Year-end report presentation 2018

January 30, 2019
Stable demand in Europe and US

Higher prices vs Q4 2017
  • Some price declines in Q4 vs Q3

Sales growth of 16% vs Q4 2017
  • Price/mix +11%, volumes -1%, currency 6%

EBITDA up 38% vs Q4 2017
  • Higher prices
  • Positive currency effects
  • Higher prices for wood raw material
  • Maintenance stops

Östrand ramp-up progressing according to plan
SCA’s performance Q4 2018

**EBITDA (SEKm)** 1,494

**Industrial ROCE** 1) 16%

**EBITDA margin** 30%

**Net debt/EBITDA** 1.3x

**EBITDA development (SEKm)**

- **Q4 ’17**: 1,078 (25%)
- **Q1 ’18**: 1,175 (27%)
- **Q2 ’18**: 1,034 (22%)
- **Q3 ’18**: 1,549 (33%)
- **Q4 ’18**: 1,494 (30%)

Note: 1) ROCE for the industrial segments; Wood, Pulp and Paper. ROCE calculated as LTM.
### SCA’s performance 2018

<table>
<thead>
<tr>
<th>EBITDA (SEKm)</th>
<th>Industrial ROCE ¹)</th>
<th>Proposed dividend (SEK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 252</td>
<td>16% (10%)</td>
<td>1.75 (1.50)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA margin</th>
<th>Net debt/EBITDA</th>
<th>EPS (SEK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>28% (22%)</td>
<td>1.3x (1.6x)</td>
<td>5.21 (2.67)</td>
</tr>
</tbody>
</table>
Forest Q4 2018 vs. Q4 2017

Higher prices

Increased wood sourcing to meet higher pulpwood demand

Sales up 20%
  - Increased volumes to the expanded pulp mill
  - Higher prices

EBITDA up 19%
  - Higher prices
Wood Q4 2018 vs. Q4 2017

Stable demand in Europe and US
- Softer in China and North Africa

Slightly lower prices in Q4 vs Q3

Sales up 9%
- Higher prices
- Positive currency effects

EBITDA up 23%
- Higher prices
- Increased raw material costs
- Yield improvement
Pulp – Q4 production update
Ramp-up progressing according to plan

Full NBSK capacity of 900kt/year
Ramp-up period of 12-18 months
• 2020 first full year with full capacity
On track
• Production – Q4, 160k tonnes \(^\text{(1)}\)

Note: October excludes 5 days for maintenance stop.
\(^\text{(1)}\) Including CTMP.
Pulp Q4 2018 vs. Q4 2017

Higher prices
- Some price decline in end of Q4 2018

Production exceeds deliveries due to inventory build-up

Sales up 56%
- Higher prices
- Positive currency effects
- Increased volumes due to the expanded pulp mill

EBITDA up 148%
- Higher prices
- Higher raw material costs
Paper Q4 2018 vs. Q4 2017

Increased prices for both Kraftliner and Publication paper
- Some Kraftliner price decline in end of Q4

Extended maintenance stop in Obbola
- Cost, production and electricity

Sales up 9%
- Higher prices
- Positive currency effects

EBITDA up 11%
- Higher prices
- Positive currency effects
- Improved product and market mix
- Higher raw material cost
Toby Lawton, CFO
## Income statement

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th></th>
<th></th>
<th>Full year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2018</td>
<td>Q4 2017</td>
<td>Change</td>
<td>2018</td>
<td>2017</td>
<td>Change</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>4,926</td>
<td>4,242</td>
<td>16%</td>
<td>18,755</td>
<td>16,664</td>
<td>13%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,494</td>
<td>1,078</td>
<td>38%</td>
<td>5,252</td>
<td>3,648</td>
<td>44%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1,143</td>
<td>786</td>
<td>45%</td>
<td>4,002</td>
<td>2,511</td>
<td>59%</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>1,125</td>
<td>779</td>
<td>44%</td>
<td>3,973</td>
<td>2,418</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>860</td>
<td>596</td>
<td>44%</td>
<td>3,659</td>
<td>1,874</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Earnings per share, SEK</strong></td>
<td>1.22</td>
<td>0.85</td>
<td></td>
<td>5.21</td>
<td>2.67</td>
<td></td>
</tr>
</tbody>
</table>

**EBITDA margin**
- 2018: 30.3%
- 2017: 25.4%

**EBIT margin**
- 2018: 23.2%
- 2017: 18.5%

**Financial items**
- 2018: -18
- 2017: -7
- Change: -29

**Profit for the period**
- 2018: 3,659
- 2017: 1,874
- Change: 95%

**Earnings per share, SEK**
- 2018: 5.21
- 2017: 2.67
Proposed dividend

Proposed dividend (SEK) | 1.75 | (1.50)
---|---|---
Adjusted pay-out ratio | 40% | (56%)
EPS (SEK) | 5.21 | (2.67)
Pay-out ratio | 34% | (56%)

Note: 1) Pay-out ratio using EPS excluding the revaluation of deferred tax due to the reduction of the corporate tax rate. A positive one-off item of SEK 551m, corresponding to approximately 0.8 SEK/share.
Contribution by segment and quarter

**Net sales (SEKm)**

- **Forest**
  - Q1 '17: 1,312
  - Q2 '17: 1,210
  - Q3 '17: 1,261
  - Q4 '17: 1,287
  - Q1 '18: 1,162
  - Q2 '18: 1,455
  - Q3 '18: 1,540

- **Wood**
  - Q1 '17: 1,364
  - Q2 '17: 1,637
  - Q3 '17: 1,567
  - Q4 '17: 1,426
  - Q1 '18: 1,503
  - Q2 '18: 1,712
  - Q3 '18: 1,558

- **Pulp**
  - Q1 '17: 641
  - Q2 '17: 585
  - Q3 '17: 644
  - Q4 '17: 672
  - Q1 '18: 589
  - Q2 '18: 485
  - Q3 '18: 743
  - Q4 '18: 1,049

- **Paper**
  - Q1 '17: 2,046
  - Q2 '17: 2,072
  - Q3 '17: 2,096
  - Q4 '17: 2,220
  - Q1 '18: 2,383
  - Q2 '18: 2,426
  - Q3 '18: 2,413
  - Q4 '18: 2,421

**EBITDA (SEKm) and EBITDA margin**

- **Forest**
  - Q1 '17: 325
  - Q2 '17: 364
  - Q3 '17: 316
  - Q4 '17: 358
  - Q1 '18: 304
  - Q2 '18: 371
  - Q3 '18: 292
  - Q4 '18: 427

- **Wood**
  - Q1 '17: 145
  - Q2 '17: 154
  - Q3 '17: 187
  - Q4 '17: 184
  - Q1 '18: 172
  - Q2 '18: 230
  - Q3 '18: 276
  - Q4 '18: 226

- **Pulp**
  - Q1 '17: 104
  - Q2 '17: 71
  - Q3 '17: 158
  - Q4 '17: 149
  - Q1 '18: 178
  - Q2 '18: -112
  - Q3 '18: 273
  - Q4 '18: 370

- **Paper**
  - Q1 '17: 268
  - Q2 '17: 291
  - Q3 '17: 439
  - Q4 '17: 481
  - Q1 '18: 586
  - Q2 '18: 618
  - Q3 '18: 728
  - Q4 '18: 536

SCA
Net sales 2018 vs. 2017

Positive for all segments

- Lower volumes for Wood, Pulp and Paper

- Positive EUR and USD

Net sales 2017: SEK 16,664m

Net sales 2018: SEK 18,755m

Price/Mix: + 13%

Volume: -5%

Currency: + 5%
EBITDA 2018 vs. 2017

Higher prices for all segments

EBITDA margin 21.9%

EBITDA 2017

Price/Mix

Volume

Raw material

Energy

Currency

Other

EBITDA 2018

+ 44%

Higher wood raw material costs and higher direct costs related to Östrand ramp-up

Lower volumes for Wood, Pulp and Paper

Higher electricity price. Increased income from electricity certificates.

EUR and USD positive

Östrand expansion stop

SEK 3,648m

+2,246m

-141m

-603m

+41m

+368m

-307m

5,252m

SEK
## Cash flow

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2018</td>
<td>Q4 2017</td>
</tr>
<tr>
<td>SEKm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,494</td>
<td>1,078</td>
</tr>
<tr>
<td>Revaluation of biological assets and other non cash flow items 1)</td>
<td>-183</td>
<td>-100</td>
</tr>
<tr>
<td>Operating cash surplus</td>
<td>1,311</td>
<td>978</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-217</td>
<td>96</td>
</tr>
<tr>
<td>Current capital expenditures</td>
<td>-472</td>
<td>-220</td>
</tr>
<tr>
<td>Other operating cash flow</td>
<td>122</td>
<td>-12</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>744</td>
<td>842</td>
</tr>
<tr>
<td>Strategic capital expenditures</td>
<td>-262</td>
<td>-779</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
• 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
Östrand project – 2018 one-off costs

Project related costs (indirect)
• Project related costs of SEK 77m (150), of which SEK 18m (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)
  – Q4: SEK 15m (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

Working capital
• Increase due to higher production volumes

<table>
<thead>
<tr>
<th>EBITDA impact</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project related costs</td>
<td>16</td>
<td>15</td>
<td>13</td>
<td>15</td>
<td>59</td>
</tr>
<tr>
<td>Expansion/ maintenance stops</td>
<td>0</td>
<td>236</td>
<td>0</td>
<td>15</td>
<td>251</td>
</tr>
<tr>
<td>Ramp-up effects</td>
<td>25</td>
<td>50</td>
<td>50</td>
<td>25</td>
<td>150</td>
</tr>
<tr>
<td>Total (SEKm)</td>
<td>41</td>
<td>301</td>
<td>63</td>
<td>55</td>
<td>460</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>Dec 31, 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>32,065</td>
<td>31,386</td>
</tr>
<tr>
<td>Deferred tax relating to Forest assets</td>
<td>-6,605</td>
<td>-6,905</td>
</tr>
<tr>
<td><strong>Forest assets, net of deferred tax</strong></td>
<td>25,460</td>
<td>24,481</td>
</tr>
<tr>
<td>Working capital</td>
<td>3,735</td>
<td>2,861</td>
</tr>
<tr>
<td>Working capital/Net sales 2)</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Other capital employed</strong></td>
<td>16,887</td>
<td>15,377</td>
</tr>
<tr>
<td><strong>Total capital employed</strong></td>
<td>46,082</td>
<td>42,719</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>7,020</td>
<td>5,966</td>
</tr>
<tr>
<td>Net debt/EBITDA 3)</td>
<td>1.3x</td>
<td>1.6x</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>39,062</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) Average working capital for 13 months as a percentage of 12-month rolling net sales. 3) 12-months EBITDA, up to end of each period.
Estimated IFRS16 implications (leasing)

Estimated IFRS16 implications applied on 2018 financials

<table>
<thead>
<tr>
<th></th>
<th>Net debt</th>
<th>ND/EBITDA</th>
<th>EBITDA</th>
<th>EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-18 Adjusted</td>
<td>7,020</td>
<td>1.3x</td>
<td>5,252</td>
<td>4,002</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.5x</td>
<td>5,452</td>
<td>4,022</td>
</tr>
<tr>
<td>Adj.</td>
<td>8,231</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IFRS16 impact (SEKm)

<table>
<thead>
<tr>
<th>P&amp;L effect</th>
<th>EBITDA</th>
<th>EBIT</th>
<th>Financial cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest</td>
<td>70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wood</td>
<td>55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pulp</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>-180</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest</td>
<td>-70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wood</td>
<td>-50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pulp</td>
<td>-15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>-40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial cost</td>
<td>-50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBT</td>
<td>-30</td>
<td></td>
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</tr>
</tbody>
</table>

Note: SEKm.
Summary Q4 2018

Stable demand in Europe and US
Higher prices vs Q4 2017
Sales growth of 16% vs Q4 2017
EBITDA up 38% vs Q4 2017
Östrand ramp-up progressing according to plan
Contribution by segment

Net sales (SEKm)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</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>5,455</td>
</tr>
<tr>
<td>Wood</td>
<td>5,114</td>
<td>5,315</td>
<td>5,441</td>
<td>5,994</td>
<td>6,618</td>
</tr>
<tr>
<td>Pulp</td>
<td>2,518</td>
<td>2,760</td>
<td>2,492</td>
<td>2,542</td>
<td>2,866</td>
</tr>
<tr>
<td>Paper</td>
<td>8,226</td>
<td>8,548</td>
<td>7,744</td>
<td>8,434</td>
<td>9,643</td>
</tr>
</tbody>
</table>

EBITDA (SEKm) and EBITDA margin 1)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</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>1,394</td>
</tr>
<tr>
<td>Wood</td>
<td>603</td>
<td>478</td>
<td>531</td>
<td>670</td>
<td>904</td>
</tr>
<tr>
<td>Pulp</td>
<td>768</td>
<td>970</td>
<td>530</td>
<td>482</td>
<td>709</td>
</tr>
<tr>
<td>Paper</td>
<td>1,243</td>
<td>1,295</td>
<td>1,245</td>
<td>1,479</td>
<td>2,468</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
Europe’s largest private forest owner

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.