

# Q2 2018



## JANUARY 1 - JUNE 30, 2018

(compared with the year-earlier period)

- Net sales increased 11% to SEK 9,070m (8,191). The growth was mainly related to higher prices, offset partly by lower pulp volumes.
- EBITDA rose 45% to SEK 2,209m (1,521). The improvement in EBITDA was mainly related to higher prices in Kraftliner and Wood. EBITDA was affected by the planned expansion stop in Östrand in the second quarter 2018.
- EBITDA margin increased to 24.4% (18.6)
- Earnings per share amounted to SEK 2.57 (0.93)
- Operating cash flow, which excludes strategic capital expenditures, increased to SEK 1,265m (906). Strategic capital expenditures totaled SEK 1,122m (1,476) and relate to the Östrand investment.
- In June, the expanded Östrand pulp mill went into operation according to plan

## EARNINGS TREND

SEKm	Quarter					Jan-Jun		
	2018:2	2017:2	%	2018:1	%	2018	2017	%
Net sales	4,670	4,222	11	4,400	6	9,070	8,191	11
EBITDA	1,034	724	43	1,175	-12	2,209	1,521	45
Operating profit	744	451	65	889	-16	1,633	949	72
Net Profit	1,109	288	285	699	59	1,808	651	178
EBITDA margin	22.1	17.1		26.7		24.4	18.6	
Earnings per share SEK	1.58	0.41		1.00		2.57	0.93	
Operating cash flow	674	821		591		1,265	906	40

## COMMENTS ON THE FINANCIAL STATEMENTS

The market remained strong in the second quarter with healthy demand in all of SCA's product areas. The expanded pulp mill in Östrand went into operation in June following a planned expansion stop to complete the final stage of the sequential start-up. Forest, Wood and Paper reported improved earnings compared with the preceding quarter and the corresponding quarter in 2017, while the Pulp segment reported a loss for the quarter as a result of the planned stop.

The supply of wood to SCA's industries was stable. Deliveries to Östrand pulp mill declined during the quarter due to the planned expansion stop ahead of the start-up of the expanded plant. The price of timber and pulpwood rose slightly.

The positive market trend in the Wood segment continued in the second quarter and further price increases were implemented. Inventories are generally low in all markets.

The pulp market remained strong with high demand in all markets. The price of pulp increased further during the quarter.

The market for kraftliner remained strong, with growing demand and limited supply. In addition to the positive economic trend in Europe, growth in e-commerce is increasing the demand for transport packaging.

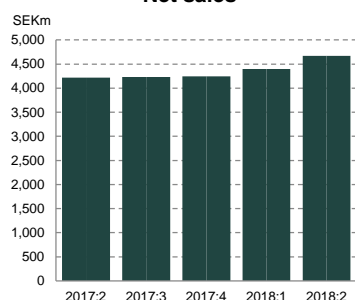
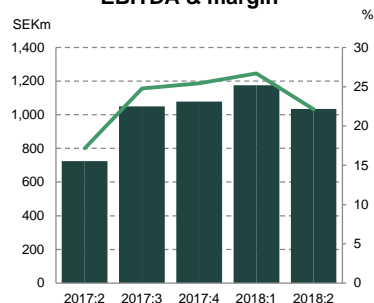
For publication papers, capacity reductions among paper producers have created a better balance between supply and demand in a structurally contracting market. Demand has improved for uncoated papers, and a slightly stronger market was also noted for coated papers. The market and product mix steadily improved in the first six months of the year.

### Expanded Östrand pulp mill in operation

In June, the Östrand pulp mill was put into operation following a longer stop to complete and install the final sections of the expanded plant.

The start-up of the mill has gone well despite the operational disruptions and necessary adjustments and fine-tuning that can be expected in such a major project. A good level of production was achieved early and Östrand is now focusing on ensuring stable production and gradually calibrating the mill to reach full capacity and the highest quality.

The Östrand pulp mill is starting up in a favorable market and the first pulp has been delivered to customers.

**Net sales****EBITDA & margin****Change in net sales (%)**

	1806 vs. 1706	2018:2 vs. 2017:2	2018:2 vs. 2018:1
<b>Total</b>	<b>11</b>	<b>11</b>	<b>6</b>
Price/mix	13	13	4
Volume	-5	-7	-2
Currency	3	5	4

**Change in EBITDA (%)**

	1806 vs. 1706	2018:2 vs. 2017:2	2018:2 vs. 2018:1
<b>Total</b>	<b>45</b>	<b>43</b>	<b>-12</b>
Price/mix	63	67	13
Volume	-4	-5	-5
Raw materials	-14	-18	-6
Energy	1	2	4
Currency	9	11	3
Other	-10	-14	-21

**GROUP****SALES AND OPERATING PROFIT****January-June 2018 compared with January-June 2017**

Net sales amounted to SEK 9,070m (8,191), an increase of 11%, of which price/mix accounted for 13%, volume for -5%, and currency for 3%. Sales growth, which was mainly related to Wood and Paper, was offset by lower sales volumes in Pulp.

EBITDA increased 45% to SEK 2,209m (1,521), which corresponds to an EBITDA margin of 24.4% (18.6). The increase was mainly attributable to higher selling prices. Earnings were positively impacted by exchange rate effects, but adversely impacted by higher raw material costs and lower pulp volumes.

EBITDA was impacted by costs for the start-up of the expanded Östrand pulp mill: (i) expansion stop costs of SEK 236m (73), (ii) planned project costs of SEK 31m (50), (iii) higher direct costs of SEK 75m (0). Refer to page 5 for details.

Costs for planned maintenance stops in Paper had a negative effect of SEK 34m (81) on earnings.

Operating profit increased 72% to SEK 1,633m (949).

**April-June 2018 compared with April-June 2017**

Net sales for the second quarter grew by 11%, of which price/mix accounted for 13 percent, volume for -7% and currency for 5%, and amounted to SEK 4,670m (4,222). Sales growth, which was mainly related to Wood and Paper, was offset by lower sales volumes in Pulp.

EBITDA amounted to SEK 1,034m (724), an increase of 43%. The increase was mainly attributable to higher selling prices. Earnings were positively impacted by exchange rate effects, but adversely impacted by higher raw material costs and lower pulp volumes.

EBITDA was impacted by costs for the start-up of the expanded Östrand pulp mill: (i) expansion stop costs of SEK 236m (65), (ii) planned project costs of SEK 15m (29), (iii) higher direct costs of SEK 50m (0). Refer to page 5 for details.

Costs for planned maintenance stops in Paper were SEK 34m (78).

Operating profit increased 65% to SEK 744m (451).

**April-June 2018 compared with January-March 2018**

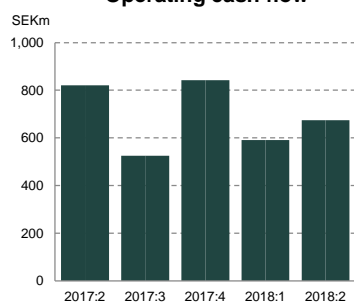
Net sales increased 6%, of which price/mix accounted for 4%, volume -2% and currency 4%. Net sales amounted to SEK 4,670m (4,400).

EBITDA decreased by 12% to SEK 1,034m (1,175). The decline was mainly related to the expansion stop in Östrand. Earnings were positively impacted by higher selling prices and exchange rate effects, but adversely impacted by higher raw material costs and lower volumes.

EBITDA was impacted by costs for the start-up of the expanded Östrand pulp mill: (i) expansion stop costs of SEK 236m (0), (ii) planned project costs of SEK 15m (16), (iii) higher direct costs of SEK 50m (25). Refer to page 5 for details.

Costs for the planned maintenance stops in Paper were SEK 34m (0).

Operating profit decreased by 16% to SEK 744m (889).

**Operating cash flow****CASH FLOW****January-June 2018 compared with January-June 2017**

The operating cash surplus amounted to SEK 1,863m (1,300). The cash flow effect from changes in working capital was SEK -345m (41). Net current capital expenditures amounted to SEK -276m (-289). Operating cash flow was SEK 1,265m (906). See page 21.

Strategic capital expenditures amounted to SEK -1,122m (-1,476) and related to the investment in increased capacity at the Östrand pulp mill, see page 5. Cash flow for the period was SEK 35m (905).

**FINANCING**

At June 30, 2018, net debt totaled SEK 7,348m, an increase during the quarter of SEK 92m.

At June 30, 2018, gross debt amounted to SEK 8,657m, with an average maturity of 4.7 years and an average fixed-interest rate period of 9.2 months. Unutilized credit facilities amounted to SEK 8,000m. Cash and cash equivalents amounted to SEK 589m at June 30, 2018.

The debt/equity ratio was 0.20 at the end of the second quarter compared with 0.16 for the corresponding period in 2017.

In the January-June 2018 period, financial items totaled SEK -3m compared with SEK -75m in the same period last year.

**TAX****January-June 2018 compared with January-June 2017**

The Swedish Parliament has decided to reduce the corporate tax rate in two steps. In January 2019, tax will be reduced from 22% to 21.4%. In January 2021, tax will be further reduced from 21.4% to 20.6%. The reduction of the corporate tax rate resulted in a revaluation of deferred tax liabilities during the second quarter 2018, resulting in a positive one-off item. Tax, including revaluation of deferred tax liabilities, was therefore positive and amounted to SEK 178m. Tax, excluding revaluation of deferred tax liabilities, totaled SEK -349m (-223), corresponding to an effective tax rate of 21.4% (25.5).

**EQUITY****January-June 2018**

Total equity increased by SEK 413m during the period, to SEK 37,166m at 30 June 2018. Equity increased due to comprehensive income for the period of SEK 1,470m, and decreased due to the dividend of SEK 1,054m. Other items reduced equity by SEK 3m.

**CURRENCY EXPOSURE AND CURRENCY HEDGING**

Due to its major focus on exports, SCA's operations are sensitive to currency fluctuations. About 80% of sales are priced in currencies other than SEK, primarily EUR, USD and GBP. Most purchasing is conducted in SEK, but some purchasing is carried out in foreign currencies. Refer to page 53 in the 2017 Annual Report for more details about the net currency exposure.

SCA has hedged about 70% of the expected net exposure (sales minus purchases) in EUR for the remainder of 2018 as well as about 50% for the first six months of 2019, at the average EUR/SEK exchange rate of 10.09. For USD, SCA has also hedged about 70% of the expected net exposure for the remainder of 2018 as well as about 50% for the first six months of 2019, at the average USD/SEK exchange rate of 8.34. All balance-sheet items in foreign currency are hedged, as well as decided and contracted expenses in foreign currency for investments in fixed assets.

## PLANNED MAINTENANCE STOPS

In the second quarter of 2018, an expansion stop was carried out at Östrand pulp mill in order to commission the new plant and a maintenance stop was carried out at the kraftliner mill in Munksund (Paper).

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 reduced production during the stops, is shown in the table below.

SEKm	Actual				Total
	Q1	Q2	Q3	Q4	
Pulp	8	65	0	58	131
Paper	3	78	16	25	122
<b>Total</b>	<b>11</b>	<b>143</b>	<b>16</b>	<b>83</b>	<b>253</b>

SEKm	Actual		Forecast		Total
	Q1	Q2	Q3	Q4	
Pulp	0	236	0	20	256
Paper	0	34	0	50	84
<b>Total</b>	<b>0</b>	<b>270</b>	<b>0</b>	<b>70</b>	<b>340</b>

## INVESTMENT IN EXPANDED PULP CAPACITY AT ÖSTRAND

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

The estimated investment is SEK 7.8bn. At the end of the second quarter of 2018, about SEK 6.6bn had been invested in Östrand, corresponding to about 85% of the total investment. A further SEK 0.9bn is expected to be invested in the remainder of 2018 and the outstanding amount of SEK 0.3bn in 2019.

The expanded pulp mill was put into operation according to plan in June 2018 following the expansion stop that commenced in April 2018. For the full-year 2018, the production capacity for bleached kraft pulp is expected to reach approximately the same level as for the full-year 2017. The lost production volumes from the expansion stop will be offset by higher capacity following commissioning of the new plant.

### Temporary project-related costs

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

In 2018, project-related costs are expected to amount to approximately SEK 60m, of which about SEK 10m is attributable to depreciation. For the first six months of 2018, project-related costs amounted to approximately SEK 37m, of which depreciation accounted for about SEK 6m. The remaining costs will impact the second half of the year.

During the start-up period for the plant, direct costs for energy, chemicals, pulpwood and a higher share of B-grade pulp will be higher than normal. For 2018, these expenses are expected to impact earnings by between SEK 100m and SEK 250m depending on the start-up curve. For the first quarter of 2018, these costs amounted to approximately SEK 25m and to about SEK 50m for the second quarter. The remaining costs will impact the second half of the year.

In 2018, capital tied up in working capital, primarily in raw materials inventories, will successively increase due to higher production volumes.

### **Efficient production facility with double the capacity**

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

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

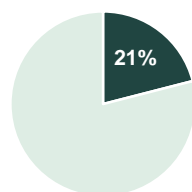
At full capacity utilization, Östrand's cash costs are expected to decrease by about SEK 350 per tonne, mainly related to indirect costs. This places Östrand in the top quartile of the cost curve for the world's bleached softwood kraft pulp producers.<sup>1</sup>

Depreciation is expected to increase by about SEK 300m per year in the second half of 2018.

<sup>1</sup> Source: Pöyry, SCA's estimate

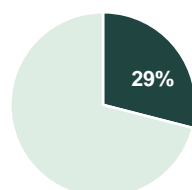


## Share of net sales 1806\*



\* before elimination of intra-Group sales

## Share of EBITDA 1806\*\*



\*\* share calculated excluding central costs

## FOREST

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

SEKm	Quarter					Jan-Jun		
	2018:2	2017:2	%	2018:1	%	2018	2017	%
Net sales	1,162	1,210	-4	1,298	-10	2,460	2,522	-2
EBITDA	371	364	2	304	22	675	689	-2
Depreciation	-28	-27	4	-28	0	-56	-55	2
Operating profit	343	336	2	276	24	619	633	-2
EBITDA margin, %	31.9	30.1		23.4		27.4	27.3	
Operating margin, %	29.5	27.8		21.3		25.2	25.1	
Return on capital employed, %	5.1	5.1		4.1		4.6	4.6	
Harvesting of own forest, thousand m <sup>3</sup> sub	1,414	1,353	5	695	103	2,109	2,017	5
Revaluation of biological assets	92	103	-11	226	-59	318	334	-5

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

The proportion of timber harvested from SCA-owned forest relative to deliveries from external suppliers varies between quarters. The expected change in value of the biological asset is distributed between the various quarters of the year based on the differences in harvesting levels from own forest. A higher share of harvesting from own forests will generally result in a lower effect from revaluation of biological assets. The revaluation of biological assets contributed positively with SEK 92m in the second quarter of 2018, compared with SEK 226m in the first quarter of 2018.

During the first six months of the year, the volume of timber harvested from SCA-owned forest was 2.1 million m<sup>3</sup> sub. The current planned rate of timber harvested in SCA-owned forest is approximately 4.3 million m<sup>3</sup> sub per year.

**January-June 2018 compared with January-June 2017**

Net sales declined 2% to SEK 2,460m (2,522). The decrease was mainly related to lower delivery volumes due to the expansion stop at Östrand pulp mill. During the period Forest accumulated inventories to meet Östrand's rising pulpwood demand. Prices for timber and pulpwood increased during the quarter. Timber supply to the industries was stable during the period.

EBITDA declined 2% to SEK 675m (689), mainly due to lower delivery volumes.

**April-June 2018 compared with April-June 2017**

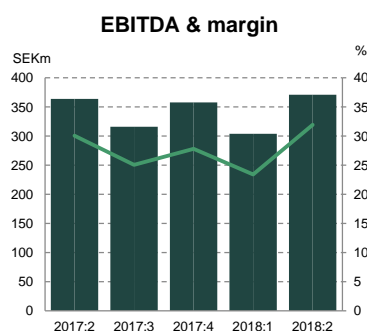
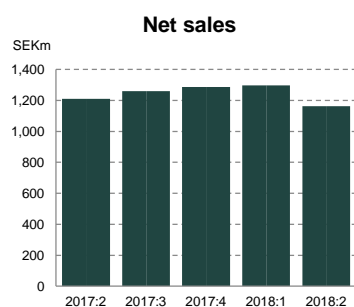
Net sales decreased 4% to SEK 1,162m (1,210). The decrease was mainly related to lower delivery volumes due to the expansion stop at Östrand pulp mill.

EBITDA amounted to SEK 371 (364), an increase of 2%. Timber and pulpwood prices were higher compared with the corresponding period in 2017.

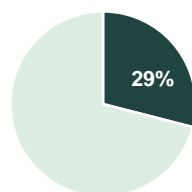
**April-June 2018 compared with January-March 2018**

Net sales decreased by 10% to SEK 1,162m (1,298). The decrease was mainly related to lower delivery volumes due to the expansion stop at Östrand pulp mill.

EBITDA improved 22% to SEK 371m (304). The increase was mainly related to a higher share of timber deliveries from SCA-owned forest, which was offset by lower earnings from the revaluation of biological assets. Prices for timber and pulpwood increased slightly during the second quarter.

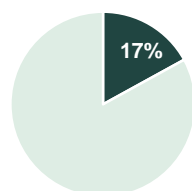


## Share of net sales 1806\*



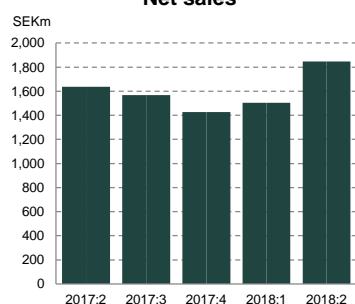
\*before elimination of intra-Group sales

## Share of EBITDA 1806\*\*

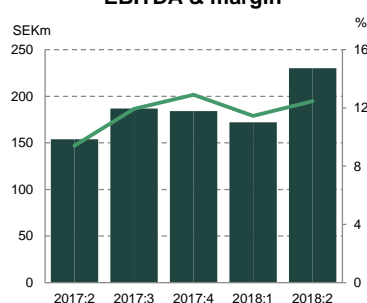


\*\* share calculated excluding central costs

## Net sales



## EBITDA &amp; margin



## WOOD

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

SEKm	Quarter					Jan-Jun		
	2018:2	2017:2	%	2018:1	%	2018	2017	%
Net sales	1,846	1,637	13	1,503	23	3,349	3,001	12
EBITDA	230	154	49	172	34	402	299	34
Depreciation	-52	-55	-5	-56	-7	-108	-117	-8
Operating profit	177	99	79	116	53	293	182	61
EBITDA margin, %	12.5	9.4		11.4		12.0	10.0	
Operating margin, %	9.6	6.0		7.7		8.7	6.1	
Return on capital employed, %	22.2	13.4		15.8		18.7	13.4	
Deliveries, wood products, thousand m <sup>3</sup>	697	705	-1	607	15	1,304	1,306	0

## January-June 2018 compared with January-June 2017

Net sales increased 12% to SEK 3,349m (3,001). This increase was primarily attributable to higher selling prices.

EBITDA improved 34% to SEK 402m (299). The increase was attributable to higher selling prices and positive exchange rate effects. Higher raw material costs had a negative impact on earnings.

## April-June 2018 compared with April-June 2017

Net sales increased 13% to SEK 1,846m (1,637). This increase was primarily attributable to higher selling prices.

EBITDA improved 49% to SEK 230m (154). The increase was attributable to higher selling prices and positive exchange rate effects. Higher raw material costs had a negative impact on earnings.

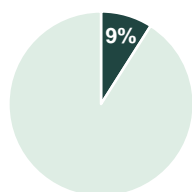
## April-June 2018 compared with January-March 2018

Net sales increased 23% to SEK 1,846m (1,503). The increase was attributable to higher seasonal delivery volumes and higher selling prices.

EBITDA improved 34% to SEK 230m (172). The increase was attributable to higher selling prices and delivery volumes. Slightly higher raw material costs had a negative impact on earnings.

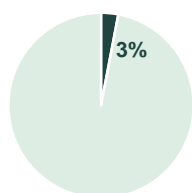


## Share of net sales 1806\*



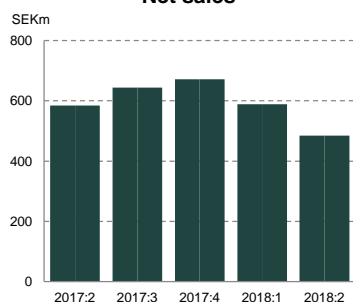
\*before elimination of intra-Group sales

## Share of EBITDA 1806\*\*

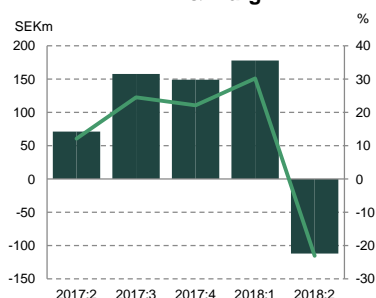


\*\* share calculated excluding central costs

## Net sales



## EBITDA &amp; margin



## PULP

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

SEKm	Quarter					Jan-Jun		
	2018:2	2017:2	%	2018:1	%	2018	2017	%
Net sales	485	585	-17	589	-18	1,074	1,226	-12
EBITDA	-112	71	-	178	-	66	175	-62
Depreciation	-63	-55	15	-65	-3	-128	-128	0
Operating profit	-175	16	-	113	-	-62	47	-
EBITDA margin, %	-23.1	12.1		30.2		6.1	14.3	
Operating margin, %	-36.1	2.7		19.2		-5.8	3.8	
Return on capital employed, %	-8.8	1.2		6.1		1.8	4.0	
Deliveries, pulp, thousand tonnes	74	114	-35	101	-27	175	242	-28

The expanded pulp mill was put into operation in June following a planned expansion stop to complete the final stage of the sequential start-up. Production in the second quarter of 2018 was therefore limited.

## January-June 2018 compared with January-June 2017

Net sales decreased by 12% to SEK 1,074m (1,226). The decrease was mainly related to lower deliveries as a result of the expansion stop in the second quarter. Higher prices had a positive effect on net sales.

EBITDA declined 62% to SEK 66m (175). EBITDA was impacted by costs for the start-up of the expanded Östrand pulp mill: (i) expansion stop costs of SEK 236m (73), (ii) planned project costs of SEK 31m (50), (iii) higher direct costs of SEK 75m (0). Refer to page 5 for details. Higher selling prices had a positive impact on earnings.

## April-June 2018 compared with April-June 2017

Net sales declined 17% to SEK 485m (585). The decrease was mainly related to lower deliveries as a result of the expansion stop in the second quarter. Higher prices had a positive effect on net sales.

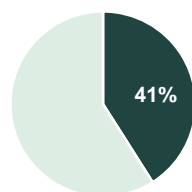
EBITDA was negative during the quarter and amounted to SEK -112m (71). EBITDA was impacted by costs for the start-up of the expanded Östrand pulp mill: (i) expansion stop costs of SEK 236m (65), (ii) planned project costs of SEK 15m (29), (iii) higher direct costs of SEK 50m (0). Refer to page 5 for details. Higher selling prices had a positive impact on earnings.

## April-June 2018 compared with January-March 2018

Net sales declined 18% to SEK 485m (589). The decrease was mainly related to lower deliveries as a result of the expansion stop in the second quarter. Slightly higher prices had a positive effect on net sales.

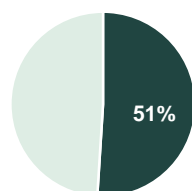
EBITDA amounted to SEK -112m (178). EBITDA was impacted by costs for the start-up of the expanded Östrand pulp mill: (i) expansion stop costs of SEK 236m (0), (ii) planned project costs of SEK 15m (16), (iii) higher direct costs of SEK 50m (25). Refer to page 5 for details. Slightly higher selling prices had a positive impact on earnings.

## Share of net sales 1806\*



\*before elimination of intra-Group sales

## Share of EBITDA 1806\*\*



\*\* share calculated of total EBITDA excluding central costs

## PAPER

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

SEKm	Quarter					Jan-Jun		
	2018:2	2017:2	%	2018:1	%	2018	2017	%
Net sales	2,426	2,072	17	2,383	2	4,809	4,118	17
EBITDA	618	291	112	586	5	1,204	559	115
Depreciation	-140	-136	3	-131	7	-271	-263	3
Operating profit	477	156	206	455	5	932	297	214
EBITDA margin, %	25.5	14.1		24.6		25.0	13.6	
Operating margin, %	19.7	7.5		19.1		19.4	7.2	
Return on capital employed, %	30.5	10.3		30.1		26.2	9.8	
Deliveries, kraftliner, thousand tonnes	203	218	-7	207	-2	410	444	-8
Deliveries, publication paper, thousand tonnes	177	178	-1	195	-9	372	353	5

## January-June 2018 compared with January-June 2017

Net sales increased 17% to SEK 4,809m (4,118). This increase was primarily attributable to higher selling prices for kraftliner and positive exchange rate effects. Lower delivery volumes for kraftliner were mainly attributable to planned changes in inventories.

EBITDA improved 115% to SEK 1,204 (559). This increase was primarily attributable to higher selling prices for kraftliner and positive exchange rate effects. The cost of planned maintenance stops amounted to SEK 34m (81).

## April-June 2018 compared with April-June 2017

Net sales increased 17% to SEK 2,426m (2,072). This increase was primarily attributable to higher selling prices for kraftliner and positive exchange rate effects.

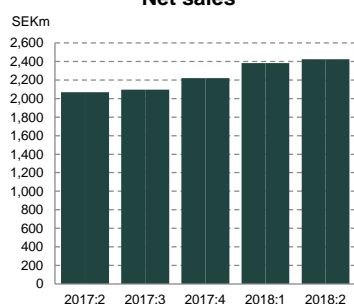
EBITDA improved 112% to SEK 618m (291). This increase was primarily attributable to higher selling prices for kraftliner and positive exchange rate effects. The cost of planned maintenance stops amounted to SEK 34m (78).

## April-June 2018 compared with January-March 2018

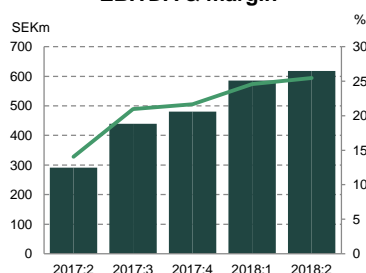
Net sales were in line with the year-earlier period and amounted to SEK 2,426m (2,383). Higher selling prices and positive exchange rate effects were offset by lower delivery volumes of publication papers.

EBITDA improved 5% to SEK 618m (586). This increase, which was primarily attributable to higher selling prices for kraftliner and positive exchange rate effects, was partly offset by lower volumes. The cost of planned maintenance stops was SEK 34m (0).

## Net sales



## EBITDA &amp; margin



The Board of Directors and President certify that the six-month report gives a true and fair view of the Parent Company's and the Group's operations, financial position and results, and describes material risks and uncertainties facing the company and the companies included in the Group.

Sundsvall, July 25, 2018

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Par Boman Chairman of the Board	Charlotte Bengtsson Board Member	Lennart Evrell Board member	Annemarie Gardshol Board member
Martin Lindqvist Board member	Lotta Lyrå Board member	Bert Nordberg Board member	Anders Sundström Board member
Barbara Milian Thoralfsson Board member	Roger Bostrom Board member, appointed by the employees	Johanna Viklund Lindén Board member, appointed by the employees	Hans Wentjärv Board member, appointed by the employees
	Ulf Larsson Board member President and CEO		

## Review report

Svenska Cellulosa Aktiebolaget SCA (publ), org.no. 556012-6293

### Introduction

We have reviewed the condensed interim report for Svenska Cellulosa Aktiebolaget SCA (publ) as at June 30, 2018 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report 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 Financial Statements 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 and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### 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 Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Sundsvall July 25, 2018

Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

## DISTRIBUTION OF SHARES

June 30, 2018	Class A	Class B	Total
Registered number of shares	64,587,831	637,754,658	702,342,489

At the end of the period, the proportion of Class A shares was 9.2%. In the second quarter, no Class A shares were converted to Class B shares at the request of shareholders. The total number of votes in the company amounted to 1,283,632,968.

## EVENTS AFTER THE QUARTER

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

## FUTURE REPORTS

- Financial statements for the third quarter will be published on October 30, 2018
- The year-end report will be published on January 30, 2019

## INVITATION TO PRESS CONFERENCE ON SIX-MONTH REPORT 2018

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

Time: July 25, 2018 at 10:00 a.m.

The press conference will be webcast live at [www.sca.com](http://www.sca.com). It is also possible to participate by telephone by calling:

Sweden: +46 (0) 8 5069 2180  
 UK: +44 (0) 2071 928 000  
 USA: +1 631 510 7495

Specify "SCA" or the conference ID: 3792928.

Sundsvall, July 25, 2018

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Ulf Larsson  
 President and CEO

### For further information, please contact

Ulf Larsson, President and CEO, +46 (0)60 19 46 46  
 Toby Lawton, CFO, +46 (0)60 19 31 09  
 Björn Lyngfelt, Senior Vice President, Group Communications, +46 (0)60 19 34 98  
 Andreas Ewertz, Investor Relations Director, +46 (0)60 19 31 97

### Please note:

This is information that SCA is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of the contact person set out below, on July 25, 2018 at 8:00 a.m. CET. The report has been reviewed by the company's auditors.

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

SEKm	Quarter					Jan-Jun		
	2018:2	2017:2	%	2018:1	%	2018	2017	%
Net sales	4,670	4,222	11	4,400	6	9,070	8,191	11
Other income	419	337	24	542	-23	961	802	20
Change in inventories	11	-77		52		63	-104	
Change in value in biological assets	92	103	-11	226	-59	318	334	-5
Raw materials and consumables	-1,624	-1,423	14	-1,654	-2	-3,278	-2,926	12
Personnel costs	-786	-708	11	-732	7	-1,518	-1,367	11
Other external costs	-1,748	-1,628	7	-1,660	5	-3,408	-3,297	3
Share of profits of associates	0	0		1		1	0	
Items affecting comparability	0	-103		0		0	-113	
<b>EBITDA</b>	<b>1,034</b>	<b>724</b>	<b>43</b>	<b>1,175</b>	<b>-12</b>	<b>2,209</b>	<b>1,521</b>	<b>45</b>
Depreciation	-290	-273	6	-286	1	-576	-572	1
<b>Operating profit</b>	<b>744</b>	<b>451</b>	<b>65</b>	<b>889</b>	<b>-16</b>	<b>1,633</b>	<b>949</b>	<b>72</b>
Financial items	-4	-39		1		-3	-75	
<b>Profit before tax</b>	<b>740</b>	<b>412</b>	<b>80</b>	<b>890</b>	<b>-17</b>	<b>1,630</b>	<b>874</b>	<b>86</b>
Tax	369	-124		-191		178	-223	
<b>Net Profit for the period from continuing operations</b>	<b>1,109</b>	<b>288</b>	<b>285</b>	<b>699</b>	<b>59</b>	<b>1,808</b>	<b>651</b>	<b>178</b>
Net profit for the period from discontinued operations	0	138,625		0		0	140,281	
<b>Net Profit for the period from continuing and discontinued operations</b>	<b>1,109</b>	<b>138,913</b>		<b>699</b>		<b>1,808</b>	<b>140,932</b>	
<b>Earnings attributable to:</b>								
<b>Owners of the parent</b>								
Profit from continuing operations	1,109	288		699		1,808	651	
Profit from discontinued operations	0	138,495		0		0	139,955	
<b>Net Profit from continuing and discontinued operations</b>	<b>1,109</b>	<b>138,783</b>		<b>699</b>		<b>1,808</b>	<b>140,606</b>	
<b>Non-controlling interests</b>								
Profit from continuing operations	0	0		0		0	0	
Profit from discontinued operations	0	130		0		0	326	
<b>Profit from continuing and discontinued operations</b>	<b>0</b>	<b>130</b>		<b>0</b>		<b>0</b>	<b>326</b>	
Average no. of shares, millions <sup>1</sup>	702.3	702.3		702.3		702.3	702.3	
Earnings per share SEK - continuing operations <sup>1</sup>	1.58	0.41		1.00		2.57	0.93	
Earnings per share SEK - total company <sup>1</sup>	1.58	197.60		1.00		2.57	200.20	
<sup>1</sup> There are no dilution effects								
<b>Percent</b>	<b>2018:2</b>	<b>2017:2</b>		<b>2018:1</b>		<b>1806</b>	<b>1706</b>	
EBITDA margin	22.1	17.1		26.7		24.4	18.6	
Operating margin	15.9	10.7		20.2		18.0	11.6	
Net margin	23.7	6.9		15.9		19.9	8.0	
Adjusted EBITDA margin	22.1	19.6		26.7		24.4	19.9	
Adjusted operating margin	15.9	13.1		20.2		18.0	13.0	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter			Jan-Jun	
	2018:2	2017:2	2018:1	2018	2017
<b>Profit for the period, continuing operations</b>	<b>1,109</b>	<b>288</b>	<b>699</b>	<b>1,808</b>	<b>651</b>
Profit for the period, discontinued operations	0	138,625	0	0	140,281
<b>Profit for the period</b>	<b>1,109</b>	<b>138,913</b>	<b>699</b>	<b>1,808</b>	<b>140,932</b>
<b>Other comprehensive income for the period:</b>					
<b>Items that may not be reclassified to the income statement</b>					
Revaluation of defined benefit pension plans	-264	136	-159	-423	437
Income tax attributable to components of other comprehensive income	60	-30	35	95	-97
<b>Total continuing operations</b>	<b>-204</b>	<b>106</b>	<b>-124</b>	<b>-328</b>	<b>340</b>
Total discontinued operations	0	87	0	0	630
<b>Total</b>	<b>-204</b>	<b>193</b>	<b>-124</b>	<b>-328</b>	<b>970</b>
<b>Items that have been or may be reclassified subsequently to the income statement</b>					
Available-for-sale financial assets	0	1	0	0	1
Cash flow hedges	48	9	-97	-49	-46
Translation differences in foreign operations	-20	-2	46	26	-1
Gains/losses from hedges of net investments in foreign operations	0	1	0	0	0
Income tax attributable to components of other comprehensive income	-9	-2	22	13	10
<b>Total continuing operations</b>	<b>19</b>	<b>7</b>	<b>-29</b>	<b>-10</b>	<b>-36</b>
Total discontinued operations	0	-831	0	0	-689
<b>Total</b>	<b>19</b>	<b>-824</b>	<b>-29</b>	<b>-10</b>	<b>-725</b>
<b>Other comprehensive income for the period, net of tax</b>					
<b>Total, continuing operations</b>	<b>-185</b>	<b>113</b>	<b>-153</b>	<b>-338</b>	<b>304</b>
Total, discontinued operations	0	-744	0	0	-59
<b>Total</b>	<b>-185</b>	<b>-631</b>	<b>-153</b>	<b>-338</b>	<b>245</b>
<b>Total comprehensive income for the period</b>					
<b>Total, continuing operations</b>	<b>924</b>	<b>401</b>	<b>546</b>	<b>1,470</b>	<b>955</b>
Total, discontinued operations	0	137,881	0	0	140,222
<b>Total</b>	<b>924</b>	<b>138,282</b>	<b>546</b>	<b>1,470</b>	<b>141,177</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent	924	138,288	546	1,470	141,009
Non-controlling interests	0	-6	0	0	168



**CONDENSED CONSOLIDATED BALANCE SHEET**

SEKm	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill and other intangible assets	103	94
Buildings, land, machinery and equipment	18,087	17,104
Biological assets	31,693	31,386
Other non-current assets	857	1,123
<b>Total non-current assets</b>	<b>50,740</b>	<b>49,707</b>
<b>Current assets</b>		
Inventories	3,612	3,460
Trade receivables	2,872	2,299
Other current receivables	828	707
Cash and cash equivalents	589	538
<b>Total current assets</b>	<b>7,901</b>	<b>7,004</b>
<b>Total assets</b>	<b>58,641</b>	<b>56,711</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Owners of the Parent</b>		
Share capital	2,350	2,350
Share premium	6,830	6,830
Reserves	-230	-219
Retained earnings	28,214	27,790
<b>Non-controlling interests</b>	<b>2</b>	<b>2</b>
<b>Total equity</b>	<b>37,166</b>	<b>36,753</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	4,272	3,675
Provisions for pensions	478	366
Deferred tax liabilities	8,068	8,381
Other non-current liabilities & provisions	127	116
<b>Total non-current liabilities</b>	<b>12,945</b>	<b>12,538</b>
<b>Current liabilities</b>		
Current financial liabilities	3,907	3,502
Trade payables	3,239	2,900
Other current liabilities	1,384	1,018
<b>Total current liabilities</b>	<b>8,530</b>	<b>7,420</b>
<b>Total liabilities</b>	<b>21,475</b>	<b>19,958</b>
<b>Total liabilities and equity</b>	<b>58,641</b>	<b>56,711</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

SEKm	Jan-Jun	Full year
	2018	2017
<b>Attributable to owners of the parent</b>		
Opening balance, January 1	36,751	73,142
Total comprehensive income for the period	1,470	142,049
Cash dividend	-1,054	-4,214
Dividend of Essity shares	0	-174,448
Private placement to non-controlling interest	0	499
Private placement to non-controlling interest, dilution	0	-288
Acquisition of non-controlling interests	0	15
Remeasurement effect upon acquisition of non-controlling interests	-3	-4
<b>Closing balance</b>	<b>37,164</b>	<b>36,751</b>
<b>Non-controlling interests</b>		
Opening balance, January 1	2	6,377
Total comprehensive income for the period	0	168
Cash dividend	0	-130
Dividend of Essity shares	0	-7,242
Private placement to non-controlling interest	0	461
Private placement to non-controlling interest, dilution	0	288
Acquisition of non-controlling interests	0	80
<b>Closing balance</b>	<b>2</b>	<b>2</b>
<b>Total equity, closing balance</b>	<b>37,166</b>	<b>36,753</b>

**CONSOLIDATED CASH FLOW STATEMENT**

SEKm	Jan-Jun	
	2018	2017
<b>Operating activities</b>		
Profit before tax	1,630	875
Adjustment for non-cash items <sup>1</sup>	255	202
Paid tax	-13	-19
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,872</b>	<b>1,058</b>
Cash flow from changes in working capital		
Change in inventories	-127	127
Change in operating receivables	-679	-256
Change in operating liabilities	461	170
<b>Cash flow from operating activities</b>	<b>1,527</b>	<b>1,099</b>
<b>Investing activities</b>		
Current capital expenditures in non-current assets, net	-276	-289
Strategic capital expenditures in non-current assets	-1,122	-1,476
Repayment of loans from external parties	-1	216
<b>Cash flow from investing activities</b>	<b>-1,399</b>	<b>-1,549</b>
<b>Financing activities</b>		
Loans raised	2,680	7,754
Amortization of loans	-1,719	-2,064
Listing costs	0	-121
Dividend	-1,054	-4,214
<b>Cash flow from financing activities</b>	<b>-93</b>	<b>1,355</b>
<b>Net cash flow for the period</b>	<b>35</b>	<b>905</b>
Cash and cash equivalents at the beginning of the period	538	238
Translation differences in cash and cash equivalents	16	-4
<b>Cash and cash equivalents at the end of the period</b>	<b>589</b>	<b>1,139</b>
Cash flow from operating activities per share SEK	2.17	1.56
<sup>1</sup> Depreciation/amortization and impairment of non-current assets	576	572
Fair-value measurement of biological assets	-318	-334
Gains/loss on assets sales and swaps of assets	-26	2
Gain/loss on divestments	0	56
Other	23	-93
<b>Total</b>	<b>255</b>	<b>202</b>

## INCOME STATEMENT PARENT COMPANY

SEKm	Jan-Jun	
	2018	2017
Other operating income	124	106
Other operating expenses	-90	-510
Personnel costs	-57	-18
<b>EBITDA</b>	<b>-23</b>	<b>-422</b>
Depreciation	-38	-37
<b>Operating profit</b>	<b>-61</b>	<b>-459</b>
Result from participations in Group companies	850	0
Financial items	75	-23
<b>Profit before tax</b>	<b>864</b>	<b>-482</b>
Appropriations and tax	105	256
<b>Profit for the period</b>	<b>969</b>	<b>-226</b>

Other operating income was mainly related to remuneration for the granting of felling rights for the Parent Company's forest land.

As of January 1, 2018, the Parent Company changed its method of measurement of financial derivatives from historical cost to fair value, in order to comply with IFRS 9. The impact of this change on profit or loss at June 30, 2018 is a reduction in financial items of SEK 13m. In the balance sheet at June 30, 2018, financial non-current assets increased by SEK 106m, current assets by SEK 504m, non-current liabilities by SEK 107m and current liabilities by SEK 508m. Equity decreased by SEK 6m, which is the result of the change in profit or loss at June 30, 2018 (SEK -13m) and an adjustment of the opening balance from the previous fiscal year (SEK +7m, see below).

The change in method of measurement of financial derivatives from historical cost to fair value has entailed an adjustment of the comparative year. The change had no material impact on profit or loss at June 30, 2017. In the balance sheet at December 31, 2017, financial non-current assets increased by SEK 46m, current assets by SEK 128m, current liabilities by SEK 166m, provisions by SEK 1m and equity by SEK 7m, corresponding to the change in profit or loss at December 31, 2017.

## BALANCE SHEET PARENT COMPANY

SEKm	June 30, 2018	December 31, 2017
Tangible non-current assets	8,349	8,365
Financial non-current assets	4,868	4,941
<b>Total non-current assets</b>	<b>13,217</b>	<b>13,306</b>
Current assets	16,749	15,674
<b>Total assets</b>	<b>29,966</b>	<b>28,980</b>
Restricted equity	11,373	11,373
Non-restricted equity	7,097	7,181
<b>Total equity</b>	<b>18,470</b>	<b>18,554</b>
Provisions	1,501	1,607
Non-current liabilities	4,180	3,600
Current liabilities	5,815	5,219
<b>Total equity, provisions and liabilities</b>	<b>29,966</b>	<b>28,980</b>

## NOTES

### 1. ACCOUNTING PRINCIPLES

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

At January 1, 2018, two new accounting standards came into force, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which entailed a change in the Group's accounting principles.

IFRS 9 is divided into three areas: Classification and measurement of financial assets and liabilities, impairment and hedge accounting. Classification and measurement took place using the categories stated in IFRS 9 without any significant impact on the balance sheet. The application of an impairment model adapted to the requirements of IFRS 9 resulted in a reduction in equity by about SEK 3m in conjunction with the implementation of the standard. The application of IFRS 9 entailed a revision of the Group's hedging documentation, but the application has had no effect on the Group's financial statements.

No translation effects arose in connection with the implementation of IFRS 15. Equity was thus not impacted by the transition to the new standard.

Translation differences on trade receivables were previously recognized on the line net sales. As of January 1, 2018, translation differences on trade receivables are recognized as other operating income.

In view of the implementation of IFRS 9, the Parent Company has changed method for the measurement of financial derivatives as of January 1, 2018. Refer to page 17.

#### Effects of future accounting standards

IFRS 16 Leases is to be applied as of January 1, 2019. SCA has commenced preparations to transition to the new standard, for example, by implementing system support that will facilitate compliance with the standard. Training of the organization in the new standard has been intensified as has the work to identify and evaluate the relevant leases. The assessment is that the new standard will affect SCA insofar as all leases for premises, vehicles and other large leasing objects will be recognized in the balance sheet. In turn, this will impact several performance measures, such as EBITDA, operating profit, net financial items, capital employed, return on capital employed and net debt.

No material changes took place to assessments regarding new or amended accounting standards after 2018 compared with the assessments presented in SCA's 2017 Annual Report.

### 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### NET SALES PER REGION

MSEK	Jan-Jun	
	2018	2017
Sweden	1,282	1,237
EU excl. Sweden	5,869	5,134
Rest of Europe	491	425
Rest of world	1,428	1,395
<b>Total Group</b>	<b>9,070</b>	<b>8,191</b>

### 3. RISKS AND UNCERTAINTIES

SCA's risk exposure and risk management are described on pages 50-53 of the 2017 Annual Report. No significant changes have taken place, that have affected the reported risks.

#### 4. RELATED PARTY TRANSACTIONS

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

#### 5. DISCONTINUED OPERATIONS

SCA distributed the shares in Essity to SCA's shareholders in June 2017. Essity's first day of trading on Nasdaq Stockholm was June 15, 2017 and the closing price was SEK 247.20 for the Class A share and 248.50 for the Class B share. This represents a market capitalization of about SEK 174,448m for Essity. The earnings effect of the distribution was set at the difference between the market value of liabilities at the date of distribution and the net assets distributed through Essity and resulted in an earnings effect of SEK 136,914m in the second quarter of 2017.

#### EARNINGS TREND

SEKm	Jan-Jun	
	2018	2017
Net sales	0	47,854
<b>Operating profit</b>	<b>0</b>	<b>4,965</b>
Financial items	0	-487
<b>Profit before tax</b>	<b>0</b>	<b>4,478</b>
Tax	0	-1,111
<b>Profit for the period</b>	<b>0</b>	<b>3,367</b>

#### CASH FLOW STATEMENT

SEKm	Jan-Jun	
	2018	2017
Cash flow from operating activities	0	4,517
Cash flow from investing activities	0	-15,591
Cash flow from financing activities	0	11,022
<b>Cash flow for the period</b>	<b>0</b>	<b>-52</b>



## 6. FINANCIAL INSTRUMENTS BY CATEGORY

### Distribution by level when measured 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	2	3
<b>June 30, 2018</b>								
Derivatives	337	2	335			298	39	
Non-current financial assets	20			20				20
<b>Total assets</b>	<b>357</b>	<b>2</b>	<b>335</b>	<b>20</b>	<b>0</b>	<b>298</b>	<b>39</b>	<b>20</b>
Derivatives	278	48	230				278	
Current financial liabilities	3,893				3,893			
Non-current financial liabilities	4,272				4,271			
<b>Total liabilities</b>	<b>8,443</b>	<b>48</b>	<b>230</b>	<b>0</b>	<b>8,164</b>	<b>0</b>	<b>278</b>	<b>0</b>
<b>December 31, 2017</b>								
Derivatives	166	22	144			74	92	
Non-current financial assets	20			20				20
<b>Total assets</b>	<b>186</b>	<b>22</b>	<b>144</b>	<b>20</b>	<b>0</b>	<b>74</b>	<b>92</b>	<b>20</b>
Derivatives	9	5	4			4	5	
Current financial liabilities	3,493				3,493			
Non-current financial liabilities	3,675				3,675			
<b>Total liabilities</b>	<b>7,177</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>7,168</b>	<b>4</b>	<b>5</b>	<b>0</b>

The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, and the fair value of trade payables is estimated to be equal to their carrying amount. The total fair value of current and non-current financial liabilities was SEK 8,177m (7,178). The value of electricity derivatives is based on published prices in an active market. Other financial instruments are marked-to-model, based on prevailing currency and interest rates on the balance sheet date. The fair value of debt instruments is determined using valuation models, such as discounting future cash flows at quoted market rates for the respective maturity.

## 7. CONTINGENT LIABILITIES AND PLEDGED ASSETS

Contingent liabilities	Parent		Group	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
SEKm				
Guarantees for subsidiaries	708	564	-	-
associates	-	-	5	5
customers and others	-	-	20	27
Other contingent liabilities	172	238	33	283
<b>Total</b>	<b>880</b>	<b>802</b>	<b>58</b>	<b>315</b>
<b>Pledged assets</b>				
SEKm				
Chattel mortgages	20	20	20	20
Other	-	-	-	-
<b>Total</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

## 8. RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

For definitions of alternative performance measures, refer to SCA's 2017 Annual Report, page 77.

OPERATING CASH FLOW	Quarter			Jan-Jun		Full year
	2018:2	2017:2	2018:1	2018	2017	2017
EBITDA	1,034	724	1,175	2,209	1,521	3,648
Changes in value biological assets and other non cash flow items <sup>1</sup>	-93	2	-253	-346	-221	-503
<b>Operating cash surplus</b>	<b>941</b>	<b>726</b>	<b>922</b>	<b>1,863</b>	<b>1,300</b>	<b>3,145</b>
Change in working capital	-186	395	-159	-345	41	-143
Current capital expenditures, net	-200	-163	-76	-276	-289	-638
Other operating cash flow	119	-137	-96	23	-146	-91
<b>Operating cash flow</b>	<b>674</b>	<b>821</b>	<b>591</b>	<b>1,265</b>	<b>906</b>	<b>2,273</b>

<sup>1</sup>Figures from the preceding year include the reversal of items affecting comparability

### BALANCE SHEET STRUCTURE

SEKm	June 30, 2018	December 31, 2017
Biological assets	31,693	31,386
Deferred tax relating to biological assets	-6,529	-6,905
<b>Biological assets, net of deferred tax</b>	<b>25,164</b>	<b>24,481</b>
Working capital	3,150	2,861
Other capital employed, net	16,200	15,377
<b>Total capital employed</b>	<b>44,514</b>	<b>42,719</b>

### CAPITAL EMPLOYED

SEKm	June 30, 2018	December 31, 2017
Total assets	58,641	56,711
-Financial receivables	-1,309	-1,577
-Non-current non-interest bearing liabilities	-8,195	-8,497
-Current non-interest bearing liabilities	-4,623	-3,918
<b>Capital employed</b>	<b>44,514</b>	<b>42,719</b>

### WORKING CAPITAL

SEKm	June 30, 2018	December 31, 2017
Inventories	3,612	3,460
Accounts receivable	2,872	2,299
Other current receivables	823	694
Accounts payable	-3,239	-2,900
Other current liabilities	-1,342	-977
Adjustments <sup>1</sup>	424	285
<b>Working capital</b>	<b>3,150</b>	<b>2,861</b>
<sup>1</sup> Adjustments		
Other current receivables, green certificates	-16	-35
Accounts payable, strategic capital expenditures	420	317
Other current liabilities, emission rights	20	3
	<b>424</b>	<b>285</b>

**NET DEBT**

<b>SEKm</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Surplus in funded pension plans	696	1,002
Non-current financial assets	24	28
Current financial assets	0	9
Cash and cash equivalents	589	538
<b>Financial receivables</b>	<b>1,309</b>	<b>1,577</b>
Non-current financial liabilities	4,272	3,675
Provisions for pensions	478	366
Current financial liabilities	3,907	3,502
<b>Financial liabilities</b>	<b>8,657</b>	<b>7,543</b>
<b>Net debt</b>	<b>-7,348</b>	<b>-5,966</b>

**9. KEY FIGURES**

<b>MARGINS</b>	<b>Quarter</b>			<b>Jan-Jun</b>		<b>Full year</b>
	<b>2018:2</b>	<b>2017:2</b>	<b>2018:1</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
EBITDA margin, %	22.1	17.1	26.7	24.4	18.6	21.9
Operating margin, %	15.9	10.7	20.2	18.0	11.6	15.1
Net margin, %	23.7	6.8	15.9	19.9	8.0	11.2
Adjusted EBITDA margin, %	22.1	19.6	26.7	24.4	19.9	22.6
Adjusted operating margin, %	15.9	13.1	20.2	18.0	13.0	15.7

<b>RETURN METRICS (ROLLING 12 MONTHS)</b>	<b>Jan-Jun</b>		<b>Full year</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
Return on capital employed, %	7.5	5.1	6.1
Adjusted return on capital employed, %	7.5	5.4	6.3
Industrial return on capital employed, %	13.1	7.3	10.1
Industrial return on capital employed, excluding the ongoing investment in Östrand, %	18.6	8.5	13.1

<b>CAPITAL STRUCTURE</b>	<b>Jan-Jun</b>		<b>Full year</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
Capital employed, SEKm	44,514	41,298	42,719
Net debt, SEKm	7,348	-	5,966
Net debt/EBITDA (LTM)	1.7	-	1.6
Equity, SEKm	37,166	-	36,753
Equity per share, SEK	53	-	52
Net debt/Equity	20%	-	16%

<b>OTHER KEY FIGURES</b>	<b>Jan-Jun</b>		<b>Full year</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
Working capital / net sales <sup>1</sup>	16.8%	18.3%	17.7%

<sup>1</sup> Calculated as an average of working capital for 13 months as a percentage of 12-month rolling net sales

## 10. QUARTERLY DATA BY SEGMENT

### NET SALES

SEKm	Quarter								
	2018:2	2018:1	2017:4	2017:3	2017:2	2017:1	2016:4	2016:3	2016:2
Forest	1,162	1,298	1,287	1,261	1,210	1,312	1,296	1,261	1,234
Wood	1,846	1,503	1,426	1,567	1,637	1,364	1,361	1,320	1,496
Pulp	485	589	672	644	585	641	668	668	556
Paper	2,426	2,383	2,220	2,096	2,072	2,046	1,998	1,859	1,889
Intra-group deliveries	-1,249	-1,373	-1,363	-1,337	-1,282	-1,394	-1,384	-1,339	-1,303
<b>Total net sales</b>	<b>4,670</b>	<b>4,400</b>	<b>4,242</b>	<b>4,231</b>	<b>4,222</b>	<b>3,969</b>	<b>3,939</b>	<b>3,769</b>	<b>3,872</b>

### EBITDA

SEKm	Quarter								
	2018:2	2018:1	2017:4	2017:3	2017:2	2017:1	2016:4	2016:3	2016:2
Forest	371	304	358	316	364	325	338	295	312
Wood	230	172	184	187	154	145	161	143	140
Pulp	-112	178	149	158	71	104	102	160	105
Paper	618	586	481	439	291	268	271	293	378
Other	-73	-65	-94	-51	-156	-45	-53	-46	-27
<b>Total EBITDA</b>	<b>1,034</b>	<b>1,175</b>	<b>1,078</b>	<b>1,049</b>	<b>724</b>	<b>797</b>	<b>819</b>	<b>845</b>	<b>908</b>

### EBITDA MARGIN

Percent	Quarter								
	2018:2	2018:1	2017:4	2017:3	2017:2	2017:1	2016:4	2016:3	2016:2
Forest	31.9	23.4	27.8	25.1	30.1	24.8	26.1	23.4	25.3
Wood	12.5	11.4	12.9	11.9	9.4	10.6	11.8	10.8	9.4
Pulp	-23.1	30.2	22.2	24.5	12.1	16.2	15.3	24.0	18.9
Paper	25.5	24.6	21.7	20.9	14.1	13.1	13.6	15.8	20.0
<b>EBITDA margin</b>	<b>22.1</b>	<b>26.7</b>	<b>25.4</b>	<b>24.8</b>	<b>17.1</b>	<b>20.1</b>	<b>20.8</b>	<b>22.4</b>	<b>23.4</b>

### ADJUSTED EBITDA

SEKm	Quarter								
	2018:2	2018:1	2017:4	2017:3	2017:2	2017:1	2016:4	2016:3	2016:2
Forest	371	304	358	316	364	325	338	295	312
Wood	230	172	184	187	154	145	161	143	140
Pulp	-112	178	149	158	71	104	102	160	105
Paper	618	586	481	439	291	268	277	289	259
Other	-73	-65	-94	-51	-53	-35	-52	-46	-27
<b>Total adjusted EBITDA<sup>1</sup></b>	<b>1,034</b>	<b>1,175</b>	<b>1,078</b>	<b>1,049</b>	<b>827</b>	<b>807</b>	<b>826</b>	<b>841</b>	<b>789</b>

### ADJUSTED EBITDA MARGIN

Percent	Quarter								
	2018:2	2018:1	2017:4	2017:3	2017:2	2017:1	2016:4	2016:3	2016:2
Forest	31.9	23.4	27.8	25.1	30.1	24.8	26.1	23.4	25.3
Wood	12.5	11.4	12.9	11.9	9.4	10.6	11.8	10.8	9.4
Pulp	-23.1	30.2	22.2	24.5	12.1	16.2	15.3	24.0	18.9
Paper	25.5	24.6	21.7	20.9	14.1	13.1	13.9	15.6	13.7
<b>Adjusted EBITDA margin<sup>1</sup></b>	<b>22.1</b>	<b>26.7</b>	<b>25.4</b>	<b>24.8</b>	<b>19.6</b>	<b>20.3</b>	<b>21.0</b>	<b>22.3</b>	<b>20.4</b>

<sup>1</sup> Excluding items affecting comparability