

Interim report presentation Q3 2018

October 30, 2018



An aerial photograph of a vast, deep blue lake surrounded by dense green forests. Several large, forested islands are scattered across the water. In the far distance, a long line of white wind turbines is visible against a clear blue sky. The overall scene is serene and natural.

Ulf Larsson, CEO



Summary Q3 2018

Stable market with higher prices

Sales growth of 12% vs Q3 2017

- Price/mix +14%, volumes -9%, currency 7%

EBITDA up 48% vs Q3 2017

- Higher prices
- Positive currency effects
- Higher prices for wood raw material

Stable wood supply to industries

Östrand ramp-up progressing according to plan



SCA's performance Q3 2018

EBITDA (SEKm)

1,549

Industrial ROCE ¹⁾

15%

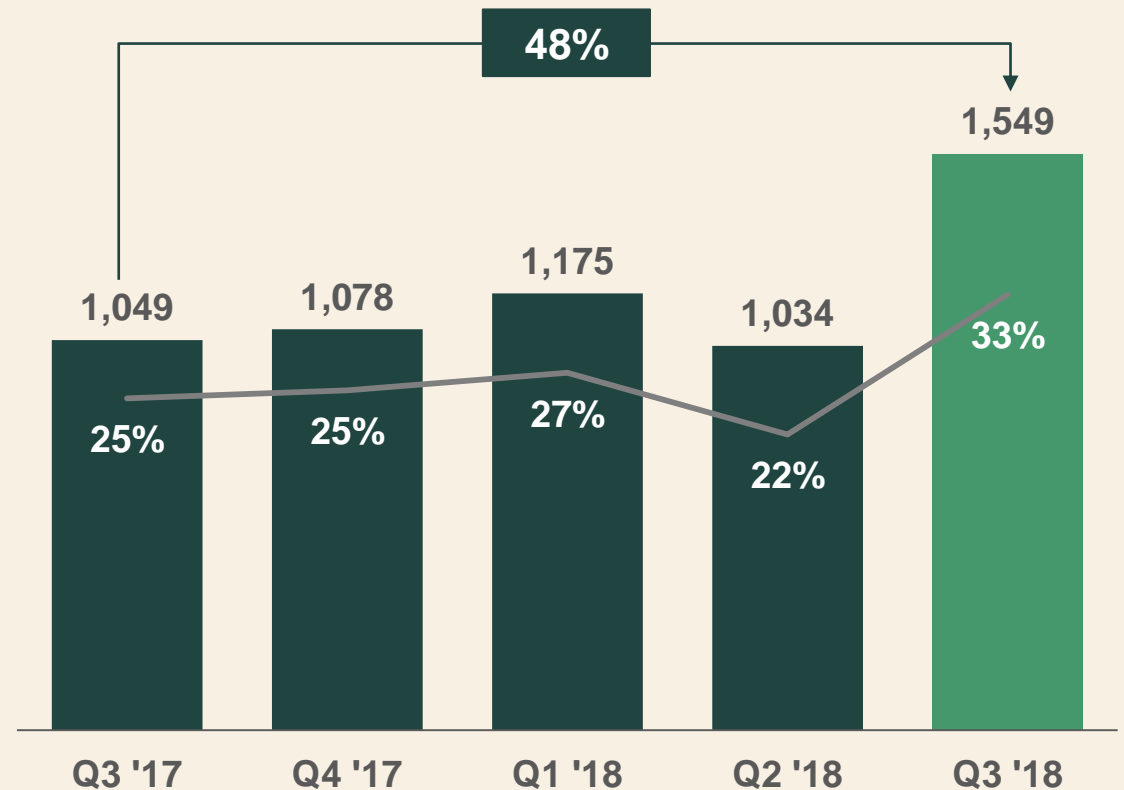
EBITDA margin

33%

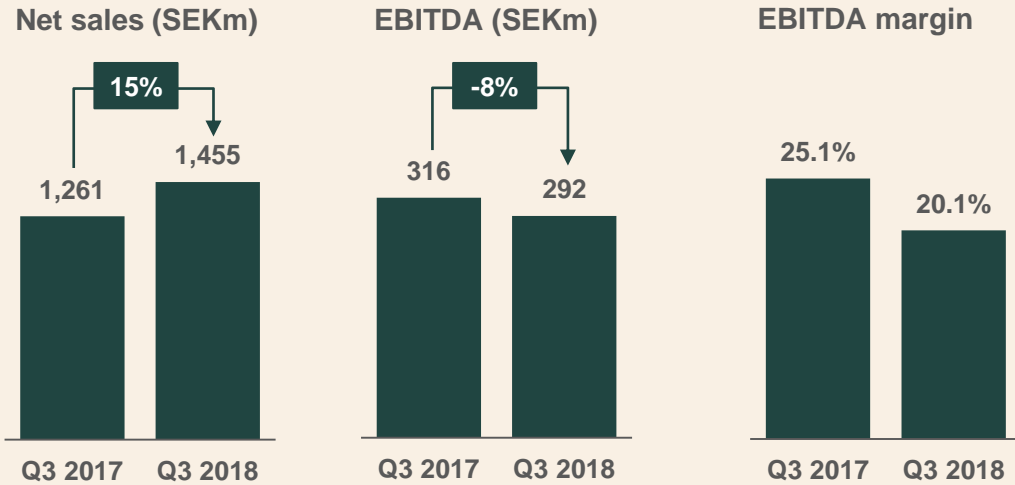
Net debt/EBITDA

1.4x

EBITDA development (SEKm)



Forest Q3 2018 vs. Q3 2017



Stable wood supply to industries

Continued price increases

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

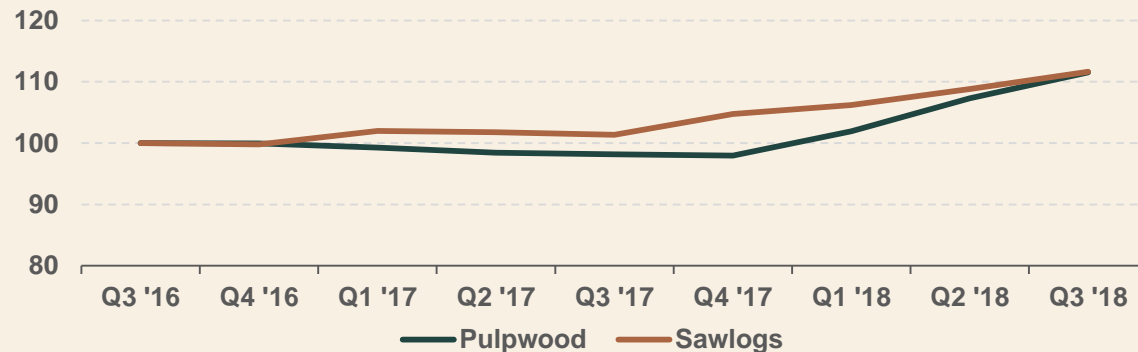
Sales up 15%

- Increased volumes to the expanded pulp mill
- Higher prices

EBITDA down 8%

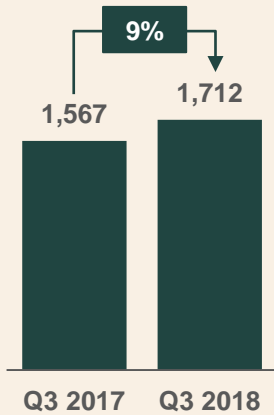
- Lower volumes from own forest
- Slightly higher costs due to the dry summer conditions
- Higher costs for externally sourced wood

Price development – Pulpwood and Sawlogs

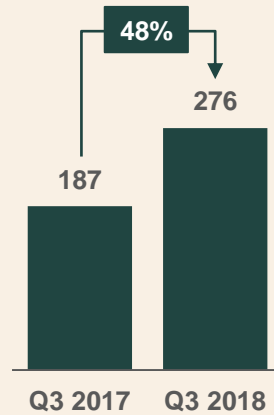


Wood Q3 2018 vs. Q3 2017

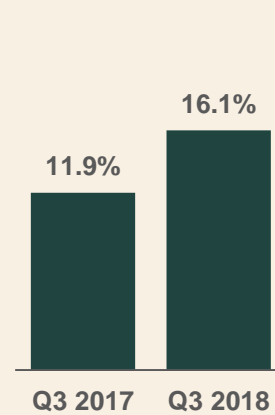
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Increased prices and low inventory levels

Sales up 9%

- Higher prices
- Positive currency effects
- Lower volumes due to low inventory levels

EBITDA up 48%

- Higher prices
- Increased raw material costs

Price development – Solid Wood Products



Pulp – Q3 production update

Ramp-up progressing according to plan

Full NBSK capacity of 900kt/year

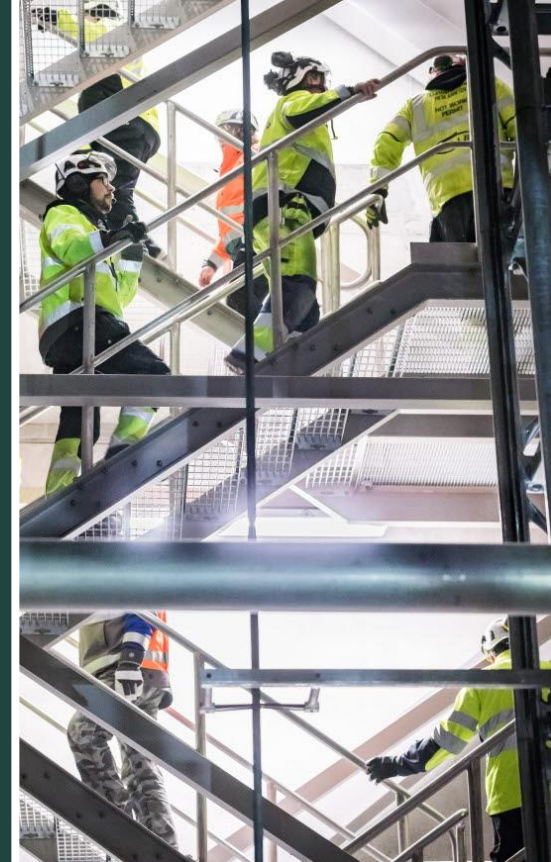
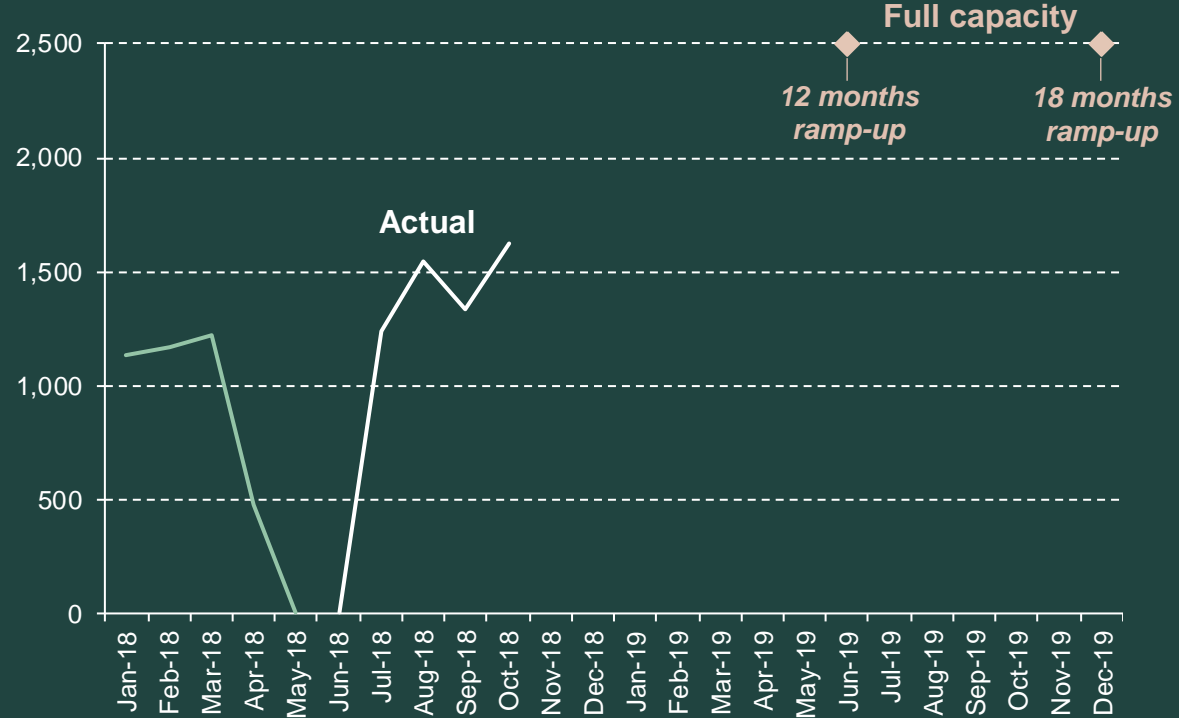
Ramp-up period of 12-18 months

- 2018 volumes in-line with 2017
- 2020 first full year with full capacity

On track

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

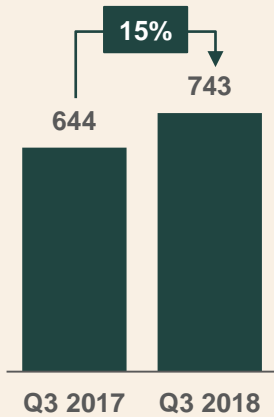
Average daily NBSK production (tonnes)



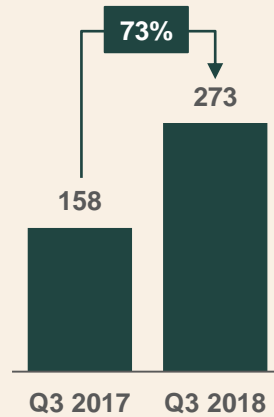
Note: October, average daily production up until the October maintenance stop.
1) Including CTMP.

Pulp Q3 2018 vs. Q3 2017

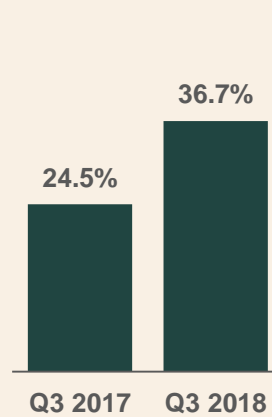
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Strong pulp market with higher prices

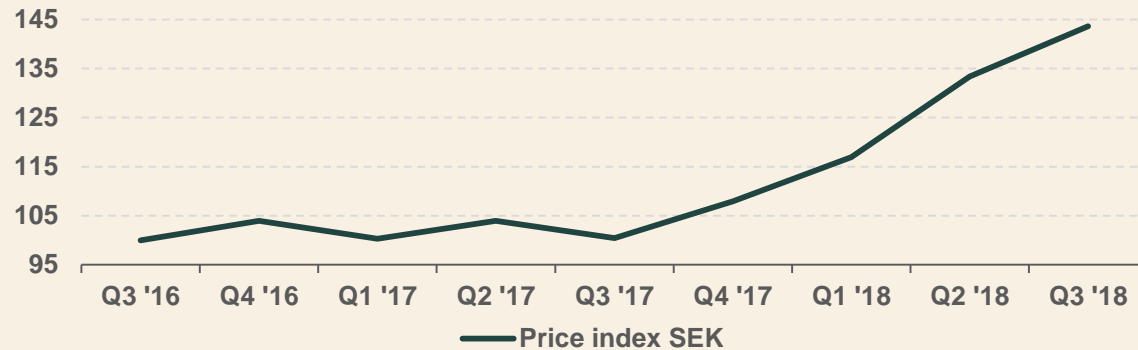
Sales up 15%

- Higher prices
- Positive currency effects
- Lower deliveries due to inventory build-up

EBITDA up 73%

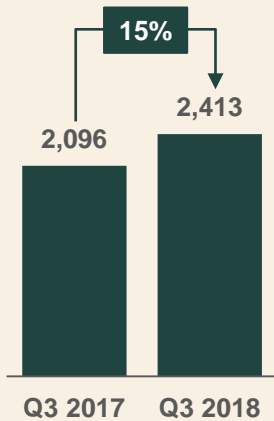
- Higher prices
- Direct costs affected by ramp-up of expanded pulp mill
- Higher raw material costs

Price development – NBSK Pulp

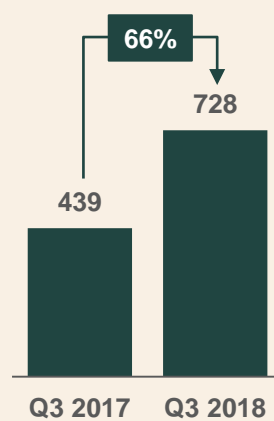


Paper Q3 2018 vs. Q3 2017

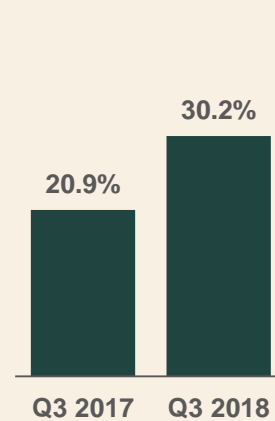
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Increased prices for both Kraftliner and Publication paper

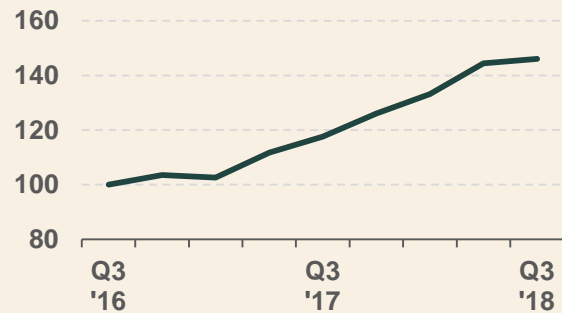
Sales up 15%

- Higher prices
- Positive currency effects

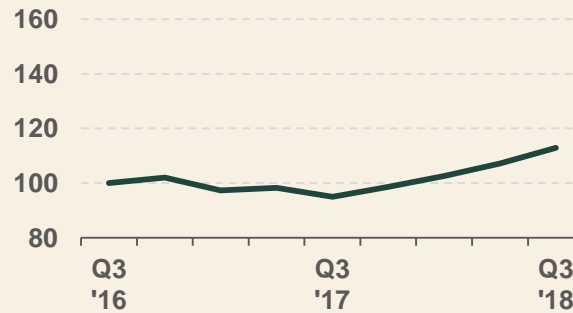
EBITDA up 66%

- Higher prices
- Positive currency effects
- Improved product and market mix
- Higher raw material cost

Price development – Kraftliner



Price development – Publication paper



— Price index SEK

Toby Lawton, CFO



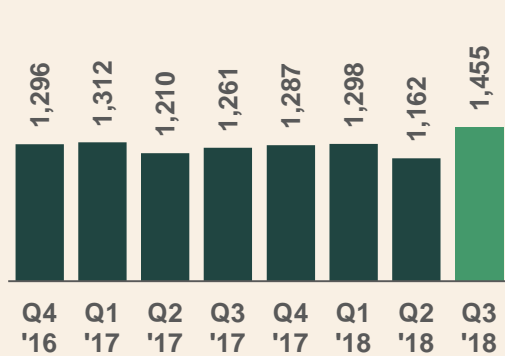
Income statement

SEKm	Quarter		
	Q3 2018	Q3 2017	Change
Net sales	4,759	4,231	12%
EBITDA	1,549	1,049	48%
<i>EBITDA margin</i>	32.5%	24.8%	7.7 p.p.
EBIT	1,226	776	58%
<i>EBIT margin</i>	25.8%	18.3%	7.5 p.p.
Financial items	-8	-11	
Profit before tax	1,218	765	59%
Tax	-227	-138	
Profit for the period	991	627	58%
Earnings per share, SEK	1.41	0.89	

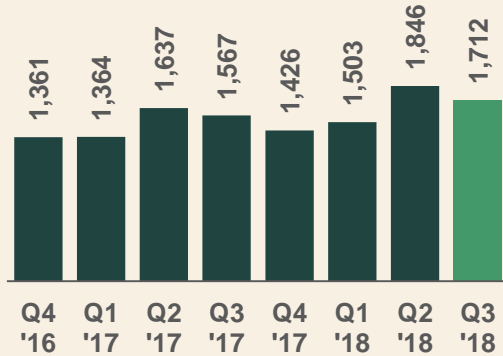
Contribution by segment and quarter

Forest

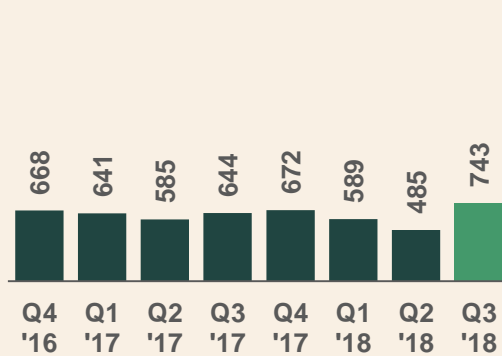
Net sales (SEKm)



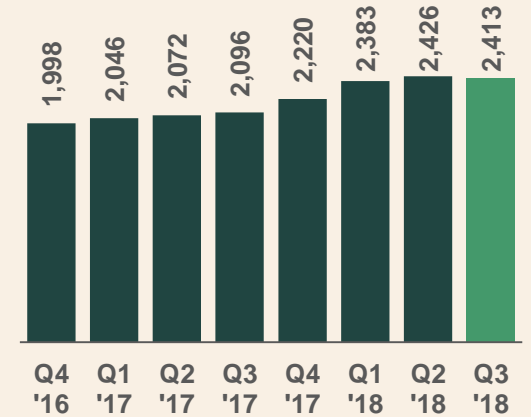
Wood



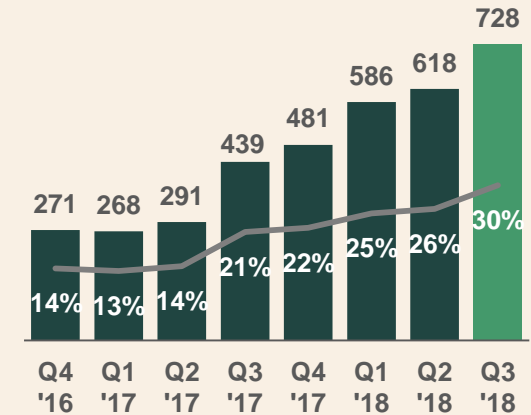
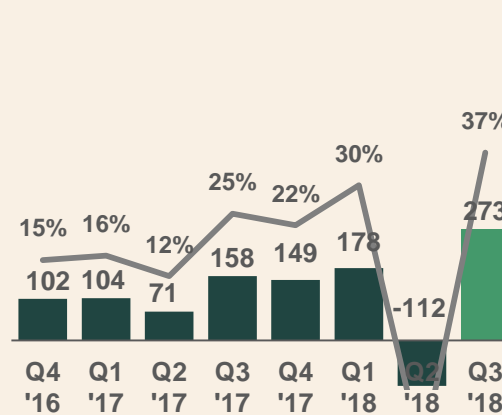
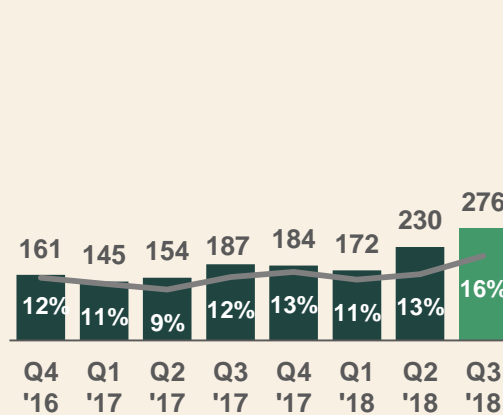
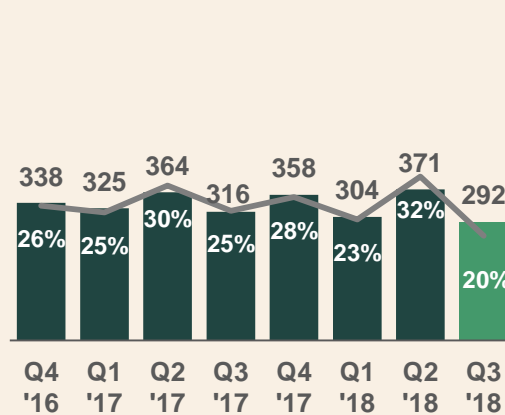
Pulp



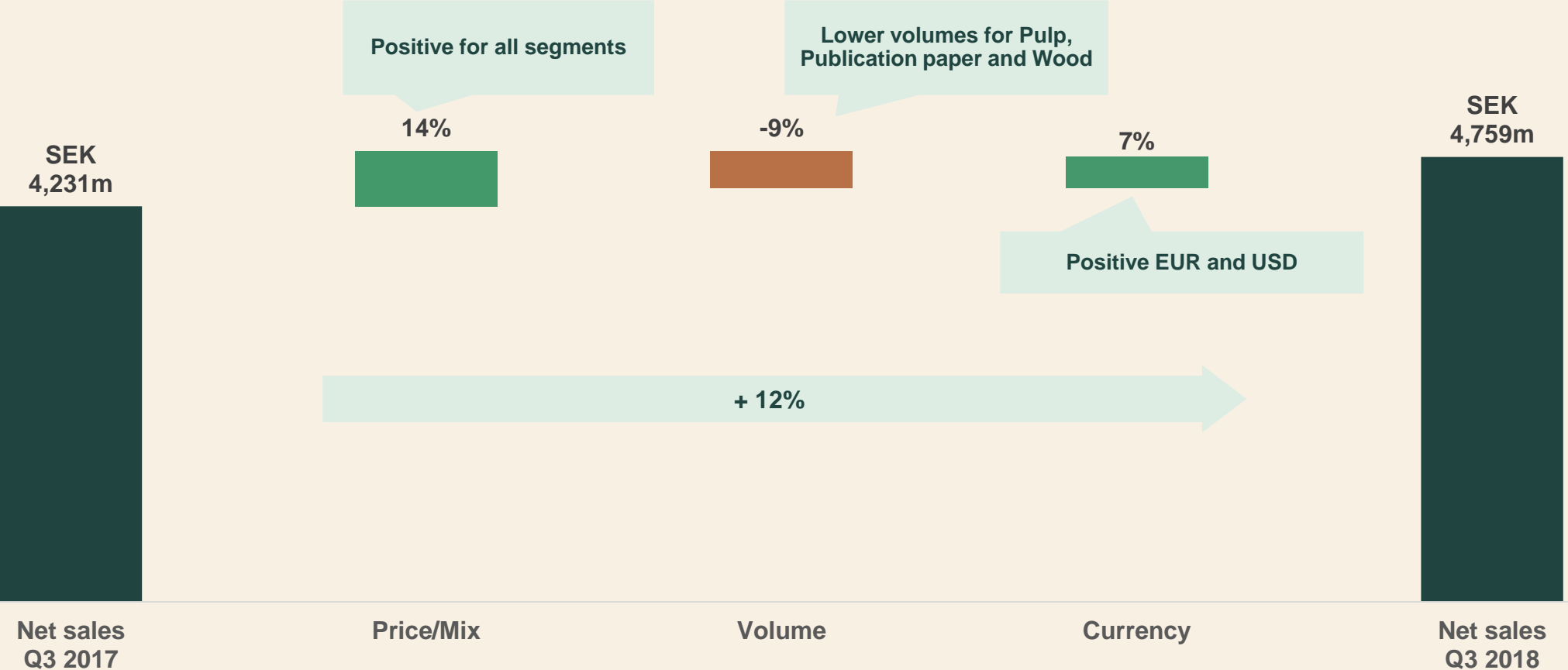
Paper



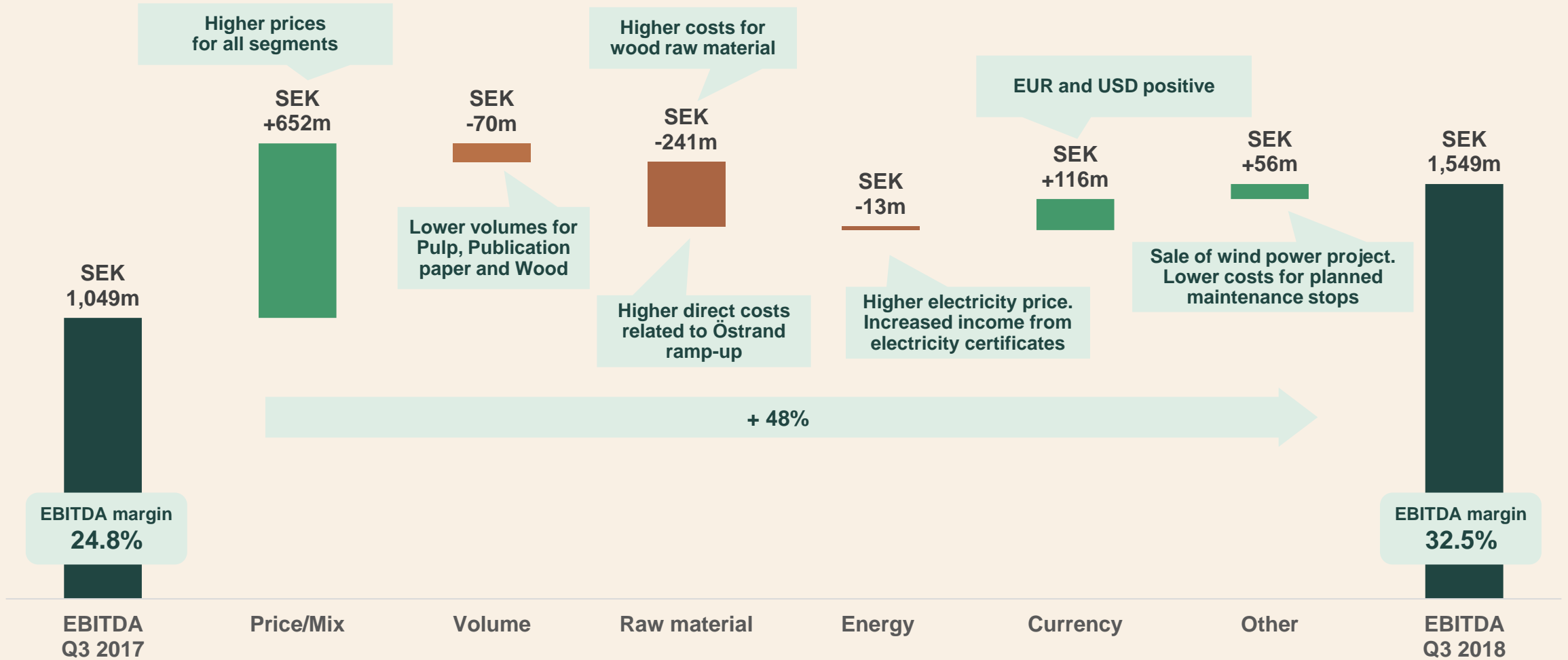
EBITDA (SEKm) and EBITDA margin



Net sales Q3 2018 vs. Q3 2017



EBITDA Q3 2018 vs. Q3 2017



Cash flow

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

Note: 1) 2017 figures include reversal of items affecting comparability.

Östrand project

Production began in June according to plan

Ramp-up period of 12-18 months

- 2018 – volumes in-line with 2017
- 2020 – first full year at full capacity

World-class competitiveness

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



Östrand project – 2018 one-off costs

Project related costs (indirect)

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

Expansion and maintenance stops

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

Ramp-up effects (direct)

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

Working capital

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

EBITDA impact	Q1 18	Q2 18	Q3 18	2018e	2017
Project related costs	16	15	13	55	100
Expansion/ maintenance stops	0	236	0	256	131
Ramp-up effects	25	50	50	150-175	-
Total (SEKm)	41	301	63	461-486	231

Note: Figures in “(##)” refer to 2017.

(1) The estimated effect of maintenance stops on earnings in 2018, calculated as the total of the direct cost of the maintenance and the effect from lower fixed cost coverage from the reduced production during the stop.

Balance sheet

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

Note: 1) Gross value before deferred taxes. 2) LTM working capital to LTM sales. 3) 12-months EBITDA, up to end of each period.

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Östrand ramp-up progressing according to plan



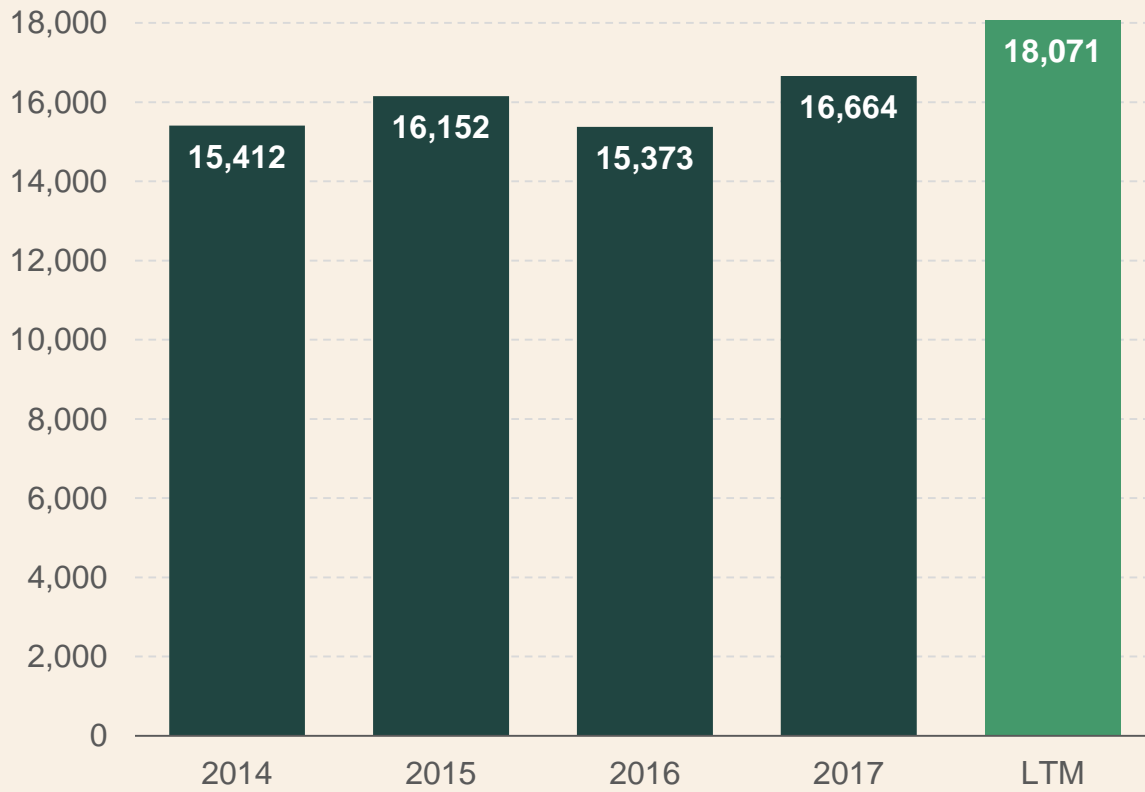
Q&A

A photograph of a sunset over a forest. The sun is a bright, glowing circle in the center of the frame, partially obscured by a dense line of trees. The sky is a mix of orange, yellow, and light blue. The foreground shows the dark silhouettes of trees.

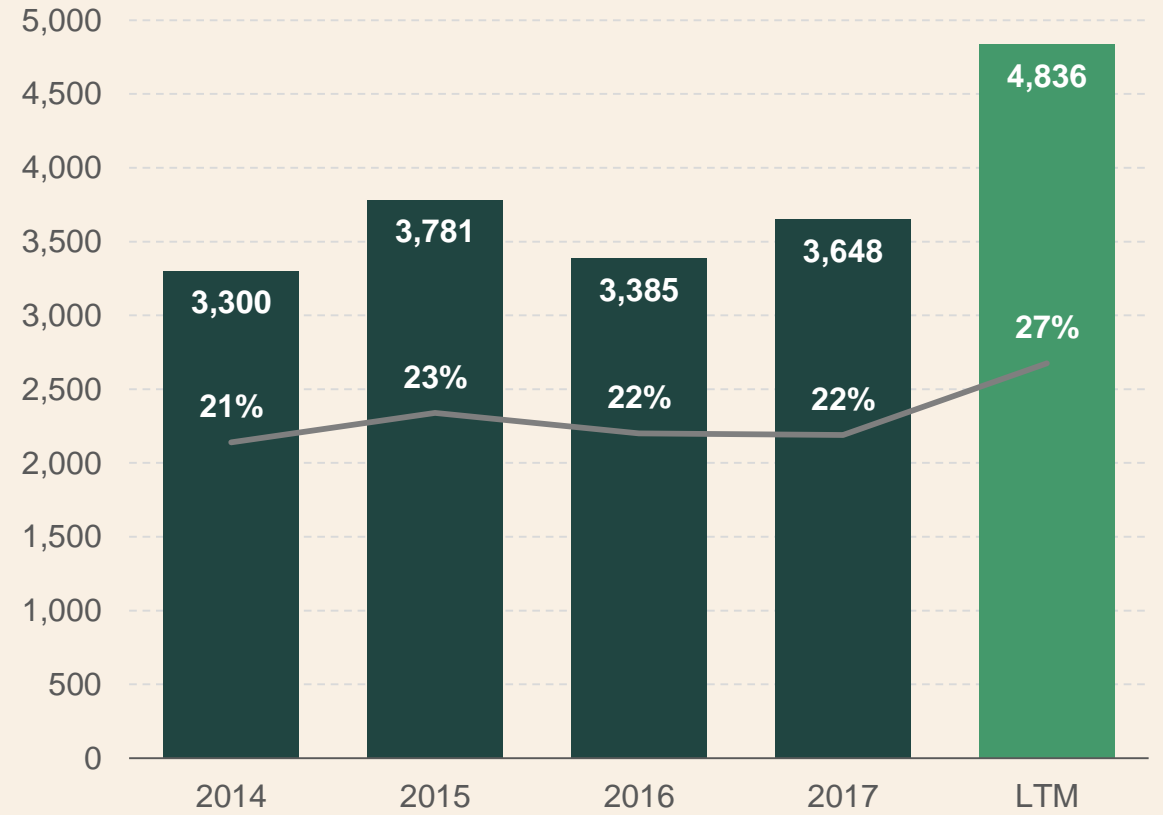
Appendix

Strong and stable performance

Net sales (SEKm)



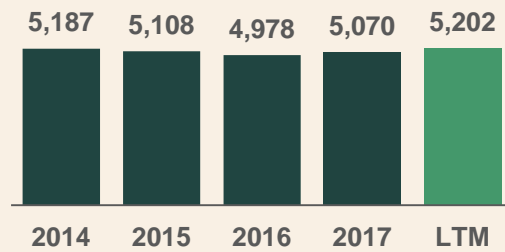
EBITDA (SEKm) and EBITDA margin



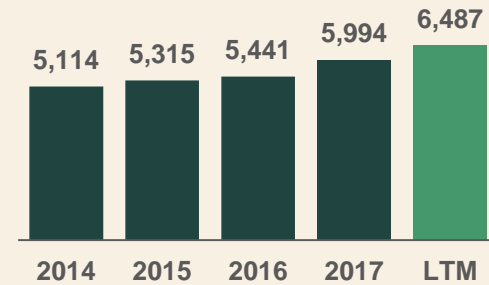
Contribution by segment

Forest

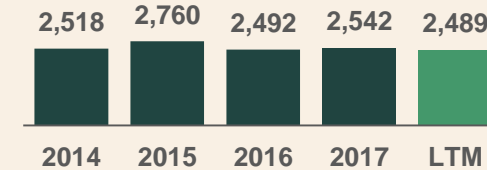
Net sales (SEKm)



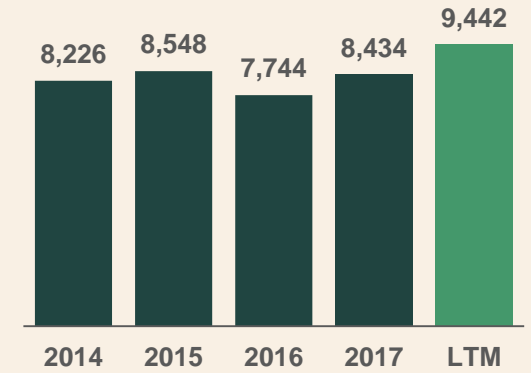
Wood



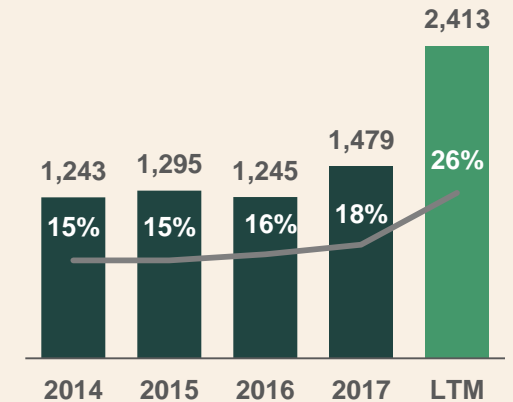
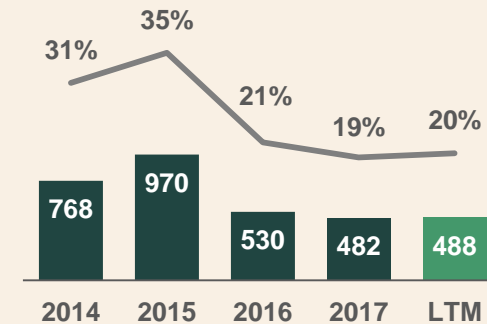
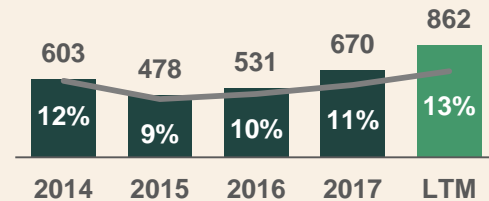
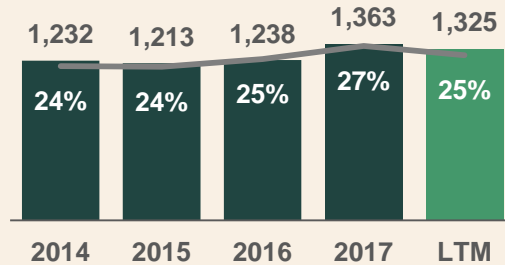
Pulp



Paper



EBITDA (SEKm) and EBITDA margin ¹⁾



Note: 2014 and 2015 EBITDA refer to adjusted figures. 2016 and forward refer to unadjusted figures. For details please see the quarterly report.

SCA Frontier



Europe's largest private forest owner

This presentation may contain forward-looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business. Please read SCA's most recent annual report for a better understanding of these risks and uncertainties.

