

# Q4 2019

## January–December 2019 compared to January–December 2018

- Net sales increased 4% to SEK 19,591m (18,755), mainly related to higher delivery volumes due to the production increase from the expanded Östrand pulp mill
- At year-end SCA changed the accounting method used for the valuation of the company's forest assets so that it is based on market value determined from transactions in areas where SCA owns forest land. The forest assets were valued at approximately SEK 70bn at December 31, 2019, compared with the previous carrying amount of approximately SEK 34bn. This revaluation resulted in an earnings effect on EBITDA of approximately SEK 16bn and in a provision for deferred tax of approximately SEK 3bn. The net effect of the revaluation increased net profit by about SEK 13bn. The revaluation and the provision for deferred tax did not affect cash flow (see Note 3).
- EBITDA increased to SEK 21,361m (5,252), mainly related to a positive earnings impact of approximately SEK 16bn from the changed accounting method for the valuation of forest assets
- EBITDA, excluding the impact of the changed accounting method for the valuation of forest assets, rose 1% to SEK 5,319m (5,252). The improvement was mainly due to higher delivery volumes from the expanded Östrand pulp mill and positive exchange rate effects, which were offset by lower selling prices.
- EBITDA margin, excluding the impact of the changed accounting method for the valuation of forest assets, decreased to 27.2% (28.0)
- Operating cash flow increased 6% to SEK 2,922m (2,751)
- Operating profit increased to SEK 19,665m (4,002), mainly related to a positive earnings impact of approximately SEK 16bn from the changed accounting method for the valuation of forest assets
- Net profit increased to SEK 15,522 (3,659), mainly related to a positive earnings impact of approximately SEK 13bn from the changed accounting method for the valuation of forest assets
- Earnings per share increased to SEK 22.10 (5.21). Excluding the impact of the changed accounting method for the valuation of forest assets, earnings per share declined to SEK 4.05 (5.21).
- The Board of Directors proposes a dividend of SEK 2.00 (1.75) per share

## October–December 2019 compared to July–September 2019

- Net sales declined 13% to SEK 4,312m (4,975), which was mainly due to lower selling prices and lower delivery volumes as a result of maintenance stops
- EBITDA, excluding the impact of the changed accounting method for the valuation of forest assets, decreased to SEK 1,055m (1,364), which corresponds to an EBITDA margin of 24.5% (27.4). The decline was mainly due to maintenance stops and lower selling prices.

SEKm	Quarter						Full year			
	2019:4	2019:4 <sup>1</sup>	2018:4	% <sup>3</sup>	2019:3	% <sup>3</sup>	2019	2019 <sup>1</sup>	2018	% <sup>3</sup>
Net sales	4,312	4,312	4,926	-12	4,975	-13	19,591	19,591	18,755	4
EBITDA	17,098	1,055	1,494	-29	1,364	-23	21,361	5,319	5,252	1
<i>EBITDA margin</i>	396.5	24.5	30.3		27.4		109.0	27.2	28.0	
Operating profit	16,600	637	1,143	-44	955	-33	19,665	3,703	4,002	-7
Net Profit	13,153	478	860	-44	757	-37	15,522	2,847	3,659	-22
<i>Earnings per share SEK</i>	18.73	0.68	1.22		1.08		22.10	4.05	5.21	
Operating cash flow	583	583	744		1,094		2,922	2,922	2,751	
Industrial ROCE (%) <sup>2</sup>							11.9	11.9	16.4	
Net Debt / EBITDA (LTM)	0.4x	1.6x	1.3x		1.4x		0.4x	1.6x	1.3x	

<sup>1</sup> Excluding the effect of changed accounting method for valuation of forest assets

<sup>2</sup> Rolling 12 months. Excluding ongoing strategic investments.

<sup>3</sup> Comparison to profit excluding effect of changed accounting method for valuation of forest assets



## COMMENTS ON THE FINANCIAL STATEMENTS

SCA continued to deliver profitable growth in 2019. The forest assets increased in both volume and area. At the same time, the integrated value chain has been further strengthened. The Östrand pulp mill was ramped up to full production and SCA decided to invest some SEK 7.5bn in a new kraftliner machine in Obbola.

Demand and market prices declined successively for all product areas during the year. But despite a weaker market, both EBITDA and operating cash flow were higher than 2018 due to higher delivery volumes from the expanded pulp mill.

SCA performed a new forest survey in 2019. According to the new survey, SCA's standing volume in Sweden is estimated at 249 million m<sup>3</sup>fo as of December 31, 2019, an increase of 11 million m<sup>3</sup>fo compared with the previous forest survey from 2012–2013, and which indicated a standing volume of 238 million m<sup>3</sup>fo at the end of 2019. In addition, SCA owns approximately 3 million m<sup>3</sup>fo forest in the Baltic states (see page 6).

At year-end, SCA changed its accounting method for the valuation of the company's forest assets to base this on market value determined from transactions in areas where SCA owns forest assets. Based on transaction prices, SCA's forest assets were valued at approximately SEK 70bn at December 31, 2019, compared with the previous carrying amount of approximately SEK 34bn (see page 6).

Earnings in the fourth quarter of 2019 were lower compared with the preceding quarter and the corresponding quarter in 2018. Maintenance costs and lower market prices had an adverse impact on earnings.

SCA's wood consumption declined slightly during the quarter on account of maintenance stops at SCA's pulp and paper mills. Prices for pulpwood and timber remained stable for the quarter.

Consumption of sawn timber remained stable, although a high level of supply led to a fall in selling prices compared with the preceding quarter.

Within Pulp, global delivery levels were good and inventory levels fell. However, average selling prices continued to decrease slightly during the quarter.

Market prices for kraftliner declined during the quarter. However, demand has improved and inventory levels fell for both kraftliner and testliner. For publication paper, demand and market prices declined slightly.

## GROUP

### SALES AND OPERATING PROFIT

#### January–December 2019 compared with January–December 2018

Net sales amounted to SEK 19,591m (18,755), an increase of 4%, of which price/mix accounted for -8%, volume for 11%, currency for 3% and acquisitions/divestments for -2%. The growth was mainly related to higher delivery volumes in Pulp from the expanded Östrand pulp mill. The merger with Groupe ISB, within Wood, had a negative effect on net sales since the merged company is not consolidated in SCA.

EBITDA increased to SEK 21,361m (5,252), mainly related to a positive earnings impact of approximately SEK 16bn from the changed accounting method for the valuation of forest assets (see page 6).

EBITDA, excluding the impact of the changed accounting method for the valuation of forest assets, increased 1% to SEK 5,319m (5,252), which corresponds to an EBITDA margin of 27.2% (28.0). The increase was mainly attributable to higher delivery volumes in Pulp, positive exchange rate effects and lower costs for planned maintenance and expansion stops of SEK 248m (367). Lower selling prices had a negative impact on earnings.

Operating profit, excluding the impact of the changed accounting method for the valuation of forest assets, declined 7% to SEK 3,703m (4,002).

#### October–December 2019 compared with October–December 2018

Net sales for the fourth quarter decreased 12%, of which price/mix accounted for -12%, volume for 1%, currency for 1% and acquisitions/divestments for -2%, and amounted to SEK 4,312m (4,926). The decrease was mainly related to lower selling prices in Pulp, Kraftliner and Wood.

EBITDA increased to SEK 17,098m (1,494), mainly related to a positive earnings impact of approximately SEK 16bn from the changed accounting method for the valuation of forest assets.

EBITDA, excluding the impact of the changed accounting method for the valuation of forest assets, decreased 29% to SEK 1,055m (1,494), which corresponds to an EBITDA margin of 24.5% (30.3). The decrease was primarily attributable to lower selling prices and higher costs for planned maintenance stops of SEK 185m (97). Unscheduled maintenance stops at the Östrand pulp mill and a fire at the Ortviken paper mill had a negative impact of SEK 70m (0) on earnings. Favorable exchange rate effects had a positive earnings effect.

Operating profit, excluding the impact of the changed accounting method for the valuation of forest assets, decreased to SEK 637m (1,143).

#### October–December 2019 compared with July–September 2019

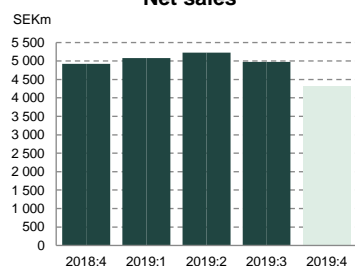
Net sales decreased 13%, of which price/mix accounted for -3%, volume for -12%, currency for 2% and acquisitions/divestments for 0%, and amounted to SEK 4,312m (4,975). The decrease was mainly attributable to lower sales volumes on account of maintenance stops.

EBITDA increased to SEK 17,098m (1,364), mainly related to a positive earnings impact of approximately SEK 16bn from the changed accounting method for the valuation of forest assets.

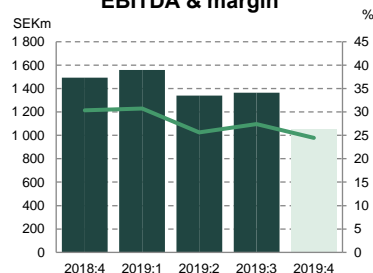
EBITDA, excluding the impact of the changed accounting method for the valuation of forest assets, decreased to SEK 1,055m (1,364), which corresponds to an EBITDA margin of 24.5% (27.4). The decrease was mainly explained by lower selling prices, higher costs for planned maintenance stops of SEK 185m (0) as well as costs for unscheduled maintenance stops at the Östrand pulp mill and a fire at the Ortviken paper mill of SEK 70m (0). The decrease was also related to a positive non-recurring effect of SEK 0m (78) from the sale of the terminal in Rotterdam, which increased earnings in the preceding quarter.

Operating profit, excluding the impact of the changed accounting method for the valuation of forest assets, decreased to SEK 637m (955).

#### Net sales



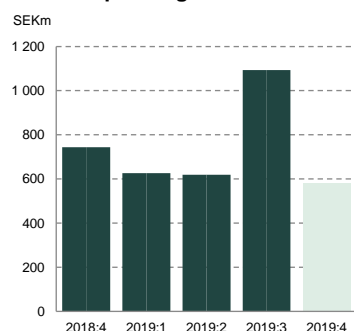
#### EBITDA & margin



Note: EBITDA excluding the impact of the changed accounting method for the valuation of forest assets

#### Change in net sales (%)

	1912 vs 1812	2019:4 vs 2018:4	2019:4 vs 2019:3
<b>Total</b>	<b>4</b>	<b>-12</b>	<b>-13</b>
Price/mix	-8	-12	-3
Volume	11	1	-12
Currency	3	1	2
Acquisition and divestment	-2	-2	0

**Operating cash flow****CASH FLOW****January–December 2019 compared with January–December 2018**

The operating cash surplus amounted to SEK 4,382m (4,503). The cash flow effect of changes in working capital was SEK -186m (-843). Current capital expenditures, net, totaled SEK -1,132m (-1,002). Operating cash flow was SEK 2,922m (2,751). See page 25.

Strategic capital expenditures totaled SEK -1,256m (-1,967). The cash flow effect of acquisitions amounted to SEK -1,115m (0) and relate to the acquisition of forest properties in the Baltics totaling SEK -957m and shares in Groupe ISB totaling SEK -158m. The cash flow effect from the divestment of the terminal in Rotterdam was SEK 370m. Dividends amounted to SEK -1,229m (-1,054). Cash flow for the period was SEK -209m (100). See page 17.

**FINANCING**

At December 31, 2019, net debt totaled SEK 8,597m, an increase during the quarter of SEK 428m. The increase in net debt is mainly due to the completion of forest acquisitions in the Baltics and the ongoing investment in Obbola. Net debt in relation to EBITDA amounted to 1.6x (1.4x in the preceding quarter).

At December 31, 2019, gross debt amounted to SEK 10,140m, with an average maturity of approximately 4.5 years (including the lease liability). The loan structure consists of short-term commercial paper as well as bonds and bilateral bank loans. The lease liability amounted to SEK 854m, a decrease by SEK 3m compared with the preceding quarter. Unutilized credit facilities amounted to SEK 5,000m. Cash and cash equivalents amounted to SEK 454m at the end of the period, a decrease by SEK 53m during the quarter.

In the January–December 2019 period, financial items totaled SEK -126m compared with SEK -29m in the year-earlier period.

**TAX****January–December 2019 compared with January–December 2018**

Tax amounted to SEK 4,017m (314), corresponding to an effective tax rate of 20.6%. The increase was mainly related to the changed accounting method for valuation of forest assets which resulted in a provision for deferred tax of about SEK 3bn, with no impact on cash flow.

The Swedish Parliament has decided to reduce Sweden's corporate tax rate in two steps. On January 1, 2019, tax was reduced from 22.0% to 21.4%. On January 1, 2021, tax will be further reduced from 21.4% to 20.6%. The reduction resulted in a positive non-recurring item relating to deferred tax of SEK 139m in 2019 and SEK 544m in 2018.

**EQUITY****January–December 2019**

Total equity increased by SEK 29,448m during the period, to SEK 68,510m at December 31, 2019. Equity increased due to comprehensive income for the period of SEK 30,684m, and decreased due to the dividend of SEK 1,229m. Other items reduced equity by SEK 7m.

**CURRENCY EXPOSURE AND CURRENCY HEDGING**

About 85% 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.

The company has hedged about 70% of the expected net exposure from sales minus purchases until the end of the second quarter of 2020, as well as approximately 50% for the third quarter of 2020 and 25% for the fourth quarter 2020, at the average EUR/SEK exchange rate of 10.63. The company has hedged about 65% of the expected net exposure from sales minus purchases until the end of the second quarter of 2020, as well as approximately 40% for the third quarter of 2020 and 15% for the fourth quarter 2020, at the average USD/SEK exchange rate of 9.28. To reduce the risk of a weaker SEK, all balance sheet items in foreign currency are hedged, as well as major decided and contracted expenses in foreign currency for investments in fixed assets.

## PLANNED MAINTENANCE STOPS

During the fourth quarter of 2019, one planned maintenance stop was carried out at the Obbola kraftliner mill (Paper) and one planned maintenance stop at the Östrand pulp mill. The estimated effect of the planned maintenance stops on earnings in 2020, 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.

Actual 2018					
SEKm	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Total
Pulp	0	236	0	15	251
Paper	0	34	0	82	116
<b>Total</b>	<b>0</b>	<b>270</b>	<b>0</b>	<b>97</b>	<b>367</b>

Actual 2019					
SEKm	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total
Pulp	0	0	0	138	138
Paper	0	63	0	47	110
<b>Total</b>	<b>0</b>	<b>63</b>	<b>0</b>	<b>185</b>	<b>248</b>

Forecast 2020					
SEKm	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Pulp	0	0	35	110	145
Paper	0	45	45	0	90
<b>Total</b>	<b>0</b>	<b>45</b>	<b>80</b>	<b>110</b>	<b>235</b>

## INVESTMENTS

### SCA invests in Obbola kraftliner mill

SCA announced in September 2019 that the company is building a new paper machine for the production of kraftliner at its Obbola paper mill in Umeå. Production in Obbola will increase from the current 450,000 tonnes of kraftliner to 725,000 tonnes per year to meet an expected increase in demand for renewable packaging.

The total investment will be approximately SEK 7.5bn over a five-year period and will be reported as a strategic investment. The investment will replace necessary reinvestments in Obbola of about SEK 2.5bn. The investment will mainly be financed using operating cash flow, complemented with the Group's normal financing sources.

The new paper machine is being constructed in a new building, parallel to the current paper machine. This means the mill will be in full operation during the construction period before switching over from the old machine to the new one ahead of its start-up in 2023. The new mill's ramp-up to full capacity is expected to take three years.

The investment of SEK 7.5bn includes environmental investments of approximately SEK 1bn, which include the reduction in oil consumption of 8,000 cubic meters per year and improve the water treatment capacity. Following the investment, SCA's own industrial processes will be 97% fossil-free.

## ACQUISITIONS

### Acquisition of 30,000 hectares of forest land in Baltic states

SCA has acquired approximately 30,000 hectares of forest in Estonia and Latvia in three separate transactions at a purchase consideration totalling about SEK 950m on a debt-free basis. The standing timber volume amounts to approximately 3.2 million cubic meters. The acquisitions strengthen SCA's opportunities to sustainably source timber in the region. Forests are an asset that offer stable growth and form the basis for value creation in SCA's integrated value chain.

## DIVESTMENTS

### SCA sells logistics terminal in Rotterdam

SCA sold its subsidiary SCA Logistics B.V. (Rotterdam) to the Dutch company Matrants Holdings B.V. The transaction reduced SCA's net debt by approximately SEK 660m (including reduced leasing debt) and was closed in the third quarter of 2019.

## FOREST VALUATION

### Increase in standing volume in new forest survey

SCA performed a new forest survey in 2019. According to the new survey, SCA's standing volume in Sweden is estimated at 249 million m<sup>3</sup>fo as of December 31, 2019. This compares with the previous survey from 2012–2013 and which indicated standing volume of 238 million m<sup>3</sup>fo at the end of 2019. Of the 11 million m<sup>3</sup>fo increase, about 6 million m<sup>3</sup>fo is related to higher than expected growth during the period between surveys (six years) and about 5 million m<sup>3</sup>fo is related to better data measurement compared with the previous survey.

The annual net growth in Sweden amounted to approximately 10.5 million m<sup>3</sup>fo, 1 million m<sup>3</sup>fo higher than the estimate in the previous survey of about 9.5 million m<sup>3</sup>fo. Net growth amounted to approximately 4.0 million m<sup>3</sup>fo, compared with the previous estimate for net growth of about 3.0 million m<sup>3</sup>fo.

Based on the new forest survey, a new harvesting plan is being conducted and is expected to be completed in the first half of 2020.

Together with 3 million m<sup>3</sup>fo of forest in the Baltic states, SCA's total standing volume amounts to 252 million m<sup>3</sup>fo.

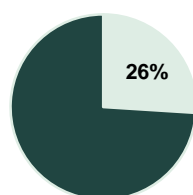
### New transaction-based method for valuing forest assets

In light of the price level of forest land in a number of large and recently completed forest land transactions, SCA has reviewed the method and assumptions for valuation of the company's forest assets in its balance sheet. The review shows that a large number of forest transactions take place in areas where SCA owns forest assets, that the value of larger forest assets is generally in line with the values of smaller and mid-sized forest assets, and that the value is significantly higher than the previous carrying amount.

At December 31, 2019, SCA changed its accounting method for valuing the company's forest assets so that the value is based on transactions in areas where SCA owns forest land in Sweden. Market prices amount to an average of SEK 276/m<sup>3</sup>fo and SCA's standing volume in Sweden is estimated at 249 million m<sup>3</sup>fo according to the new forest survey. Based on this, SCA's forest assets in Sweden were valued at approximately SEK 69bn at December 31, 2019. In addition, SCA owns forest assets in the Baltic states with a value of approximately SEK 1bn. This compares with the previous carrying amount of the forest assets of approximately SEK 34bn.

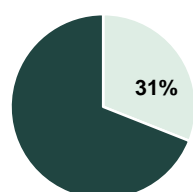
The revaluation resulted in an earnings effect on EBITDA of approximately SEK 16bn and in a provision for deferred tax of approximately SEK 3 bn. The net effect of the revaluation improved profit for the period of about SEK 13bn. The revaluation and provision for deferred tax did not affect cash flow. The earnings impact is recognized in the segment Other.

### Share of net sales Jan–Dec 2019\*



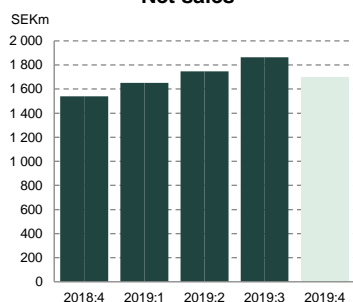
\* before elimination of intra-Group sales

### Share of EBITDA 1912\*\*

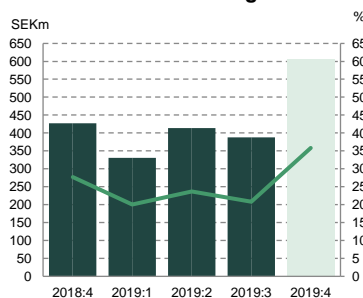


\*\* share calculated of total EBITDA excluding central costs

### Net sales



### EBITDA & margin



## FOREST

SCA owns 2.6 million hectares of forest land in Northern Sweden and the Baltic region, an area corresponding to 6% of Sweden's land area. SCA's unique forest holding is a growing resource that provides access to high-quality forest raw materials while absorbing a net of 8% of Sweden's fossil CO<sub>2</sub> emissions.

SEKm	Quarter				Full year			
	2019:4	2018:4	%	2019:3	%	2019	2018	%
Net sales	1,694	1,540	10	1,865	-9	6,956	5,455	28
EBITDA	607	427	42	388	56	1,740	1,394	25
Depreciation	-58	-32	81	-53	9	-212	-117	81
Operating profit	549	395	39	335	64	1,528	1,277	20
EBITDA margin, %	35.8	27.7		20.8		25.0	25.6	
Operating margin, %	32.4	25.6		18.0		22.0	23.4	
Return on capital employed, %	5.2	5.7		4.6		4.4	4.7	
Harvesting of own forest, thousand m <sup>3</sup> sub	1,230	1,280	-4	927	33	4,419	4,311	3
Revaluation of biological assets <sup>1</sup>	223	164	36	208	7	717	679	6

### Management of SCA-owned forest

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. The pricing method is based on an average of Forest's externally sourced timber prices.

In 2019, the volume of timber harvested from SCA-owned forest was about 4.4 million m<sup>3</sup> sub. The current planned rate of timber harvest in SCA-owned forest is approximately 4.3 million m<sup>3</sup> sub per year.<sup>2</sup>

### January–December 2019 compared with January–December 2018

Net sales increased 28% to SEK 6,956m (5,455). This increase was primarily attributable to higher delivery volumes to the expanded pulp mill and higher prices.

EBITDA increased 25% to SEK 1,740m (1,394). This increase was primarily attributable to higher prices.

EBITDA margin decreased to 25.0% (25.6). The decrease was related to an increase in externally sourced pulpwood to meet higher demand for wood for the expanded pulp mill. Externally sourced wood is sold to the industry at cost and thereby contributes to higher net sales, but not to increased profits, resulting in a lower margin. The decline in margin was offset by higher prices.

### October–December 2019 compared with October–December 2018

Net sales increased 10% to SEK 1,694m (1,540). This increase was primarily attributable to higher delivery volumes to the expanded pulp mill and higher prices.

EBITDA amounted to SEK 607m (427), an increase of 42%. This increase was primarily attributable to higher prices, higher earnings from the revaluation of biological assets<sup>1</sup> and a positive one-off item of SEK 115m (18) from forest land transactions.

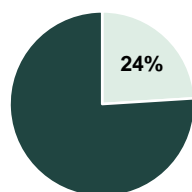
### October–December 2019 compared with July–September 2019

Net sales decreased 9% to SEK 1,694m (1,865). The decrease was mainly related to lower delivery volumes due to planned maintenance stops at SCA's pulp and paper mills.

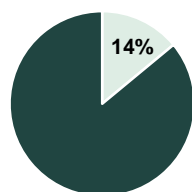
EBITDA amounted to SEK 607m (388), an increase of 56%. The increase is primarily related to the seasonally higher share of harvesting from SCA-owned forest and a positive non-recurring item of SEK 115m (25) from forest land transactions.

<sup>1</sup> The proportion of timber harvested from SCA-owned forest relative to deliveries from external suppliers varies between quarters. The expected annual change in value of the biological assets is distributed between the quarters in relation to seasonal variations in harvesting of SCA-owned forest. A higher share of harvesting from SCA-owned forest generally leads to a lower impact from the revaluation of biological assets. The revaluation of biological assets recognized under the Forest segment in 2019 is related to the continuous change in value according to the accounting method used until December 31, 2019. Non-recurring impact of the changed accounting method for the valuation of forest assets was recognized in the Other segment.

<sup>2</sup> According to the previous forest survey from 2012–2013. A new harvesting calculation based on the new forest survey is expected to be completed in the first half of 2020.

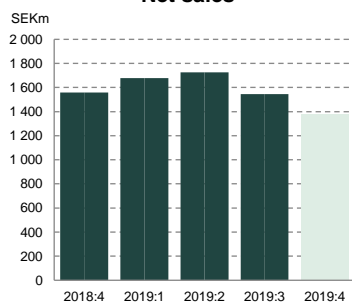
Share of net sales  
Jan–Dec 2019\*

\* before elimination of intra-Group sales

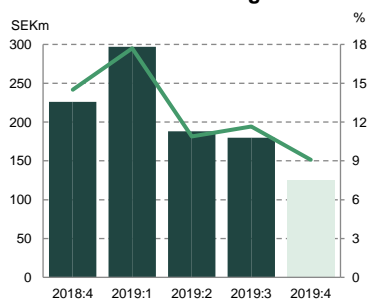
Share of  
EBITDA 1912\*\*

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

Net sales



EBITDA &amp; margin



## WOOD

SCA is one of Europe's leading suppliers of wood-based products for the wood industry and building materials trade, with an annual production capacity of 2.2 m<sup>3</sup> of solid-wood products. SCA has five cost-efficient sawmills located close to its forest holdings in Northern Sweden, as well as wood processing and distribution to the building materials trade in Scandinavia, the UK and France.

SEKm	Quarter				Full year			
	2019:4	2018:4	%	2019:3	%	2019	2018	%
Net sales	1,376	1,558	-12	1,545	-11	6,325	6,618	-4
EBITDA	125	226	-45	180	-31	789	904	-13
Depreciation	-76	-56	36	-68	12	-278	-219	27
Operating profit	49	170	-71	111	-56	511	685	-25
EBITDA margin, %	9.1	14.5		11.6		12.5	13.7	
Operating margin, %	3.6	10.9		7.2		8.1	10.4	
Return on capital employed, %	6.0	21.3		12.3		14.6	22.0	
Deliveries, wood products, thousand m <sup>3</sup>	578	590	-2	623	-7	2,506	2,520	-1

### January–December 2019 compared with January–December 2018

Net sales declined 4% to SEK 6,325m (6,618). The decrease is mainly related to the merger with Groupe ISB, which had a negative effect on net sales, since the merged company is not consolidated in SCA. Lower selling prices also had an adverse impact on net sales, which was offset by positive exchange rate effects.

EBITDA declined 13% to SEK 789m (904), which was mainly attributable to lower selling prices and higher raw material costs. Favorable exchange rate effects had a positive earnings effect.

### October–December 2019 compared with October–December 2018

Net sales decreased 12% to SEK 1,376m (1,558). The decrease was mainly related to lower selling prices and the merger with Groupe ISB, which had a negative effect on net sales, since the merged company is not consolidated in SCA.

EBITDA amounted to SEK 125m (226), a decrease of 45%. The decrease was primarily attributable to lower selling prices. Higher raw material costs were offset by higher by-product revenues from the integrated value chain. Favorable exchange rate effects had a positive earnings effect.

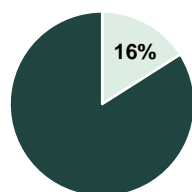
### October–December 2019 compared with July–September 2019

Net sales decreased 11% to SEK 1,376m (1,545). The decrease was primarily attributable to seasonally lower delivery volumes and lower selling prices.

EBITDA declined 31% to SEK 125m (180). The decrease was primarily attributable to lower selling prices, seasonally lower delivery volumes and higher raw material costs. Earnings were positively impacted by favorable exchange rate effects.

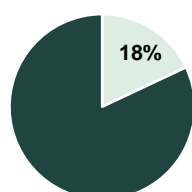


### Share of net sales Jan–Dec 2019\*



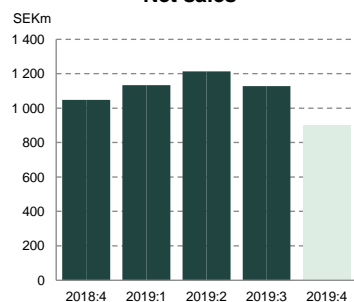
\* before elimination of intra-Group sales

### Share of EBITDA 1912\*\*

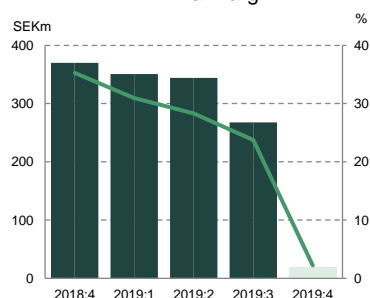


\*\* share calculated of total EBITDA excluding central costs

### Net sales



### EBITDA & margin



## PULP

SCA produces market pulp at Östrand pulp mill. The expansion of the mill was completed in the summer of 2018. Östrand is now one of the largest and most cost-efficient production lines for softwood kraft pulp in the world. Together with thermomechanical pulp production, Östrand's annual capacity amounts to 1 million tonnes. SCA's pulp has high-strength properties, suitable for tissue and specialty paper.

SEKm	Quarter					Full year		
	2019:4	2018:4	%	2019:3	%	2019	2018	%
Net sales	900	1,049	-14	1,129	-20	4,377	2,866	53
EBITDA	20	370	-95	268	-93	983	709	39
Depreciation	-128	-121	6	-141	-9	-530	-345	54
Operating profit	-109	249	-144	128	-185	453	364	24
EBITDA margin, %	2.2	35.3		23.8		22.5	24.7	
Operating margin, %	-12.1	23.7		11.3		10.3	12.7	
Return on capital employed, %	-4.7	11.1		5.4		4.9	7.3	
Deliveries, pulp, thousand tonnes	167	145	15	205	-19	741	425	74

The expanded pulp mill was put into operation in June 2018 following an expansion stop in the second quarter of 2018. Production during the fourth quarter 2019 was about 164,000 tonnes.

### January–December 2019 compared with January–December 2018

Net sales increased 53% to SEK 4,377m (2,866). This increase was primarily attributable to higher delivery volumes due to the ramp-up of the expanded pulp mill. The expansion stop in Östrand in the comparative period had a negative impact on delivery volumes for the second quarter of 2018. Lower selling prices had an adverse impact on net sales.

EBITDA improved 39% to SEK 983m (709), which is mainly related to higher delivery volumes due to the ramp-up of the expanded pulp mill and lower costs for planned maintenance and expansion stops of SEK 138m (251). In addition, earnings were positively impacted by a better energy balance in the expanded mill and favorable exchange rate effects. Lower selling prices and higher raw material costs had a negative impact on earnings.

### October–December 2019 compared with October–December 2018

Net sales decreased 14% to SEK 900m (1,049). The decrease is mainly related to lower selling prices, which was offset by higher delivery volumes due to the ramp-up of the expanded pulp mill.

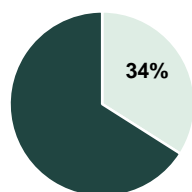
EBITDA fell to SEK 20m (370). The decrease was mainly explained by lower selling prices, higher costs for planned maintenance stops of SEK 138m (15), costs for unscheduled maintenance stops of SEK 50m (0) and higher raw material costs. Higher delivery volumes due to the ramp-up of the expanded pulp mill had a positive impact on earnings.

### October–December 2019 compared with July–September 2019

Net sales declined 20% to SEK 900m (1,129), which was mainly due to lower delivery volumes on account of maintenance stops.

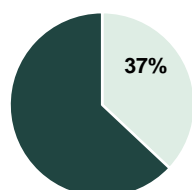
EBITDA declined 93% to SEK 20m (268). The decrease was primarily related to lower selling prices and higher costs for planned maintenance stops of SEK 138m (0) and costs for unscheduled maintenance stops of SEK 50m (0).

### Share of net sales Jan–Dec 2019\*



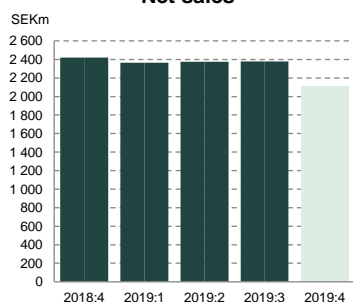
\* before elimination of intra-Group sales

### Share of EBITDA 1912\*\*

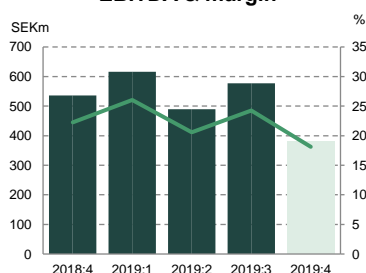


\*\* share calculated of total EBITDA excluding central costs

### Net sales



### EBITDA & margin



## PAPER

SCA produces kraftliner – paper for corrugated transport packaging – and publication paper for magazines, catalogs and commercial print. SCA is Europe's largest independent producer of kraftliner, with a total capacity of 865,000 tonnes per year. Kraftliner is produced at the paper mills in Munksund, Piteå, and in Obbola, Umeå. Publication paper is produced at the Ortviken paper mill in Sundsvall, with a capacity of 775,000 tonnes per year.

SEKm	Quarter				Full year			
	2019:4	2018:4	%	2019:3	%	2019	2018	%
Net sales	2,108	2,421	-13	2,380	-11	9,229	9,643	-4
EBITDA	382	536	-29	577	-34	2,064	2,468	-16
Depreciation	-149	-136	10	-140	6	-566	-544	4
Operating profit	233	401	-42	436	-47	1,498	1,925	-22
EBITDA margin, %	18.1	22.2		24.2		22.4	25.6	
Operating margin, %	11.1	16.6		18.3		16.2	20.0	
Return on capital employed, %	13.9	24.9		24.7		21.8	30.8	
Deliveries, kraftliner, thousand tonnes	186	197	-6	221	-16	812	805	1
Deliveries, publication paper, thousand tonnes	163	177	-8	181	-10	688	722	-5

### January–December 2019 compared with January–December 2018

Net sales declined 4% to SEK 9,229m (9,643). Lower selling prices for kraftliner and lower delivery volumes for publication paper had an adverse impact on net sales, which was offset by higher selling prices for publication paper and positive exchange rate effects.

EBITDA decreased by 16% to SEK 2,064m (2,468). The decrease was primarily attributable to lower selling prices for kraftliner and higher raw material costs. Higher selling prices for publication paper and positive exchange rate effects had a positive impact on earnings. The cost of planned maintenance stops amounted to SEK 110m (116).

### October–December 2019 compared with October–December 2018

Net sales decreased by 13% to SEK 2,108m (2,421). The decrease was primarily attributable to lower selling prices for kraftliner and lower delivery volumes for kraftliner and publication paper.

EBITDA amounted to SEK 382m (536), a decrease of 29%. The decrease was mainly explained by lower selling prices for kraftliner and lower delivery volumes for both kraftliner and publication paper, which was slightly offset by positive exchange rate effects. The cost of planned maintenance stops amounted to SEK 47m (82). A fire at the Ortviken paper mill had a negative impact of SEK 20m on earnings.

### October–December 2019 compared with July–September 2019

Net sales decreased 11% to SEK 2,108m (2,380). The decrease was primarily related to lower delivery volumes for kraftliner and publication paper.

EBITDA declined 34% to SEK 382m (577). The decrease was primarily related to lower delivery volumes, higher costs for planned maintenance stops of SEK 47m (0), the negative impact on earnings from a fire at the Ortviken paper mill of SEK 20m and lower selling prices for kraftliner. The decrease was also related to a positive non-recurring effect from the sale of the terminal in Rotterdam, which increased earnings in the preceding quarter.

## RENEWABLE ENERGY

SCA's forest assets and industrial operations provide the company with significant potential to develop new business opportunities in the field of renewable energy. Greater value creation from by-products from the forest and industry create conditions for profitable and sustainable growth.

SCA is now one of Europe's largest producers of forest-based bioenergy, with a total production of about 9 TWh per year. In Sweden, SCA has three pellets factories that have an annual production capacity of 300,000 tonnes.

SCA leases out forest land for wind power production. At the end of 2019, 485 wind turbines were operating on SCA's land with an annual production capacity of 4.4 TWh, equivalent to about 20% of Sweden's total wind power production. Together with previously agreed but not yet completed projects, production on SCA's land is expected to increase to 8.0 TWh by 2022.

The expanded pulp mill in Östrand will produce 1.2 TWh of green electricity, corresponding to almost 1% of Sweden's total electricity production. The mill is self-sufficient in electricity and the surplus of 0.5 TWh is sold on the electricity market.

SCA also develops products for the next-generation of biofuels and green chemicals.

## SHARE DISTRIBUTION

December 31, 2019	Class A	Class B	Total
Registered number of shares	64,587,672	637,754,817	702,342,489

At the end of the period, the proportion of Class A shares was 9.2%. No change was made to Class A and Class B shares during the fourth quarter or the full year. The total number of votes in the company amounts to 1,283,631,537.

## FUTURE REPORTS

- Financial statements for the first quarter will be published on April 24, 2020.
- Financial statements for the second quarter will be published on July 21, 2020.
- Financial statements for the third quarter will be published on October 30, 2020.

## INVITATION TO PRESS CONFERENCE ON INTERIM REPORT FOR THE FOURTH QUARTER OF 2019

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

Time: Thursday, January 30, 2020 at 10:00 a.m.

Venue: Sankta Clara, Kapital 8 Klara Strand, Klarabergsviadukten 90 in Stockholm, Sweden.

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 928000  
 US: +1 631 510 7495

Specify "SCA" or the conference ID: 1881188.

Sundsvall, January 30, 2020

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Ulf Larsson  
 President and CEO

### For further information, please contact

Toby Lawton, CFO, +46 (0)60 19 31 09  
 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 January 30, 2020 at 08:00 a.m. CET. The report has not been reviewed by the company's auditors.

Björn Lyngfelt, SVP Communications, +46 (0)60 19 34 98

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

SEKm	Quarter					Full year		
	2019:4	2018:4	%	2019:3	%	2019	2018	%
Net sales	4,312	4,926	-12	4,975	-13	19,591	18,755	4
Other income	598	594	1	570	5	2,191	1,927	14
Change in inventories	114	236		-54		304	588	
Change in value in biological assets	16,265	164	9,818	208	7,720	16,759	679	2,368
Raw materials and consumables	-1,574	-1,721	-9	-1,905	-17	-7,373	-6,799	8
Personnel costs	-738	-827	-11	-685	8	-2,997	-3,041	-1
Other external costs	-1,863	-1,877	-1	-1,746	7	-7,100	-6,858	4
Share of profits of associates	-16	0		1		-14	1	
<b>EBITDA</b>	<b>17,098</b>	<b>1,494</b>	<b>1,044</b>	<b>1,364</b>	<b>1,154</b>	<b>21,361</b>	<b>5,252</b>	<b>307</b>
Depreciation	-498	-351	42	-409	22	-1,696	-1,250	36
<b>Operating profit</b>	<b>16,600</b>	<b>1,143</b>	<b>1,352</b>	<b>955</b>	<b>1,638</b>	<b>19,745</b>	<b>4,002</b>	<b>393</b>
Financial items	-25	-18		-26		-126	-29	
<b>Profit before tax</b>	<b>16,575</b>	<b>1,125</b>	<b>1,373</b>	<b>929</b>	<b>1,684</b>	<b>19,539</b>	<b>3,973</b>	<b>392</b>
Tax	-3,422	-265		-172		-4,017	-314	
<b>Net Profit for the period</b>	<b>13,153</b>	<b>860</b>	<b>1,429</b>	<b>757</b>	<b>1,638</b>	<b>15,522</b>	<b>3,659</b>	<b>324</b>
<i>Earnings per share SEK<sup>1</sup></i>	<i>18.73</i>	<i>1.22</i>		<i>1.08</i>		<i>22.10</i>	<i>5.21</i>	
<b>Earnings attributable to:</b>								
Owners of the parent	13,153	860		757		15,522	3,659	
Average no. of shares, millions	702.3	702.3		702.3		702.3	702.3	
<b>Margins (%)</b>								
EBITDA margin	396.5	30.3		27.4		109.0	28.0	
Operating margin	385.0	23.2		19.2		100.8	21.3	
Net margin	305.0	17.5		15.2		79.2	19.5	

<sup>1</sup> There are no dilution effects.

For the Consolidated statement of profit or loss excluding the impact of the changed accounting method for the valuation of forest assets, see Note 8.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter			Full year	
	2019:4	2018:4	2019:3	2019	2018
<b>Profit for the period, continuing operations</b>	<b>13,153</b>	<b>860</b>	<b>757</b>	<b>15,522</b>	<b>3,659</b>
<b>Other comprehensive income for the period:</b>					
<b>Items that may not be reclassified to the income statement</b>					
Transitional effect on on the introduction of new accounting standards	-	-3	-	-	-3
Change of value land assets <sup>1</sup>	18,893	-	-	18,893	-
Result from Equity investments recognized at fair value	-	-1	-	-2	-1
Revaluation of defined benefit pension plans	353	-367	55	444	-504
Income tax attributable to components of other comprehensive income	-3,966	75	-13	-3,984	111
<b>Total</b>	<b>15,280</b>	<b>-296</b>	<b>42</b>	<b>15,351</b>	<b>-397</b>
<b>Items that have been or may be reclassified subsequently to the income statement</b>					
Cash flow hedges	-24	135	-51	-280	140
Hedge cost	23	-	-	23	-
Translation differences in foreign operations	-20	0	16	15	19
Income tax attributable to components of other comprehensive income	0	-35	11	53	-26
<b>Total</b>	<b>-21</b>	<b>100</b>	<b>-24</b>	<b>-189</b>	<b>133</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>15,259</b>	<b>-196</b>	<b>18</b>	<b>15,162</b>	<b>-264</b>
<b>Total comprehensive income for the period</b>	<b>28,412</b>	<b>664</b>	<b>775</b>	<b>30,684</b>	<b>3,395</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent	28,412	666	775	30,684	3,397
Non-controlling interests	0	-2	0	0	-2

<sup>1</sup> Effect from change of accounting principal.

**CONDENSED CONSOLIDATED BALANCE SHEET**

SEKm	Dec 31, 2019	Dec 31, 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill and other intangible assets	211	128
Buildings, land, machinery and equipment	18,184	17,713
Forest assets	69,682	33,065
<i>whereof land assets</i>	20,170	1,000
<i>whereof biological assets</i>	49,512	32,065
Right-of-use assets	841	-
Other non-current assets	1,468	788
<b>Total non-current assets</b>	<b>90,386</b>	<b>51,694</b>
<b>Current assets</b>		
Inventories	5,014	4,499
Trade receivables	2,313	2,629
Other current receivables	898	1,079
Cash and cash equivalents	454	648
<b>Total current assets</b>	<b>8,679</b>	<b>8,855</b>
<b>Total assets</b>	<b>99,065</b>	<b>60,549</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	14,693	-113
Retained earnings	44,637	29,995
<b>Non-controlling interests</b>	<b>0</b>	<b>-</b>
<b>Total equity</b>	<b>68,510</b>	<b>39,062</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	5,888	5,263
Provisions for pensions	522	528
Deferred tax liabilities	15,780	8,269
Other non-current liabilities & provisions	161	115
<b>Total non-current liabilities</b>	<b>22,351</b>	<b>14,175</b>
<b>Current liabilities</b>		
Current financial liabilities	3,730	2,562
Trade payables	3,336	3,368
Other current liabilities	1,138	1,382
<b>Total current liabilities</b>	<b>8,204</b>	<b>7,312</b>
<b>Total liabilities</b>	<b>30,555</b>	<b>21,487</b>
<b>Total liabilities and equity</b>	<b>99,065</b>	<b>60,549</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<b>SEKm</b>	<b>Full year</b>	
	<b>2019</b>	<b>2018</b>
<b>Attributable to owners of the parent</b>		
Opening balance, January 1	39,062	36,751
Total comprehensive income for the period	30,684	3,397
Cash flow hedge transferred at cost of hedged investments	-8	-34
Tax on cash flow hedge transferred at cost of hedged investments	2	7
Cash dividend	-1,229	-1,054
Acquisition of non-controlling interests	0	0
Remeasurement effect upon acquisition of non-controlling interests	-1	-5
<b>Closing balance</b>	<b>68,510</b>	<b>39,062</b>
<b>Non-controlling interests</b>		
Opening balance, January 1	-	2
Total comprehensive income for the period	-	-2
Acquisition of non-controlling interests	0	-
<b>Closing balance</b>	<b>0</b>	<b>-</b>
<b>Total equity, closing balance</b>	<b>68,510</b>	<b>39,062</b>



## CONSOLIDATED CASH FLOW STATEMENT

SEKm	Full year	
	2019	2018
<b>Operating activities</b>		
Profit before tax	19,539	3,973
Adjustment for non-cash items <sup>1</sup>	-15,404	604
Paid tax	-652	-229
<b>Cash flow from operating activities before changes in working capital</b>	<b>3,483</b>	<b>4,348</b>
Cash flow from changes in working capital		
Change in inventories	-605	-1,025
Change in operating receivables	473	-694
Change in operating liabilities	-54	876
<b>Cash flow from operating activities</b>	<b>3,297</b>	<b>3,505</b>
<b>Investing activities</b>		
Acquisitions	-1,115	-
Divestments	370	-
Current capital expenditures in non-current assets, net	-1,033	-1,002
Strategic capital expenditures in non-current assets	-1,256	-1,967
Acquisition of financial asset	-26	-
<b>Cash flow from investing activities</b>	<b>-3,060</b>	<b>-2,969</b>
<b>Financing activities</b>		
Loans raised	1,011	3,686
Amortization of loans	-228	-3,068
Dividend	-1,229	-1,054
<b>Cash flow from financing activities</b>	<b>-446</b>	<b>-436</b>
<b>Net cash flow for the period</b>	<b>-209</b>	<b>100</b>
Cash and cash equivalents at the beginning of the period	648	538
Translation differences in cash and cash equivalents	15	10
<b>Cash and cash equivalents at the end of the period</b>	<b>454</b>	<b>648</b>
Cash flow from operating activities per share SEK	4.70	4.99
<sup>1</sup> Depreciation/amortization and impairment of non-current assets	1,696	1,250
Fair-value measurement of biological assets	-16,759	-679
Gains/loss on assets sales and swaps of assets	-202	-52
Other	-139	91
<b>Total</b>	<b>-15,404</b>	<b>604</b>

**INCOME STATEMENT PARENT COMPANY**

<b>SEKm</b>	<b>Full year</b>	
	<b>2019</b>	<b>2018</b>
Other operating income	235	224
Other operating expenses	-160	-148
Personnel costs	-91	-114
<b>EBITDA</b>	<b>-16</b>	<b>-38</b>
Depreciation	-86	-79
<b>Operating profit</b>	<b>-102</b>	<b>-117</b>
Result from participations in Group companies	0	850
Financial items	98	124
<b>Profit before tax</b>	<b>-4</b>	<b>857</b>
Appropriations and tax	1,403	1,397
<b>Profit for the period</b>	<b>1,399</b>	<b>2,254</b>

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

**BALANCE SHEET PARENT COMPANY**

<b>SEKm</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
Tangible non-current assets	8,641	8,489
Financial non-current assets	9,681	4,838
<b>Total non-current assets</b>	<b>18,322</b>	<b>13,327</b>
Current assets	12,563	17,699
<b>Total assets</b>	<b>30,885</b>	<b>31,026</b>
Restricted equity	11,373	11,373
Non-restricted equity	8,551	8,381
<b>Total equity</b>	<b>19,924</b>	<b>19,754</b>
Provisions	1,594	1,575
Non-current liabilities	5,236	5,255
Current liabilities	4,131	4,442
<b>Total equity, provisions and liabilities</b>	<b>30,885</b>	<b>31,026</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. The accounting principles are described in detail in SCA's 2018 Annual Report.

#### IFRIC 23

IFRIC 23 Uncertainty over income tax treatments applies from January 1, 2019. This interpretation clarifies how the requirements on accounting and measurement in IAS 12 must be applied when there is uncertainty surrounding the treatment of income tax. The interpretation is to be applied either retrospectively or by applying the modified retrospective approach. SCA has elected to apply the modified retrospective approach, meaning comparative figures are not restated. Following an evaluation of the interpretation, SCA found that the interpretation does not entail any material impact on the Group's income statement or balance sheet.

#### IFRS 16

IFRS 16 Leases applies from January 1, 2019 and replaces IAS 17 Leases and associated interpretations. On this date, SCA applied the modified retrospective approach, meaning that comparative figures were not restated.

The lease liability was measured at the present value of the outstanding lease payments and the right-of-use asset for all leases totals to an amount corresponding to the lease liability, adjusted for the prepaid lease payments. The transition does not have any impact on equity. SCA has elected to utilize the available exemption for short-term leases and contracts for which the underlying asset has a low value. SCA has also chosen, on the first date of application, not to remeasure whether a contract is or contains a lease agreement.

On January 1, 2019, SCA recognized a lease liability of SEK 1,211m and a right-of-use asset of SEK 1,223m. The right-of-use asset includes prepaid leasing expenses of SEK 12m. The lease liability resulted in an increase of SEK 1,211m in net debt as of January 1, 2019. At the end of the year, the lease liability amounted to SEK 854m. This represents a decrease of SEK 357m compared with the opening balance, primarily as a result of the divestment of the terminal in Rotterdam. Right-of-use assets are presented on the line item right-of-use assets in the Group's balance sheet and the lease liability is presented on the line items for non-current financial liabilities and current financial liabilities.

The average incremental borrowing rate on January 1, 2019 was 3.5%.

After the standard came into effect, the right-of-use assets are measured at cost after deduction for accumulated depreciation and any impairment. No impairment losses were recognized in the fourth quarter. The measurement of right-of-use assets also encompasses any remeasurement of the lease liability. The liability increases by the interest on the lease liability but is reduced in line with paid lease payments. The measurement of the liability is also to reflect any change in lease fees and a remeasurement is recognized as an adjustment of the right of use.

The full-year effect in 2019 in the report on the Group in total and by segment is presented in the table below:

SEKm	EBITDA	Depreciations	EBIT	Interest	Result before tax
Forest	75	-72	3	-	-
Wood	54	-52	2	-	-
Pulp	25	-19	6	-	-
Paper	54	-42	12	-	-
Other	3	-3	0	-	-
<b>Estimated effect on consolidated profit or loss</b>	<b>211</b>	<b>-188</b>	<b>23</b>	<b>-46</b>	<b>-23</b>

A complete description of the impact of IFRS 16 will be presented in SCA's 2019 Annual Report.

#### Valuation of forest assets

In advance of the annual accounts for 2019, SCA has carried out a review of its valuation of forest assets, which resulted in a new method and new assumptions for determining the fair value of the assets. The new method means the total value of the forest is based on forest transactions in the areas where SCA owns forest assets. This change also entailed that land assets related to forest assets are now measured at fair value, which has led to a change in accounting principles as land assets were previously recognized at cost. Land assets are now recognized at fair value using the revaluation model, IAS 16 p. 31.

The value of land assets constitutes the residual amount between the total value in accordance with the new method to establish total market value and the value of the biological assets based on discounted cash flows. The valuation of land assets was also verified by discounting the cash flow linked to land assets to obtain the total land value. The change in value pertaining to land is recognized as other comprehensive income and does not impact profit for the year.

## 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

SEKm	Full year	
	2019	2018
Sweden	2,532	1,975
EU excl. Sweden	11,766	8,927
Rest of Europe	1,293	768
Rest of world	4,000	2,159
<b>Total Group</b>	<b>19,591</b>	<b>13,829</b>

## 3. FOREST ASSETS

### Accounting principles

Forest assets are divided into standing timber, which is recognized as a biological asset according to IAS 41 Agriculture, and land assets, which are recognized as property, plant and equipment according to IAS 16 Property, plant and equipment.

In light of the price level of forest assets in a number of large and recently completed forest land transactions, SCA has reviewed the method and assumptions for valuation of the company's forest assets in its balance sheet. The review has shown that a large number of forest transactions are taking place in areas where SCA owns forest assets, and the value of larger forest holdings is generally at the same level as smaller and mid-sized forest assets. In previous years, the market price or other comparable price was not used as there was some uncertainty surrounding the market price for assets the size of SCA's, as no larger transactions had taken place in the market. The review resulted in a new method and new assumptions for determining the fair value of the assets. The total value of the forest assets is based on forest transactions in the areas where SCA owns forest assets. The new method also entails that the land assets are now measured at fair value, which has led to a change in accounting principles. Land assets linked to the standing forest were previously recognized at cost. There has been no change in accounting principles for biological assets, but the new method has only resulted in changed assumptions under the same accounting principles. The change to the new accounting method for the valuation of the forest assets therefore gives rise to a change in accounting principle in the respect of land assets, but only a change in assumptions in respect of biological assets.

Statistics relating to forest transactions are available from several market sources. The statistics can be viewed as market-corroborated inputs in accordance with Level 2. In certain cases, inputs used for the valuation of an asset or liability at fair value are recognized at various levels in the evaluation hierarchy according to IFRS 13 (for a description of the different levels see Note E1 in SCA's Annual Report 2018). In these instances, the valuation of overall fair value is recognized at the lowest of the levels. Certain adjustments are made to refine the market-corroborated inputs using unobservable inputs. In addition to this, an assessment is carried out of the transaction periods to be included in the calculation of an average price. SCA has elected to base the market price on a weighted three-year average. The new method thus contains more observable inputs but is nevertheless assigned to level 3 taking into account the adjustment of inputs at level 2. No transfers have taken place between the levels during the year. If a transfer had taken place, this would be undertaken at year-end.

In combination with market transactions, and to determine the fair value of the Group's biological assets, expected future cash flows from the assets were also discounted. The calculation to establish the value of biological assets is based on existing, sustainable felling plans and assessments regarding growth, timber prices, felling costs, silviculture costs and selling expenses. Environmental restrictions and other limitations are taken into account that mean the assets cannot be fully utilized in the best possible manner. The calculation is performed for a production cycle that SCA estimates for biological assets to average 100 years. The change in value is recognized in the income statement under Change in value in biological assets.

The value of land assets constitutes the residual amount between the total value in accordance with the new method to establish total market value and the value of the biological assets based on discounted cash flows. The valuation of land assets was also verified by discounting the cash flow linked to land assets to obtain the total land value. The change in value pertaining to land is recognized as other comprehensive income and does not impact profit for the year.

Land assets linked to standing forest were previously classified as Buildings, land, machinery and equipment in the balance sheet. The effect of the change of accounting principle to the revaluation model in accordance with IAS 16 p.31 means assets are now recognized at fair value and have, therefore, as of December 31, 2019, been recognized on a separate line in the balance sheet, land assets. A corresponding reclassification has taken place for the comparative year. The comparative year was not translated to fair value but reported at cost.

In the balance sheet, the change of accounting principle to the revaluation model resulted in an increase in the value of the land assets by SEK 18,892m and the recognition of a deferred tax liability on the difference between the asset's taxable cost and carrying amount. The deferred tax liability amounts to SEK 3,892m. The increase in the value of the asset and the tax effect resulting from the revaluation is recognized in Other comprehensive income and totals SEK 15,001m and accumulates in equity under the Revaluation reserve land assets heading.

Land assets are not subject to depreciation.

### Key assessments and assumptions

SCA has based its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest assets. The calculated market prices are based on forest transactions over the latest three years and the market price is a weighted three-year average price, which in 2019 amounts to SEK 276/m<sup>3</sup>fo. The weighted average provides the total average value per m<sup>3</sup>fo of SCA's forest assets in Sweden.

A new forest survey was carried out in 2019. As part of the new survey, a new estimate was drawn up and established for the forest timber volume. According to the new estimate, timber volume amounts to approximately 249 million m<sup>3</sup>fo in Sweden. This can be compared to the previous survey from 2012-2013 (established 2014), where the timber volume was estimated to 238 million m<sup>3</sup>fo per 31 December 2019. Thus, the new survey has led to an increase in standing volume of about 11 million m<sup>3</sup>fo. In addition, timber volume in the Baltics is estimated at approximately 3 million m<sup>3</sup>fo.

### Forest assets

SEKm	Dec 31, 2019	Dec 31, 2018 <sup>3</sup>
Forest assets in Sweden <sup>1</sup>	68,723	33,065
Forest assets in the Baltics <sup>2</sup>	959	-
<b>Totalt value of forest assets</b>	<b>69,682</b>	<b>33,065</b>
Deferred tax on forest assets	13,977	6,605

<sup>1</sup> The fair value of SCA's forest assets in Sweden is based on a timber volume of 249 million m<sup>3</sup>sk, multiplied by the market price of SEK 276/m<sup>3</sup>fo.

<sup>2</sup> The fair value of forest assets acquired during the year in the Baltics is deemed to correspond to correspond to the acquisition price.

<sup>3</sup> The land value is reported in 2018 at cost

### Biological assets

SEKm	31 dec 2019	31 dec 2018
Value, January 1	32,065	31,386
Purchases	709	45
Sales	-21	-45
Other changes in fair value	1,807	1,708
Change due to felling	-1,090	-1,028
Change due to new method and new assumptions	16,042	-
<b>Value, December 31</b>	<b>49,512</b>	<b>32,065</b>

### Land assets

SEKm	31 dec 2019 <sup>1,2</sup>	31 dec 2018 <sup>1,2</sup>
Value, January 1	1,000	998
Purchases	287	2
Sales	-9	0
Revaluation at fair value	18,892	-
<b>Value, December 31</b>	<b>20,170</b>	<b>1,000</b>
Acquisition cost	1,501	1,000

<sup>1</sup> The land assets in 2019 are reported at fair value. The land assets in 2018 are reported at cost.

<sup>2</sup> Following the acquisition of forest assets in Sweden the fair value has been distributed such that 31 % (5 %) of the value has been allocated to land assets.

For the acquisitions made in Estonia and Latvia in 2019, 25% of the acquisition price has been allocated to land assets.

The change in fair value and change due to felling for biological assets are recognized as a net value in the income statement under the heading Change in value in biological assets, the change amounts to SEK 16,759m (679), of which SEK 16,042m is a non-recurring effect due to renewed assumptions and assessments. The remeasurement effect arising from the changed accounting principle pertaining to the reporting of land assets at fair value is recognized as Other comprehensive income and does not impact profit.

The year's valuation of biological assets and land assets was based on market statistics and discounted cash flows. For the year's valuation of biological assets, the same valuation model was used as in the past using a rate of return of 3.6% after tax. In 2018, a rate of return of 5.9% before tax was used.

When cash flow was discounted, assessed income and expenses were adjusted upward by an annual inflation rate of 2%. Assumptions regarding future price and cost levels have, as in the valuation in 2018, been based on the outcome for the five preceding years. The 2019 valuation used an average wood price of SEK 442 per solid cubic meter under bark (m<sup>3</sup>sub). Annual harvesting is expected to rise over the calculated future production cycle and amount to 4.3 million m<sup>3</sup>sub for 2019, ending at 5.9 million m<sup>3</sup>sub by 2114.

On average, 85% of felling comprises final harvesting and 15% thinning. 56% is expected to comprise sawlogs and 44% pulpwood.

SCA's forest holdings comprise approximately 2.6 million hectares of land assets primarily in northern Sweden, of which approximately 2.0 million is productive land assets. SCA also owns 30,000 hectares of forest assets in Estonia and Latvia, of which about 24,000 hectares is productive forest assets. The forest portfolio's timber volume amounts to approximately 249 million m<sup>3</sup>fo in Sweden and about 3 million m<sup>3</sup>fo in the Baltic states. Growth amounts to approximately 10.5 million m<sup>3</sup>fo per year, gross, on productive forest assets. Net growth, meaning growth after felling and natural losses, is estimated at 4.0 million m<sup>3</sup>fo per year in Sweden. Growth in the Baltic states amounts to approximately 170,000 m<sup>3</sup>fo and net growth to about 30,000 m<sup>3</sup>fo. Felling in 2019 amounted to approximately 4.4 (4.3) million m<sup>3</sup>sub.

Forest assets	Dec 31, 2019 <sup>1,2</sup>	31 dec 2018 <sup>1,2</sup>
Book value SEK/hectare of forest assets	34,412	16,526
Book value SEK/m <sup>3</sup> fo	276	141

<sup>1</sup> The values are calculated based on productive area.

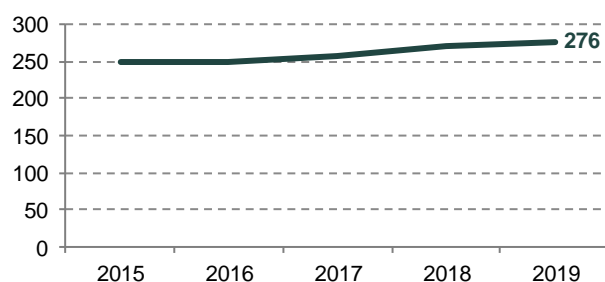
<sup>2</sup> The land value is based on acquisition cost.

SEKm	Changed assumptions		Change in value, before tax	
			2019 <sup>1</sup>	2018
Market price based on market statistics <sup>1</sup>	Price change 5 % on total volume 249 million m <sup>3</sup> fo	+ / -	3,437	-
Forest stock volume <sup>1</sup>	3 million m <sup>3</sup> fo	+ / -	828	-

<sup>1</sup> The sensitivity figures are based on the market price, which for 2019 has been set to SEK 276/m<sup>3</sup>fo. Sensitivity figures are based on the total value of forest assets.

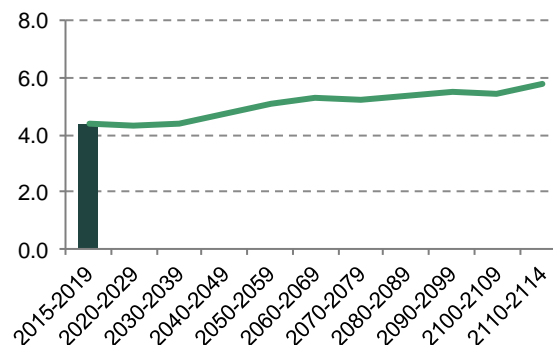
### Market price

Historical three-year average 2015–2019  
(SEK/m<sup>3</sup>fo)



### Harvest

Harvest 2015–2019 and planned harvest 2020–2114  
(million m<sup>3</sup>sub/year)



## 4. RISKS AND UNCERTAINTIES

SCA's risk exposure and risk management are described on pages 51–54 of the 2018 Annual Report. No significant changes have taken place that have affected the reported risks.

## 5. RELATED PARTY TRANSACTIONS

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

## 6. FINANCIAL INSTRUMENTS BY CATEGORY

SEKm	Measure- ment level	Dec 31, 2019	Dec 31, 2018
<b>Financial assets measured at fair value in the income statement</b>			
Derivatives - Current financial assets	2	3	9
Derivatives - Other current receivables	2	23	33
<b>Total</b>		<b>26</b>	<b>42</b>
<b>Financial liabilities measured at fair value in the income statement</b>			
Derivatives - Current financial liabilities	2	1	-
Derivatives - Other financial liabilities	2	15	37
<b>Total</b>		<b>16</b>	<b>37</b>
<b>Financial assets measured at fair value through other comprehensive income</b>			
Equity instruments	3	14	19
<b>Total</b>		<b>14</b>	<b>19</b>
<b>Financial liabilities measured at amortized cost</b>			
Current financial liabilities	-	5,888	5,263
Non-current financial liabilities	-	3,730	2,562
<b>Total</b>		<b>9,618</b>	<b>7,825</b>
<b>Derivatives used for hedge accounting</b>			
Långfristiga finansiella tillgångar	2	0	-
Other non-current assets	1.2	2	74
Other current receivables	1.2	78	259
<b>Total</b>		<b>80</b>	<b>333</b>
<b>Derivatives used for hedge accounting</b>			
Non-current financial liabilities	2	-	0
Other non-current financial liabilities	2	54	2
Other current financial liabilities	2	52	92
<b>Total</b>		<b>106</b>	<b>94</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 8,749m (8,009). The value of electricity derivatives is based on published prices in an active market. Other financial instruments are market to market, 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, PLEDGED ASSETS AND COMMITMENTS

SEKm	Parent		Group	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
<b>Contingent liabilities</b>				
Guarantees for subsidiaries	750	704	-	-
associates	-	-	5	5
customers and others	-	-	31	39
Other contingent liabilities	285	231	18	23
<b>Total</b>	<b>1,035</b>	<b>935</b>	<b>54</b>	<b>67</b>
<b>Pledged assets</b>				
Chattel mortgages	20	20	20	20
<b>Total</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

### Commitments

SCA has a decided investment in Obbola totaling SEK 7.5 billion over a five-year period. As of December 31, 2019 SEK 2.5 billion remained a contracted commitment and in its entirety refers to fixed assets.

## 8. ALTERNATIVE PERFORMANCE MEASURES

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Including and excluding the impact of the changed accounting method for the valuation of forest assets*

SEKm	Quarter						Full year			
	2019:4	2019:4 <sup>1</sup>	2018:4	%	2019:3	%	2019	2019 <sup>1</sup>	2018	%
Net sales	4,312	4,312	4,926	-12	4,975	-13	19,591	19,591	18,755	4
Other income	598	598	594	1	570	5	2,191	2,191	1,927	14
Change in inventories	114	114	236		-54		304	304	588	
Change in value in biological assets	16,265	222	164	35	208	7	16,759	717	679	6
Raw materials and consumables	-1,574	-1,574	-1,721	-9	-1,905	-17	-7,373	-7,373	-6,799	8
Personnel costs	-738	-738	-827	-11	-685	8	-2,997	-2,997	-3,041	-1
Other external costs	-1,863	-1,863	-1,877	-1	-1,746	7	-7,100	-7,100	-6,858	4
Share of profits of associates	-16	-16	0		1		-14	-14	1	
<b>EBITDA</b>	<b>17,098</b>	<b>1,055</b>	<b>1,494</b>	<b>-29</b>	<b>1,364</b>	<b>-23</b>	<b>21,361</b>	<b>5,319</b>	<b>5,252</b>	<b>1</b>
Depreciation and write-down	-498	-418	-351	19	-409	2	-1,696	-1,616	-1,250	29
<b>Operating profit</b>	<b>16,600</b>	<b>637</b>	<b>1,143</b>	<b>-44</b>	<b>955</b>	<b>-33</b>	<b>19,665</b>	<b>3,703</b>	<b>4,002</b>	<b>-7</b>
Financial items	-25	-25	-18		-26		-126	-126	-29	
<b>Profit before tax</b>	<b>16,575</b>	<b>612</b>	<b>1,125</b>	<b>-46</b>	<b>929</b>	<b>-34</b>	<b>19,539</b>	<b>3,577</b>	<b>3,973</b>	<b>-10</b>
Tax	-3,422	-134	-265		-172		-4,017	-730	-314	
<b>Net Profit for the period</b>	<b>13,153</b>	<b>478</b>	<b>860</b>	<b>-44</b>	<b>757</b>	<b>-37</b>	<b>15,522</b>	<b>2,847</b>	<b>3,659</b>	<b>-22</b>
<i>Earnings per share SEK<sup>2</sup></i>	<i>18.73</i>	<i>0.68</i>	<i>1.22</i>		<i>1.08</i>		<i>22.10</i>	<i>4.05</i>	<i>5.21</i>	
<b>Earnings attributable to:</b>										
Owners of the parent	13,153	478	860		757		15,522	2,847	3,659	
Average no. of shares, millions	702.3	702.3	702.3		702.3		702.3	702.3	702.3	
<b>Margins (%)</b>										
EBITDA margin	396.5	24.5	30.3		27.4		109.0	27.2	28.0	
Operating margin	385.0	14.8	23.2		19.2		100.4	18.9	21.3	
Net margin	305.0	11.1	17.5		15.2		79.2	14.5	19.5	

<sup>1</sup> Excluding the effect of changed accounting method for valuation of forest assets

<sup>2</sup> Comparison to profit excluding effect of changed accounting method for valuation of forest assets



For definitions of alternative performance measures, refer to SCA's 2018 Annual Report, page 77.

OPERATING CASH FLOW SEKm	Quarter			Full year	Full year
	2019:4	2018:4	2019:3	2019	2018
EBITDA	1,055	1,494	1,364	5,319	5,252
Changes in value biological assets and other non cash flow items	-323	-183	-312	-937	-749
<b>Operating cash surplus</b>	<b>732</b>	<b>1,311</b>	<b>1,052</b>	<b>4,382</b>	<b>4,503</b>
Change in working capital	140	-217	325	-186	-843
Current capital expenditures, net <sup>2</sup>	-370	-472	-246	-1,132	-1,002
Other operating cash flow	81	122	-37	-142	93
<b>Operating cash flow</b>	<b>583</b>	<b>744</b>	<b>1,094</b>	<b>2,922</b>	<b>2,751</b>

<sup>1</sup> Including new method for valuation of forest assets EBITDA amounted to SEK 17,098m i 2019:4 och SEK 21,361m for full year 2019

<sup>2</sup> Including SEK 99m of new leasing contracts in 2019

## CAPITAL STRUCTURE

SEKm	Dec 31, 2019	Dec 31, 2018
Biological assets	69,682	33,065
Working capital	3,748	3,735
Deferred tax relating to forest assets	-13,977	-6,605
Other capital employed, net	17,654	15,887
<b>Total capital employed</b>	<b>77,107</b>	<b>46,082</b>
<i>Return on capital employed (%) <sup>1</sup></i>	36.7	-
<i>Return on capital employed excluding new method for valuation of forest assets (%) <sup>1</sup></i>	6.9	9.0
<i>Industrial return on capital employed (%) <sup>1,2</sup></i>	11.9	16.4
<b>Net debt, SEKm</b>	<b>8,597</b>	<b>7,020</b>
Net debt/EBITDA (LTM)	1.6x	1.3x
<b>Equity, SEKm</b>	<b>68,510</b>	<b>39,062</b>
Net debt/Equity (%)	12.5	18.0

<sup>1</sup> Rolling 12 months

<sup>2</sup> Excluding constructions in progress

## WORKING CAPITAL

SEKm	Dec 31, 2019	Dec 31, 2018
Inventories	5,014	4,499
Accounts receivable	2,313	2,629
Other current receivables	790	1,060
Accounts payable	-3,336	-3,368
Other current liabilities	-1,044	-1,140
Adjustments <sup>1</sup>	11	55
<b>Working capital</b>	<b>3,748</b>	<b>3,735</b>
Working capital / net sales <sup>2</sup>	20.2	17.5
<sup>1</sup> Adjustments:		
Other current receivables, green certificates	-6	-16
Accounts payable, strategic capital expenditures	62	167
Other current provisions	-55	-100
Other current liabilities, emission rights	10	4
<b>Sum adjustments</b>	<b>11</b>	<b>55</b>

<sup>2</sup> Calculated as an average of working capital for 13 months as a percentage of 12-month rolling net sales

**NET DEBT**

<b>SEKm</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
Surplus in funded pension plans	1,019	630
Non-current financial assets	67	46
Current financial assets	3	9
Cash and cash equivalents	454	648
<b>Financial receivables</b>	<b>1,543</b>	<b>1,333</b>
Non-current financial liabilities	5,888	5,263
Provisions for pensions	522	528
Current financial liabilities	3,730	2,562
<b>Financial liabilities</b>	<b>10,140</b>	<b>8,353</b>
<b>Net debt</b>	<b>-8,597</b>	<b>-7,020</b>

**9. QUARTERLY DATA BY SEGMENT****NET SALES**

<b>SEKm</b>	<b>Quarter</b>									
	<b>2019:4</b>	<b>2019:3</b>	<b>2019:2</b>	<b>2019:1</b>	<b>2018:4</b>	<b>2018:3</b>	<b>2018:2</b>	<b>2018:1</b>	<b>2017:4</b>	
Forest	1,694	1,865	1,746	1,651	1,540	1,455	1,162	1,298	1,287	
Wood	1,376	1,545	1,727	1,678	1,558	1,712	1,846	1,503	1,426	
Pulp	900	1,129	1,214	1,134	1,049	743	485	589	672	
Paper	2,108	2,380	2,375	2,366	2,421	2,413	2,426	2,383	2,220	
Intra-group deliveries	-1,766	-1,944	-1,834	-1,753	-1,642	-1,564	-1,249	-1,373	-1,363	
<b>Total net sales</b>	<b>4,312</b>	<b>4,975</b>	<b>5,228</b>	<b>5,076</b>	<b>4,926</b>	<b>4,759</b>	<b>4,670</b>	<b>4,400</b>	<b>4,242</b>	

**EBITDA**

<b>SEKm</b>	<b>Quarter</b>									
	<b>2019:4</b>	<b>2019:3</b>	<b>2019:2</b>	<b>2019:1</b>	<b>2018:4</b>	<b>2018:3</b>	<b>2018:2</b>	<b>2018:1</b>	<b>2017:4</b>	
Forest	607	388	414	331	427	292	371	304	358	
Wood	125	180	188	297	226	276	230	172	184	
Pulp	20	268	344	351	370	273	-112	178	149	
Paper	382	577	489	616	536	728	618	586	481	
Other	-79	-49	-95	-35	-65	-20	-73	-65	-94	
<b>Total EBITDA<sup>1</sup></b>	<b>1,055</b>	<b>1,364</b>	<b>1,340</b>	<b>1,560</b>	<b>1,494</b>	<b>1,549</b>	<b>1,034</b>	<b>1,175</b>	<b>1,078</b>	

<sup>1</sup> Including the effect of changed accounting method of forests assets, EBITDA amounted to SEK 16,649m for Forest and SEK 17,097m and for the Group in 2019:4.

**EBITDA MARGIN**

<b>Percent</b>	<b>Quarter</b>									
	<b>2019:4</b>	<b>2019:3</b>	<b>2019:2</b>	<b>2019:1</b>	<b>2018:4</b>	<b>2018:3</b>	<b>2018:2</b>	<b>2018:1</b>	<b>2017:4</b>	
Forest	35.8	20.8	23.7	20.0	27.7	20.1	31.9	23.4	27.8	
Wood	9.1	11.6	10.8	17.7	14.5	16.1	12.5	11.4	12.9	
Pulp	2.2	23.8	28.4	31.0	35.3	36.7	-23.1	30.2	22.2	
Paper	18.1	24.2	20.6	26.0	22.2	30.2	25.5	24.6	21.7	
<b>EBITDA margin<sup>1</sup></b>	<b>24.5</b>	<b>27.4</b>	<b>25.6</b>	<b>30.7</b>	<b>30.3</b>	<b>32.5</b>	<b>22.1</b>	<b>26.7</b>	<b>25.4</b>	

<sup>1</sup> Including effect of changed accounting method for valuation of forest assets, the EBITDA margin was 82,8% for Forest and 396,5% for the Group in 2019:4.