Interim Report Q2 2016

JANUARY 1 – JUNE 30, 2016 (compared with same period a year ago)

- Net sales amounted to SEK 57,263m (57,177)
- Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 2%
- Operating profit decreased by 8% to SEK 5,348m (5,809)
- Adjusted operating profit, which excludes items affecting comparability, rose 9% to SEK 6,652m (6,089)
- Adjusted operating margin was 11.6% (10.6%)
- Adjusted profit before tax rose 10% to SEK 6,197m (5,626)
- Items affecting comparability totaled SEK -1,304m (-280), of which SEK -1,142m (-139) affects cash flow. Items affecting comparability includes a provision of SEK 1,065m related to ongoing anti-trust cases.
- Taxes include a provision of SEK 1,300m related for ongoing tax cases
- Profit for the period was SEK 2,114m (3,977)
- Earnings per share were SEK 2.84 (5.23)
- Adjusted return on capital employed was 12.4% (11.4%)
- Cash flow from current operations was SEK 4,555m (3,366)

EARNINGS TREND

SEKm	**1606**	1506	%	**2016:2**	2015:2	%
Net sales	**57,263**	57,177	0	**29,086**	29,219	0
Adjusted operating profit[1]	**6,652**	6,089	9	**3,405**	3,217	6
Items affecting comparability	-1,304	-280		-1,113	-158	
Operating profit	**5,348**	5,809	-8	**2,292**	3,059	-25
Financial items	-455	-463		-130	-193	
Profit before tax	**4,893**	5,346	-8	**2,162**	2,866	-25
Adjusted Profit before tax[1]	**6,197**	5,626	10	**3,275**	3,024	8
Tax	-2,779	-1,369		-2,083	-737	
Net profit for the period	**2,114**	3,977	-47	**79**	2,129	-96
Earnings per share, SEK	**2.84**	5.23		**0.11**	2.80	

[1] Excluding items affecting comparability

CEO'S COMMENTS

The second quarter of 2016 showed continued good organic growth in adjusted operating profit compared with the same period a year ago. We have introduced seven innovations in consumer tissue, among other areas, under the Lotus, Okay, Plenty and Zewa brands, and in Away-from-Home tissue and incontinence products under our globally leading brands Tork and TENA, respectively. Our efficiency improvement work has continued with undiminished strength across the value chain. During the second quarter of 2016 we decided to close a tissue production plant in Spain. This is aligned with our long-term strategy to optimize our geographic production footprint in order to drive cost and capital efficiency and further increase value creation in Tissue.

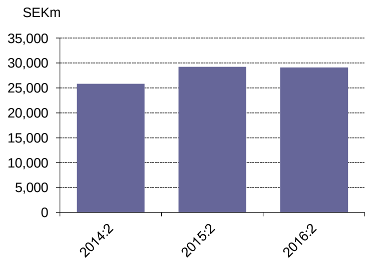
On April 1 this year our hygiene operations in Southeast Asia, Taiwan and South Korea were integrated with Vinda, in which we are the majority shareholder. Work is now under way on leveraging our joint strengths to build a leading Asian hygiene business.

During the second quarter of 2016 we made a provision of SEK 1.3 billion for ongoing tax cases in Sweden and Austria. Recently announced judgments in similar cases indicate a change in practice, and we therefore now consider it appropriate to make a provision in the financial statements for the second quarter of 2016. We have also reserved SEK 964m for ongoing antitrust cases in Chile, Colombia, Poland, Spain and Hungary. I want to stress that we do not tolerate any form of collusion with competitors. We are working intensively to minimize the risks for unethical behavior in our operations, among other things through employee training in competition law. We have also implemented SCA's Code of Conduct in all of our jointly owned companies.

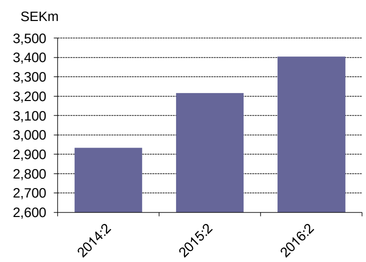
Consolidated net sales for the second quarter of 2016 were level with the same period a year ago. Organic sales growth was 2%. In emerging markets, which accounted for 31% of net sales, organic sales growth was 6%, while in mature markets it was 0%. The hygiene operations showed good organic sales growth as a result of higher volumes and a better price/mix, amounting to 5% for Personal Care and 3% for Tissue. Organic sales growth for Forest Products was -7%, mainly owing to lower volumes and lower prices.

The Group's adjusted operating profit for the second quarter of 2016, excluding currency translation effects, acquisitions and divestments, rose 9% compared with the same period a year ago. The increase is mainly related to higher volumes, a better price/mix, cost savings, and lower energy and raw material costs. Adjusted operating profit for the hygiene operations rose mainly as a result of a better price/mix, higher volumes, cost savings, and lower energy and raw material costs in Tissue. The lower adjusted operating profit for Forest Products is mainly attributable to lower prices and lower volumes. The Group's adjusted operating margin increased by 0.7 percentage points to 11.7%. Operating cash flow increased by 21%. The adjusted return on capital employed increased by 0.5 percentage point to 12.1%.

Net sales

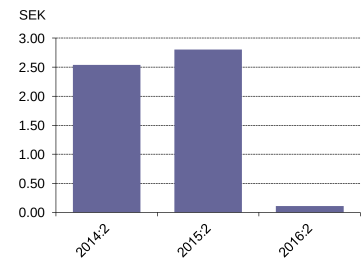


Adjusted operating profit



Excluding items affecting comparability

Earnings per share



ADJUSTED EARNINGS TREND FOR THE GROUP

SEKm	**1606**	1506	%	**2016:2**	2015:2	%
Net sales	**57,263**	57,177	0	**29,086**	29,219	0
Adjusted cost of goods sold[1]	-42,125	-42,661		-21,297	-21,735	
Adjusted gross profit[1]	**15,138**	14,516	4	**7,789**	7,484	4
Adjusted sales, general and administration	-8,486	-8,427		-4,384	-4,267	
Adjusted operating profit[1]	**6,652**	6,089	9	**3,405**	3,217	6
Financial items	-455	-463		-130	-193	
Adjusted profit before tax[1]	**6,197**	5,626	10	**3,275**	3,024	8
Adjusted tax[1]	-2,897	-1,457		-2,161	-781	
Adjusted net profit for the period[1]	**3,300**	4,169	-21	**1,114**	2,243	-50

[1] Excluding items affecting comparability; for amounts see page 13.

Earnings per share, SEK owners of the parent company						
- after dilution effects	2.84	5.23		0.11	2.80	
Adjusted margins (%)						
Gross margin[1]	**26.4**	25.4		**26.8**	25.6	
Operating margin[1]	**11.6**	10.6		**11.7**	11.0	
Financial net margin	-0.8	-0.8		-0.4	-0.7	
Profit margin[1]	**10.8**	9.8		**11.3**	10.3	
Tax[1]	-5.1	-2.5		-7.4	-2.7	
Net margin[1]	**5.7**	7.3		**3.9**	7.6	

[1] Excluding items affecting comparability; for amounts see page 13.

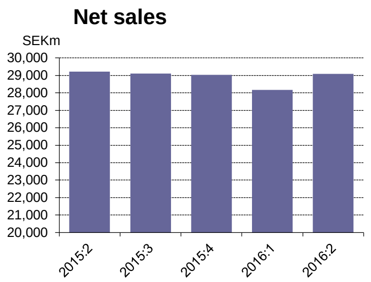
ADJUSTED OPERATING PROFIT PER BUSINESS AREA

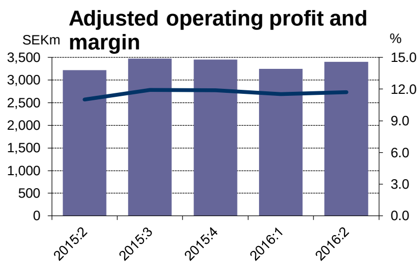
SEKm	**1606**	1506	%	**2016:2**	2015:2	%
Personal Care	2,044	1,846	11	1,070	977	10
Tissue	3,803	3,382	12	1,977	1,826	8
Forest Products	1,070	1,300	-18	522	622	-16
Other	-265	-439		-164	-208	
Total [1]	**6,652**	6,089	9	**3,405**	3,217	6

[1] Excluding items affecting comparability; for amounts see page 13.

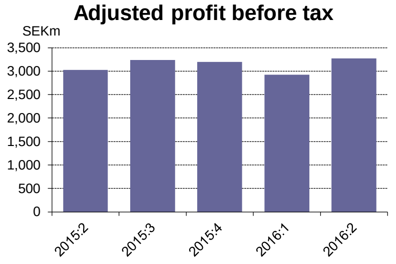
OPERATING CASH FLOW PER BUSINESS AREA

SEKm	**1606**	1506	%	**2016:2**	2015:2	%
Personal Care	2,130	1,275	67	1,200	871	38
Tissue	3,484	3,332	5	2,060	1,665	24
Forest Products	1,237	985	26	543	670	-19
Other	-574	-707		-261	-281	
Total	**6,277**	4,885	28	**3,542**	2,925	21





Excluding items affecting comparability



Excluding items affecting comparability

Change in net sales (%)

	1606 vs 1506	2016:2 vs. 2015:2
Total	**0**	**0**
Price/mix	0	1
Volume	2	1
Currency	-4	-5
Acquisitions	2	3
Divestments	0	0

Change in adjusted operating profit (%)

	1606 vs. 1506	2016:2 vs. 2015:2
Total	**9**	**6**
Price/mix	5	6
Volume	11	9
Raw materials	-1	2
Energy	4	3
Currency	-4	-5
Other	-6	-9

GROUP

MARKET/EXTERNAL ENVIRONMENT

January–June 2016 compared with corresponding period a year ago
The global market for hygiene products showed low growth in mature markets and continued favorable growth in emerging markets.

The European and North American markets for incontinence products showed higher demand in the institutional and home care sectors, and high growth in the retail market. Emerging markets showed higher demand for incontinence products. The global market for incontinence products was characterized by continued high competition.

In Europe, demand for baby diapers and feminine care products was stable. In emerging markets, demand grew for baby diapers and feminine care products. The global market for baby diapers was characterized by intense competition and campaign activity.

The European market for consumer tissue and AfH tissue showed low growth. The North American market for AfH tissue showed growth. Higher demand was noted in the Chinese tissue market.

In Europe, demand increased for kraftliner and solid-wood products. Demand in Europe for publication papers continued to decrease.

NET SALES AND EARNINGS

January–June 2016 compared with corresponding period a year ago
Net sales amounted to SEK 57,263m (57,177). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 2%, of which volume accounted for 2% and price/mix for 0%. Organic sales growth was 0% in mature markets and 8% in emerging markets. Emerging markets accounted for 32% of net sales. Exchange rate effects decreased net sales by 4%. The acquisition of Wausau Paper Corp. increased net sales by 2%.

Adjusted operating profit rose 9% (11% excluding currency translation effects, acquisitions and divestments) to SEK 6,652m (6,089). Higher volumes, a better price/mix, lower energy costs, cost savings and acquisition contributed to the earnings growth. Higher raw material costs had a negative earnings impact. In Personal Care, investments were made in increased marketing activities. Adjusted operating profit for Personal Care increased by 11% (16% excluding currency translation effects and divestments). Adjusted operating profit for Tissue increased by 12% (14% excluding currency translation effects and acquisitions). For Forest Products, adjusted operating profit decreased by 18%.

Items affecting comparability amounted to SEK -1,304m (-280) and consisted primarily of a provision of SEK 1,065m mainly for ongoing antitrust cases in Chile, Colombia, Poland, Spain and Hungary. They also include restructuring costs of approximately SEK 340m pertaining mainly to closures of tissue plants in Sant Joan de Mediona, Spain, and Saint-Cyr-en-Val, France. Items affecting comparability also include integration costs related to the acquisition of Wausau Paper Corp. and inventory valuation in connection with the acquisition balance, and a capital gain of approximately SEK 200m attributable to the divestment of SCA's shareholding in IL Recycling.

Financial items decreased to SEK -455m (-463). Lower average net debt and positive currency revaluation effects had a positive impact on financial items. Nonrecurring costs associated with early repayment of loans in Wausau in connection with refinancing had a negative effect on financial items.

Adjusted profit before tax rose 10% (13% excluding currency translation effects, acquisitions and divestments) to SEK 6,197m (5,626). The tax expense, excluding effects of items affecting comparability, was SEK 2,897m (1,457).

Adjusted profit for the period decreased by 21% (18% excluding currency translation effects, acquisitions and divestments) to SEK 3,300m (4,169). Profit for the period decreased by 47% (44% excluding currency translation effects, acquisitions and divestments). Earnings per share, including items affecting comparability, were SEK 2.84 (5.23).

Adjusted return on capital employed was 12.4% (11.4%) on a moving 12-month basis.

Second quarter 2016 company with second quarter 2015
Net sales amounted to SEK 29,086m (29,219). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 2%, of which volume accounted for 1% and price/mix for 1%. Organic sales growth was 0% in mature markets and 6% in emerging markets. Emerging markets accounted for 31% of net sales. Exchange rate effects decreased net sales by 5%. The acquisition of Wausau Paper Corp. increased net sales by 3%.

Adjusted operating profit rose 6% (9% excluding currency translation effects, acquisitions and divestments) to SEK 3,405m (3,217). Higher volumes, a better price/mix, lower energy and raw material costs, cost savings and acquisition contributed to the earnings growth.

Adjusted profit before tax rose 8% (11% excluding currency translation effects, acquisitions and divestments) to SEK 3,275m (3,024). The tax expense, excluding effects of items affecting comparability, was SEK 2,161m (781).

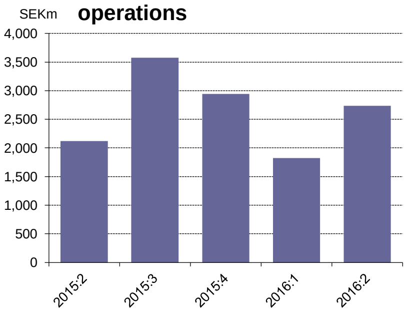
Adjusted profit for the period decreased by 50% (47% excluding currency translation effects, acquisitions and divestments) to SEK 1,114m (2,243). Profit for the period decreased by 96% (93% excluding currency translation effects, acquisitions and divestments). Earnings per share, including items affecting comparability, were SEK 0.11 (2.80).

Adjusted return on capital employed was 12.1% (11.6%).

CASH FLOW AND FINANCING

January–June 2016 compared with corresponding period a year ago
The operating cash surplus amounted to SEK 9,211m (8,744). The cash flow effect of changes in working capital was SEK -717m (-1,578). Working capital as a share of net sales decreased. Current capital expenditures amounted to SEK -1,795m (-1,821). Operating cash flow amounted to SEK 6,277m (4,885).

Cash flow from current operations



Financial items decreased to SEK -455m (-463). Lower average net debt had a positive impact on financial items during the period. Income tax payments totaled SEK 1,348m (1,143). Cash flow from current operations amounted to SEK 4,555m (3,366) during the period. The improvement is mainly attributable to a higher operating surplus and lower change in working capital.

Strategic capital expenditures totaled SEK -1,733m (-785). The increase is mainly attributable to the investment in increased capacity at Östrand pulp mill in Sweden and in a new production plant for incontinence products in Brazil. The net sum of acquisitions and divestments was SEK -6,252m (-21). The increase is mainly attributable to the acquisition of Wausau Paper Corp. Net cash flow totaled SEK -7,118m (-1,236).

Net debt increased by SEK 10,557m during the period, to SEK 40,035m. Excluding pension liabilities, net debt amounted to SEK 33,623m. Net cash flow increased net debt by SEK 7,118m. Fair value measurement of pension assets and updated assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, increased net debt by SEK 3,425m. The fair value measurement is mainly attributable to assumptions of lower discount rates, which increase the pension liability. Exchange rate movements increased net debt by SEK 14m.

The debt/equity ratio was 0.55 (0.45). Excluding pension liabilities, the debt/equity ratio was 0.46 (0.42). The debt payment capacity was 45% (42%).

EQUITY

January–June 2016 compared with corresponding period a year ago
Consolidated equity decreased by SEK 3,072m during the period, to SEK 72,619m. Net profit for the period increased equity by SEK 2,114m. Payment of the shareholder dividend decreased equity by SEK 4,107m. Equity decreased by SEK 2,554m net after tax as a result of fair value measurement of pension assets and updated assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments increased equity by SEK 272m after tax. Exchange rate movements, including the effects of hedges of net investments in foreign assets, after tax, increased equity by SEK 788m. Equity increased as a result of a private placement of SEK 419m to non-controlling interests in Vinda. Other items decreased equity by SEK 4m.

TAX

January–June 2016
A tax expense of SEK 2,897m is reported for the period, excluding items affecting comparability. The reported tax expense corresponds to a tax rate of 47% for the period. The tax rate, excluding items affecting comparability and a tax provision of SEK 1.3 billion related to ongoing tax cases in Sweden and Austria, was 25.5%.

The tax expense including items affecting comparability was SEK 2,779m, corresponding to a tax rate of 57% for the period. The tax rate, including items affecting comparability and excluding a tax provision of SEK 1.3 billion related to ongoing tax cases in Sweden and Austria, was 24%.

EVENTS DURING THE QUARTER

On April 1, 2016, SCA announced that its divestment of the hygiene business in Southeast Asia, Taiwan and South Korea for integration with Vinda International Holdings Limited ("Vinda") had closed. SCA is the majority shareholder in Vinda, one of China's largest hygiene companies. As part of the transaction, SCA and Vinda have signed an agreement regarding the exclusive license to market and sell the SCA brands TENA (incontinence products), Tork (Away-from-Home tissue), Tempo (consumer tissue), Libero (baby diapers), and Libresse (feminine care) in Southeast Asia, Taiwan and South Korea. Through this agreement, Vinda holds the rights to these product brands in these Asian markets. Vinda has acquired the brands Drypers, Dr.P, Sealer, Prokids, EQ Dry and Control Plus in these markets. The purchase consideration was HKD 2.5bn on a debt-free basis. Vinda is listed on the Hong Kong stock exchange.

On April 8, 2016, SCA sold its 33.33% shareholding in the recycling company IL Recycling. The pertinent authorities approved the transaction in June 2016, which closed on June 30, 2016, for a preliminary purchase consideration of approximately SEK 240m. The capital gain amounted to approximately SEK 200m and is recognized as an item affecting comparability during the second quarter of 2016.

On May 19, 2016, SCA communicated that the company had raised EUR 500m under its Euro Medium Term Note (EMTN) program, with a tenor of five years and a re-offer yield for the bond of 0.583% per year, corresponding to Euro Mid-swaps +0.55 percentage points. The purpose of the transaction was to refinance maturing loans.

On May 27, 2016, SCA communicated that the company Productos Familia S.A., Colombia, in which SCA owns 50% of the shares, had been found guilty in an antitrust inquiry related to tissue products conducted by the Colombian competition authority. The inquiry, which targeted Familia and four other companies in the market, pertained to activities that took place up until 2013. Familia was ordered to pay a fine of approximately SEK 170m. On June 29, 2016, SCA communicated that Familia has been ordered to pay a fine also with respect to baby diapers. This case, which concerns Familia and three other companies in the market, pertained to activities that took place up until 2012. Familia was ordered to pay a fine of approximately SEK 97m. During the first quarter of 2016 SCA made a provision of approximately SEK 100m for the inquiry into Familia's tissue products. This amount was recognized as an item affecting comparability during the first quarter of 2016. In view of the judgments announced during the second quarter, SCA has made an additional provision of approximately SEK 167m, which is recognized as an item affecting comparability during the second quarter of 2016.

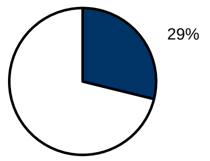
On May 31, 2016, SCA communicated that the Spanish National Commission for Markets and Competition (CNMC) has issued fines to a number of companies in the Spanish market for incontinence products, one of which is SCA. The fine imposed on SCA amounts to approximately SEK 325m for alleged violations of competition rules between 1996 and 2013. SCA does not agree with the CNMC's decision and will submit an appeal to the Spanish courts. A provision for the fine has been recognized as an item affecting comparability during the second quarter of 2016.

On June 23, 2016, SCA communicated that it will be closing its tissue production plant in Sant Joan de Mediona, Spain. The decision is aligned with the company's strategy to optimize its geographic production footprint in order to drive cost and capital efficiency and further increase value creation in Tissue. The production plant has an annual capacity of 45,000 tonnes. Production will be discontinued in July 2016. Restructuring costs for the closure of the production plant are expected to amount to approximately SEK 230m and are recognized as an item affecting comparability in the second quarter of 2016. Of the restructuring costs, approximately SEK 140m is expected to be recognized as an impairment loss.

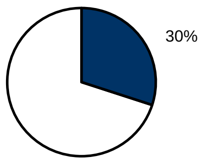
EVENTS AFTER THE END OF THE QUARTER

On July 1, 2016, SCA communicated that the company will make a provision of approximately SEK 1.3bn related to ongoing tax cases in Sweden and Austria. Recently announced judgments in similar cases indicate a change in practice. The company now considers it appropriate to make a provision in the financial statements for the second quarter of 2016. Most of this amount was previously recognized as a contingent liability in the annual report. The provision has been recognized as a tax expense in the second quarter of 2016. SCA also communicated that it will make a provision of approximately SEK 980m in the second quarter 2016, primarily for ongoing antitrust cases in Chile, Colombia, Poland, Spain and Hungary. These cases essentially relate to the period between years 2000-2013. The provision has been recognized as an item affecting comparability in the second quarter of 2016. SCA has previously released information about the main part of these antitrust and tax cases.

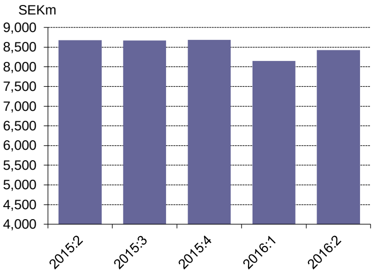
Share of Group, net sales
1606



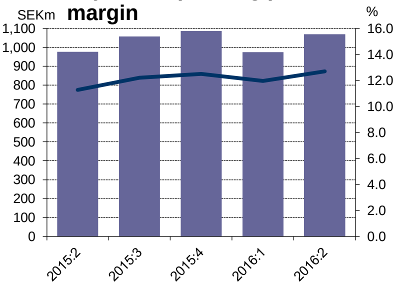
Share of Group, operating profit
1606



Net sales



Adjusted operating profit and margin



Change in net sales (%)

	1606 vs. 1506	2016:2 vs. 2015:2
Total	**-2**	**-3**
Price/mix	1	1
Volume	4	4
Currency	-6	-7
Acquisitions	0	0
Divestments	-1	-1

Change in adjusted operating profit (%)

	1606 vs. 1506	2016:2 vs 2015:2
Total	**11**	**10**
Price/mix	9	14
Volume	19	14
Raw materials	-2	0
Energy	0	0
Currency	-6	-5
Other	-9	-13

PERSONAL CARE

SEKm	**1606**	1506	%	**2016:2**	2015:2	%
Net sales	**16,578**	16,995	-2	**8,427**	8,676	-3
Adjusted operating surplus	**2,545**	2,374	7	**1,328**	1,243	7
Adjusted operating profit*	**2,044**	1,846	11	**1,070**	977	10
Adjusted operating margin, %*	**12.3**	10.9		**12.7**	11.3	
Adjusted return on capital employed, %*	**31.0**	26.0		**31.1**	28.6	
Operating cash flow	**2,130**	1,275		**1,200**	871	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–June 2016 compared with corresponding period a year ago
Net sales decreased by 2% to SEK 16,578m (16,995). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 5%, of which volume accounted for 4% and price/mix for 1%. The divestment of the baby diaper operation in South Africa decreased net sales by 1%. Organic sales growth was 5% in mature markets and 6% in emerging markets. Emerging markets accounted for 41% of net sales. Exchange rate effects decreased net sales by 6%.

For incontinence products, under the globally leading TENA brand, organic sales growth was 4%. Growth is attributable to emerging markets and western Europe. For baby diapers, organic sales growth was 3%. Growth is mainly attributable to western Europe. For feminine care products, organic sales growth was 13%, attributable to emerging markets and western Europe.

Adjusted operating profit rose 11% (16% excluding currency translation effects and divestments) to SEK 2,044m (1,846). Profit was favorably affected by higher volumes, a better price/mix and cost savings. Investments were made in increased marketing activities, particularly in Latin America. Higher raw material costs had a negative earnings impact.

Adjusted return on capital employed on a moving 12-month basis was 31.0% (26.0%).

The operating cash surplus amounted to SEK 2,550m (2,375). Operating cash flow increased to SEK 2,130m (1,275).

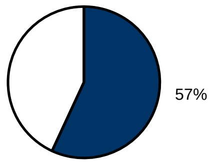
Second quarter 2016 compared with second quarter 2015
Net sales decreased by 3% to SEK 8,427m (8,676). Organic sales growth was 5%, of which price/mix accounted for 1% and volume for 4%. The divestment of the baby diaper operation in South Africa decreased net sales by 1%. Organic sales growth was 6% in mature markets and 4% in emerging markets. Emerging markets accounted for 41% of net sales. Exchange rate effects decreased net sales by 7%.

For incontinence products, under the globally leading TENA brand, organic sales growth was 4% compared with the same period a year ago. Growth is attributable to western Europe, North America and emerging markets. For baby diapers, organic sales growth was 4%, mainly attributable to Europe. For feminine care products, organic sales growth was 9%, attributable to emerging markets and western Europe.

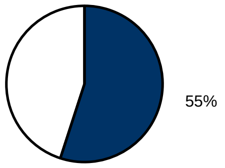
Adjusted operating profit rose 10% (14% excluding currency translation effects and divestments) to SEK 1,070m (977). Profit was favorably affected by a better price/mix, higher volumes, and cost savings. Investments were made in increased marketing activities, particularly in Latin America.

Adjusted return on capital employed was 31.1% (28.6%).

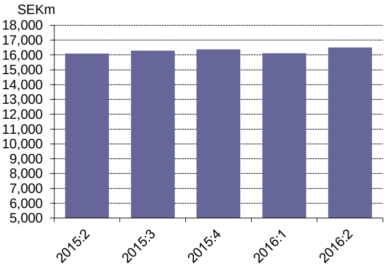
Share of Group, net sales
1606



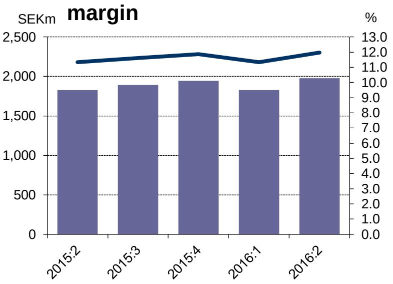
Share of Group, operating profit
1606



Net sales



Adjusted operating profit and margin



Change in net sales (%)

	1606 vs. 1506	2016:2 vs. 2015:2
Total	**3**	**3**
Price/mix	1	1
Volume	2	2
Currency	-4	-5
Acquisitions	4	5
Divestments	0	0

Change in adjusted operating profit (%)

	1606 vs 1506	2016:2 vs. 2015:2
Total	**12**	**8**
Price/mix	13	12
Volume	10	9
Raw materials	0	3
Energy	7	4
Currency	-6	-6
Other	-12	-14

TISSUE

SEKm	1606	1506	%	2016:2	2015:2	%
Net sales	**32,628**	31,526	3	**16,514**	16,091	3
Adjusted operating surplus	**5,648**	5,121	10	**2,898**	2,699	7
Adjusted operating profit*	**3,803**	3,382	12	**1,977**	1,826	8
Adjusted operating margin, %*	**11.7**	10.7		**12.0**	11.3	
Adjusted return on capital employed, %*	**13.2**	12.5		**12.9**	13.2	
Operating cash flow	**3,484**	3,332		**2,060**	1,665	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–June 2016 compared with corresponding period a year ago
Net sales rose 3% to SEK 32,628m (31,526). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was 3%, of which volume accounted for 2% and price/mix for 1%. The acquisition of Wausau Paper Corp. increased net sales by 4%. Organic sales growth was 0% in mature markets and 11% in emerging markets. Emerging markets accounted for 31% of net sales. Exchange rate effects decreased net sales by 4%.

For consumer tissue, organic sales growth was 4%. Growth is related to high growth in emerging markets, particularly China, Latin America and Russia. For AfH tissue, organic sales growth was 3%. The increase was mainly related to western Europe and emerging markets.

Adjusted operating profit rose 12% (14% excluding currency translation effects and acquisitions) to SEK 3,803m (3,382). A better price/mix, higher volumes, lower energy costs, cost savings and acquisition contributed to the earnings increase. The acquisition of Wausau Paper Corp. increased operating profit by 4%.

Adjusted return on capital employed on a moving 12-month basis was 13.2% (12.5%).

The operating cash surplus increased to SEK 5,657m (5,119). Operating cash flow was SEK 3,484m (3,332).

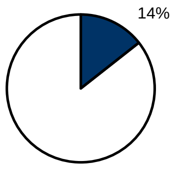
Second quarter 2016 compared with second quarter 2015
Net sales rose 3% to SEK 16,514m (16,091). Organic sales growth was 3%, of which price/mix accounted for 1% and volume for 2%. The acquisition of Wausau Paper Corp. increased net sales by 5%. Organic sales growth was 0% in mature markets and 10% in emerging markets. Emerging markets accounted for 31% of net sales. Exchange rate effects decreased net sales by 5%.

For consumer tissue, organic sales growth was 3%. Growth is related to high growth in emerging markets, particularly China, Latin America and eastern Europe. For AfH tissue, organic sales growth was 4% and was related to western Europe and emerging markets.

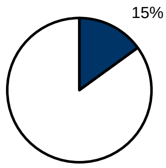
Adjusted operating profit rose 8% (10% excluding currency translation effects and acquisitions) to SEK 1,977m (1,826). A better price/mix, higher volumes, lower energy and raw material costs, cost savings and acquisition contributed to the earnings increase. The acquisition of Wausau Paper Corp. increased operating profit by 4%.

Adjusted return on capital employed was 12.9% (13.2%). Goodwill related to the acquisition of Wausau Paper Corp. had a negative impact.

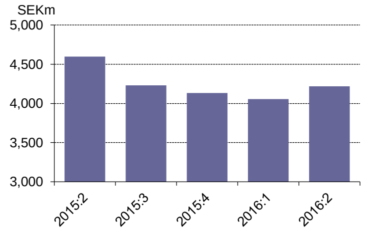
Share of Group, net sales
1606



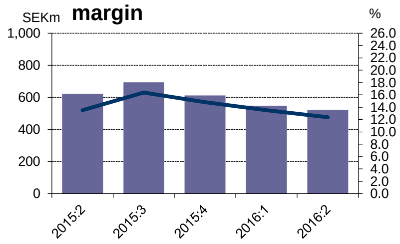
Share of Group, operating profit
1606



Net sales



Adjusted operating profit and margin



Change in net sales (%)

	1606 vs. 1506	2016:2 vs. 2015:2
Total	**-7**	**-8**
Price/mix	-4	-3
Volume	-3	-4
Currency	0	-1
Acquisitions	0	0
Divestments	0	0

Change in adjusted operating profit (%)

	1606 vs. 1506	2016:2 vs. 2015:2
Total	**-18**	**-16**
Price/mix*	-22	-24
Volume	-2	-4
Raw materials	-1	1
Energy	3	2
Currency	0	0
Other	4	9

**Price/mix includes exchange rate effects of approximately -4% (SEK -50m) and -4% (SEK -23m), respectively.*

FOREST PRODUCTS

SEKm	**1606**	1506	%	**2016:2**	2015:2	%
Deliveries						
- Publication papers, thousand tons	**360**	422	-15	**167**	210	-20
- Solid-wood products, thousand m^3	**1,273**	1,210	5	**674**	682	-1
- Kraftliner products, thousand tons	**410**	425	-4	**212**	206	3
- Pulp products, thousand tons	**242**	261	-7	**119**	134	-11
Net sales	**8,274**	8,914	-7	**4,219**	4,598	-8
Adjusted operating surplus	**1,630**	1,907	-15	**802**	926	-13
Adjusted operating profit*	**1,070**	1,300	-18	**522**	622	-16
Adjusted operating margin, %*	**12.9**	14.6		**12.4**	13.5	
Adjusted return on capital employed, %*	**6.3**	6.8		**5.5**	6.5	
Operating cash flow	**1,237**	985		**543**	670	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–June 2016 compared with corresponding period a year ago
Net sales decreased by 7% to SEK 8,274m (8,914). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was -7%, of which volume accounted for -3% and price/mix for -4%.

Solid-wood products showed lower prices (including exchange rate effects) and higher volumes. Kraftliner and pulp showed lower prices (including exchange rate effects) and lower volumes. Publication papers showed higher prices (including exchange rate effects) and lower volumes.

Adjusted operating profit decreased by 18% to SEK 1,070m (1,300). Lower prices (including exchange rate effects), lower volumes and higher raw material costs led to lower earnings. Lower energy costs had a positive earnings impact.

Adjusted return on capital employed on a moving 12-month basis was 6.3% (6.8%).

The operating cash surplus was SEK 1,226m (1,652), and operating cash flow totaled SEK 1,237m (985).

Second quarter 2016 compared with second quarter 2015
Net sales decreased by 8% to SEK 4,219m (4,598). Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, was -7%, of which price/mix accounted for -3% and volume for -4%. Exchange rate effects decreased sales by 1%.

Kraftliner showed lower prices (including exchange rate effects) and higher volumes. Solid-wood products and pulp showed lower prices (including exchange rate effects) and lower volumes. Publication papers showed higher prices (including exchange rate effects) and lower volumes.

Adjusted operating profit decreased by 16% to SEK 522m (622). Lower prices (including exchange rate effects) and lower volumes led to lower earnings. Lower raw material and energy costs had a positive earnings impact.

Adjusted return on capital employed was 5.5% (6.5%).

The Board of Directors and President certify that the half-year interim report gives a true and fair view 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.

Stockholm, July 19, 2016
SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Pär Boman
Chairman of the Board

Ewa Björling
Director

Roger Boström
Employee representative

Maija-Liisa Friman
Director

Annemarie Gardshol
Director

Louise Julian Svanberg
Director

Johan Malmquist
Director

Bert Nordberg
Director

Örjan Svensson
Employee representative

Barbara Milian Thoralfsson
Director

Thomas Wiklund
Employee representative

Magnus Groth
Director
President and CEO

Auditor's review report on interim financial information in summary (interim report), prepared in accordance with IAS 34 and Ch. 9 of the Swedish Annual Accounts Act

Introduction

We have reviewed this report for Svenska Cellulosa Aktiebolaget SCA (publ.) as per June 30, 2016, and the six-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, July 19, 2016

Ernst & Young AB

Hamish Mabon

Authorized Public Accountant

SHARE DISTRIBUTION

June 30, 2016	Class A	Class B	Total
Registered number of shares	64,855,822	640,254,272	705,110,094
- of which treasury shares		2,767,605	2,767,605

At the end of the reporting period the proportion of Class A shares was 9.2%. During the second quarter, at the request of shareholders a total of 1,415,631 Class A shares were converted to Class B shares. The total number of votes in the company is thereafter 1,288,812,492.

FUTURE REPORTS

During 2016 an interim report will be published on October 27. The year-end report for 2016 will be published on January 26, 2017.

INVITATION TO PRESS CONFERENCE ON Q2 INTERIM REPORT 2016

Media and analysts are invited to a press conference, where this interim report will be presented by Magnus Groth, President and CEO.

Time: 13:00 CET, Tuesday, July 19, 2016
Location: SCA's headquarters, Waterfront Building, Klarabergsviadukten 63, Stockholm, Sweden

The presentation will be webcast at www.sca.com. To participate, call: +44 (0)20 7162 0077, +1 646 851 2407 or +46 (0)8 5052 0110. Specify "SCA" or conference ID no. 959287.

Stockholm, July 19, 2016
SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Magnus Groth

President and CEO

For further information, please contact:

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Linda Nyberg, Vice President Media and Online, Group Function Communications, +46 8 788 51 58

Joséphine Edwall-Björklund, Senior Vice President, Group Function Communications, +46 8 788 52 34

NB

This information is such that SCA is obligated to make public pursuant to the EU Market Abuse Regulation or the Swedish Securities Markets Act. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of the contact person set out below, at 12:00 CET on July 19, 2016.

Karl Stoltz, Media Relations Manager, +46 8 788 51 55

STATEMENT PROFIT OR LOSS

SEKm	**2016:2**	2015:2	2016:1	**1606**	1506
Net sales	**29,086**	29,219	28,177	**57,263**	57,177
Cost of goods sold [1]	-21,297	-21,735	-20,828	-42,125	-42,661
Items affecting comparability[1,2]	-106	19	-22	-128	28
Gross profit	**7,683**	7,503	7,327	**15,010**	14,544
Sales, general and administration [1]	-4,417	-4,313	-4,134	-8,551	-8,511
Items affecting comparability[1,2]	-1,007	-177	-169	-1,176	-308
Share of profits of associates and joint ventures	33	46	32	65	84
Operating profit	**2,292**	3,059	3,056	**5,348**	5,809
Financial items	-130	-193	-325	-455	-463
Profit before tax	**2,162**	2,866	2,731	**4,893**	5,346
Tax	-2,083	-737	-696	-2,779	-1,369
Net profit for the period	**79**	2,129	2,035	**2,114**	3,977
Earnings attributable to:					
Owners of the parent	76	1,968	1,922	1,998	3,673
Non-controlling interests	3	161	113	116	304
Earnings per share, SEK - owners of the parent total operations					
- before dilution effects	0.11	2.80	2.74	2.84	5.23
- after dilution effects	0.11	2.80	2.74	2.84	5.23

Calculation of earnings per share	**2016:2**	2015:2	2016:1	**1606**	1506
Earnings attributable to owners of the parent	76	1,968	1,922	1,998	3,673
Average no. of shares before dilution, millions	702.3	702.3	702.3	702.3	702.3
Average no. of shares after dilution, millions	702.3	702.3	702.3	702.3	702.3
[1]**Of which, depreciation**	-1,546	-1,511	-1,504	-3,050	-2,997
[2] **Distribution of items affecting comparability by function**					
Cost of goods sold	-106	19	-22	-128	28
Sales, general and administration	-1,064	-39	-169	-1,233	-167
Impairment, etc.	57	-138	0	57	-141
Total items affecting comparability	-1,113	-158	-191	-1,304	-280
Gross margin	**26.4**	25.7	26.0	**26.2**	25.4
Operating margin	7.9	10.5	10.8	9.3	10.2
Financial net margin	-0.4	-0.7	-1.2	-0.8	-0.8
Profit margin	**7.5**	9.8	9.6	**8.5**	9.4
Tax	-7.2	-2.5	-2.5	-4.9	-2.4
Net margin	**0.3**	7.3	7.1	**3.6**	7.0

Adjusted, excluding items affecting comparability:	**2016:2**	2015:2	2016:1	**1606**	1506
Gross margin	**26.8**	25.6	26.1	**26.4**	25.4
Operating margin	11.7	11.0	11.5	11.6	10.6
Financial net margin	-0.4	-0.7	-1.2	-0.8	-0.8
Profit margin	**11.3**	10.3	10.3	**10.8**	9.8
Tax	-7.4	-2.7	-2.6	-5.1	-2.5
Net margin	**3.9**	7.6	7.7	**5.7**	7.3

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SEKm	**2016:2**	2015:2	2016:1	**1606**	1506
Profit for the period	**79**	2,129	2,035	**2,114**	3,977
Other comprehensive income for the period:					
Items that may not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	-1,424	2,901	-2,000	-3,424	2,955
Income tax attributable to components of other comprehensive income	379	-674	491	870	-700
	-1,045	2,227	-1,509	-2,554	2,255
Items that have been or may be reclassified subsequently to the income statement					
Available-for-sale financial assets	2	-106	-2	0	234
Cash flow hedges	270	21	82	352	98
Translation differences in foreign operations	1,117	-1,703	175	1,292	485
Gains/losses from hedges of net investments in foreign operations	-185	153	-464	-649	-515
Other comprehensive income from associated companies	22	0	-24	-2	0
Income tax attributable to components of other comprehensive income	-28	-47	93	65	81
	1,198	-1,682	-140	1,058	383
Other comprehensive income for the period, net of tax	**153**	545	-1,649	**-1,496**	2,638
Total comprehensive income for the period	**232**	2,674	386	**618**	6,615
Total comprehensive income attributable to:					
Owners of the parent	104	2,776	336	440	6,163
Non-controlling interests	128	-102	50	178	452

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	**1606**	1506
Attributable to owners of the parent		
Opening balance, January 1	70,401	67,622
Total comprehensive income for the period	440	6,163
Dividend	-4,038	-3,687
Private placement to non-controlling interest	233	0
Private placement to non-controlling interest, dilution	-110	0
Issue costs private placement	-4	0
Acquisition of non-controlling interests	-670	-19
Acquisition of non-controlling interests, dilution	348	0
Remeasurement effect upon acquisition of non-controlling interests	-2	-2
Closing balance	**66,598**	70,077
Non-controlling interests		
Opening balance, January 1	5,290	5,250
Total comprehensive income for the period	178	452
Dividend	-69	-109
Private placement to non-controlling interest	194	0
Private placement to non-controlling interest, dilution	110	0
Issue costs private placement	-4	0
Acquisition of non-controlling interests	670	0
Acquisition of non-controlling interests, dilution	-348	0
Closing balance	**6,021**	5,593
Total equity, closing balance	**72,619**	75,670

CONSOLIDATED OPERATING CASH FLOW ANALYSIS

SEKm	**1606**	1506
Operating cash surplus	9,211	8,744
Change in working capital	-717	-1,578
Current capital expenditures, net	-1,795	-1,821
Restructuring costs, etc.	-422	-460
Operating cash flow	**6,277**	4,885
Financial items	-455	-463
Income taxes paid	-1,348	-1,143
Other	81	87
Cash flow from current operations	**4,555**	3,366
Acquisitions	-6,514	-21
Strategic capital expenditures in non-current assets	-1,733	-785
Divestments	262	0
Cash flow before dividend	**-3,430**	2,560
Private placement to non-controlling interest	419	0
Dividend	-4,107	-3,796
Net cash flow	**-7,118**	-1,236
Net debt at the start of the period	**-29,478**	-35,947
Net cash flow	-7,118	-1,236
Remeasurement to equity	-3,425	3,190
Translation differences	-14	-265
Net debt at the end of the period	**-40,035**	-34,258
Debt/equity ratio	**0.55**	0.45
Debt payment capacity, %	**45**	42

CONSOLIDATED CASH FLOW STATEMENT

SEKm	**1606**	1506
Operating activities		
Profit before tax	4,893	5,346
Adjustment for non-cash items[1]	3,524	2,508
	8,417	7,854
Paid tax	-1,348	-1,143
Cash flow from operating activities before changes in working capital	**7,069**	6,711
Cash flow from changes in working capital		
Change in inventories	864	-416
Change in operating receivables	-662	-2,327
Change in operating liabilities	-919	1,165
Cash flow from operating activities	**6,352**	5,133
Investing activities		
Acquisitions	-4,387	-1
Divestments	262	0
Investment in tangible and intangible assets	-3,619	-2,695
Sale of tangible assets	90	89
Loan granted to external parties	0	-159
Repayment of loans from external parties	156	0
Cash flow from investing activities	**-7,498**	-2,766
Financing activities		
New issue	419	0
Acquisition of non-controlling interests	0	-7
New borrowing	13,589	8,669
Amortization of loans	-9,651	-5,670
Dividend	-4,107	-3,796
Cash flow from financing activities	**250**	-804
Cash flow for the period	**-896**	1,563
Cash and cash equivalents at the beginning of the period	5,042	3,815
Translation differences in cash and cash equivalents	77	32
Cash and cash equivalents at the end of the period	**4,223**	5,410
Cash flow from operating activities per share, SEK	9.01	7.28

Reconciliation with consolidated operating cash flow statement

Cash flow for the period	**-896**	1,563
Less:		
Loans granted to external parties	0	159
Repayment of loans from external parties	-156	0
New borrowings	-13,589	-8,669
Financial liabilities (additional purchase price) at acquisitions	0	-12
Add:		
Net debt in acquired and divested operations	-2,127	0
Amortization of borrowing	9,651	5,670
Accrued interest	-1	53
Net cash flow according to consolidated operating cash flow statement	**-7,118**	-1,236

[1] Depreciation/amortization and impairment of non-current assets	*3,179*	*3,138*
Fair-value measurement of forest assets	*-373*	*-254*
Gains/loss on assets sales and swaps of assets	*-18*	*-4*
Unpaid related to efficiency programs	*78*	*0*
Gain/loss on divestments	*-218*	*-92*
Payments related to efficiency progams recoqnized	*-143*	*-213*
Provision related to ongoing anti-trust cases	*1,065*	*0*
Other	*-46*	*-67*
Total	*3,524*	*2,508*

CONSOLIDATED BALANCE SHEET

SEKm	Note	June 30, 2016	December 31, 2015
Assets			
Goodwill		18,721	15,412
Other intangible assets		7,688	7,440
Buildings, land, machinery and equipment		58,219	54,532
Biological assets		30,489	30,119
Participation in joint ventures and associates		1,059	1,078
Shares and participation		45	45
Surplus in funded pension plans		6	371
Non-current financial assets	4	903	1,032
Deferred tax assets		1,084	1,063
Other non-current assets	4	191	150
Total non-current assets		**118,405**	111,242
Inventories		14,405	14,661
Trade receivables	4	17,951	16,829
Current tax assets		773	872
Other current receivables		2,936	2,831
Current financial assets	4	965	775
Non-current assets held for sale		121	120
Cash and cash equivalents		4,223	5,042
Total current assets		**41,374**	41,130
Total assets		**159,779**	152,372
Equity			
Share capital		2,350	2,350
Other capital provided		6,830	6,830
Reserves		-1,244	-2,242
Retained earnings		58,662	63,463
Attributable to owner of the Parent		**66,598**	70,401
Non-controlling interests		6,021	5,290
Total equity		**72,619**	75,691
Liabilities			
Non-current financial liabilities	4	28,660	21,475
Provisions for pensions		6,418	2,771
Deferred tax liabilities		10,334	11,076
Other non-current provisions		1,539	901
Other non-current liabilities	4	242	258
Total non-current liabilities		**47,193**	36,481
Current financial liabilities[1]	4	11,054	12,452
Trade payables	4	13,734	14,351
Current tax liabilities		1,972	827
Current provisions		1,273	990
Other current liabilities		11,934	11,580
Total current liabilities		39,967	40,200
Total liabilities		**87,160**	76,681
Total equity and liabilities		**159,779**	152,372

[1]*Committed credit lines amount to SEK 18,505m of which unutilized SEK 18,505m.*

CONSOLIDATED BALANCE SHEET cont.

SEKm	**June 30, 2016**	December 31, 2015
Debt/equity ratio	0.55	0.39
Equity/assets ratio	42%	46%
Return on capital employed*	9.6%	10.1%
Return on equity	7.5%	9.9%
Excluding items affecting comparability:		
Return on capital employed*	12.4%	12.0%
Return on equity	10.5%	11.6%
*) rolling twelve months		
Equity per share, SEK	103	107
Capital employed	112,654	105,169
- of which working capital	9,202	8,167
Provisions for restructuring costs are included in the balance sheet as follows:		
- Other provisions**	1,539	901
- Operating liabilities	495	548
**) of which, provision for tax risks	602	798
Net debt	40,035	29,478
Total Equity	72,619	75,691

NET SALES (business area reporting)

SEKm	**1606**	1506	**2016:2**	2016:1	2015:4	2015:3	2015:2	2015:1
Personal Care	16,578	16,995	8,427	8,151	8,681	8,668	8,676	8,319
Tissue	32,628	31,526	16,514	16,114	16,366	16,292	16,091	15,435
Forest Products	8,274	8,914	4,219	4,055	4,133	4,232	4,598	4,316
Other	25	-24	42	-17	2	13	-24	0
Intra-group deliveries	-242	-234	-116	-126	-142	-106	-122	-112
Total net sales	**57,263**	57,177	**29,086**	28,177	29,040	29,099	29,219	27,958

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	**1606**	1506	**2016:2**	2016:1	2015:4	2015:3	2015:2	2015:1
Personal Care	2,044	1,846	1,070	974	1,086	1,058	977	869
Tissue	3,803	3,382	1,977	1,826	1,943	1,892	1,826	1,556
Forest Products	1,070	1,300	522	548	612	693	622	678
Other	-265	-439	-164	-101	-187	-172	-208	-231
Total adjusted operating profit [1]	**6,652**	6,089	**3,405**	3,247	3,454	3,471	3,217	2,872
Financial items	-455	-463	-130	-325	-259	-233	-193	-270
Adjusted profit before tax [1]	**6,197**	5,626	**3,275**	2,922	3,195	3,238	3,024	2,602
Tax	-2,897	-1,457	-2,161	-736	-1,046	-803	-781	-676
Adjusted net profit for the period [2]	**3,300**	4,169	**1,114**	2,186	2,149	2,435	2,243	1,926
[1] Excluding items affecting comparability before tax amounting to:	-1,304	-280	-1,113	-191	697	-2,484	-158	-122
[2] Excluding items affecting comparability after tax amounting to:	-1,186	-192	-1,035	-151	758	-1,867	-114	-78

ADJUSTED OPERATING MARGIN (business area reporting)

%	**1606**	1506	**2016:2**	2016:1	2015:4	2015:3	2015:2	2015:1
Personal Care	12.3	10.9	12.7	11.9	12.5	12.2	11.3	10.4
Tissue	11.7	10.7	12.0	11.3	11.9	11.6	11.3	10.1
Forest Products	12.9	14.6	12.4	13.5	14.8	16.4	13.5	15.7

STATEMENT OF PROFIT OR LOSS

SEKm	**2016:2**	2016:1	2015:4	2015:3	2015:2
Net sales	**29,086**	28,177	29,040	29,099	29,219
Adjusted cost of goods sold	-21,297	-20,828	-21,372	-21,443	-21,735
Items affecting comparability	-106	-22	-61	-290	19
Gross profit	**7,683**	7,327	7,607	7,366	7,503
Sales, general and administration	-4,417	-4,134	-4,270	-4,244	-4,313
Items affecting comparability	-1,007	-169	758	-2,194	-177
Share of profits of associates and joint ventures	33	32	56	59	46
Operating profit	**2,292**	3,056	4,151	987	3,059
Financial items	-130	-325	-259	-233	-193
Profit before tax	**2,162**	2,731	3,892	754	2,866
Taxes	-2,083	-696	-985	-186	-737
Net profit for the period	**79**	2,035	2,907	568	2,129

INCOME STATEMENT PARENT COMPANY

SEKm	**1606**	1506
Administrative expenses	-335	-582
Other operating income	128	136
Other operating expenses	-106	-111
Operating profit	**-313**	-557
Financial items	37,329	2,135
Profit before tax	**37,016**	1,578
Untaxed reserve and tax	147	243
Net profit for the period	**37,163**	1,821

Financial items were affected during the period by a one-time dividend of EUR 3,504m from SCA Group Holding B.V. Financial assets have been affected by a corresponding amount.

BALANCE SHEET PARENT COMPANY

SEKm	**June 30, 2016**	December 31, 2015
Intangible assets	0	0
Tangible assets	8,179	8,190
Financial assets	172,704	140,198
Total non-current assets	180,883	148,388
Total current assets	1,302	2,430
Total assets	**182,185**	150,818
Restricted equity	10,996	10,996
Unrestricted equity	82,008	48,883
Total equity	93,004	59,879
Untaxed reserves	230	230
Provisions	1,691	1,674
Non-current liabilities	23,242	16,555
Current liabilities	64,018	72,480
Total equity, provisions and liabilities	**182,185**	150,818

NOTES

1 ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 and recommendation RFR 1 of the Swedish Financial Reporting Board (RFR), and with regards to the Parent Company, RFR 2.

Effective January 1, 2016, SCA applies the following new or amended IFRS:

- IAS 1 Amendments to IAS 1: Disclosure Initiative
- Annual improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations Improvements to IFRSs 2011-2013 Cycle

These standards are not judged to have any material impact on the Group's or Parent Company's result of operations or financial position.

In other respects, the accounting principles applied correspond to those described in the 2015 Annual Report.

2 RISKS AND UNCERTAINTIES

SCA's risk exposure and risk management are described on pages 76–81 of the 2015 Annual Report. No significant changes have taken place that have affected the reported risks.

Risks in conjunction with company acquisitions are analyzed in the due diligence processes that SCA carries out prior to all acquisitions. In cases where acquisitions have been carried out that may affect the assessment of SCA's risk exposure, these are described under the heading "Other events" in interim reports.

Risk management processes
SCA's board decides on the Group's strategic direction, based on recommendations made by Group management. Responsibility for the long-term, overall management of strategic risks corresponds to the company's delegation structure, from the Board to the CEO and from the CEO to the business unit presidents. This means that most operational risks are managed by SCA's business units at the local level, but that they are coordinated when considered necessary. The tools used in this coordination consist primarily of the business units' regular reporting and the annual strategy process, where risks and risk management are a part of the process.

SCA's financial risk management is centralized, as is the Group's internal bank for the Group companies' financial transactions and management of the Group's energy risks. Financial risks are managed in accordance with the Group's finance policy, which is adopted by SCA's board and which – together with SCA's energy risk policy – makes up a framework for risk management. Risks are aggregated and monitored on a regular basis to ensure compliance with these guidelines. SCA has also centralized other risk management.

SCA has a staff function for internal audit, which monitors compliance in the organization with the Group's policies.

3 RELATED PARTY TRANSACTIONS

No transactions have been carried out between SCA and related parties that have had a material impact on the company's financial position and results of operations.

4 FINANCIAL INSTRUMENTS PER CATEGORY

Distribution by level for measurement at fair value.

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Of which fair value by level[1]	
June 30, 2016						1	2
Derivatives	1,620	659	961	-	-	-	1,620
Non-current financial assets	87	-	-	87	-	79	8
Total assets	**1,707**	**659**	**961**	**87**	**-**	**79**	**1,628**
Derivatives	777	445	332	-	-	-	777
Financial liabilities							
Current financial liabilities	10,529	6,203	-	-	4,326	-	6,203
Non-current financial liabilities	28,575	15,939	-	-	12,636	-	15,939
Total liabilities	**39,881**	**22,587**	**332**	**-**	**16,962**	**-**	**22,919**
December 31, 2015							
Derivatives	1,225	576	649	-	-	-	1,225
Non-current financial assets	83	-	-	83	-	75	8
Total assets	1,308	576	649	83	-	75	1,233
Derivatives	1,090	538	552	-	-	-	1,090
Financial liabilities							
Current financial liabilities	11,866	5,634	-	-	6,232	-	5,634
Non-current financial liabilities	21,353	10,967	-	-	10,386	-	10,967
Total liabilities	34,309	17,139	552	-	16,618	-	17,691

[1] No financial instruments have been classified to level 3

The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, trade payables and other current and non-current liabilities is estimated to be equal to their book value. The total fair value of financial liabilities amounts to SEK 40,068m (33,877).

No transfers between level 1 and 2 were made during the period.

The fair value of financial instruments is calculated based on current market quotations on the balance sheet date. The value of derivatives is based on published prices in an active market. The fair value of debt instruments is set using valuation models, such as discounting of future cash flows to quoted market interest rates for the respective durations.

5 ACQUISITIONS AND DIVESTMENTS

On October 13, 2015, SCA announced that it had made a public offer for Wausau Paper Corp., one of the largest Away-from-Home tissue companies in North America. On November 17, 2015, the deal was approved by the US authorities, and at a shareholder meeting on January 20, 2016, Wausau Paper's shareholders accepted the offer from SCA. The transaction was closed on January 21, 2016, and SCA consolidates the company as from that date. The purchase consideration was USD 513m (SEK 4,401m) in cash. The purchase price allocation has been adjusted compared with the first quarter, as additional information has been obtained about the fair value of intangible assets, and new calculations have been made with respect to intangible assets. Goodwill is justified by synergies between SCA and Wausau Paper, among other things by giving customers a broad portfolio of products. The acquisition is expected to generate annual synergies of approximately USD 40m, with full effect three years after closing. Synergies are expected in sourcing, production, logistics, reduced imports, higher volumes of premium products, and reduced selling and administrative costs. Restructuring costs are expected to amount to approximately USD 50m.

The acquisition has affected the Group's net sales from the date of acquisition, by SEK 1,385m, adjusted operating profit, by SEK 145m, and profit for the period after tax, including items affecting comparability, by SEK -9m. If the acquisition had been consolidated as from January 1, 2016, the effect on anticipated net sales would have been SEK 1,553m, and the effect on profit after tax, including items affecting comparability, would have been SEK 9m.

Purchase price allocation, Wausau Paper Corp. **SEKm**	Preliminary
Intangible assets	213
Non-current assets	2,896
Current assets	672
Cash and cash equivalents	14
Net debt	-2,127
Provisions and other non-current liabilities	-52
Operating liabilities	-525
Net identifiable assets and liabilities	**1,091**
Goodwill	3,310
Consideration paid	**4,401**
Consideration paid	-4,401
Cash and cash equivalents in acquired operations	14
Effect on the Group's cash and cash equivalents (Consolidated cash flow statement)	**-4,387**
Acquired net debt excluding cash and cash equivalents	**-2,127**
Acquisition of operations including net debt taken over (Consolidated operating cash flow statement)	**-6,514**

On October 29, 2015, SCA announced that the company is divesting its business in Southeast Asia, Taiwan and South Korea for integration with Vinda International Holdings Limited ("Vinda"), a subsidiary that, by the end of the period is 54.6%-owned by SCA and listed on the Hong Kong Stock Exchange. The purchase consideration has been set at HKD 2.5bn on a debt-free basis. The transaction was closed on April 1, 2016.

Within the SCA Group this transaction is regarded as a common control transaction, whereby no surplus value has arisen and no earnings effects arise as a result of the transaction.

During the period SCA sold its 33.33% shareholding in the recycling company IL Recycling. The pertinent authorities approved the transaction in June 2016. The transaction was closed on June 30, 2016, for a preliminary purchase consideration of approximately SEK 240m, resulting in a capital gain of approximately SEK 200m.

6 Use of non-International Financial Reporting Standards (IFRS) performance measures

Guidelines on Alternative Performance Measures (APMs) for companies with securities listed on a regulated market within the European Union have been issued by ESMA (the European Securities and Markets Authority). These guidelines apply to APMs disclosed when publishing regulated information on or after July 3, 2016.

Reference is made in the interim report to a number of non-IFRS performance measures that are used to help investors as well as management analyze the company's operations. Described below are the non-IFRS performance measures that are used as a complement to the financial information that is reported in accordance with IFRS.

Description of financial performance measures that are not used in International Financial Reporting Standards

Non-IFRS performance measure	Description	Reason for use of the measure
Organic sales growth	Sales growth that excludes exchange rate effects, acquisitions and divestments	This measure is of major importance for management in its monitoring of underlying sales growth driven by changes in volume, price and product mix for comparable units between different periods
Gross profit	Net sales less the cost of goods sold	As a manufacturing company, gross profit is an important measure for showing the margin before selling and administrative costs
Adjusted gross profit	Net sales less the cost of goods sold excluding items affecting comparability	Adjusted gross profit is stripped of items affecting comparability and is thus a better measure for showing the company's margins before the effect of costs such as selling and administrative costs
Operating surplus	Calculated as operating profit before depreciation and amortization of tangible and intangible assets, and share of profits from associates	This measure is a good complement to operating profit, as it shows the cash surplus from operations
Operating profit	Calculated as operating profit before financial items and taxes	Operating profit provides an overall picture of profit generation in the operating activities
Adjusted operating profit	Calculated as operating profit before financial items, excluding items affecting comparability	Adjusted operating profit is a key ratio for control of the Group's profit centers and provides a better understanding of earnings performance of the operations than the non-adjusted operating profit
Adjusted profit before tax	Calculated as operating profit before tax, excluding items affecting comparability	This is a useful measure for showing total profit for the company including financing, but not affected by taxes and items that affect comparability with previous periods
Operating cash surplus	Calculated as profit before tax after adding back depreciation, amortization and impairment of tangible and intangible assets, share of profits in associates, items affecting comparability, and excluding income taxes paid	This measure shows the cash flow generated by profit and is part of the follow-up of cash flow
Items affecting comparability	Under items affecting comparability, SCA includes costs in connection with acquisitions, restructuring, impairment and other specific events	Separate reporting of items affecting comparability between periods provides a better understanding of the company's operating activities

Non-IFRS performance measure	Description	Reason for use of the measure
Operating cash flow	Consists of the sum of the operating cash surplus and change in working capital less current capital expenditures in non-current assets and structural costs	This is an important control measure used internally within the organization that shows the combined cash flow from operating activities including all parts that the units have control over themselves
Cash flow from current operations	Consists of operating cash flow less financial items and income taxes paid, and affected by other financial cash flows	This measure can be said to illustrate the cash flow generated by operations and that can potentially be used for strategic initiatives such as strategic capital expenditures or acquisitions
Strategic capital expenditures in non-current assets	Strategic capital expenditures aimed to increase the company's future cash flow through investments in expansion of non-current assets or new technologies that enhance the company's competitiveness	Shows that size of the capital expenditures that are made in expansion and other growth measures
Current capital expenditures	Consist of competitiveness-preserving capital expenditures of a maintenance, efficiency improvement, replacement or environmental character	Shows the size of the capital expenditures required to maintain existing manufacturing capacity
Adjusted profit for the period	Profit for the period after deducting items affecting comparability	Shows the period's total earnings capacity
Operating surplus margin	Operating surplus as a percentage of net sales for the year	This measure is a good complement to the operating margin, as it shows the cash surplus in relation to net sales
Operating margin	Operating profit as a percentage of net sales for the year	The operating margin is a key measure together with sales growth and capital turnover ratio for monitoring value creation
Net margin	Net profit for the year as a percentage of net sales for the year	The net margin shows the remaining share of net sales after all of the company's costs have been deducted, apart from income tax
Capital turnover ratio	Net sales for the year divided by average capital employed	Shows in a clear manner how effectively capital is employed. Together with sales growth and the operating margin, the capital turnover ratio is a key measure for monitoring value creation
Net debt	Consists of the Group's interest-bearing liabilities including pension liabilities and accrued interest, less cash and cash equivalents, interest-bearing current and non-current receivables, and capital investment shares	Net debt is the most relevant measure for showing the company's total debt financing
Working capital	The Group's and business areas' working capital is calculated as non-current operating receivables less non-current operating liabilities	This measure shows how much working capital that is tied up in the operations and can be put in relation to sales to understand how effectively tied-up working capital is used

Non-IFRS performance measure	Description	Reason for use of the measure
Capital employed	The Group's and business areas' capital employed is calculated as an average of total assets on the balance sheet excluding interest-bearing assets and pension assets, less total liabilities, excluding interest-bearing liabilities and pension liabilities	This measure shows the amount of total capital that is used in the operations and is thus the only component for measuring the return from operations
Return on capital employed	Accumulated capital employed is calculated as operating profit on a moving 12-month basis as a percentage of an average of capital employed during the last five quarters. The corresponding key ratio for a quarter is calculated as operating profit for the quarter multiplied by four, as a percentage of the average of capital employed during the last two quarters	This is the central ratio for measuring the return on the capital tied up in operations
Return on equity	For the Group, return on equity is calculated as profit for the year as a percentage of average equity	Shows from a shareholder perspective the return that is generated on the owners' capital that is invested in the company
Equity/assets ratio	Equity expressed as a percentage of total assets	A traditional measure for showing financial risk, expressing the amount of restricted equity that is financed by the owners
Debt/equity ratio	Expressed as net debt in relation to equity	Helps show financial risk and is the most useful measure for management to monitor the level of the company's indebtedness
Debt repayment capacity	Expressed as the cash surplus in relation to average net debt	A financial measure that shows the company's capacity to repay its debt
Restructuring costs	Costs for impairment together with personnel costs in connection with restructuring	This measure shows the specific costs that have arisen in connection with restructuring of a specific operation, which contributes to a better understanding of the underlying cost level in the continuing operations
Financial net margin	Net financial items divided by net sales	This measure shows the relation between net financial items and net sales

Calculation of financial performance measures that are not defined in IFRS

Capital employed

SEKm	**1606**	1512
Total assets	159,779	152,372
-Financial receivables	-6,097	-7,220
-Non-current non-interest bearing liabilities	-12,115	-12,235
-Current non-interest bearing liabilities	-28,913	-27,748
Capital employed	**112,654**	105,169

Working capital

SEKm	**1606**	1512
Inventories	14,405	14,661
Accounts receivables	17,951	16,829
Other current receivables		2,831
Accounts payables	-13,734	-14,351
Other current liabilities		-11,580
Adjustments	-421	-223
Working capital	**9,203**	8,167

Net debt

SEKm	**1606**	1512
Surplus in funded pension plans	6	371
Non-current financial assets	903	1,032
Current financial assets	965	775
Cash and cash equivalents	4,223	5,042
Financial receivables	**6,097**	7,220
Non-current financial liabilities	28,660	21,475
Provisions for pensions	6,418	2,771
Current financial liabilities	11,054	12,452
Financial liabilities	**46,132**	36,698
Net debt	**40,035**	29,478

Operating surplus

SEKm	**1606**	1506	**2016:2**	2015:2
Operating profit	5,348	5,809	2,292	3,059
-Share of profits of associates and joint ventures	-65	-84	-33	-46
-Depreciation	3,050	2,997	1,546	1,511
-Items affecting comparability	1,304	280	1,113	158
-Depreciation in Items affecting comparability	-33	0	-28	0
Operating Surplus	**9,604**	9,002	**4,890**	4,682

Capital employed

SEKm	**2016:2**	2016:1	2015:4	2015:3	2015:2
Personal Care	13,577	13,904	13,149	13,127	13,812
Tissue	61,905	60,905	55,054	55,601	56,894
Forest Products	38,232	37,832	37,216	36,858	38,452
Other	-1,060	-41	-250	850	770
Total Capital employed	**112,654**	112,600	105,169	106,436	109,928

Operating cash flow

SEKm	**1606**	1506	**2016:2**	2015:2
Personal Care				
Operating cash surplus	2,550	2,375	1,332	1,244
Change in working capital	-86	-615	29	-177
Current capital expenditures, net	-320	-432	-176	-185
Restructuring costs, etc	-14	-53	15	-11
Operating cash flow	**2,130**	1,275	**1,200**	871
Tissue				
Operating cash surplus	5,657	5,119	2,906	2,698
Change in working capital	-899	-679	-199	-391
Current capital expenditures, net	-1,106	-971	-619	-535
Restructuring costs, etc	-168	-137	-28	-107
Operating cash flow	**3,484**	3,332	**2,060**	1,665
Forest Products				
Operating cash surplus	1,226	1,652	698	872
Change in working capital	207	-346	73	-18
Current capital expenditures, net	-269	-323	-196	-164
Restructuring costs, etc	73	2	-32	-20
Operating cash flow	**1,237**	985	**543**	670

Organic sales growth

SEKm	**1606**	**2016:2**
Personal Care		
Organic sales growth	882	411
Currency effect*	-1,171	-592
Acquisition/Disposals	-128	-68
Reported change	**-417**	**-249**
Tissue		
Organic sales growth	1,016	474
Currency effect*	-1,302	-821
Acquisition/Disposals	1,388	770
Reported change	**1,102**	**423**
Forest Products		
Organic sales growth	-592	-342
Currency effect*	-48	-37
Acquisition/Disposals	0	0
Reported change	**-640**	**-379**
SCA Group		
Organic sales growth	1,348	615
Currency effect*	-2,522	-1,451
Acquisition/Disposals	1,260	703
Reported change	**86**	**-133**

* Consists only of currency translation effects