Year-end report presentation 2019

January 30, 2020
Summary 2019

Sales growth of 4% vs 2018
- Price/mix -8%, volume 11%, currency 3%, acq/div -2%

EBITDA up 1% vs 2018
- Lower selling prices
- Higher pulp volumes
- Positive currency effects

Operating cash flow up 6% vs 2018

Ramp-up of Östrand pulp mill
- Investment financed by operating cash flow

Acquisition of 30,000 ha forest land in the Baltics

SEK 7.5bn Kraftliner investment in Obbola

Increased standing volume from new forest survey

Revaluation of forest asset to market value of SEK 70bn

Note: Excluding effects from changed accounting method for valuation of forest assets.
### SCA’s performance 2019

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019 Value</th>
<th>2018 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (SEKm)</td>
<td>5,319</td>
<td>(5,252)</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>27%</td>
<td>(28%)</td>
</tr>
<tr>
<td>Industrial ROCE ¹)</td>
<td>12%</td>
<td>(20%)</td>
</tr>
<tr>
<td>Proposed dividend (SEK)</td>
<td>2.00</td>
<td>(1.75)</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>1.6x</td>
<td>(1.3x)</td>
</tr>
<tr>
<td>EPS (SEK)</td>
<td>4.05</td>
<td>(5.21)</td>
</tr>
</tbody>
</table>

¹) ROCE for the industrial segments; Wood, Pulp and Paper.

Note: Excluding effects from changed accounting method for valuation of forest assets. Figures in "(\#)" refer to 2018.
Sales growth of -12% vs Q4 2018
- Price/mix -12%, volume 1%, currency 1%, acq/div -2%

Weaker market with lower prices
- However, increasing demand and declining inventories Q4 vs Q3

EBITDA down 29% vs Q4 2018
- Lower selling prices
- Higher costs for planned maintenance stops
- Unplanned stops
+ Positive currency effects

Note: Excluding effects from changed accounting method for valuation of forest assets.
SCA’s performance Q4 2019

EBITDA (SEKm) and EBITDA margin

EBITDA (SEKm) 1,055

EBITDA margin 24%

Q4 '17 Q1 '18 Q2 '18 Q3 '18 Q4 '18 Q1 '19 Q2 '19 Q3 '19 Q4 '19
1,078 1,175 1,034 1,549 1,494 1,560 1,340 1,364 1,055
25% 27% 22% 33% 30% 31% 26% 27% 24%

Note: Excluding effects from changed accounting method for valuation of forest assets.
Forest Q4 2019 vs. Q4 2018

Prices stable during the quarter
• Prices on new contracts are lower

Sales up 10%
+ Increased volumes to the expanded pulp mill, partly offset by maintenance stops
+ Higher prices

EBITDA up 42%
+ Higher prices
+ Higher earnings from revaluation of biological assets
+ Capital gain from forest transactions
Wood Q4 2019 vs. Q4 2018

Over supply in continental Europe, leading to declining prices

Sales down 12%
- Lower prices
- Deconsolidation in Wood France following merger with Groupe ISB

EBITDA down 45%
- Lower prices and higher costs for wood raw material
+ Higher income from byproducts
+ Positive currency effects
Pulp – Q4 production update

Planned maintenance stop
• Economizer replaced

Unplanned maintenance stop
• Downtime for repeated repair work on faulty conveyor belt

Focus on maximizing availability

Increasing pulp demand

- Increased global pulp deliveries
- Decreased softwood and hardwood inventories
- However, prices lagging behind
- Chinese NBSK price slightly up in January
Pulp Q4 2019 vs. Q4 2018

Sales down 14%
- Increased volumes
- Lower prices
- Planned maintenance stop
- Unplanned stops

EBITDA down 95%
- Lower prices and higher costs for wood raw material
- Planned maintenance stop -138 (-15) MSEK
- Unplanned maintenance stops -50 (0) MSEK
+ Increased volumes and improved energy balance
**Containerboard market development**

**Kraftliner inventories (days of supply)**
- Average
- Seasonal increase in December
- Decreasing inventories

**Price (EUR/t) vs Kraftliner deliveries (Mt)**
- Uptick in demand
- Unbleached kraftliner price Euwid (LHS)
- Kraftliner deliveries Europe (RHS)

**Box demand (index)**
- Stable increase in end demand

**Increasing kraftliner demand**
- Pick-up in European deliveries
- Decreasing inventories
- Stable increase in box demand
- Good order in-flow
- However, prices lagging behind

Source: Euwid, Numera.
Sales down 13%
- Lower kraftliner prices and lower volumes
+ Positive currency effects

EBITDA down 29%
- Lower kraftliner prices and lower volumes
- Fire at Ortviken paper mill
+ Positive currency effects
+ Higher publication paper prices
+ Higher share of white-top kraftliner
New forest survey conducted in 2019

SCA’s standing volume in Sweden increased
11 m $m^3$fo to 249 m $m^3$fo at Dec 31, 2019

- Previous survey from 2012-2013 indicated a standing volume of 238 m $m^3$fo at Dec 31, 2019

The 11 m $m^3$sk increase related to:
- 6 m $m^3$fo higher growth than expected between the two surveys (6 years)
- 5 m $m^3$fo from refined measurement method

Annual growth 1 m $m^3$fo higher than expected
- Gross growth of 10.5 (9.5) m $m^3$fo per year (Sweden)
- Net growth of 4.0 (3.0) m $m^3$fo per year (Sweden)

New harvesting plan to be calculated based on the new survey
- Expected to be completed during H1 2020
- Higher growth mainly from the younger forest
Toby Lawton, CFO
Forest Revaluation
Europe’s largest private forest owner

Forestland
2.6 m ha

Productive forestland
2.0 m ha

Standing volume 1)
252 m³ fo

Note: 1) Including forest holdings in the Baltics.
Market value significantly above old book value

Recent larger forest transactions show a large discrepancy between the market value of forest land and the old book value:

- **Bergvik Öst / AMF** – 333 SEK/m³fo
  - vs SCA estimated benchmark price ~370 SEK/m³fo ¹)

- **Långvind / Holmen** – 407 SEK/m³fo
  - vs SCA estimated benchmark price ~400 SEK/m³fo ¹)

- **Bergvik Latvia / Södra** – 31 EUR/m³fo

Note: ¹) SCA estimated benchmark price (unrestricted conditions) based on LRF/SVEFA market statistics weighted according to geography and estimated share of productive forest land.
Changed accounting method for valuing the forest asset as of Dec 31, ‘19

- Market value on the basis of transactions in SCA's area

Market value of SEK 70bn
- Increased standing volume from new taxation included

Value split between Biological assets and Land value according to IFRS
- Change in value of Biological assets reported in Income statement
- Change in value of Land reported in OCI

Forest book value (SEKbn)

<table>
<thead>
<tr>
<th>Land value at acquisition cost</th>
<th>34</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous book value</td>
<td></td>
</tr>
<tr>
<td>Transaction based market book value</td>
<td>70</td>
</tr>
</tbody>
</table>

Changed accounting method for valuing forest asset valued at SEK 70bn
### Income statement – impact from changed accounting method for valuing forests

The change in accounting method resulted in:

- A positive one-off effect of SEK ~16bn on EBITDA
- Provision of for deferred tax of SEK ~3bn
- A positive one-off effect of SEK ~13bn on net profit

The revaluation and the provision for deferred tax did not affect cash flow

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th>Quarter 1</th>
<th>Full year</th>
<th>Full year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2019</td>
<td>2019</td>
<td>2019</td>
</tr>
<tr>
<td>Net sales</td>
<td>4,312</td>
<td>4,312</td>
<td>19,591</td>
<td>19,591</td>
</tr>
<tr>
<td>EBITDA</td>
<td>17,098</td>
<td>1,055</td>
<td>21,361</td>
<td>5,319</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>396.5%</td>
<td>24.5%</td>
<td>109.0%</td>
<td>27.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>16,600</td>
<td>637</td>
<td>19,665</td>
<td>3,703</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>385.0%</td>
<td>14.8%</td>
<td>100.4%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Financial items</td>
<td>-25</td>
<td>-25</td>
<td>-126</td>
<td>-126</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>16,575</td>
<td>612</td>
<td>19,539</td>
<td>3,577</td>
</tr>
<tr>
<td>Tax</td>
<td>-3,422</td>
<td>-134</td>
<td>-4,017</td>
<td>-730</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>13,153</td>
<td>478</td>
<td>15,522</td>
<td>2,847</td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>18.73</td>
<td>0.68</td>
<td>22.10</td>
<td>4.05</td>
</tr>
</tbody>
</table>

Note: 1) Excluding effects from changed accounting method for valuation of forest assets.
Financials
## Income statement

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th></th>
<th></th>
<th></th>
<th>Full year</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2019</td>
<td>Q4 2018</td>
<td>Change</td>
<td>2019</td>
<td>2018</td>
<td>Change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>4,312</td>
<td>4,926</td>
<td>-12%</td>
<td>19,591</td>
<td>18,755</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,055</td>
<td>1,494</td>
<td>-29%</td>
<td>5,319</td>
<td>5,252</td>
<td>1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>24.5%</td>
<td>30.3%</td>
<td>-5.8 p.p.</td>
<td>27.2%</td>
<td>28.0%</td>
<td>-0.8 p.p.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>637</td>
<td>1,143</td>
<td>-44%</td>
<td>3,703</td>
<td>4,002</td>
<td>-7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT margin</td>
<td>14.8%</td>
<td>23.2%</td>
<td>-8.4 p.p.</td>
<td>18.9%</td>
<td>21.3%</td>
<td>-2.4 p.p.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial items</td>
<td>-25</td>
<td>-18</td>
<td></td>
<td>-126</td>
<td>-29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>612</td>
<td>1,125</td>
<td>-46%</td>
<td>3,577</td>
<td>3,973</td>
<td>-10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-134</td>
<td>-265</td>
<td></td>
<td>-730</td>
<td>-314</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>478</td>
<td>860</td>
<td>-44%</td>
<td>2,847</td>
<td>3,659</td>
<td>-22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>0.68</td>
<td>1.22</td>
<td></td>
<td>4.05</td>
<td>5.21</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1) Excluding effects from changed accounting method for valuation of forest assets.
Proposed dividend

<table>
<thead>
<tr>
<th>Proposed dividend (SEK)</th>
<th>Adjusted pay-out ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.00</td>
<td>52%</td>
</tr>
<tr>
<td>(1.75)</td>
<td>(39%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EPS (SEK)</th>
<th>Pay-out ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.05</td>
<td>49%</td>
</tr>
<tr>
<td>(5.21)</td>
<td>(34%)</td>
</tr>
</tbody>
</table>

Note: 1) Excluding effects from changed accounting method for valuation of forest assets.
2) 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 544m 2018 and SEK 139m 2019.
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>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest</td>
<td>5,187</td>
<td>5,108</td>
<td>4,978</td>
<td>5,076</td>
<td>5,455</td>
<td>6,956</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>
<td>6,325</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>
<td>4,377</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>
<td>9,229</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>
<th>2019</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>
<td>1,740</td>
</tr>
<tr>
<td>Wood</td>
<td>603</td>
<td>478</td>
<td>531</td>
<td>670</td>
<td>904</td>
<td>789</td>
</tr>
<tr>
<td>Pulp</td>
<td>768</td>
<td>970</td>
<td>530</td>
<td>482</td>
<td>709</td>
<td>983</td>
</tr>
<tr>
<td>Paper</td>
<td>1,243</td>
<td>1,295</td>
<td>1,245</td>
<td>1,479</td>
<td>1,638</td>
<td>2,064</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.
Net sales 2019 vs. 2018

Net sales 2018: SEK 18,755m
- Price/Mix: -8%
- Volume: 11%
- Currency: 3%
- Acquisitions/divestments: -2%

Net sales 2019: SEK 19,591m
- Positive for Pulp, Kraftliner, Wood. Positive for Publication Paper
- Expanded pulp mill
- Deconsolidation in Wood France following merger with Groupe ISB
- Positive EUR and USD

Increase: +4%
EBITDA 2019 vs. 2018

- EBITDA margin 2018: 28.0%
- EBITDA margin 2019: 27.2%

**EBITDA 2018**
- Price/Mix: -1,495
- Volume: +574
- Raw material: -108
- Energy: +188
- Currency: +476
- Other: +432
- EBITDA: SEK 5,252m

**EBITDA 2019**
- Price/Mix: +1%
- Volume: Higher Pulp volumes
- Raw material: Higher costs for wood raw material
- Energy: Improved energy balance Pulp
- Currency: EUR and USD positive
- Other: Lower cost for maintenance stop, IFRS 16 Lease, sale of Rotterdam terminal
- EBITDA: SEK 5,319m

Note: EBITDA excluding effects from changed accounting method for valuation of forest assets.
Contribution by segment and quarter

**Net sales (SEKm)**

- **Forest**
  - Q1 '18: 1,298
  - Q2 '18: 1,162
  - Q3 '18: 1,154
  - Q4 '18: 1,540
  - Q1 '19: 1,651
  - Q2 '19: 1,651
  - Q3 '19: 1,746
  - Q4 '19: 1,865

- **Wood**
  - Q1 '18: 304
  - Q2 '18: 371
  - Q3 '18: 427
  - Q4 '18: 331
  - Q1 '19: 414
  - Q2 '19: 388
  - Q3 '19: 607
  - Q4 '19: 36%

- **Pulp**
  - Q1 '18: 1,503
  - Q2 '18: 1,846
  - Q3 '18: 1,712
  - Q4 '18: 1,558
  - Q1 '19: 1,678
  - Q2 '19: 1,727
  - Q3 '19: 1,545
  - Q4 '19: 1,376

- **Paper**
  - Q1 '18: 30%
  - Q2 '18: 25%
  - Q3 '18: 24%
  - Q4 '18: 26%
  - Q1 '19: 26%
  - Q2 '19: 25%
  - Q3 '19: 21%
  - Q4 '19: 24%

**EBITDA (SEKm) and EBITDA margin**

- **Forest**
  - Q1 '18: 32%
  - Q2 '18: 28%
  - Q3 '18: 24%
  - Q4 '18: 21%
  - Q1 '19: 24%
  - Q2 '19: 21%
  - Q3 '19: 18%
  - Q4 '19: 16%

- **Wood**
  - Q1 '18: 20%
  - Q2 '18: 20%
  - Q3 '18: 21%
  - Q4 '18: 22%
  - Q1 '19: 23%
  - Q2 '19: 24%
  - Q3 '19: 26%
  - Q4 '19: 29%

- **Pulp**
  - Q1 '18: 11%
  - Q2 '18: 13%
  - Q3 '18: 15%
  - Q4 '18: 18%
  - Q1 '19: 9%
  - Q2 '19: 12%
  - Q3 '19: 16%
  - Q4 '19: 14%

- **Paper**
  - Q1 '18: 37%
  - Q2 '18: 35%
  - Q3 '18: 31%
  - Q4 '18: 28%
  - Q1 '19: 24%
  - Q2 '19: 26%
  - Q3 '19: 24%
  - Q4 '19: 22%
Net sales Q4 2019 vs. Q4 2018

-12%
1%
1%
-2%

Net sales Q4 2018: SEK 4,926m
Net sales Q4 2019: SEK 4,312m

- Negative for Pulp, Kraftliner, Wood
- Expanded pulp mill offset by maintenance stops
- Deconsolidation in Wood France following merger with Groupe ISB
EBITDA Q4 2019 vs. Q4 2018

Lower prices for Pulp, Kraftliner and Wood

-686

Expanded pulp mill offset by maintenance stops

+24

Higher costs for wood raw material offset by higher income from byproducts

-7

+9

EUR and USD positive

+114

+107

Higher result from revaluation of biological assets and positive one-off effects from forest transactions, offset by higher cost for maintenance stops

Note: EBITDA excluding effects from changed accounting method for valuation of forest assets.
## Cash flow

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2019</td>
<td>Q4 2018</td>
</tr>
<tr>
<td>SEKm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,055</td>
<td>1,494</td>
</tr>
<tr>
<td>Revaluation of biological assets and other non cash flow items</td>
<td>-323</td>
<td>-183</td>
</tr>
<tr>
<td>Operating cash surplus</td>
<td>732</td>
<td>1,311</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>140</td>
<td>-217</td>
</tr>
<tr>
<td>Current capital expenditures</td>
<td>-370</td>
<td>-472</td>
</tr>
<tr>
<td>Other operating cash flow</td>
<td>81</td>
<td>122</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>583</td>
<td>744</td>
</tr>
<tr>
<td>Strategic capital expenditures</td>
<td>-894</td>
<td>-262</td>
</tr>
</tbody>
</table>

Note: EBITDA excluding effects from changed accounting method for valuation of forest assets.
Net debt Q4 2019 vs. Q3 2019

<table>
<thead>
<tr>
<th>Component</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>SEK 8,169m</td>
<td>SEK 8,597m</td>
</tr>
<tr>
<td>Lease</td>
<td>857</td>
<td>854</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>-583m</td>
<td>+894m</td>
</tr>
<tr>
<td>Strategic capex</td>
<td>+894m</td>
<td>+258m</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+188m</td>
<td>-329m</td>
</tr>
<tr>
<td>Paid tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt / EBITDA</td>
<td>1.4x</td>
<td>1.6x</td>
</tr>
</tbody>
</table>

- Forest land Baltics
- Kraftliner and pulp expansion
- Increased value of pension assets
# Balance sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec 31, 2019</th>
<th>Dec 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest assets</td>
<td>69,682</td>
<td>33,065</td>
</tr>
<tr>
<td>Working capital</td>
<td>3,748</td>
<td>3,735</td>
</tr>
<tr>
<td>Working capital/Net sales ¹)</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Deferred tax relating to forest assets</td>
<td>-13,977</td>
<td>-6,605</td>
</tr>
<tr>
<td>Other capital employed</td>
<td>17,654</td>
<td>15,887</td>
</tr>
<tr>
<td>Total capital employed</td>
<td>77,107</td>
<td>46,082</td>
</tr>
<tr>
<td>Net debt</td>
<td>8,597</td>
<td>7,020</td>
</tr>
<tr>
<td>Net debt/EBITDA ²)</td>
<td>1.6x</td>
<td>1.3x</td>
</tr>
<tr>
<td>Equity</td>
<td>68,510</td>
<td>39,062</td>
</tr>
<tr>
<td>Net debt/Equity</td>
<td>13%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Note: ¹) Average working capital for 13 months as a percentage of 12-month rolling net sales. ²) 12-months EBITDA, up to end of each period.
Summary
Ulf Larsson, CEO
Summary 2019

Sales growth of 4% vs 2018
- Price/mix -8%, volume 11%, currency 3%, acq/div -2%

EBITDA up 1% vs 2018
- Lower selling prices
+ Higher pulp volumes
+ Positive currency effects

Operating cash flow up 6% vs 2018

Ramp-up of Östrand pulp mill
- Investment financed by operating cash flow

Acquisition of 30,000 ha forest land in the Baltics
SEK 7.5bn Kraftliner investment in Obbola
Increased standing volume from new forest survey
Revaluation of forest asset to market value of SEK 70bn
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.