Interim report presentation
Q3 2018
October 30, 2018
Stable market with higher prices
Sales growth of 12% vs Q3 2017
  • Price/mix +14%, volumes -9%, currency 7%
EBITDA up 48% vs Q3 2017
  • Higher prices
  • Positive currency effects
  • Higher prices for wood raw material
Stable wood supply to industries
Östrand ramp-up progressing according to plan
SCA’s performance Q3 2018

EBITDA (SEKm) 1,549
Industrial ROCE 1) 15%
EBITDA margin 33%
Net debt/EBITDA 1.4x

Note: 1) ROCE for the industrial segments; Wood, Pulp and Paper. ROCE calculated as LTM.
Forest Q3 2018 vs. Q3 2017

Stable wood supply to industries

Continued price increases

Inventory build-up to meet Östrand’s increasing pulpwood demand

Sales up 15%
- Increased volumes to the expanded pulp mill
- Higher prices

EBITDA down 8%
- Lower volumes from own forest
- Slightly higher costs due to the dry summer conditions
- Higher costs for externally sourced wood
Increased prices and low inventory levels

Sales up 9%
- Higher prices
- Positive currency effects
- Lower volumes due to low inventory levels

EBITDA up 48%
- Higher prices
- Increased raw material costs
Full NBSK capacity of 900kt/year

Ramp-up period of 12-18 months
- 2018 volumes in-line with 2017
- 2020 first full year with full capacity

On track
- Production – Q3, 147k tonnes (1)
- Market leading quality

Note: October, average daily production up until the October maintenance stop.
1) Including CTMP.
Pulp Q3 2018 vs. Q3 2017

Strong pulp market with higher prices
Sales up 15%
- Higher prices
- Positive currency effects
- Lower deliveries due to inventory build-up

EBITDA up 73%
- Higher prices
- Direct costs affected by ramp-up of expanded pulp mill
- Higher raw material costs
Paper Q3 2018 vs. Q3 2017

Increased prices for both Kraftliner and Publication paper

Sales up 15%
- Higher prices
- Positive currency effects

EBITDA up 66%
- Higher prices
- Positive currency effects
- Improved product and market mix
- Higher raw material cost
Toby Lawton, CFO
# Income statement

<table>
<thead>
<tr>
<th>SEKm</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>4,759</td>
<td>4,231</td>
<td>12%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,549</td>
<td>1,049</td>
<td>48%</td>
</tr>
<tr>
<td><em>EBITDA margin</em></td>
<td>32.5%</td>
<td>24.8%</td>
<td>7.7 p.p.</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1,226</td>
<td>776</td>
<td>58%</td>
</tr>
<tr>
<td><em>EBIT margin</em></td>
<td>25.8%</td>
<td>18.3%</td>
<td>7.5 p.p.</td>
</tr>
<tr>
<td>Financial items</td>
<td>-8</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,218</td>
<td>765</td>
<td>59%</td>
</tr>
<tr>
<td>Tax</td>
<td>-227</td>
<td>-138</td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>991</td>
<td>627</td>
<td>58%</td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>1.41</td>
<td>0.89</td>
<td></td>
</tr>
</tbody>
</table>
Contribution by segment and quarter

Net sales (SEKm)

**Forest**

- Q4 '16: 1,296
- Q1 '17: 1,312
- Q2 '17: 1,210
- Q3 '17: 1,261
- Q4 '17: 1,298
- Q1 '18: 1,325
- Q2 '18: 1,364
- Q3 '18: 1,455

**Wood**

- Q4 '16: 1,361
- Q1 '17: 1,364
- Q2 '17: 1,637
- Q3 '17: 1,567
- Q4 '17: 1,603
- Q1 '18: 1,846
- Q2 '18: 1,712
- Q3 '18: 1,182

**Pulp**

- Q4 '16: 668
- Q1 '17: 641
- Q2 '17: 585
- Q3 '17: 644
- Q4 '17: 569
- Q1 '18: 485
- Q2 '18: 743
- Q3 '18: 1,998

**Paper**

- Q4 '16: 1,998
- Q1 '17: 2,046
- Q2 '17: 2,072
- Q3 '17: 2,096
- Q4 '17: 2,220
- Q1 '18: 2,383
- Q2 '18: 2,413
- Q3 '18: 2,426

EBITDA (SEKm) and EBITDA margin

**Forest**

- Q4 '16: 338
- Q1 '17: 325
- Q2 '17: 364
- Q3 '17: 358
- Q4 '17: 304
- Q1 '18: 371
- Q2 '18: 292
- Q3 '18: 230

**Wood**

- Q4 '16: 161
- Q1 '17: 145
- Q2 '17: 154
- Q3 '17: 187
- Q4 '17: 184
- Q1 '18: 172
- Q2 '18: 230
- Q3 '18: 276

**Pulp**

- Q4 '16: 15
- Q1 '17: 16
- Q2 '17: 12
- Q3 '17: 9
- Q4 '17: 12
- Q1 '18: 13
- Q2 '18: 16
- Q3 '18: 13

**Paper**

- Q4 '16: 105
- Q1 '17: 104
- Q2 '17: 71
- Q3 '17: 158
- Q4 '17: 149
- Q1 '18: 178
- Q2 '18: 273
- Q3 '18: 37
Net sales Q3 2018 vs. Q3 2017

- **Net sales Q3 2017**: SEK 4,231m
- **Net sales Q3 2018**: SEK 4,759m

**Price/Mix**
- Positive for all segments
- 14%

**Volume**
- Lower volumes for Pulp, Publication paper and Wood
- -9%

**Currency**
- Positive EUR and USD
- 7%

**Net sales**
- + 12%
### EBITDA Q3 2018 vs. Q3 2017

**SEK 1,549m**

- **Higher prices for all segments**: SEK +652m
- **Price/Mix**: +48%
- **Volume**: Lower volumes for Pulp, Publication paper and Wood
- **Raw material**: Higher costs for wood raw material
- **Energy**: SEK -241m
- **Currency**: SEK -70m
- **Other**: SEK -241m
- **Currency**: SEK -13m
- **Other**: SEK +116m
- **& SEK +56m
- **Other**: Sale of wind power project. Lower costs for planned maintenance stops
- **Other**: Higher electricity price. Increased income from electricity certificates
- **EBITDA margin**: 24.8% to 32.5%

**SEK 1,049m**

- **EBITDA Q3 2017**
- **EBITDA Q3 2018**

**Notes**:
- Higher costs for wood raw material
- Higher direct costs related to Östrand ramp-up
- Higher electricity price.

**Additional Information**
- **Higher costs for wood raw material**
- **Currency**
- **Other**
- **EBITDA margin**
## Cash flow

<table>
<thead>
<tr>
<th></th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEKm</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,549</td>
<td>1,049</td>
<td>3,758</td>
<td>2,570</td>
</tr>
<tr>
<td>Revaluation of biological assets and other non cash flow items ¹)</td>
<td>-195</td>
<td>-182</td>
<td>-541</td>
<td>-403</td>
</tr>
<tr>
<td><strong>Operating cash surplus</strong></td>
<td>1,329</td>
<td>867</td>
<td>3,192</td>
<td>2,167</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-281</td>
<td>-280</td>
<td>-626</td>
<td>-239</td>
</tr>
<tr>
<td>Current capital expenditures</td>
<td>-254</td>
<td>-129</td>
<td>-530</td>
<td>-418</td>
</tr>
<tr>
<td>Other operating cash flow</td>
<td>-52</td>
<td>67</td>
<td>-29</td>
<td>-79</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>742</td>
<td>525</td>
<td>2,007</td>
<td>1,431</td>
</tr>
<tr>
<td>Strategic capital expenditures</td>
<td>-583</td>
<td>-609</td>
<td>-1,705</td>
<td>-2,085</td>
</tr>
</tbody>
</table>

Note: ¹) 2017 figures include reversal of items affecting comparability.
Production began in June according to plan

Ramp-up period of 12-18 months
• 2018 – volumes in-line with 2017
• 2020 – first full year at full capacity

World-class competitiveness
• Doubled NBSK capacity
• Fixed cost reduction of SEK 350 per tonnes compared to pre project level
• Improved energy balance – from a net consumer of 0.1 TWh to a net producer of 0.5 TWh
• Potentially higher wood costs as wood has to be sourced further away
Östrander project – 2018 one-off costs

**Project related costs (indirect)**
- Project related costs of SEK 75m (150), of which SEK 20m (50) depreciation

**Expansion and maintenance stops**
- Production began in June 2018, following an expansion stop
- Expected EBITDA impact of expansion and maintenance stops (1)
  - Q1: SEK 0m (8)
  - Q2: SEK 236m (65)
  - Q3: SEK 0m (0)
  - Q4e: SEK 20m (58)

**Ramp-up effects (direct)**
- Increased direct costs for energy, chemicals and wood during ramp-up
- Higher share of B-grade pulp during ramp-up
- Expected earnings impact of SEK 150-175m

**Working capital**
- Increase due to higher production volumes, particularly raw material inventory

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**EBITDA impact**

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>2018e</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project related costs</td>
<td>16</td>
<td>15</td>
<td>13</td>
<td>55</td>
<td>100</td>
</tr>
<tr>
<td>Expansion/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>maintenance stops</td>
<td>0</td>
<td>236</td>
<td>0</td>
<td>256</td>
<td>131</td>
</tr>
<tr>
<td>Ramp-up effects</td>
<td>25</td>
<td>50</td>
<td>50</td>
<td>150-175</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total (SEKm)</strong></td>
<td>41</td>
<td>301</td>
<td>63</td>
<td>461-486</td>
<td>231</td>
</tr>
</tbody>
</table>

Note: Figures in "(#)") refer to 2017.
(1) The estimated effect of maintenance stops on earnings in 2018, calculated as the total of the direct cost of the maintenance and the effect from lower fixed cost coverage from the reduced production during the stop.
### Balance sheet

<table>
<thead>
<tr>
<th></th>
<th>Sep 30, 2018</th>
<th>Dec 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEKm</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest assets according to IAS 41 (^1)</td>
<td>31,901</td>
<td>31,386</td>
</tr>
<tr>
<td>Deferred tax relating to Forest assets</td>
<td>-6,572</td>
<td>-6,905</td>
</tr>
<tr>
<td>Forest assets, net of deferred tax</td>
<td>25,329</td>
<td>24,481</td>
</tr>
<tr>
<td>Working capital</td>
<td>3,522</td>
<td>2,861</td>
</tr>
<tr>
<td>Working capital/Net sales (^2)</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Other capital employed</td>
<td>16,446</td>
<td>15,377</td>
</tr>
<tr>
<td><strong>Total capital employed</strong></td>
<td>45,297</td>
<td>42,719</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>6,906</td>
<td>5,966</td>
</tr>
<tr>
<td>Net debt/EBITDA (^3)</td>
<td>1.4x</td>
<td>1.6x</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>38,391</td>
<td>36,753</td>
</tr>
<tr>
<td>Net debt/Equity</td>
<td>18%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: 1) Gross value before deferred taxes. 2) LTM working capital to LTM sales. 3) 12-months EBITDA, up to end of each period.
Stable market with higher prices
Sales growth of 12% vs Q3 2017
EBITDA up 48% vs Q3 2017
Stable wood supply to industries
Östrand ramp-up progressing according to plan
Appendix
### Strong and stable performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (SEKm)</th>
<th>EBITDA (SEKm) and EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>15,412</td>
<td>3,300 21%</td>
</tr>
<tr>
<td>2015</td>
<td>16,152</td>
<td>3,781 23%</td>
</tr>
<tr>
<td>2016</td>
<td>15,373</td>
<td>3,385 22%</td>
</tr>
<tr>
<td>2017</td>
<td>16,664</td>
<td>3,648 22%</td>
</tr>
<tr>
<td>LTM</td>
<td>18,071</td>
<td>4,836 27%</td>
</tr>
</tbody>
</table>

- **Net sales (SEKm)** reflects the company's revenue over the years.
- **EBITDA (SEKm)** and **EBITDA margin** indicate the company's profitability, with margins showing the percentage of profit before interest, taxes, depreciation, and amortization relative to revenue.
Contribution by segment

**Net sales (SEKm)**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest</td>
<td>5,187</td>
<td>5,108</td>
<td>4,978</td>
<td>5,070</td>
<td>5,202</td>
</tr>
<tr>
<td>Wood</td>
<td>5,114</td>
<td>5,315</td>
<td>5,441</td>
<td>5,994</td>
<td>6,487</td>
</tr>
<tr>
<td>Pulp</td>
<td>1,232</td>
<td>1,213</td>
<td>1,238</td>
<td>1,363</td>
<td>1,325</td>
</tr>
<tr>
<td>Paper</td>
<td>8,226</td>
<td>8,548</td>
<td>7,744</td>
<td>8,434</td>
<td>9,442</td>
</tr>
</tbody>
</table>

**EBITDA (SEKm) and EBITDA margin ¹)**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest</td>
<td>1,232</td>
<td>1,213</td>
<td>1,238</td>
<td>1,363</td>
<td>1,325</td>
</tr>
<tr>
<td>Wood</td>
<td>603</td>
<td>478</td>
<td>531</td>
<td>670</td>
<td>862</td>
</tr>
<tr>
<td>Pulp</td>
<td>768</td>
<td>970</td>
<td>530</td>
<td>482</td>
<td>488</td>
</tr>
<tr>
<td>Paper</td>
<td>1,243</td>
<td>1,295</td>
<td>1,245</td>
<td>1,479</td>
<td>2,413</td>
</tr>
</tbody>
</table>

Note: 2014 and 2015 EBITDA refer to adjusted figures. 2016 and forward refer to unadjusted figures. For details please see the quarterly report.
SCA Frontier
This presentation may contain forward-looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business. Please read SCA’s most recent annual report for a better understanding of these risks and uncertainties.