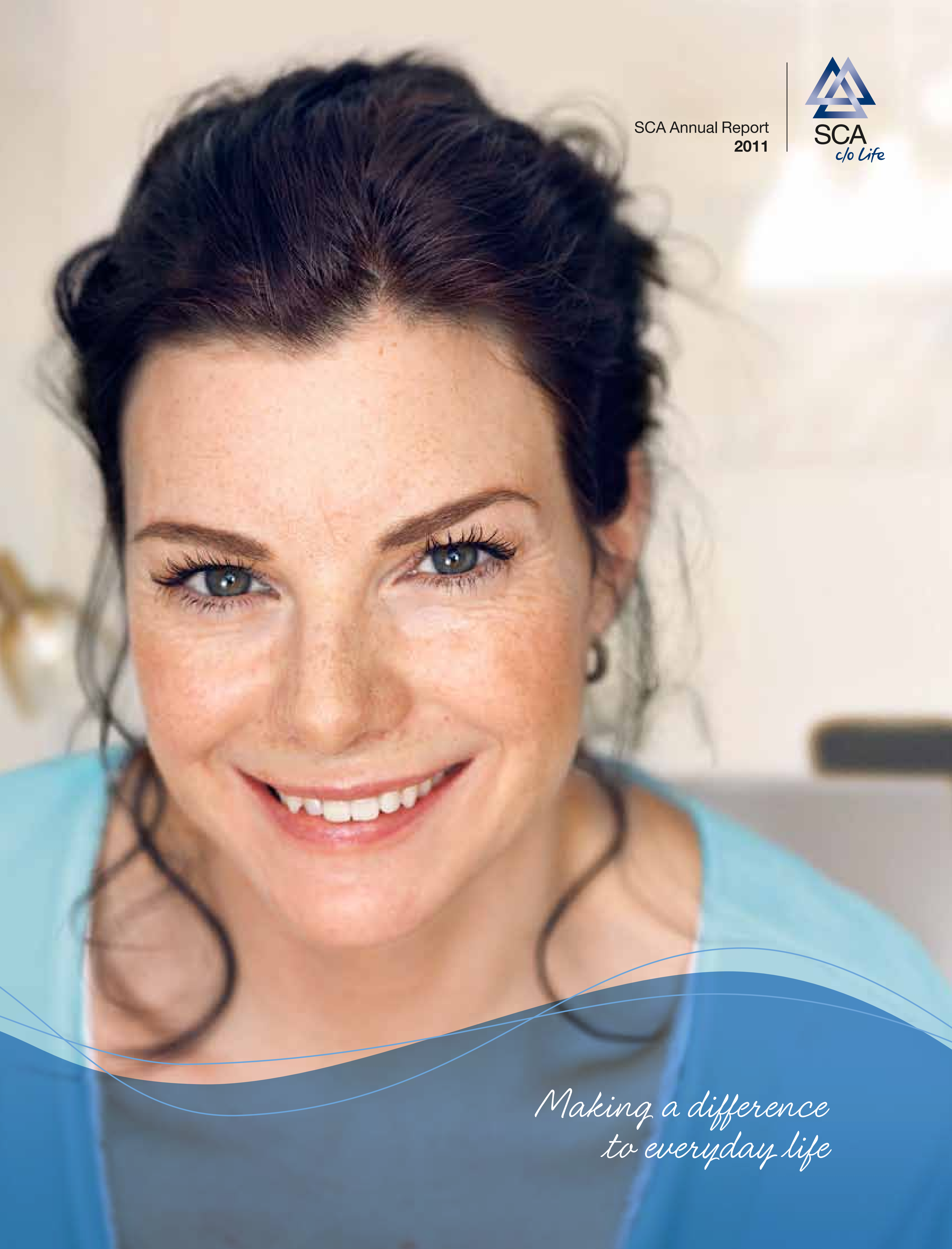
SCA Annual Report
2011



Making a difference to everyday life

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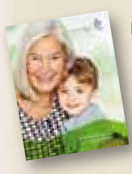


Each year, SCA publishes a separate Sustainability Report that is available in English and Swedish in a printed version and at www.sca.com

SCA at a glance

SCA is a global hygiene and paper company that develops, produces and markets personal care products, tissue, forest products and packaging solutions**. SCA has sales in more than 100 countries under many strong brands.

SCA creates value by fulfilling the needs of customers and consumers in a spirit of innovation, through continuous efficiency enhancements and with a clear desire to contribute to sustainable development.

In 2011, SCA had annual sales of SEK 106bn and about 44,000 employees.

Share of net sales (Share of Group)

- Personal Care, 23%
- Tissue, 36%
- Packaging, 25%
- Forest Products, 16%

Total Group: SEK 105,750m

Share of operating profit (Share of Group)

- Personal Care, 27%
- Tissue, 32%
- Packaging, 20%
- Forest Products, 21%

Total Group: SEK 9,224m

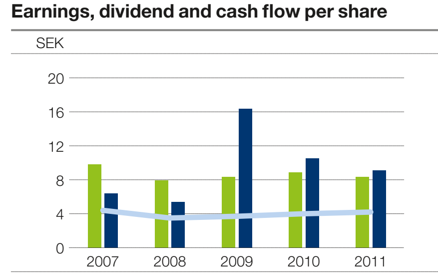
Excluding items affecting comparability.

Net sales and operating margin[1]

Excluding items affecting comparability.

[1] Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.

Earnings, dividend and cash flow per share



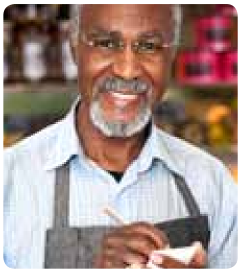
Earnings do not include items affecting comparability.
Dividend for 2011 relates to the proposed dividend.

Personal Care

The business area comprises three product segments: incontinence care, baby diapers and feminine care. Production is conducted at 29 facilities in 24 countries. Products are sold in more than 100 countries throughout the world.

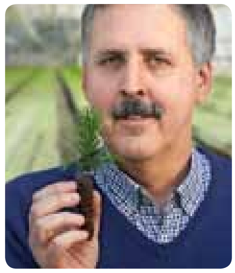
Packaging**

SCA is a full-service supplier of packaging solutions and offers both transport and consumer packaging. SCA operates one innovation centre and 16 design centres. Production is conducted at about 110 facilities in 20 countries. Products are sold in 36 countries in Europe.



Tissue*

Consumer tissue consists of toilet paper, kitchen rolls, facial tissue, handkerchiefs and napkins. In the Away-From-Home (AFH) tissue segment, SCA delivers complete hygiene concepts to companies and institutions. Production is conducted at 45 facilities in 18 countries. Products are sold in some 80 countries throughout the world.



Forest Products

Production comprises publication papers, pulp and solid-wood products, and is conducted at 18 facilities in three countries. Products are mainly sold in Europe, but also in Asia, North Africa and North America.

* In November 2011, SCA announced the acquisition of Georgia-Pacific's European tissue operations, with annual sales of approximately SEK 12bn. The acquisition is expected to be fully completed during the second quarter of 2012.

** In January 2012, SCA announced the divestment of the packaging operation – excluding the kraftliner mills in Munksund and Obbola, Sweden. The sale is expected to be fully completed in the second quarter of 2012.

Regarding the French part of the packaging operations, DS Smith has made a formal offer to acquire this business. This process is subject to an information and consultation procedure with the relevant works councils and will be treated separately.

Operating cash flow (Share of Group)

- Personal Care, 30%
- Tissue, 37%
- Packaging, 15%
- Forest Products, 18%

Total Group: SEK 8,577m

Capital employed (Share of Group)

- Personal Care, 12%
- Tissue, 35%
- Packaging, 19%
- Forest Products, 34%

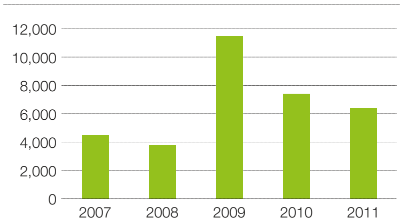
Total Group: SEK 97,939m

Average number of employees (Share of Group)

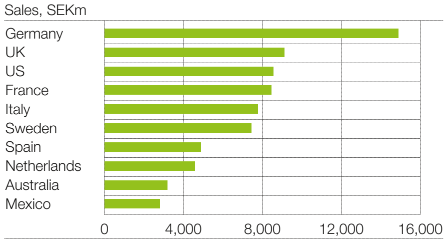
- Personal Care, 21%
- Tissue, 39%
- Packaging, 30%
- Forest Products, 10%

Total Group: 43,697

Cash flow from current operations

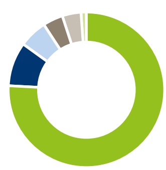


Group's largest markets



SCA's sales per region

- Europe, 76%
- North America, 9%
- Latin America, 6%
- Asia, 4%
- Australasia, 4%
- Other countries, 1%



The year at a glance

- Net sales[1] amounted to SEK 105,750m (106,965)
- Profit before tax[2] totalled SEK 7,934m (8,492)
- Earnings per share amounted to SEK 0.78 (7.90)
- Proposed dividend is SEK 4.20 (4.00) per share

1) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010.
2) Excluding items affecting comparability.

Key figures (including the packaging operations held for sale)

	2011		2010		2009	
	SEK	EUR[2]	SEK	EUR[2]	SEK	EUR[2]
Net sales, SEKm/EURm[4]	105,750	11,719	106,965	11,221	109,358	10,324
Operating profit, SEKm/EURm	3,548	393	8,677	911	8,190	773
Operating profit SEKm/EURm[1]	9,224	1,022	9,608	1,008	9,648	910
Operating margin, %	3		8		7	
Operating margin, %[1]	9		9		9	
Profit before tax, SEKm/EURm	2,258	250	7,561	794	6,546	618
Profit before tax, SEKm/EURm[1]	7,934	879	8,492	891	8,004	755
Profit for the year, SEKm/EURm	607	67	5,592	587	4,830	456
Profit for the year, SEKm/EURm[1]	5,920	656	6,281	659	5,906	557
Earnings per share, SEK	0.78		7.90		6.78	
Earnings per share, SEK[1]	8.34		8.89		8.32	
Cash flow from current operations per share, SEK	9.09		10.53		16.36	
Dividend, SEK	4.20[3]		4.00		3.70	
Strategic investments, incl. acquisitions, SEKm/EURm	–2,893	–321	–2,920	–306	–3,082	–291
Equity, SEKm/EURm	61,291	6,857	67,821	7,538	67,906	6,577
Return on capital employed, %	4		8		7	
Return on capital employed, %[1]	9		9		9	
Return on equity, %	1		8		7	
Return on equity, %[1]	9		9		9	
Debt/equity ratio, multiple	0.60		0.51		0.60	
Average number of employees	43,697		45,341		49,531	

1) Excluding items affecting comparability.
2) See footnote 1) on pages 69 and 73 for exchange rates.
3) Proposed dividend.
4) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.

Awards and recognition

SCA was named one of the world's most ethical companies by the Ethisphere Institute.

SCA is included in 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 became a UN Global Compact member in 2008.

SCA is a member of World Business Council for Sustainable Development (wbcsd).

SCA is listed on the Global Challenges Index.

In WWF's Environmental Paper Company Index 2011 SCA scored best both in the tissue and containerboard categories.

A stronger SCA

The year 2011 was an eventful twelve months. The acquisition of Georgia-Pacific's European tissue operations was announced at the end of the year, while the divestment of SCA's packaging operations was announced at the beginning of 2012. These transactions strengthen SCA and lead to greater synergies in the European business, reduced sensitivity to fluctuations in the economy, higher growth and a gradual increase in earnings per share. During the year, SCA also carried out vital efficiency-enhancement measures, raised the launch rate for new products and successfully grew in all business areas in both mature and emerging markets.

The year was marked by devastating natural disasters and political unrest, weak government finances in several countries and continued high raw material prices and currency fluctuations. Through enhanced efficiency and innovation, we generated growth and further strengthened our long-term competitiveness. Sales rose by 4%, in local currencies, compared with the preceding year. Operating profit, excluding items affecting comparability and exchange rate effects, was level with 2010. Higher volumes combined with price increases and cost savings offset the SEK 3.2bn in increased raw material costs. I can see that our strategy has proven to be a successful one, and we are a stronger SCA today than a year ago.

Major structural transactions

In November, SCA reached agreement on the acquisition of Georgia-Pacific's European tissue operations, with annual sales of about SEK 12bn. The acquisition is an excellent strategic match for SCA and helps to strengthen the product offering and broaden our geographic presence in Europe. Annual synergies are estimated to amount to approximately SEK 1.1bn, with full effect to be achieved three years after completion of the transaction, at which time earnings per share are forecast to rise by SEK 1.70.

In January 2012, we announced the sale of SCA's packaging operations, excluding the two kraftliner mills in Sweden, for approximately SEK 15.3bn. In 2011, the packaging operations, excluding the two kraftliner mills, reported net sales of about SEK 24.4bn and an operating profit excluding restructuring costs of some SEK 1.5bn. As a consequence of the divestment, earnings per share will decline by SEK 0.73.

The acquisition of Georgia-Pacific's European tissue operations and the sale of the packaging operations are expected to be fully finalised during the second quarter of 2012. Both transactions strengthen SCA, contribute to improving synergies and a gradual rise in earnings per share, and reduce the debt/equity ratio to about 0.5.

SCA is currently the third-largest hygiene company in its product categories and the sale of the packaging operations enables a sustained increase in growth in the hygiene business. Sensitivity to economic fluctuations is reduced as hygiene products grow to account for a higher share of the Group's sales, enabling long-term stable profitability, growth and value creation.

Strategy for sustainable growth

SCA's business strategy stands firm, with an intense focus on costs, cash flow, capital efficiency, innovation and growth.

Restructuring programmes and savings measures implemented throughout the Group have reduced costs. Improved productivity and efficiency in large parts of the Group have led to enhanced capital efficiency. As a rule, more efficient production also yields positive environmental effects. One example of this is the some 1,700 small-scale energy improvements carried out in the Group in recent years resulting in a reduction in carbon dioxide emissions and annual savings of approximately SEK 700m.

Our focus on efficiency has enabled us to accelerate the pace of growth and, aside from the agreement to purchase Georgia-Pacific's European tissue operations, we made acquisitions in the hygiene operation in Turkey and Brazil, two strategically important emerging markets. Our global brands TENA (incontinence products) and Tork (AFH tissue), each with annual sales of more than SEK 10bn, strengthened their market positions in 2011 and we have successfully grown in all business areas in both mature and emerging markets.

To enable increased growth, a reorganisation of the hygiene business was initiated during the year. The new organisation, which came into effect on 1 January 2012, will contribute to enhanced efficiency and market presence.

The decision was also taken to invest in existing operations, for example, in the tissue units in Russia and Germany.

"Our focus on efficiency has enabled us to accelerate the pace of growth."

Jan Johansson, President and CEO

Insight and innovation increase competitiveness

Innovation pervades all operations at SCA and functions as a tool to develop and differentiate our products and services, retain and consolidate our market positions and build stronger brands. Innovation drives growth and profitability by expanding the offering to existing customers in existing markets and by attracting new customers in new markets.

Our proximity to customers and consumers in more than 100 countries together with SCA's local innovation centres form the cornerstone of the Group's innovation activities, which are based on in-depth knowledge of the needs of people – today and in the future. In 2011, we increased the pace of innovation, submitted applications for 74 new patents and launched numerous new products and concepts.

SCA also opened a new innovation centre in China whose purpose is to raise the level of knowledge about the Chinese market and develop the regional product offering.

World-leading sustainability generates value

Sustainability aspects and product safety are extremely important for customers and consumers and are thus significant drivers in our innovation work. By developing new products and services, we can satisfy the increased demand for sustainable and safe products.

Sustainability is an integral part of SCA's business and plays a central role in the Group's growth and value creation. To additionally strengthen and improve sustainability efforts, SCA further developed its sustainability strategy by adding new ambitions and targets in 2011. While our ambitions define the long-term vision, the targets are specific and measureable and represent steps along the path to achieving these ambitions.

Examples of activities during the year include the launch of a training campaign for all employees in SCA's Code of Conduct. Our award-winning sustainability work also strengthens our competitiveness and brand.

SCA's strong commercial commitment to hygiene issues also plays a part in raising the standard of hygiene and preventing sickness in the world, which is also an important aspect of sustainability. SCA's Hygiene Matters report compiles facts and information relating the area of hygiene – an initiative that also acts as an important support to the Group's innovation programmes.

Positioned for higher growth

SCA has set its ambitions high. We aim to be best in the sectors in which we are active. The goal is to sustainably command the number one or two position in the markets we serve. With strong global and regional market positions and brands, innovation and streamlined production, SCA is well positioned to maximise the growth potential in both mature and emerging markets.

While we strive to grow and strengthen existing positions, we also endeavour to establish new market-leading positions. The Group's growth will mainly be organic in both old and new segments, but acquisition-led expansion will also be used. For Personal Care, the annual organic growth target is 5–7% with the corresponding figure for Tissue is 3–4%. For Forest Products and Packaging, the target is to grow in line with the market.

SCA's long-term goal is to grow in hygiene products and broaden the product portfolio and the ambition is to increase the number of global brands.

The growth opportunities for SCA's hygiene products are favourable. Rising levels of consumption and a growing population combined with a higher standard of living – chiefly in the expanding middle class in high-growth countries – increases demand for hygiene products. An aging population throughout the world – resulting in, for example, higher demand for incontinence products – also benefits SCA.

SCA is one of Europe's most profitable producers of forest products and the region's largest private forest owner. The forest is a real assets with a stable and sustained value growth. Aside from its valuable contribution to raw material integration, the forest offers the potential for energy production, in the form of biofuels. The sizeable land holding is also highly suitable for wind power. During the financial year, SCA and Norwegian firm Fred.Olsen Renewables formed a jointly owned company to construct two wind farms on SCA's land, corresponding to annual generation of 2 TWh.

We make a difference in the everyday lives of people

SCA's operation was founded in the forest more than 80 years ago. This heritage has taught us to assume responsibility for people and the environment, which is an essential element of a long-term, profitable company. Sustainable value generation and innovation is the foundation or our offering of products and services that simplify the everyday lives of millions of people across the globe – day in day out, year in year out.

In 2010, we added growth to the Group's strategy and I can conclude that it has been our focus on efficiency that has also enabled us to increase the pace of growth. We enter 2012 as a stronger company and I am convinced that our committed employees, combined with a distinct strategy and increased demand for our products, will contribute to continued profitable growth for SCA – and increase the value for our shareholders, customers, employees and other stakeholders.

Jan Johansson, President and CEO

The SCA share

The 2011 the closing price on NASDAQ OMX Stockholm for SCA's B shares was SEK 102.00 (106.20), corresponding to a market capitalisation of SEK 72bn (74). SCA's market capitalisation corresponds to slightly less than 2% (2) of the total market capitalisation on NASDAQ OMX Stockholm. Since the beginning of 2011, the share price declined 4%, while NASDAQ OMX Stockholm dropped 17% during the same period. The highest closing price for SCA's B share during the year was SEK 114.90, which was noted on 27 January. The lowest price was SEK 76.45 on 19 August. The proposed dividend is SEK 4.20 per share, see below under the section "Dividend."

Trading in SCA shares

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. 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. SCA is also represented in sustainability indexes, including the FTSE4Good and the Dow Jones Sustainability Europe Index.

Liquidity

In 2011, the volume of SCA shares traded on NASDAQ OMX Stockholm was 645 million (678), representing a value of approximately SEK 61bn (67). Average daily trading for SCA on NASDAQ OMX Stockholm amounted to 2.6 million shares, corresponding to a value of SEK 242m (267). Trading on Chi-X, BATS Europe, Burgundy and Turquoise amounted to 243 million SCA shares during the year, corresponding to about 25% of total trading in the share.

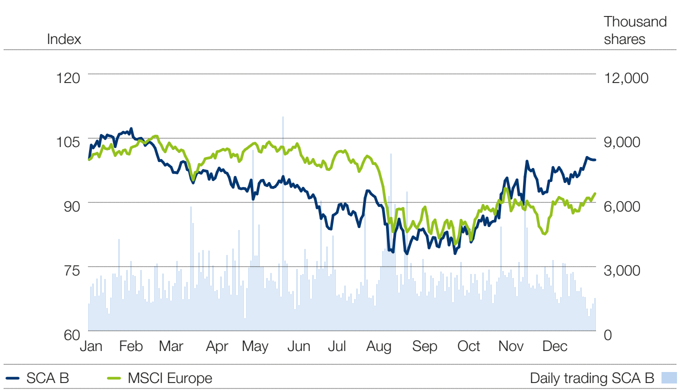
Ownership

Some 55% (57) of the share capital is owned by investors registered in Sweden and 45% (43) by foreign investors. The UK and the US account for the highest percentage of shareholders registered outside Sweden, with 17% and 15%, respectively.

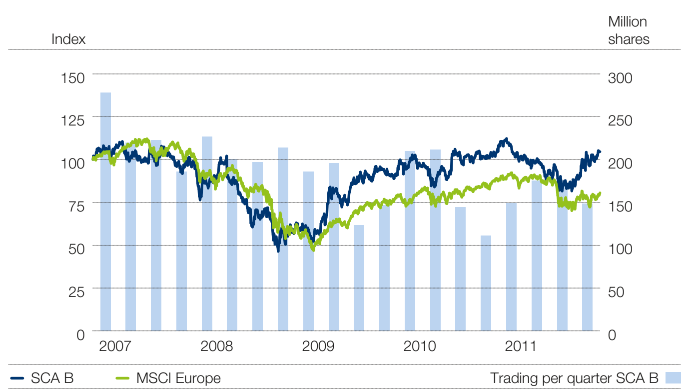
Dividend

The Board of Directors has proposed a dividend to shareholders of SEK 4.20 per share for the 2011 financial year. The 2011 dividend represents a dividend yield of 4.1% per share, based on SCA's share price at the end of the year. SCA's dividend policy is described on page 10.

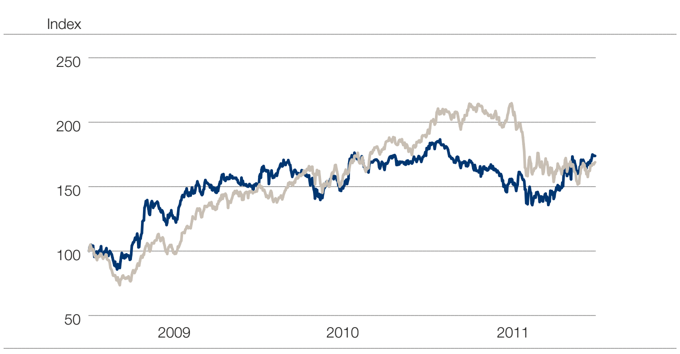
Total shareholder return 2011



Total shareholder return 2007–2011



Total shareholder return 2009–2011



[1] Weighted index of competitors' total shareholder return. SCA's total shareholder return also surpasses that of its competitors over a five and ten-year term. Competitors are selected to reflect SCA's operations. They comprise 40% hygiene companies, 30% packaging companies and 30% forest companies. The index is used when comparing the SCA share's 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 Euroclear's official share register for directly registered and trustee-registered shareholders at 31 December 2011, the following companies, foundations and mutual funds were the ten largest registered shareholders based on voting rights (before dilution):

Shareholder	No. of votes	Votes %	No. of shares	Holding %
AB Industrivärden	458,700,000	29.13	70,800,000	10.04
Handelsbanken*	221,728,580	14.08	34,391,294	4.88
Norges Bank Investment Management**		6.61	–	5.03
Skandia	38,656,885	2.46	4,364,581	0.62
Alecta	32,715,000	2.08	10,413,000	1.48
SEB*	32,036,339	1.47	31,871,216	2.27
AMF – Insurance and Funds	17,469,054	1.11	17,469,054	2.48
Swedbank Robur funds	14,567,285	0.93	14,402,162	2.04
Second Swedish National Pension Fund	11,772,631	0.75	7,966,684	1.13
Afa Insurance	9,886,344	0.63	9,886,344	1.4

* Including mutual funds and foundations.
** According to disclosure notice on 10 June 2011.

Source: Euroclear

Data per share

All earnings figures include items affecting comparability unless otherwise indicated.

SEK per share unless otherwise indicated	2011	2010	2009	2008	2007
Earnings per share after full tax:					
After dilution	0.78	7.90	6.78	7.94	10.16
After dilution, excluding items affecting comparability	8.34	8.89	8.32	7.94	9.80
Before dilution	0.78	7.90	6.78	7.94	10.17
Market price for B share:					
Average price during the year	95.80	100.20	83.18	84.76	119.00
Closing price, 31 December	102.00	106.20	95.45	66.75	114.50
Cash flow from current operations[1]	9.09	10.53	16.36	5.42	6.42
Dividend	4.20[2]	4.00	3.70	3.50	4.40
Dividend growth, %[3]	4	4	5	6	9
Dividend yield, %	4.1	3.8	3.9	5.2	3.8
P/E ratio[4]	N/A	13	14	12	11
P/E ratio, excluding items affecting comparability[4]	12	12	11	8	12
Price/EBIT[5]	31	13	13	11	12
Price/EBIT, excluding items affecting comparability[5]	12	11	11	11	12
Beta coefficient[6]	0.83	0.82	0.78	0.84	0.73
Pay-out ratio (before dilution), %	N/A	51	55	44	41
Equity, after dilution	87	96	96	95	91
Equity, before dilution	87	96	96	94	90
Number of registered shares 31 December (millions)	705.1	705.1	705.1	705.1	705.1
Of which treasury shares (millions)	2.8	2.8	2.8	2.8	3.2

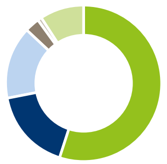
[1] See definitions of key ratios on page 118.
[2] Board proposal.
[3] Rolling 10-year data.
[4] Share price at year-end divided by earnings per share after full tax and dilution.
[5] Market capitalisation plus net debt plus non-controlling interests divided by operating profit. (EBIT = earnings before interest and taxes).
[6] Share price volatility compared with the entire stock exchange (measured for rolling 48 months).

Ticker names

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

Shareholders by country, capital

- Sweden, 55%
- UK, 17%
- US, 15%
- Luxembourg, 3%
- France, 1%
- Other, 9%



Shareholders by category, capital

- Institutions, 80%
- Private individuals, 20%

Source: Euroclear

Shareholder structure

Holding	No. of shareholders	No. of shares	Holding %	Votes %
1–500	48,309	8,871,627	1.26	1.27
501–1,000	13,629	10,450,356	1.48	1.39
1,001–5,000	15,394	33,822,392	4.80	4.68
5,001–10,000	2,087	14,931,097	2.12	1.99
10,001–15,000	558	6,983,624	0.99	0.94
15,001–20,000	295	5,290,540	0.75	0.56
20,001–	1,241	624,760,458	88.60	89.17
Total	**81,513**	**705,110,094**	**100.00**	**100.00**

Source: Euroclear

Percentage of foreign ownership

	2011	2010	2009	2008	2007
%	45	43	42	41	43

Share distribution

31 December 2011	Series A	Series B	Total shares
Number of registered shares	96,590,430	608,519,664	705,110,094
of which treasury shares		2,767,605	2,767,605

Shares issues, etc. 1993–2011

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

Strategy for sustainable growth

SCA is a global hygiene and paper company that develops and produces personal care products, tissue, forest products and packaging solutions*. The Group's sales amount to approximately SEK 106bn, with the hygiene business accounting for about 60% of this amount. SCA sells its products in more than 100 countries under many strong brands, including TENA and Tork, both of which are globally leading brands.

* In January 2012, SCA announced the sale of the packaging operations, excluding the kraftliner mills in Munksund and Obbola, Sweden. The divestment is expected to be fully completed in the second quarter of 2012.

Efficiency and innovation to generate sustainable growth is an effective strategy for achieving long-term competitiveness. These priorities form the basis of the SCA model, which guides the Group's strategic work. SCA's proximity to customers and consumers, and knowledge of local and regional market conditions – combined with global experience, strong brands, efficient production and innovation – represent key competitive factors. This also applies to the Group's sustainability activities, which form an integral part of the business and of the Group's strategy for growth and value creation.

Drivers

The world around us is changing at an increasingly rapid rate. Some of these changes have played a highly significant role in the development of SCA. By analysing the external environment and trends, SCA can leverage the drivers, thus enabling the creation of long-term sustainable growth.

A growing and aging population
When SCA was founded in 1929, the world's population was about two billion. According to figures from the UN, the global population will reach nine billion by 2050 and it is getting older. Over the coming decade, the number of people over the age of 65 will increase by 33%. Overall, this trend will lead to increased demand for SCA's hygiene products.

Greater prosperity
Global prosperity is on the increase, thereby strengthening the purchasing power of customers and consumers, particularly in SCA's emerging markets of Asia, Latin America and Eastern Europe. The growing middle class demands access to products and services, freedom of choice and comfort – a progression that opens the doors for new business models for SCA.

Health and hygiene
A growing and aging population, increased prosperity and greater awareness of the significance of hygiene for a higher standard of living boost demand for hygiene products.

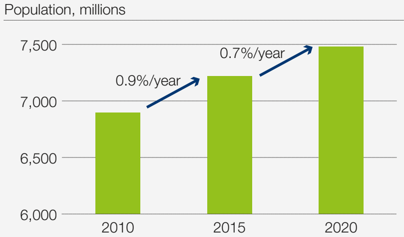
Rapid technological development
The rapid technological development creates new opportunities for SCA to develop innovative, efficient and sustainable solutions for processes, products, production, etc.

Sustainable consumption
The planet's limited resources, political prioritisations and more knowledgeable and aware customers and consumers increase demand for sustainable products and services. A change in attitude and behaviour drives innovation of products, services and business models to meet the increasing demand for sustainable consumption.

Price and performance
Consumers, customers and professional purchasers increasingly request higher quality and more value for money – a shift that drives demand in the segments in which SCA is strong.

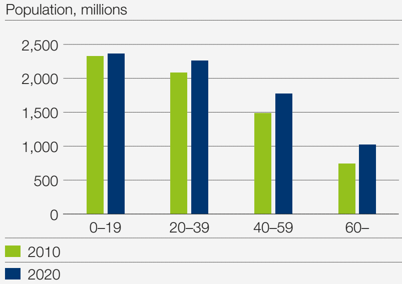
Population growth

Population, millions



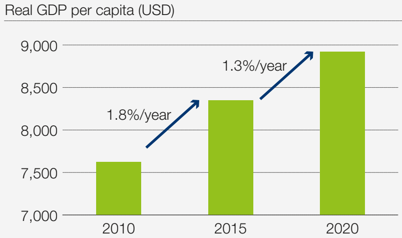
Aging population

Population, millions



Increased prosperity

Real GDP per capita (USD)



Business concept

To sustainably develop, produce and market increasingly value-added products and services within Personal Care, Tissue, Forest Products and Packaging*. SCA's products simplify the everyday lives of hundreds of millions of people around the globe. They also generate strong cash flows that enable favourable dividend growth and increased value for the SCA share.

Strengths

Through strong global and regional market positions and leading brands, innovation, efficient production and world-leading sustainability programmes, SCA is well positioned to leverage the growth potential that exists in mature and emerging markets.

Global presence and leading positions
SCA is a global company with strong leading positions in Western Europe and North America as well as in such emerging markets as Latin America, Eastern Europe, Russia and Southeast Asia. SCA's proximity to customers and consumers in more than 100 countries broadens knowledge of local and regional market conditions, thus allowing SCA to capitalise on growth opportunities. Global experience also facilitates economies of scale. Shared functions for innovation and brand activities as well as for production in the hygiene business generate cost synergies and efficient resource utilisation.

Customer and consumer insight
SCA's presence in many local and regional markets, combined with its regional and local innovation centres across the globe, form the basis for innovation activities that are founded on extensive insight into customer and consumer needs – today and in the future.

World-leading sustainability activities
Sustainability represents an integral part of the operation and the Group's strategy for growth and value creation. Sustainability aspects and product safety are important drivers in the development of new products and services. A strong sustainability profile and position for the Group's product brands and the SCA brand enhance competitiveness and growth. SCA's award-wining sustainability work also contributes to enhanced resource utilisation, a smaller environmental footprint and reduced costs and risks.

Strong brands
SCA has extensive knowledge and experience of building leading local, regional and global brands. The Group has a portfolio of strong product brands, in which TENA and Tork are examples of globally leading brands in the hygiene operations, each with sales of more than EUR 1bn. SCA is a guarantor for all of the Group's product brands, ensuring the strength and development of the value of each of the brands.

Strategic priorities

To be efficient, innovative and to generate sustainable growth represents an effective strategy for achieving long-term competitiveness.

The SCA model

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 generates improved cash flow and value creation.

Improved capital efficiency, lower costs and strengthened cash flow are achieved through restructuring, efficiency enhancement, savings measures and optimisation of capital employed in all parts of the Group. As a rule, more efficient production also yields positive environmental effects and lower costs. 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.

Examples of activities and results in 2011

- Efficiency programme in hygiene and packaging operations
- Reorganisation in hygiene business
- Improved productivity and efficiency combined to increase capital efficiency

Innovation

SCA's presence in more than 100 countries combined with local innovation centres across the globe, 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 programmes 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 utilisation and reduced environmental footprint.

For the hygiene operations, the strategic direction is to increase the pace of innovation, capitalise 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 and Packaging, the strategic focus is to increase the value for customer and identify new alternative fields of application for existing products and services.

Examples of activities and results in 2011

- New innovation centre in China
- Higher pace of innovation and launch
- New product launches, such as TENA Belt, Fresh Fruit+ and Tork liquid soap dispenser
- Applications submitted for 74 patents

Growth

SCA commands strong leading positions in Western Europe, North America, Latin America, Eastern Europe, Russia and Southeast 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 brands.

Examples of activities and results in 2011

- Agreement on the acquisition of Georgia-Pacific's European tissue operations
- Acquisition of Pro Descart in Brazil and San Saglik and Komili, Turkey
- Increased pace of launch of new products
- Strengthened market positions for Tork and TENA
- Reorganisation of the hygiene business
- Sales growth in emerging markets
- Investments in expanded capacity for Tissue
- Establishment of sales office in China for Forest Products
- Expansion in incontinence products in China

Sustainability

Sustainability comprises an integral part of the operation and the Group's strategy for growth and value creation.

In 2011, SCA received several of the world's most prestigious awards in the field of sustainability. SCA is included in the Dow Jones Sustainability Index and the FTSE4Good Index and was also named one of the world's most ethical companies by Ethisphere. Read more about the Group's sustainability work on page 64.

Continued proactive sustainability work combined with a strong profile and position in the area of sustainability for both the Group's products brands and the SCA brand contribute to increased competitiveness and growth.

Hygiene business

SCA is currently the world's third-largest hygiene company in its product categories and the divestment of the packaging operations enables continued increased growth in the hygiene business. Sales of hygiene products amount to approximately SEK 64bn, or about 60%* of the Group's total sales. The growth potential for hygiene products remains favourable and the main drivers are global population growth, an aging population, increased market penetration and higher disposable incomes. In addition, customers and consumers in mature markets are becoming more aware of, and demand more from, comfort and sustainability. A higher standard of living and increased consumption of hygiene products are closely interconnected.

SCA prioritises growth in hygiene products. As the share of sales of hygiene products in the Group grows, the sensitivity to economic fluctuations decreases, thus ensuring long-term stable profitability, growth and value creation.

*Forest Products and Packaging***

SCA is one of Europe's most profitable producers of forest products and Europe's second-largest packaging company. Important initiatives included continuing the work focused on efficiency and innovation and to increase the share of value-added products. Activities aimed at developing the value chain and making it more efficient and sustainable and identifying new product areas in close cooperation with customers are also prioritised in order to enhance competitiveness. For Forest products, the primary aim is to increase the share of customised publication papers and solid-wood products. Aside from its valuable contribution to raw material integration, the forest offers the potential for energy production, both in the form of biofuel and wind power.

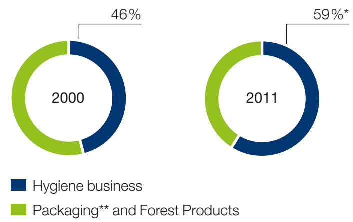
For Packaging, SCA's long-term focus is to develop its leading positions in advanced packaging in high value-added segments. These segments have a more stable rate of growth and offer SCA future expansion opportunities with solid growth.

SCA's market positions 2011

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

SCA is Europe's largest private forest owner.

Increased share for Hygiene business



* On full completion of the acquisition of Georgia-Pacific's European tissue operations and the divestment of the packaging operations, the hygiene business will account for about 80% of total consolidated sales.

** In January 2012, SCA announced the sale of its packaging operations, excluding the kraftliner mills in Munksund and Obbola, Sweden. The sale is expected to be fully completed in the second quarter of 2012.

Goal

SCA's overall long-term goal is to generate increased value for shareholders and deliver improved total shareholder return.

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.

Growth

SCA's annual organic growth target for Personal Care is 5–7%, while the target for Tissue is 3–4%.

For Packaging and Forest Products, the target is to grow in line with the market.

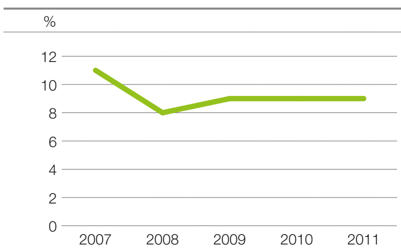
Capital structure

Long-term debt/equity target of 0.70.

Sustainability targets

In 2011, SCA developed a number of new sustainability targets relating to climate, energy, water usage, fibre 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 pages 64–67 for more information.

Return on capital employed



Excluding items affecting comparability.

Return and capital structure

Required rate of return in operating activities
SCA measures and evaluates profitability in operating activities by monitoring return on capital employed (ROCE). The target for ROCE in the Group has been set at 13% over a business cycle and varies among the business areas based on their different circumstances.

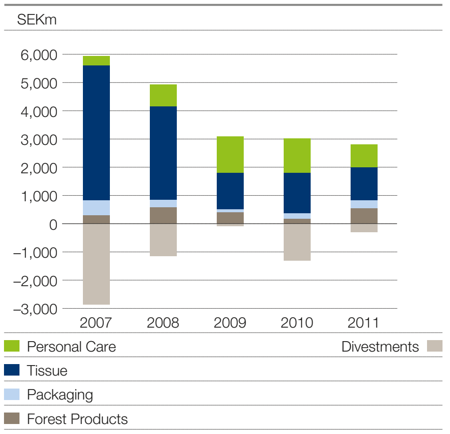
Required rate of return on investments
SCA's required rate of return on expansion investments shall satisfy the return requirement assigned to each of the business areas. The required rate of return is determined by the capital market's estimated return requirement on an investment in SCA shares and current long-term interest rates. The return requirement, the weighted average cost of capital (WACC), is based on SCA's capital structure from a debt/equity ratio of 0.70.

Dividend policy
SCA aims to provide long-term stable and rising dividends. 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 amortise loans or is returned to shareholders through higher dividends or share repurchases. The Board resolved to propose a dividend of SEK 4.20 for the 2011 financial year, corresponding to an increase of 5% compared with 2010. Accordingly, dividends have risen by an average of 3.7% per year over the past decade.

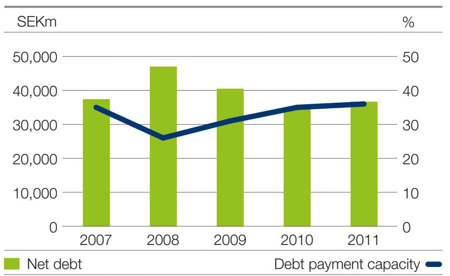
Capital structure
SCA's debt/equity ratio, measured as net debt in relation to recognised equity, was 0.60 at 31 December 2011. This was lower than SCA's long-term target of 0.70. The debt/equity ratio target of 0.70 takes into account SCA's business risk, the composition of the product portfolio and its substantial forest holdings. Periodically, the debt/equity ratio may deviate from the target. Over the past decade, the debt/equity ratio has varied between 0.44 and 0.70. SCA has a credit rating for long-term borrowing of Baa1/BBB+ and short-term borrowing of P2/A2 from Moody's and Standard & Poor's, respectively, and a short-term credit rating of K1 in Sweden from Standard & Poor's. For more detailed information about SCA's financial risk management, see pages 62–63.

Incentive programme
SCA's incentive programme is designed to contribute to the creation of shareholder value. The programme for senior executives has two components: achievement of cash-flow, growth and earnings targets, which are determined annually by the Board, and the performance of SCA shares compared with an index consisting of SCA's largest global competitors. For more information about the structure of the programme, see Note 6 (Personnel and Board costs), on page 88.

Strategic investments, acquisitions and divestments



Net debt and debt payment capacity

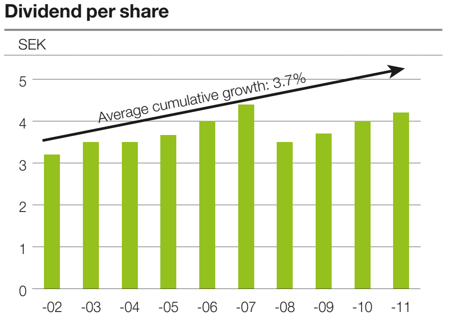


Key ratios

	2011	2010	2009
Operating profit			
Margin (%)[1,2]	8.7	9.0	8.8
Cash flow from current operations			
Outcome (SEK bn)	6.4	7.4	11.5
Return metrics			
Return on capital employed (%)[1]	9.0	9.1	8.6
Return on equity (%)[1]	9.0	9.4	8.8
Financial metrics			
Debt/equity ratio (multiple)	0.6	0.5	0.6
Market adjusted debt/equity ratio (multiple)	0.5	0.5	0.6
Debt payment capacity (%)	36	35	31

1) Excluding items affecting comparability.
2) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.

Dividend per share



Board of Directors' Report

SCA Group

Business areas

Responsibility and Governance

Financial statements

Operations and structure

SCA is a global hygiene and paper company that develops, produces and markets personal care products, tissue, publication papers, solid-wood products and packaging*. SCA offers products that simplify the everyday lives of people.

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.

Organisation

SCA consists of four business areas – Personal Care, Tissue, Packaging and Forest Products. Since year-end, the business areas are organised in eight business units. SCA's European hygiene business is organised into three business units SCA AFH Professional Hygiene Europe, focusing on tissue 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, pulp, timber and solid-wood products. The SCA Asia Pacific and SCA Americas business units focus on tissue and personal care products. A new business unit, SCA MEIA, was established for Middle East, India and Africa to ensure focus on emerging markets. The SCA Packaging business unit, which manufactures and sells packaging solutions, is under divestment.

In addition, SCA has three global units: one for category control in the hygiene area (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 a third for developing, and assuming responsibility for, support functions, known as Global Business Services (GBS).

Significant events during the year

During the year, the Greek and Russian packaging operations were divested.

SCA decided to establish a jointly owned company for its existing hygiene operations in Australasia with the Australian firm Pacific Equity Partners (PEP).

In Brazil, SCA acquired the Brazilian firm Pro Descart, the number two company in incontinence care products. In Turkey, the Group acquired 95% of San Saglik, the second-largest company in incontinence products, and 50% of Komili, the fourth-largest producer of baby diapers and feminine care products.

SCA reached an agreement on the acquisition of Georgia-Pacific's European tissue operations. The transaction is an excellent strategic match for SCA and will strengthen the product offering and the geographic presence in Europe. The transaction is subject to customary examination by the relevant authorities. The acquisition is expected to be completed during the second quarter of 2012.

During the year, the decision was taken to invest in an upgrade of the paper machine and renovation of the soda recovery boiler at the kraftliner mill in Munksund, Sweden.

During the year, SCA and Norwegian firm Fred.Olsen Renewables formed a jointly owned company to construct two wind farms on SCA's land in Västernorrland county.

The new lime kiln at Östrand pulp mill was inaugurated.

To support the long-term strategy and strengthen competitiveness, SCA initiated a reorganisation of its global hygiene business. The organisation applies as of January 2012.

* In January 2012, SCA announced the divestment of the packaging operations – excluding the kraftliner mills in Munksund and Obbola, Sweden. The sale is expected to be fully completed in the second quarter of 2012.

Organisation

Acquisitions, investments and divestments

Strategic tissue operation acquisition in Europe
SCA has signed an agreement to acquire Georgia-Pacific's European tissue operations, with annual sales of SEK 11.9bn (EUR 1.25bn) in 2010. The offered price is SEK 12bn (EUR 1.32bn). This is an excellent strategic match for SCA and will strengthen both the product offering and the company's geographic presence in Europe. Annual synergies are estimated at EUR 125m, with full effect three years after completion. The transaction is subject to customary examination by the relevant authorities. The acquisition is expected to be completed during the second quarter of 2012.

Establishment of operations in Brazil and Turkey
In 2011, SCA established operations in two key strategic markets. The second-largest player in incontinence care products in Brazil, Pro Descart, was acquired. In Turkey, SCA acquired 95 percent of the second-largest player in incontinence care, San Saglik, and 50 percent of Komili, the fourth-largest producer of baby diapers and feminine care products. The total acquisition price for the operations in Brazil and Turkey amount to SEK 764m.

Expanded capacity for tissue
In 2011, a decision was made to invest in expanded capacity for tissue in Russia, Germany and the US. About SEK 1.2bn will be invested in the plant in Sovetsk, Russia, and about SEK 1.1bn in two new tissue machines in Kostheim, Germany – both with a capacity of 60,000 tonnes annually. In the US, a tissue machine will be upgraded at a cost of SEK 460m.

Upgrade of tissue machine and soda recovery boiler
In the fourth quarter, SCA decided to invest SEK 540m in a tissue machine upgrade and renovate the soda recovery boiler at the kraftliner plant in Munksund, Sweden. The investment is primarily intended to increase the production of such value-added products as White-Top Kraftliner.

Build-out of wind power
In 2011, SCA and Norwegian company Fred. Olsen Renewables formed a joint company to construct a wind farm on SCA's land in Västernorrland county, Sweden. The area has a potential annual wind power production of about 2 TWh. In the collaboration project with Norwegian company Statkraft, construction work on the first of the wind farms commenced during the year.

New lime kiln and renovation of newsprint paper machine
The lime kiln at Östrand pulp mill, Sweden, was inaugurated at the end of the year. The kiln will reduce fossil fuel carbon dioxide emissions by 80%, while reducing costs by about SEK 50m on an annual basis. In 2011, a decision was made to invest SEK 350m in the rebuild of a newsprint paper machine in Ortviken in Sundsvall, Sweden, to enable the production of higher grade paper.

Investment in solid-wood products
The production capacity of solid-wood products in Bollsta, Sweden was increased by investing about SEK 300m in two new biofuel boilers, higher drying capacity and upgrade of the saw line. As a result of the investment, SCA's own biomass can be used for energy generation instead of oil.

Divestment of SCA's Greek and Russian packaging operations
During the year, SCA's Greek packaging operation was divested, with annual sales of approximately SEK 500m. The company was divested to a Turkish company in which SCA holds a 49% participation. The Russian packaging operations in Kuban and St. Petersburg, with combined annual sales of about SEK 430m, were also divested.

Joint venture in Australasia to operate SCA's existing hygiene operation
In November, SCA decided to establish a joint venture partnership for its existing hygiene operations in Australasia, with sales of SEK 4,400m in 2010. The partnership in Australasia enables more efficient financing and increases the pace of development in the business. SCA and the Australian company Pacific Equity Partners (PEP) each hold a 50% share in the company. The transaction involves a deconsolidation of the business, which will be recognised as a joint venture according to the equity-share method. In connection with the refinancing of the business and the divestment of 50% of the equity, SCA received approximately SEK 3,200m at the beginning of 2012. In conjunction with the transaction, a net loss of SEK 654m was recognised and charged to profit for the fourth quarter of 2011.

Divestment of SCA's packaging operations
On 17 January 2012, an agreement was reached with DS Smith regarding the divestment of SCA's packaging operations, excluding the two kraftliner mills in Sweden. Regarding the French part of the packaging operations, DS Smith has made a formal offer to acquire this business. This process is subject to an information and consultation procedure with the relevant works councils and will be treated separately. The purchase consideration amounts to EUR 1.7bn on a debt-free basis. In 2011, the operations had net sales of approximately SEK 24.4bn (EUR 2.5bn) and about 12,000 employees. In conjunction with the transaction, assets were impaired by SEK 3,946m in the fourth quarter. The transaction is conditional upon the approval of 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 2011, the Parent Company recognised operating income of SEK 174m (185) and reported a profit before appropriations and tax of SEK 2,128m (2,890). During the year, the Parent Company's net investments and divestments in shares and participations in companies outside SCA amounted to SEK 114m (0). Investments in property and plant totalled SEK 118m (133) 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 832m (713), which is equivalent to 0.8% 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 programme. The programme ended in 2009.

Following the share split in 2007 and transfer of the shares under the concluded programme, the company holds a total of 2,767,605 treasury shares.

Distribution of shares
During the year, 4,817,848 Class A shares were converted into Class B shares. The proportion of Class A shares was 13.7% at year-end. The number of treasury shares was 2,767,605.

Dividend
The Board of Directors proposes that the dividend be raised by 5.0% to SEK 4.20 (4.00) per share. The dividend is expected to total approximately SEK 2,950m (2,809). Accordingly, dividend growth in the most recent ten-year period has amounted to 4%. The Board's assessment is that the proposed dividend will provide the Group with the scope to fulfil its obligations and make the required investments. The record date for entitlement to receive dividends is proposed as 3 April 2012.

Environmental impact in Sweden
SCA conducts 16 operations for which a permit is required and six that are under obligation to submit reports in Sweden. Operations for which permits are required or reporting is mandatory account for 17% (14) 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.

The operations required to submit reports comprise the production of corrugated board (three plants), EPS packaging (two plants), and display packaging (one plant).

The production of corrugated board packaging, EPS packaging and display packaging impacts the external environment through emissions to air and water and by generating solid waste.

Guidelines for remuneration of senior executives
The Board has decided to propose to the 2012 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. Programmes for variable remuneration should be formulated so that the Board, if exceptional financial circumstances prevail, has the possibility to limit, or refrain from, payment of variable remuneration if such an action is considered reasonable and in compliance with the company's responsibility to shareholders, employees and other stakeholders.

In the event of termination of employment, the notice period should normally be two years 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 2011 Annual General Meeting. For information concerning the company's application of these guidelines and information on the company's expenses, see Note 6 on page 88 of this Annual Report.

Sales and earnings

Operating profit, excluding items affecting comparability and exchange rate effects, was level with the preceding year. Implemented price increases and cost savings, combined with higher volumes, offset higher raw material, energy and distributions costs.

Net sales

Net sales decreased slightly to SEK 105,750m (106,965). Sales rose 4% in local currencies compared with the preceding year. Exchange rate effects reduced consolidated net sales by 5%. Sales for Personal Care and Tissue declined by 1% and 2%, respectively, primarily due to exchange rate effects, while rising prices and volumes contributed to an increase in sales. Excluding exchange rate effects, the sales increase in emerging markets was 13% for Personal Care and 10% for Tissue. For Packaging*, sales declined by 1%, mainly as a result of negative exchange rate effects and divested operations, while increases in price and volume contributed to a rise in sales. Net sales for Forest Products were level with the preceding year.

Earnings

Operating profit, excluding restructuring costs of SEK 5,676m (931), was lower than in preceding year and amounted to SEK 9,224m (9,608). Profit for Personal Care declined by 9% while Tissue increased by 4%. Packaging* increased its profit by 21% and Forest Products' profit fell 18%. Higher prices and volumes along with cost savings offset increased raw material, energy and distribution costs. The lower earnings level is a consequence of a strengthening of the SEK.

Financial items amounted to an expense of SEK 1,290m (expense: 1,116). The increase was attributable to higher interest rates, which were partially offset by a lower average net debt. Profit before tax, excluding restructuring costs, deteriorated by SEK 558m and amounted to SEK 7,934m (8,492). The average tax rate for operating earnings, excluding items affecting comparability, was 25%. Profit for the period, excluding restructuring costs after tax of SEK 5,313m (689), amounted to SEK 5,920m (6,281). Earnings per share declined to SEK 8.34 (8.89), excluding restructuring costs, and to SEK 0.78 (7.90) including restructuring costs.

Key figures

The Group's gross margin, excluding restructuring costs, amounted to 22.4%, compared with 23.0% in the preceding year, and the operating margin was 8.7%, compared with 9.0% in 2010. Return on capital employed, excluding restructuring costs, remained unchanged at 9%, and return on equity was also unchanged at 9% compared with the preceding year. The interest coverage ratio dropped to 2.8, compared with 7.8 in the preceding year.

* In January 2012, SCA announced the divestment of the packaging operations – excluding the kraftliner mills in Munksund and Obbola, Sweden. The sale is expected to be fully completed in the second quarter of 2012.

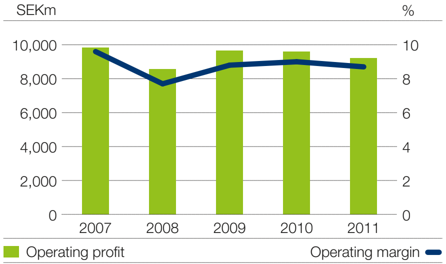
Summary income statement (including the packaging operations held for sale)

SEKm	2011	2010	2009
Net sales 1)	105,750	106,965	109,358
Gross profit	23,639	24,618	26,113
Operating profit 2)	9,224	9,608	9,648
Financial items	–1,290	–1,116	–1,644
Profit before tax 2)	**7,934**	**8,492**	**8,004**
Tax 2)	–2,014	–2,211	–2,098
Profit for the year 2)	**5,920**	**6,281**	**5,906**

1) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.

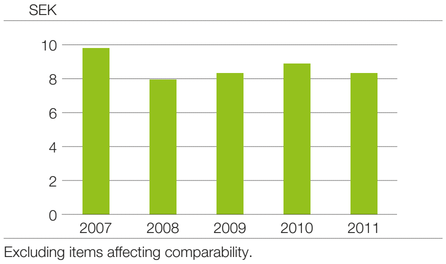
2) Excluding items affecting comparability in 2011 amounting to an expense of SEK 5,676m before tax and SEK 5,313m after tax and an expense in 2010 of SEK 931m before tax and SEK 689m after tax and an expense in 2009 totalling SEK 1,458m before tax and SEK 1,076m after tax.

Operating profit and operating margin



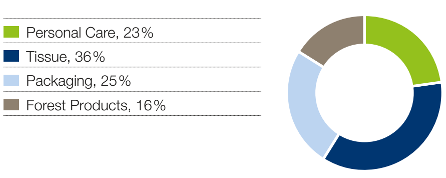
Excluding items affecting comparability.

Earnings per share after dilution



Excluding items affecting comparability.

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 6,383m (7,399). The decline is primarily attributable a lower operating cash surplus and higher tied-up working capital resulting from a rise in trade receivables.

Operating cash surplus declined 4% to SEK 14,465m (15,097). Working capital increased mainly as a result of a rise in trade receivables and higher inventory values resulting from increased raw material prices. Working capital in proportion to net sales was 9% (8). Current capital expenditures, which rose by SEK 100m during the year, amounted to SEK 3,747m (3,647), corresponding to 4% of net sales. Operating cash flow fell to SEK 8,577m (9,755).

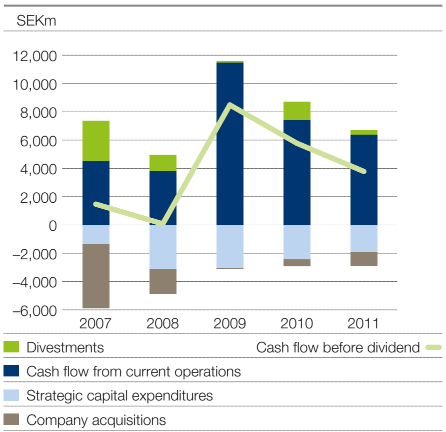
Financial items increased by SEK 174m to an expense of SEK 1,290m (expense: 1,116). The increase was an effect of higher interest rates, which were partially offset by lower average net debt. Tax payments totalled SEK 961m (1,255). Cash flow from current operations amounted to SEK 6,383m (7,399).

Strategic capital expenditures made to strengthen organic growth amounted to SEK 1,910m (2,427). The year's expense for strategic capital expenditures pertained primarily to investments in Tissue in Germany, Russia and Mexico, Personal Care in Malaysia and Packaging in Germany.

Net debt increased by SEK 2,242m during the year, to SEK 36,648m at year-end. Net cash flow reduced net debt by SEK 884m. The fair value measurement of pension assets, pension obligations and financial instruments increased net debt by SEK 3,505m. Exchange rate movements attributable to the strengthening of the SEK decreased net debt by SEK 379m.

The debt/equity ratio was 0.60 (0.51) while the debt payment capacity improved to 36% (35).

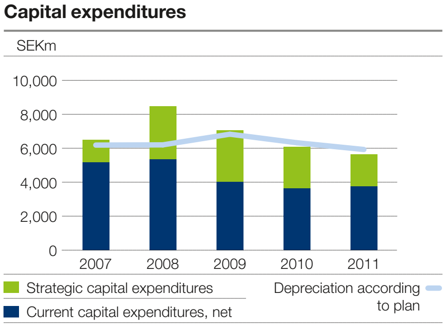
Cash flow, Group



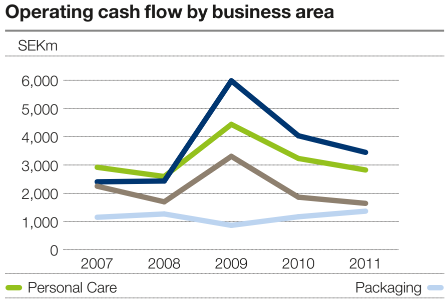
Summary operating cash flow statement (including the packaging operations held for sale)

SEKm	2011	2010	2009
Operating cash surplus	14,465	15,097	15,733
Change in working capital	–1,245	–1,042	3,307
Current capital expenditures, net	–3,747	–3,647	–4,037
Restructuring costs, etc.	–896	–653	–870
Operating cash flow	**8,577**	**9,755**	**14,132**
Financial items	–1,290	–1,116	–1,644
Income taxes paid, etc.	–904	–1,240	–999
Cash flow from current operations	**6,383**	**7,399**	**11,490**
Strategic capital expenditures, net	–2,601	–1,623	–3,007
Cash flow before dividend	**3,782**	**5,776**	**8,483**

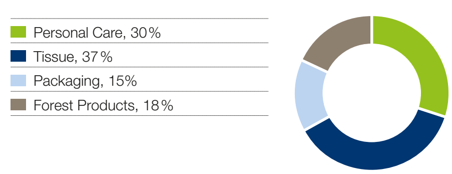
Capital expenditures



Operating cash flow by business area



Operating cash flow, share of the Group



Financial position

Assets and capital employed

The Group's total assets declined 3% compared with the preceding year and amounted to SEK 139,004m (142,978). Non-current assets decreased by SEK 23,398m, compared with the preceding year, to SEK 85,511m, of which property, plant and equipment fell SEK 13,568m to SEK 42,599m and intangible assets declined SEK 8,896m to SEK 12,062m. Property, plant and equipment declined SEK 10,968m, primarily as a consequence of reclassification to assets in the disposal group held for sale. Current and strategic capital expenditures in property, plant and equipment amounted to SEK 5,820m and depreciation for the year to SEK 5,624m. Intangible assets declined SEK 8,896m mainly due to impairments and reclassification to assets in the disposal group held for sale.

Current assets decreased SEK 2,177m to SEK 31,892m (34,069) primarily as a result of reclassification to assets in the disposal group held for sale. Working capital amounted to SEK 9,183m (8,899). Capital employed was 4% lower than in the preceding year and totalled SEK 97,939m (102,227). A distribution of capital employed by currency is shown in the table on the right.

The value in SEK of the Group's foreign net assets at year-end was SEK 72,984m (76,596). The decline is mainly due to impairment of assets in Packaging and the Hygiene business in Australasia.

Equity

Consolidated equity amounted to SEK 61,291m (67,821) at year-end. Net profit for the period increased equity by SEK 607m (5,592), while shareholder dividends reduced equity by SEK 2,898m (2,657). Equity declined by SEK 2,607m after tax through remeasurements of the net pension liability to fair value. The remeasurement of financial instruments to fair value reduced equity by SEK 696m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, reduced equity by SEK 936m.

Financing

At year-end, the Group's interest-bearing gross debt amounted to SEK 37,128m (36,506). The average maturity period was 2.9 years at the same date.

Net debt at year-end amounted to SEK 36,648m (34,406). The net cash flow was impacted in the amount of SEK 884m. Furthermore, net debt rose by SEK 3,505m due to the fair value measurement of pension assets and obligations, as well as the fair value measurement of financial instruments. Exchange rate movements resulting from the strengthening of the SEK reduced net debt by SEK 379m.

Key figures

The debt/equity ratio was 0.60 (0.51) and the visible equity/assets ratio was 52% (47). Return on capital employed (ROCE) and on equity (ROE), excluding restructuring costs, amounted to 9% (9) and 9% (9), respectively. The capital turnover rate was 1.04 (1.02). At year-end, working capital amounted to 9% (8) of net sales.

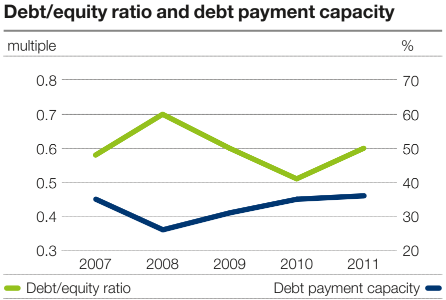
Consolidated capital employed by currency, SEKm

	2011	%	2010	%	2009	%
EUR	28,868	30	31,381	31	35,139	32
SEK	35,646	36	35,141	34	35,745	33
USD	7,564	8	7,639	8	8,339	8
GBP	6,167	6	7,322	7	8,182	8
Other	19,694	20	20,744	20	20,931	19
Total	**97,939**	**100**	**102,227**	**100**	**108,336**	**100**

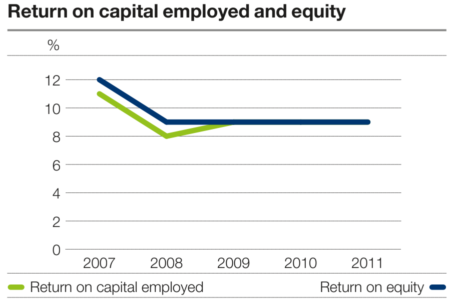
Consolidated balance sheet

SEKm	**2011**	**2010**	**2009**
Intangible assets	12,062	20,958	22,551
Property, plant and equipment	42,599	56,167	61,404
Biological assets	26,729	26,069	25,397
Other non-current assets	4,121	5,715	4,455
Total non-current assets	**85,511**	**108,909**	**113,807**
Current assets	31,892	34,069	36,052
Assets in disposal group held for sale	21,601	–	–
Total assets	**139,004**	**142,978**	**149,859**
Equity	61,291	67,821	67,906
Non-current liabilities	41,219	38,158	44,356
Current liabilities	28,893	36,999	37,597
Liabilities in disposal group held for sale	7,601	–	–
Total equity and liabilities	**139,004**	**142,978**	**149,859**
Working capital	9,183	8,899	8,126
Capital employed	97,939	102,227	108,336
Net debt	36,648	34,406	40,430

Debt/equity ratio and debt payment capacity

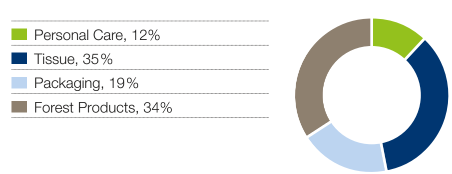


Return on capital employed and equity



Excluding items affecting comparability.

Capital employed, share of Group



Innovation for profitable growth

Innovation is a means of developing and differentiating SCA's products and services, retaining and strengthening market positions, building stronger brands and driving growth.

The basis for SCA's innovation activities is formed by its presence in more than 100 countries combined with regional and local innovation centres located across the globe. SCA utilises an innovation process founded on customers' needs that ensures constant development of new products and services by the Group as well as strengthens market positions and drives growth. A number of interactive driving forces create the need for continuous innovation activities. In general, SCA works with innovations in order to:

- Meet changing demands and requirements among customers and consumers.
- Create long-term, profitable differentiation vis-à-vis competitors.
- Create value by combining higher customer and consumer value with reduced manufacturing costs.
- Generate growth in sales, earnings and in the number of customers and consumers.

Sustainability aspects and product safety are high on the agenda of customers and consumers and thus comprise a key driving force of SCA's innovation initiatives. Demand for safe and sustainable products is met through the development of new products and services.

Innovation at SCA contributes to a differentiated product range and increased added value for SCA's customers and consumers. Primary focus is on the refinement of existing products and the development of new products and brands as well as through expanding the offering to existing customers in existing markets, and attracting new customers in new markets. Through these means, SCA also creates value for its shareholders and other stakeholders.

SCA's innovation process

SCA's innovation process is deeply embedded in the Group's strategy and business model. It represents a fundamental framework for concept generation and innovation based on trends in the business environment, insight into customer and consumer requirements and technological progress. The innovation-related processes are continuously honed and streamlined.

Innovation activities rest on three basic building blocks: customer and consumer insight, new technology and business model.

SCA's patenting activities

The number of patent applications is directly related to work with innovation and, in 2011, SCA submitted applications for 74 patents. Patenting activities are pursued in a central support organisation that maintains a global focus. Some 30 employees work at SCA's patent department, who, together with the business organisation, drive and create value from intellectual property rights that is directly linked to SCA's growth and profitability. The patenting activities take the form of industry intelligence and ensuring appropriate protection for SCA's product solutions and innovations in order to create and maintain a valuable patent portfolio.

Number of patent applications by business area

	2011
Personal Care	35
Tissue	32
Packaging	3
Forest Products	4

Global brands within the hygiene business:

SCA is world-leading in incontinence care with the global brand TENA.

TENA is marketed in more than 100 countries, with sales exceeding EUR 1bn.

The global market share is 25%. The market shares in Europe and North America are 41% and 20%, respectively.

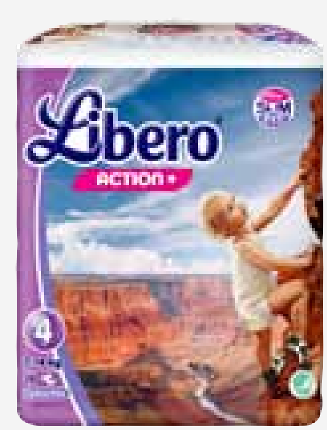
In the AFH tissue segment, SCA is the world's second-largest supplier with the global brand Tork.

Tork is marketed in 80 countries, with sales of more than EUR 1bn.

SCA is the market leader in Europe with a 20% market share and holds a 20% market share in North America.

Examples of regional brands within the hygiene business:

SCA's strongest market for baby diapers is the Nordic region with a market share of 60% for the Libero brand. Libero holds a market share in excess of 80% in Sweden and Norway for pant diapers. Libero is growing rapidly in Russia and parts of Eastern Europe.



Value-adding brand-building

SCA's brand-building focuses on developing distinct and strong brands based on high customer and consumer insight. Innovation comprises a key element of this work.

SCA's strategy is to build a strong Group-wide brand in which SCA is a guarantor for all of the Group's product brands and ensures that products, raw materials, processes and the entire operations are developed in a sustainable and responsible manner.

In addition, the strategy is to build a brand portfolio with strong product brands, globally, regionally and locally with the aim of increasing the number of global brands. Growth through category expansion under leading brands allows SCA to capitalise on the strong brand portfolio.

Responsiveness and insight with regard to customer and consumer needs drive innovation and business activities, and these are decisive for developing SCA's brands. The expertise and commitment of the employees is crucial in this effort. In the hygiene business, which encompasses most of the Group's product brands, SCA works actively with brand training internally under the name SCA Brand Academy.

Brand model

To ensure continuous development of SCA's brands, activities are pursued in line with a shared method and model. This way of working defines the positioning of each brand with the aim of developing, activating and following up coordinated activities, from innovation and product development to the consumer in the store. The model also enables consistent follow-up of established goals and generates cost synergies as well as facilitates efficient resource allocation. The brand portfolio is evaluated in the annual strategy process.

The SCA brand is summarised by c/o 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.

SCA c/o Life

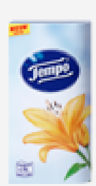
Libresse is SCA's leading brand for feminine care products and has a market-leading position in the Nordic region with a 32% market share and strong growth in Russia.

The brand has also been successfully launched in Malaysia.

Tempo is SCA's consumer tissue brand with strong market positions in Europe. Tempo offers products for personal hygiene, including toilet paper, facial tissues and handkerchiefs.

Tempo is the market leader in handkerchiefs in Hong Kong, with a 70% market share.

Tempo is also growing in the Middle East and Asia.



SCA's baby diapers are sold in Southeast Asia under the Drypers brand and are market-leading in Malaysia with close to 40% market share and in Singapore, with close to 20% market share. Drypers also holds advanced positions in Thailand and the Philippines.

Saba is SCA's brand for feminine care products in Mexico and Central America.

Saba holds a strong position in Mexico, with about a 35% market share and advanced positions in several markets in Central America.

Plenty is SCA's leading consumer tissue brand for products for homes and households in Europe. Plenty commands strong market positions in the UK, the Netherlands, Austria and Switzerland.

Greater awareness breaks taboos in China

In China, average life expectancy has increased by almost ten years over the past four decades. This has increasingly pushed the taboo subject of adult incontinence to the forefront. To provide elderly Chinese with a more dignified life, it is crucial to break the silence associated with incontinence. The answer is better knowledge and awareness.

Through an extensive training programme for nurses, SCA is helping to break the taboo, as well as increase awareness of incontinence and TENA's range of incontinence products. At the beginning of 2012, SCA had trained more than 6,000 nurses at nearly 1,100 hospitals.

Personal Care

SCA is one of the world's largest companies in personal care products and has a portfolio of incontinence care, baby diapers and feminine care products. The products are sold through the retail trade, chemists and care institutions in more than 100 countries under leading global, regional and local brands. Innovation is a core element of strategy and is a prerequisite for strengthening SCA's position in the global market.

In 2011, sales amounted to approximately SEK 25bn in the Personal Care business area.

SCA's personal care products are marketed under SCA's own brands and retailers' brands. The single largest product brand in the portfolio is TENA, which is a global brand of incontinence care products with annual sales exceeding EUR 1bn.

Market

The global market for personal care products has annual sales of just over SEK 300bn and is growing at a rate of some 4% annually. Of the total market, Europe accounts for about 27%, North America for 20% and Asia for 25%. In mature markets, baby diapers and feminine care products have attained high market penetration, while incontinence products for which the aging population drives demand continue to have relatively low market penetration.

In emerging markets, the use of all product categories is expanding as the level of disposable income and insight into the health benefits of hygiene grows.

Innovation and product development

In 2011, SCA continued to develop new products at an increasingly rapid pace, advanced its positions in both mature and emerging markets and strengthened the global brand TENA as well as its regional and local brands.

Innovation is a core element of strategy and a prerequisite for driving sales, increasing market shares, strengthening brands and building customer loyalty. Innovation is based on customer and consumer insight and SCA invests substantial resources in deepening insight into consumer and customer needs. These insights comprise the foundation for SCA's work with innovation and product development.

Sustainability aspects and product safety are important factors for SCA's customers and consumers and, consequently, comprise two central

Personal care products – global market

- Western Europe, 20%
- Eastern Europe, 7%
- North America, 20%
- Latin America, 14%
- Asia, 25%
- Other, 14%

Personal care products – global market by product segment

- Incontinence products, 20%
- Baby diapers, 51%
- Feminine care, 29%

Share of Group

Net sales, 23%
SEK 24,775m

Operating profit, 27%
SEK 2,645m

Capital employed, 12%
SEK 11,052m

Av. no. of employees, 21%
9,352 employees

SCA's market positions

	Europe	North America	Global
Incontinence products	1 (41%)	3 (20%)	1 (25%)
Baby diapers	3 (11%)	–	4 (5%)
Feminine care	3 (8%)	–	5 (6%)

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

STRATEGIC PRIORITIES:

- Strengthen SCA's world-leading position in incontinence care under the TENA brand.
- Enhance production and distribution efficiency.
- Deepen insight into consumer and customer needs and increase pace of innovation and product launches.
- Increase the growth rate in emerging markets.
- Grow through category expansion under global brands.
- Increase share of high-value products.
- Develop activities with global brand platforms.

drivers of SCA's innovation efforts. Demand for these types of products and services increased in 2011.

Growth

During the year, SCA increased sales of personal care products in both mature and emerging markets. Sales, excluding exchange rate effects, increased by 5%. Excluding exchange rate movements, sales increased by 13% in emerging markets.

Growth is a prioritised area in SCA's strategy and though predominantly organic in existing and new segments is also achieved through acquisition. SCA's target for the business area is annual organic growth of 5–7%. During the year, SCA completed a number of acquisitions in strategically important emerging markets.

The Brazilian hygiene company Pro Descart with annual sales of SEK 360m was acquired in September. The company is the second largest in the Brazilian incontinence market and also markets baby diapers and wet wipes. Brazil is the most populous country in South America and is experiencing healthy economic growth. The market for hygiene products in the country has substantial growth potential, particularly in incontinence care, which has posted double-digit growth figures.

FINANCIAL TARGETS:

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

OUTCOME 2011:

- Growth[1] 5%
- Return on capital employed[2] 24%
- Operating margin[2] 11%

[1] Excluding exchange rate effects.
[2] Excluding items affecting comparability.

In 2011, acquisitions included 50% of the Turkish hygiene company Komili with annual sales of SEK 530m. The company is Turkey's fourth-largest producer of baby diapers and feminine care products. Additionally, 95% was acquired of the hygiene company San Saglik. The company is the second largest in incontinence products in Turkey with annual sales of SEK 100m and thus furnishes SCA with a complete product offering of personal care products in Turkey.

Several factors indicate continued prospects for healthy growth for Personal Care, not least the emerging markets, where the increase in demand is driven by innovation, global population growth, an aging population and higher market penetration and increased disposable income.

Production and efficiency

At the end of the year, SCA had production at 29 plants in 24 countries. Products are distributed via the retail trade, chemists and care institutions in more than 100 countries. Production efficiency is consistently improved through the modernisation of and investment in new and existing facilities. As a result, these efforts enhance the cost structure and operational reliability.

In 2011, investments were made in local production of incontinence products in Russia.

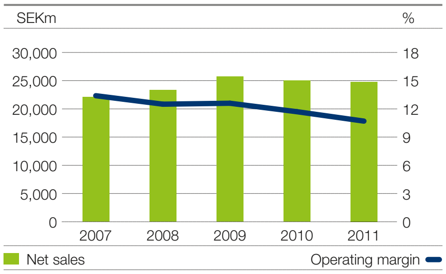
During the year, a restructuring programme in SCA's baby diaper operations was implemented to strengthen the profitability and competitiveness. The restructuring programme resulted in concentration of the main production of baby diapers for the retail trade to the existing production plant in Olawa, Poland.

A new efficiency programme was started for the entire business area in 2011.

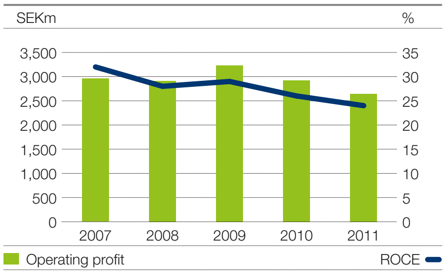
Incontinence products

Incontinence affects 5–7% of the world's population. This corresponds to approximately 500 million people, which has led to the World Health Organization (WHO) now classifying incontinence

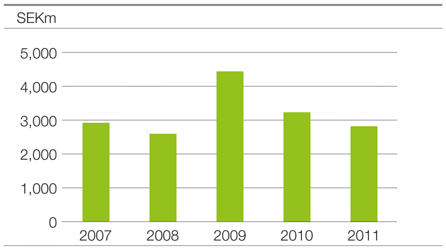
Net sales and operating margin



Operating profit and ROCE



Operating cash flow



Incontinence products – global market shares

- SCA, 25%
- Kimberly-Clark, 9%
- First quality products, 7%
- Unicharm, 7%
- Others, 52%

Incontinence products – global market

- Western Europe, 32%
- Eastern Europe, 6%
- North America, 22%
- Latin America, 7%
- Asia, 27%
- Others, 6%

Incontinence products – sales channels, global market

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

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

as an illness. Many indicators point to the proportion of people affected increasing on a global scale with an aging population, increasing proportion of overweight people and increased childbirth rates.

The occurrence of incontinence is three times more common among women than men and one fourth of the world's women aged over 35 have, at some time, been affected. Incontinence is surrounded by a cloak of social taboo, and, therefore, it is crucial to raise awareness of and acceptance for incontinence, which entails substantial costs for society and social consequences for sufferers. Demand is strengthened through information and marketing is supported by effective, comfortable and easily accessible products. Market penetration for the use of incontinence products is relatively low in Western Europe and North America and even lower in emerging markets.

Market

The global market for incontinence products totals some SEK 60bn, and is growing at about 5% annually. Europe accounts for just less than 40% of the total market, North America for slightly more than 20% and Asia for just under 30%.

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 accounted for 40% of the global market.

SCA's position and brands

SCA markets incontinence products in over 100 countries and is the world leader in the product segment through its global brand TENA with annual sales in excess of EUR 1bn.

In 2011, SCA's global market share in incontinence products was 25% and its market shares in Europe and North America were 41% and 20%, respectively. During the year, SCA has strengthened its market positions through a widened and improved product offering.

SCA prioritise high growth in all segments with strengthened global market leadership and continued strengthening of leading positions in Eastern Europe, Russia, Asia, the Middle East and Latin America. China is a market with low penetration and favourable demographic conditions with immense growth potential for incontinence care. In 2011, work continued in China with the extensive educational programme focussed on incontinence issues. The aim of the programme is to increase awareness and penetration. The programme started in 2009 and since then has been implemented at close to 1,100 hospitals and included more than 6,000 nurses.

During the year, SCA established operations in Turkey and Brazil thus creating a sound platform for continued growth in these two strategically important emerging markets.

SCA works with information, advertising and the development of increasingly discrete, easily-used and effective products for the retail trade.

Innovations

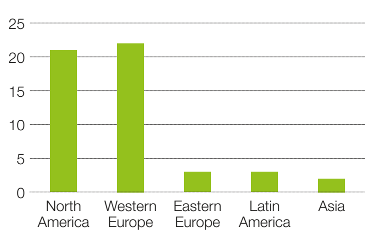
In 2011, SCA launched a succession of new innovations in the incontinence products segment.

Under the TENA brand, gender-specific incontinence care with the appearance of underwear was launched under TENA Protective Underwear. SCA was the first company to launch such a product in Europe.

The new TENA Belt, which is a form of incontinence care with a washable belt for increased skin comfort, was launched in 2011. The innovation builds on local knowledge of usage patterns gathered in the Chinese market. The washable belt means that less material is consumed by the actual protection. The design was created in collaboration with nursing staff to reduce workloads for personnel and to reduce the product's carbon footprint. TENA Belt's carbon footprint is 25% lower than TENA's previous product.

Use of incontinence products

Units/per capita/ per year



Through providing attractively priced hygiene products in small packets, SCA makes everyday life easier for millions of low-income earners in developing countries. They thus gain access to products they otherwise would be unable to afford. For example, in Latin America, where diapers are often sold in small local convenience stores from behind the counter, SCA was first to launch single-pack diapers. These diapers solve the requirement for cheap products while maintaining hygiene standards since traditionally, store proprietors have broken up larger packets of diapers to sell the diapers individually.

Baby diapers

There are almost 400 million children in the world today. The majority of all children today are born in the Middle East, Africa and India. Use and consumption of baby diapers is driven by disposable income, which explains the full penetration of the markets in Western Europe and North America. The majority of children worldwide still do not enjoy the practical and effective hygiene provided by disposable diapers. However, with rising income levels in emerging markets, demand for baby diapers will increase.

Market

The global market totals approximately SEK 155bn, and is estimated to grow at about 4% annually. The European market accounts for slightly more than 20%, with low annual growth. The most significant growth is in Asia, Latin America, the Middle East and Africa, where birth rates are high and household incomes are rising.

SCA's position and brands

SCA markets baby diapers in some 70 countries and is the third-largest player in the European product segment, with a share of 11%. In Europe, SCA markets baby diapers under its own brands and retailers' brands.

The strongest market is the Nordic region, where SCA has 60% of the market with its Libero brand. SCA also holds leading positions in parts of Southeast Asia with the Drypers brand and South America with the Pequeñin brand.

Focus is directed to strengthening the positions of SCA's own brands in such mature markets as the Nordic region and New Zealand and fast-growing markets in Eastern Europe, Russia, Latin America, the Middle East and Southeast Asia. Emerging markets have excellent conditions for continued growth due to low market penetration of baby diapers and high demand.

Innovations

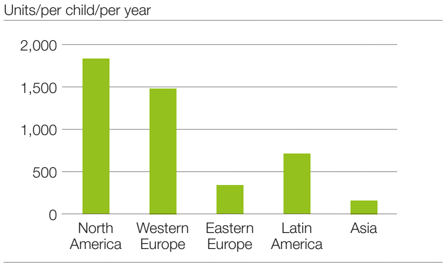
During the year, SCA launched a new baby diaper in the Nordic region and Russia under the Libero brand. The launch was enabled through new production engineering that reduced the mass used and enhanced efficiency in the use of super absorbents that affect the diaper's absorbency. In addition to the child's increased comfort and mobility, the new thinner product reduced logistic and transport costs in parallel with enhancing the efficient handling of the product at retailers and end customers.

Category expansion strengthens SCA's product offering in existing markets. In 2011, the Libero brand in the Nordic region, the Drypers brand in Southeast Asia and the Pequeñin brand in Colombia expanded their offering with a range of child care products.

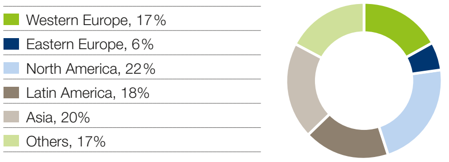
In the Latin American markets, SCA successfully launched single-pack baby diapers. The product offering was specially produced to meet the needs of consumers with low disposable income.

Use of baby diapers

Units/per child/per year

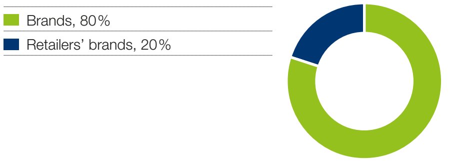


Baby diapers – global market



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

Baby diapers – brand categories, Europe



Website makes a difference in the lives of teenage girls

The first kiss, the first summer job, the first party and, of course, the first period. Teenage years are full of emotional milestones and important steps toward adult life.

Under the Libresse brand, SCA has launched the Girls1st.se website aimed at teenage girls where visitors can post questions, give each other advice and air their problems. Ever since its inception in 2010, the website has been home to a community that is making a real difference in young girls' lives. Emotional bonds are formed on a platform that goes beyond just selling and developing a product.

Improved tampons and intimate hygiene soap were developed under the Libresse brand in the Nordic region and the Nosotras brand in Latin America. The aim of the category expansion was to strengthen and benefit from the existing brands and distribution networks.

Feminine care

The most common global hygiene-related issue is finances. Many women are unable to afford to buy the products they need for their own personal hygiene. Another challenge is the taboo imposed in many parts of the world on the subject of menstruation. SCA has produced particular product solutions aimed at consumers with a low disposable income and implemented educational initiatives with the objective of reducing the taboos associated, in some cases, with the subject of menstruation.

Market

The global feminine care market amounts to about SEK 90bn and is growing by approximately 3% annually. The European market accounts for about 25% and is growing by 1% annually. In Europe, the market is dominated by pads, representing 50%, while panty liners and tampons each account for 25%.

SCA's position and brands

SCA sells feminine care products in more than 80 countries. In Europe, SCA is the third-largest player, with a market share of 8%. SCA holds strong market positions in Latin America, Europe, Australia and New Zealand. The proportion of the Group's sales is increasing in Latin America, Russia, Eastern Europe, and the Middle East.

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

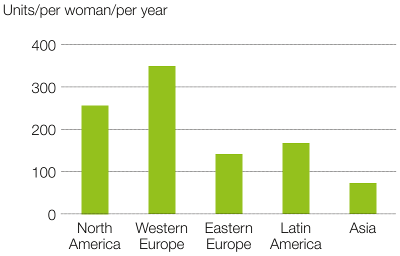
Innovations

During the year, the launch continued of SCA's proprietary double-layer panty liner. The product was launched earlier in Latin America and Australia and then launched in 2011 in France. The double-layer panty liner is constructed of two thin panty-liner layers laid on top of each other and, by removing the top layer, the wearer may continue to feel fresh throughout the day. As this product comprises two panty liners in one the consumer does not always need to carry extra panty liners in reserve.

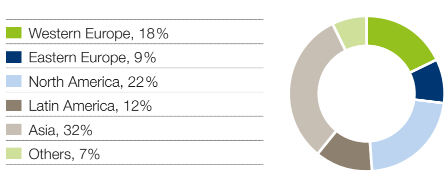
Improved tampons and intimate hygiene soap were developed under the Libresse brand in the Nordic region and the Nosotras brand in Latin America. The aim of the category expansion was to strengthen and benefit from the existing brands and distribution networks.

SCA launched the Girls1st.se website to increase awareness of menstruation and Libresse products. A number of interactive functions enable visitors to discuss issues with other visitors to the site. The aim of the site is to provide a natural forum for discussion of teenage girls' first periods and the life of teenagers in general.

Use of feminine care

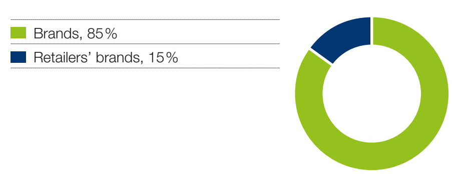


Feminine care – global market



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

Feminine care – brand categories, Europe



KEY EVENTS

- Strengthened global leadership for the TENA brand in incontinence care.
- Higher pace of innovation and product launches.
- Investment in local production of incontinence care products in Russia.
- Establishment of operations in Turkey and Brazil through acquisitions.
- Efficiency improvement programme initiated.

Operating profit, SEKm:

2,645

Operating margin:

11%

Operations in 2011

Net sales declined by 1% (rose by 5% excluding exchange rate effects) to SEK 24,775m (25,027). Higher volumes increased sales by 3% and acquisitions increased sales by 2%. Sales excluding exchange rate effects increased by 13% in emerging markets.

Sales for incontinence products under the TENA brand rose by 4%, excluding exchange rate effects. Sales for baby diapers increased by 7%, excluding exchange rate effects, primarily attributable the preceding year's acquisition in Mexico. Sales for feminine care rose by 1%, excluding exchange rate effects, driven by a healthy increase in sales in Latin America.

Several new products were launched during the year including incontinence care products designed as underwear for men and women as well as the TENA Belt, an incontinence care product that provides improved skin comfort for the user.

SCA is the market leader in the Nordic region for baby diapers with the Libero brand. In 2011, SCA increased its range of child care products under the Libero brand. A thinner, more comfortable diaper was launched in the Nordic region and Russia.

In 2011, SCA established operations in two strategically important markets. In Brazil, the acquisition was completed of Pro Descart, the second-largest player in incontinence products. In Turkey, 95% was acquired of San Saglik, the second-largest player in incontinence products and 50% of Komili, the fourth-largest producer of baby diapers and feminine care products.

Operating profit was 9% lower than in the preceding year (5% excluding exchange rate effects) and amounted to SEK 2,645m (2,922). Profit was positively impacted by increased volumes, prices and cost savings. Profit declined due to negative exchange rate effects and higher costs for raw materials of SEK 628m.

Operating margin was 10.7% (11.7).

Return on capital employed totalled 24% (26).

Operating cash surplus was SEK 3,745m (4,111). Operating cash flow declined to SEK 2,823m (3,230) as a consequence of a lower operating cash surplus and an increase in current capital expenditures that were partly offset by a lower working capital.

Capital expenditures amounted to SEK 895m (1,358).

Key figures[1]

SEKm	2011	2010
Net sales	24,775	25,027
Operating cash surplus	3,745	4,111
Change in working capital	133	–166
Current capital expenditures	–689	–545
Other operating cash flow	–368	–170
Operating cash flow	2,823	3,230
Operating profit	2,645	2,922
Operating margin, %	11	12
Capital employed	11,052	11,201
ROCE, %	24	26
Strategic investments		
plant and equipment	–206	–813
company acquisitions/divestments	–614	–412
Average number of employees	9,352	8,610

1) Excluding restructuring costs.

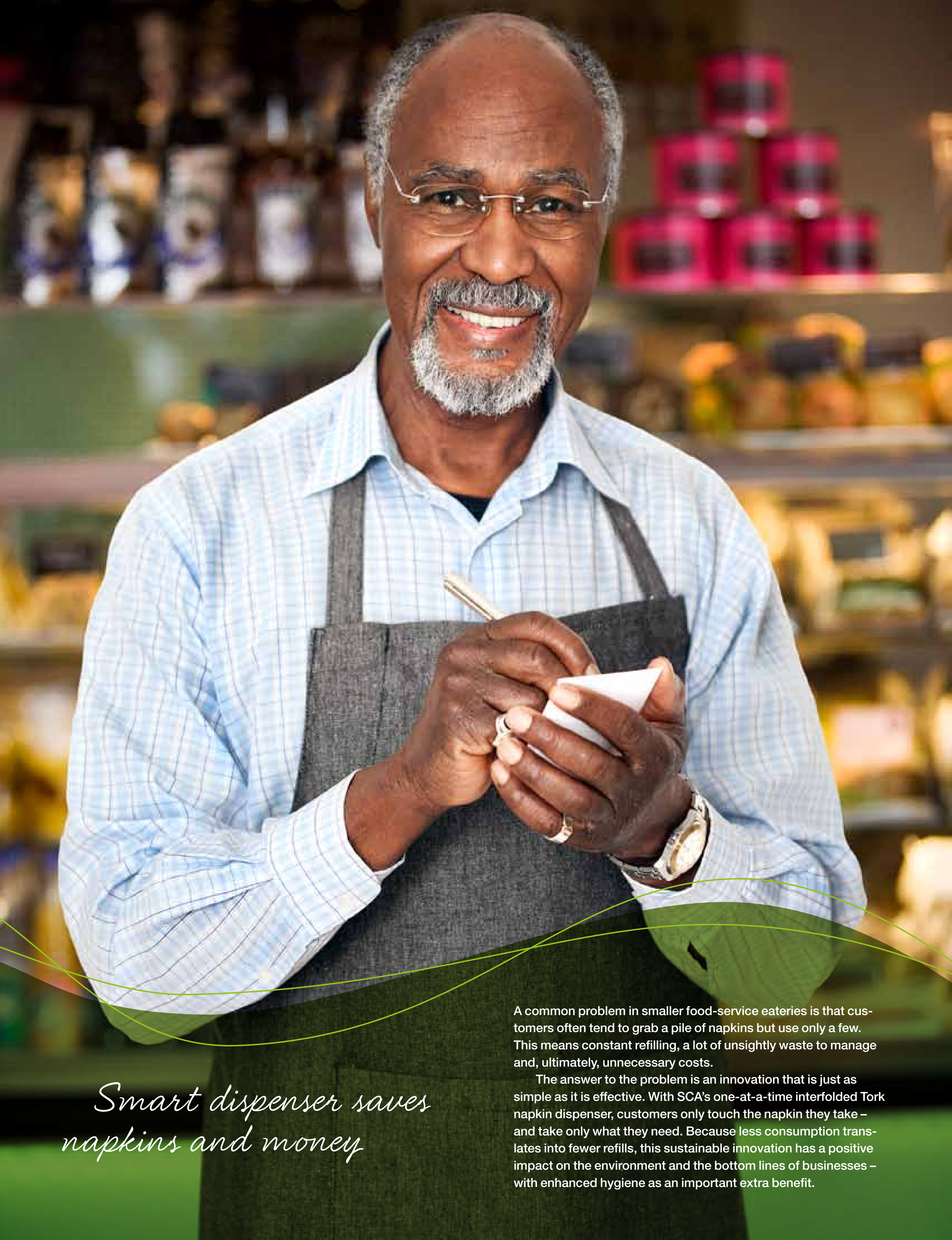
SCA's sales by product segment

Incontinence products, 56%
Baby diapers, 28%
Feminine care, 16%

SCA's sales to retailers' brands as a proportion of total sales:
Incontinence products, 0%
Baby diapers, 21%
Feminine care, 9%

SCA's sales by region

Europe, 62%
North America, 13%
Latin America, 10%
Asia, 8%
Australasia, 5%
Other, 2%



Smart dispenser saves napkins and money

A common problem in smaller food-service eateries is that customers often tend to grab a pile of napkins but use only a few. This means constant refilling, a lot of unsightly waste to manage and, ultimately, unnecessary costs.

The answer to the problem is an innovation that is just as simple as it is effective. With SCA's one-at-a-time interfolded Tork napkin dispenser, customers only touch the napkin they take – and take only what they need. Because less consumption translates into fewer refills, this sustainable innovation has a positive impact on the environment and the bottom lines of businesses – with enhanced hygiene as an important extra benefit.

Tissue

SCA is the world's third-largest supplier of tissue. The company offers consumer tissue products including toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. Products are sold both under own and retailers' brands. In the Away-From-Home (AFH) product segment – encompassing institutions, hospitals, large workplaces, restaurants and hotels – SCA develops and sells complete hygiene solutions comprising dispensers, tissue, soap, service and maintenance.

In November 2011, SCA announced the acquisition of Georgia-Pacific's European tissue operations, with annual sales of about SEK 12bn. The acquisition is expected to be completed in the second quarter of 2012.

Sales in the Tissue business area in 2011 totalled just over SEK 39bn.

Products in this business area are marketed under SCA's own brands and retailers' brands. In the AFH segment, the leading global brand Tork is the business area's single-largest product. Tork sales exceed EUR 1bn annually and the products are available in over 80 markets worldwide.

Market

The global market for tissue is valued at approximately SEK 390bn annually and grows by 4% annually. Europe accounts for just over 25% and North America for about 30% of the overall market, with growth rates of 3% and 2%, respectively.

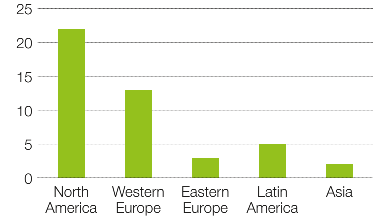
In emerging markets, the use of tissue is increasing at rates in the high single figures. Attractive markets include Russia, Latin America and Asia. Growth rates are stronger in emerging markets than in the more Western mature markets, which is attributable to increased disposable income and increased use of tissue. SCA is the world's third-largest tissue company. In 2011, the Group's global market share in consumer tissue was 8% and in AFH tissue 16%.

Innovation and product development

Innovation in the Tissue business area is based on the ability to understand the demands of tomorrow's consumers and customers. SCA is investing major resources in insight and innovation, with all product development taking place on the basis of in-depth customer and consumer insight. In recent years, a large number of new and upgraded products have been launched and the service level enhanced. Focus is directed to

Use of tissue

Kg/per capita/per year



Tissue – global market

- Western Europe, 22%
- Eastern Europe, 5%
- Asia, 24%
- North America, 31%
- Latin America, 11%
- Others, 7%

Share of Group

Net sales, 36%
SEK 39,118m

Operating profit, 32%
SEK 3,150m

Capital Employed, 35%
SEK 34,096m

Av. no. of employees, 39%
17,181 employees

SCA's market positions

	Europe	North America	Global
Consumer tissue	1 (25%)	–	3 (8%)
AFH tissue	1 (20%)	3 (20%)	2 (16%)

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

STRATEGIC PRIORITIES:

- Strengthen the global brand Tork and increase growth in AFH tissue.
- Continue to focus on consumer and customer insight, innovations, product development and marketing.
- Raise the company's presence in emerging markets.
- Continue development of the consumer tissue brand platform in Europe.
- Strengthen positions of own consumer tissue brands.
- Strengthen the product offering for retailers' brands.
- Utilise the commercial strength provided by holding the leading environmental position.

the development of materials and functions to ensure a broader range, improved strength, softness and absorption capacity, and different types of dispensers to offer more comfortable and effective use.

Growth

During the year, SCA increased sales of consumer and AFH tissue. Sales increased by 4% for the business area, excluding exchange rate movements. Sales increased in emerging markets by 10%, excluding exchange rate effects. SCA's target for the business area is an annual rate of organic growth of 3–4%.

Market penetration outside Western Europe and North America remains relatively low with substantial potential for growth.

SCA has entered into an agreement to acquire Georgia-Pacific's European tissue operations, with annual sales of about SEK 12bn. The acquisition is strategically made-to-measure for SCA and will strengthen SCA's product offering and geographic presence in Europe. The annual synergies are estimated at EUR 125m, with full effect reached three years subsequent to conclusion of the acquisition, and the operating margin for the Tissue business area is expected to increase by 2–2.5 percentage points. Georgia-Pacific's product portfolio comprises approximately 70% branded products. The acquisition will thus contribute to an increased proportion of sales under proprietary brands.

FINANCIAL TARGETS:

- 3–4% annual organic growth
- 13% return on capital employed

OUTCOME 2011:

- Growth[1] 4%
- Return on capital employed[2] 9%
- Operating margin[2] 8%

1) Excluding exchange rate effects.
2) Excluding items affecting comparability.

The transaction is subject to customary examination by the relevant authorities. The acquisition is expected to be completed during the second quarter of 2012.

Production and efficiency

SCA produces tissue at 45 plants in a total of 18 countries. The manufacturing processes and logistics are optimised through continuous improvements, investments in more efficient plants and the discontinuation of unprofitable capacity. The integration of previous acquisitions facilitated the rationalisation of the European tissue operations and production was concentrated in efficient facilities at geographically strategic locations.

A new efficiency programme was initiated during 2011.

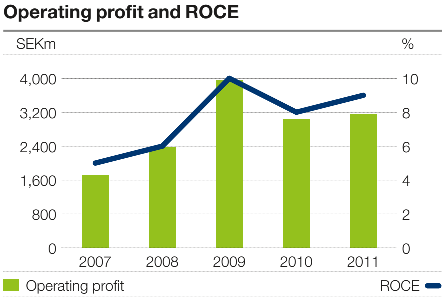
During the year, SCA decided to invest in a second tissue machine for the mill in Sovetsk, Russia to further strengthen competitiveness through cost-efficient production and increase growth in emerging markets. The new tissue machine has a capacity of 60,000 tonnes per year and production is based on fresh fibre. Production is planned to start in 2013. In April, another decision was made to invest in a new tissue machine in Kostheim, Germany. The principal reason for the investment was to meet needs for AFH tissue. The new tissue machine has a capacity of 60,000 tonnes per year and production is planned to start in 2013.

Consumer tissue

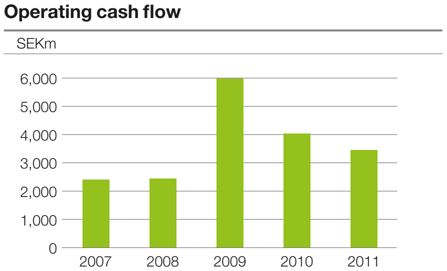
Consumer tissue includes toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. Demand for tissue is driven by disposable incomes and market penetration. The Western world consumes significantly more tissue per capita per year than, for example, Latin America and Asia. In the West, more categories are used and tissue is purchased for specific usages – kitchen roll and napkins are used in the kitchen and special types of tissue are used in the garage

Net sales and operating margin

Operating profit and ROCE



Operating cash flow



Tempo has a 70% market share for handkerchiefs in Hong Kong and is also the market leader in much of Europe.

or in the car. For personal hygiene, other varieties of tissue are used including toilet paper, handkerchiefs and facial tissues. Again, penetration differs between the various categories.

Market

The global market for consumer tissue is valued at approximately SEK 300bn and grows by about 4% annually. Europe accounts for some 25% and North America for just less than 30% of the overall market, with growth rates of 3% and 2%, respectively. Eastern Europe has a higher growth rate than the more mature markets in the West as a result of rising disposable incomes and greater use of tissue products.

Toilet paper and kitchen roll have a high degree of penetration in mature markets. Growth in these categories is through geographic expansion combined with an increased proportion of products with higher intrinsic value such as kitchen roll with built-in cleaner, handkerchiefs containing lotion and facial tissues in practical and stylish boxes. Facial tissues is one of the fastest growing segments in Asia.

SCA's position and brands

SCA is the largest supplier in Europe for consumer tissue with a market share of 25% and the third-largest supplier globally with a market share of 8%. SCA markets consumer tissue in about 60 countries and the company is currently the largest supplier in Europe and the rapidly growing market in Russia.

SCA's brand portfolio comprises seven major global and regional brands and a number of local brands. Tempo, Plenty and Zewa 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 market leader in handkerchiefs with about 70% market share. In South America, SCA markets products through joint ventures under the Familia and Favorita brands, and holds strong positions in emerging markets including Colombia, Ecuador and Chile. In the Mexican market, SCA occupies a strong position with the Regio brand and, in Australia, SCA is the second-largest supplier of tissue.

For consumer tissue, a new brand platform was developed in Europe to improve the performance in meeting consumer requirements and build stronger brands over time. The aim is to enhance the efficiency of the brand portfolio and also differentiate the brands for products intended for personal hygiene and products intended for homes and households. A smaller number of strong brands enables increased focus on innovation and also leads to more efficient market investments. Implementation of the brand platform is progressing according to plan.

About 40% of products in Europe are marketed under SCA's brands, while the remainder are sold under retailers' brands.

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

Innovations

In consumer tissue, the launch continued of Tempo Complete Care handkerchiefs containing lotion. This is the first tissue in the world with a patent for a lotion that is not absorbed by the paper but which is transferred to the skin when used. Last year, the Group launched a variant containing a eucalyptus lotion and scent that prevented red skin during a cold. This year, the next version arrived – Tempo Ice – with refreshing menthol.

Facial tissues is one of the categories that is growing in both mature and emerging markets. During the year, Tempo Galaxy was launched, a high-quality facial tissue in a newly designed box.

Brand categories for consumer tissue, Europe

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

Product breakdown for consumer tissue, Europe

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

Market shares for consumer tissue, Europe

- SCA, 25%
- Sofidel, 12%
- Kimberly-Clark, 11%
- Georgia-Pacific, 10%
- Others, 42%

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

At the onset of autumn and the start of preschool, illnesses are passed on and the level of absence due to illness rises among children and personnel. Inadequate knowledge of hand hygiene has proven to be a contributory reason and, with improved hand hygiene, the spread of contagion can be substantially reduced. From the age of three, many children can wash their hands themselves, if shown how. SCA helps preschools to adapt sanitation facilities to enable children to easily reach soap and towels. Paper towel should be used instead of terry towels since bacteria multiply in damp and dirty environments. SCA has also produced specially adapted teaching materials to promote increased hand hygiene in preschools. Clean hands are happy hands.

AFH tissue

The AFH segment comprises institutions and companies, including hospitals, healthcare institutions, large work-places, 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 totals about SEK 95bn, of which North America and Western Europe account for just over 35% and 30%, respectively, with growth of about 3% annually in Western Europe and 1% in North America. Growth in the rest of the world is substantially higher. In emerging markets such as Russia, the annual growth rate is closer to 10%.

SCA's position and brands

For AFH tissue, SCA is number two globally and has a global market share of 16% with the Tork brand, which is marketed in 80 countries and has annual sales in excess of EUR 1bn.

The global brand Tork provides significant synergies since the difference in consumer and customer requirements are minimal in regard to tissue and dispenser systems in the various parts of the world. SCA is the market leader in Europe with a 20% market share and is number three in North America with a market share of 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.

Innovations

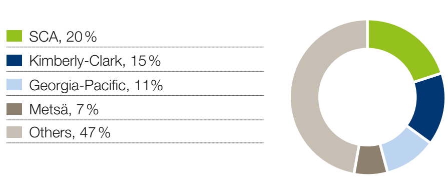
In the AFH tissue segment, a new more user-friendly soap dispenser in the Tork Elevation range was launched during the year.

SCA is the first manufacturer of AFH tissue to have its entire range of paper towels certified by the Biodegradable Products Institute (BPI), which is one of the largest independent compost certification groups in the US. BPI certification verifies that the paper towel is harmless and will rapidly decompose in municipal and commercial composting plants.

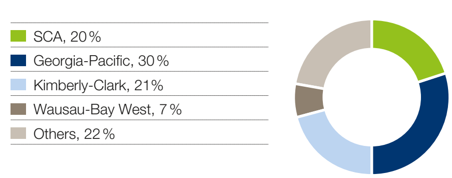
Tork's Universal and Advanced paper towels are also certified according to EcoLogo™ and Green Seal™ thus providing evidence of an even higher standard for cost-efficient, sustainable product solutions.

In 2011, SCA environmentally certified tissue products contributed to securing new contracts in Europe, North America and Asia Pacific.

Market shares for AFH tissue, Europe



Market shares for AFH tissue, North America



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

Playful charitable campaign in Russia

Socially-responsible charity is an issue gaining increasing attention across the globe in recent years, not least in Russia.

With this in mind, SCA has worked with the Zewa brand in Russia on a campaign called "Give the Children a Touch of Care". For each Zewa product sold that carries the campaign's logo, SCA donates one rouble to the Children's Houses charity. The funds are used to purchase toys and playground equipment for donation to children's homes in Russia. Since its launch in 2010, the campaign has helped more than 3,000 parentless children to a slightly more tolerable and playful reality.

SCA's environmentally-certified tissue creates new business

Green properties are becoming increasingly popular, partly due to requirements for reduced energy consumption and environmental impact but also because property managers have discovered that being green benefits business through increased productivity, lower absenteeism and healthier employees.

This is the case with the Empire State Building in New York, where the property manager initiated a programme to make the building more environmentally sustainable. As part of the programme, the company management reviewed procurement, in particular with regard to the lavatories, which are used by thousands of employees and the millions of tourists that visit the skyscraper each year. To ensure that the paper products complied with the green strategy, the property manager chose SCA's Tork brand, which is manufactured from 100% recycled fibre. Sustainable procurement facilitates properties in obtaining recognition from the Leadership in Energy and Environmental Design (LEED) independent verification system, which has been produced by the US Green Building Council.

The green strategies of academic institutions are well advanced. At Tulane University in New Orleans, students belonging to an environmental group explored methods of improving the campus environment. They discovered that the university purchased all its toilet paper from a major paper-manufacturer that took its raw material from old-growth forest. The environmental group initiated a campaign to identify preferable alternatives and succeeded in convincing the university board to change to SCA's Tork brand. Today, that decision is aiding the university in its goal of achieving LEED certification for all its properties.

The students at Tulane are just one example of how consumers, particularly, active and well-informed younger consumers, are becoming more informed on green issues and thus making sustainability issues a business argument.

SCA's environmental tissue products contributed to securing new contracts in Europe, North America and Asia Pacific.

KEY EVENTS

- Agreement to acquire Georgia-Pacific's European tissue operations.
- Increased market shares for the Tork brand.
- Raised innovation and launch rates for new products.
- Initiation of efficiency improvement programme.
- Increased proportion of high-value products.

Operating profit, SEKm:

3,150

Operating margin:

8%

Operations in 2011

Net sales fell by 2% (rose by 4% excluding exchange rate effects) to SEK 39,118m (39,870). Higher prices increased sales by 2% and higher volumes increased sales by 2%. Sales in emerging markets rose by 10%, excluding exchange rate effects. Sales of consumer tissue increased by 3%, excluding exchange rate effects. Emerging markets recorded substantial growth in sales.

Sales of AFH tissue increased by 6%, excluding exchange rate effects, principally attributable to significant growth in Eastern Europe as well as North and Latin America.

In AFH tissue, SCA increased market shares in Europe for the Tork brand. SCA's environmentally-certified tissue products contributed to securing new contracts in Europe, the US and Asia Pacific. A new, user-friendly soap dispenser as part of the Tork Elevation range was launched under AFH tissue during the year.

SCA has entered into an agreement to acquire Georgia-Pacific's European tissue operations, with annual sales of SEK 11.9bn in 2010 (EUR 1.25bn). The purchase consideration amounts to SEK 12bn (EUR 1.32bn). The acquisition is strategically made-to-measure for SCA and will strengthen SCA's product offering and geographic presence in Europe. The annual synergies are estimated at EUR 125m with full effect reached three years following conclusion of the acquisition. In the first year, the transaction is already expected to deliver an increase in earnings per share and cash flow. Following full implementation of synergies, earnings per share is expected to increase by SEK 1.70. The transaction is subject to customary examination by the relevant authorities and is expected to be completed in full during the second quarter of 2012.

Operating profit rose 4% (10% excluding exchange rate effects) and amounted to SEK 3,150m (3,041). Profit was positively impacted by higher prices, a changed product mix and increased volumes. A substantial increase in raw material costs of SEK 338m in combination with higher distribution costs and negative exchange rate effects negatively impacted operating profit.

Operating margin was 8.1% (7.6).

Return on capital employed totalled 9% (8).

Operating cash surplus increased and amounted to SEK 5,347m (5,277). Operating cash flow was SEK 3,446m (4,033). An increase in working capital reduced cash flow.

Capital expenditures amounted to SEK 2,353m (2,522).

Key figures[1)]

SEKm	2011	2010
Net sales	39,118	39,870
Operating cash surplus	5,347	5,277
Change in working capital	–510	–27
Current capital expenditures	–1,186	–1,113
Other operating cash flow	–205	–104
Operating cash flow	3,446	4,033
Operating profit	3,150	3,041
Operating margin, %	8	8
Capital employed	34,096	35,586
ROCE, %	9	8
Strategic investments		
plant and equipment	–1,167	–1,409
company acquisitions/divestments	–10	–17
Average number of employees	17,181	17,327

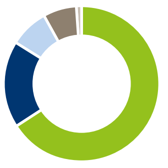
1) Excluding restructuring costs.

SCA's sales by product segment

- Consumer tissue, 61%
- AFH tissue, 39%

SCA's sales by region

- Europe, 66%
- North America, 18%
- Australasia, 8%
- Latin America, 7%
- Asia, 1%



One million shelves – with efficient resource utilisation

I August 2010, SCA Timber and TräTeam launched a unique collaboration to manufacture solid timber shelves for one of the world's largest furniture chains – from raw material to pre-packaged shelf.

Production is based on wood from SCA's forests, delivered via SCA's sawmill in Bollsta to the jointly owned production facility in Kramfors, where about 45,000 cubic meters of timber are planed, scanned and cut annually to make shelf components using an automated production system. The shelf components are then fastened together using nails to form about one million shelf segments ready for distribution to the furniture giant's stores in northern Europe. This cost-efficient collaboration integrates all stages of production, thus minimising waste and maximising resource utilisation.

Forest Products

SCA is Europe's largest private forest owner and one of the region's most profitable producers of forest products. Through its Forest Products business area, SCA offers publication papers, pulp, solid-wood products and renewable energy. These categories include magazine paper, newsprint, wood components for building construction and furniture manufacturing, customised wood products for the building trade and biofuel. Operations are based on in-depth customer insight, high innovative ability and a sustainability perspective at all levels.

The Forest Products business area reported sales of approximately SEK 17bn in 2011.

SCA is Europe's largest private forest owner with a holding of 2.6 million hectares of forest, of which 2.0 million is cultivated.

Innovation

Innovation is an integral part of the business area's strategy to move its operations towards increasingly advanced products in high-value segments and towards more attractive customer offerings. The focus is directed to profitable growth through further processing and customisation in segments with favourable 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. By this means, SCA differentiates itself from the rest of the industry, while also meeting requirements of business partners and customers.

Publication papers are developed continuously to satisfy the needs and requirements of newspapers or magazines in relation to profile and image.

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 customised for the next stage in the processing chain and are supported by services and warehousing integrated into the customer's distribution and sales network.

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

Growth

Continuing the work on enhancing efficiency and customer-driven innovation is essential for consolidating positions and improving profitability. The primary focus is on increasing the share of customised publication papers and solid-wood products. Efforts to develop and streamline the value chain, make it more sustainable, and develop new product areas are also important in terms of strengthening competitiveness.

Wood continues to strengthen its position as a material and its favourable environmental and climate-neutral properties have resulted in incentives in several countries to encourage increased wood utilisation. This trend is expected to persist and the supply of materials, rather than demand, will govern market development in wood products.

For the purpose of increasing wood manufacturing and the production of renewable energy, SCA invested in two biofuel boilers, expanded drying capacity and an upgrade of the saw line in Bollsta sawmill in Sweden during the year. These projects are expected to contribute to increased production capacity and lower production costs.

Activities in the SCA Energy business unit, which is tasked with managing and developing SCA's production of renewable energy, was intensified during the year in conjunction with the formation of the jointly owned company FORSCA AB between SCA and Norwegian firm Fred.Olsen Renewables. The aim of the company is to construct two wind farms with annual output corresponding to 2 TWh on SCA's land in Västernorrland county in Sweden.

In 2007, Statkraft A/S and SCA formed the jointly owned company Statkraft SCA Vind AB, the aim of which is to establish seven wind farms

Share of Group

Net sales, 16%
SEK 17,180m

Operating profit, 21%
SEK 2,001m

Capital employed, 34%
SEK 32,294m

Av. no. of emloyees, 10%
4,263 employees

Publication papers definitions

LWC paper *Light Weight Coated*
A coated paper with a high mechanical pulp content. Used for high-quality magazines and advertising materials with demanding colour-printing requirements.

SC paper *Super Calandered*
A paper with a high-gloss surface and a high content of mechanical and/or recycled pulp. Mainly used for catalogues, magazines and advertising materials.

Newsprint
A paper used for newspapers that is based on mechanical pulp from fresh wood fibre or recycled fibre.

STRATEGIC PRIORITIES:

- Rationalisation and enhance efficiency to achieve higher profitability.
- Higher share of value-added and customised products in publication papers and solid-wood products.
- Greater degree of raw material integration.
- Utilise the commercial strength of SCA's leading position in the environmental area, for example, in renewable raw materials and recyclable products.
- Capitalise on the potential of energy production and effective energy solutions available in SCA's extensive holdings of forests and forestland and in the industry's processes and by-products.

in the counties of Västernorrland and Jämtland. Construction started during the year on two wind farms that are planned to be operational in 2012 and 2013, with a combined annual output of about 480 GWh.

Production and efficiency

Manufacturing takes place at SCA's 18 facilities in three countries. 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 are located in 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 favourable 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, Austria and the UK. The concentration of resources and know-how creates a platform for value-building innovation resulting in market-leading product development and manufacturing.

FINANCIAL TARGET:

- 11% return on capital employed

OUTCOME 2011:

- Growth[1)] 1%
- Return on capital employed[2)] 6%
- Operating margin[2)] 12%

1) Excluding exchange rate effects.
2) Excluding items affecting comparability.

Publication papers

Market

The European market for publication papers amounts to SEK 115bn, with magazine paper and newsprint each accounting for approximately 50%. The market is highly consolidated in Europe and the five largest players have a market share of 80% or higher for most paper grades.

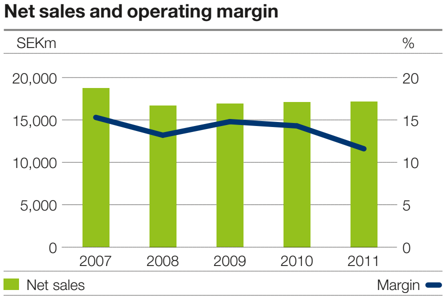
The forecast trend-based market growth for publication papers was adjusted downward as a result of more intense competition for public and advertising expenditures from electronic media. Magazine paper is still expected to show volume growth, although this will take place primarily in Asia and South America. The global newspaper market is anticipated to remain more stable, with a slight dip in Europe and North America.

SCA's position

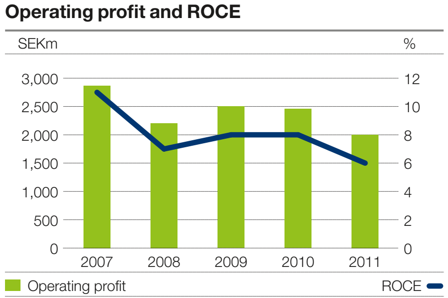
SCA primarily markets publication papers in the Western European market and to major publishers of newspapers and magazines. The single largest markets are the Nordic Region, Germany and the UK.

In Sweden, SCA produces publication papers from fresh fibre at Ortviken paper mill, which capitalises on the high quality of the raw material from its own forests. In the southern UK, close to Europe's largest concentration of paper consumers, the jointly owned company Aylesford Newsprint uses 100% recovered paper in the production of newsprint.

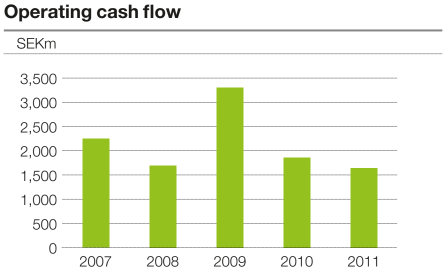
Net sales and operating margin



Operating profit and ROCE



Operating cash flow



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 Austria, close to the large forests of the alpine region and major population centres, Laakirchen paper mill utilises fresh fibre from the forest and recovered fibre in the production of high-quality publication papers.

SCA chiefly specialises in the prime-quality segments in magazine paper, meaning SC and LWC paper, which are used in such products as magazines, catalogues 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.

In terms of production, SCA is the fourth-largest publication papers manufacturer in Europe. SCA is the sixth largest among manufacturers of LWC paper, the fourth largest in SC paper and the sixth largest in newsprint.

Pulp, timber and solid-wood products

Market

The European market for solid-wood products amounts to some SEK 135bn, with demand primarily deriving from the construction and house building industries. The industry is dominated by many small and mid-sized sawmills. Combined, the five leading suppliers – located in Scandinavia and Central Europe – account for less than 20% of the European market.

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

SCA's position

SCA's sawmill operation is the second largest in Europe. The strategy for solid-wood products is to move towards more value-added and customised products in markets 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 often delivered planed and pre-packaged.

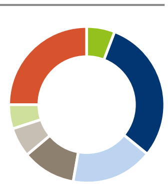
Service and advanced logistics solutions are of key significance for the building materials trade. SCA works in close cooperation with its customers in its principal markets in Scandinavia, France and the UK. In Italy, Asia, North Africa and the US, SCA is a specialised supplier within several niche markets.

In the pulp market, SCA has positioned itself in the high-quality segment based on its excellent access to forest raw materials and a high environmental profile derived from its TFC production (Total Chlorine Free), among other products. Forest Products has an annual pulp capacity of 520,000 tonnes. Approximately 40% of this capacity is utilised within SCA for production of tissue and publication papers while the remainder is sold to external customers.

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. SCA is one of Europe's largest suppliers of forest-based biofuels, such as tree branches, crowns, stumps, bark, sawdust, peat and processed products, such as pellets and briquettes.

Publication papers, producers in Europe (capacity)

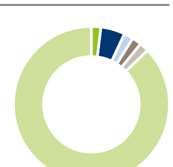
- SCA, 6%
- UPM, 30%
- Stora Enso, 17%
- Norske Skog, 11%
- Holmen, 6%
- Burgo, 5%
- Other, 25%

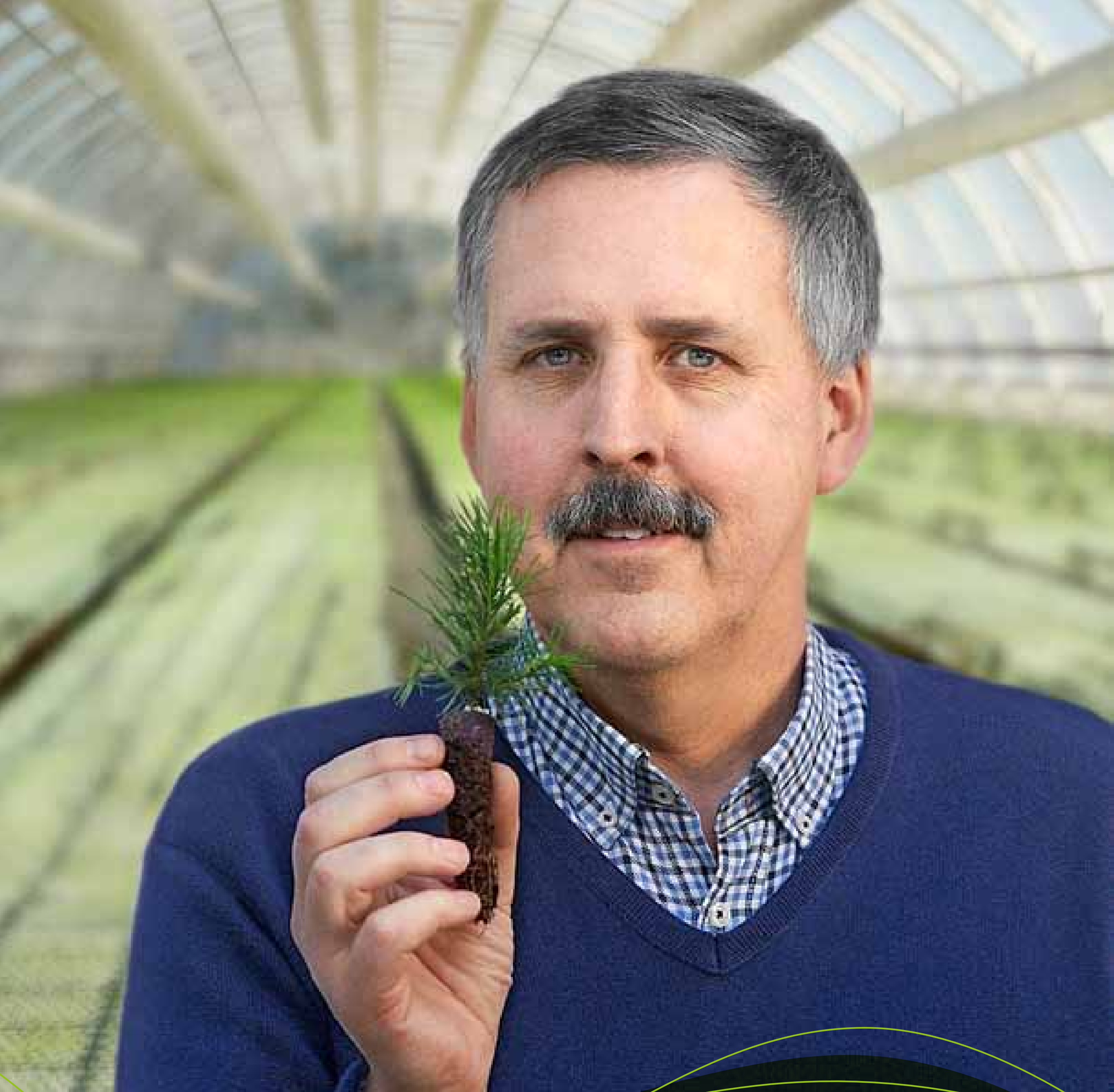


Source: Pöyry, PPPC

Market shares, solid-wood products, Europe

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





A small green revolution in Sweden

How is it possible to plant twice as many seedlings without altering the environmental footprint and, at the same time, reducing costs? The answer is simple. You halve the size of the seedlings.

Each year, SCA Skog produces about 100 million seedlings, of which approximately 30 million are used by SCA. In order to efficiently handle and sell such enormous quantities, SCA in Sweden launched the new PowerPot seedling during the year. Because it is only half the size, twice as many seedlings fit in each tray, thus reducing transportation costs and enabling forest workers to carry more plants when planting seedlings. The overall efficiency gains for both SCA and its customers are considerable.

KEY EVENTS

- Jointly owned wind power company formed.
- New lime kiln inaugurated at pulp mill in Östrand.
- Rebuilding of newsprint machine.
- Increased share of value-added products.

Operating profit, SEKm:

2,001

Operating margin:

12%

Operations in 2011

Net sales were on a par with the preceding year (rose by 1% excluding exchange rate effects) and amounted to SEK 17,180m (17,123). Higher prices primarily for publication papers in addition to acquisitions increased sales by 2% and 1%, respectively. Lower volumes decreased sales by 2%.

Up until November 2011, demand in Western Europe for magazine paper had declined by 4% compared with the corresponding year-earlier period. Demand for newsprint fell by 3% during the same period. Prices for both magazine paper and newsprint increased in 2011 compared with the preceding year.

During the year, SCA and the Norwegian company Fred.Olsen Renewables formed a jointly owned company to build two wind farms on SCA's land in Västernorrland county, Sweden. The area has the potential for approximately 2 TWh in annual wind power generation. In a partnership project with the Norwegian company Statkraft, construction commenced on the first wind farm during the year. Wind power is an example of new areas of use for SCA's forest assets.

At the end of the year, the new lime kiln was inaugurated at Östrand pulp mill. The new facility will reduce carbon dioxide emissions by 80% and cut costs by about SEK 50m on an annual basis.

A decision was made during the year to rebuild one of the newsprint machines in Ortviken, Sundsvall, Sweden, to enable production of higher paper grades.

Operating profit declined by 18% to SEK 2,001m (2,455). Profit for the publication papers operation improved to SEK 183m (–88). Higher prices for publication papers offset higher raw material costs and negative exchange rate effects. The lower operating profit for the pulp and sawmill operations was mainly attributable to higher raw material costs and negative exchange rate effects. Completed productivity improvements had a favourable impact on profit.

The operating margin was 11.6% (14.3).

Return on capital employed was 6% (8).

Operating cash surplus amounted to SEK 2,700m (3,216), while the operating cash flow was SEK 1,642m (1,860).

Capital expenditures totalled SEK 1,200m (888).

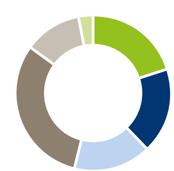
Key figures[1)]

SEKm	2011	2010
Net sales	17,180	17,123
of which internal	1,624	1,628
Operating cash surplus	2,700	3,216
Change in working capital	227	–706
Current capital expenditures	–936	–797
Other operating cash flow	–350	147
Operating cash flow	1,642	1,860
Operating profit	2,001	2,455
Operating margin, %	12	14
Capital employed	32,294	31,475
ROCE, %	6	8
Strategic investments		
plant and equipment	–264	–91
company acquisitions/divestments	–284	–83
Average number of employees	4,263	4,186

1) Excluding items affecting comparability.

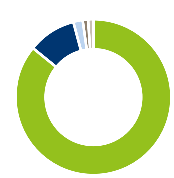
SCA's sales by product segment

- LWC paper, 20%
- SC paper, 18%
- Newsprint, 16%
- Solid-wood products, 31%
- Pulp, 12%
- Timber, 3%



SCA's sales by region

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



Intelligent packaging helps save lives

Temperature-controlled packaging solutions play a vital role for the pharmaceutical sector and are necessary when transporting temperature-sensitive goods from A to B.

This logistical challenge has now become much easier for SCA Packaging's customers. The business area has developed an intelligent temperature-controlled packaging solution under the name ZeoCool. Cleverly designed insulation material protects the medical goods from temperature fluctuations during transport for up to 120 hours. The packaging material reacts to the outside temperature and can both absorb and emit heat, enabling it to preserve the quality of the product during transport and save lives in the most remote corners of the globe.

Packaging

SCA is Europe's second-largest packaging company. SCA's Packaging business area offers packaging solutions for food, consumer durables and industrial products. These packaging solutions include consumer and display packaging, shelf-ready packaging solutions, customised protective packaging and transport packaging as well as an entire service concept aimed at manufacturers and retailers. In January 2012, SCA gave notice that the packaging operations, excluding the kraftliner mills in Munksund and Obbola, are being divested. The sale is expected to be completed during the second quarter of 2012.

In January 2012, SCA announced that its packaging operations – excluding the two kraftliner mills in Sweden – are to be divested to DS Smith. Regarding the French part of the packaging operations, DS Smith has made a formal offer to acquire this business. This process is subject to an information and consultation procedure with the relevant works councils and will be treated separately. The purchase price amounts to EUR 1.7bn on a debt-free basis. The transaction is subject to approval from the competition authorities concerned and completion is expected in the second quarter of 2012.

In 2011, the Packaging business area had sales of about SEK 27bn.

Market

The European corrugated-board market is valued at approximately SEK 235bn and grows 2–3% annually over a business cycle.

The two major market categories for corrugated board packaging are the food and manufacturing industries with about 40% and 30% of the market respectively. In the food industry, processed food is the largest segment, followed by fresh food and beverages. Consumer durables is another substantial market category and accounted for approximately 15% of the overall market in 2011.

Needs-adapted and purpose-designed packaging is a prerequisite for international trade and is thus a crucial welfare-generating factor in the global economy. To an increasing degree, packaging is used to transport, market and sell its content. Packaging is thus an important carrier of the brand and market communication.

Today's society demands packaging that facilitates sustainable distribution and is produced from materials with the least possible environmental impact. SCA's integration system complies with this principle: corrugated board begins with fibre from the forest and ends with the recovery of recycled fibre. The entire value chain, from forest to recycling, is managed within the Group.

Innovation and product development

SCA seeks to develop optimal packaging solutions with regard to function, design, logistics, transport, and environmental footprint. Another key area of innovation is utilising innovative packaging solutions to strengthen retail points of sale and reduce logistical complexity for the industry.

The creation of attractive opportunities for product display in stores is a key factor for strengthening brand recognition for customers. The aim is to adapt and optimise the functionality of packaging based on logistical requirements and deliver a complete solution for each step of the packaging chain.

Innovation is driven by SCA's central innovation centre in Brussels and by 16 design centres in Europe. These centres develop new packaging solutions, test new material solutions and design tools in close collaboration with customers.

SCA analyses the entire delivery chain to minimise material consumption and maximise material and energy recovery. Decisions on packaging designs can have a high environmental impact. The right design allows SCA to provide its customers with packaging that ensures optimum performance without unnecessary waste. The right design also ensures better volumetric utilisation. If goods can be shipped more densely, less transport is required, less fuel is consumed and fewer emissions are generated. The right design requires the right tools and SCA uses a number of its own tools and experts during the design process.

Share of Group

Net sales, 25% **SEK 26,650m**

Operating profit, 20% **SEK 1,909m**

Capital employed, 19% **SEK 18,478m**

Av. no. of employees, 30% **12,901 employees**

SCA's market positions

	Europe
Corrugated board	2 (8%)
Containerboard	2 (8%)

Source: SCA, Fefco

STRATEGIC PRIORITIES:

- Continue to rationalise and streamline operations.
- Provide more complete packaging solutions and added-value offerings.
- Lead development in the packaging market through innovation and product development.
- Capitalise on growth opportunities in profitable, high-value segments.
- Continue to focus on Europe.

Growth

SCA's goal is to grow in line with the European market for packaging. As in the past, continued focus on efficiency and innovation are important initiatives to increase the share of value-added products. Work on developing the value chain and making it more efficient and sustainable as well as identifying new product areas are also initiatives aimed at strengthening competiveness. Long-term competitiveness is also benefited by SCA's environmental profile.

There is a distinct trend toward lighter packaging and packaging with higher-quality printing requirements. Demand for consumer-goods packaging is stable and is tracking consumption trends. Growth in transport packaging is sensitive to economic movements and varies depending on trends in the trade and manufacturing industries. High-value segments are less sensitive to economic movements than packaging for capital goods.

In the long term, SCA's focus is to develop its leading positions in advanced packaging in high value-added segments. These segments have a more stable rate of growth and offer SCA future expansion opportunities with solid growth.

FINANCIAL TARGETS:

- 10% return on capital employed

OUTCOME 2011:

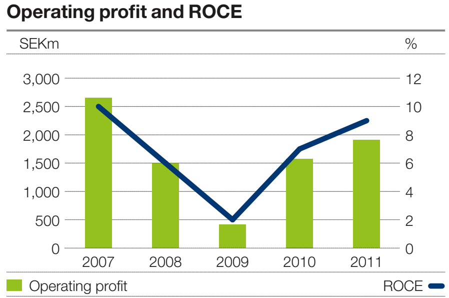
- Growth[1] 8%
- Return on capital employed[2] 9%
- Operating margin[2] 7%

1) Excluding exchange rate effects, divestments and closures.
2) Excluding items affecting comparability.

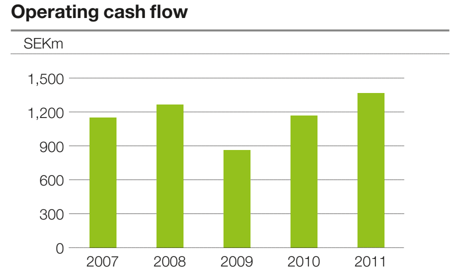
In December, a decision was taken to invest in existing kraftliner production in Munksund, Sweden, with the aim of increasing production of a strong speciality paper, White-Top Kraftliner. Uses for the product include packaging for fast-moving consumer goods with high-quality print. The investments mean Munksund will increase annual capacity from 360,000 to 415,000 tonnes. The upgraded machine is expected to be fully operational during 2013.

Net sales and operating margin

Operating profit and ROCE



Operating cash flow



Packaging that guarantees cold champagne. SCA was tasked by Moët et Chandon with promoting champagne as the perfect drink for hot days, which resulted in Fresh Pack isothermal packaging. The packaging keeps champagne cool for two hours and can be re-used on other occasions.

Production and efficiency

SCA has about 110 facilities and mills in 20 countries in Europe, of which 20 facilities are located in Eastern Europe. Products are marketed in 36 countries. Containerboard is produced at six mills, of which four produce recycled grades. SCA's two kraftliner mills in Sweden are not included in the ongoing divestment.

SCA operates in an integrated business model in which customers are offered major advantages in the form of efficient and sustainable production networks. To strengthen competitiveness through cost-efficient production, the production processes and logistics are optimised through continual improvements, investments in more efficient plants and the closure of unprofitable capacity.

SCA's position

SCA is the second-largest producer of corrugated board and containerboard in Europe with market shares of 8% and 8%, respectively. The European market is fragmented and the capacity of the five largest producers of corrugated board and containerboard accounts for about 40%.

SCA commands favourable market positions in transport packaging where customers often seek to establish long-term partners for complete logistics and design solutions. Thanks to its market-leading position in innovation and design, SCA holds a strong position in the high-value segments of food and consumer durables. In collaboration with its customers, the Group develops complete packaging solutions to meet exacting demands regarding the quality and appearance of packaging. SCA holds strong positions in the fast-growing international luxury goods segment where quality, product presentation and the brand can be enhanced through packaging.

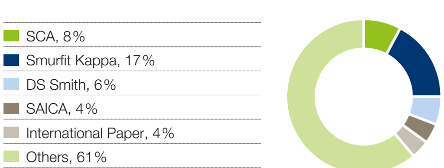
At the same time as its leading positions in advanced packaging are developed in high value-added segments, the efficiency of more standardised packaging solutions for such applications as the transport and packaging of industrial components is being enhanced.

Innovations

The creation of attractive opportunities for product display in stores is a key factor for strengthening customers' brands. Several point-of-sale solutions were launched during the year.

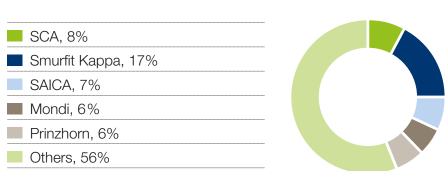
The SCA Hybrid³ is a prize-winning packaging product developed for the safe transport of non hazardous standard liquids. The innovative packaging solution is manufactured of recyclable strong corrugated board with a plastic film coating that is approved for use with foodstuffs. SCA Hybrid³ can easily carry 1,000 kg of wet products in a safe, cost-efficient and environmentally compatible manner.

Corrugated board, producers in Europe (capacity)



Source: SCA

Containerboard, producers in Europe (capacity)



Source: SCA, Pöyry

Sustainable idea ensures fresher fruit and vegetables

Each year, about one-third of all global food production is wasted, corresponding to 1.3 billion tonnes of food in 2011. In low-income countries, the most significant loss occurs during production, while in developed countries, much food is wasted at the consumption stage.

SCA Packaging is at the leading edge in the development of methods and innovations to alleviate this unsustainable situation. One example of this is SCA's new prototype packaging concept Fresh Fruit+. The addition of an ethylene-absorbing agent to the corrugated board used to package fruit and vegetables slows the ripening process, thus enabling customers around the world to look forward to even fresher produce.

KEY EVENTS

- In January 2012, SCA announced the divestment of packaging operations, excluding the two kraftliner mills in Sweden.
- Increased rate of innovation.
- Raised profitability.

Operating profit, SEKm:

1,909

Operating margin:

7%

Operations in 2011

In January 2012, SCA announced that its packaging operations – excluding the two kraftliner mills in Sweden – are to be divested to DS Smith. Regarding the French part of the packaging operations, DS Smith has made a formal offer to acquire this business. This process is subject to an information and consultation procedure with the relevant works councils and will be treated separately. The purchase price amounts to EUR 1.7bn on a debt-free basis. The transaction is subject to approval from the relevant competition authorities.

Net sales declined by 1% (rose 8% excluding exchange rate effects and divestments) to SEK 26,650m (26,831). Higher prices increased net sales by 8%. Increased raw material costs and exchange rate effects negatively impacted profit.

In 2011, SCA's packaging operations in Greece and Russia were divested. The divested operations reduced sales by 5%.

During the year, a decision was made to invest in the upgrade of the paper machine and the refurbishment of the soda-recovery boiler at the kraftliner mill in Munksund, Sweden. The main aim of the investment is to increase production of the share of value-added products, such as White-Top Kraftliner.

Operating profit rose by 21% (26% excluding exchange rate effects) and amounted to SEK 1,909m (1,577). The increase is mainly attributable to higher prices and volumes, and cost savings, which offset higher raw material costs of about SEK 1.6bn.

Operating margin was 7.2% (5.9).

Return on capital employed amounted to 9% (7).

Operating cash surplus improved to SEK 3,181m (2,921). Operating cash flow increased to SEK 1,366m (1,168) due to the effects of the increase in operating cash surplus and decrease in capital expenditures which compensated for the increase in working capital.

Capital expenditures amounted to SEK 1,135m (1,195).

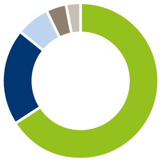
Key figures[1)]

SEKm	2011	2010
Net sales [2)]	26,650	26,831
of which internal	546	565
Operating cash surplus	3,181	2,921
Change in working capital	–664	–330
Current capital expenditures	–862	–1,023
Other operating cash flow	–289	–400
Operating cash flow	1,366	1,168
Operating profit	1,909	1,577
Operating margin, %	7	6
Capital employed	18,478	22,229
ROCE, %	9	7
Strategic investments		
plant and equipment	–273	–172
company acquisitions/divestments	305	1,278
Average number of employees	12,901	15,218

1) Excluding items affecting comparability.
2) Net sales for SCA's recycling operations were reclassified as other income, including retroactive adjustments for 2010.

SCA's sales by product segment

- Conventional corrugated board packaging, 66%
- Consumer packaging, 20%
- Service, 7%
- Industrial packaging, 4%
- Protective packaging, 3%



Source: SCA

Corporate governance in a changing world

The global environment in which SCA currently conducts business varies widely and fluctuates rapidly. This variation and the high pace of change in our business environment demand effective and efficient corporate governance.

An important task for corporate governance is ensuring 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 reorganisation of the global hygiene business during the year. The new organisation was put into effect in January 2012.

Corporate governance, including remuneration, pages 48–57
This section describes the rules and regulations and the Group's corporate governance, including a description of the operational organisation. 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 58–63
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 64–67
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 in 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 2012 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 organisation and administration through regular monitoring of the business and by ensuring the appropriateness of the organisation, management team, guidelines and internal control. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations.

In accordance with the decision of the AGM, the Board of Directors shall comprise eight 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 organised and that work is efficiently conducted. This includes continuously monitoring the company's operations in close dialogue 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, which is not authorised to make decisions, 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 5.

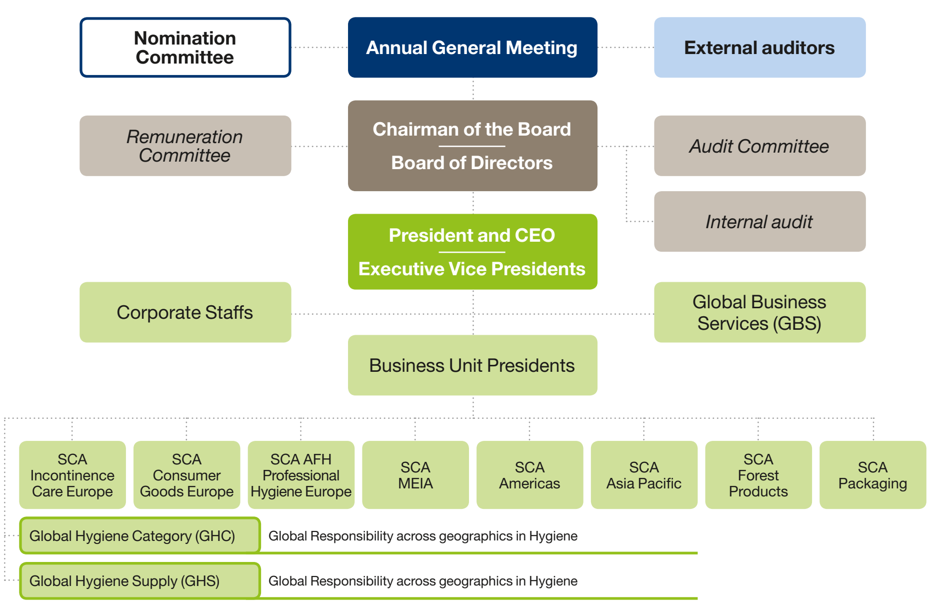
Remuneration Committee
The Remuneration Committee, which is not authorised to make decisions, drafts the Board's motions in issues relating to remuneration principles, remuneration and other terms and conditions of employment for the company's senior executives. The committee monitors and assesses programmes 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 12 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 56-57, the work of which is led by the CEO. The Corporate Senior Management Team consists of the President, the Executive Vice Presidents, Business Unit Presidents and the equivalent, and managers for the 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.

In 2011, SCA conducted business in four business areas (Personal Care, Tissue, Forest Products and Packaging), which are divided into eight 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 decentralisation of responsibility and authority. The business units are fully responsible for developing their respective operations through established goals 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.



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 authorisation 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

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

The audit is performed in accordance with the Swedish Companies Act and auditing standards in Sweden as stipulated by FAR SRS, which is based on international auditing standards according to the International Federation of Accountants (IFAC).

Activities during the year

Annual General Meeting
The AGM was held on Monday, 7 April 2011, in Stockholm, Sweden. The meeting was attended by 869 shareholders, either personally or by proxy, corresponding to 60.5% of votes in the company. Attorney-at-Law Sven Unger was elected Chairman of the Meeting.

Resolutions by the meeting
- dividend of SEK 4.00 (3.70) per share to be paid for the 2010 financial year,
- re-election of Board members Pär Boman, Rolf Börjesson, Sören Gyll, Jan Johansson, Leif Johansson, Sverker Martin-Löf, Anders Nyrén and Barbara M. Thoralfsson,
- re-election of Sverker Martin-Löf as Chairman of the Board,
- adoption of guidelines for determining the salary and other remuneration of the President and other senior executives, see page 52 and Note 6 on page 88.

The minutes of the meeting in full and information on the 2011 AGM, including the President's speech, can be accessed at www.sca.com

Nomination Committee
The 2011 AGM decided that the Nomination Committee for the 2012 AGM 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, and proposals to the Nomination Committee prior to the 2013 AGM. In its work, the Nomination Committee shall 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 2012 AGM
The composition of the Nomination Committee for the 2012 AGM is as follows:
- Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee
- Håkan Sandberg, Handelsbanken Pension Foundation, among others
- Torbjörn Callvik, Skandia Liv
- Bo Selling, 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 2012 Annual General Meeting are presented in the notification of the AGM on SCA's website www.sca.com. The 2012 AGM will be held on 29 March, see page 120.

The Nomination Committee was convened on four 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 eight members elected by the AGM. Board members Pär Boman, Rolf Börjesson, Sören Gyll, Jan Johansson (SCA's President and CEO), Leif Johansson, Sverker Martin-Löf, Anders Nyrén and Barbara M. Thoralfsson were re-elected to the Board. Sverker Martin-Löf was elected as Chairman of the Board.

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

Board activities
In 2011, 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 has also dealt with reports from the Audit and Remuneration Committees and reports on internal control and financial operations. The company's auditors regularly present a report on their audit work and these issues are

Composition of the largest shareholders, Nomination Committee 2011 (share of votes)

	%
AB Industrivärden	29.1
Handelsbanken*	14.1
Skandia Liv	2.5
Alecta	2.1

* Including funds and trusts

Board of Directors and committees

			Committee		Attendance		
Board member	Elected	Independent[1]	Audit	Remuneration	Board meetings	Audit Committee	Remuneration Committee
Pär Boman	2010	■			10/10		
Rolf Börjesson	2003			x	10/10		2/2
Sören Gyll	1997		x		10/10	5/5	
Jan Johansson	2008	■			10/10		
Leif Johansson	2006			x	10/10		2/2
Sverker Martin-Löf, Chairman	1986	■	x	Chair	10/10	5/5	2/2
Anders Nyrén	2001	■	Chair		10/10	5/5	
Barbara Milian Thoralfsson	2006				10/10		

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

discussed by the Board. The Business Unit Presidents present reports on their respective operations and current issues affecting them to the Board.

In 2011, the Board's activities were also characterised by prospective issues of central importance to the Group. In this context, the acquisition of Georgia-Pacific's European tissue operations, acquisitions in the hygiene business in Brazil and Turkey and the divestment of the packaging operations were particularly noteworthy.

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 2011, 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 2011, the Audit Committee comprised Chairman Anders Nyrén, Sören Gyll 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 two meetings during the year. In addition, a number of issues were addressed by circular letter, for example, in connection with various management changes. Activities in 2011 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 2011, about 120 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.

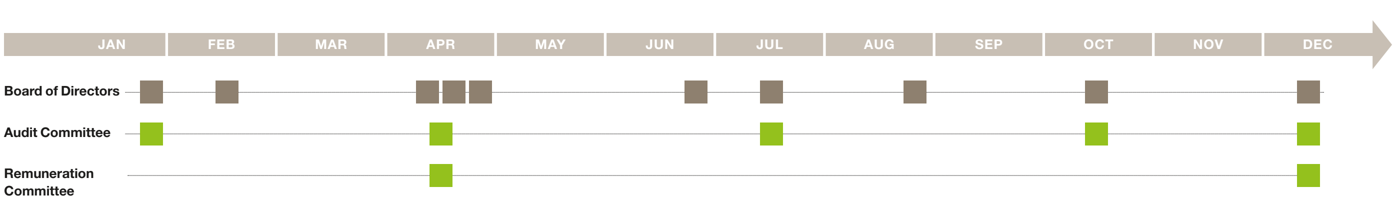
Work in 2011 also involved following up the units' progress with process-based control, follow-up and reporting on the efficiency in internal governance and control, and separate assessments of the internal control in countries where SCA has major investments and in joint ventures.

External auditors

The 2008 Annual General Meeting appointed the accounting firm of PricewaterhouseCoopers AB as the company's auditor for a mandate period of four years. The accounting firm notified the company that Anders Lundin, Authorised Public Accountant, would be the senior auditor. Anders Lundin is also auditor for AarhusKarlshamn AB, AB Electrolux, Husqvarna AB, AB Industrivärden and Melker Schörling 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 2011. 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 regular 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 2011 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 2012 AGM, see page 14.

Remuneration of the President and other senior executives

Remuneration of the President and other senior executives is presented in Note 6 on page 88. Variable remuneration for the CEO, Executive Vice Presidents and Business Unit Presidents was maximised to a total of 100% of the fixed salary for 2011. For one Business Unit President, stationed in the US, the maximum outcome is 110%, while the corresponding limit for other executives is 90%.

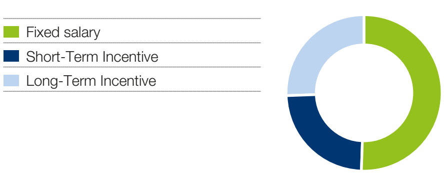
Variable remuneration and strategic targets

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

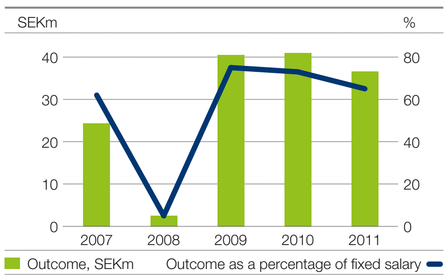
Remuneration of the Board

According to the resolution by the AGM, the fees paid to the AGM-elected Board members totalled SEK 5,200,000. See Note 6, page 88 for further information.

Potential maximum remuneration, breakdown



Outcome, variable remuneration, 2007–2011



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 recognised 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 shall 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 shall 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 minimise 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 on-going 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 58–63.

Control activities and follow up

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group's central controller organisation and are easily accessible on the Group's intranet. The central controller organisation 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 organisations, 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 standardised 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 analysed to identify and eliminate any mistakes in the process until the annual accounts. For additional information, see Internal audit on page 51.

Activities in 2011

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 system platform. In 2011, the shared system platform was introduced in Malaysia and elsewhere. Another development is the co-location of accounting and reporting of several units in Shared Service Centres. Reporting is thus more efficient and uniform. A number of these centres were introduced during the year in France and elsewhere. A project was initiated in 2010 and continued in 2011 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. This will gradually impact the actual processes during 2012. A follow-up of the Group's process-based controls also took place, indicating that these controls are in place at the majority of SCA's units and that they function efficiently.

Board of Directors and Auditors

Elected by the Annual General Meeting


Sverker Martin-Löf


Pär Boman

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

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, SSAB and Skanska. Vice Chairman of Ericsson. Member of the Board of Handelsbanken.
Elected: 1986
A shares: 3,000 B shares: 77,823
Independent of the company and corporate management.

Rolf Börjesson (1942)
MSc Eng.
Chairman of the Board of Ahlsell AB and Biolight AB. Member of the Board of Avery Dennison and Huhtamäki Oyj.
Elected: 2003
B shares: 17,850
Independent of the company, corporate management and SCA's major shareholders.


Rolf Börjesson

Sören Gyll (1940)
Honorary PhD Engineering
Member of the Royal Swedish Academy of Engineering. Sciences (IVA).
Elected: 1997
B shares: 4,407
Independent of the company, corporate management and SCA's major shareholders.


Sören Gyll


Jan Johansson

Jan Johansson (1954)
Master of Laws
President and CEO of SCA. Member of the Board of Handelsbanken and SSAB.
Elected: 2008
B shares: 61,900

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

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.

Barbara Milian Thoralfsson (1959)
MBA, BA
Member of the Board of Electrolux AB, Fleming Invest AS, Norfolier AS, Orkla ASA and Telenor ASA.
Elected: 2006
B shares: 3,000
Independent of the company, corporate management and SCA's major shareholders.

Appointed by the employees

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

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

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

Anders Engqvist (1958)
Machine Operator at SCA Packaging Sweden AB, Värnamo. Member of the Swedish Trade Union Confederation (LO).
Appointed: 2005

Honorary Chairman

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

Auditor

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

Secretary to the Board

Anders Nyberg (1951)
Master of Laws
Senior Vice President, Corporate Legal Affairs, General Counsel.
B shares: 36,846

Corporate Senior Management Team


Jan Johansson

Jan Johansson (1954)
President and CEO
Master of Laws
Employed since: 2007
B shares: 61,900


Christoph Michalski

Christoph Michalski (1966)
President, Global Hygiene Category
MSc Econ.
Employed since: 2007
B shares: 8,850

Margareta Lehmann (1958)
President, SCA Incontinence Care Europe
BSc BA
Employed since: 1983
B shares: 1,398


Margareta Lehmann


Lennart Persson

Lennart Persson (1947)
CFO and Executive Vice President
Head of Finance
BSc BA
Employed since: 1987
B shares: 41,965

William Ledger (1967)
President, Global Hygiene Supply
BSC, Industrial Chemical Engineer
Employed since: 2002


William Ledger


Magnus Groth

Magnus Groth (1963)
President, SCA Consumer Goods Europe
MBA and MSc ME
Employed since: 2011

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


Mats Berencreutz


Robert Sjöström

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

Sune Lundin (1951)
President, SCA AFH Professional Hygiene Europe
MSc Eng.
Employed since: 2008
B shares: 6,950


Sune Lundin

Information regarding individuals' own and related parties' shareholdings pertains to the situation on 31 December 2011.

Thomas Wulkan (1961)
President, SCA MEIA
BSc BA
Employed since: 2000
B shares: 3,800

Don Lewis (1961)
President, SCA Americas
BSc BA
Employed since: 2002

Ulf Söderström (1964)
President, SCA Asia Pacific
Studies in economics, MBA
Employed since: 2009
B shares: 4,500

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

Michael Cronin (1958)
President, SCA Packaging
Marketing graduate
Employed since: 2010
B shares: 5,000

Gordana Landén (1964)
Senior Vice President, Corporate Human Resources
BSc
Employed since: 2008
B shares: 3,617

Anders Nyberg (1951)
Senior Vice President, Corporate Legal Affairs, General Counsel
Master of Laws
Employed since: 1988
B shares: 36,846

Kersti Strandqvist (1963)
Senior Vice President, Corporate Sustainability
MSc Chem., Tech Lic.
Employed since: 1997
B shares: 1,397

Camilla Weiner (1968)
Senior Vice President, Corporate Communications
MSc BA
Employed since: 2010
B shares: 1,200

Risk and risk management

Risks that can affect target fulfilment

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 6–10.

Many of the risks described could have a positive or negative impact on the Group. This implies that if risk develops in a favourable manner or if risk management is successful in counteracting the risk, target fulfilment 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.

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 four business areas that deliver to entirely, or partially, different customer segments and end-users. The various businesses are also affected to a somewhat different degree by the business cycle and general economic prosperity. The competitive situation also varies for the different businesses. SCA's products are sold through many different channels and distribution paths.

The operation has a large geographical spread. Sales are conducted in more than 100 countries and manufacturing is pursued at about 250 production units in some 40 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 2011, 50% of SCA's wood raw material requirements were sourced from the Group's own forests. The wood fibre is used for SCA's production of market pulp, containerboard 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.

GDP trend and economic conditions

Risk

SCA's volume trend is linked to the development of GDP and related factors, including industrial production, in countries representing SCA's main markets. Movements in the GDP trend influence demand for certain SCA products.

Policy/Action

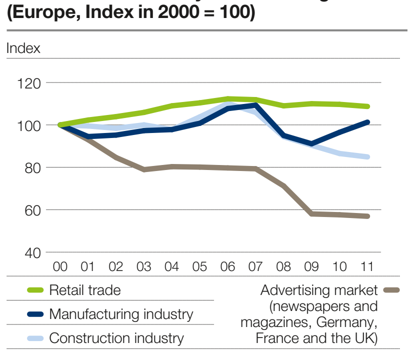
SCA has reduced the impact of the general economic trend by focusing on its hygiene business. Other operations are more sensitive to economic movements.

In 2011, Personal Care and Tissue accounted for 59% 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.

The Packaging business area is more sensitive to economic movements. In 2011, it accounted for 25% of sales. The volume trend is influenced by developments in the food industry (about 45% of volumes) and the manufacturing industry (about 30%). Forest Products is also vulnerable to economic movements. Sales of publication papers, representing 8% 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.

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



Environmental impact and climate change

Risk

SCA's operations have an impact on air, water, land and biological processes. These effects could lead to costs for restoring the environment. The matter of the economic impact of climate change is also growing in significance.

Policy/Action

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 minimised 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 utilises 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.

The market pulp is subsequently used in the production of mainly tissue and personal care products. In 2011, some 41% of the pulp requirement was satisfied by the Group's own pulp production. SCA is also a major player in the recovered fibre market and, in 2011, collected 35% of the Group's total recovered paper requirement. This was primarily used in tissue and packaging operations, although SCA's publishing papers business also used the collected recovered fibre.

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 centralised, 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 centralised the management of other risks.

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

Risk and risk management

The most significant risks that impact SCA's ability to achieve established targets are presented on pages 58–63 together with a description of how these risks are managed.

	Impact of political decisions	Impact of substitutes	Dependence on major customers and distributors
Risk	SCA is affected by political decisions and administrative regulations in the more than 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.	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.	The retail trade is SCA's single largest customer group and thus exercises considerable influence. 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 fulfil the demands imposed.
Policy/Action	Through its corporate Public Affairs function, SCA works with internal networks to monitor and evaluate changes in the external environment, set priorities and develop coordinated action plans. 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 central Sweden and the regular consultations held with Swedish Sami people regarding cooperation between forestry and reindeer husbandry. 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 sulphurous fuels in shipping. SCA 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.	Substitutes exist for virtually all SCA products. This may involve different products with a similar function, such as cloth diapers, plastic packaging and cloth rags for 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 18). In many countries, the degree of penetration is low, meaning only a small proportion of the population use 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.	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 to date has 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 2011, SCA's ten largest customers accounted for 13% of the Group's sales. The single largest customer accounted for 2% 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 63.

Expansion into new markets

Risk

In recent years, SCA has expanded the operation into new geographic 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.

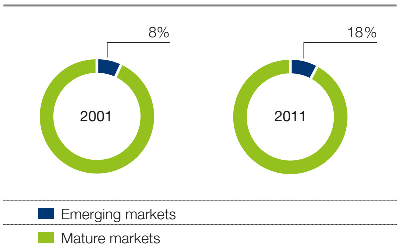
Policy/Action

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 organisation. 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.

Sales in emerging markets



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

Movements in the market price for SCA's products

Risk

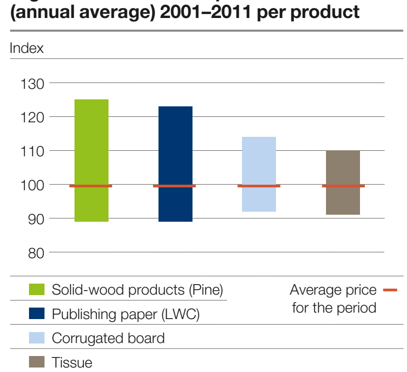
Movements in the market price of SCA's products could create large fluctuations in the profitability of the product in question when these movements are not linked to changes in costs for SCA.

Policy/Action

Several methods can be applied to address the risk that movements in market prices will create significant variations in profitability. A small share of contracts, mainly relating to corrugated board, has been indexed to correspond to the underlying cost scenario. 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 below. 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) 2001–2011 per product



Risks at plants

Risk

SCA has a large number of production facilities in some 40 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's assets and the business, and to minimise SCA's risk management costs. This can be achieved by creating and retaining a balance between loss prevention and insurance cover.

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 existing 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.

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.

Policy/Action

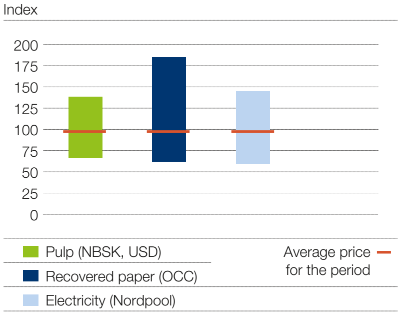
The risk of price movements related to input goods and the impact of these on earnings can be managed in several ways. SCA's structure means that a significant share of raw materials is produced within the Group and, consequently, price movements have a smaller impact on earnings. In 2011, 50% of SCAs wood raw material requirements were sourced from its own forests and 41% of its pulp requirements were satisfied by the Group's own pulp production. The Group's collection of recovered fibre accounted for 35% of the Group's needs.

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 62. Under normal circumstances, no other price risks related to input goods are hedged, although this could be carried out in exceptional cases.

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 116. The price trend for a number of the input goods is outlined below.

Highest/lowest market prices (annual average) 2001–2011 per product



Employee-related risks, legal risks and IT risks

Risk

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

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

IT risks
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

Employee-related risks
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 programme protects operations. SCA endeavours to maintain good relationships with union organisations.

Legal risks
SCA monitors the development of legislation through its internal corporate legal staff and external advisors. Another important issue is the management of SCA's intangible assets (patents, trademarks, etc.), which is largely centralised. In the 100 or so countries in which SCA conducts operations, local legal issues and disputes are handled through an extensive network of local legal advisors.

IT risks
SCA has established a management system for information security, including quality assurance procedures that govern IT operations. Information security is monitored through continuous reviews. Standardised 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.

Energy price risk

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.

Policy/Action

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.

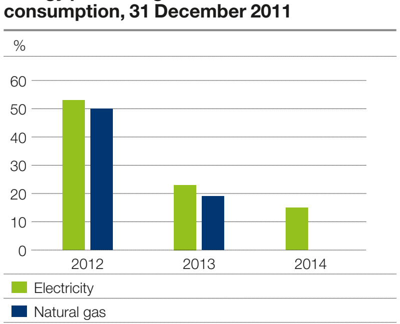
SCA safeguards the supply of electricity and natural gas through centrally negotiated supply agreements with well-established suppliers. The portfolio of supply agreements shall be effectively spread to minimise SCA's counterparty risk.

In 2011, SCA purchased about 7 TWh (7; 7) of electricity and about 9 TWh (9; 9) of natural gas.

The graph below 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 98.

Energy price hedges in relation to forecast consumption, 31 December 2011



Currency risk | *Transaction exposure*

Risk

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.

Policy/Action

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 10,544m (10,430; 9,667) on an annual basis. The forecast flows are expected to occur evenly over time. At year-end, a net flow against SEK corresponding to 2.7 months of the forecast flow for 2012 was hedged. The majority of hedges mature during the first and second quarters of 2012.

The table below presents the hedging of flows in 2012 and the forecast for these.

For further information relating to hedging of transaction exposure, see Note 18 Derivatives on page 98.

Forecast and hedges relating to flows in 2012

Currency	Net flows SEKm	Currency inflows SEKm	Currency outflows SEKm	Hedged inflows %	Hedged outflows %
GBP	2,001	4,290	–2,289	16	7
RUB	1,398	1,440	–42	7	0
EUR	1,358	16,490	–15,132	5	5
DKK	1,055	1,537	–482	33	0
NOK	963	1,096	–133	21	0
CHF	919	1,017	–98	13	0
JPY	839	861	–22	87	0
CAD	829	1,312	–483	10	4
USD	–1,824	6,181	–8,005	6	11
Other	3,006	6,558	–3,552	9	5
SEK	–10,544	7,808	–18,352	56	11

Currency risk | *Translation exposure*

Risk

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

Policy/Action

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 31 December 2011, capital employed in foreign currency amounted to SEK 62,293m (67,086; 72,591). Distribution by currency is shown in the table below. At year-end, capital employed was financed in the amount of SEK 23,572m (22,141; 26,530) in foreign currency, which is equivalent to a total matching ratio of 38% (33; 37).

For further information relating to hedging of translation exposure, see Note 18 Derivatives on page 98.

Financing of capital employed

Currency	Capital employed SEKm	Net debt SEKm	Matching financing 2011 %	Matching financing 2010 %
EUR	28,868	10,215	35	29
USD	7,564	2,196	29	30
GBP	6,167	3,615	59	36
MXN	5,021	2,361	47	54
RUB	2,288	1,289	56	51
DKK	1,797	769	43	45
PLN	1,410	841	60	61
COP	1,339	404	30	34
Other	7,839	1,882	24	23
Total currency	**62,293**	**23,572**	**38**	**33**
SEK	35,646	13,076		
Total	**97,939**	**36,648**		

Long-term currency sensitivity

Currency	Sales %	Expenses %	Operating profit[1] SEKm	Closing rate 31 Dec. 2011	Average rate 2011
EUR	50	47	7,407	8.9383	9.0241
USD	10	14	–2,717	6.9198	6.4809
GBP	8	5	3,922	10.6676	10.3934
SEK	8	17	–8,042		
RUB	3	3	78	0.2150	0.2210
MXN	3	2	617	0.4938	0.5234
AUD	3	1	1,548	7.0236	6.6901
DKK	2	1	1,046	1.2028	1.2115
Other	13	10	5,365		
Total	**100**	**100**	**9,224**		

[1] Operating profit, excluding items affecting comparability.

The table to the left presents a breakdown of the Group's net sales and operating expenses by currency, which provides an overview of the Group's long-term currency sensitivity. The largest exposures are denominated in EUR, USD, GBP and SEK. 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.

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

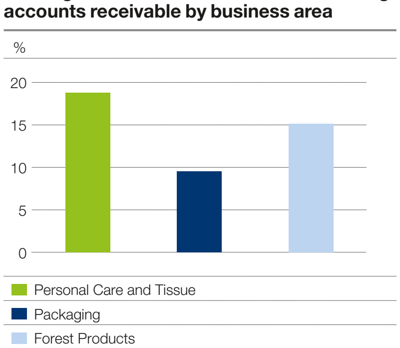
Financial credit risk
The objective is that counterparties must have a minimum credit rating of A- from Standard & Poor's or A3 from Moody's.

SCA endeavours 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. Comparative years, which contain an additional risk amount, have not been restated.

At year-end, the total credit exposure was SEK 9,739m (13,128; 16,103). This exposure also includes credit risk for cash instruments in the amount of SEK 7,487m (8,296; 11,927) of which SEK 6,167m (6,431; 6,779) was attributable to leasing transactions (see Note 32 Contingent liabilities). Credit exposure in derivative instruments amounted to SEK 820m (4,832; 4,176) at 31 December 2011.

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 recognised at the amount that is expected to be paid based on an individual assessment of each customer. The graph below shows the ten largest customers' share of outstanding accounts receivable by business area.

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 shall maintain financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilised credit facilities totalling 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's average maturity should exceed three years. Surplus liquidity should primarily be used to amortise 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.

SCAs 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 favourable credit-worthiness.

In 2011, SCA's net debt increased by SEK 2,242m, mainly as a result of a higher pension liability. At year-end, the average maturity of gross debt was 2.9 years (2.9; 2.6). If short-term loans were replaced with drawings under long-term credit facilities, the maturity would amount to 3.6 years. Unutilised credit facilities amounted to SEK 21,016m at year-end. In addition, cash and cash equivalents totalled SEK 2,752m.

During the year, loans totalling approximately SEK 6,150m were refinanced, of which the majority pertains to a Eurobond of EUR 600m (SEK 5,363m) issued in May 2011 to some 150 European investors. In November 2011, SCA also signed a new credit facility for EUR 1,100m (SEK 9,832m), in relation to SCA's bid to acquire Georgia-Pacific's European tissue operations.

For further information, see Note 22 Current financial assets, cash and cash equivalents on page 99, and Note 25 Financial liabilities on page 102.

Liquidity reserve

SEKm	2011	2010	2009
Unutilised credit facilities	21,016	28,393	33,400
Cash and cash equivalents	2,752	1,866	5,148
Total	**23,768**	**30,259**	**38,548**

Interest rate risk

Risk

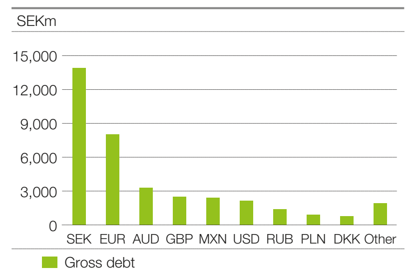
Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA. SCA is affected by interest rate movements through its net financial income and expense.

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 shall be within the interval 3–15 months.

In 2011, SCA's net financial items increased as a result of higher interest rates. SCA's largest funding currencies are denominated in SEK and EUR; see the graph below. 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 6.2 months (6.5; 4.8) at year-end. The average interest rate for the total outstanding net debt, including derivatives, amounted to 4.14% (3.36; 2.89) at year-end.

Gross debt distributed by currency



Heightened level of ambition

Sustainability is an integral part of SCA operations and the company's strategy for growth and value creation. In 2011, SCA raised the bar on sustainability.

For SCA, sustainability is about creating value for people and nature – value that benefits customers and consumers, employees and shareholders, as well as the environment and society. Sustainability excellence contributes positively to business operations by strengthening competitiveness, reducing costs, making SCA an attractive investment and employer and strengthening the brand.

In 2011, SCA further developed its sustainability strategy by adding a number of new ambitions and targets. While the ambitions describe the long-term vision, the targets are specific and measurable and represent the milestones. Measurability is prioritised at SCA to promote transparency, meet stakeholder expectations and to drive the sustainability programme forward.

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

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.
- We drive resource efficiency through our packaging solutions by securing product protection and content integrity in the distribution chain, at the same time supporting brand and consumer communication.

Nature ambitions

- We deliver sustainable solutions with added value for our customers based on safe, resource-efficient and environmentally sound sourcing, production and development.
- We combat climate change and minimise 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 utilising them responsibly. We aim to maximise 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

Employee Health & Safety

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

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. In markets in which we operate, we will:

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

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.

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

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.
- We will triple our production of biofuels from the forests by 2020, with 2010 as reference year.
- The production of wind power on SCA forest land will increase to 5 TWh by 2020, with 2010 as reference year.

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

Fibre sourcing & biodiversity

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

* 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.

Economic responsibility

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

Growing proportion of investors with sustainability requirements
An increasing number of investors judge SCA on its sustainability performance. Major institutional investors often add environmental and social parameters to their risk analysis, while various types of sustainability funds hold to a strategy of only investing in companies that are among the best from an environmental, social and economic perspective.

In the most recent survey (2010), it was estimated that 21% of SCA's shares are owned by investors who assess SCA on the basis of environmental sustainability. The SCA share is a part of the investment portfolios of 83 European sustainability funds, which means that SCA is among the companies that are the most frequently occurring 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 recognised norms for corporate responsibility. Carbon Disclosure Leadership Index, Global Challenges Index, Vigeo, Orange SeNSe Fund and OMX GES Nordic Sustainability Index are examples of other indexes and funds in which SCA is included. In 2011, interest from SRI (Socially Responsible Investment) players remained considerable. SCA participated in two conferences for sustainability investors and organised a well-attended study visit to the company's forest industry operation in Sundsvall, Sweden.

Cost distribution by stakeholder

	SEKm	%
Suppliers	77,197	71
Employee salaries	15,046	13
Remaining in the company*	7,536	7
Employee social security costs	4,135	4
Dividend to shareholders	2,898	3
Income taxes paid	961	1
Interest paid to creditors	1,290	1

* Current expenditures, restructuring costs, strategic capital expenditures and acquisitions.

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."

Environmental responsibility

SCA endeavours to minimise its environmental footprint to the greatest possible extent. The emphasis in the environmental work is on climate and energy, fibre sourcing, biodiversity and water management.

Climate and energy

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

In 2011, the Group inaugurated a new wood-pellet-fuelled lime kiln at Östrand pulp mill, replacing two oil-fired kilns that consumed 17,000 m^3 of fuel oil. The investments reduces fossil CO_2 emissions by 50,000 tonnes or 80% and cuts energy costs by SEK 50m on an annual basis.

Another way to reduce emissions of greenhouse gases is to seek to identify alternative energy sources. SCA is involved in wind power projects with Norwegian companies Statkraft and Fred.Olsen Renewables, each of which have a annual potential output of about 2 TWh. SCA has also initiated project planning on a proprietary basis for two wind farms with potential power generation of 1.2 TWh.

ESAVE is the Group's energy-efficiency programme. Since its launch in 2003, more than 1,700 projects have been carried out, resulting in approximately SEK 700m in annual savings. In 2011, 360 projects were executed leading to a reduction in fossil CO_2 emissions of 54,000 tonnes and a 1.7% cut in energy consumption per tonne produced.

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), the most stringent international standard for forest management. 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 fresh fibre or raw materials that originate from fresh fibre, such as pulp and kraftliner. In order to ensure that no fresh fibre-based material originating from controversial sources is used in the Group's production, SCA evaluates its existing and potential suppliers.

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

Systematic work to enhance water usage

SCA uses large volumes of water in the production of pulp and paper. The Group's former water management targets reached their conclusion in 2010 and were replaced in 2011 by two new targets.

SCA has chosen to concentrate its water management efforts on areas experiencing water shortages. The company has identified ten facilities located in water-stressed regions in Italy, Spain, Australia, Colombia, Mexico and the US. Furthermore, all of the Group's pulp and paper mills will employ mechanical and biological wastewater treatment by 2015.

The results presented for 2011 relate to SCA's earlier targets. The new targets will be monitored in 2012.

1. Carbon dioxide emissions shall be reduced by 20%

SCA will reduce its carbon emissions from fossil fuels and from the purchase of electricity and heat, relative to the production level, by 20% by the year 2020, using 2005 as a reference year.

Outcome 2011

At year-end 2011, carbon dioxide emissions had declined by 7.3% in relation to the production level.

2. Responsible use of wood raw material

SCA will employ methods that ensure that no wood fibre or fresh fibre-based material comes from controversial sources. The target also includes purchased fibre in the form of pulp and containerboard.

Outcome 2011

- All deliveries of pulp to SCA's facilities meet the Group target.
- All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.
- SCA's packaging operation has control of the origin of more than 95% of the kraftliner used by the business unit.

3. Improved water usage

SCA aims to achieve water sustainability and reduce water consumption in water-stressed regions by 10% by the year 2015, using 2010 as a reference year. All SCA's pulp and paper mills will employ mechanical and biological water treatment plants before 2015.

Outcome 2011

By year-end 2011, water usage in water-stressed regions declined by 0.1%. Of the Group's 45 pulp and paper mills, 43 employ mechanical or biological wastewater treatment plants.

Social responsibility

SCA activities in the field of corporate social responsibility are an important part of the Group's corporate sustainability. Work is based on the Code of Conduct, which provides the basis for SCA'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 2011, a total of 27 cases of non-compliance with the Code of Conduct were reported.

Business Practice audits are used to review business ethics and these are carried out at regular intervals by the SCA internal audit unit. Since 2005, SCA has conducted Code of Conduct reviews at facilities in countries where there is deemed to be an elevated risk of non-compliance.

Supplier reviews
In 2010, a new global supplier standard was developed for SCA's hygiene business in which compliance with SCA's values and ethical principles constitute a vital element. SCA sets high standards for socially responsible conditions in its own operations and sets corresponding requirements for suppliers and other business partners.

In 2011, the new standard was implemented in the hygiene business while the corresponding supplier standard was developed for the packaging and forest products operations.

Health and safety
The provision of a safe working environment is paramount at SCA, which is not least reflected in the new health and safety sustainability targets. Safety statistics fill an important function in the Group's health and safety activities and form the basis of risk analysis and continuous improvements.

Employee relations
2011 marked the implementation of the first Group-wide employee survey. The response rate was excellent (82%). The survey indicated a high degree of commitment among employees, while leadership and feedback were identified as improvement areas. The results from the survey have been discussed in the organisation and action plans have been developed.

Safety statistics

	2011	2010	2009	2008	2007
Lost Time Accidents	492	569	564	685	770
Days Lost due to Accidents	11,070	13,810	15,947	16,181	15,812
Accident Severity Rate[1]	22.5	24.3	28.3	23.7	20.5
Incident Rate (incidents/100 employees)	1.3	1.5	1.4	1.6	1.8
Accident Frequency Rate	7.1	8.3	7.3	8.5	9.5
Fatalities	1	1	2	0	3[2]

1) Days Lost due to Accidents divided by Lost Time Accidents.
2) Two SCA employees and one contractor.

4. Compliance with the Code of Conduct
SCA's Code of Conduct is an integral element of daily operations.

Outcome 2011

- Launch of a new training campaign for Code of Conduct.
- Code of Conduct assessments were performed in Malaysia and Russia. Business Practice audits took place in Central America and Greece.
- Implementation of the global supplier standard in the hygiene operations.
- Development of corresponding standards in packaging and forest products 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 2011 Sustainability Report.

Financial statements

Contents

Consolidated income statement*

Group	Note	2011 SEKm	2011 EURm[1)]	2010 SEKm	2010 EURm[1)]	2009 SEKm	2009 EURm[1)]
Net sales	5	81,337	9,013	82,731	8,679	85,707	8,093
Cost of goods sold	4	–61,701	–6,837	–61,906	–6,494	–62,982	–5,947
Gross profit		**19,636**	**2,176**	**20,825**	**2,185**	**22,725**	**2,146**
Sales and administration expenses	4	–11,981	–1,328	–12,426	–1,304	–13,427	–1,268
Items affecting comparability	4	–5,439	–603	–702	–73	–162	–15
Share of profits of associates		83	10	96	10	34	3
Operating profit		**2,299**	**255**	**7,793**	**818**	**9,170**	**866**
Financial income	8	129	14	57	6	135	13
Financial expenses	8	–1,454	–161	–1,227	–129	–1,569	–149
Profit before tax		**974**	**108**	**6,623**	**695**	**7,736**	**730**
Tax	9	–1,267	–140	–1,755	-184	–1,958	–185
Net profit for the year from continuing operations		**–293**	**–32**	**4,868**	**511**	**5,778**	**545**
Profit/loss from disposal group held for sale	3	**900**	**100**	**724**	**76**	**–948**	**–89**
Net profit for the year		**607**	**68**	**5,592**	**587**	**4,830**	**456**
Earnings attributable to:							
Owners of the Parent		548	61	5,552	583	4,765	450
Non-controlling interests		59	7	40	4	65	6
Earnings per share							
Earnings per share, SEK – owners of the Parent							
before dilution effects		0:78		7:90		6:78	
after dilution effects		0:78		7:90		6:78	
Dividend per share, SEK		4:20[2)]		4:00		3:70	
Earnings attributable to owners of the Parent		**548**		**5,552**		**4,765**	
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 held for sale are recognised net on the line Profit/loss from disposal group held for sale.

Consolidated statement of comprehensive income

SEKm	2011	2010	2009
Profit for the year	**607**	**5,592**	**4,830**
Other comprehensive income for the year			
Actuarial gains/losses on defined-benefit pension plans	–3,512	523	–949
Available-for-sale financial assets:			
Gains/Losses from fair-value measurement recognised in equity	–352	328	331
Transferred to profit or loss upon sale	0	8	0
Cash flow hedges:			
Gains or losses from remeasurement of derivatives recognised in equity	–172	711	–202
Transferred to profit or loss for the period	–308	–234	319
Transferred to cost of hedged investments	19	15	–10
Exchange differences on translating foreign operations	–684	–8,633	–2,750
Gains/losses from hedges of net investments in foreign operations	–252	4,613	1,391
Income tax relating to components of other comprehensive income	1,023	–292	192
Other comprehensive income for the year, net after tax	**–4,238**	**–2,961**	**–1,678**
Total comprehensive income for the year	**–3,631**	**2,631**	**3,152**
Total comprehensive income attributable to:			
Owners of the Parent	–3,690	2,699	3,164
Non-controlling interests	59	–68	–12

By business area	Net sales[3) 5)]			Operating profit[4) 5)]		
SEKm	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Personal Care	24,775	25,027	25,581	2,645	2,922	3,235
Tissue	39,118	39,870	41 260	3,150	3,041	3,946
Packaging[5)]	26,650	26,831	27,235	1,909	1,577	413
Forest Products	17,180	17,123	16,908	2,001	2,455	2,503
Publication papers	8,854	8,526	9 759	183	–88	1,253
Pulp, timber and solid-wood products	8,326	8,597	7,149	1,818	2,543	1,250
Other	1,881	1,855	1,470	–481	–387	–449
Intra-Group deliveries	–3,854	–3,471	–3,096	–	–	–
Total	**105,750**	**106,965**	**109,358**	**9,224**	**9,608**	**9,648**

1) Average exchange rate of 9.02 (9.53; 10.59) was applied in translation to EUR.
2) Board proposal.
3) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.
4) Excluding items affecting comparability.
5) Including the packaging operations held for sale.

Consolidated statement of changes in equity

SEKm	2011	2010	2009
Attributable to owners of the Parent			
Opening balance, 1 January	67,255	67,156	66,450
Total comprehensive income for the year	–3,690	2,699	3,164
Remeasurement effect in acquisition of non-controlling interest	–4	–1	–
Dividend	–2,809	–2,599	–2,458
Closing balance	**60,752**	**67,255**	**67,156**
Non-controlling interests			
Opening balance, 1 January	566	750	802
Total comprehensive income for the year	59	–68	–12
Dividend	–89	–58	–40
Change in Group composition	3	–58	–
Closing balance	**539**	**566**	**750**
Total equity, closing balance	**61,291**	**67,821**	**67,906**

For further information, see Note 24 Equity.

Consolidated operating cash flow statement, supplementary disclosure[1)]

	2011		2010		2009	
Group	**SEKm**	**EURm[2)]**	**SEKm**	**EURm[2)]**	**SEKm**	**EURm[2)]**
Net sales[3)]	105,750	11,719	106,965	11,221	109,358	10,324
Operating expenses	–90,684	–10,049	–91,144	–9,561	–92,916	–8,772
Operating surplus	**15,066**	**1,670**	**15,821**	**1,660**	**16,442**	**1,552**
Adjustment for significant non-cash items	–601	–67	–724	–76	–709	–67
Operating cash surplus	**14,465**	**1,603**	**15,097**	**1,584**	**15,733**	**1,485**
Change in						
Operating receivables	–894	–99	–3,197	–335	1,556	147
Inventories	–562	–62	–1,866	–196	2,210	209
Operating liabilities	211	23	4,021	422	–459	–44
Change in working capital	**–1,245**	**–138**	**–1,042**	**–109**	**3,307**	**312**
Current capital expenditures, net	–3,747	–415	–3,647	–383	–4,037	–381
Restructuring costs, etc.	–896	–100	–653	–69	–870	–82
Operating cash flow	**8,577**	**950**	**9,755**	**1,023**	**14,133**	**1,334**
Financial items	–1,290	–143	–1,116	–117	–1,644	–155
Income taxes paid	–961	–106	–1,255	–131	–1,003	–94
Other	57	6	15	1	4	0
Cash flow from current operations	**6,383**	**707**	**7,399**	**776**	**11,490**	**1,085**
Strategic capital expenditures, restructuring costs and divestments						
Acquisitions	–983	–109	–493	–52	–51	–5
Strategic capital expenditures, non-current assets	–1,910	–211	–2,427	–254	–3,031	–286
Total strategic capital expenditures	**–2,893**	**–320**	**–2,920**	**–306**	**–3,082**	**–291**
Divestments	292	32	1,297	136	75	7
Cash flow from strategic restructuring costs, capital expenditures and divestments	**–2,601**	**–288**	**–1,623**	**–170**	**–3,007**	**–284**
Cash flow before dividend	**3,782**	**419**	**5,776**	**606**	**8,483**	**801**
Sale of treasury shares			–	–	–	–
Dividend to shareholders	–2,898	–321	–2,657	–280	–2,498	–236
Net cash flow	**884**	**98**	**3,119**	**326**	**5,985**	**565**

Net debt

	2011		2010		2009	
	SEKm	**EURm[1)]**	**SEKm**	**EURm[1)]**	**SEKm**	**EURm[1)]**
Net debt, 1 January	**–34,406**	**–3,825**	**–40,430**	**–3,916**	**–47,002**	**–4,298**
Net cash flow	884	98	3,119	326	5,985	565
Remeasurements to equity	–3,505	–388	695	73	–729	–69
Exchange rate effects	379	15	2,210	–308	1,316	–114
Net debt, 31 December	**–36,648**	**–4,100**	**–34,406**	**–3,825**	**–40,430**	**–3,916**

1) Including the packaging operations held for sale.
2) Average exchange rate of 9.02 (9.53; 10.59) was applied in translation to EUR.
3) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.

Consolidated cash flow statement including the packaging operations held for sale*

Group	2011 SEKm	2011 EURm**	2010 SEKm	2010 EURm**	2009 SEKm	2009 EURm**
Operating activities						
Profit before tax	2,258	250	7,561	793	6,546	618
Adjustment for non-cash items[1)]	10,093	1,118	5,751	603	6,431	607
	12,351	**1,368**	**13,312**	**1,396**	**12,977**	**1,225**
Paid tax	–961	–106	–1,255	–132	–1,003	–95
Cash flow from operating activities before changes in working capital	**11,390**	**1,262**	**12,057**	**1,264**	**11,974**	**1,130**
Cash flow from changes in working capital						
Change in inventories	–562	–62	–1,866	–196	2,210	209
Change in operating receivables	–894	–99	–3,197	–335	1,556	147
Change in operating liabilities	211	23	4,021	422	–459	–43
Cash flow from operating activities	**10,145**	**1,124**	**11,015**	**1,155**	**15,281**	**1,443**
Investing activities						
Acquisition of operations[2)]	–932	–103	–458	–48	–45	–4
Sold operations[3)]	109	12	1,205	126	71	7
Investments in property, plant and equipment and intangible assets[4)]	–5,911	–655	–6,370	–668	–7,215	–681
Sale of property, plant and equipment	265	29	303	32	150	14
Loans granted to external parties	–179	–20	–	–	–	–
Repayment of loans to external parties	–	–	934	98	672	63
Cash flow from investing activities	**–6,648**	**–737**	**–4,386**	**–460**	**–6,367**	**–601**
Financing activities						
Loans raised	294	33	–	–	–	–
Amortisation of debt	–	–	–7,179	–753	–6,966	–658
Dividend paid***	–2,898	–321	–2,657	–279	–2,498	–236
Cash flow from financing activities	**–2,604**	**–288**	**–9,836**	**–1,032**	**–9,464**	**–894**
Cash flow for the year	**893**	**99**	**–3,207**	**–337**	**–550**	**–52**
Cash and cash equivalents at the beginning of the year	1,866	207	5,148	499	5,738	524
Exchange differences in cash and cash equivalents	–7	2	–75	45	–40	27
Cash and cash equivalents at the end of the year[5)]	**2,752**	**308**	**1,866**	**207**	**5,148**	**499**

* The condensed cash flow attributable to the packaging operations held for sale is reported separately in Note 3.

** Average exchange rate of 9.02 (9.53; 10.59) was applied in translation to EUR.

*** Including dividend to non-controlling interests.

1)

Adjustment for non-cash items, SEKm	**2011**	**2010**	**2009**
Depreciation/amortisation and impairment of non-current assets	11,235	6,442	7,428
Fair-value measurement of forest assets	–623	–629	–668
Unpaid relating to efficiency programme	40	577	463
Payments relating to efficiency programme already recognised	–408	–482	–499
Other	–151	–157	–293
Total	**10,093**	**5,751**	**6,431**

2)

Acquisition of operations, SEKm	**2011**	**2010**	**2009**
Non-current assets	819	415	38
Operating assets	125	116	32
Cash and cash equivalents	11	3	1
Provisions and other non-current liabilities	–27	–112	–
Net debt excl. cash and cash equivalents	–51	–35	–6
Operating liabilities	–90	–31	–24
Non-controlling interests	-3	-	-
Fair value of net assets	**784**	**356**	**41**
Goodwill	314	83	37
Acquisition price	**1,098**	**439**	**78**
Acquisition price	– 1,098	–439	–78
Unpaid purchase price related to acquisition	155	–	32
Settled debt pertaining to acquisitions in earlier years	–	–22	0
Cash and cash equivalents in acquired companies	11	3	1
Effect on Group's cash and cash equivalents, acquisition of operations	**–932**	**–458**	**–45**

3)

Divested operations, SEKm	**2011**	**2010**	**2009**
Non-current assets	195	1,262	80
Operating assets	432	853	27
Cash and cash equivalents	22	135	1
Net debt excl. cash and cash equivalents	–56	–92	–4
Provisions	–6	–19	–
Operating liabilities	–303	–742	–24
Non-controlling interests	–	–58	–
Gain/loss on sale, excluding reversal to profit or loss of realised translation differences in divested companies	–33	1	–8
Purchase price received after divestment costs	**251**	**1,340**	**72**
Less:			
Unpaid purchase consideration	–109	–	–
Cash and cash equivalents in divested companies	–22	–135	–1
Cash and cash equivalents upon reclassification of joint ventures to associates	–11	–	–
Effects on the Group's cash and cash equivalents, Divested operations (Consolidated cash flow statement)	**109**	**1,205**	**71**

4) **Investments in intangible assets and property, plant and equipment**

Payments due to investments in intangible assets, property, plant and equipment, and biological assets totalled SEK 5,911m (6,370; 7,215). In addition, investments amounting to SEK 11m (7; 3) were financed through finance leases. Of total investments of SEK 5,922m (6,377; 7,218) including finance leases, SEK 1,910m (2,427; 3,031) relates to expansion investments and SEK 4,012m (3,950; 4,187) to current expenditures.

5)

Cash and cash equivalents, SEKm	**2011**	**2010**	**2009**
Cash and bank balances	1,121	1,291	1,570
Short-term investments, maturity < 3 months	1,631	575	3,578
Total	**2,752**	**1,866**	**5,148**

The Group's total liquidity reserve at year-end amounted to SEK 23,768m (30,259; 38,548), including unutilised lines of credit of SEK 21,016m (28,393; 33,400).

Interest paid, SEKm	**2011**	**2010**	**2009**
Interest paid	–1,383	–1,328	–2,021
Interest received	45	43	89
Total	**–1,338**	**–1,285**	**–1,932**

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

Cash flow from operating activities

SEKm	2011	2010	2009
Cash flow from operating activities	10,145	11,015	15,281
Add			
Current capital expenditures	–3,747	–3,647	–4,037
Accrued interest	–15	31	246
Cash flow from current operations a s shown in the Consolidated operating cash flow statement	**6,383**	**7,399**	**11,490**

Cash flow from investing activities

SEKm	2011	2010	2009
Cash flow from investing activities	–6,648	–4,386	–6,367
Less			
Current capital expenditures	3,747	3,647	4,037
Loans granted to external parties	179	–	–
Repayment of loans from external parties	–	–934	–672
Add			
Net debt in acquired and divested operations	132	57	–2
Investments financed by leasing	–11	–7	–3
Cash flow from strategic capital expenditures, restructuring costs and divestments according to the Consolidated operating cash flow statement	**–2,601**	**–1,623**	**–3,007**

Cash flow for the year

SEKm	2011	2010	2009
Cash flow for the year	893	–3,207	–550
Less			
Loans granted to external parties	179	–	–
Repayment of loans from external parties	–	–934	–672
Amortisation of debt	–	7,179	6,966
Loans raised	–294	–	–
Add			
Net debt in acquired and divested operations	132	57	–2
Accrued interest	–15	31	246
Investments through finance leases	–11	–7	–3
Net cash flow according to Consolidated operating cash flow statement	**884**	**3,119**	**5,985**

Consolidated balance sheet

		31 Dec. 2011		31 Dec. 2010		31 Dec. 2009	
Group	**Note**	**SEKm**	**EURm[1)]**	**SEKm**	**EURm[1)]**	**SEKm**	**EURm[1)]**
ASSETS							
Non-current assets							
Goodwill	10	9,433	1,055	17,688	1,966	19,147	1,855
Other intangible assets	10	2,629	294	3,270	363	3,404	330
Buildings, land, machinery and equipment	11	42,599	4,766	56,167	6,243	61,404	5,947
Biological assets	12	26,729	2,991	26,069	2,898	25,397	2,460
Participations in associates	13	1,067	119	1,021	113	979	95
Shares and participations	14	69	8	77	9	80	8
Surplus in funded pension plans	26	2	0	1,056	118	230	22
Non-current financial assets	17	2,081	233	2,198	244	1,832	177
Deferred tax assets	9	715	80	1,169	130	1,156	112
Other non-current assets		187	21	194	21	178	17
Total non-current assets		**85,511**	**9,567**	**108,909**	**12,105**	**113,807**	**11,023**
Current assets							
Inventories	19	11,009	1,232	12,511	1,391	11,459	1,110
Trade receivables	20	11,548	1,292	15,616	1,736	16,103	1,560
Current tax assets	9	377	42	547	61	332	32
Other current receivables	21	2,643	295	3,216	357	2,711	262
Current financial assets	22	292	33	220	24	194	19
Non-current assets held for sale	23	3,379	378	93	10	105	10
Cash and cash equivalents	22	2,644	296	1,866	207	5,148	499
Total current assets		**31,892**	**3,568**	**34,069**	**3,786**	**36,052**	**3,492**
Assets in disposal group held for sale	3	**21,601**	**2,417**				
Total assets		**139,004**	**15,552**	**142,978**	**15,891**	**149,859**	**14,515**
EQUITY AND LIABILITIES							
Equity	24						
Owners of the Parent							
Share capital		2,350	263	2,350	261	2,350	228
Other capital provided		6,830	764	6,830	677	6,830	661
Reserves		-2,170	-243	–543	–60	2,682	260
Retained earnings		53,742	6,013	58,618	6,597	55,294	5,355
		60,752	**6,797**	**67,255**	**7,475**	**67,156**	**6,504**
Non-controlling interests		539	60	566	63	750	73
Total equity		**61,291**	**6,857**	**67,821**	**7,538**	**67,906**	**6,577**
Non-current liabilities							
Non-current financial liabilities	25	27,711	3,100	23,459	2,608	30,343	2,939
Provisions for pensions	26	3,301	370	3,108	345	3,567	345
Deferred tax liabilities	9	9,350	1,046	10,800	1,201	9,784	948
Other non-current provisions	27	640	72	553	61	477	46
Other non-current liabilities	28	217	24	238	26	185	18
Total non-current liabilities		**41,219**	**4,612**	**38,158**	**4,241**	**44,356**	**4,296**
Current liabilities							
Current financial liabilities	25	9,266	1,037	13,047	1,450	13,761	1,333
Trade payables		10,866	1,216	13,574	1,509	12,364	1,198
Current tax liabilities	9	247	28	388	43	385	37
Current provisions	27	629	70	894	99	1,107	107
Other current liabilities[2)]	29	7,885	882	9,096	1,011	9,980	967
Total current liabilities		**28,893**	**3,233**	**36,999**	**4,112**	**37,597**	**3,642**
Liabilities in disposal group held for sale	3	**7,601**	**850**				
Total equity and liabilities		**139,004**	**15,552**	**142,978**	**15,891**	**149,859**	**14,515**

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

Capital employed	97,939	10,957	102,227	11,363	108,336	10,493
Net debt, including the packaging operations held for sale	36,648	4,100	34,406	3,825	40,430	3,916

1) Closing exchange rate of 8.94 (9.00; 10.32) was applied in translation to EUR.
2) As of 2010, bills receivable are included in trade payables instead of in other current liabilities. Reclassification was conducted for the comparative year 2009.

Financial statements, Parent Company

Income statement [1)]

SEKm	Note	2011	2010
Administrative expenses		–630	–477
Other operating income		174	185
Other operating expenses		–171	–179
Operating loss	34, 35, 36	**–627**	**–471**
Financial items	37		
Income from participations in Group companies		5,436	4,794
Expenses from participations in other companies		–5	–2
Interest income and similar profit items		629	912
Interest expenses and similar loss items		–3,305	–2,343
Total financial items		**2,755**	**3,361**
Profit after financial items		**2,128**	**2,890**
Appropriations	38	–13	–9
Tax on profit for the year	39	173	–383
Net profit for the year		**2,288**	**2,498**

Statement of comprehensive income

SEKm	2011	2010
Net profit for the year	**2,288**	**2,498**
Other comprehensive income	–	–
Total comprehensive income	**2,288**	**2,498**

Cash flow statement [1)]

SEKm	2011	2010
Operating activities		
Profit after financial items	2,128	2,890
Adjustment for non-cash items [2)]	150	–598
	2,278	**2,292**
Income taxes paid	0	0
Cash flow from operating activities before changes in working capital	**2,278**	**2,292**
Cash flow from changes in working capital		
Change in operating receivables [3)]	4,684	–3,706
Change in operating liabilities [3)]	–3,963	689
Cash flow from operating activities	**2,999**	**–725**
Investing activities		
Acquisition of subsidiaries [4)]	–370	–
Acquisition of non-current assets	–212	–115
Sale of tangible fixed assets	25	10
Cash flow from investing activities	**–557**	**–105**
Financing activities		
Loans raised	367	3,428
Dividend paid	–2,809	–2,598
Cash flow from financing activities	**–2,442**	**830**
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 [5)]	0	0

1) In accordance with RFR2, the Group recognises received and paid Group contributions in profit or loss among financial items. Comparative year has been restated. A slight adjustment was also made to the cash flow statement.

2)

Adjustment for non-cash items	2011	2010
Depreciation/amortisation of fixed assets	53	49
Change in accrued items	83	–662
Other	14	15
Total	**150**	**–598**

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

4) Capital contribution.

5) The company's current account is a subsidiary account and is recognised in the balance sheet as liabilities to subsidiaries.

Supplementary disclosures

Interest and dividends paid and received	2011	2010
Dividends received	3,839	3,068
Group contribution received	6,910	2,285
Group contribution paid	–4,692	–1,302
Interest paid	–2,795	–1,631
Interest received	265	214
Total	**3,527**	**2,634**

Balance sheet[1)]

SEKm	Note	31 Dec. 2011	31 Dec. 2010
ASSETS			
Fixed assets			
Capitalised development costs		1	1
Intangible fixed assets	40	**1**	**1**
Land and buildings		6,490	6,425
Machinery and equipment		14	16
Tangible fixed assets	41	**6,504**	**6,441**
Participations	42	124,484	124,005
Receivables from subsidiaries	43	2,894	471
Other long-term receivables		125	128
Financial fixed assets		**127,503**	**124,604**
Total fixed assets		**134,008**	**131,046**
Current assets			
Receivables from subsidiaries	43	1,394	6,005
Current income taxes	39	18	18
Other current receivables	44	100	96
Cash and cash equivalents		0	0
Total current assets		**1,512**	**6,119**
Total assets		**135,520**	**137,165**

SEKm	Note	31 Dec. 2011	31 Dec. 2010
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		35,950	36,261
Net profit for the year		2,288	2,498
Total non-restricted equity		**38,238**	**38,759**
Total equity		**49,234**	**49,755**
Untaxed reserves	38	**169**	**156**
Provisions			
Provisions for pensions	46	491	453
Provisions for taxes	39	423	596
Other provisions		1	1
Total provisions		**915**	**1,050**
Non-current liabilities			
Liabilities to subsidiaries	43	2,181	–
Non-current financial liabilities	47	13,630	9,256
Other non-current liabilities		0	0
Total non-current liabilities		**15,811**	**9,256**
Current liabilities			
Liabilities to subsidiaries	43	68,935	76,743
Accounts payables		87	18
Other current liabilities	48	369	187
Total current liabilities		**69,391**	**76,948**
Total equity, provisions and liabilities		**135,520**	**137,165**
Contingent liabilities	49	22,286	26,441
Pledged assets	50	156	155

Change in equity[1)] **(Refer also to Note 45)**

SEKm	Share capital	Revaluation reserve	Statutory reserve	Retained earnings and net profit for the year	Total equity
Equity at 31 December 2009	**2,350**	**1,363**	**7,283**	**38,859**	**49,855**
Profit for the year				2,498	2,498
Dividend, SEK 3.70 per share				–2,598	–2,598
Equity at 31 December 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 31 December 2011	**2,350**	**1,363**	**7,283**	**38,238**	**49,234**

1) In accordance with RFR2, the Group recognises received and paid Group contributions in profit or loss instead of in Retained earnings as in previous years. Comparative year has been restated.

Notes

NOTE 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 financial year that ended on 31 December 2011. 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. 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 2011 and were adopted by the EU:

The below amendments of standards (IAS/IFRS) and new and amended interpretations (IFRIC) came into effect in 2011 and were adopted by the EU. None of these had any material impact on SCA's financial reporting.

- IFRS 1 First-Time Adoption of IFRS
- IFRS 2 Share-based Payment
- IAS 24 Related Party Disclosures
- IAS 32 Financial Instruments: Presentation
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 The Limit on a Defined Benefit Asset etc.

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 revision means 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 financial year commencing on 1 January 2013 and has not yet evaluated the impact. The standard has not yet been adopted by the EU.
- 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 through profit or loss and measurement at amortised cost. The classification is determined at the 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 recognised 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 financial year commencing 1 January 2015 and has not yet evaluated the 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 standard provides further guidance that can be of assistance when it is difficult to determine control. The Group intends to apply IFRS 10 for the financial year commencing 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.
- IFRS 11 Joint Arrangements is a new standard for classification of joint arrangements as joint ventures or joint operations. In the future, joint ventures will be recognised in accordance with the equity method. The Group intends to apply IFRS 11 for the financial year commencing 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.
- IFRS 12 Disclosures of Interests in Other Entities includes the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group has not yet evaluated the full impact of IFRS 12 on the financial statements. The Group intends to apply IFRS 12 for the financial year commencing 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.
- 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 Group has not yet evaluated the full impact of IFRS 13 on the financial statements. The Group intends to apply the new standard for the financial year commencing 1 January 2013. The standard has not yet been adopted by the EU.

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
- IAS 12 Deferred tax: Recovery of underlying assets
- IFRS 7 Financial Instruments: Disclosures relating to new disclosure requirements for transfer of financial assets
- IAS 27 Consolidated and 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 recognised 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 recognises 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 an acquisition analysis). 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 recognised in profit or loss. The effects of the remeasurement upon payment of the liability related to a contingent consideration are recognised in profit for the period. If the controlling influence is lost upon divestment, the result is recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in equity under other comprehensive income. Gains and losses on operating receivables and liabilities are recognised net and reported within operating profit. Gains and losses on borrowing and financial investments are recognised 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 analysed and the change attributable to changed exchange rates is recognised in profit or loss, while other unrealised change is recognised in equity under other comprehensive income. Translation differences for non-monetary financial assets and liabilities valued at fair value through profit or loss are recognised 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 recognised 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 recognised 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 recognised in the period covered by the rental contract, royalties and similar items, which are recognised in accordance with the implied financial effect of the contract. Interest income is recognised in accordance with the effective interest method. Dividends received are recognised when the right to receive a dividend has been established.

SEGMENT REPORTING
Operating segments are recognised 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 48–49. SCA's four business areas, Personal Care, Tissue, Packaging and Forest Products, comprise the operating segments, whereby Forest Products is divided into two segments, Publication papers and Pulp, timber and solid-wood products.

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 recognised as a non-current asset and a corresponding financial liability is recognised 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 amortisation 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 recognised 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 recognised 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 recognised on the asset down to the recoverable amount. An impairment loss recognised 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 recognised 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' recognised 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 recognised as income tax. Deferred tax is calculated and recognised 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 recognised to the extent it is probable that deductions can be made against future profits.

Deferred tax is not recognised 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 recognised 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 recognised in profit or loss, related tax effects are also recognised in profit or loss. For items recognised in equity under other comprehensive income, related tax effects are also recognised in equity under other comprehensive income. Deferred taxes relating to temporary differences attributable to investments in subsidiaries and participations in joint ventures are not recognised 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 recognised in the Parent Company's annual accounts as a component of untaxed reserves.

NOTE 1 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 recognised as goodwill. When this difference is negative, the amount is recognised 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 recognised 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 recognised 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 recognised at cost after any accumulated amortisation and accumulated impairments. Trademarks that are found to have an indefinite useful life are not amortised, 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 amortised on a straight-line basis during their anticipated useful life, which varies between three and seven years.

Research and development

Research expenditure is recognised 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 capitalised to the extent it is expected to provide future economic benefits. In other cases, development costs are expensed as incurred. Capitalised expenditure is depreciated in a straight line from the date when the asset can start 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 recognised as an intangible asset and as deferred income (liability) when they are received. Allowances are received free of charge and measured and recognised at market value as of the date to which the allocation pertains. For allocated emission allowances, the recognised cost and provisions for emissions amount to the market value as of the date to which the allocation pertains. For purchased emission allowances, the recognised 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 recognised 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 recognised 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 recognised 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 recognised as an asset and amortised 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 recognised 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 capitalised. All other forms of repair and maintenance are recognised 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
Harbours, 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 recognised 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 recognised as a biological asset. Forest land and forest roads are classified as land and land improvements. The biological assets are measured and recognised at fair value after deduction for estimated selling costs. The change in value is recognised 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 recognised 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 recognised 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 recognised at cost, which corresponds to the fair value of the instrument including transaction costs. Financial assets are derecognised 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 derecognised 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 utilised loans under syndicated lines of credit are recognised 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 recognised continuously at fair value and changes in value are recognised 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 amortised cost applying the effective interest method, which means they are accrued so that a constant return is obtained. No financial instrument was classified in this category during the year.

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 amortised cost less a potential provision for impairment. Trade receivables are recognised 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 recognised in equity under other comprehensive income. A change attributable to exchange rate movements, however, is recognised in profit or loss. When the asset is sold, the cumulative gain or loss that was recognised in equity is recognised 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 recognised in profit or loss. Only derivatives were classified in this category during the year.

Financial liabilities measured at amortised cost

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

Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously recognised at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognised 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 recognised 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 recognised directly in profit or loss. If a hedge relationship is interrupted and cash flow is still expected, the result is recognised 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 recognised 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 derivates intended to hedge SCA's net investments in foreign operations are recognised in equity under other comprehensive income. The cumulative gain or loss in equity is recognised 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 recognised 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 recognised directly in profit or loss, any ineffectiveness is recognised 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 recognised directly in profit or loss.

INVENTORIES

Inventories are recognised at the lower of cost and net realisable 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 labour, other direct expenses and production-related overheads, based on a normal production level. Interest expenses are not included in measurement of inventories. Net realisable 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 realisable 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 utilisation 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 recognised. The gain is limited to the amount equivalent to previously made impairments charges. Both gains and losses on subsequent value changes are recognised 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 recognised on a separate line in the income statement. Comparative figures in the income statement are adjusted as thought 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 recognised, 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.

NOTE 1 CONT.

EMPLOYEE BENEFITS

Pensions

There are many defined-contribution and defined-benefit pension plans within the Group, of which most of these have plan assets. The liability recognised 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 recognised 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 recognised directly in equity under other comprehensive income in the period in which they arise. The total cost relating to defined-benefit plans is divided 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 recognised as an expense during the period the employees carry out the service to which the payment relates. Prepaid contributions are only recognised as an asset to the extent the Group is entitled to a repayment or reduction of future payments. Past service costs are recognised 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 recognised 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 recognised 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 recognised 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 recognised as an expense when the Group has an obligation to compensate employees whose employment was terminated early.

PROVISIONS

Provisions for dilapidations, restructuring or legal disputes are recognised 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 fulfil 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 recognised on an ongoing basis as an interest expense in profit or loss.

GOVERNMENT GRANTS

Government grants are recognised 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 recognised in the balance sheet by the grant reducing the carrying amount of the asset. Government grants received as compensation for costs are accrued and recognised 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 recognised as other income.

NOTE 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 31 December 2011 amounted to SEK 26,729m. 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 31 December 2011 amounted to SEK 9,433m. 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 4,505m at 31 December 2011. 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 recognised 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 utilisation of deferred tax assets depends on this. As at 31 December 2011, SEK 715m was recognised 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.

NOTE 3 ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS

Acquisitions made during the year totalled SEK 983m, including assumed net debt. The acquisitions mainly relate to:

Company	Operations	Acquisition date	Acquisition price[1], SEKm	Goodwill, SEKm	Acquired %	Total holding after acquisition %
San Saglik, Turkey	Personal Care	August 2011	100	2	95	95
Komili Kagit, Turkey	Personal Care	August 2011	260	–	50	50
Pro Descart, Brazil	Personal Care	September 2011	404	311	100	100

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

The acquisitions above are reported in the Board of Directors' Report on page 13 under the section Acquisitions, investments and divestments. A portion of the acquisition price for Pro Descart, Brazil, will be paid between 2012 and 2014, which reduced cash flow from acquisitions for the year by SEK 155m. In addition to these acquisitions, SCA utilised its purchase option in May and assumed ownership of three vessels that were part of SCA Forest Products' distribution system at an acquisition price of SEK 277m. Of acquisitions for the year totalling SEK 983m, SEK 932m was paid in cash including assumed cash and cash equivalents, and the remaining SEK 51m comprises assumed net debt. Acquisition costs of approximately SEK 17m relating to acquisitions in 2011 are included in operating profit.

The fair value of acquired receivables amounts to SEK 88m, which concurs with the contractual gross amount for overdue receivables. Goodwill relates to acquisition of market shares, where an individual value for another asset was not identified. Acquired goodwill is not deductible in income taxation in either Brazil or Turkey. There are no plans to divest all or parts of any of the acquired operations.

Effect on sales and earnings of acquisitions for the year

The acquisition of the Personal Care operations in Turkey increased SCA's net sales by SEK 37m in 2011 and decreased operating profit by SEK 6m. If the operations in Turkey had been consolidated as of 1 January 2011, the acquired operations' net sales would have amounted to approximately SEK 110m and the operating loss would have been about SEK 18m. The acquisition of Pro Descart in Brazil increased SCA's net sales by SEK 130m in 2011 and decreased operating profit by SEK 15m. If the Pro Descart operations had been consolidated as of 1 January 2011, the acquired operations' net sales would have amounted to approximately SEK 400m and the operating loss would have been about SEK 45m.

Acquired operations

The table below shows the fair value of acquired net assets recognised on the acquisition date, recognised goodwill and the effect on the Group's cash flow statements of all acquisitions. The acquisition balance for Pro Descart may change since the review of the company's tax situation has not yet been completed. Otherwise, no major changes in the acquisition balances below are expected to occur in 2012. No changes were made in 2011 to the preliminary acquisition balance for acquisitions in 2010.

Acquisition balance sheet (2011 preliminary)

SEKm	2011	2010	2009
Non-current assets	819	415	38
Operating assets	125	116	32
Cash and cash equivalents	11	3	1
Provisions and other non-current liabilities	–27	–112	–
Net debt excl. cash and cash equivalents	–51	–35	–6
Operating liabilities	–90	–31	–24
Non-controlling interests	–3	–	–
Fair value of net assets	**784**	**356**	**41**
Goodwill[1]	314	83	37
Acquisition price	**1,098**	**439**	**78**
Acquisition price	–1,098	–439	–78
Unpaid purchase price related to acquisition	155	–	32
Settlement of liability for purchase price for acquisitions in earlier years	–	–22	–
Cash and cash equivalents in acquired companies	11	3	1
Impact on consolidated cash and cash equivalents, Business Combinations (Consolidated cash flow statement)	**–932**	**–458**	**–45**
Acquired net debt excl. cash and cash equivalents	–51	–35	–6
Acquisition of operations during the year incl. net debt assumed (Consolidated operating cash flow statement)	**–983**	**–493**	**–51**

1) Specification of investment in goodwill:

SEKm	2011	2010	2009
Investment in goodwill related to acquisitions	314	83	42
Recovery of previously paid purchase price	–	–	–5
Total	**314**	**83**	**37**

DIVESTMENTS

In May, SCA sold its Greek packaging business to a Turkish packaging company in which SCA has a 49% interest. The purchase consideration received amounted to SEK 142m, of which SEK 9m has been paid and the remaining purchase consideration will be paid by 2018 in accordance with an established payment plan. The remaining receivable has been discounted to its present value and recognised as a deductible item of SEK 109m in the cash flow. Sales in the Greek packaging business in 2010 amounted to approx SEK 500m. In May and November, two Russian packaging factories were divested in Kuban and St Petersburg, respectively. The purchase consideration received totalled SEK 62m for Kuban and SEK 86m for St Petersburg. Annual sales for Kuban were about SEK 220m and for St Petersburg about SEK 210m.

In April 2010, SCA divested its Asian packing operations and, in 2009, SCA divested its holding in the 50%-owned joint venture Godrej SCA Hygiene Ltd, India, and the paper mill in Pratovecchio, Italy.

Assets and liabilities included in divestments

SEKm	2011	2010	2009
Non-current assets	195	1,262	80
Operating assets	432	853	27
Cash and cash equivalents	22	135	1
Net debt excl. cash and cash equivalents	–56	–92	–4
Provisions	–6	–19	–
Operating liabilities	–303	–742	–24
Non-controlling interests	–	–58	–
Gain/loss on sale excluding reversal to profit or loss of realised translation differences in divested companies	–33	1	–8
Compensation received after divestment expenses	**251**	**1,340**	**72**
Less:			
Purchase consideration not received	–109	–	–
Cash and cash equivalents in divested companies	–22	–135	–1
Cash and cash equivalents in conjunction with reclassification of joint venture to associate	–11	–	–
Impact on consolidated cash and cash equivalents, Divested Operations (Consolidated cash flow statement)	**109**	**1,205**	**71**
Divested net debt excl. cash and cash equivalents	56	92	4
Net debt excl. cash and cash equivalents in conjunction with reclassification of joint venture to associate	127	–	–
Divestment of operations during the year incl. net debt transferred (Consolidated operating cash flow statement)	**292**	**1,297**	**75**

NOTE 3 CONT.

Operations held for sale to DS Smith packaging company

In January 2012, an agreement was signed for the divestment of the packaging operations, excluding the kraftliner operations in Sweden. Revenues and expenses in the consolidated income statement have been separated for the financial year and each comparative year and are recognised on the line "Profit/loss from disposal group held for sale." In the consolidated balance sheet, assets and liabilities in the packaging operations have been separated for the 2011 financial year and are recognised on the lines "Assets in disposal group held for sale" and "Liabilities in disposal group held for sale." In calculations of the disposal group's profit for the period as well as assets, liabilities and cash flow, SCA has used the same accounting principles as for the rest of the Group, with certain, special additions and assumptions, which are reported on in this section. In connection with the ongoing divestment, an impairment of assets has been made to a value that corresponds to the contracted purchase price. The units included in the disposal group include all of the companies that are owned directly or indirectly by SCA and are included in the part of Packaging that are intended to be divested. The recognised tax expense has been based on the calculations for the respective units with applicable adjustments for the disposal group and the rest of the Group as a whole. This approach has also been applied for net financial items. Other items have been calculated and classified on the same basis as for the rest of the SCA Group.

The following summaries present the revenues and expenses for the packaging operations for the financial year and for each comparative year, assets and liabilities in summary at 31 December 2011 and condensed cash flow statement for the financial year and for each comparative year.

Income statement for disposal group held for sale

SEKm	2011	2010	2009
Net sales	24,413	24,234	23,651
Cost of goods sold	–20,410	–20,441	–20,263
Gross profit	**4,003**	**3,793**	**3,388**
Sales and administration expenses	–2,518	–2,695	–3,073
Items affecting comparability	–237	–229	–1,296
Share of profits of associates	1	15	1
Operating profit/loss	**1,249**	**884**	**–980**
Financial items	35	54	–210
Profit/loss before tax	**1,284**	**938**	**–1,190**
Tax	–384	–214	242
Profit/loss from disposal group held for sale	**900**	**724**	**–948**

Assets and liabilities in disposal group held for sale

SEKm	2011
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**

Cash flow statement for disposal group held for sale

SEKm	2011	2010	2009
Cash flow from operating activities	1,574	1,539	1,026
Cash flow from investing activities	–678	–754	–775
Cash flow from financing activities	–521	–313	123
Cash flow for the year from disposal group held for sale	**375**	**472**	**374**

NOTE 4 OPERATING EXPENSES BY TYPE OF COSTS

Operating expenses by function

SEKm	2011	2010	2009
Cost of goods sold	–61,701	–61,906	–62,982
Sales and administration expenses	–11,981	–12,426	–13,427
Items affecting comparability	–5,439	–702	–162
Total	**–79,121**	**–75,034**	**–76,571**
Disposal group	–23,165	–23,365	–24,632
Total including disposal group	**–102,286**	**–98,399**	**–101,203**

See also page 114 for description of costs.

Operating expenses by type of cost

SEKm	Note	2011	2010	2009
Other income		5,053	4,513	4,052
Change in net value of biological assets	12	623	629	668
Change in inventory of finished products and products in progress[1)]	19	512	63	–1,431
Raw materials and consumables[1)]	19	–39,327	–37,250	–33,621
Personnel expenses[1)]	6	–20,228	–21,137	–22,737
Other operating expenses[1)]		–37,684	–38,775	–40,706
Depreciation	7	–5,927	–6,324	–6,828
Impairments[1)]	7	–5,308	–118	–600
Total		**–102,286**	**–98,399**	**–101,203**

[1)] Including items affecting comparability.

ITEMS AFFECTING COMPARABILITY

Items affecting comparability in 2011 totalled SEK 5,676m, of which SEK 237m pertained to the disposal group. Of total items affecting comparability, SEK 5,308m pertains to impairment and SEK 368m to other expenses. Impairment includes impairment of goodwill and trademarks of SEK 4,984m, of which SEK 3,946m pertains to the divested packaging operations, SEK 1,036m to the hygiene operations in Australasia and SEK 2m to other impairment of goodwill. Items affecting comparability include restructuring costs totalling SEK 955m (931; 1,458), of which SEK 180m (246; 1,458) relate to the Packaging business, SEK 369m (622; –) to the Personal Care business, SEK 291m (–; –) the Tissue business and SEK 88m (63; –) to the Forest Products business. Of restructuring costs, SEK 595m (787; 741) pertains to restructuring costs being paid, SEK 324m (118; 600) to impairment of non-current assets and SEK 36m (26; 117) to impairment of working capital, mainly inventory. Restructuring costs comprise personnel costs in the amount of SEK 517m (603; 499) and other operating expenses of SEK 78m (184; 242).

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 2011, sales of goods and services outside SCA's core business amounted to SEK 4,355m, revenue from SCA's transport business amounted to SEK 555m, rental income amounted to SEK 45m and royalties amounted to SEK 15m. Income of a more occasional nature amounted to SEK 82m of which SEK 77m pertains to gains from the sale of non-current assets.

OTHER OPERATING EXPENSES

SEKm	2011	2010	2009
Transport expenses	–8,614	–8,989	–9,450
Energy expenses[1)]	–6,154	–6,289	–6,866
Purchased finished goods for onward sale	–5,025	–4,797	–4,626
Marketing costs	–3,696	–4,052	–4,227
Repairs and maintenance	–3,160	–3,211	–3,361
IT, telephony and lease of premises	–2,153	–2,925	–3,052
Other operating expenses, production	–3,591	–3,431	–3,476
Other operating expenses, distribution, sales and administration	–4,245	–3,558	–3,581
Other	–1,046	–1,523	–2,067
Total	**–37,684**	**–38,775**	**–40,706**
Disposal group	7,396	7,509	7,884
Total excluding disposal group	**–30,288**	**–31,266**	**–32,822**

[1)] After deduction for revenues from energy in the amount of SEK 929m (903; 1,059).

OTHER DISCLOSURES

Exchange rate differences totalling SEK 252m (pos: 232; neg: 23) are included in operating profit. Government grants received reduced operating expenses by SEK 78m (52; 63). Costs for research and development amounted to SEK 832m (713; 738).

OPERATING LEASES

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

SEKm	2011	2010	2009
Within 1 year	1,452	1,054	994
Between 2 and 5 years	2,967	2,490	2,402
Later than 5 years	1,908	1,389	1,528
Total	**6,327**	**4,933**	**4,924**
Disposal group	–1,143	–1,245	–1,085
Total including disposal group	**5,184**	**3,688**	**3,839**

Cost for the year related to operating leasing of assets amounted to SEK 1,214m. 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	2011	2010	2009
Within 1 year	49	920	121
Between 2 and 5 years	118	112	1,213
Later than 5 years	–	54	48
Total	**167**	**1,086**	**1,382**
Future expenses for financial leasing	–22	–40	–97
Present value of liabilities relating to finance leases	**145**	**1,046**	**1,285**
Disposal group			
Within 1 year	–25	–7	–6
Between 2 and 5 years	–30	–37	–38
Later than 5 years	–	–11	–16
Total	**–55**	**–54**	**–61**
Future financial expenses for financial leasing	7	7	2
Present value of liabilities relating to finance leases, disposal group	**–48**	**–47**	**–59**
Total present value of liabilities relating to finance leases, excluding disposal group	**97**	**999**	**1,226**

Total payments for finance leases during the year amounted to SEK 35m (112; 170). During the year, SEK 7m (19; 44) was recognised as an interest expense and SEK 18m (93; 126) as amortisation of debt. Depreciation of finance lease assets during the year amounted to SEK 16m (89; 115). The carrying amount of finance lease assets at year-end amounted to SEK 120m (152; 179) relating to buildings/land and SEK 9m (873; 1,084) relating to machinery.

For information about significant leasing contracts, refer to Note 32 Contingent liabilities. A leasing contract for a paper machine in Laakirchen was terminated in advance in January 2011.

AUDITING EXPENSES

Remuneration to auditors can be specified as follows:

SEKm	2011	2010	2009
PwC			
Audit assignments	80	71	73
Auditing activities other than the audit assignment	3	2	–
Tax consultancy services	20	8	–
Other assignments	36	10	15
Total PwC	**139**	**91**	**88**
Other auditors			
Audit assignments	1	2	3
Tax consultancy services	8	2	–
Other assignments	5	3	2
Total other auditors	**14**	**7**	**5**
Total	**153**	**98**	**93**
Disposal group	–28	–27	–23
Total excluding disposal group	**125**	**71**	**70**

Auditing activities other than the audit assignment and tax consultancy services were included in other assignments in 2009, but are recognised separately as of 2010.

As of 2010, other assignments are mainly consultations in conjunction with acquisitions and divestments.

NOTE 5 SEGMENT REPORTING

SEKm	Personal Care	Tissue	Packaging	Publication papers	Pulp, timber and solid-wood products	Other operations	Eliminations	Total Group
2011 financial year								
REVENUES								
External sales	24,436	38,885	26,104	8,490	7,066	769	–	105,750
Internal sales	339	233	546	364	1,260	1,112	–3,854	0
Total revenues	**24,775**	**39,118**	**26,650**	**8,854**	**8,326**	**1,881**	**–3,854**	**105,750**
Disposal group	***–***	***–***	***–24,413***	***–***	***–***	***–***	***–***	***–24,413***
Total revenues excluding disposal group	***24,775***	***39,118***	***2,237***	***8,854***	***8,326***	***1,881***	***–3,854***	***81,337***
RESULT								
Segment result	**2,645**	**3,150**	**1,909**	**183**	**1,818**	**–481**	**–**	**9,224**
Items affecting comparability	–744	–597	–4,152	–37	–51	–95	–	–5,676
Operating profit/loss	**1,901**	**2,553**	**–2,243**	**146**	**1,767**	**–576**	**–**	**3,548**
Disposal group								
Result	*–*	*–*	*–1,486*	*–*	*–*	*–*	*–*	*–1,486*
Items affecting comparability	*–*	*–*	*237*	*–*	*–*	*–*	*–*	*237*
Operating profit/loss excluding disposal group	***1,901***	***2,553***	***–3,492***	***146***	***1,767***	***–576***	***–***	***2,299***
Interest income								136
Interest expenses								–1,426
Tax expense for the year								–1,651
Net profit for the year								**607**
Disposal group								
Interest income								*–7*
Interest expenses								*–28*
Tax expense for the year								*384*
Net profit for the year excluding disposal group								***–293***
OTHER DISCLOSURES								
Assets	17,399	45,880	4,724	6,748	37,808	7,940	–9,445	111,054
Allocated to disposal group	–	–	21,601	–	–	–	–	21,601
Holdings in associates	252	653	–	14	40	108	–	1,067
Unallocated assets								5,282
Total assets	**17,651**	**46,533**	**26,325**	**6,762**	**37,848**	**8,048**	**–9,445**	**139,004**
Investments	–1,584	–2,366	–1,262	–444	–1,086	–163	–	–6,905
Depreciation	–1,101	–2,210	–1,284	–753	–539	–40	–	–5,927
Expenses, in addition to depreciation, not matched by payments	–14	91	–30	1	–586	–63	–	–601

SEKm	Personal Care	Tissue	Packaging	Publication papers	Pulp, timber and solid-wood products	Other operations	Eliminations	Total Group
2010 financial year								
REVENUES								
External sales	24,729	39,672	26,266	8,179	7,316	803	–	106,965
Internal sales	298	198	565	347	1,281	1,052	–3,741	0
Total revenues	**25,027**	**39,870**	**26,831**	**8,526**	**8,597**	**1,855**	**–3,741**	**106,965**
Disposal group	**–**	**–**	**–24,234**	**–**	**–**	**–**	**–**	**–24,234**
Total revenues excluding disposal group	***25,027***	***39,870***	***2,597***	***8,526***	***8,597***	***1,855***	***–3,741***	***82,731***
RESULT								
Segment result	2,922	3,041	1,577	–88	2,543	–387	–	9,608
Items affecting comparability	–622	–	–246	–63	–	–		–931
Operating profit/loss	**2,300**	**3,041**	**1,331**	**–151**	**2,543**	**–387**	**–**	**8,677**
Disposal group								
Result	–	–	*–1,113*	–	–	–	–	*–1,113*
Items affecting comparability	–	–	*229*	–	–	–	–	*229*
Operating profit/loss excluding disposal group	***2,300***	***3,041***	***447***	***–151***	***2,543***	***–387***	**–**	***7,793***
Interest income								64
Interest expenses								–1,180
Tax expense for the year								–1,969
Net profit for the year								**5,592**
Disposal group								
Interest income								*–7*
Interest expenses								*–47*
Tax expense for the year								*214*
Net profit for the year excluding disposal group								***4,868***
OTHER DISCLOSURES								
Assets	16,873	47,102	30,420	7,031	36,507	8,131	–9,592	136,472
Holdings in associates	–	595	370	14	27	16	–	1,022
Unallocated assets								5,484
Total assets	**16,873**	**47,697**	**30,790**	**7,045**	**36,534**	**8,147**	**–9,592**	**142,978**
Investments	–1,884	–2,558	–1,322	–312	–749	–45	–	–6,870
Depreciation	–1,189	–2,265	–1,399	–797	–577	–97	–	–6,324
Expenses, in addition to depreciation, not matched by payments	–28	23	–40	–4	–601	–73	–	–723

NOTE 5 CONT.

SEKm	Personal Care	Tissue	Packaging	Publication papers	Pulp, timber and solid-wood products	Other operations	Eliminations	Total Group
2009 financial year								
REVENUES								
External sales	25,378	41,055	26,701	9,526	6,096	602	0	109,358
Internal sales	203	205	534	233	1,053	868	–3,096	0
Total revenues	**25,581**	**41,260**	**27,235**	**9,759**	**7,149**	**1,470**	**–3,096**	**109,358**
Disposal group	–	–	*–23,651*	–	–	–	–	*–23,651*
Total revenues excluding disposal group	***25,581***	***41,260***	***3,584***	***9,759***	***7,149***	***1,470***	***–3,096***	***85,707***
RESULT								
Segment result	3,235	3,946	413	1,253	1,250	–449	–	9,648
Items affecting comparability	–	–	–1,458	–	–	–	–	–1,458
Operating profit/loss	**3,235**	**3,946**	**–1,045**	**1,253**	**1,250**	**–449**	**–**	**8,190**
Disposal group								
Result	–	–	*–316*	–	–	–	–	*–316*
Items affecting comparability	–	–	*1,296*	–	–	–	–	*1,296*
Operating profit/loss excluding disposal group	***3,235***	***3,946***	***–65***	***1,253***	***1,250***	***–449***	***–***	***9,170***
Interest income								158
Interest expenses								–1,802
Tax expense for the year								–1,716
Net profit for the year								**4,830**
Of which disposal group								
Interest income								*–23*
Interest expenses								*233*
Tax expense for the year								*–242*
Net profit for the year excluding disposal group								***5,778***
OTHER DISCLOSURES								
Assets	16,856	49,363	34,183	8,243	34,747	5,082	–6,588	141,886
Holdings in associates	8	552	373	18	19	9	–	979
Unallocated assets								6,994
Total assets	**16,864**	**49,915**	**34,556**	**8,261**	**34,766**	**5,091**	**–6,588**	**149,859**
Investments	–2,092	–2,658	–1,479	–728	–468	–27	–	–7,452
Depreciation	–1,178	–2,496	–1,713	–809	–562	–70	–	–6,828
Expenses, in addition to depreciation, not matched by payments	–13	5	–48	–4	–643	–6	–	–709

Items affecting comparability

	2011		2010		2009	
SEKm	**Expenses**	**Impair-ments**	**Expenses**	**Impair-ments**	**Expenses**	**Impair-ments**
Personal Care	–107	–637	–527	–95	–	–
Tissue	51	–648	–	–	–	–
Packaging	–153	–3,999	–223	–23	–858	–600
Publication papers	–37	–	–63	–	–	–
Pulp, timber and solid-wood products	–29	–22	–	–	–	–
Other	–93	–2	–	–	–	–
Total	**–368**	**–5,308**	**–813**	**–118**	**–858**	**–600**
Net		**–5,676**		**–931**		**–1,458**

Business Segments: The Group is organised in five main product groups: personal care, tissue, packaging, publication papers, and pulp, timber and solid-wood products. These product groups are the primary segments. Tissue includes toilet paper, kitchen paper and paper handkerchiefs sold to the retail trade, as well as, toilet paper, hand-drying products, napkins and products for industrial and office cleaning applications. These products are sold to corporate customers in the industrial sector, offices, hotels, restaurants and catering, healthcare and other institutions. Personal Care products comprise incontinence care products, baby diapers and feminine care products. Packaging comprises corrugated board as well as protective and specialty packaging. This business segment also includes containerboard, which is mainly delivered internally and contributes to the Group's raw material integration. Publication papers include newsprint and magazine paper. The pulp, timber and solid-wood products business segment also contributes to the Group's raw material integration, since the Group's pulp and timber are 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 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.

Group by country

	Net sales				Average number of employees				Non-current assets[1]	
	2011		2010			Of whom		Of whom	2011	2010
	SEKm	%	SEKm	%	2011	women, %	2010	women, %	SEKm	SEKm
Sweden	**7,444**	**7**	**7,865**	**7**	**6,668**	**26**	**6,552**	**26**	**38,742**	**41,537**
EU excl. Sweden										
Germany	14,890	14	14,558	14	6,150	19	6,139	21	8,729	10,688
United Kingdom	9,098	9	9,233	9	2,592	22	2,570	18	5,673	7,106
France	8,442	8	8,399	8	2,410	27	2,663	27	2,889	3,160
Italy	7,758	7	7,492	7	2,150	19	2,226	18	4,746	4,779
Spain	4,867	5	4,874	4	968	29	986	26	2,343	2,432
Netherlands	4,560	4	4,900	5	1,886	6	1,944	15	2,848	2,915
Denmark	2,653	3	2,851	3	826	28	937	28	1,742	1,814
Belgium	2,497	2	2,463	2	807	25	838	25	776	809
Austria	2,347	2	2,323	2	1,478	15	1,489	15	2,586	2,775
Finland	1,547	1	1,511	1	327	37	333	37	640	654
Poland	1,232	1	1,189	1	918	27	840	27	1,080	1,126
Czech Republic	1,068	1	1,025	1	623	45	652	45	238	296
Hungary	1,066	1	1,232	1	595	37	759	37	167	197
Greece	888	1	1,246	1	158	24	419	24	27	238
Romania	387	1	352	0	147	39	122	36	98	104
Portugal	385	1	498	1	37	57	37	51	69	46
Slovakia	353	0	278	0	755	31	791	33	526	598
Lithuania	335	0	304	0	196	32	182	33	77	70
Ireland	327	0	327	0	18	44	21	43	78	79
Rest of EU	730	1	661	1	97	35	90	33	69	88
Total EU excl. Sweden	**65,430**	**62**	**65,716**	**61**	**23,138**	**22**	**24,038**	**23**	**35,401**	**39,974**
Rest of Europe										
Russia	2,776	3	2,664	2	1,389	44	1,491	44	1,974	1,864
Switzerland	1,880	2	1,746	2	248	37	238	36	241	244
Norway	1,762	2	1,908	2	256	48	243	44	168	167
Turkey	313	0	224	0	65	5	206	6	80	239
Ukraine	278	0	273	0	73	49	61	46	6	7
Other	506	0	460	1	11	45	8	63	0	0
Total, Rest of Europe	**7,515**	**7**	**7,275**	**7**	**2,042**	**42**	**2,247**	**40**	**2,469**	**2,521**
Rest of world										
US	8,549	8	9,014	8	2,683	26	2,591	26	7,449	7,502
Australia	3,170	3	3,241	3	739	29	726	25	1,935	2,695
Mexico	2,804	3	2,638	2	2,605	24	2,780	21	3,983	4,277
Colombia	1,570	1	1,504	2	1,298	40	1,300	29	1,122	1,039
Japan	1,436	1	1,267	2	58	72	57	72	3	4
Canada	1,038	1	1,130	1	338	46	286	39	390	420
New Zealand	912	1	945	1	561	21	573	20	1,046	1,319
Malaysia	890	1	913	1	1,286	57	1,240	52	959	922
Chile	400	1	463	0	224	78	239	8	411	460
Ecuador	387	0	368	0	472	32	480	33	87	87
Costa Rica	359	0	305	0	85	38	87	34	2	2
South Africa	260	0	259	0	88	56	98	50	27	30
Morocco	236	0	311	0	–	–	–	–	–	–
Singapore	182	0	211	0	31	68	68	49	8	8
China	133	0	589	1	187	53	957	41	8	2
Other	3,035	4	2,951	3	1,194	42	1,022	43	627	395
Total, Rest of world	**25,361**	**24**	**26,109**	**25**	**11,849**	**35**	**12,504**	**31**	**18,057**	**19,162**
Sub-total	**105,750**	**100**	**106,965**	**100**	**43,697**	**27**	**45,341**	**26**	**94,669**	**103,194**
Allocated to disposal group	–24,413		–24,234		–12,051				–13,279	
Total Group	**81,337**		**82,731**		**31,646**				**81,390**	

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

NOTE 6 PERSONNEL AND BOARD COSTS

Personnel costs

SEKm	2011	2010	2009
Salaries and remuneration	15,046	15,654	16,596
of which Group management	101	107	104
of which Board	5	5	5
Pension costs	958	915	1,278
of which defined-benefit pension plans	261	162	518
of which defined-contribution pension plans	697	753	760
Other social security costs	3,114	3,382	3,596
Other personnel costs	1,110	1,186	1,267
Total[1]	**20,228**	**21,137**	**22,737**
Disposal group	–5,682	–5,676	–6,834
Total excluding disposal group	**14,546**	**15,461**	**15,903**

1) Total personnel costs include SEK 517m (603; 499) attributable to costs for implemented efficiency-enhancement measures.

Average number of employees

	2011	2010	2009
Average number of employees	43,697	45,341	49,531
of whom women	27%	26%	27%
Number of countries	58	61	61

Women comprised 16% (14; 18) of the total number of Board members and senior executives.

Breakdown of employees by age groups, %

2011	21-30 yrs	31-40 yrs	41-50 yrs	51-60 yrs
	18	27	30	20

Less than 2% (2; 2) of the employees are under the age of 20, and less than 3% (3; 2) are over age 60. During 2011, SCA invested approximately SEK 151m (147; 246) or slightly more than SEK 3,500 (3,200; 5,000) per employee in skills-enhancement activities.

The added value per employee in 2011 amounted to SEK 519,000 (633,000; 600,000). The proportion of university graduates amounts to about 16% (16; 15).

In 2011, 5,207 (4,269) people left SCA while 4,809 (4,262) joined the Group. These figures include both voluntary retirement and the effects of rationalisation activities and retirements. In addition, a significant portion relates to summer jobs for students and seasonal work.

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 2011 in accordance with the AGM resolution.

SEK	Board fee	Audit Committee fee	Remuneration Committee fee	Total
Sverker Martin-Löf (Chairman)	1,500,000	125,000	100,000	1,725,000
Pär Boman	500,000			500,000
Rolf Börjesson	500,000		100,000	600,000
Sören Gyll	500,000	125,000		625,000
Jan Johansson				
Leif Johansson	500,000		100,000	600,000
Anders Nyrén	500,000	150,000		650,000
Barbara Milian Thoralfsson	500,000			500,000
Total	**4,500,000**	**400,000**	**300,000**	**5,200,000**

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 56–57.

AGM guidelines for remuneration of senior executives

The 2011 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 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. Programmes for variable remuneration should be formulated so that the Board, if exceptional circumstances prevail, has the possibility to limit, or refrain from, payment of variable remuneration if such an action is considered reasonable and in compliance with the company's responsibility to shareholders, employees and other stakeholders.

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

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

Company's application of guidelines

The company applied the guidelines approved by the AGM in the following manner:

Fixed salary

The fixed salary shall 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 labour market in which the executive works.

Variable remuneration

Variable remuneration of the CEO, Executive Vice Presidents and Business Unit Presidents and equivalents is maximised to a total of 100% of the fixed salary. For one Business Unit President, stationed in the US, the maximum outcome is 110%, while the corresponding limit for other senior executives is 90%.

The programme 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 60%, 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 cash flow before dividends. Furthermore, a non-financial goal also applies accounting for 10–20% 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 programme. 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' shares performance (TSR) over a three-year period. The structure of the LTI was approved by the Board in 2003.

Outcome, variable remuneration

For the CEO, Executive Vice Presidents and Central Staff Managers, STI resulted in 2–13% of fixed salary for 2011. STI resulted in variable remuneration corresponding to 5–35% of fixed salary for the Business Unit Presidents. The LTI target was also achieved for 2009–2011, 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 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.

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 2011 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 51.

The Board's proposal for new guidelines

The Board has decided to propose to the 2012 Annual General Meeting the unchanged guidelines for determining salaries and other remuneration for senior executives.

With the salary situation prevailing in 2012 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 70m.

Remuneration and other benefits during the year

SEK	Fixed salary	Variable remuneration	Other benefits	Total excl. pension	Pension costs
CEO Jan Johansson	9,000,000	5,400,000	134,423	14,534,423	6,289,306
Other senior executives (14 people)	47,153,163	31,212,453	8,070,974	86,436,590	23,447,612
Total	**56,153,163**	**36,612,453**	**8,205,397**	**100,971,013**	**29,736,918**

Comments to the table:

- Variable remuneration covers the 2011 financial year but is paid in 2012.
- Pension costs pertain to the costs that affected profit for the year, excluding special payroll tax.

NOTE 7 DEPRECIATION/AMORTISATION AND IMPAIRMENT of property, plant and equipment, and intangible assets

SEKm	2011	2010	2009
Depreciation			
Buildings	835	836	891
Land	114	109	114
Machinery and equipment	4,675	5,054	5,475
Sub-total	**5,624**	**5,999**	**6,480**
Patents, trademarks and similar rights	272	292	306
Capitalised development costs	31	33	42
Sub-total	**303**	**325**	**348**
Total	**5,927**	**6,324**	**6,828**
Impairment losses			
Buildings	53	94	163
Land	40	13	7
Machinery and equipment[1]	225	11	406
Construction in progress	6	–	–
Sub-total	**324**	**118**	**576**
Goodwill	4,910	–	–
Patents, trademarks and similar rights	74	0	24
Sub-total	**4,984**	**0**	**24**
Total[1]	**5,308**	**118**	**600**
Total			
Buildings	888	930	1,054
Land	154	122	121
Machinery and equipment	4,900	5,065	5,881
Construction in progress	6	–	–
Sub-total	**5,948**	**6,117**	**7,056**
Goodwill	4,910	–	–
Patents, trademarks and similar rights	346	292	306
Capitalised development costs	31	33	66
Sub-total	**5,287**	**325**	**372**
Total	**11,235**	**6,442**	**7,428**
Disposal group	–915	–1,130	–1,891
Total excluding disposal group	**10,320**	**5,312**	**5,537**

[1] The total includes reversal of impairment for machinery and equipment of SEK 62m (–; –).

Depreciation/amortisation is based on the costs and estimated useful lives of the assets outlined in the accounting principle section on page 78.

NOTE 8 FINANCIAL INCOME AND EXPENSES

SEKm	2011	2010	2009
Results from shares and participations in other companies			
Dividend	44	32	53
Capital gains/losses, impairment losses	0	–2	0
Interest income and similar profit/loss items			
Interest income, investments	72	27	89
Other financial income	20	7	16
Total financial income	**136**	**64**	**158**
Interest expenses and similar profit/loss items			
Interest expenses, borrowing	–1,370	–1,237	–1,644
Interest expenses, derivatives	14	78	–169
Fair value hedges, unrealised	–8	8	32
Other financial expenses	–62	–29	–21
Total financial expenses	**–1,426**	**–1,180**	**–1,802**
Total	**–1,290**	**–1,116**	**–1,644**
Disposal group	–35	–54	210
Total excluding disposal group	**–1,325**	**–1,170**	**–1,434**

Other financial income and expenses include exchange gains of SEK 20m (7; 16).

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 177m (158; 243) higher/lower. Sensitivity analysis calculations have been performed on the risk to which SCA was exposed at 31 December 2011 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 63 of the Board of Directors' Report.

NOTE 9 INCOME TAXES

Tax expense

SEKm	2011	2010	2009
Current tax expense	1,142	1,038	1,532
Deferred tax expense	509	931	184
Total	**1,651**	**1,969**	**1,716**
Disposal group	–384	–214	242
Total excluding disposal group	**1,267**	**1,755**	**1,958**

Tax expense amounted to 73.1% (26.0; 26.2) of the Group's profit before tax. The difference between recognised 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.

	2011		2010		2009	
	SEKm	%	SEKm	%	SEKm	%
Tax expense including disposal group	1,651	73.1	1,969	26.0	1,716	26.2
Expected tax expense	435	19.3	1,908	25.2	1,801	27.5
Difference	**1,216**	**53.8**	**61**	**0.8**	**–85**	**–1.3**
The difference is explained by:						
Permanent effects [1]						
Effects of other subsidiary financing	–139	–6.2	–135	–1.7	–175	–2.7
Goodwill impairment and currency impact [2]	1,231	54.5	–	–	–	–
Other permanent effects [3]	–18	–0.8	159	2.1	236	3.6
Taxes related to prior years [4]	86	3.8	3	0.0	–114	–1.7
Changes in unrecognised deferred tax assets [5]	76	3.4	34	0.4	–8	–0.1
Changed tax rates [6]	–20	–0.9	–	–	–24	–0.4
Total	**1,216**	**53.8**	**61**	**0.8**	**–85**	**–1.3**

1) Permanent effects are attributable to permanent differences between the accounting and fiscal result.

2) The effects of the year of goodwill impairment and currency impact pertain to the divestments of the packaging operations and 50% of the operation in Australasia.

3) The effects of the year include tax expenses of SEK 35m related to profit-taking within the Group. 2010 includes SEK 34m and 2009 includes SEK 15m in tax expenses for corresponding profit-taking.

4) Income taxes related to prior periods recognised in 2011 primarily pertains to impairment of tax assets belonging to the operation in Australia. In 2010, the reversal of a provision for tax risks in a previous year decreased the tax expense by SEK -33m. The amount for 2009 mainly pertains to the right to future tax credits related to foreign withholding taxes.

5) The changes in unrecognised deferred tax assets in 2011 include SEK 43m concerning the operations in the UK. In 2009, deferred tax assets in Mexico were impaired by SEK 21m.

6) The changed tax rates in 2011 primarily relate to the revaluation of deferred taxes due to a corporate tax rate decrease in the UK. The changed tax rates in 2009 relate to the revaluation of deferred taxes due to a corporate tax rate increase in Mexico.

CURRENT TAX

Current tax expense (+), tax income (–)

SEKm	2011	2010	2009
Income tax for the year	1,125	1,142	1,471
Adjustments for prior years	17	–104	61
Total	**1,142**	**1,038**	**1,532**
Disposal group	–271	–168	102
Total excluding disposal group	**871**	**870**	**1,634**

Current tax liability (+), tax income (–)

The change during the year to the current tax liability is explained below:

SEKm	2011	2010	2009
Balance, 1 Jan.	**–159**	**53**	**–483**
Current tax expense	1,142	1,038	1,532
Paid tax	–961	–1,255	–1,003
Other changes	–3	–5	–4
Translation differences	–3	10	11
Balance, 31 Dec.	**16**	**–159**	**53**
Allocated to disposal group	–146		
Balance, 31 Dec. excluding disposal group	**–130**		

Other changes relate to acquisitions and divestments in the amount of SEK –3m (–5; –4). The closing current tax liability comprises tax assets of SEK 377m (547; 332) and tax liabilities of SEK 247m (388; 385).

DEFERRED TAX

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

SEKm	2011	2010	2009
Changes in temporary differences	453	849	417
Adjustments for prior years	69	108	–175
Other changes	–13	–26	–58
Total	**509**	**931**	**184**
Disposal group	–113	–46	140
Total excluding disposal group	**396**	**885**	**324**

Other changes include the effects of changed tax rates, which reduced the deferred tax expense by SEK –20m (0; –24), revaluation of deferred tax assets, which increased the deferred tax expense by SEK 7m (0; 5) and capitalisation of tax assets related to the right to future tax deductions of SEK 0m (–26; –39).

Deferred tax liability (+), tax receivable (–)

The change during the year to the deferred tax liability is explained below:

SEKm	Opening balance	Deferred tax expense	Other changes	Translation differences	Closing balance
Intangible assets	338	433	13	1	785
Land and buildings	7,802	377	9	–4	8,184
Machinery and equipment	4,969	–283	2	20	4,708
Financial non-current assets	21	–2	–162	–1	–144
Current assets	–9	32	–23	1	1
Provisions for pensions	–313	259	–740	–8	–802
Other provisions	31	–76	–18	1	–62
Liabilities	–310	–76	–26	11	–401
Tax credits and tax loss carry forwards	–2,944	–115	95	36	–2,928
Other	46	–40	–51	0	–45
Total	**9,631**	**509**	**–901**	**57**	**9,296**
Allocated to disposal group			–661		–661
Total excluding disposal group			**–1,562**		**8,635**

Other changes include deferred tax recognised directly in equity according to IAS 19 of SEK –905m, IAS 39 of SEK –118m, effects of acquisitions and divestments SEK 69m, assets held for sale SEK 53m and allocated to disposal group SEK –661m. The closing deferred tax liability comprises tax assets of SEK 715m (1,169; 1,156) and tax liabilities of SEK 9,350m (10,800; 9,784).

LOSS CARRYFORWARDS

Loss carryforwards for which no deferred tax assets were recognised amounted to SEK 1,699m (1,898; 1,892) at 31 December 2011. Of these, SEK 185m have an indefinite life. The remainder expire as follows:

Year	SEKm
2012	73
2013	5
2014	5
2015	34
2016 and later	1,397
Total	**1,514**

During 2011, uncapitalised loss carryforwards amounting to SEK 47m expired and SEK 598m was either utilised or capitalised. The tax value of unrecognised loss carryforwards amounted to SEK 553m.

In addition to the above specified loss carryforwards at 31 December 2011, the disposal group's loss carryforwards for which deferred tax has not been recognised amounts to SEK 276m.

OTHER

SCA recognised 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 recognised 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.

NOTE 10 INTANGIBLE ASSETS

	Goodwill			Trademarks			Licences, patents and similar rights			Capitalised development costs		
SEKm	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Accumulated costs	15,481	17,688	19,147	1,806	2,316	2,104	3,084	3,009	3,190	473	497	562
Accumulated amortisation	–	–	–	–20	–124	–129	–2,252	–2,106	–2,005	–327	–312	–316
Accumulated impairment	–3,962	–	–	–56	–200	–201	–8	–9	–15	–21	–21	–28
Total	**11,519**	**17,688**	**19,147**	**1,730**	**1,992**	**1,774**	**824**	**894**	**1,170**	**125**	**164**	**218**
Allocated to disposal group	–2,086						–112			–62		
Total excluding disposal group	**9,433**			**1,730**			**712**			**63**		
Value at 1 January	**17,688**	**19,147**	**19,374**	**1,992**	**1,774**	**1,594**	**894**	**1,170**	**1,611**	**164**	**218**	**254**
Investments	–	–	–	–	–	–	115	142	104	11	5	31
Sales and disposals	–	–	–	–	–	–	–	–3	–1	0	–8	–
Business combinations	314	83	37	100	203	–	–	–	–	–	–	–
Company divestments	–53	–75	–10	–	–	–	–1	–107	–	–	–9	–
Reclassifications	–1,408	–36	30	–218	24	209	84	17	–206	–20	2	4
Amortisation for the year	–	–	–	–10	–10	–11	–263	–282	–295	–31	–33	–42
Impairment for the year	–4,910	–	–	–74	–	–	–	–	–	–	–	–24
Translation differences	–112	–1,431	–284	–60	1	–18	–5	–43	–43	1	–11	–5
Value at 31 December	**11,519**	**17,688**	**19,147**	**1,730**	**1,992**	**1,774**	**824**	**894**	**1,170**	**125**	**164**	**218**
Allocated to disposal group	–2,086						–112			–62		
Value at 31 December excluding disposal group	**9,433**						**712**			**63**		

The ongoing divestment of the packaging operations and the restructuring of the holdings in Australasia has resulted in the reclassification of intangible assets to the items "Assets in disposal group held for sale" and "Non-current assets held for sale". In the packaging operations, goodwill and other intangible assets, including emissions rights, were reclassified in the amounts of SEK 2,086m and SEK 226m, respectively, to "Assets in disposal group held for sale" (see Note 3). Goodwill and other intangible assets in Tissue and Personal Care in Australasia were reclassified in the amounts of SEK 1,385m and SEK 241m, respectively, to "Non-current assets held for sale" (see Note 23).

In conjunction with the reclassifications, goodwill and trademarks belonging to these operations were revalued in accordance with IFRS 5. In the packaging operations, goodwill was impaired by SEK 3,946m and, in Tissue and Personal Care in Australasia, goodwill and trademarks was impaired by SEK 962m and SEK 74m, respectively. These impairment losses are recognised as items affecting comparability in the consolidated income statement.

Business combinations for the year comprise goodwill primarily from the acquisition of Pro Descart, Brazil, and trademarks from the acquisition of San Saglik, Turkey, and Pro Descart, Brazil (see Note 3). Company divestments of the packing operations in Greece and Russia led to a total decline in goodwill of SEK 76m (see Note 3). Goodwill attributable to the packaging operations in Turkey declined SEK 23m due to the reclassification of a joint venture to an associate (see Note 13). Other intangible assets rose SEK 87m due to reclassifications from property, plant and equipment, mainly construction in progress.

IMPAIRMENT TESTING

Goodwill is tested for impairment every year. Goodwill is distributed among operating segments as follows:

Goodwill by operating segment

SEKm	**Average WACC 2011, %**	**2011**	**2010**	**2009**
Personal Care	6.0	508	2,546	2,557
Tissue	6.3	8,125	8,232	8,746
Packaging		–	6,112	6,970
Publication papers	5.4	176	173	188
Pulp, timber and solid-wood products	5.4	29	29	30
Other operations	5.4	595	596	656
Total		**9,433**	**17,688**	**19,147**

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. For this reason, the decided sale of the packaging operations and restructuring of the holdings in Australasia caused the impairment of goodwill for the year. Testing for impairment is carried out in the fourth quarter and testing for 2011 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 2011 acquisition of the personal care operations in Brazil and Turkey, 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 2011 accounts showed no impairment need for trademarks. At year-end, the value of SCA's trademarks with an indefinite useful life amounted to SEK 1,725m (1,977; 1,745).

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 2011, surplus emission allowances not required to cover the provision for emissions were adjusted downward by SEK 20m 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 2011 emissions will take place in April 2012.

SEKm	**2011**	**2010**	**2009**
Accumulated costs	195	222	253
Accumulated revaluation of surplus	–19	–2	–11
Total	**176**	**220**	**242**
Allocated to disposal group	–52		
Total excluding disposal group	**124**		
Value at 1 January	**220**	**242**	**327**
Emission allowances received	237	221	307
Sales	–91	–3	–72
Reclassifications	–	0	–
Settlement with the government	–170	–212	–307
Revaluation of surplus	–20	–2	–1
Translation differences	0	–26	–12
Value at 31 December	**176**	**220**	**242**
Allocated to disposal group	–52		
Value at 31 December excluding disposal group	**124**		

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	Buildings			**Land**			**Machinery and equipment**			**Construction in progress**		
SEKm	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Accumulated costs	21,634	22,290	24,257	6,826	6,945	7,118	84,930	85,057	90,183	4 160	4,866	4,217
Accumulated depreciation	–9,760	–9,578	–9,825	–1,418	–1,360	–1,230	–51,166	–50,201	–50,821	–	–	–
Accumulated impairment	–389	–496	–423	–76	–52	–46	–1,168	–1,304	–2,026	–6	–	–
Total	**11,485**	**12,216**	**14,009**	**5,332**	**5,533**	**5,842**	**32,596**	**33,552**	**37,336**	**4,154**	**4,866**	**4,217**
Allocated to disposal group	–2,941			–911			–6,341			–775		
Total excluding disposal group	**8,544**			**4,421**			**26,255**			**3,379**		
Value at 1 January	**12 216**	**14,009**	**13,917**	**5,533**	**5,842**	**5,968**	**33,552**	**37,336**	**38,106**	**4,866**	**4,217**	**5,709**
Investments	286	318	794	141	139	125	2,594	2,146	3,315	2,801	3,651	2,763
Sales and disposals	–13	–59	–26	–88	–41	–15	–62	–91	–117	–3	–29	–23
Business combinations	0	10	2	0	5	0	361	142	13	1	1	0
Company divestments	–68	–443	0	–9	–	–	–16	–452	–67	–	–18	–2
Reclassifications[1)]	75	535	888	–68	146	34	1,300	2,087	3,089	–3,402	–2,766	–4,054
Depreciation for the year	–835	–836	–891	–114	–109	–114	–4,675	–5,054	–5,475	0	0	0
Impairment for the year	–53	–94	–163	–40	–13	–7	–225	–11	–406	–6	0	0
Translation difference	–123	–1,224	–512	–23	–436	–149	–233	–2,551	–1,122	–103	–190	–176
Value at 31 December	**11,485**	**12,216**	**14,009**	**5,332**	**5,533**	**5,842**	**32,596**	**33,552**	**37,336**	**4,154**	**4,866**	**4,217**
Allocated to disposal group	–2,941			–911			–6,341			–775		
Value at 31 December excluding disposal group	**8,544**			**4,421**			**26,255**			**3,379**		

1) In 2011, property, plant and equipment was changed due to reclassification to Non-current assets held for sale of SEK –1,786m, to intangible assets of SEK –87m and Shares in associates of SEK –222m.

The ongoing divestment of the packaging operations and the restructuring of the holdings in Australasia has resulted in the reclassification of property, plant and equipment to the items "Non-current assets held for sale" and "Assets in disposal group held for sale." In the packaging operations, property, plant and equipment were reclassified in the amount of SEK 10,968m to "Assets in disposal group held for sale" (see Note 3, page 81). Property, plant and equipment in Tissue and Personal Care in Australasia were reclassified in the amount of SEK 1,752m to "Non-current assets held for sale" (see Note 23, page 99).

During the year, SEK 9m (8; 35) pertaining to interest during the construction period was capitalised in Buildings, SEK 18m (1; 30) was capitalised in Machinery and equipment and SEK 28m (35; 66) was capitalised in Construction in progress, at an average interest rate of 4% (4; 11). Government grants reduced investments for the year in buildings by SEK 1m (–; 5) and machinery and equipment by SEK 13m (13; 30).

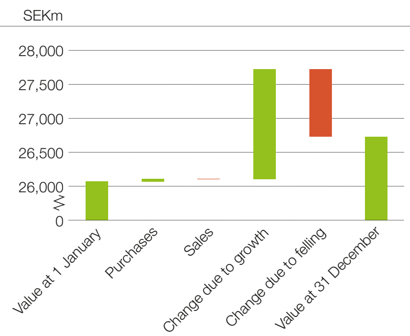
NOTE 12 BIOLOGICAL ASSETS

SCA's forest assets are divided up and reported as biological assets, that is, standing forest, and land assets. Standing forest is recognised at fair value and amounted at 31 December 2011 to SEK 26,729m (26,069; 25,397). The total value of SCA's forest assets was SEK 27,652m (26,983; 26,309). The difference of SEK 923m (914; 912) comprises forestland reported under non-current assets Land.

Standing timber

SEKm	2011	2010	2009
Value at 1 January	**26,069**	**25,397**	**24,711**
Purchases	40	47	20
Sales	–3	–4	–2
Change due to growth	1,616	1,692	1,601
Change due to felling	–993	–1,063	–933
Value at 31 December	**26,729**	**26,069**	**25,397**
Deferred tax related to standing timber	7,030	6,856	6,679

Value trend, standing timber 2011



In the income statement, changes in fair value and felling are recognised as a net value, SEK 623m (629; 668).

The annual valuation of standing timber was carried out during the fourth quarter of the year. The same valuation method used in 2009 and 2010 was applied in 2011.

The valuation felling plan was based on forest tax assessments performed in 2006–2007. No change was made in the WACC in the 2011 valuation, which amounted to 6.25%, and the valuation in the fourth quarter did not result in any adjustment to the planned change in fair value of forest assets recognised 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 hectares is productive forestland.

The forest portfolio amounts to 209 million cubic metres of forest (m3fo) and is divided into pine 43%, spruce 39%, deciduous 13% and contorta 5%. Average growth amounts to approximately 3.9 m3fo per hectare and year. Felling in 2011 amounted to approximately 4.4 million m3sub. 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.

	2011	2010	2009
Value/hectare productive forestland,	13,177	13,047	12,711
Value timber supplies SEK/m3fo	128	125	123

Sensitivity analysis

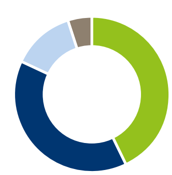
	Change assumption		Change in value before tax, SEKm	
WACC	+/–	0.25%	+/–	1,642
Wood price, real [1]	+/–	0.50% per year 2012–2021	+/–	2,141
Felling, real cost	+/–	0.50% per year 2012–2021	+/–	496
Volume (felling and thinning)	+/–	150,000 m^3 sub 2013–2035	+/–	721

[1] Compared with price assumptions made in the valuation model.

Forest area

Timber volume

Forest portfolio



NOTE 13 HOLDINGS IN ASSOCIATES

SEKm	2011	2010	2009
Value at 1 January	**1,021**	**979**	**983**
Investments	358	12	5
Net increase in associates for the year [1]	64	96	17
Reclassifications, joint ventures or subsidiaries	239	–4	–
Impairment for the year	–20	–	–1
Translation differences	7	–62	–25
Value at 31 December	**1,669**	**1,021**	**979**
Allocated to disposal group	–602		
Value at 31 December excluding disposal group	**1,067**		

[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 in 2011 refer mainly to Komili in Turkey amounting to SEK 252m and Henvålens Fjällgård AB amounting to SEK 87m.

Reclassifications in 2011 refer to the Turkish packaging operations that were previously consolidated according to the proportional method and included in the reporting of joint ventures. The Group's holdings in major subsidiaries, joint ventures and associates are specified in Note 16.

The Group's total receivables from associates at 31 December 2011 amounted to SEK 40m (35; 64), of which SEK 2m (2; 3) is interest-bearing. The Group's total liability to associates at 31 December 2011 amounted to SEK 5m (7; 5) of which SEK 0m (0; 0) was interest-bearing.

NOTE 14 SHARES AND PARTICIPATIONS

SEKm	2011	2010	2009
Value at 1 January	**77**	**80**	**73**
Increase through acquisition of subsidiaries	7	–	14
Divestments	–1	–1	–4
Other reclassifications	–6	–	–2
Impairment	–3	–	–
Translation differences	–1	–2	–1
Value at 31 December	**73**	**77**	**80**
Allocated to disposal group	–4		
Value at 31 December excluding disposal group	**69**		

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.

NOTE 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. One joint venture produces newsprint and has its operations in the UK. In 2011, SCA established the joint venture of a Turkish company Komili together with Yıldız Holding. 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	2011	2010	2009
Income statement			
Net sales	5,434	5,856	5,430
Cost of goods sold	–4,408	–4,713	–4,220
Gross profit	**1,026**	**1,143**	**1,210**
Sales and administration expenses	–1,175	–940	–869
Operating profit/loss	**–149**	**203**	**341**
Financial items	–76	–39	–82
Profit/loss before tax	**–225**	**164**	**259**
Tax	–40	–59	–84
Net profit/loss for the year	**–265**	**105**	**175**
Disposal group	–2	–16	10
Net profit/loss for the year excluding disposal group	**–267**	**89**	**185**
Profit attributable to:			
Owners of the Parent	–265	105	175

SEKm	2011	2010	2009
Balance sheet			
Non-current assets	2,280	2,968	3,004
Current assets	1,955	1,967	1,893
Total	**4,235**	**4,935**	**4,897**
Allocated to disposal group	–160		
Total excluding disposal group	**4,075**		
Equity	2,147	2,824	2,841
Non-current liabilities	544	626	551
Current liabilities	1,544	1,485	1,505
Total equity and liabilities	**4,235**	**4,935**	**4,897**
Allocated to disposal group	–160		
Total excluding disposal group	**4,075**		

	2011	2010	2009
Average number of employees	3,105	3,231	2,936
of whom women, %	27	27	26
Average number of employees, disposal group	–87	–240	–229
of whom women, %	6	8	8
Average number of employees excluding disposal group	**3,018**	**2,991**	**2,707**
of whom women, %	27	28	28

SEKm	2011	2010	2009
Capital employed	2,396	3,033	3,353
of which disposal group	51		
Net debt, incl. pension liability	510	498	513
of which disposal group	21		

Personnel costs

SEKm	2011	2010	2009
Boards, Presidents and Vice Presidents	22	25	16
of which variable salary	1	0	0
Other employees	329	260	328
Salaries and remuneration	**352**	**285**	**344**
Pension costs [1]	12	12	11
Other social security costs	119	89	71
Total	**483**	**386**	**426**
Disposal group	–17	–47	–50
Total excluding disposal group	**466**	**339**	**376**

[1] Social security costs amount to SEK 131m (101; 82), of which pension costs are 12 (12; 11).

Average number of employees by country

	2011		2010		2009	
		Of whom women, %		Of whom women, %		Of whom women, %
Algeria	114	4	90	14	41	14
Argentina	123	46	121	63	27	52
Chile	224	11	239	8	241	8
Colombia	1,298	29	1,300	29	1,249	30
Ecuador	472	32	480	33	429	32
United Kingdom	169	13	172	13	170	13
Tunisia	358	13	338	13	328	11
Turkey	52	6	207	6	187	6
Other countries	295	52	284	60	264	55
Total	**3,105**	**27**	**3,231**	**26**	**2,936**	**27**
Disposal group	–87	6	-240	8	-229	8
Total excluding disposal group	**3,018**	**27**	**2,991**	**28**	**2,707**	**28**

The Group's holdings in major subsidiaries, joint ventures and associates are specified in Note 16.

NOTE 16 LIST OF MAJOR SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Group holdings of shares and participations in major companies at 31 December 2011.
The selection of subsidiaries and joint ventures includes companies with sales in excess of SEK 500m in 2011.

Company name	Corporate registration number	Domicile	Share of capital %
Subsidiaries			
SCA Skog AB	556048-2852	Sundsvall	100
SCA Hygiene Products GmbH, Mannheim	HRB3248	Mannheim	100
SCA Graphic Sundsvall AB	556093-6733	Sundsvall	100
SCA Hygiene Products Nederland B.V.	135724	Zeist	100
SCA Tissue North America LLC	58-2494137	Delaware	100
SCA Hygiene Products (Fluff) Ltd.	577116	Dunstable	100
SCA Hygiene Products AB	556007-2356	Gothenburg	100
SCA Hygiene Products S.A., France	509395109	Linselles	100
SCA Hygiene Products S.A., Spain	B28451383	Madrid	100
SCA Timber AB	556047-8512	Sundsvall	100
SCA Hygiene Products S.p.a	3318780966	Lucca	100
SCA Packaging Italia SpA	MI 6562/1999	Milan	100
Copamex Comercial SA de CV	SCM-931101-3S5	Mexico City	100
SCA Packaging Benelux BV	8046917	Eerbeek	100
SCA Packaging Stiftung & Co KG	HRB12688	Leipzig	100
SCA Graphic Laakirchen AG	FN171841h	Laakirchen	100
SCA Hygiene Products GmbH, Wiesbaden	HRB5301	Wiesbaden	100
SCA Packaging Containerboard Deutschland GmbH	HRB7360	Aschaffenburg	100
OOO SCA Hygiene Products Russia	4704031845	Svetogorsk	100
SCA Hygiene Australasia Pty Ltd	62004191324	South Yarra	100
SCA Hygiene Products GmbH, Vienna	FN49537z	Vienna	100
SCA Packaging Obbola AB	556147-1003	Umeå	100
SCA Hygiene Products Inc	421987	Ontario	100
SCA Packaging Munksund AB	556237-4859	Piteå	100
SCA Hygiene Products SA-NV, Belgium	BE405.681.516	Stembert	100
SCA Packaging Sweden AB	556036-8507	Värnamo	100
SCA Personal Care, Inc	23-3036384	Delaware	100
SCA Hygiene Products AFH Sales GmbH	HRB 710,878	Mannheim	100
SCA Packaging Denmark A/S	CVR 21 15 37 02	Grenå	100
Uni-Charm Mölnlycke B.V.	330631	Hoogezand	100
SCA Hygiene Products Sp.z.o.o.	KRS No.000008615	Olawa	100
SCA HP Supply SAS	509599619	Roissy	100
SCA Hygiene Australasia Limited	1470756	Auckland	100
SCA Hygiene Products Sloviakia s.r.o	36590941	Gemerskâ Hôrka	100
SCA Packaging Ltd	53913	Aylesford	100
SCA Hygiene Products A/S, Norway	915620019	Brønnøysund	100
SCA Hygiene Products GmbH Neuss	HRB 14343	Neuss	100
SCA Hygiene Malaysia Sdn Bhd	320704-U	Kuala Lumpur	100
SCA Packaging Nicollet SAS	B766500011	Neuilly sur Seine	100
SCA Hygiene Products AG	CH-020.3.917.992-8	Zug	99
SCA Emballage France SAS	B352398796	Nanterre	100
Sancella Pty Ltd	55005442375	Ailsa St, Box Hill	100
Bunzl & Biach Ges.m.b.H	FN79555v	Vienna	100
SCA Hygiene Marketing (M) Sdn Bhd	313228-T	Kuala Lumpur	100
SCA Packaging Belgium NV	RPR 0436-442-095	Ghent	100
SCA Hygiene Products A/S, Denmark	20638613	Allerod	100
OY SCA Hygiene Products AB	F101650275	Helsinki	100
SCA Hygiene Products Manchester Ltd	4119442	UK/ Dunstable	100
SCA Packaging FULDA GmbH	HBR902	Fulda	100
SCA Timber Supply Ltd	2541468	Stoke on Trent	100
Manufacturas Papeleras Canarias S.L	B35089242	Telde (Gran Canaria)	100
SCA Hygiene Products Kft	01-09-716945	Budapest	100
SCA Packaging Ceska Republica S.R.O	44222882	Jílové u Dêčína	100
Gällö Timber AB, (50% - option 2016-2021)	556801-1786	Bräcke	100
SCA Hygiene Products SA	283601000	Nea Ionia (Athens)	100
SCA Packaging Hungary Kft	13-09-076580	Nagykata	100

Company name	Corporate registration number	Domicile	Number of shares	Share of capital %	Carrying amount at year-end, SEKm
Joint venture companies					
Aylesford Newsprint Holdings Ltd	2816412	Aylesford		50	
Productos Familia S.A., Colombia	Sharecertif. 1260	Medellin		50	
Associates					
Vinda Hong Kong	92035	Cayman Islands	169,531,897	19	623
Lantero Carton SA	A-81907701	Madrid	100	25	261
Komili Kagit ve Kisisel Bakim Üretim A.S. Group	12559	Istanbul	50	50	252
SelkasanKagitvePeketleme MalzemeleriImalati	5433	Manisa	1	49	150
GAE Smith	1075198	Leicester	44,300	50	99
Henvålens Fjällgård AB	556861-6220	Frösön	400	40	88
Kaplamin Ambalaj Sanayi ve Ticaret AS	288-k 813	Izmir	1	29	33
OVA SCA Pack. Ambalaj Sanayi Ve Ticaret AS	4702	Mersin	1	37	29
SCA Packaging Ambalaj Sanayi Ticaret AS	Altinova-55	Merlova	1	23	27
IL Recycling AB	556056-2687	Stockholm	28,000	33	21
Papyrus Altpapierservice Ges.m.b.H.	FN124517p	Vienna	1	32	20
Other					**66**
Total					**1,669**
Disposal group					–602
Total excluding disposal group					**1,067**

NOTE 17 NON-CURRENT FINANCIAL ASSETS

SEKm	2011	2010	2009
Available-for-sale financial assets	1,034	1,366	1,042
Derivatives	986	750	714
Loan receivables, associates	2	2	2
Loan receivables, other	63	80	74
Value at 31 December	**2,085**	**2,198**	**1,832**
Allocated to disposal group	–4		
Value at 31 December excluding disposal group	**2,081**		
Available-for-sale financial assets			
Value at 1 January	**1,366**	**1,042**	**714**
Investments	20	325	3
Divestments	–	–324	–
Remeasurement for the year taken to equity, net	–351	336	330
Translation differences	–1	–13	–5
Value at 31 December	**1,034**	**1,366**	**1,042**

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	2011	2010	2009
Shares – AB Industrivärden	931	1,262	929
Pension assets not included in IAS 19 calculation	95	96	105
Other	8	8	8
Total	**1,034**	**1,366**	**1,042**

The holding in AB Industrivärden amounted to 10,682,679 shares (10,525,655; 10,525,655). No impairment provisions were made for available-for-sale financial assets in 2011, 2010 or 2009.

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 154m (204; 155). Sensitivity analysis calculations have been performed on the risk to which SCA was exposed at 31 December 2011 using assumptions on market movements that are regarded as reasonably possible in one year's time.

NOTE 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 62–63 of the Board of Directors' Report. The table below shows the derivatives that impacted the Group's balance sheet on 31 December 2011. 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**
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	
2009					
Nominal	43,562	26,794	15,204	1,564	
Asset	1,011	286	694	31	
Liability	788	400	125	263	

1) Nominal SEK 112,609m (99,758; 98,688) 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 260m (427; 98). At year-end, the net market value amounted to SEK 18m (278; 117). Currency hedges increased the cost of non-current assets by SEK 19m (increased: 26; reduced: 10). At year-end, the net market value amounted to negative SEK 4m (negative: 40; negative: 10).

In 2011, energy derivatives had an impact on operating profit for the year of SEK 0m (negative: 98; negative: 302). Energy derivatives have an outstanding market value of negative SEK 64m (positive: 188; negative: 232) at year-end.

Derivatives positively impacted net interest items in the amount of SEK 6m (positive: 86; negative: 137). The net market value on outstanding interest rate derivatives amounted to SEK 749m (503; 569) 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 31 December 2011 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 31m (95; 226).

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 7m (10; 0).

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 236m (235; 110). In addition to the earnings impact, equity would have increased/decreased by SEK 129m (144; 157). 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 31 December 2011.

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**
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		
2009							
Asset	886	109	7	–	24	52	694
Liability	703	25	17	–	255	281	125
Hedge reserve after tax	–89	61	11	–	–161		

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 2012. All derivatives in the hedging reserve at year-end 2011 will be realised before the end of 2012. With unchanged exchange rates, profit after tax will be affected positively by SEK 5m (147; 61). Currency derivatives relating to hedging of the cost of non-current assets have a maturity spread until the end of December 2012. With unchanged exchange rates, the cost of non-current assets will increase by SEK 3m (increase: 14; decline 11) after tax.

Derivatives pertaining to hedging of interest expenses mature in December 2015. With unchanged interest rates, net financial items would be impacted negatively by SEK 26m (positive: 24; –) after tax.

The derivatives intended to hedge energy costs in the Group mostly mature during 2012 and 2013. With unchanged prices, the Group's profit after tax will be affected negatively by SEK 46m (positive: 118; negative: 161).

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 2011 by SEK 13m (4,613; 1,391). This result is largely due to hedges of net investments in EUR. During the year, SEK 265m was transferred from equity to the income statement in conjunction with the divestment of 50% of the operation in Australasia. The total market value of outstanding hedging transactions at year-end was SEK 630m (positive: 1,210; negative: 229). In total at year-end, SCA hedged net investments outside Sweden amounting to SEK 35,228m. SCA's total foreign net investments at year-end amounted to SEK 72,984m.

Hedging of net investments in foreign operations, SEKm

Currency	**2011**	**2010**	**2009**
EUR	29,971	30,517	30,700
GBP	1,466	1,448	2,023
USD	2,673	1,325	1,015
DKK	1,281	–	–
CAD	339	204	–
MXN	–728	–147	206
Other	226	–663	–319
Total	**35,228**	**32,684**	**33,625**

NOTE 19 INVENTORIES

SEKm	2011	2010	2009
Raw materials and consumables	3,297	3,045	2,971
Spare parts and supplies	1,840	1,809	1,912
Products in progress	1,034	1,289	812
Finished products	5,614	5,303	5,095
Felling rights	1,089	1,047	650
Advance payments to suppliers	14	18	19
Total	**12,888**	**12,511**	**11,459**
Allocated to disposal group	–1,879		
Total excluding disposal group	**11,009**		

NOTE 20 TRADE RECEIVABLES

SEKm	2011	2010	2009
Trade receivables, gross	16,461	16,069	16,642
Provision to reserves for doubtful receivables	–445	–453	–539
Total	**16,016**	**15,616**	**16,103**
Allocated to disposal group	–4,468		
Total excluding disposal group	**11,548**		

Analysis of credit risk exposure in trade receivables

SEKm	2011	2010	2009
Trade receivables neither overdue nor impaired	13,811	13,875	13,851
Trade receivables overdue but not impaired			
< 30 days	1,712	1,367	1,665
30–90 days	304	265	408
> 90 days	189	109	179
Trade receivables overdue but not impaired	**2,205**	**1,741**	**2,252**
Total	**16,016**	**15,616**	**16,103**
Allocated to disposal group	–4,468		
Total excluding disposal group	**11,548**		

In total, the Group has collateral mainly in the form of credit insurance taken out amounting to SEK 1,434m (1,603; 1,755). Of this amount, SEK 331m (213; 220) relates to the category Trade receivables overdue but not impaired.

Provision to reserves for doubtful receivables

SEKm	2011	2010	2009
Value at 1 January	**–453**	**–539**	**–450**
Provision for possible loan losses	–50	–67	–261
Confirmed losses	2	47	73
Decrease due to divestments	21	15	4
Decrease due to reversal of reserve for possible loan losses	27	42	74
Translation differences	8	49	21
Value at 31 December	**–445**	**–453**	**–539**
Allocated to disposal group	278		
Value at 31 December excluding disposal group	–167		

Total expense for the year for doubtful receivables amounted to SEK –26m (–43; –186). For a description of how SCA manages its credit risk, refer to page 63 of the Board of Directors' Report.

NOTE 21 OTHER CURRENT RECEIVABLES

SEKm	2011	2010	2009
Receivables from associates	38	32	61
Accrued financial income	29	2	18
Derivatives	144	539	217
Prepaid expenses and accrued income	680	641	681
Other current receivables	2,092	2,002	1,734
Total	**2,983**	**3,216**	**2,711**
Allocated to disposal group	–340		
Total excluding disposal group	**2,643**		

Other current receivables

SEKm	2011	2010	2009
VAT receivables	851	859	596
Suppliers with debit balance	254	145	195
Receivables for electricity and gas	169	115	141
Receivables from authorities	48	43	87
Other receivables	770	840	715
Total	**2,092**	**2,002**	**1,734**
Allocated to disposal group	–236		
Total excluding disposal group	**1,856**		

NOTE 22 CURRENT FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS

Current financial assets

SEKm	2011	2010	2009
Financial assets	5	12	4
Derivatives	193	108	66
Loan receivables, other	97	100	124
Total	**295**	**220**	**194**
Allocated to disposal group	–3		
Total excluding disposal group	**292**		

Cash and cash equivalents

SEKm	2011	2010	2009
Cash and bank balances	1,121	1,291	1,570
Short-term investments < 3 months	1,631	575	3,578
Total	**2,752**	**1,866**	**5,148**
Allocated to disposal group	–108		
Total excluding disposal group	**2,644**		

For a description of how SCA manages its credit and liquidity risks, refer to page 63 of the Board of Directors' Report.

NOTE 23 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

SEKm	2011	2010	2009
Goodwill	1,385	–	–
Other intangible assets	241	–	–
Buildings	283	–	–
Land	216	50	57
Machinery and equipment	921	43	48
Construction in progress	382	–	–
Total	**3,428**	**93**	**105**
Allocated to disposal group	–49		
Total excluding disposal group	**3,379**		

SCA decided to establish a joint venture for its existing hygiene business in Australasia in the fourth quarter. Due to this, the non-current assets of the business involved have been classified and recognised as non-current assets held for sale in accordance with IFRS 5. An impairment of assets has been made to a value that corresponds to the contracted purchase price.

For information regarding the sale of parts of the packaging operations, see Note 3.

NOTE 24 EQUITY

SEKm 2009	Share capital	Other capital provided	Reserves[1]	Retained earnings	Equity attributable to SCA's shareholders	Non-controlling interests	Total equity
Value at 1 January	**2,350**	**6,830**	**3,580**	**53,690**	**66,450**	**802**	**67,252**
Profit for the year recognised in profit or loss	-	-	-	**4,765**	**4,765**	**65**	**4,830**
Other comprehensive income							
Actuarial gains and losses relating to defined-benefit pension plans[2]	–	–	–	–911	–911	–38	–949
Available-for-sale financial assets:							
Result from measurement at fair value recognised in equity	–	–	331	–	331	–	331
Cash flow hedges:							
Result from remeasurement of derivatives recognised in equity	–	–	–202	–	–202	–	–202
Transferred to profit or loss for the period	–	–	319	–	319	–	319
Transferred to cost of hedged investments	–	–	–10	–	–10	–	–10
Translation differences in foreign operations	–	–	–2,701	–	–2,701	–49	–2,750
Result from hedging of net investments in foreign operations	–	–	1,391	–	1,391	–	1,391
Tax on items recognised directly in/transferred from equity[4]	–	–	–26	208	182	10	192
Other comprehensive income, net after tax	–	–	**–898**	**–703**	**–1,601**	**–77**	**–1,678**
Total comprehensive income	–	–	**–898**	**4,062**	**3,164**	**–12**	**3,152**
Dividend, SEK 3.50 per share[3]	–	–	–	–2,458	–2,458	–40	–2,498
Value at 31 December 2009	**2,350**	**6,830**	**2,682**	**55,294**	**67,156**	**750**	**67,906**
2010							
Profit for the year recognised 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 recognised in equity	–	–	328	–	328	–	328
Transferred to profit or loss at sale	–	–	8	–	8	–	8
Cash flow hedges:							
Result from remeasurement of derivatives recognised 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 recognised 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 31 December 2010	**2,350**	**6,830**	**–543**	**58,618**	**67,255**	**566**	**67,821**
2011							
Profit for the year recognised 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 recognised in equity	–	–	–352	–	–352	–	–352
Transferred to profit or loss at sale	–	–	–	–	–	–	–
Cash flow hedges:							
Result from remeasurement of derivatives recognised 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 recognised 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 31 December 2011	**2,350**	**6,830**	**–2,170**	**53,742**	**60,752**	**539**	**61,291**

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 4.00 (3.70; 3.50) per share pertains to Parent Company shareholders. For financial year 2011, the Board has decided to propose a divided of SEK 4.20 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

	Revaluation reserve[1]			Hedging reserve[2]			Available-for-sale assets			Translation reserve		
SEKm	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Value at 1 January	**107**	**107**	**107**	**275**	**–89**	**–180**	**338**	**3**	**–327**	**–1,263**	**2,661**	**3,980**
Available-for-sale financial assets:												
Result from measurement at fair value recognised in equity	–	–	–	–	–	–	–352	328	331	–	–	–
Transferred to profit or loss at sale	–	–	–	–	–	–	–	8	–	–	–	–
Cash flow hedges:												
Result from remeasurement of derivatives recognised in equity	–	–	–	–172	711	–202	–	–	–	–	–	–
Transferred to profit or loss for the period	–	–	–	–308	–234	319	–	–	–	–	–	–
Transferred to cost of hedged investments	–	–	–	19	15	–10	–	–	–	–	–	–
Translation differences in foreign operations [3]	–	–	–	0	8	9	–	–	–	–680	–8,537	–2,710
Result from hedging of net investments in foreign operations [4]	–	–	–	–	–	–	–	–	–	–252	4,613	1,391
Tax on items recognised directly in/transferred from equity	–	–	–	118	–136	–25	–	–1	–1	–	–	–
Other comprehensive income for the year, net after tax	**-**	**-**	**-**	**–343**	**364**	**91**	**–352**	**335**	**330**	**–932**	**–3,924**	**–1,319**
Value at 31 December	**107**	**107**	**107**	**–68**	**275**	**–89**	**–14**	**338**	**3**	**–2,195**	**–1,263**	**2,661**

[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 recognised.

[3] Of which transfer to income statement of realised exchange losses relating to divested companies is included in the amount of SEK 228m (loss: 87; gain: 1).

[4] Of which transfer to income statement of prior years' result from hedging positions relating to divested companies is included in the negative amount of SEK 265m (–; –).

Specification of income tax attributable to components in other comprehensive income

	2011			2010			2009		
SEKm	**Before tax**	**Tax effect**	**After tax**	**Before tax**	**Tax effect**	**After tax**	**Before tax**	**Tax effect**	**After tax**
Actuarial gains and losses relating to defined-benefit pension plans	–3,512	905	–2,607	523	–155	368	–949	218	–731
Available-for-sale financial assets	–352	0	–352	336	–1	335	331	–1	330
Cash flow hedges	–461	118	–343	492	–136	356	107	–25	82
Translation differences in foreign operations	–684	–	–684	–8,633	–	–8,633	–2,750	–	–2,750
Result from hedging of net investments in foreign operations	**–252**	–	**–252**	4,613	–	4,613	1,391	–	1,391
Other comprehensive income	**–5,261**	**1,023**	**–4,238**	**–2,669**	**–292**	**–2,961**	**–1,870**	**192**	**–1,678**

At 31 December 2011, the debt/equity ratio amounted to 0.60, which is below SCA's long-term target of 0.7. 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. Change in liabilities and equity is described on page 17 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 page 58. SCA's dividend policy and capital structure are described on page 10.

NOTE 25 FINANCIAL LIABILITIES

At 31 December 2011, interest-bearing gross debt amounted to SEK 37,128m (36,506; 44,104), including the packaging operations held for sale. Distribution of financial liabilities is shown in the table below:

Financial liabilities

	Carrying amount		
SEKm	**2011**	**2010**	**2009**
Current financial liabilities			
Amortisation within one year	442	399	646
Bond issues	–	5,966	2,000
Derivatives	258	204	307
Loans with maturities of less than one year	8,607	6,478	10,808
Total[1]	**9,307**	**13,047**	**13,761**
Allocated to disposal group	–41		
Total excluding disposal group	**9,266**		
Non-current financial liabilities			
Bond issues	13,206	7,258	12,805
Derivatives	158	173	125
Other long-term loans with maturities > 1 year < 5 years	10,930	10,233	13,266
Other long-term loans with maturities > 5 years	3,527	5,795	4,147
Total	**27,821**	**23,459**	**30,343**
Allocated to disposal group	–110		
Total excluding disposal group	**27,711**		
Total	**37,128**	**36,506**	**44,104**
Allocated to disposal group	–151		
Total excluding disposal group	**36,977**		
Fair value of financial liabilities	36,913	36,418	43,919
Allocated to disposal group	–159		
Fair value of financial liabilities excluding disposal group	36,754		

[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) programme with a programme size of EUR 3,000m (SEK 26,815m). As of 31 December 2011, a nominal EUR 1,631m (1,801; 1,737) was outstanding with a remaining maturity of 4.3 years (3.2; 3.0). SCA also utilises bond markets outside Europe and has issued a bond in the US for USD 450m (SEK 3,114m).

Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm
Notes SEK 500m	2014	500	521
Notes SEK 500m	2014	545	521
Notes USD 450m	2015	3,496	3,352
Index Linked Interest Note SEK 300m	2015	331	313
Index Linked Interest Note SEK 500m	2015	551	522
Notes SEK 1,800m	2016	1,902	1,872
Floating Rate Note SEK 200m	2016	200	207
Notes EUR 600m	2016	5,681	5,555
Total		**13,206**	**12,863**

SCA has a Swedish and a Belgian commercial paper programme that can be utilised for current borrowing.

Commercial paper programme[1]

Programme size	Issued SEKm
Commercial paper SEK 15,000m	5,142
Commercial paper EUR 400m	–
Total	**5,142**

[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	Utilised SEKm	Unutilised SEKm
Syndicated credit facilities	EUR 1,000m	2014	8,938	–	8,938
	EUR 1,000m	2016	8,938	–	8,938
Bilateral credit facilities	SEK 640m	2012	640	–	640
	SEK 2,500m	2013	2,500	–	2,500
Total			**21,016**	–	**21,016**

In addition, there is a credit facility of EUR 1,100m (SEK 9,832m) related to SCA's offer to acquire Georgia Pacific's European tissue business.

The table below shows the maturity profile of the gross debt:

Maturity profile of the gross debt

SEKm	Total	2012	2013	2014	2015	2016	2017+
Commercial paper	5,142	5,142	–	–	–	–	–
Bond issues	13,206	–	–	1,045	4,378	7,783	–
Utilisation of credit facilities	–	–	–	–	–	–	–
Other loans	18,927	4,312	4,347	503	4,148	2,688	2,929
Total[1]	**37,275**	**9,454**	**4,347**	**1,548**	**8,526**	**10,471**	**2,929**

[1] Gross debt includes accrued interest in the amount of SEK 147m.

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 36,648m (34,406; 40,430), including the packaging operations held for sale.

For a description of how SCA manages its refinancing risk, refer to page 63 of the Board of Directors' Report.

NOTE 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	2011	2010	2009
Current service cost, excluding contributions by plan participants	443	393	338
Past service cost	0	–9	99
Interest expense	1,009	996	1,094
Expected return on plan assets	–1,069	–1,025	–863
Pension costs before effects of curtailments and settlements	**383**	**355**	**669**
Curtailments	–25	–35	–18
Settlements	0	0	1
Net pension costs after effects of curtailments and settlements	**358**	**320**	**651**
Disposal group	43	–4	125
Net pension costs excluding disposal group	**315**	**324**	**526**

Of the pension costs for defined-benefit plans, SEK 96m (cost: 158; cost 133) is recognised 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, 53% (61; 55) of the total fair value of the plan assets was invested in equities, 44% (39; 45) comprised interest-bearing investments and 3% comprised property. The actual return on the plan assets in 2011 was negative SEK 606 m (pos: 2,533; pos: 2,896).

Pension plans with balance sheet surpluses are recognised 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 recognised 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	2011	2010	2009
Provisions for pensions	4,691	3,108	3,567
Allocated to disposal group	–1,390		
Provisions for pensions excluding disposal group	**3,301**	**3,108**	**3,567**
Surplus in funded pension plans	–186	–1,057	–230
Allocated to disposal group	184		
Surplus in funded pension plans excluding disposal group	**–2**	**–1,057**	**–230**
Provision for pensions, net	**4,505**	**2,051**	**3,337**
Allocated to disposal group	–1,206		
Provision for pensions, net, excluding disposal group	**3,299**		

The summary below specifies the net value of the defined-benefit pension obligations, including the packaging operations held for sale.

SEKm	2011	2010	2009
Defined-benefit obligations	21,988	19,953	20,232
Fair value of plan assets	–17,471	–17,889	–16,921
Net value	**4,517**	**2,064**	**3,411**
Unrecognised past service costs	–12	–13	–74
Provision for pensions, net	**4,505**	**2,051**	**3,337**

Actuarial gains and losses for the year are negative and amount to SEK 3,152m (358; neg: 1,026). Including translation differences, the accumulated gains and losses recognised in this manner thus amount to a negative SEK 3,930m (neg: 740; neg: 1,210).

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 0% (2; 2). With regard to plan assets, the deviation is negative 10% (pos: 8; neg: 12), which means that the return on the plan assets was lower than expected in 2011. In addition to what is recognised in the net value as plan assets for existing obligations, there are assets in two Swedish foundations amounting to SEK 616m (886; 640), 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 17m (27; 25).

The following table shows the net value of provisions for pensions including the packaging operations held for sale divided between funded and unfunded pension plans. Funded plans include previously separately recognised, partly funded plans. The funding level varies depending on the plan.

SEKm	2011	2010	2009
Funded plans			
Defined-benefit obligations	20,013	18,057	18,091
Fair value of plan assets	–17,471	–17,889	–16,921
Net value funded plans	**2,542**	**168**	**1,170**
Unrecognised past service costs	–34	–42	–57
Provision for pensions, funded plans	**2,508**	**126**	**1,113**
Unfunded plans			
Defined-benefit obligations	1,975	1,896	2,241
Unrecognised past service costs	22	29	–17
Provision for pensions, unfunded plans	**1,997**	**1,925**	**2,224**
Provision for pensions, net	**4,505**	**2,051**	**3,337**

As in the preceding year, no financial instruments issued by the company are included in the fair value of plan assets at 31 December 2011.

SCA's budgeted contributions for the defined-benefit obligations amount to approximately SEK 442m for 2012, of which the disposal group accounted for SEK 33m.

NOTE 26 CONT.

The following table shows the development of the net pension liability.

SEKm	2011 Defined-benefit obligations	2011 Plan assets	2010 Defined-benefit obligations	2010 Plan assets	2009 Defined-benefit obligations	2009 Plan assets
Value at 1 January	**19,953**	**–17,889**	**20,332**	**–16,921**	**17,108**	**–14,419**
Current service cost	489	–	451	–	431	–
Interest expense	1,009	–	996	–	1,094	–
Expected return on plan assets	–	–1,069	–	–1,025	–	–863
Past service cost	–1	–	–63	–	64	–
Acquisitions and disposals	–25	–	3	–	–4	–
Curtailments, settlements and transfers	–17	–	–19	–	28	–8
Contributions by plan participants	–	–46	–	–58	–	–68
Contributions by the employer	–	–1,057	–	–988	–	–872
Benefits paid	–994	994	–1,098	1,098	–1,112	1,114
Actuarial gains and losses	1,477	1,675	1,146	–1,508	3,095	–2,069
Translation effects	97	–79	–1,795	1,513	–372	264
Value at 31 December	**21,988**	**–17,471**	**19,953**	**–17,889**	**20,332**	**–16,921**
Allocated to disposal group, net	–1,239					
Value at 31 December excluding disposal group	**20,749**					
of which:						
Sweden	3,426	–2,147	2,584	–2,710	2,817	–2,202
United Kingdom	9,735	–8,556	8,711	–8,345	8,553	–8,157
Eurozone	7,221	–5,775	7,148	–5,857	7,635	–5,668

Principal actuarial assumptions

	Sweden	United Kingdom	Eurozone
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
2009			
Discount rate	4.25	5.66	4.96
Expected salary increase rate	3.50	4.00	3.25
Expected inflation	2.00	2.80	2.00
Expected return on plan assets	6.17	6.70–7.54	4.18–6.28

The actuarial assumptions comprise the most significant assumptions applied when calculating defined-benefit obligations at the balance sheet date. Expected return on plan assets is applied when calculating the subsequent year's pension cost.

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 recognised directly in equity in the period in which they arise. A change in the discount rate of 25 percentage points affects the total value of obligations by approximately SEK 820m. Taking into account that 53% 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 925m.

NOTE 27 OTHER PROVISIONS

SEKm	Efficiency programmes	Current operations	Tax risks	Environment	Legal disputes	Other	Total
Value at 1 January	**900**	**14**	**247**	**219**	**63**	**4**	**1,447**
Provisions during the year	595	7	1	161	16	347	1,127
Utilisation during the year	–735	–9	–	–191	–13	–10	–958
Reclassifications	19	–	–	–	–	–	19
Dissolved during the year	–	–5	–	–	–4	–20	–29
Translation differences	–5	–	–	–	–	–1	–6
Value at 31 December	**774**	**7**	**248**	**189**	**62**	**320**	**1600**
Allocated to disposal group	–280	–2	–	–46	–1	–2	–331
Value at 31 December excluding disposal group	**494**	**5**	**248**	**143**	**61**	**318**	**1,269**
Provisions comprise:							
Short-term component							629
Long-term component							640

Other provisions amount to SEK 1,600m (1,447; 1,584), of which SEK 331m pertains to the packaging operations held for sale. During the year, new provisions were made totalling SEK 1,127m, of which SEK 595m relates to provisions for the restructuring programmes. Of provisions for the year for Environment totalling SEK 161m, SEK 145m pertains to a liability for carbon dioxide emissions. Of the efficiency programmes' provisions, SEK 735m were paid out in 2011, SEK 322m are anticipated to be paid out in 2012, SEK 102m in 2013 and the remaining SEK 70m in 2014.

Provisions for efficiency programmes were changed in 2011 due to reclassifications of SEK 19m from other operating liabilities.

The predominant proportion in "Other" pertains to payroll tax on actuarial gains and losses recognised against equity in accordance with IAS 19. This item will not be paid out.

NOTE 28 OTHER NON-CURRENT LIABILITIES

SEKm	2011	2010	2009
Derivatives	39	7	75
Other non-current liabilities	180	231	110
Total	**219**	**238**	**185**
Allocated to disposal group	–2		
Total excluding disposal group	**217**		

Of other non-current liabilities, SEK 27m (136; 34) falls due for payment later than within five years.

NOTE 29 OTHER CURRENT LIABILITIES

Other current liabilities

SEKm	2011	2010	2009
Liabilities to associates	4	7	5
Derivatives	191	169	280
Accrued expenses and prepaid income	7,449	7,298	8,071
Other operating liabilities	1,731	1,622	1,624
Total	**9,375**	**9,096**	**9,980**
Allocated to disposal group	–1,490		
Total excluding disposal group	**7,885**		

Accrued expenses and prepaid income	2011	2010	2009
Accrued social security costs	431	397	535
Accrued vacation pay liability	885	813	939
Other liabilities to personnel	1,101	1,221	1,297
Accrued financial expenses	176	134	181
Bonus and discounts to customers	2,415	2,328	2,511
Other items	2,441	2,405	2,608
Total	**7,449**	**7,298**	**8,071**
Allocated to disposal group	–1,067		
Total excluding disposal group	**6,382**		

As of 2010, bills receivable are included in trade payables instead of in other operating liabilities. The carrying amount of other operating liabilities for the comparative year 2009 thus decreased by SEK 92m, while other trade payables increased by the corresponding amounts.

NOTE 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 63 of the Board of Directors' Report.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
31 December 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	–
31 December 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	–
31 December 2009			
Loans including interest	14,238	24,452	8,565
Net settled derivatives	–18	–90	178
Energy derivatives	180	83	–
Trade payables	11,446	826	–
Total	**25,846**	**25,271**	**8,743**
Gross settled derivatives[1]	22,107	151	–

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

NOTE 31 FINANCIAL INSTRUMENTS BY CATEGORY

The following categorisation has been conducted for financial instruments:

SEKm	Carrying amount in the balance sheet	Of which: Loans and receivables	Financial liabilities measured at amortised cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	Allocated to disposal group
31 December 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[1]	10,866		13,726	–	–		–2,860
Other current liabilities	190		–	41	150		–1
Total liabilities	**48,072**		**37,461**	**13,248**	**374**		**–3,011**
31 December 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[1]	13,574		13,574	–	–		
Other current liabilities	169		–	58	111		
Total liabilities	**50,256**		**36,309**	**13,654**	**293**		
31 December 2009							
Non-current financial assets	1,832	77		18	695	1,042	
Other non-current assets	14	–		1	13	–	
Trade receivables	16,103	16,103		–	–	–	
Other current receivables	217	–		89	128	–	
Current financial assets	194	128		55	11	–	
Cash and cash equivalents	5,148	5,148		–	–	–	
Total assets	**23,508**	**21,456**		**163**	**847**	**1,042**	
Non-current financial liabilities	30,343		16,925	13,293	125		
Other non-current liabilities	75		–	1	74		
Current financial liabilities	13,761		13,454	279	28		
Trade payables[1]	12,364		12,364	–	–		
Other current liabilities	280		–	57	223		
Total liabilities	**56,823**		**42,743**	**13,630**	**450**		

[1] As of 2010, bills payable are included in trade payables instead of in other current liabilities. Reclassification was conducted for the comparative year 2009.

Distribution by level when measured at fair value

	Carrying amount 31 December 2011			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
31 December 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**	–

	Carrying amount 31 December 2010			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
31 December 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**	–

SEKm	Carrying amount 31 December 2009: 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
31 December 2009						
Derivatives	163	847	–	–	1,010	–
Non-current financial assets, excluding derivatives	–	–	1,042	1,034	8	–
Total assets	**163**	**847**	**1,042**	**1,034**	**1,018**	–
Derivatives	337	450	–	–	787	–
Total liabilities	**337**	**450**	–	–	**787**	–

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.

NOTE 32 CONTINGENT LIABILITIES

SEKm	2011	2010	2009
Guarantees for			
employees	9	3	3
associates	23	25	30
customers and others	45	42	40
Tax disputes	507	270	311
Other contingent liabilities	114	44	70
Total	**698**	**384**	**454**
Allocated to disposal group	–111		
Total excluding disposal group	**587**		

Contingent liabilities for tax disputes mainly relate to claims for additional taxes in Spain and Denmark. The claim by the Spanish tax authorities amounts to EUR 27,6m, 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. In 2011, the Danish tax authorities decided to demand additional taxes, including interest, totalling DKK 189m. This claim is attributable to the closure of the packaging paper line in Djursland in 2005. SCA has been granted a respite with the payment of the tax during the ongoing process, which SCA believes will lead to the claim being dismissed. 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 amounted to 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 AAA rating. 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. 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 fulfil, or cannot fulfil 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. 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 1.77bn at 31 December 2011. 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. 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 fulfil, or cannot fulfil 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 10% 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 fulfil, or cannot fulfil 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 14% of the transaction amount. SCA has the use of the facility without operational restrictions. The lease and depositary arrangement were recognised 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.

NOTE 33 PLEDGED ASSETS

SEKm	Pledged assets related to financial liabilities	Other	Total: 2011	2010	2009
Real estate mortgages	7	–	7	6	8
Chattel mortgages	16	20	36	31	31
Other	–	140	140	139	140
Total	**23**	**160**	**183**	**176**	**179**
Allocated to disposal group	–	–1	–1		
Total excluding disposal group	**23**	**159**	**182**		

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

NOTE 34 OPERATING LOSS

Operating loss by type of cost

SEKm	2011	2010
Other operating income	174	185
Other external costs	–303	–177
Personnel and Board costs	–321	–295
Depreciation/amortisation	–53	–49
Other operating expenses excluding depreciation/amortisation	–124	–135
Total	**–627**	**–471**

The item "Other external costs" includes consultancy fees, travel expenses, management costs, and so forth. In 2010, "Other external costs" also included an impairment loss on a receivable in the amount of SEK 5m. Certain reclassifications between external costs and personnel and Board costs for 2010 took place.

AUDITING EXPENSES

Remuneration to auditors can be specified as follows:

SEKm	2011	2010
PwC		
Audit assignments	9	8
Tax consultancy services	2	3
Other assignments	45	5
Total	**56**	**16**

LEASING

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

SEKm	2011	2010
Within 1 year	45	31
Between 2 and 5 years	171	181
Later than 5 years	66	117
Total	**282**	**329**

Cost for the year for leasing of assets amounted to SEK 44m (45). Leased assets comprise means of transportation, premises and technical equipment. In reality, such contracts can be terminated early.

NOTE 35 PERSONNEL AND BOARD COSTS

Salaries and remuneration

SEKm	2011	2010
Board of Directors[1)], President, Executive Vice Presidents and Senior Executives (5 (4))	60	44
of which variable salary	21	15
Other employees	101	110
Total	**161**	**154**

1) Board fees decided by the Annual General Meeting amounted to SEK 5.2m (4.6). For further information, see Note 6.

Social security costs

SEKm	2011	2010
Total social security costs	148	131
of which, pension costs[2)]	96	84

2) Of the Parent Company's pension costs, SEK 26m (32) 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 304m (286).

Pension costs

SEKm	2011	2010
Self-administered pension plans		
Costs excl. interest expense	46	38
Interest expense (recognised in personnel costs)	16	15
	62	**53**
Retirement through insurance		
Insurance premiums	18	18
Other	–1	–1
	79	**70**
Policyholder tax	0	0
Special payroll tax on pension costs	17	14
Cost of credit insurance, etc.	0	0
Pension costs for the year	**96**	**84**

Premiums during the year for disability and family pension insurance with Alecta amounted to SEK 3m (4). (See also Note 26 Pension provisions, page 103). Personnel costs also include other personnel costs in the amount of SEK 12m (10).

Average number of employees

	2011	2010
Sweden	105	100
of whom women, %	51	50

Breakdown of employees by age groups, %

2011	21–30 yrs	31–40 yrs	41–50 yrs	51–60 yrs	61– yrs
	4	38	33	21	4

Of the total number of Board members and senior executives, 9% (9) and 22% (21), respectively, are women.

NOTE 36 DEPRECIATION/AMORTISATION OF TANGIBLE, AND INTANGIBLE FIXED ASSETS

SEKm	2011	2010
Buildings	5	5
Land improvements	45	43
Machinery and equipment	3	1
Sub-total	**53**	**49**
Capitalised development costs	0	0
Total	**53**	**49**

NOTE 37 FINANCIAL ITEMS

SEKm	2011	2010
Income from participations in Group companies		
Dividends from subsidiaries	3,839	3,068
Group contributions received from subsidiaries	1,733	5,885
Group contributions paid to subsidiaries	–136	–4,159
Expenses from participations in other companies		
Capital losses	–5	–2
Interest income and similar profit items		
Interest income, external	32	701
Interest income, subsidiaries	597	211
Interest expenses and similar loss items		
Interest expenses, external	–551	–258
Interest expenses, subsidiaries	–2,754	–2,085
Total	**2,755**	**3,361**

The company now recognises Group contributions paid and received among financial items. Comparative year has been restated.

NOTE 38 APPROPRIATIONS AND UNTAXED RESERVES

Of the Parent Company's untaxed reserves, SEK 169m (156) pertains to accumulated depreciation in excess of plan.

NOTE 39 INCOME TAXES

Tax on profit for the year

SEKm	2011	2010
Deferred tax income (–) expense (+)	–173	383
Total	**–173**	**383**

	2011		2010	
Reconciliation	**SEKm**	**%**	**SEKm**	**%**
Tax income/expense	–173	–8.2	383	13.3
Expected tax	556	26.3	758	26.3
Difference	**–729**	**–34.5**	**–375**	**–13.0**
Difference is due to:				
Taxes related to prior periods	1	0.0	–11	–0.4
Non-taxable dividends from subsidiaries	–1,010	–47.7	–807	–28.0
Non-taxable Group contributions from subsidiaries	–100	–4.7	–58	–2.0
Non-deductible Group contributions to subsidiaries	352	16.6	503	17.5
Other non-taxable/non-deductible items	28	1.3	–2	–0.1
Total	**–729**	**–34.5**	**–375**	**–13.0**

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 recognised in profit and loss as Group contributions paid and received. Comparative year has been restated.

CURRENT TAX LIABILITY (+), TAX ASSETS (–)

The change to the current tax liability during the period is explained below:

SEKm	2011	2010
Value at 1 January	**–18**	**–18**
Income taxes paid	0	0
Value at 31 December	**–18**	**–18**

DEFERRED TAX EXPENSE (+), TAX INCOME (–)

SEKm	2011	2010
Changes in temporary differences	–174	394
Adjustments for prior periods	1	–11
Total	**–173**	**383**

PROVISIONS FOR TAXES

The change to the provisions for tax is explained below:

SEKm	Value at 1 January	Deferred tax expense	Value at 31 December
Land and buildings	1,393	4	1,397
Provisions for pensions	–113	–2	–115
Tax loss carry forwards	–637	–175	–812
Other	–47	0	–47
Total	**596**	**–173**	**423**

NOTE 40 INTANGIBLE FIXED ASSETS

Capitalised development costs

SEKm	2011	2010
Accumulated costs	35	35
Accumulated depreciation	–34	–34
Residual value according to plan	**1**	**1**
Value at 1 January	**1**	**1**
Investments	–	–
Amortisation for the year	0	0
Value at 31 December	**1**	**1**

NOTE 41 TANGIBLE FIXED ASSETS

	Buildings		Land		Machinery and equipment	
SEKm	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Accumulated cost	152	151	2,039	1,925	23	22
Accumulated depreciation	–88	–83	–692	–647	–9	–6
Accumulated write-ups	–	–	5,079	5,079	–	–
Planned residual value	**64**	**68**	**6,426**	**6,357**	**14**	**16**
Value at 1 January	**68**	**73**	**6,357**	**6,286**	**16**	**1**
Investments	1	0	117	117	1	16
Sales and disposals	0	–	–3	–3	–	0
Depreciation for the year	–5	–5	–45	–43	–3	–1
Value at 31 December	**64**	**68**	**6,426**	**6,357**	**14**	**16**

Land includes forest land in the amount of SEK 5,873m (5,847).

NOTE 42 PARTICIPATIONS

	Subsidiaries		Associate		Other companies	
SEKm	2011	2010	2011	2010	2011	2010
Accumulated costs	124,364	123,994	88	–	37	11
Accumulated write-ups	140	140	–	–	–	–
Accumulated write-downs	–140	–140	–	–	–5	0
Planned residual value	**124,364**	**123,994**	**88**	**–**	**32**	**11**
Value at 1 January	**123,994**	**123,994**	**–**	**–**	**11**	**11**
Investments	370	–	88	–	26	324
Increase through acquisition of subsidiaries	–	–	–	–	–	–
Divestments	–	–	–	–	–	–324
Impairments for the year	–	–	–	–	–5	–
Value at 31 December	**124,364**	**123,994**	**88**	**–**	**32**	**11**

The 2011 events pertain to shareholders' contribution in the Italian subsidiary SCA Holding Italia SpA and the purchase of 400 shares and the shareholders' contribution in the associate Henvålens AB. In addition, the company received shares in AB Industrivärden as compensation from pension funds for pension payments and shares in a tenant-owner association. The shares in AB Industrivärden are recognised at fair value. The 2010 events pertain to the purchase and sale of shares in AB Industrivärden.

Parent Company's holdings of shares and participations in subsidiaries, 31 December 2011

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	89,598
SCA Packaging Coordination Center NV	BTW BE 864.768.955	Diegem	1,079,999	100	985
SCA Packaging Marketing NV	BTW BE 0421.120.154	Diegem	731,279	100	1,798
SCA Capital NV	0810.983.346	Diegem	999,999	100	30,001
SCA UK Holdings Ltd	03665635	Dunstable	1	0	0
SCA Holding Italia SpA	01307260461	Milan	23,570,721	75	1,968
Total carrying amount of subsidiaries					**124,364**

NOTE 43 RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES

SEKm	2011	2010
Fixed non-current assets		
Interest-bearing receivables	2,894	471
Total	**2,894**	**471**
Current assets		
Other receivables	1,394	6,005
Total	**1,394**	**6,005**
Non-current liabilities		
Interest-bearing liabilities	2,181	–
Total	**2,181**	–
Current liabilities		
Interest-bearing liabilities	67,826	71,832
Other liabilities	1,109	4,911
Total	**68,935**	**76,743**

NOTE 44 OTHER CURRENT RECEIVABLES

SEKm	2011	2010
Prepaid expenses and accrued income	16	10
Other receivables	84	86
Total	**100**	**96**

Prepaid expenses and accrued income

SEKm	2011	2010
Prepaid lease of premises	6	1
Prepaid pension premiums	1	1
Other items	9	8
Total	**16**	**10**

NOTE 45 EQUITY

The change in equity is shown in the financial report relating to Equity presented on page 75. 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, 1 January**	**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	–	–
2011	**Number of shares, 31 December 2011**	**705,110,094**		

SCA's share capital, 31 December 2011

	Number of votes	Number of shares	Share capital, SEKm
A shares	10	96,590,430	322
B shares	1	608,519,664	2,028
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 programmes that expired in 2008 and 2009.

NOTE 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 31 December 2011 amounted to SEK 57m (73). In the past two years, no compensation has been received. The capital value of the pension obligations at 31 December 2011 amounted to SEK 96m (83). Pension payments of SEK 3m (3) were made in 2011. Since the value of the assets in 2011 is below that of the pension obligations in the amount of SEK 39m (10), this is recognised 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 that the Parent Company offers. The table below shows the change between the years.

Capital value of pension obligations relating to self-administered pension plans

SEKm	2011	2010
Value at 1 January	**453**	**415**
Costs excl. interest expense	45	38
Interest expense (recognised in personnel costs)	16	15
Payment of pensions	–23	–15
Value at 31 December	**491**	**453**

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 3.6% (3.5). 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 25m.

NOTE 47 NON-CURRENT FINANCIAL LIABILITIES

	Carrying amount		Fair value	
SEKm	2011	2010	2011	2010
Bond issues	7,358	2,000	7,634	2,065
Other non-current loans with a term > 1 year < 5 yrs	5,493	3,628	5,711	3,583
Other non-current loans with a term > 5 yrs	779	3,628	831	3,701
Total	**13,630**	**9,256**	**14,176**	**9,349**

Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm
Notes SEK 1,800m	2016	1,800	1,872
Floating Rate Note SEK 200m	2016	200	207
Notes EUR 600m	2016	5,358	5,555
Total		**7,358**	**7,634**

NOTE 48 OTHER CURRENT LIABILITIES

Other current liabilities

SEKm	2011	2010
Accrued expenses and prepaid income	363	181
Current provisions	–	–
Other operating liabilities	6	6
Total	**369**	**187**

Accrued expenses and prepaid income

SEKm	2011	2010
Accrued interest expenses	190	62
Accrued social security costs	21	19
Accrued vacation pay liability	11	9
Other liabilities to personnel	46	42
Other items	95	49
Total	**363**	**181**

NOTE 49 CONTINGENT LIABILITIES

SEKm	2011	2010
Guarantees for:		
– subsidiaries	22,266	26,422
Other contingent liabilities	20	19
Total	**22,286**	**26,441**

In addition, the Parent Company has signed subsidiary guarantees for 19 Dutch companies. The Parent Company guarantees all the companies' obligations as if they were its own debt.

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.

NOTE 50 PLEDGED ASSETS

SEKm	Liabilities to credit institutions	Other	Total 2011	Total 2010
Chattel mortgages	–	20	20	20
Other	–	136	136	135
Total	**0**	**156**	**156**	**155**

NOTE 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 amortised cost for liabilities. No other categories have been utilised 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	2011	2010
Assets in the balance sheet		
Financial non-current assets		
Interest-bearing receivables	126	128
Interest-bearing receivables from subsidiaries	2,894	471
Current assets		
Receivables from subsidiaries	199	119
Other current receivables	46	58
Cash and bank balances	0	0
Total	**3,265**	**776**

Financial liabilities measured at amortised cost

SEKm	2011	2010
Liabilities in the balance sheet		
Non-current liabilities		
Liabilities to subsidiaries	2,181	–
Interest-bearing liabilities	13,630	9,256
Current liabilities		
Liabilities to subsidiaries	68,311	72,051
Trade payables	87	17
Other current liabilities	190	62
Total	**84,399**	**81,386**

NOTE 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 29 March 2012.

Proposed disposition of earnings

Annual accounts 2011

Disposition of earnings, Parent Company	
Non-restricted equity in the Parent Company:	
retained earnings	35,949,520,287
net profit for the year	2,288,230,244
Total	**38,237,750,531**
The Board of Directors and the President proposes:	
to be distributed to shareholders, a dividend of SEK 4.20 per share	2,949,838,454[1)]
to be carried forward	35,287,912,077
Total	**38,237,750,531**

Stockholm, 21 February 2012

The Board of Directors and President declare that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of international financial reporting standards, that disclosures herein give a true and fair view of the Parent Company's and Group's financial position and results of operations, and that 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

Sören Gyll
Board member

Leif Johansson
Board member

Lars Jonsson
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 21 February 2012
PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant

1) Based on the number of outstanding shares at 31 December 2011. The amount of the dividend may change if any treasury share transactions are executed before the record date, 3 April 2012.

Auditor's report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 11–112.

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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the 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 examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2011.

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 opinion.

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 21 February 2012

PricewaterhouseCoopers AB

Anders Lundin.
Authorised Public Accountant
Auditor-in-charge

Independent assurance report relating to Sustainability Report

Pages 64–67 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, 21 February 2012

PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant

Fredrik Ljungdahl
Expert member, Far

Multi-year summary [1)]

SEKm	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
INCOME STATEMENT										
Net sales [2)]	105,750	106,965	109,358	110,449	105,913	101,439	96,385	89,967	85,338	88,046
Operating profit	**3,548**	**8,677**	**8,190**	**8,554**	**10,147**	**8,505**	**1,928**	**7,669**	**7,757**	**9,101**
Personal Care	2,645	2,922	3,235	2,912	2,960	2,799	2,474	2,429	2,403	2,588
Tissue	3,150	3,041	3,946	2,375	1,724	1,490	1,577	2,026	2,418	2,899
Packaging	1,909	1,577	413	1,493	2,651	2,072	1,775	2,604	2,482	3,065
Forest Products	2,001	2,455	2,503	2,207	2,870	2,475	1,886	1,777	1,559	1,986
Other operations [3)]	–6,157	–1,318	–1,907	–433	–58	–331	–5,784	–1,167	25	–300
Goodwill amortisation	–	–	–	–	–	–	–	–	–1,130	–1,137
Financial income	136	64	158	246	193	179	156	453	544	409
Financial expenses	–1,426	–1,180	–1,802	–2,563	–2,103	–1,851	–1,651	–1,537	–1,334	–1,432
Profit before tax	**2,258**	**7,561**	**6,546**	**6,237**	**8,237**	**6,833**	**433**	**6,585**	**6,967**	**8,078**
Tax	–1,651	–1,969	–1,716	–639	–1,076	–1,366	21	–1,393	–1,861	–2,341
Non-controlling interests	–	–	–	–	–	–	–	–	–31	–44
Profit for the year	**607**	**5,592**	**4,830**	**5,598**	**7,161**	**5,467**	**454**	**5,192**	**5,075**	**5,693**
BALANCE SHEET										
Non-current assets (excl. financial receivables)	83,428	105,655	111,745	113,866	104,150	95,994	101,840	96,162	77,885	75,462
Receivables and inventories	25,577	31,890	30,605	36,121	33,793	29,907	29,356	25,681	22,880	24,765
Non-current assets held for sale	3,379	93	105	102	55	2,665	68	–	–	–
Financial receivables	2,083	3,254	2,062	2,499	3,663	2,970	2,035	682	4,146	6,151
Short-term investments	292	220	194	642	366	409	237	128	749	306
Cash and bank balances	2,644	1,866	5,148	5,738	3,023	1,599	1,684	3,498	1,696	2,520
Assets in disposal group held for sale	21,601	–	–	–	–	–	–	–	–	–
Total assets	**139,004**	**142,978**	**149,859**	**158,968**	**145,050**	**133,544**	**135,220**	**126,151**	**107,356**	**109 204**
Equity	60,752	67,255	67,156	66,450	63,590	58,299	56,343	54,350	49,754	47,983
Non-controlling interests	539	566	750	802	689	664	767	768	751	687
Provisions	12,651	13,908	13,351	13,292	14,199	14,240	17,035	16,962	13,620	14,773
Interest-bearing debt	37,834	37,297	44,766	52,886	42,323	38,601	39,036	35,021	25,429	27,498
Operating and other non-interest bearing liabilities	19,627	23,952	23,836	25,538	24,249	21,740	22,039	19,050	17,802	18,263
Liabilities in disposal group held for sale	7,601	–	–	–	–	–	–	–	–	–
Total liabilities and equity	**139,004**	**142,978**	**149,859**	**158,968**	**145,050**	**133,544**	**135,220**	**126,151**	**107,356**	**109,204**
Capital employed [4)]	102,017	105,333	112,264	105,955	96,368	96,192	95,341	87,208	71,687	71,863
Net debt, incl. pension liabilities	–36,648	–34,406	–40,430	–47,002	–37,368	–36,399	–39,826	–34,745	–22,306	–23,899
CASH FLOW STATEMENT										
Operating cash flow	8,577	9,755	14,133	7,813	8,127	6,304	7,471	8,837	10,102	12,421
Cash flow from current operations	6,383	7,399	11,490	3,810	4,508	2,772	4,362	5,688	8,134	8,620
Cash flow before dividend	3,782	5,776	8,483	77	1,473	1,538	1,768	–6,276	901	–855
Current capital expenditures	–3,747	–3,647	–4,037	–5,353	–5,165	–5,672	–4,859	–4,270	–3,902	–3,523
Strategic capital expenditures	–1,910	–2,427	–3,031	–3,109	–1,342	–935	–2,086	–2,398	–2,949	–2,823
Acquisitions	–983	–493	–51	–1,764	–4,545	–323	–428	–9,340	–4,808	–6,483
KEY RATIOS [5)]										
Equity/assets ratio, %	52	47	45	42	44	44	42	44	47	45
Interest coverage, multiple	2.8	7.8	5.0	3.7	5.3	5.1	1.3	7.1	9.8	8.9
Debt payment capacity incl. pension liabilities, %	36	35	31	26	35	29	27	35	54	47
Debt/equity ratio, incl. pension liabilities, multiple	0.60	0.51	0.60	0.70	0.58	0.62	0.70	0.63	0.44	0.49
Return on capital employed, %	4	8	7	8	11	9	2	9	11	13
Return on capital employed, excluding items affecting comparability, %	9	9	9	8	10	9	8	10	10	13
Return on equity, %	1	8	7	9	12	9	1	10	10	12
Operating margin, %	3	8	7	8	10	8	2	9	9	10
Operating margin, excluding items affecting comparability, %	9	9	9	8	9	8	8	9	9	10
Net margin, %	1	5	4	5	7	6	0	6	6	6
Capital turnover rate, multiple [2)]	1.04	1.02	0.97	1.04	1.10	1.05	1.01	1.03	1.19	1.23
Operating cash flow per share, SEK	9.09	10.53	16.36	5.42	6.42	3.95	6.22	8.12	11.66	12.37
Earnings per share, SEK	0.78	7.90	6.78	7.94	10.16	7.75	0.61	7.37	7.28	8.18
Dividend per share, SEK [6)]	4.20	4.00	3.70	3.50	4.40	4.00	3.67	3.50	3.50	3.20

1) Including packaging operations held for sale.
2) Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.
3) 2011, 2010, 2009, 2007, 2005 and 2004 include items affecting comparability of SEK –5,676m, SEK –931m, 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 118.
6) Dividend for 2011 relates to the proposed dividend.

Comments to the multi-year summary

Income statement

Sales

During the 2002–2004 period, SCA grew by acquiring companies, which contributed to an increase in sales of 9% 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. SCA's recycling business was reclassified to other income with retroactive adjustment for 2009 and 2010. In 2009, sales rose for Personal Care and Tissue, while Packaging reported a decline. Sales declined somewhat in 2010, mainly due to negative exchange rate effects and the divestment of the Asian packaging operations. Sales increased for all business areas in 2011 and net sales, excluding exchange rate effects and divestments, rose 4% compared with the preceding year. During the ten-year period, the Group's sales have increased by about 3% annually (CAGR).

Operating profit

In 2002, profit for Personal Care increased by 24%, which was attributable to volume growth and lower raw material and production costs. The improvement for Tissue amounted to 21% and is explained by the acquisition of CartoInvest as well as lower raw material and production costs.

Personal Care did not reach the 2002 profit level again until 2006. This business area had been under pressure from rising raw material costs and intense competition, although growth was favourable 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.

The acquisition made in 2002 in the Tissue business area could not offset lower prices, higher raw material and energy costs and the negative effects of currency movements. This resulted in a gradual decline in operating profit for a number of years starting in 2002. 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 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.

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. However, savings from the restructuring programme initiated during the year, combined with lower prices for raw materials, contributed positively. The restructuring programme begun in 2009 was concluded in 2010 and a total of 16 corrugated board plants and the mill for containerboard in the UK were closed. In total, a personnel reduction of approximately 2,100 positions was carried out. By year-end 2010, the entire projected annual savings of slightly more than SEK 1bn had been achieved on an annual basis. Profit rose sharply in 2010 compared with the preceding year. In 2011, operating profit rose 21% as a result of higher prices and volumes in addition to cost savings, which offset the SEK 1.6bn in higher raw material costs.

For Forest Products, profit declined after 2002 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 to 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 contracted due to increased costs for raw materials, energy and timber. In 2009, profit improved, primarily for publishing paper, where higher prices, lower raw material costs and efficiency enhancements made a positive contribution. In 2010, the profit level declined by 2%, with exchange rate effects having a significant negative impact. In the publishing papers operation, raw material costs rose at the same time as prices for SCA's products dropped, which adversely impacted profit. Productivity improvements and implemented price increases in pulp and solid-wood products had a positive effect on profit. In 2011, profit declined 18% due mainly to higher costs for raw materials and negative exchange rate effects in the pulp and sawmill operations.

Cash flow statement

A total of SEK 52bn has been invested in expansion during the reported ten-year period, of which SEK 29bn is attributable to company acquisitions. Maintenance investments amounted to SEK 44bn and have remained at a steady level of about 4% in relation to sales.

Key ratios

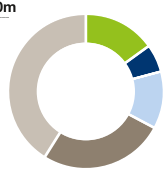
During the reporting period, the Group's dividend rose from SEK 3.20 to the proposed SEK 4.20, corresponding to an annual increase of approximately 3.7%. The proposed dividend of SEK 4.20 per share corresponds to an increase of 5% compared with the preceding year.

Description of costs

SCA Group

Total operating expenses[1,2]: SEK 96,610m

- Sales and administration expenses[3], 15%
- Energy, 6%
- Transport and distribution expenses, 12%
- Other costs of goods sold[4], 26%
- Raw materials and consumables, 41%

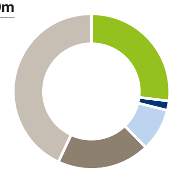


Of which	
Pulp	8%
Paper	5%
Recovered paper	8%
Timber/chips	5%
Super absorbents	2%
Non-woven	2%
Other[5]	11%
Total Raw materials and consumables	**41%**

Personal Care

Total operating expenses[1]: SEK 22,289m

- Sales and administration expenses, 27%
- Energy, 2%
- Transport and distribution expenses, 9%
- Other costs of goods sold, 19%
- Raw materials and consumables, 43%

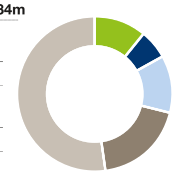


Of which	
Pulp	9%
Super absorbents	8%
Non-woven	8%
Other	18%
Total Raw materials and consumables	**43%**

Packaging

Total operating expenses[1,2]: SEK 24,734m

- Sales and administration expenses, 11%
- Energy, 6%
- Transport and distribution expenses, 12%
- Other costs of goods sold, 19%
- Raw materials and consumables, 52%



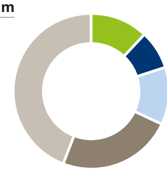
Of which	
Paper	19%
Recovered paper	19%
Other	14%
Total Raw materials and consumables	**52%**

1) Excluding items affecting comparability.
2) Including the packaging operations held for sale.
3) Sales and administration expenses include costs for marketing (4 percentage points).
4) The two largest items of Other costs of goods sold comprise personnel (12 percentage points) and depreciation/amortisation (6 percentage points).
5) The item Other in Raw materials and consumables includes costs for chemicals, packaging material and plastic material.

Tissue

Total operating expenses[1]: SEK 36,791m

- Sales and administration expenses, 12%
- Energy, 8%
- Transport and distribution expenses, 12%
- Other costs of goods sold, 24%
- Raw materials and consumables, 44%

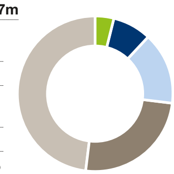


Of which	
Pulp	15%
Recovered paper	9%
Other	20%
Total Raw materials and consumables	**44%**

Forest Products

Total operating expenses[1]: SEK 15,187m

- Sales and administration expenses, 4%
- Energy, 8%
- Transport and distribution expenses, 15%
- Other costs of goods sold, 25%
- Raw materials and consumables, 48%

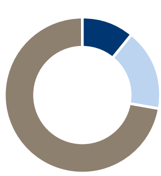


Of which	
Timber/chips	29%
Other	19%
Total Raw materials and consumables	**48%**

Raw materials, energy and transport activities

Timber/chips

- Personal Care, 0%
- Tissue, 11%
- Packaging, 17%
- Forest Products, 72%

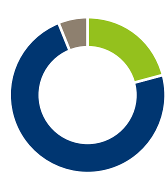


Total of 9.6 million cubic metres

of which, 50% from own forest and 50% purchased externally

Market pulp

- Personal Care, 21%
- Tissue, 73%
- Packaging, 0%
- Forest Products, 6%



Total of 1.8 million tonnes

of which, 41% from own pulp mills and 59% purchased externally

Recovered paper

- Personal Care, 0%
- Tissue, 38%
- Packaging, 44%
- Forest Products, 18%

Total of 4.2 million tonnes

of which, 35% from own collection and 65% purchased externally

Energy

- Electricity, 24%
- Fossil fuels, 42%
- Biofuels, 34%

Total of 28 TWh

Transport activities

- By sea, 76%
- Other means of transport, 24%

Total of 43 billion tonne kilometres

Production capacity (Capacity is stated in thousands of tonnes, unless otherwise indicated, and per year)

Tissue

Mill	Country	Capacity
Box Hill	Australia	53
Stembert	Belgium	75
Santiago [1]	Chile	61
Bogota [1]	Colombia	35
Medellin [1]	Colombia	39
Lasso [1]	Ecuador	24
Le Theil	France	62
Orleans	France	35
Altopascio	Italy	25
Collodi	Italy	42
Lucca	Italy	140
Monterrey	Mexico	57
Sahagun	Mexico	60
Uruapan	Mexico	36
Suameer [2]	Netherlands	8
Kawerau	New Zealand	61
Drammen	Norway	22
Sovetsk	Russia	30
Svetogorsk	Russia	55
La Riba	Spain	26
Mediona	Spain	45
Valls	Spain	120
Jönköping	Sweden	21
Lilla Edet	Sweden	100
Chesterfield	United Kingdom	31
Manchester	United Kingdom	50
Oakenholt	United Kingdom	68
Prudhoe	United Kingdom	87
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		**2,631**

Packaging

Production plant	Country	Corrugated board	Kraftliner	Testliner/fluting
Corrugated board	Belgium	85		
	Denmark	92		
	Estonia	12		
	Finland	39		
	France	114		
	Italy	499		
	Lithuania	40		
	Netherlands	117		
	Poland	23		
	Romania	10		
	Switzerland	28		
	Spain	114		
	Sweden	95		
	Czech Republic	46		
	Turkey	104		
	Germany	300		
	Hungary	24		
	Austria	47		
Containerboard				
Lucca	Italy			420
De Hoop	Netherlands			360
Munksund	Sweden		365	
Obbola	Sweden		300	125
Aschaffenburg	Germany			380
Witzenhausen	Germany			330
Total		**1,789**	**665**	**1,615**

The total number of facilities amounts to about 110.

Personal Care

Production plant	Country
Annaba [1]	Algeria
Buenos Aires [1]	Argentina
Springvale	Australia
Sao Paolo	Brazil
Drummondville	Canada
Santiago [1]	Chile
Caloto [1]	Colombia
Rio Negro [1]	Colombia
Santa Domingo [1]	Dominican Republic
Quito [1]	Equador
Cairo [1]	Egypt
Amman [1]	Jordan
Shah Alam	Malaysia
Ecatepec	Mexico
Guadalajara	Mexico
Gennep	Netherlands
Hoogezand	Netherlands
Te Rapa	New Zealand
Olawa	Poland
Veniov	Russia
Jeddah [1]	Saudi Arabia
Gemerská Hôrka	Slovakia
Kliprivier [1]	South Africa
Falkenberg	Sweden
Mölnlycke	Sweden
Ksibet el Mediouni [1]	Tunisia
San Saglik [1]	Turkey
Komili [1]	Turkey
Bowling Green	US

Forest Products

Mill	Country	Newsprint	SC and LWC paper	Market pulp	CTMP pulp	Total pulp and paper	Solid-wood products 1,000 m^3
Aylesford [1]	United Kingdom	410				410	
Ortviken	Sweden	390	510			900	
Östrand	Sweden			430	90	520	
Munksund	Sweden						400
Bollsta	Sweden						500
Tunadal	Sweden						500
Rundvik	Sweden						260
Vilhelmina	Sweden						120
Holmsund	Sweden						100
Gällö Timber [1]	Sweden						320
Laakirchen	Austria		510			510	
Total		**800**	**1,020**	**430**	**90**	**2,340**	**2,200**

[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 26.3% 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, rationalisation 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.

[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.

Glossary

AFH (Away-From-Home) Tissue sold to bulk consumers such as restaurants, hospitals, hotels, offices and industrial premises.

Coating A surface treatment applied to paper or corrugated board packaging. Provides a smooth surface with good printing properties.

Consumer packaging Packaging sold together with its contents to the end-consumer.

Consumer tissue Includes toilet and kitchen paper, facials and paper handkerchiefs.

Containerboard The collective name for liner and fluting.

Converting plant Produces finished packaging from corrugated board sheets supplied by a corrugated board plant or an integrated packaging plant.

Corrugated board Two outer layers of paper with an intermediate layer of fluting/folded paper (see liner and fluting).

Corrugated board plant Produces corrugated board that is then converted into finished packaging.

CTMP (Chemical thermo mechanical pulp) A high-yield pulp produced through the mechanical defibration in a refiner of preheated, chemically pretreated softwood.

Dispenser A device to dispense tissue or soap in public places.

Fluting The rippled middle layer in corrugated board, produced from semi-chemical pulp or recycled paper.

FSC – Forest Stewardship Council an international organisation 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 labelling of wood products from FSC-certified forests.

Liner The surface layer of corrugated board. Available in various grades, such as kraftliner (based on fresh wood fibre) and testliner (based on recovered fibre).

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 colour-printing requirements.

Market pulp Pulp that is dried and sold on the open market.

Mechanical pulp Debarked wood that is ground or chipped for mechanical refining to separate the fibres to form pulp.

M^3fo Forest cubic metre 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 metres.

M^3s or m^3sub Solid cubic metre under bark. Specifies the volume of timber excluding bark and tops. Used in felling and the timber trade.

Newsprint Paper for newspapers produced from mechanical pulp based on fresh wood fibre or recovered fibre.

Personal care products Here defined as incontinence care products, baby diapers and feminine care products.

Point-of-sale packaging Is used both to protect the goods and to promote the product in the store.

Productive forest land Land with a productive capacity that exceeds one cubic metre of forest per hectare annually.

Protective packaging Packaging that comprises material that protects the contents from vibrations, knocks or temperature fluctuations. The material ranges from foam plastics to corrugated board.

Recovered fibre Fibre based on recycled paper.

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 dimensions/ sizes: planks, joists, etc.

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.

TCF pulp Pulp that is bleached without using chlorine in any form.

Transport packaging Mainly used when transporting goods from production to customer. The most commonly used material is corrugated board.

Wood fibre Wood fibre from felled trees (fresh wood fibre).

Annual General Meeting and Nomination Committee

The Annual General Meeting of Svenska Cellulosa Aktiebolaget SCA will be held on Thursday, 29 March 2012, at 3 p.m. in City Conference Centre, Folkets Hus, Barnhusgatan 12–14, Stockholm, Sweden. Registration for the Annual General Meeting will start at 1.30 p.m.

Notification of attendance

Shareholders who wish to attend the Annual General Meeting must

- be listed in the shareholders' register maintained by Euroclear Sweden AB on Friday, 23 March 2012, and
- give notice of their intention to attend the meeting no later than Friday, 23 March 2012.

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 Friday, 23 March 2012.

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 authorisation document, listing the authorised signatories.

Dividend

The Board of Directors proposes a dividend of SEK 4.20 per share and that the record date for the dividend be Tuesday, 3 April 2012. Payment through Euroclear Sweden AB is estimated to be made on Tuesday, 10 April 2012.

Nomination Committee

- Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee
- Håkan Sandberg, Handelsbankens Pensionsstiftelse and others
- Torbjörn Callvik, Skandia Liv
- Bo Selling, Alecta
- Sverker Martin-Löf, Chairman of the Board of SCA

The Nomination Committee's tasks include preparing the proposal for the election of members of the Board of Directors.

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

Financial information 2012–2013

Interim report (1 Jan–31 Mar 2012)	18 April 2012
Interim report (1 Jan–30 Jun 2012)	19 July 2012
Interim report (1 Jan–30 Sep 2012)	18 October 2012
Year-end report for 2012	24 January 2013
Annual Report for 2012	March 2013

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

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