

# Interim report presentation Q3 2017

October 31, 2017



# Ulf Larsson, CEO



# Summary Q3 2017

## Strong market with increasing prices

### Sales growth of 12% vs Q3 2016

- Volumes +11%, price/mix +3%, currency -2%

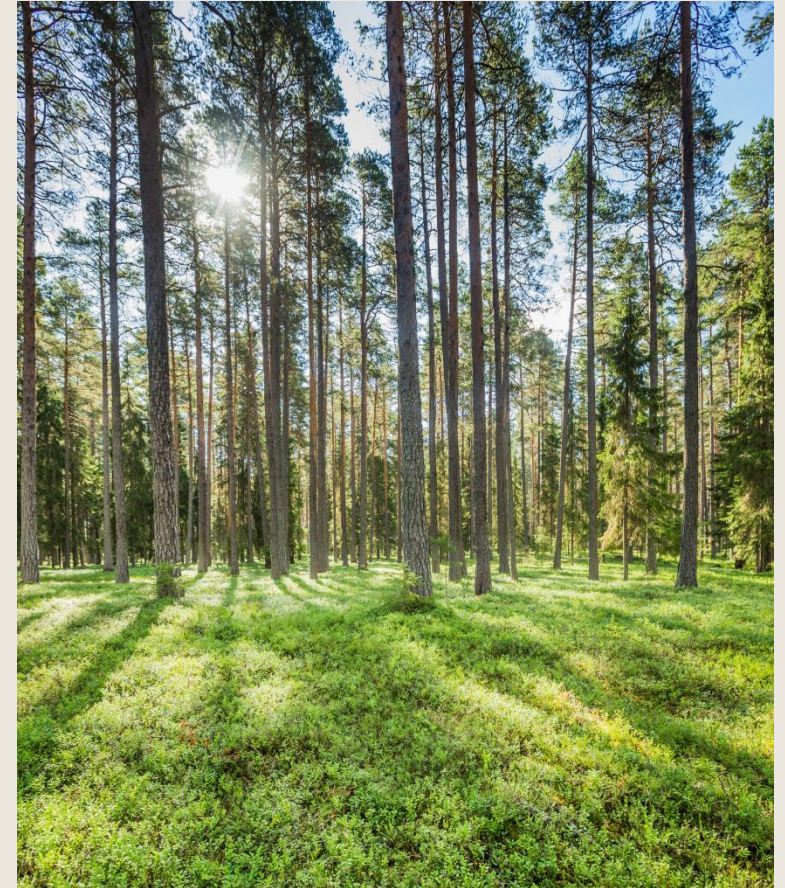
### EBITDA <sup>1)</sup> up 25% vs Q3 2016, influenced by:

- Higher sales price and volume growth
- Negative currency effects
- Limited effect from maintenance stops, SEK 16m (43)
- Continued planned extra cost due to Östrand project of SEK 28m (9)
- Stable cost development

### Östrand project progressing according to plan

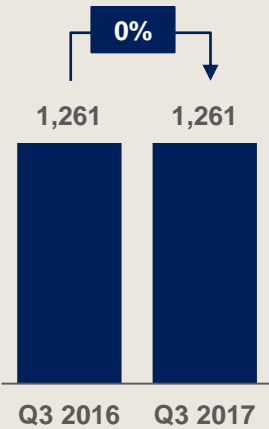
- Planned start-up in June 2018
- SEK 4.7bn invested from project start up to Q3, out of SEK 7.8bn in total

### Focus on costs, efficiency and delivering the Östrand project

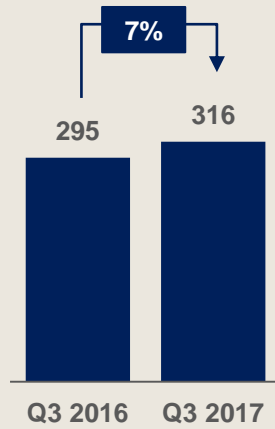


# Forest Q3 2017 vs. Q3 2016

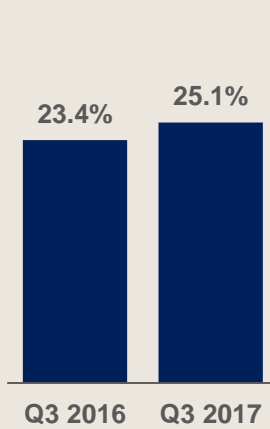
Net sales (SEKm)



EBITDA (SEKm) <sup>1)</sup>



EBITDA margin <sup>1)</sup>



Balanced timber supply in SCA's area

Stable raw material market without any notable price increases in SCA's area

Sales remained flat

- Price and volume in-line with LYQ

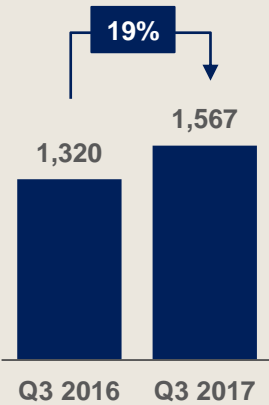
EBITDA <sup>1)</sup> up 7%

- Higher share of deliveries from SCA owned forests – return to normal felling plan after last year's storm felling

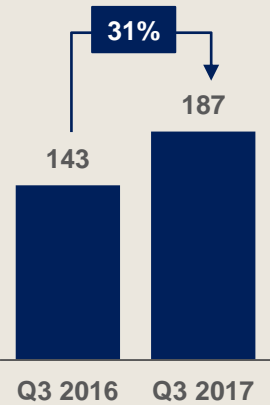


# Wood Q3 2017 vs. Q3 2016

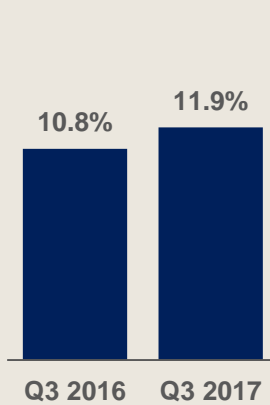
Net sales (SEKm)



EBITDA (SEKm) <sup>1)</sup>



EBITDA margin <sup>1)</sup>



**Strong underlying market with continued price increases during Q3**

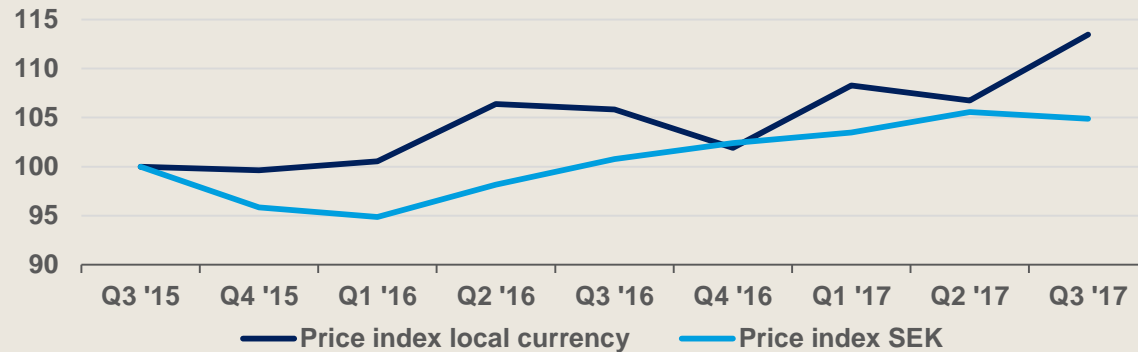
## Sales up 19%

- Higher volumes and prices
- Negative currency effects

## EBITDA <sup>1)</sup> up 31%

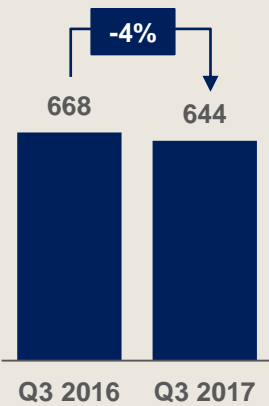
- Higher volumes and prices
- Negative currency effects

Price development - Solid Wood Products

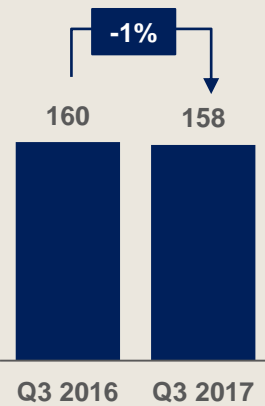


# Pulp Q3 2017 vs. Q3 2016

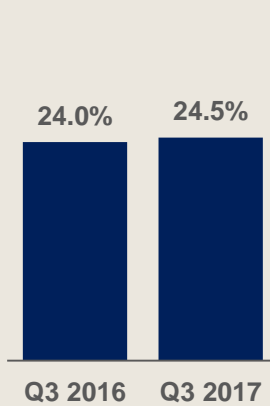
Net sales (SEKm)



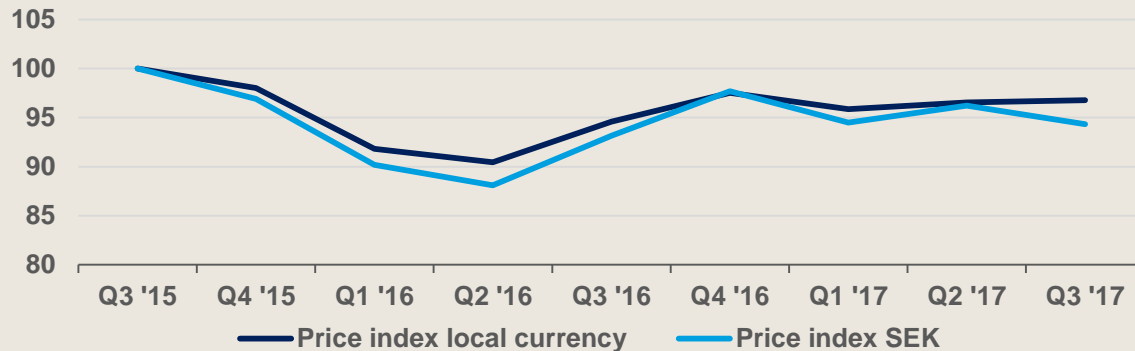
EBITDA (SEKm) <sup>1)</sup>



EBITDA margin <sup>1)</sup>



Price development - NBSK Pulp



Generally good development in the pulp market  
Negative impact on result from Östrand project

## Sales down 4%

- Lower volumes and negative currency effects somewhat compensated by higher prices

## EBITDA <sup>1)</sup> down 1%

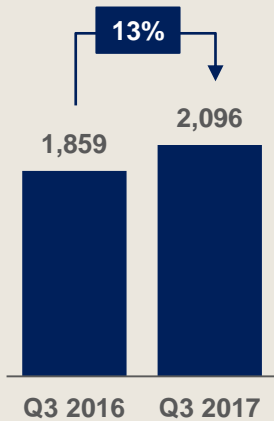
- Negative currency effects and higher raw material costs
- Higher prices
- Continued extra cost due to Östrand project SEK 28m (9)
- No maintenance stop during quarter, SEK 0m (-24)

## Östrand project progressing according to plan

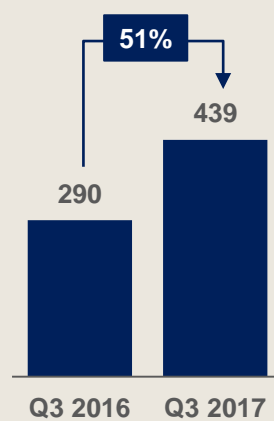
- Planned start-up June in 2018
- SEK 4.7bn invested up to Q3, out of SEK 7.8bn in total
- See page 14 and 15 for more details

# Paper Q3 2017 vs. Q3 2016

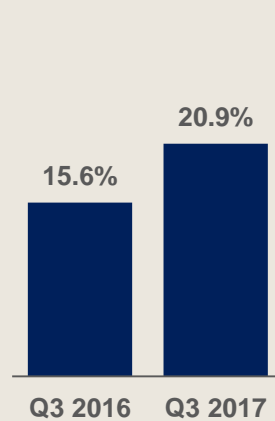
Net sales (SEKm)



EBITDA (SEKm) <sup>1)</sup>



EBITDA margin <sup>1)</sup>



**Strong Kraftliner market with increasing prices**

**Continued challenging publication paper market, especially for coated**

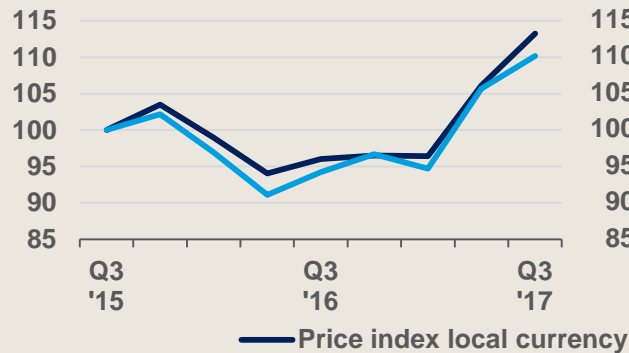
**Sales up 13%**

- Higher Kraftliner prices
- Increased publication paper volumes

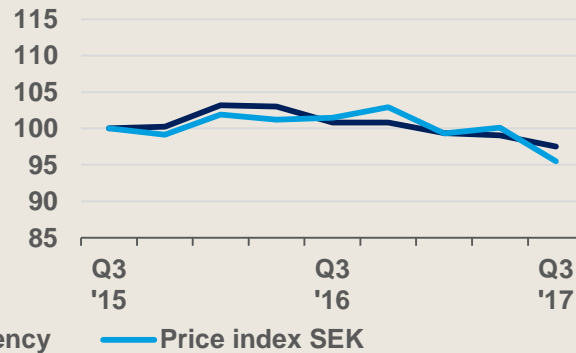
**EBITDA <sup>1)</sup> up 51%**

- Higher Kraftliner prices

Price development - Kraftliner



Price development - Publication paper



# Toby Lawton, CFO





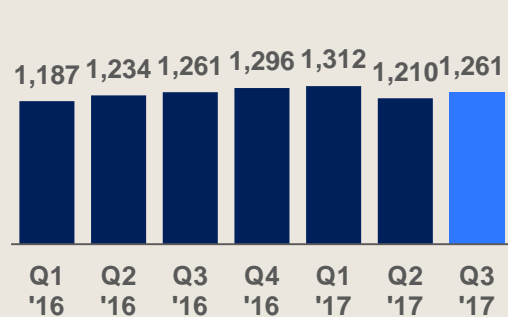
# P&L Q3 2017 vs. Q3 2016

| SEKm   | Q3 2017      | Q3 2016    | Change     |
|--|--------------|------------|------------|
| Net sales  | 4,231        | 3,769      | 12%        |
| <b>EBITDA <sup>1)</sup></b>                            | <b>1,049</b> | <b>841</b> | <b>25%</b> |
| <i>EBITDA <sup>1)</sup> margin</i>                     | 24.8%        | 22.3%      | 2.5 p.p.   |
| <b>EBIT <sup>1)</sup></b>                              | <b>776</b>   | <b>577</b> | <b>34%</b> |
| <i>EBIT <sup>1)</sup> margin</i>                       | 18.3%        | 15.3%      | 3.0 p.p.   |
| Items affecting comparability                          | -            | 4          | -4         |
| EBIT   | 776          | 581        | 34%        |
| Financial items  | -11          | -19        |            |
| <b>Profit before tax</b>                               | <b>765</b>   | <b>562</b> | <b>36%</b> |
| Tax  | -138         | -117       |            |
| <b>Profit for the period from continued operations</b> | <b>627</b>   | <b>445</b> | <b>41%</b> |
| Earnings per share continued operations, SEK           | 0.89         | 0.63       |            |

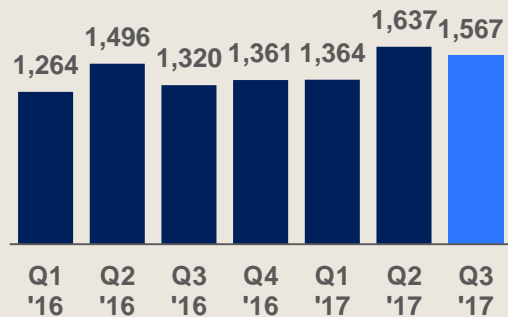
# Contribution by segment and quarter

## Forest

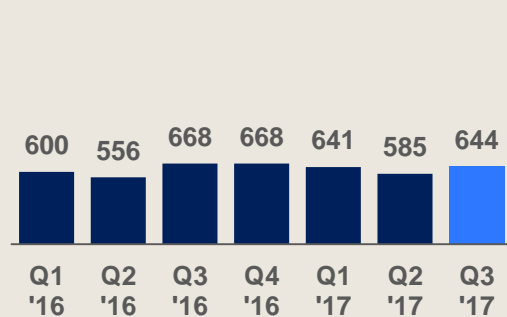
Net sales (SEKm)



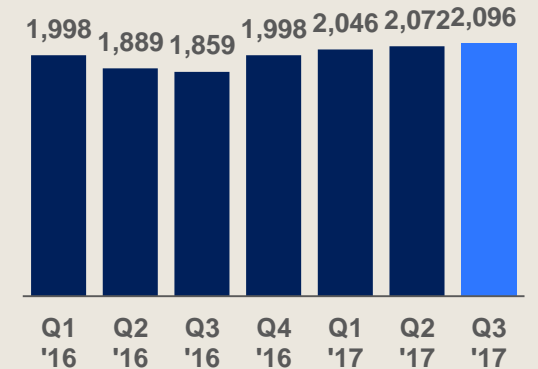
## Wood



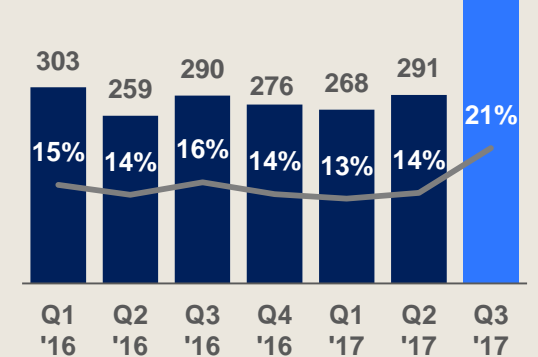
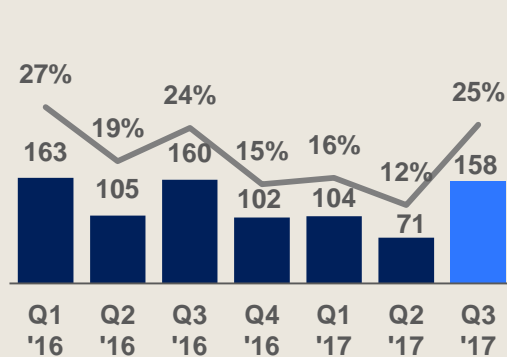
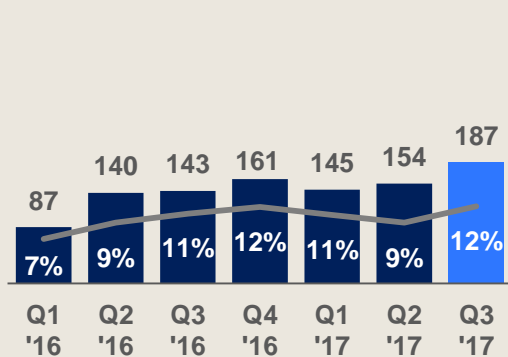
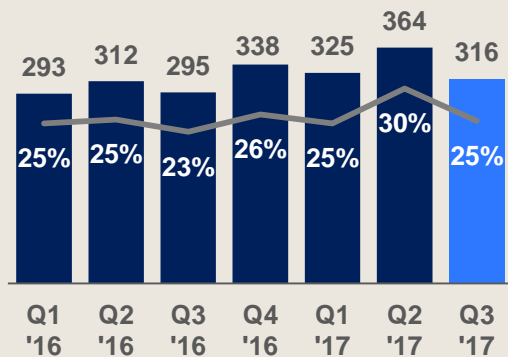
## Pulp



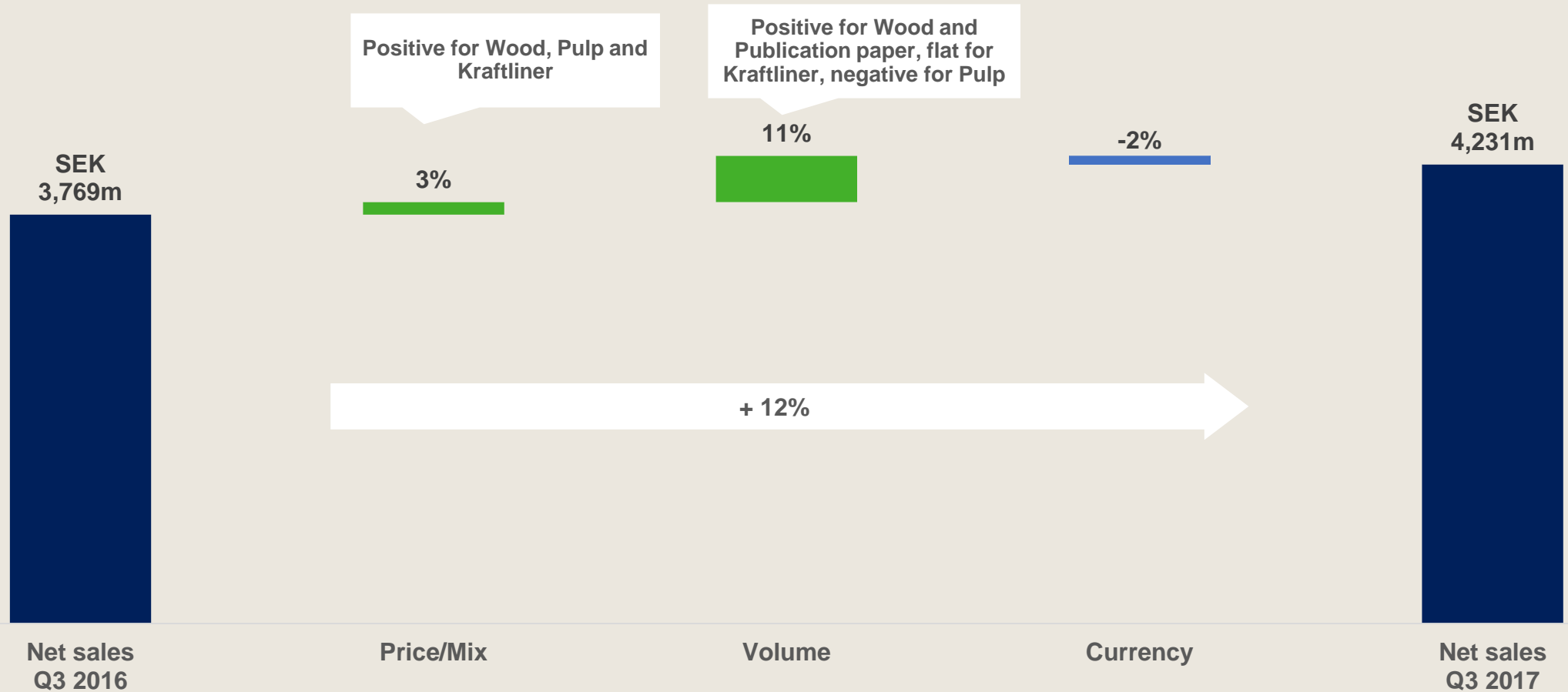
## Paper



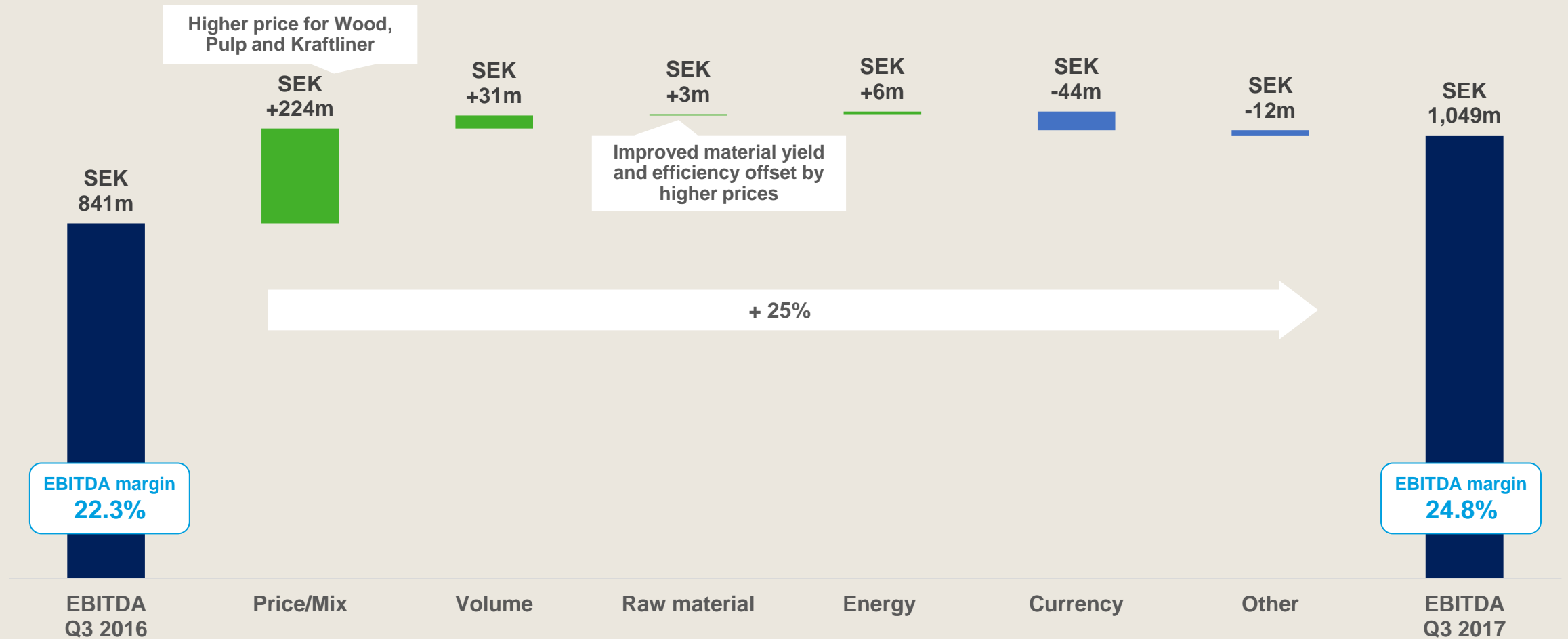
EBITDA (SEKm) and EBITDA margin <sup>1)</sup>



# Net sales Q3 2017 vs. Q3 2016



# EBITDA <sup>1)</sup> Q3 2017 vs. Q3 2016



# Cash flow Q3 2017 vs. Q3 2016

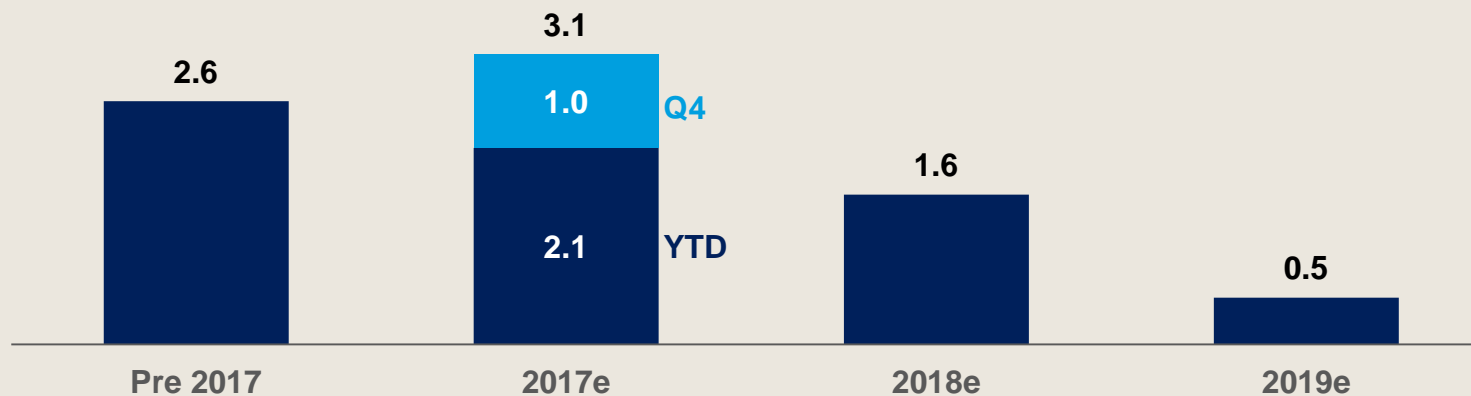
| SEKm                              | Jul-Sep<br>2017 | Jul-Sep<br>2016 | Jan-Sep<br>2017 | Jan-Sep<br>2016 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Operating cash surplus            | 867             | 673             | 2,167           | 1,870           |
| Change in working capital         | -280            | -224            | -239            | 206             |
| Current capital expenditures, net | -129            | -418            | -418            | -687            |
| Other operating cash flow         | 67              | -24             | -79             | -42             |
| <b>Operating cash flow</b>        | <b>525</b>      | <b>7</b>        | <b>1,431</b>    | <b>1,347</b>    |
| Strategic capital expenditures    | -609            | -574            | -2,085          | -1,456          |

# Östrand project – market growth and capex

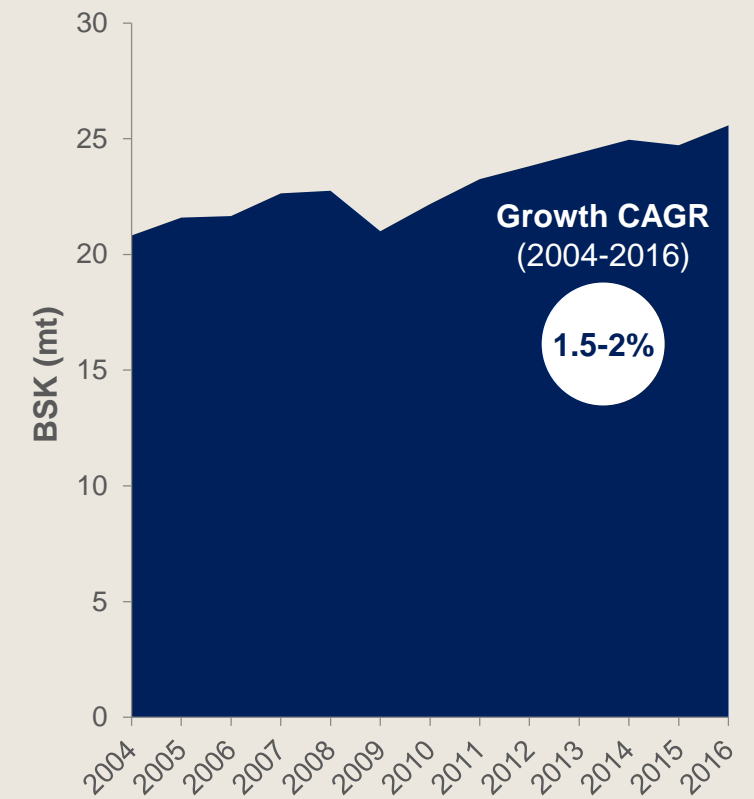
## Strong demand for Bleached Softwood Kraft (BSK)

- Market growth of 1.5-2% per year during the last years
- Growth expected to continue, driven by global demand for virgin fiber
- On-going pulp projects needed to supply the growing demand

SEK 4.7bn invested up to Q3, out of SEK 7.8bn in total



## BSK market growth (1)



# Östrand project – ramp-up and cost competitiveness

## Ramp-up period

- Planned start-up in June 2018
- Normal ramp-up period of 12–18 months from start-up
- **2018** – capacity expected to be in-line with 2017
  - Lost production volume from extended planned stop of ~45 days compensated by higher capacity after start-up
  - Increased direct costs during ramp-up and increased maintenance costs due to the extended planned stop
- **2020** – first full year at full capacity, 900,000 tonnes NBSK per year
- In addition, 100,000 tonnes per year of CTMP capacity

## Cash cost leader

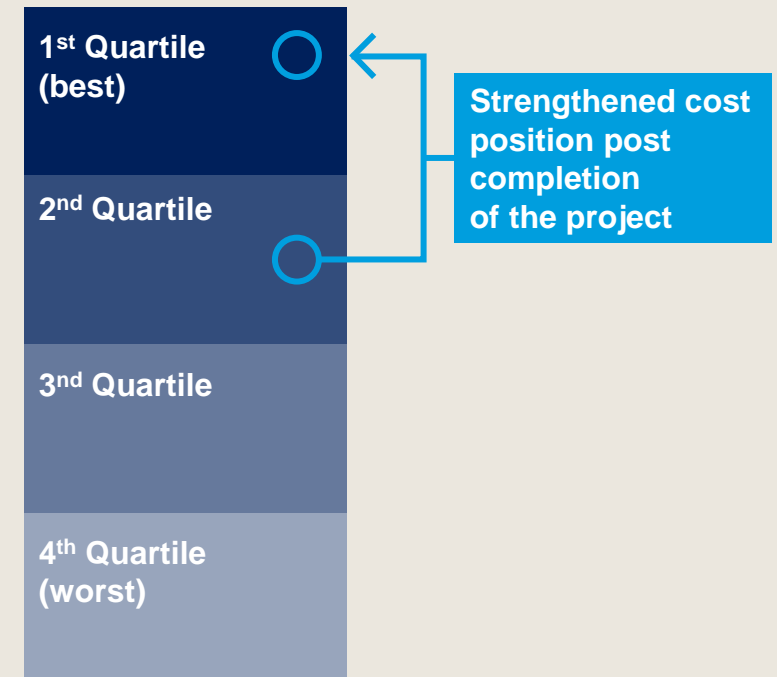
- Cash costs per tonne for the whole pulp mill at full capacity in 2020 expected to decrease by approximately SEK 350 per tonne, primarily related to indirect costs
- Will place Östrand in the best cost quartile among BSK producers globally

## Working capital

- Project will result in higher working capital

## Attractive position on global cost curve

Cost competitiveness <sup>(1)</sup>



# Balance sheet structure

| SEKm   | Sep 30, 2017  | Jun 30, 2017  | Dec 31, 2016                |
|--|---------------|---------------|-----------------------------|
| <i>Forest assets (gross value before deferred taxes)</i> | 31,285        | 31,119        | 30,770                      |
| <i>Deferred tax relating to Forest assets</i>            | -6,883        | -6,846        | -6,769                      |
| Forest assets, net of deferred tax                       | 24,402        | 24,273        | 24,001                      |
| Working capital  | 2,901         | 2,673         | 2,740                       |
| <i>Working capital/Net sales</i>                         | 18%           | 17%           | 18%                         |
| Other capital employed                                   | 14,661        | 14,353        | 13,386                      |
| <b>Total capital employed</b>                            | <b>41,964</b> | <b>41,299</b> | <b>40,127</b>               |
| <b>Net debt</b>  | <b>5,822</b>  | <b>5,584</b>  | <b>5,000 <sup>1)</sup></b>  |
| <i>Net debt/EBITDA <sup>2)</sup></i>                     | 1.7x          | 1.8x          | 1.5x                        |
| <b>Equity</b>  | <b>36,142</b> | <b>35,715</b> | <b>35,127 <sup>3)</sup></b> |
| <i>Net debt/Equity</i>                                   | 16.1%         | 15.6%         | 14.2%                       |



# Summary Q3 2017

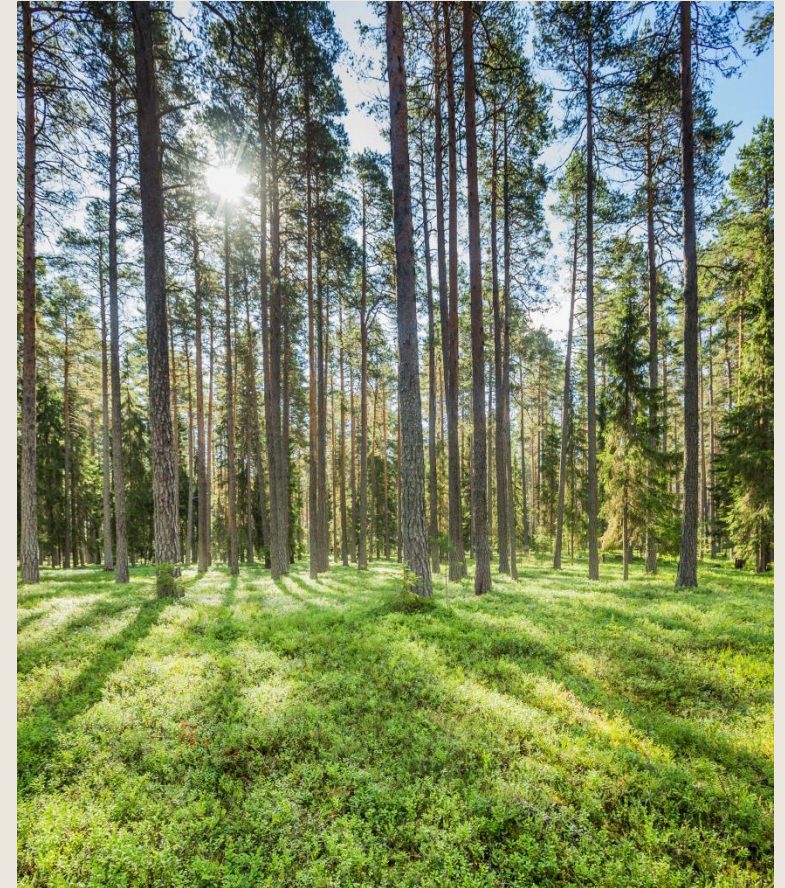
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**Focus on costs, efficiency and delivering the Östrand project**



# Capital Markets Day

Forest focused Capital Markets Day

*May 22, 2018 in Sundsvall, Sweden*



# Q&A

# A leading industrial ecosystem, driven by the force of the forest

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