	**3,385**	***8***
Depreciation	-292	-287	*2*	-273	*7*	-1,137	-1,114	*2*
Operating profit	**786**	**532**	***48***	**776**	***1***	**2,511**	**2,271**	***11***
Financial items	-7	-23		-11		-93	-84	
Profit before tax	**779**	**509**	***53***	**765**	***2***	**2,418**	**2,187**	***11***
Tax	-183	-96		-138		-544	-417	
Net Profit for the period from continuing operations	**596**	**413**	***44***	**627**	***-5***	**1,874**	**1,770**	***6***
Net profit for the period, discontinued operations[1]	0	1,170		0		140,281	4,242	
Net Profit for the period from continuing and discontinued operations	**596**	**1,583**		**627**		**142,155**	**6,012**	
Earnings attributable to:								
Owners of the parent								
Profit from continuing operations	595	413		627		1,873	1,770	
Profit from discontinued operations[1]	0	985		0		139,955	3,800	
Net Profit from continuing and discontinued operations	**595**	**1,398**		**627**		**141,828**	**5,570**	
Non-controlling interests								
Profit from continuing operations	1	0		0		1	0	
Profit from discontinued operations	0	185		0		326	442	
Profit from continuing and discontinued operations	**1**	**185**		**0**		**327**	**442**	
Average no. of shares, millions	702.3	702.3		702.3		702.3	702.3	
Earnings per share SEK – continuing operations[2]	0.85	0.59		0.89		2.67	2.52	
Earnings per share SEK – total company[2]	0.85	1.99		0.89		201.94	7.93	
– of which profit effect from the distribution of Essity shares						194.94		
[1] Of which operating profit from discontinued operations		1,170				3,367	4,242	
[2] There are no dilution effects								

Percent	**2017:4**	**2016:4**	**2017:3**	**2017**	**2016**
EBITDA margin	25.4	20.8	24.8	21.9	22.0
Operating margin	18.5	13.5	18.3	15.1	14.8
Net margin	14.0	10.5	14.8	11.2	11.5
Adjusted EBITDA margin	25.4	21.0	24.8	22.6	21.3
Adjusted operating margin	18.5	13.7	18.3	15.7	14.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Full year	
SEKm	2017:4	2016:4	2017:3	2017	2016
Net profit for the period, continuing operations	**596**	**413**	**627**	**1,874**	**1,770**
Net profit for the period, discontinued operations	0	1,170	0	140,281	4,242
Net profit for the period	**596**	**1,583**	**627**	**142,155**	**6,012**
Other comprehensive income for the period					
Items that may not be reclassified to the income statement					
Revaluation of defined benefit pension plans	-156	254	-137	144	44
Income tax attributable to components of other comprehensive income	35	-56	30	-32	-10
Sum continuing operations	**-121**	**198**	**-107**	**112**	**34**
Sum discontinued operations	0	2,706	0	630	-1,148
Sum	**-121**	**2,904**	**-107**	**742**	**-1,114**
Items that have been or may be reclassified subsequently to the income statement					
Available-for-sale financial assets	-2	0	1	0	0
Cash flow hedges	42	61	21	17	221
Translation differences in foreign operations	15	-114	-18	-4	-91
Gains/losses from hedges of net investments in foreign operations	0	0	0	0	0
Income tax attributable to components of other comprehensive income	83	-12	-97	-4	-48
Sum continuing operations	**138**	**-65**	**-93**	**9**	**82**
Sum discontinued operations	0	925	0	-689	2,805
Sum	**138**	**860**	**-93**	**-680**	**2,887**
Other comprehensive income for the period, net of tax					
Sum continuing operations	**17**	**133**	**-200**	**121**	**116**
Sum discontinued operations	0	3,631	0	-59	1,657
Sum	**17**	**3,764**	**-200**	**62**	**1,773**
Total comprehensive income for the period					
Sum continuing operations	**613**	**546**	**427**	**1,995**	**1,886**
Sum discontinued operations	0	4,801	0	140,222	5,899
Sum	**613**	**5,347**	**427**	**142,217**	**7,785**
Total comprehensive income attributable to:					
Owners of the parent	613	5,096	427	142,049	7,108
Non-controlling interests	0	251	0	168	677

CONDENSED CONSOLIDATED BALANCE SHEET

At December 31, 2017, only the continuing operations are included. At December 31, 2016, both continuing and discontinued operations are included.

SEKm	December 31, 2017	December 31, 2016
ASSETS		
Fixed assets		
Goodwill and other intangible assets	94	27,007
Buildings, land, machinery and equipment	17,104	62,184
Biological assets	31,386	30,770
Other fixed assets	1,123	4,784
Total Fixed assets	**49,707**	**124,745**
Current assets		
Inventories	3,460	14,347
Trade receivables	2,299	17,811
Other current receivables	707	4,363
Cash and cash equivalents	538	4,482
Total current assets	**7,004**	**41,003**
Total assets	**56,711**	**165,748**
ASSETS		
Equity		
Owners of the parent		
Share capital	2,350	2,350
Share premium	6,830	6,830
Reserves	-219	400
Retained earnings	27,790	63,562
Non-controlling interests	**2**	**6,377**
Total equity	**36,753**	**79,519**
Non-current liabilities		
Non-current financial liabilities	3,675	31,360
Provisions for pensions	366	5,602
Deferred tax liabilities	8,381	11,718
Other non-current liabilities & provisions	116	1,594
Total non-current liabilities	**12,538**	**50,274**
Current liabilities		
Current financial liabilities	3,502	5,357
Trade payables	2,900	15,750
Other current liabilities	1,018	14,848
Total current liabilities	**1,018**	**14,848**
Total current liabilities	**7,420**	**35,955**
Total liabilities and equity	**56,711**	**165,748**
Debt/equity ratio	0.16	0.44
Equity/assets ratio	65%	44%
Return on capital employed[1]	6.1%	5.8%
Adjusted return on capital employed[1]	6.3%	5.5%
Adjusted industrial return on capital employed[1],	10.1%	8.9%
Adjusted industrial return on capital employed, excluding the ongoing capital expenditure at Östrand[1]	13.1%	9.5%

[1] Rolling twelve months

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Full year	
SEKm	**2017**	**2016**
Attributable to owners of the parent		
Opening balance, January 1	73,142	70,401
Total comprehensive income for the period	142,049	7,108
Cash dividend	-4,214	-4,038
Dividend of Essity shares	-174,448	0
Private placement to non-controlling interest	499	240
Private placement to non-controlling interest, dilution	-288	-110
Issuing costs for private placement	0	-4
Acquisition of non-controlling interests	15	-799
Acquisition of non-controlling interests, dilution	0	348
Remeasurement effect upon acquisition of non-controlling interests	-4	-4
Closing balance	**36,751**	**73,142**
Non-controlling interests		
Opening balance, January 1	6,377	5,290
Total comprehensive income for the period	168	677
Cash dividend	-130	-190
Dividend of Essity shares	-7,242	0
Private placement to non-controlling interest	461	199
Private placement to non-controlling interest, dilution	288	110
Issuing costs for private placement	0	-4
Acquisition of non-controlling interests	80	643
Acquisition of non-controlling interests, dilution	0	-348
Closing balance	**2**	**6,377**
Total equity, closing balance	**36,753**	**79,519**
Equity per share, SEK	52	113

CONSOLIDATED CASH FLOW STATEMENT

	Full year	
SEKm	**2017**	**2016**
Operating activities		
Profit before tax	2,419	2,187
Adjustment for non-cash items[1]	509	233
Paid tax	-30	-17
Cash flow from continuing operations before changes in working capital	**2,898**	**2,403**
Cash flow from discontinued operations before changes in working capital	5,651	11,183
Cash flow from operating activities before changes in working capital	**8,549**	**13,586**
Change in inventories	-60	17
Change in operating receivables	-100	254
Change in operating liabilities	17	103
Cash flow from operating activities, continuing operations	**2,755**	**2,777**
Cash flow from operating activities, discontinued operations	4,517	12,779
Cash flow from operating activities	**7,272**	**15,556**
Investing activities		
Acquisitions	0	-4
Divestments	0	120
Investment in tangible and intangible assets	-3,577	-3,049
Sale of tangible assets	76	123
Sale of securities	264	-42
Cash flow from investing activities, continuing operations	**-3,237**	**-2,852**
Dividend of Essity shares[2]	-4,170	0
Cash flow from investing activities, discontinued operations	-15,591	-10,120
Cash flow from investing activities	**-22,998**	**-12,972**
Financing activities		
New issue	0	435
Acquisition of non-controlling interests	0	-50
Loans raised	7,100	16,165
Amortization of loans	-1,980	-15,614
Listing costs	-123	0
Dividend	-4,214	-4,228
Cash flow from financing activities, remaining operations	**783**	
Cash flow from financing activities, discontinued operations	11,022	
Cash flow from financing activities	**11,805**	**-3,292**
Net cash flow for the period	**-3,921**	**-708**
Cash and cash equivalents at the beginning of the year	4,482	5,042
Translation differences in cash and cash equivalents	-23	148
Cash and cash equivalents at the end of the period	**538**	**4,482**
Cash flow from operating activities per share SEK, continuing operations	3.92	3.94

[1] Depreciation/amortization and impairment of non-current assets	1,137	1,114
Fair-value measurement of forest assets	-617	-689
Gains/losses on assets sales and swaps of assets	2	-33
Gains/losses on divestments	0	-115
Unpaid related to efficiency programs	47	-7
Payments related to efficiency programs already recognized	-20	-66
Other	-40	29
Total	**509**	**233**

[2] Corresponds to the cash and cash equivalents in Essity on the listing day

CONSOLIDATED OPERATING CASH FLOW STATEMENT (NON-IFRS)

	Full year	
SEKm	**2017**	**2016**
Operating cash surplus	3,145	2,584
Change in working capital	-143	374
Current capital expenditures, net	-638	-959
Other operating cash flow	-91	-82
Operating cash flow, continuing operations	**2,273**	**1,917**
Operating cash flow, discontinued operations	4,649	13,031
Operating cash flow	**6,922**	**14,948**
Financial items	-93	-84
Income taxes paid	-30	-17
Other	-41	3
Cash flow from current operations, continuing operations	**2,109**	**1,819**
Cash flow from current operations, discontinued operations	3,040	8,563
Cash flow from current operations	**5,149**	**10,382**
Strategic capital expenditures and divestments		
Acquisitions	0	-58
Strategic capital expenditures in non-current assets	-2,863	-2,231
Divestments	0	120
Cash flow from strategic investments and divestments	**-2,863**	**-2,169**
Cash flow before dividend, continuing operations	**-754**	**-350**
Cash flow before dividend, discontinued operations	-22,257	359
Cash flow before dividend	**-23,011**	**9**
Private placement to non-controlling interest	0	435
Dividend	-4,214	-4,228
Net cash flow from continuing and discontinued operations	**-27,225**	**-3,784**
Net debt at the start of the period	**-35,361**	**-29,478**
Net cash flow	-27,225	-3,784
Net debt, discontinued operations[1]	56,010	0
Remeasurement to equity	1,027	-1,526
Currency effects and fair-value effects	-417	-573
Net debt at the end of the period	**-5,966**	**-35,361**
Debt/equity ratio	**0.16**	**0.44**

[1] Essitys cash and cash equivalents on the listing day were SEK 4,170m

CORRELATION BETWEEN CONSOLIDATED CASH FLOW AND OPERATING CASH FLOW STATEMENT (NON-IFRS)

	Full year	
SEKm	**2017**	**2016**
Net cash flow for the period, continuing and discontinued operations	**-3,921**	**-708**
Adjustments		
Amortization of borrowing	1,980	15,614
Loans raised	-7,100	-16,165
Divestment of bonds	-264	42
Adjustment discontinued operations	-17,911	-2,311
Investment through financial lease	0	-264
Accrued interest	-9	8
Net cash flow according to consolidated operating cash flow statement	**-27,225**	**-3,784**

INCOME STATEMENT PARENT COMPANY

At the end of 2016, the Parent Company's former Group-wide operations were transferred to Essity Aktiebolag (publ), which led to lower operating expenses and personnel costs. The related current assets and current liabilities were settled after the end of the year, which explains the lower value of balance-sheet items.

	Full year	
SEKm	**2017**	**2016**
Other operating income	225	539
Other operating expenses	-655	-446
Personnel expenses	-83	-513
Operating profit before depreciations and write-downs (EBITDA)	**-513**	**-420**
Depreciations and write-downs	-75	-72
Operating profit	**-588**	**-492**
Financial items	13	42,146
Profit before tax	**-575**	**41,654**
Untaxed reserve and Tax	294	891
Net profit for the period	**-281**	**42,545**

Other operating income was mainly related to remuneration for the granting of felling rights for the Parent Company's forest land. Other operating expenses include a capital loss of SEK -483m attributable to an intra-Group transfer of forest land. Financial items were lower compared with the year-earlier period due to the Parent Company not receiving any dividends from subsidiaries in 2017.

The Parent Company used to report received and distributed Group contributions as financial items in accordance with the general rule of RFR 2. For the financial year 2017 the company changed the method to apply the alternative rule and reported the net of the received and the distributed Group contributions as "untaxed reserve and tax", which means that financial items decrease by SEK 221m. The comparative year has been adjusted, resulting in a reduction in financial items of SEK 1 248m. Corresponding increase in the line for "untaxed reserve and tax" for both years.

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	December 31, 2017	December 31, 2016
Intangible and tangible assets	8,365	8,271
Financial non-current assets	4,895	79,880
Total non-current assets	**13,260**	**88,151**
Total current assets	15,546	61,147
Total assets	**28,806**	**149,298**
Restricted equity	11,373	10,996
Unrestricted equity	7,174	87,390
Total equity	**18,547**	**98,386**
Untaxed reserves	0	242
Provisions	1,606	1,330
Non-current liabilities	3,600	2,271
Current liabilities	5,053	47,069
Total equity, provisions and liabilities	**28,806**	**149,298**

Financial non-current assets declined due to the listing of Essity AB's shares on Nasdaq Stockholm in June 2017. The listing and related issuance costs also explain why unrestricted equity was lower compared with the year-earlier period.

NOTES

1 ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 and recommendation RFR 1 of the Swedish Financial Reporting Board, and with regards to the Parent Company, RFR 2. Effective January 1, 2017, SCA applies the following new or amended International Financial Reporting Standards (IFRS):

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

The consolidated income statement and the Parent Company income statement for the continuing forest products company have been changed from a function-based income statement to a cost-based income statement, which offers a more detailed picture of the cost base for a company in the manufacturing industry. The segmentation has also been changed compared with the 2016 Annual Report.

In this report, sales to the hygiene business (Essity AB) have been regarded as sales to external parties and have not been eliminated. Profit for the period for the hygiene business is recognized on a separate line in the consolidated statement of profit or loss. In the consolidated cash flow statement, the hygiene business is recognized separately under each main group. At December 31, 2017, only the continuing operations are included in the balance sheet. At December 31, 2016, both continuing and discontinued operations are included.

From 2017, the following changes to the accounting principles were implemented to provide an accurate view of the company's main business: Transactions relating to external wood raw material swaps in the Forest segment are not included in net sales, but recognized net with the corresponding raw material purchase. External sales of by-products from the production of the Group's main products are now recognized as other operating income (previously recognized net as energy costs).

In other respects, the accounting principles applied are consistent with those described in the 2016 Annual Report. These amendments are not judged to have any material impact on the Group's or Parent Company's results or financial position.

New or amended accounting standards after 2017
A number of new and amended IFRS standards have not yet come into effect and have not been applied in advance in preparing the Group's and the Parent Company's financial statements. The IFRS standards that may affect these reports are described below. Other new or amended standards or interpretations published by IASB are not expected to have any impact on the Group's or the Parent Company's financial results.

IFRS 9 Financial instruments
The standard was issued in July 2014 and will replace IAS 39. The standard is divided into three areas: Classification and measurement of financial assets and liabilities, impairment and hedging. The company's business model for managing the asset and the nature of the asset's contractual cash flows comprise the basis for classification and measurement, according to which the financial assets are classified in one of the following three categories: 1) financial assets measured at amortized cost 2) financial assets measured at fair value through other comprehensive income and 3) financial assets measured at fair value through profit or loss. The new standard entails essentially unchanged recognition of financial liabilities. During 2017, SCA conducted a detailed impact analysis of all three areas of IFRS 9. The impact analysis is based on currently available information and can therefore require further adjustments in 2018.

1) Classification and measurement: During the year, SCA conducted a mapping of financial assets and liabilities based on the Group's business model. Classification and measurement then took place using the categories stated in IFRS 9 without any significant impact on the balance sheet. The majority of financial assets consist of accounts receivable and bank balances. These financial assets are not normally sold outside the Group and the purpose of the holding is to obtain contractual cash flows and will therefore continue to be measured in the balance sheet at amortized cost. Financial assets that are currently measured at fair value through profit or loss will continue to be measured at fair value through profit or loss. SCA will apply an exception for equity instruments in unlisted participations that are not held for trading, where changes in fair value will be recognized in other comprehensive income. Other equity instruments are measured at fair value with changes in the income statement.

2) Impairment: The standard introduces a new model for impairment of financial assets based on expected losses and not, as previously under IAS 39, when the loss event has already occurred. Under the model, provisions are established for credit losses that may arise within the next 12 months on assets. In cases where the credit risk has increased significantly since initial recognition, provisions are established for credit losses that are expected to occur during the full lifetime of the asset. A simplified model has been developed for trade receivables and lease receivables, whereby anticipated losses are recognized over the estimated remaining term

of the receivable. SCA has chosen to apply the simplified impairment model for accounts receivable and this has been adapted based on the requirements of IFRS 9. The quantitative effect at initial recognition, January 1, 2018, will result in a reduction in equity by approximately SEK 3m.

3) Hedge accounting: The new standard focuses to a great extent on reflecting the company's risk management strategies in hedge accounting and allowing more hedging strategies to qualify for hedge accounting. SCA has established that all existing hedging relationships will also qualify for hedge accounting within the framework of IFRS 9. SCA has evaluated the new rules for hedge accounting and has concluded that these will provide greater scope to apply hedge accounting and will facilitate the Group's documentation of hedge accounting. The hedging documentation has been reworked in line with the new standard. The application IFRS 9 will not have a significant effect on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers
The standard comes into effect on January 1, 2018 and is designed according to a control-based five-step model framework. The standard regulates commercial agreements (contracts) with customers in which delivery of goods/services is divided into separately identifiable performance obligations that are recognized independently. In certain cases, the good/service can be integrated with other obligations in the contract, whereby a package of goods/services comprises a joint obligation. The standard establishes rules for calculating the transaction price for delivery of goods and services and the manner in which this can be allocated among the various performance obligations. Revenue is recognized when control has passed to the customer by the customer being able to use or benefit from the good/service, at which point it is deemed to have been transferred. Control may be passed at a given point in time, which is usually the case for sales. In other cases, a performance obligation may be satisfied over time, which is common for services.

In 2016 and 2017, a project group at SCA analyzed the implications of a switch of revenue standard in 2018. The conclusion can be drawn that SCA's sales mainly comprise sales of products. Agreements regarding product sales include services to a very limited extent (such as freight services), and thus the assessment has been made that no separate reporting of services is required. The project found that for certain external logistics services, SCA recognized sales revenues before control had been transferred to the customer. This revenue will in the future be recognized over time as the shipment approaches the agreed destination. The progress toward completion is measured in terms of shipment time in relation to total transport time. Revenue for these logistics services are recognized – as in the past – as Other operating income in the Consolidated income statement. No other differences were identified in respect of the transition to IFRS 15 on January 1, 2018. SCA will apply the standard retroactively on all agreements that are not concluded on January 1, 2018, with the total cumulative effect as an adjustment of opening retained earnings on January 1, 2018.

IFRS 16 Leases
The standard is applicable to fiscal years beginning on January 1, 2019 or later and will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that all assets and liabilities attributable to all lease agreements, with a few exceptions, to be recognized in the balance sheet. This type of recognition is based on the approach that the lessee is entitled to use an asset over a specific period and simultaneously has an obligation to pay for this entitlement.

SCA has begun an overview of the lease agreements that exist within the Group to assess the measures required and to adapt recognition to the new standard, partly to decide the extent to which SCA is to continue leasing equipment, and also to assess the quantitative effects of IFRS 16.

The cost of operational lease agreements for the 2017 fiscal year amounted to SEK 279m. As of December 31, 2017, the undiscounted amount relating to payment commitments for operational lease agreements totaled approximately SEK 3bn. However, the application of IFRS 16 would entail that a lower amount would be recognized as a liability and asset given that components of the lease agreements may refer to service and, moreover, the future payment commitments are also to be discounted. SCA will apply IFRS 16 from January 1, 2019, and the first application will use the alternative method for the translation of existing leasing contracts. SCA's assessment is that IFRS 16 will have quantitative material effects.

2 RISKS AND UNCERTAINTIES

SCA's risk exposure and risk management are described on pages 76-81 of the 2016 Annual Report. Since year-end, the company's hygiene business has been distributed to SCA's shareholders under the name of Essity. Since the distribution comprised approximately 86% of the company's sales and approximately 69% of the company's capital at December 31, 2016, the distribution has had a significant impact on the company's risk profile. These changes are described below.

- **GDP growth and economic conditions.** The description of the forest industry products' exposure has not changed. However, there is no longer any exposure to the retail market or markets for institutional care and homecare facilities for incontinence products or the Away-From-Home (AFH) tissue market.
- **Dependence on major customers and distributors.** Dependence on the retail trade as the largest single customer group does not apply for SCA's continuing operations. In 2017, SCA's ten largest customers accounted for about 29% (28) of SCA's net sales, and the largest single customer accounted for about 12% (10) of net sales.
- **Risks at plants.** Insurance is no longer provided internally. All insurance is taken out with market-leading insurance companies. It should also be noted that the company's biggest fixed asset, the standing forest, remains uninsured.
- **Cost of input goods.** It should be noted that market pulp is no longer a commodity product, but a product for sale. SCA produces all of its own pulp requirements.
- **Energy price risk.** In 2017, SCA purchased 2.2 (2,3) TWh of electricity and no natural gas.
- **Currency risk**. Since SCA, after the distribution of the hygiene business, is an export dependent company, the currency risk has changed significantly and is described on page 5 in this report.
- **Credit risk.** At December 31, 2017, credit exposure in accounts receivable amounted to SEK 2,299m and the financial credit exposure, in which the counterparty is a finance player or a pension fund manager, amounted to SEK 1,752m. This exposure includes credit risk of SEK 538m for cash and cash equivalents. Credit exposure associated with derivative instruments totaled SEK 175m.
- **Liquidity and refinancing risk.** On December 31, 2017, gross debt totaled SEK 7,177m and had an average maturity of 4.0 years. On the same date, unutilized credit facilities amounted to approximately SEK 7,400m, and cash and cash equivalents to SEK 538m.
- **Interest rate risk**. At December 31, 2017, the average fixed-rate period for gross debt, including derivative instruments, was 6.9 months.

Distribution of the hygiene business entailed no principal changes to the company's risk profile in any other areas.

3 RELATED PARTY TRANSACTIONS

No transactions took place between SCA and related parties with any material impact on the company's financial position or results.

4 DISCONTINUED OPERATION

SCA distributed the shares in Essity to SCA's shareholders in a fixed ratio of 1:1, whereby shareholders received one Class A share in Essity for every Class A share in SCA, and one Class B share in Essity for every Class B share in SCA. Essity's first day of trading on Nasdaq Stockholm was June 15, 2017 and the closing price was SEK 247.20 for the Class A share and 248.50 for the Class B share. This represents a market capitalization of about SEK 174,448m for Essity. The remeasurement of assets and liabilities at fair value when Essity was distributed generated an earnings impact of SEK 136,914m.

No impairment was carried out in conjunction with the distribution of the hygiene business.

The income statement and cash flow statement for the hygiene business from the beginning of the fiscal year until June 13, 2017 is presented in the table below for the December 2017 period. The December 2016 period includes the 12-month operations. Cash flow from financing activities cannot be recognized separately from divested operations since the financing was not recognized separately on that date.

	Full year	
SEKm	**2017**	**2016**
Net sales	47,854	101,238
Operating profit	**4,965**	**9,008**
Financial items	-487	-835
Profit before tax	**4,478**	**8,173**
Tax	-1,111	-3,931
Profit for the period	**3,367**	**4,242**

CASH FLOW STATEMENT

	Full year	
SEKm	**2017**	**2016**
Cash flow from operating activities	4,517	12,779
Cash flow from investing activities	-15,591	-10,120
Cash flow from financing activities	11,022	
Cash flow for the period, discontinued operations	**-52**	

5. FINANCIAL INSTRUMENTS PER CATEGORY

At December 31, 2017, only the continuing operations are included. At December 31, 2016, both continuing and discontinued operations are included.

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Of which fair value by level		
December 31, 2017						1	2	3
Derivatives	166	22	144			74	92	
Non-current financial assets	20			20				20
Total assets	**186**	**22**	**144**	**20**	**0**	**74**	**92**	**20**
Derivatives	9	5	4			4	5	
Current financial liabilities	3,493				3,493			
Non-current financial liabilities	3,675				3,675			
Total liabilities	**7,177**	**5**	**4**	**0**	**7,168**	**4**	**5**	

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Of which fair value by level	
December 31, 2016						1	2
Derivatives	1,259	313	946				1,259
Non-current financial assets	90			90		82	8
Total assets	**1,349**	**313**	**946**	**90**	**0**	**82**	**1,267**
Derivatives	705	567	138				705
Current financial liabilities	4,656	425			4,231		425
Non-current financial liabilities	31,338	16,021			15,317		16,021
Total liabilities	**36,699**	**17,013**	**138**	**0**	**19,548**	**0**	**17,151**

The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, and trade payables are estimated to be equal to their carrying amount. The total fair value of current and non-current financial liabilities was SEK 7,178m (37,047). During the period electricity derivatives have been transferred from level 2 to level 1 and available for sale financial assets have been transferred from level 2 to level 3. The electricity derivatives are valued based on published prices in an active market. Other financial instruments are valued using a model based on current currency rates and interest rates on the balance-sheet day. The fair value of debt instruments is determined using valuation models, such as discounting future cash flows at quoted market rates for the respective maturity.

6. CONTINGENT LIABILITIES AND PLEDGED ASSETS, PARENT COMPANY

Contingent liabilities	**Parent company**		**Group**	
SEKm	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Guarantees for subsidiaries	564	76,476	564	76,476
Other contingent liabilities	238	17	315	17
Total	**802**	**76,493**	**879**	**76,493**

Pledged assets

SEKm	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Chattel mortgages	20	20	20	20
Other		130		130
Total	**20**	**150**	**20**	**150**

7 USE OF NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PERFORMANCE MEASURES

Reference is made in the interim report to a number of non-IFRS performance measures that are used to help investors as well as management analyze the company's operations. These are described below.

DESCRIPTION OF FINANCIAL PERFORMANCE MEASURES NOT USED IN IFRS

Key figures	Description	Use of the measure
EBITDA	Earnings before depreciation, amortization and impairment, financial items and taxes.	This measure is a complement to operating profit since it shows profit before depreciation, amortization and impairment.
Adjusted EBITDA	Earnings before depreciation, amortization and impairment, financial items and taxes excluding items affecting comparability.	This measure is a complement to operating profit since it shows profit before depreciation, amortization and impairment adjusted for the impact of items affecting comparability. Management uses the measure to control the company's business units.
EBITDA margin	Earnings before depreciation, amortization and impairment, financial items and taxes as a percentage of net sales for the year.	This measure is a complement to operating margin, as it shows the cash surplus in relation to net sales.
Adjusted EBITDA margin	Earnings before depreciation, amortization and impairment, financial items and taxes excluding items affecting comparability as a percentage of net sales for the year.	This measure is a complement to operating margin, as it shows the cash surplus in relation to net sales adjusted for the impact of items affecting comparability. Management uses the measure to control the company's business units.
Items affecting comparability	Profit/loss items of a non-recurring nature with a significant impact on profit and are important in understanding the underlying development of the business.	Separate reporting of items affecting comparability for the underlying operations between different periods.
Restructuring costs, etc.	Costs for impairment together with personnel costs in connection with structural changes to the company's operations.	This measure shows the specific costs that have arisen in connection with structural changes of an operation, which contributes to an understanding of the underlying cost level in the continuing operations.
Operating margin	Operating profit as a percentage of net sales during the period.	Operating margin describes how large a share of net sales remain as operating profit.
Adjusted operating margin	Operating profit as a percentage of net sales during the period excluding items affecting comparability.	Operating margin describes how large a share of net sales remain as operating profit.
Adjusted operating profit	Operating profit excluding items affecting comparability.	Adjusted operating profit is a key ratio for control of the Group's profit centers and provides an understanding of earnings performance of the operations excluding items affecting comparability.
Net margin	Profit for the period as a percentage of net sales for the period.	Net margin describes how large a share of net sales remain after all costs and tax have been recorded.
Equity/assets ratio	Equity excluding non-controlling interests expressed as a percentage of total assets.	A traditional measure for showing financial risk, expressing the percentage of total assets that is financed by the owners. Shows the company's stability and ability to withstand losses.
Capital employed	Calculated as the balance sheet's total assets excluding financial assets and pension assets, less any trade payables and other current non-interest-bearing liabilities.	The management follows this measure to reduce the capital used in operations that is financed by owners and creditors.
Working capital	Working capital is calculated as short-term operating receivables (inventories, accounts receivable and other non-interest-bearing, current receivables) less current operating liabilities (trade payables and other non-interest-bearing, current liabilities).	The measure is followed by management to reduce capital tied up in the balance sheet from the company's operations.
Working capital as a percentage of net sales	Calculated as an average of working capital for 13 months as a percentage of 12-month rolling net sales.	The measure is followed by management to reduce capital tied up in working capital.
Net debt	Calculated as current and non-current financial liabilities and provisions for pensions with deductions for financial assets (surplus in funded pension plans, financial assets and cash and cash equivalents).	Net debt describes the company's total loan financing and is monitored by the management.
Debt/equity ratio	Net debt in relation to equity.	Helps show financial risk and is the most useful measure for management to monitor the level of the company's indebtedness.

Return on capital employed	Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of capital employed on average for the two most recent quarters.	Used to measure return on capital tied up in operations.
Adjusted return on capital employed	Accumulated return on capital employed is calculated as operating profit on a rolling 12-month basis, excluding items affecting comparability, as a percentage of the average of capital employed over the past five quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter, excluding items affecting comparability, multiplied by four as a percentage of capital employed on average for the two most recent quarters.	This is the central ratio for management to measure return on capital tied up in operations.
Adjusted return on capital employed – Industrial portion	Calculated as the Group's adjusted return on capital employed, excluding operating profit and capital employed from the Forest segment and a share of Other.	This is the central ratio for management to measure return on capital tied up in the Industrial portion.
Adjusted return on capital employed – industrial portion, excluding the ongoing investment in Östrand	Calculated as the Group's adjusted return on capital employed – industrial portion, excluding invested amount in the ongoing investment at the Östrand pulp mill.	Shows the underlying return on capital employed for the industrial portion adjusted with the capital expenditure from the ongoing investment in Östrand.
Operating cash surplus	Adjusted EBITDA with deductions for capital gains and capital losses from property, plant and equipment and intangible assets and the reversal of the share of profits of associates and the result of the forest remeasurement.	This measure shows cash flow generated by the income statement when calculating operating cash flow.
Operating cash flow	Operating cash flow comprises 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.	The management control the business areas using this measure that shows the combined cash flow from operating activities that the units can themselves influence.
Cash flow from current operations	Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.	This measure illustrates the cash flow generated by operations and that can potentially be used for strategic initiatives such as strategic capital expenditures or acquisitions.
Strategic capital expenditures in non-current assets	Strategic capital expenditures increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost competitiveness.	Shows the size of the capital expenditures that are made in expansion in production capacity and other growth measures.
Current capital expenditures	Current capital expenditures are made to maintain competitiveness, and include maintenance, rationalization and replacement measures or investments of an environmental nature with deductions for compensation from divested non-current assets with the purpose on conserving the value of the assets.	Shows the size of the capital expenditures required to maintain existing manufacturing capacity.

CALCULATION OF FINANCIAL PERFORMANCE MEASURES NOT DEFINED IN IFRS

BALANCE SHEET STRUCTURE

SEKm	2017	2016
Forest assets (gross value before deferred taxes)	31,386	30,770
Deferred tax relating to Forest assets	-6,905	-6,769
Forest assets, net of deferred tax	24,481	24,001
Working capital	2,861	2,740
Other capital employed	15,377	13,386
Total capital employed	**42,719**	**40,127**
Net debt	5,966	5 000[1]
Net debt/EBITDA	1.6	1.5
Equity	36,753	35 127
Net debt/Equity	16%	14%

[1] Proforma

CAPITAL EMPLOYED

SEKm	2017	2016
Total assets	56,711	52,958
-Financial receivables	-1,577	-1,421
-Non-current non-interest bearing liabilities	-8,497	-7,961
-Current non-interest bearing liabilities	-3,918	-3,699
Assets	0	307
Liabilities	0	-57
Capital employed	**42,719**	**40,127**
Return on capital employed[1]	6.1%	5.8%
Adjusted return on capital employed[1]	6.3%	5.5%
Adjusted industrial return on capital employed[1]	10.1%	8.9%
Adjusted industrial return on capital employed, excluding the ongoing capital expenditure at Östrand[1]	13.1%	9.5%

WORKING CAPITAL

SEKm	2017	2016
Inventories	3,460	3,402
Accounts receivable	2,299	1,968
Other current receivables	694	566
Accounts payable	-2,900	-2,778
Other current liabilities	-977	-863
Adjustments[2]	285	243
Assets for transfer to discontinued operations	0	259
Liabilities for transfer to discontinued operations	0	-57
Working capital	**2,861**	**2,740**
Working capital / net sales %[1]	17.7%	17.8%

NET DEBT

SEKm	2017	2016
Surplus in funded pension plans	1,002	851
Non-current financial assets	28	8
Current financial assets	9	809
Cash and cash equivalents	538	238
Financial receivables	**1,577**	**1,906**
Non-current financial liabilities	3,675	63
Provisions for pensions	366	329
Current financial liabilities	3,502	1,702
Financial liabilities	**7,543**	**2,094**
Net debt	**-5,966**	**-188**

[1] rolling 12 months

[2] Adjustments

Other current receivables, green certificates	-35	-34
Accounts payable, strategic capital expenditures	317	274
Other current liabilities, emission rights	3	3
	285	**243**

8 SEGMENT INFORMATION

The forest products company SCA reports four segments in accordance with IFRS 8:

- The Forest segment comprises the management of SCA's 2.6 million hectares of forest land and the supply of timber to SCA's forest industry operations (Wood, Pulp and Paper). Approximately the same amount of timber that is harvested from SCA's own forests is purchased from other forest owners. By-products are used in energy production.
- The Wood segment comprises five sawmills in Sweden, wood processing units with planing mills in Sweden, the UK and France, as well as a distribution and wholesale business. All by-products are used; chips are used as raw material at pulp and paper mills, sawdust is used in SCA's pellet manufacturing and bark in SCA's energy production. The Pulp segment comprises kraft pulp and chemical thermomechanical pulp (CTMP). The pulp is produced in Östrand, where a major investment project to expand the production capacity is also ongoing.
- The Paper segment comprises packaging paper (kraftliner) manufactured in Obbola and Munksund, and publication paper manufactured in Ortviken, and used for magazines, catalogues and commercial print.

NET SALES	Quarter					
SEKm	**2017:4**	**2017:3**	**2017:2**	**2017:1**	**2016:4**	**2016:3**
Forest	1,287	1,261	1,210	1,312	1,296	1,261
Wood	1,426	1,567	1,637	1,364	1,361	1,320
Pulp	672	644	585	641	668	668
Paper	2,220	2,096	2,072	2,046	1,998	1,859
Intra-group deliveries	-1,363	-1,337	-1,282	-1,394	-1,384	-1,339
Total net sales	**4,242**	**4,231**	**4,222**	**3,969**	**3,939**	**3,769**

ADJUSTED EBITDA	Quarter					
SEKm	**2017:4**	**2017:3**	**2017:2**	**2017:1**	**2016:4**	**2016:3**
Forest	358	316	364	325	338	295
Wood	184	187	154	145	161	143
Pulp	149	158	71	104	102	160
Paper	481	439	291	268	276	290
Other	-94	-51	-53	-35	-51	-47
Total adjusted EBITDA [1]	**1,078**	**1,049**	**827**	**807**	**826**	**841**

ADJUSTED EBITDA MARGIN	Quarter					
%	**2017:4**	**2017:3**	**2017:2**	**2017:1**	**2016:4**	**2016:3**
Forest	27.8	25.1	30.1	24.7	26.1	23.4
Wood	12.9	11.9	9.4	10.6	11.8	10.8
Pulp	22.2	24.5	12.1	16.3	15.3	24.0
Paper	21.7	20.9	14.0	13.1	13.8	15.6
Adjusted EBITDA margin[1]	**25.4**	**24.8**	**19.6**	**20.3**	**21.0**	**22.3**

ADJUSTED OPERATING PROFIT	Quarter					
SEKm	**2017:4**	**2017:3**	**2017:2**	**2017:1**	**2016:4**	**2016:3**
Forest	323	288	336	297	310	269
Wood	128	133	99	83	108	95
Pulp	87	102	16	31	37	97
Paper	351	308	156	141	139	165
Other	-103	-55	-53	-44	-55	-49
Total adjusted operating profit[1]	**786**	**776**	**554**	**508**	**539**	**577**

ADJUSTED OPERATING MARGIN	Quarter					
%	**2017:4**	**2017:3**	**2017:2**	**2017:1**	**2016:4**	**2016:3**
Forest	25.1	22.8	27.8	22.6	23.9	21.3
Wood	9.0	8.5	6.0	6.1	7.9	7.2
Pulp	12.9	15.8	2.7	4.9	5.5	14.5
Paper	15.8	14.7	7.5	6.9	7.0	8.9
Adjusted operating margin[1]	**18.5**	**18.3**	**13.1**	**12.8**	**13.7**	**15.3**

[1] Excluding items affecting comparability