



Interim report presentation Q3 2019

October 30, 2019



Ulf Larsson, CEO



Summary Q3 2019

Sales growth of 5% vs Q3 2018

- Price/mix -15%, volume 20%, currency 2%, acq/div -2%

Weaker market with lower prices

EBITDA down 12% vs Q3 2018

- Lower selling prices
- + Higher pulp volumes
- + Positive currency effects

Pulp volumes increased 2% vs Q2 2019

- Planned maintenance stop in Q4 – economizer to be replaced

SEK 7.5bn Kraftliner investment in Obbola

Forest total return analysis

Revaluation of forest asset to market value as of Dec 31, 2019



SCA's performance Q3 2019

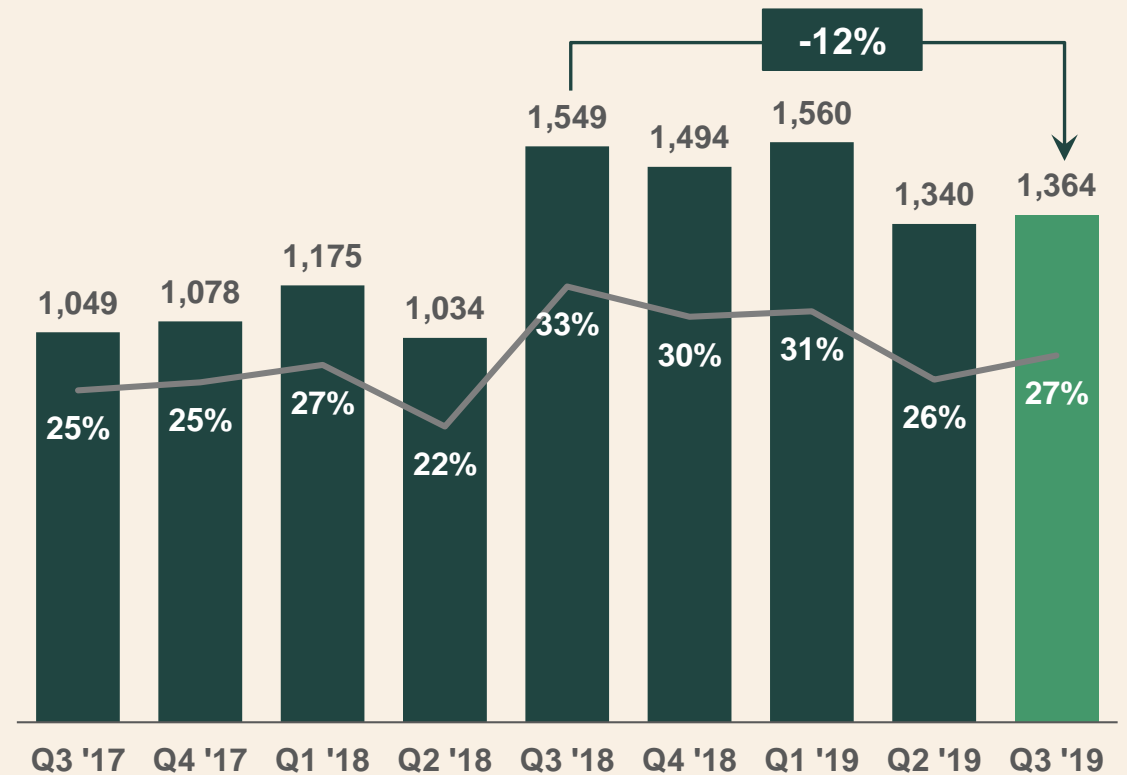
EBITDA (SEKm)

1,364

Industrial ROCE ¹⁾

16%

EBITDA development (SEKm)



EBITDA margin

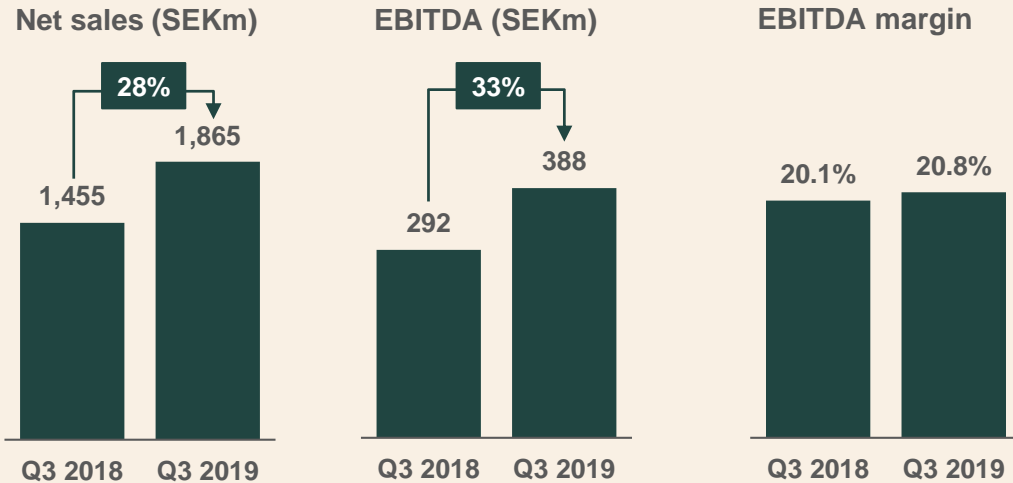
27%

Net debt/EBITDA

1.4x

Note: 1) ROCE for the industrial segments; Wood, Pulp and Paper. ROCE calculated as LTM.

Forest Q3 2019 vs. Q3 2018



Prices have stabilized on a high level

- Prices on new contracts are starting to come down

Increased wood sourcing to meet higher pulpwood demand

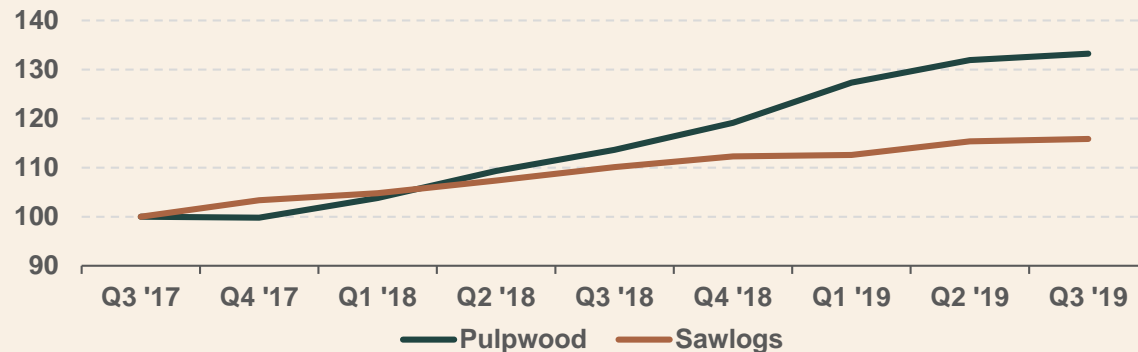
Sales up 28%

- + Increased volumes to the expanded pulp mill
- + Higher prices

EBITDA up 33%

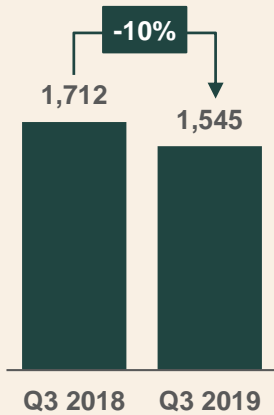
- + Higher prices
- Larger import volumes

Price development – Pulpwood and Sawlogs

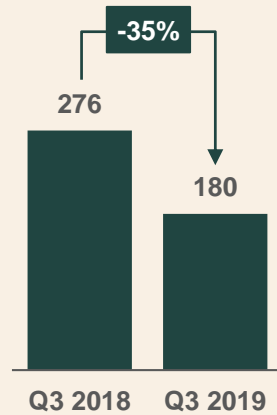


Wood Q3 2019 vs. Q3 2018

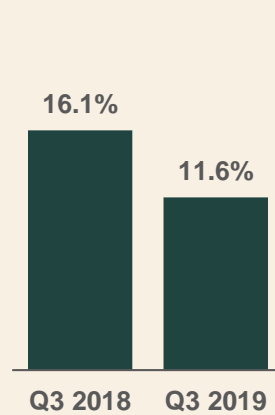
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Over supply in continental Europe, leading to declining prices

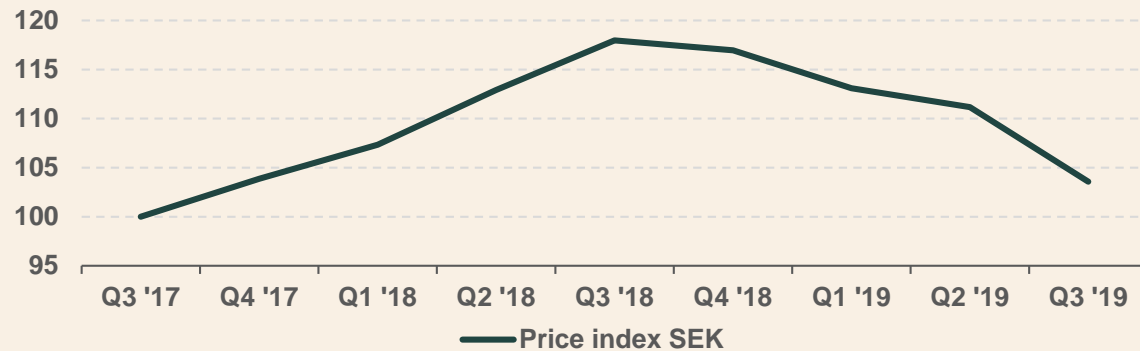
Sales down 10%

- Lower prices
- Deconsolidation in Wood France following merger with Groupe ISB

EBITDA down 35%

- Lower prices and higher costs for wood raw material
- + Higher income from byproducts

Price development – Solid Wood Products



Pulp – Q3 production update

Full NBSK capacity of 900kt/year

Ramp-up period of ~18 months

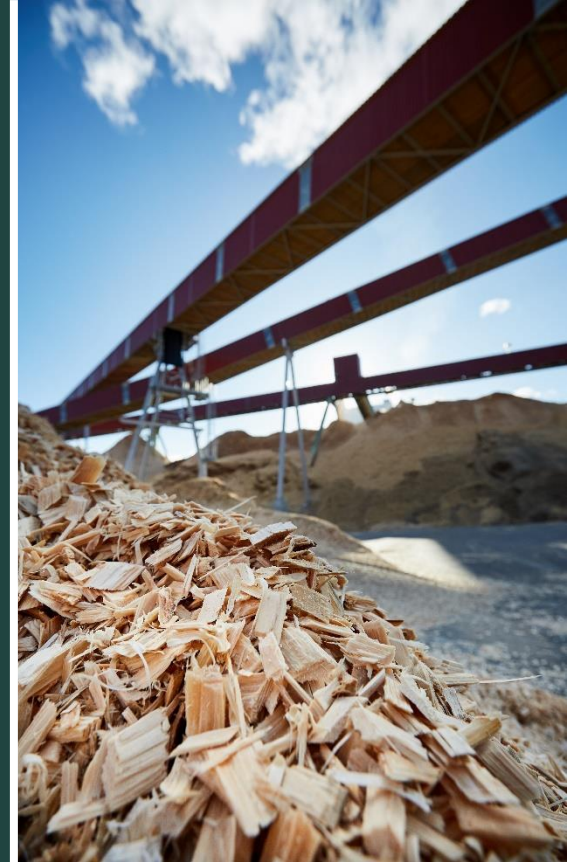
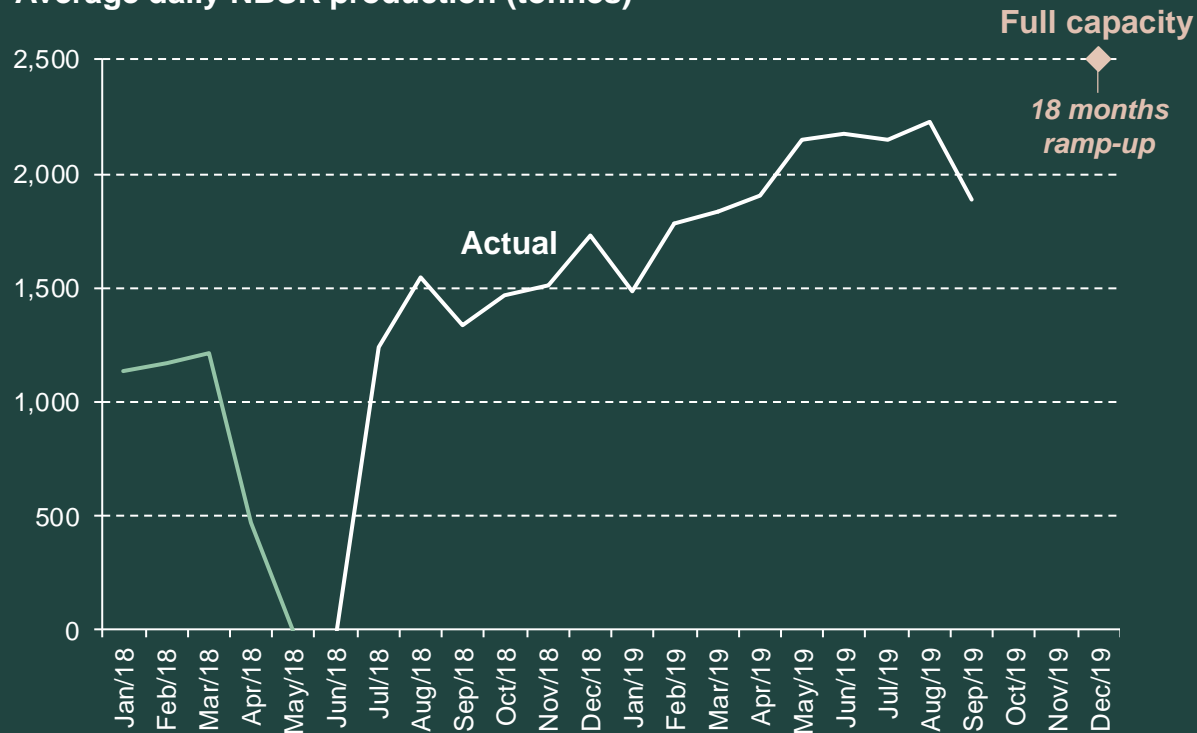
Production/deliveries on track ¹⁾

- Q3 '18 - 147kt / 105kt
- Q4 '18 - 160kt / 145kt
- Q1 '19 - 172kt / 168kt
- Q2 '19 - 210kt / 201kt
- Q3 '19 - 215kt / 205kt

Planned maintenance stop in Q4

- Economizer to be replaced

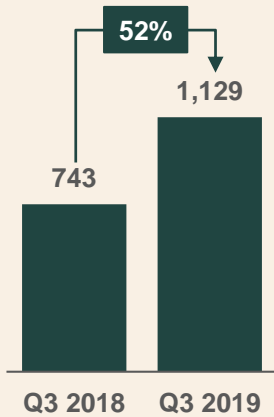
Average daily NBSK production (tonnes)



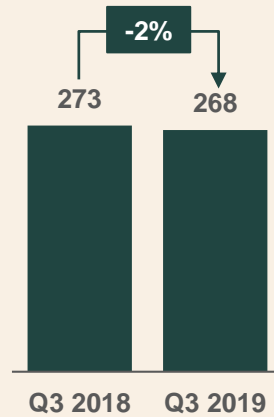
Note: 1) Including CTMP.

Pulp Q3 2019 vs. Q3 2018

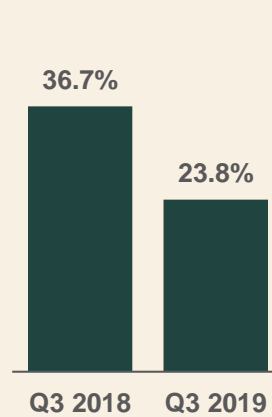
Net sales (SEKm)



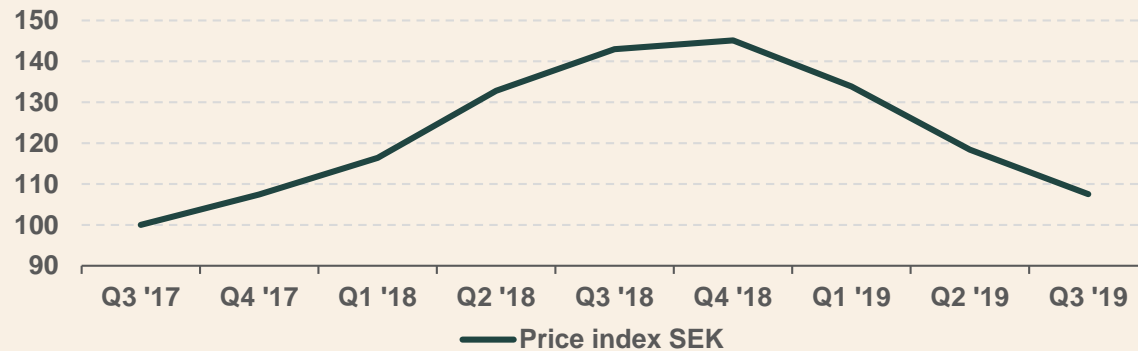
EBITDA (SEKm)



EBITDA margin



Price development – NBSK Pulp



Lower prices

NBSK inventories declined in Q3

Increased volumes due to the ramp-up of the expanded pulp-mill

Sales up 52%

- + Increased volumes
- Lower prices

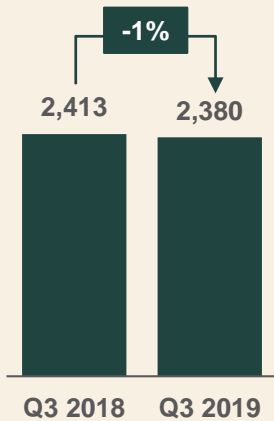
EBITDA down 2%

- Lower prices and higher costs for wood raw material
- + Increased volumes and improved energy balance

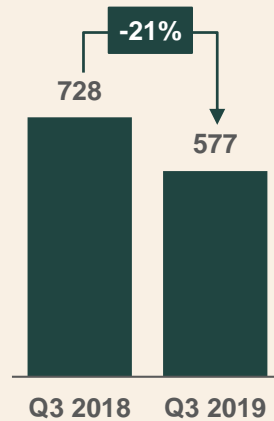
Planned maintenance stop Q4 – 120 MSEK

Paper Q3 2019 vs. Q3 2018

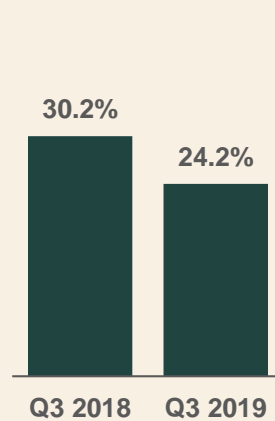
Net sales (SEKm)



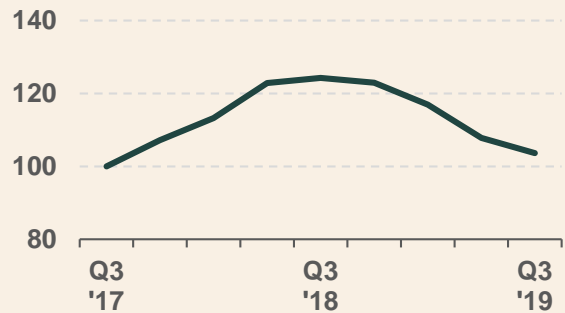
EBITDA (SEKm)



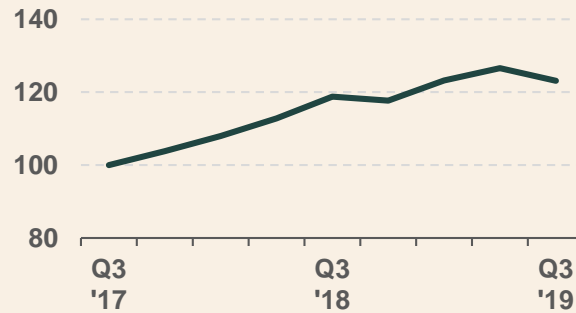
EBITDA margin



Price development – Kraftliner



Price development – Publication paper (LWC)



— Price index SEK

Lower prices

Good kraftliner order inflow

Sales down 1%

- Lower kraftliner prices
- + Higher prices for publication paper and positive currency effects

EBITDA down 21%

- Lower kraftliner prices and higher cost for wood raw material
- + Higher prices for publication paper and positive currency effects
- + Increased kraftliner volumes

Planned maintenance stop Obbola Q4 – 50 MSEK

Renewable Energy

8.0 TWh wind power on SCA land by 2022

Initiate new wind projects and develop after market offering

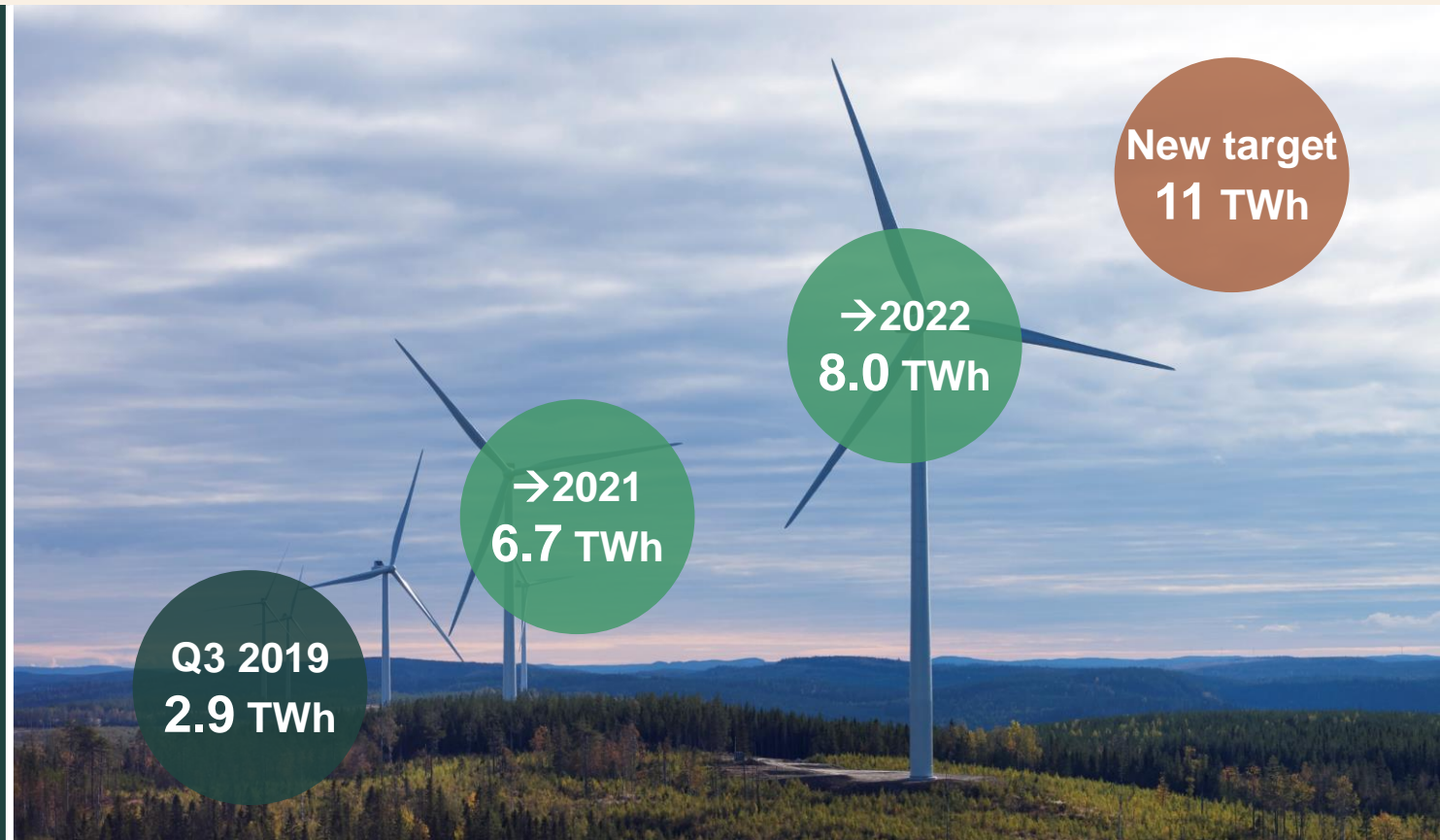
Two new wind projects secured in Q3 '19

- 83 turbines / 1.3 TWh

8.0 TWh secured by 2022

- EBIT of SEK ~120m

New long-term target of 11.0 TWh



Toby Lawton, CFO



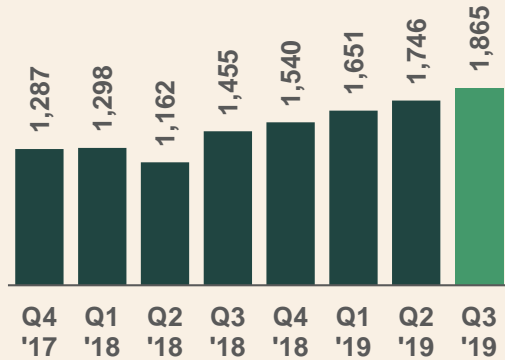
Income statement

SEKm	Quarter		
	Q3 2019	Q3 2018	Change
Net sales	4,975	4,759	5%
EBITDA	1,364	1,549	-12%
<i>EBITDA margin</i>	27.4%	32.5%	-5.1 p.p.
EBIT	955	1,226	-22%
<i>EBIT margin</i>	19.2%	25.8%	-6.6 p.p.
Financial items	-26	-8	
Profit before tax	929	1,218	-24%
Tax	-172	-227	
Profit for the period	757	991	-24%
Earnings per share, SEK	1.08	1.41	

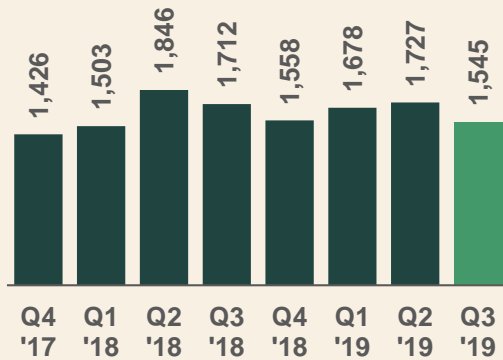
Contribution by segment and quarter

Forest

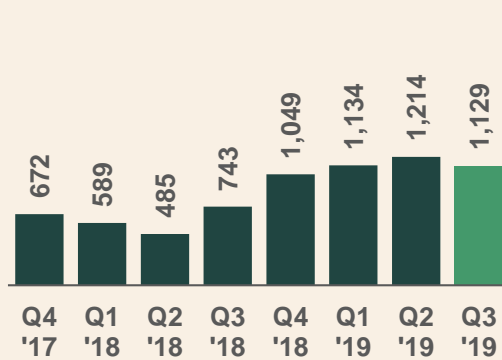
Net sales (SEKm)



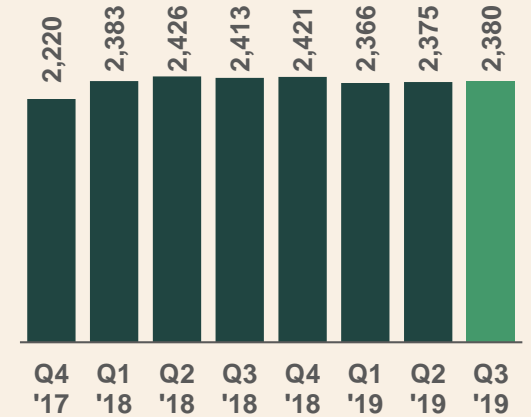
Wood



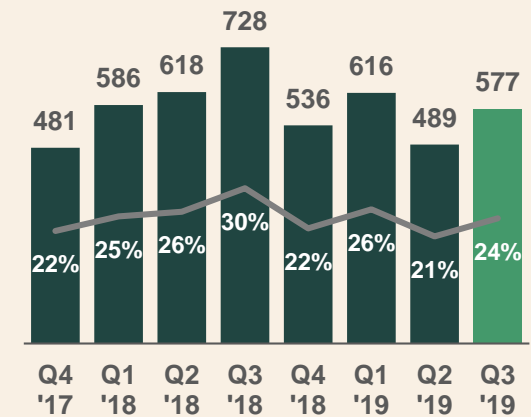
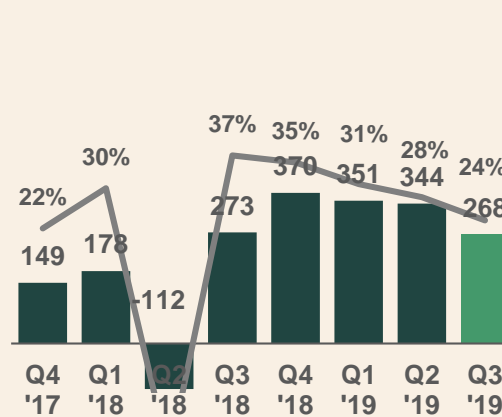
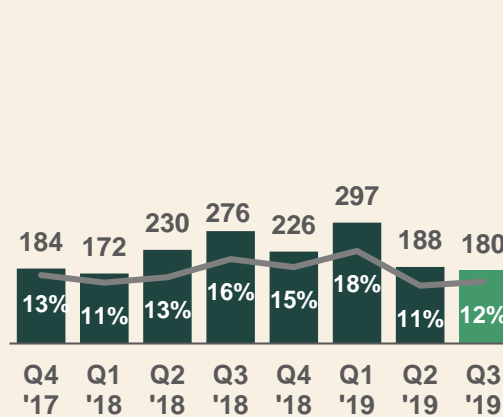
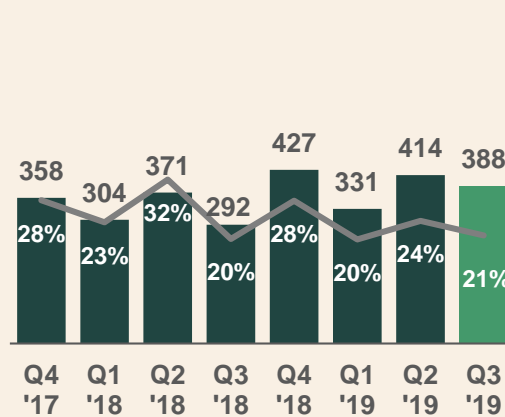
Pulp



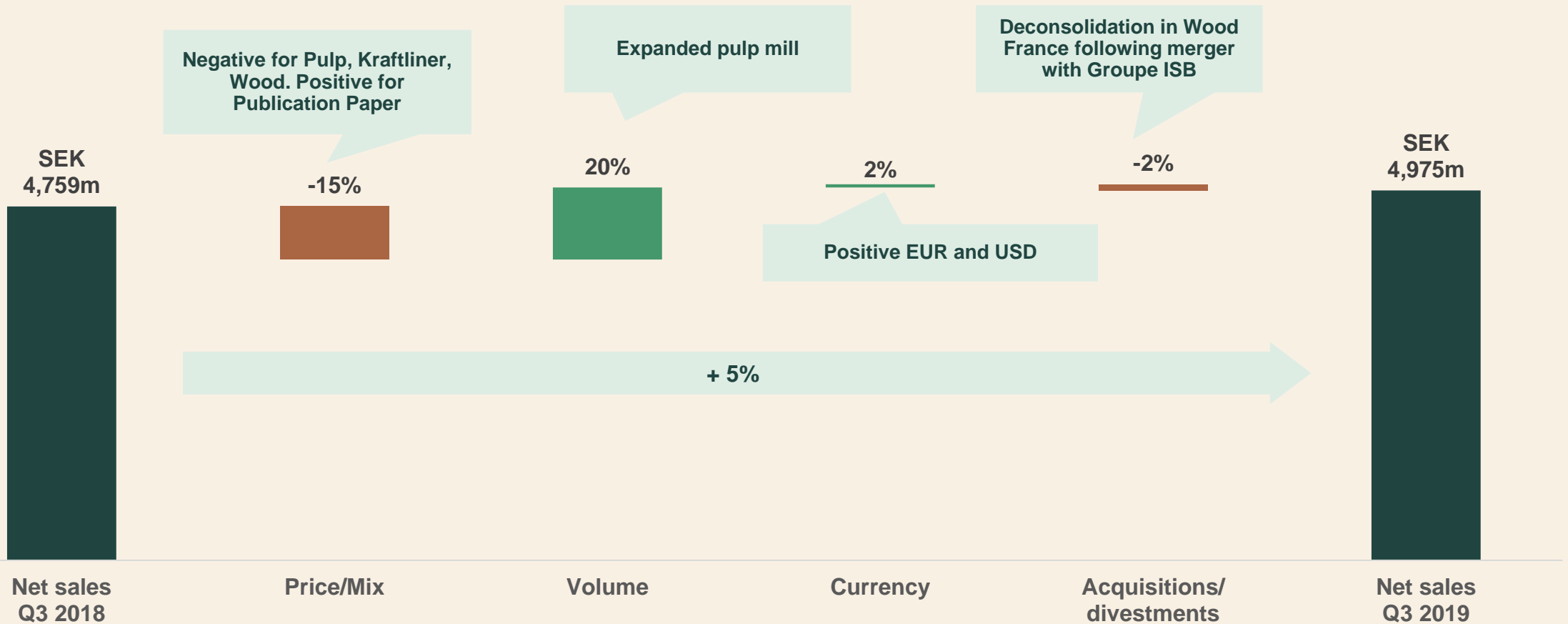
Paper



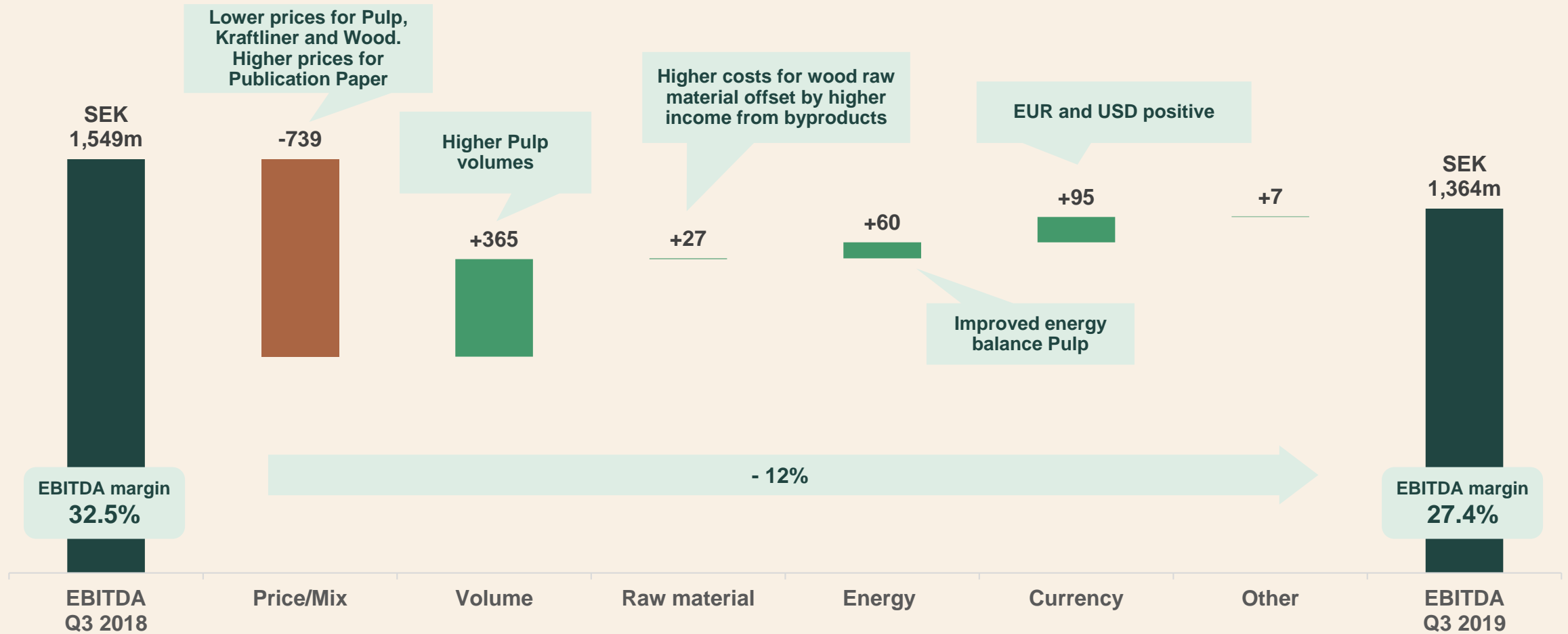
EBITDA (SEKm) and EBITDA margin



Net sales Q3 2019 vs. Q3 2018



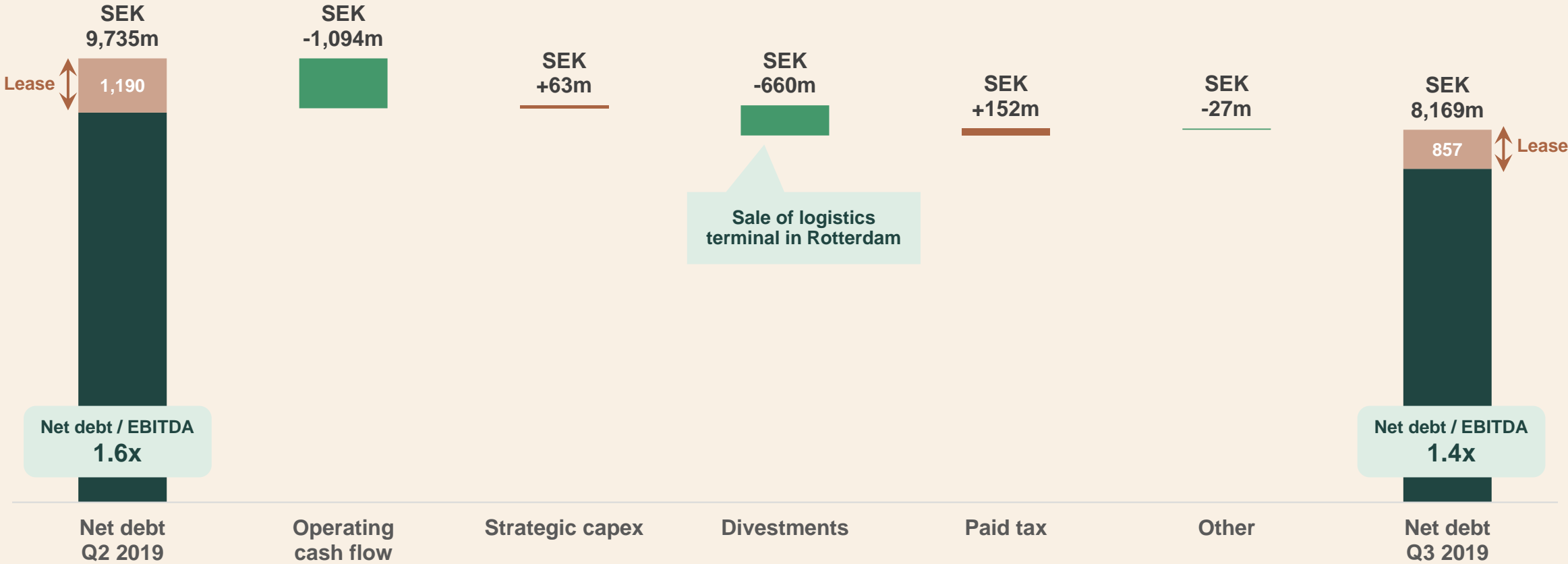
EBITDA Q3 2019 vs. Q3 2018



Cash flow

SEKm	Quarter		Jan-Sep	
	Q3 2019	Q3 2018	2019	2018
EBITDA	1,364	1,549	4,264	3,758
Revaluation of biological assets and other non cash flow items	-312	-220	-614	-541
Operating cash surplus	1,052	1,329	3,650	3,192
Change in working capital	325	-281	-326	-626
Current capital expenditures	-246	-254	-762	-530
Other operating cash flow	-37	-52	-223	-29
Operating cash flow	1,094	742	2,339	2,007
Strategic capital expenditures	-63	-583	-362	-1,705

Net debt Q3 2019 vs. Q2 2019



Balance sheet

SEKm	Sep 30, 2019	Dec 31, 2018
<i>Forest assets according to IAS 41 ¹⁾</i>	33,267	32,065
<i>Deferred tax relating to Forest assets</i>	-6,704	-6,605
Forest assets, net of deferred tax	26,563	25,460
Working capital	3,893	3,735
<i>Working capital/Net sales ²⁾</i>	20%	18%
Other capital employed	17,800	16,887
Total capital employed	48,256	46,082
Net debt	8,169	7,020
<i>Net debt/EBITDA ³⁾</i>	1.4x	1.3x
Equity	40,087	39,062
<i>Net debt/Equity</i>	20%	18%

Note: 1) Gross value before deferred taxes. 2) Average working capital for 13 months as a percentage of 12-month rolling net sales. 3) 12-months EBITDA, up to end of each period.

Forest Revaluation



Forest Total Return

Ulf Larsson, CEO



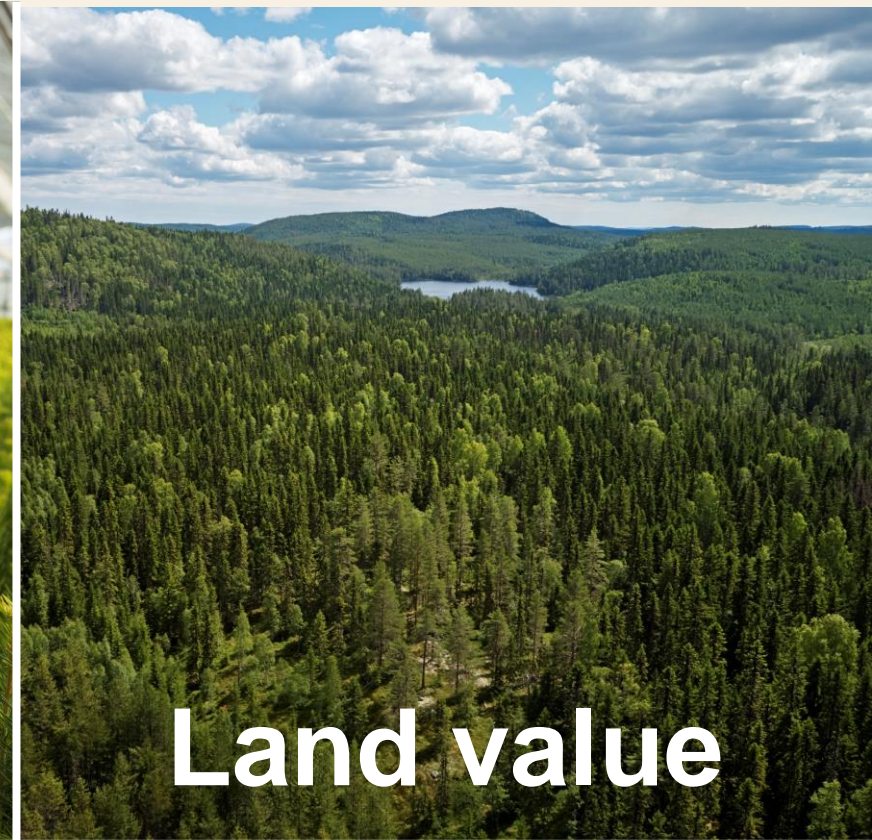
Forest assets create value in several ways



Harvesting



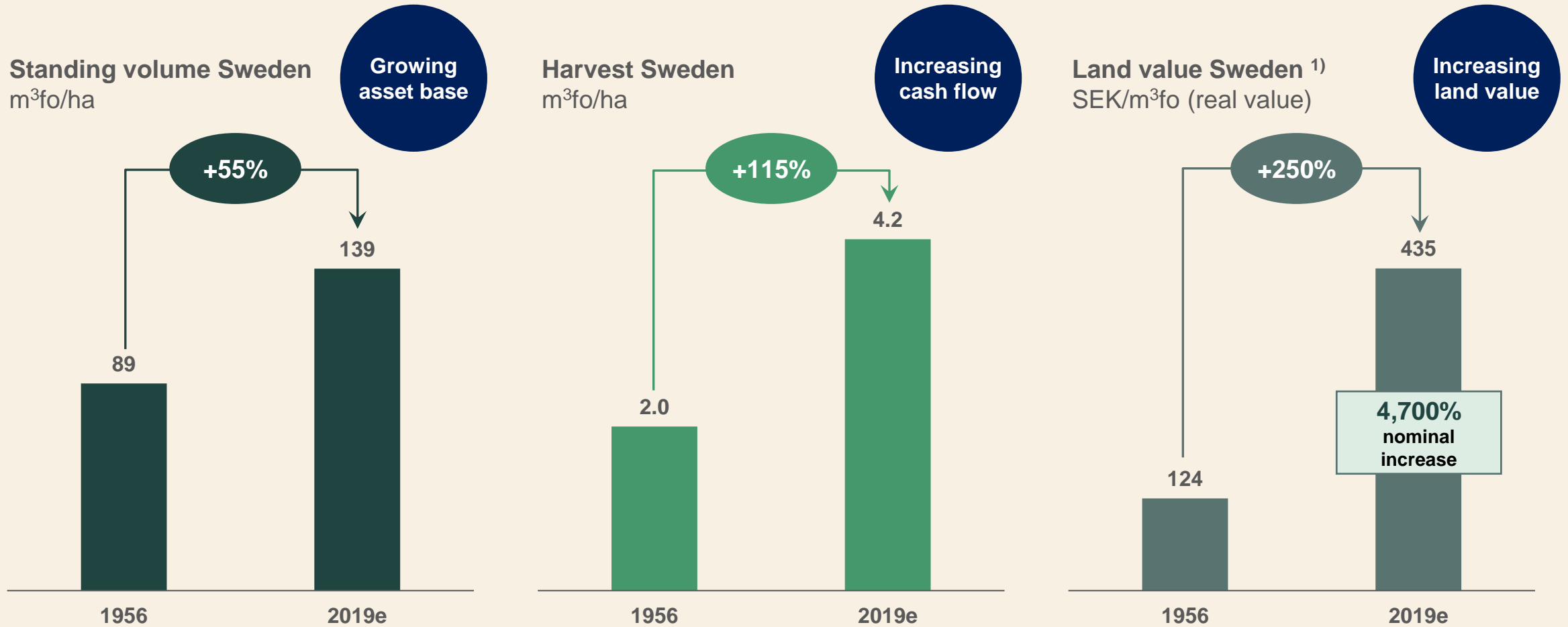
Net growth



Land value

Positive climate effect

We have never had as much forest in Sweden as we have today



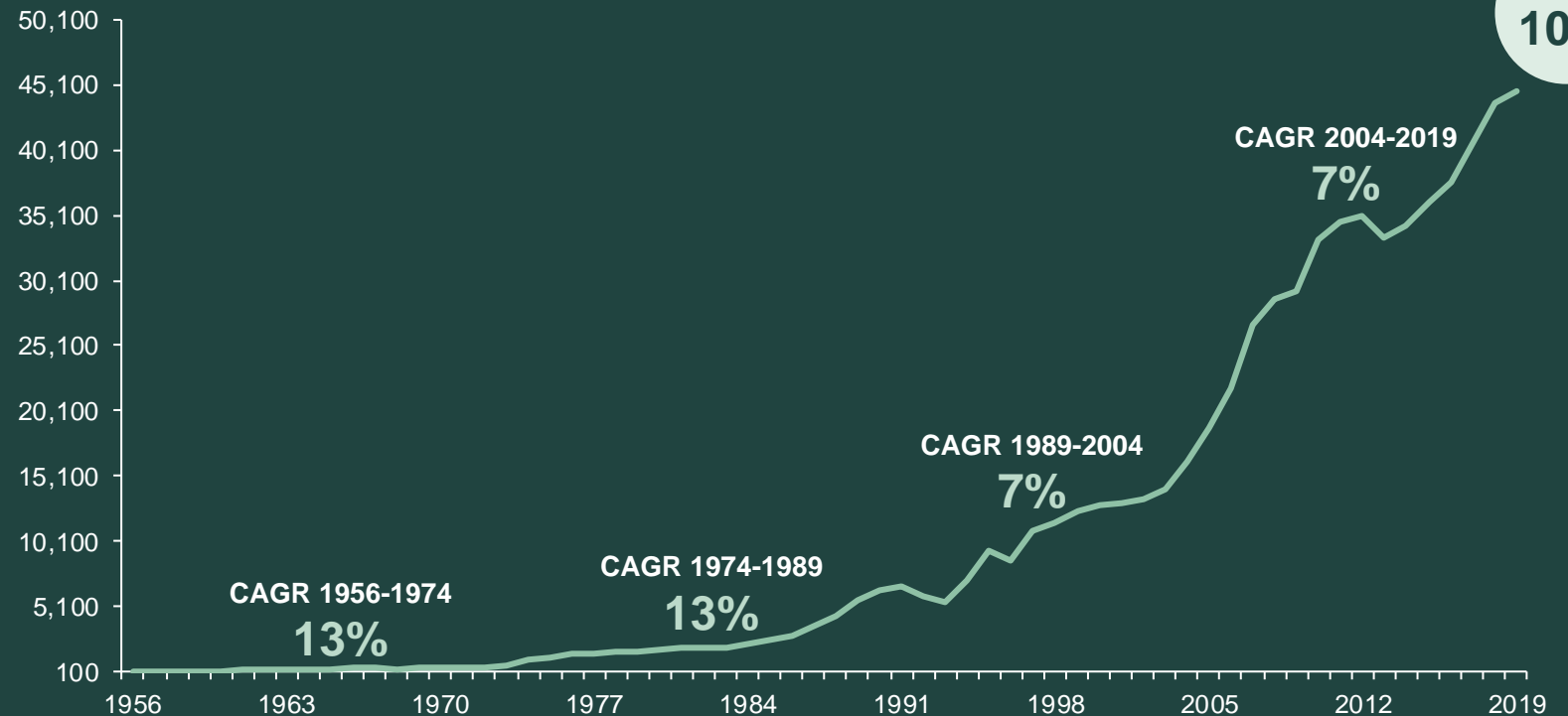
Source: Riksskogstaxeringen, Skogsstyrelsen, LRF, Lantmäteriet, Svefa, FutureVistas.
Note: 1) Average real price (2019 price level).

Forest Total Return

CAGR of 10% since 1956

- 1 **Increasing cash flow**
 - Harvesting provides raw materials to the industries and generates cash flow
 - Cash flow: ~3% CAGR
- 2 **Growing asset base**
 - Forest growth exceeds harvesting
 - Larger standing volume allows for a higher level of harvesting going forward
 - Standing volume: ~1% CAGR
- 3 **Increasing forest land value**
 - Both the volume forest (m³) and land value (SEK/m³) has increased
 - Land value (SEK/m³): ~6% CAGR
- 4 **Positive climate effect**

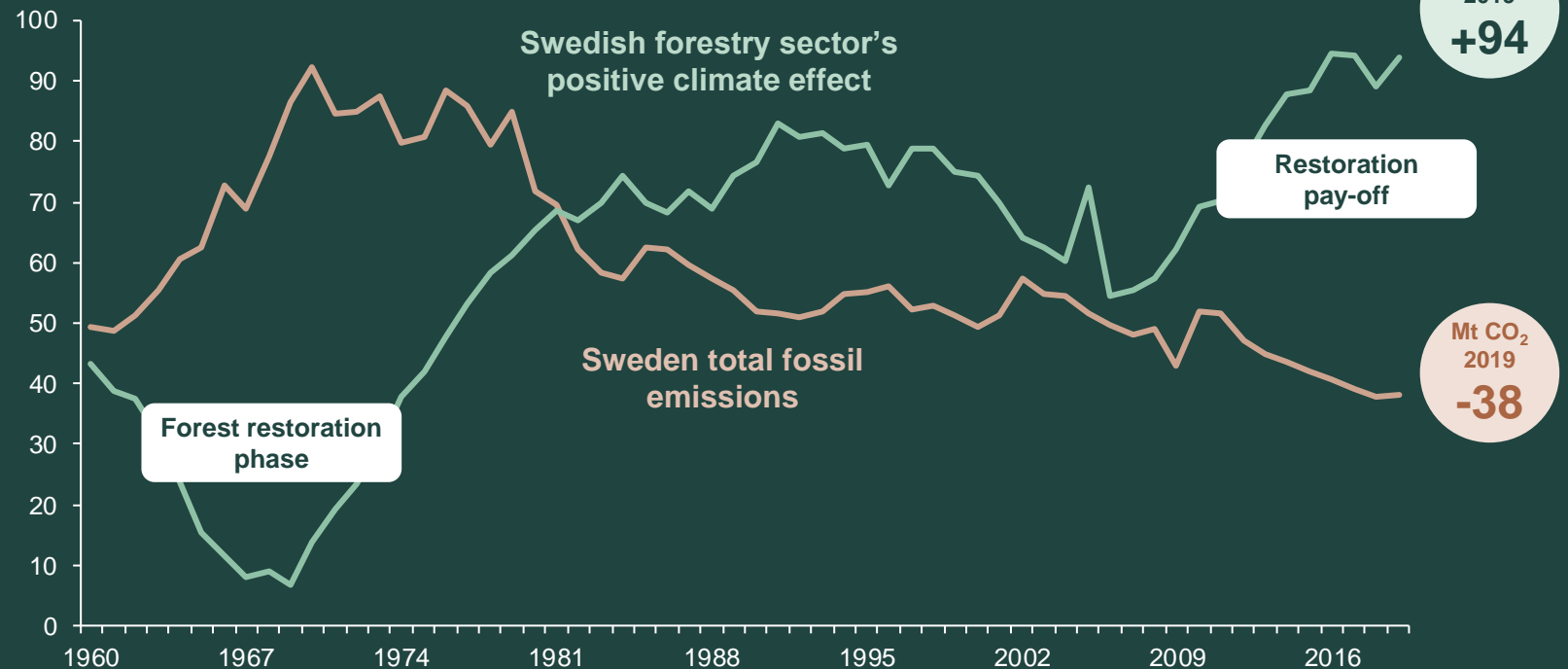
Forest – Total Return Index Sweden (1956-2019e)



The climate benefit from Sweden's forest industry has more than doubled

- 1 Growing forests bind CO₂**
 - Growing forests capture and bind CO₂ – active forest management increases growth
- 2 Substitution replaces CO₂**
 - Higher growth enables more substitution – renewable alternatives replace fossil based products
- 3 Investments reduce carbon emissions**
 - Investments and innovation reduce carbon emissions and increase profitability

Positive climate effect of Swedish forestry industry vs. Sweden's total fossil emissions
(million tonnes CO₂ equivalents per year)



Forest Revaluation

Toby Lawton, CFO



Europe's largest private forest owner

Forestland

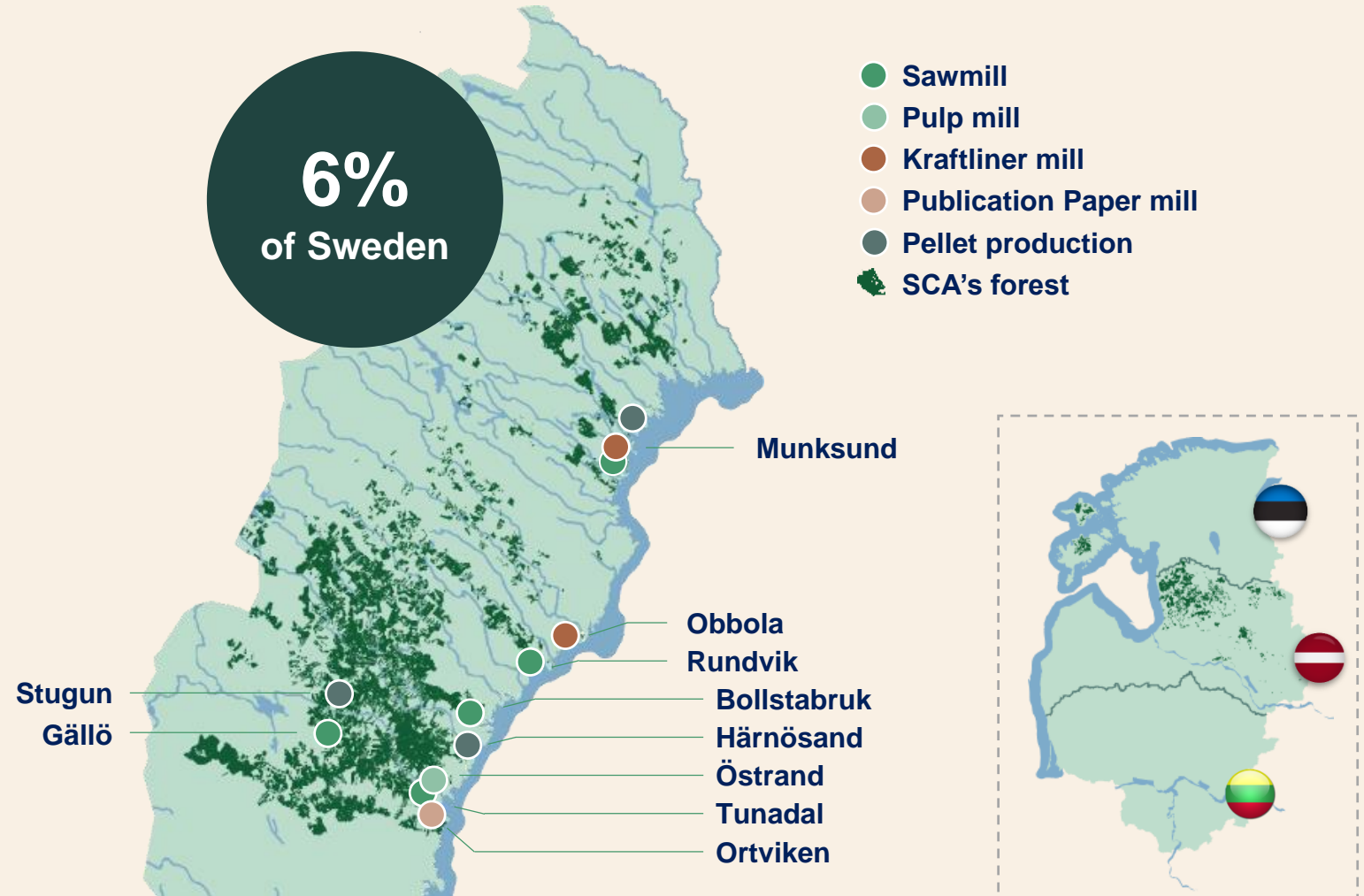
2.6 *m ha*

Productive forestland

2.0 *m ha*

Standing volume ¹⁾

241 *m m³fo*



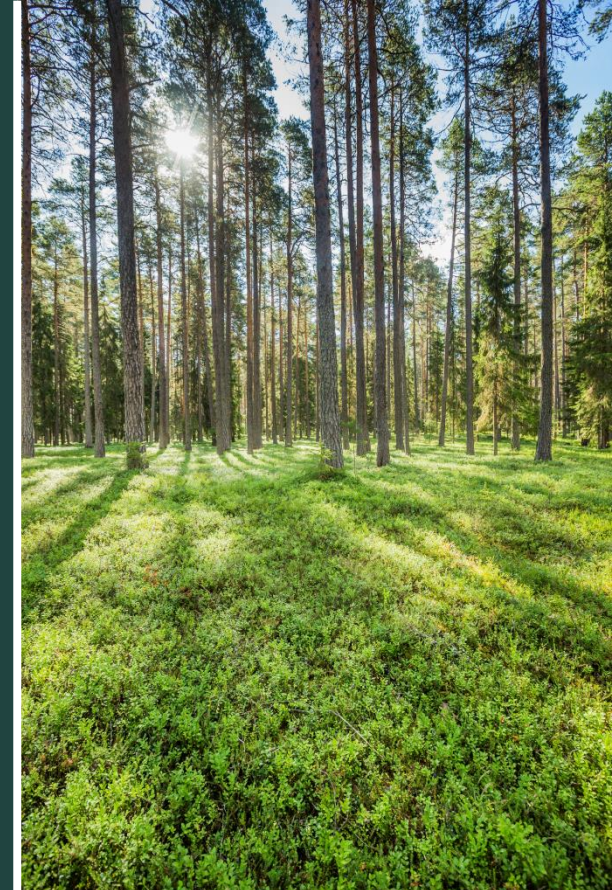
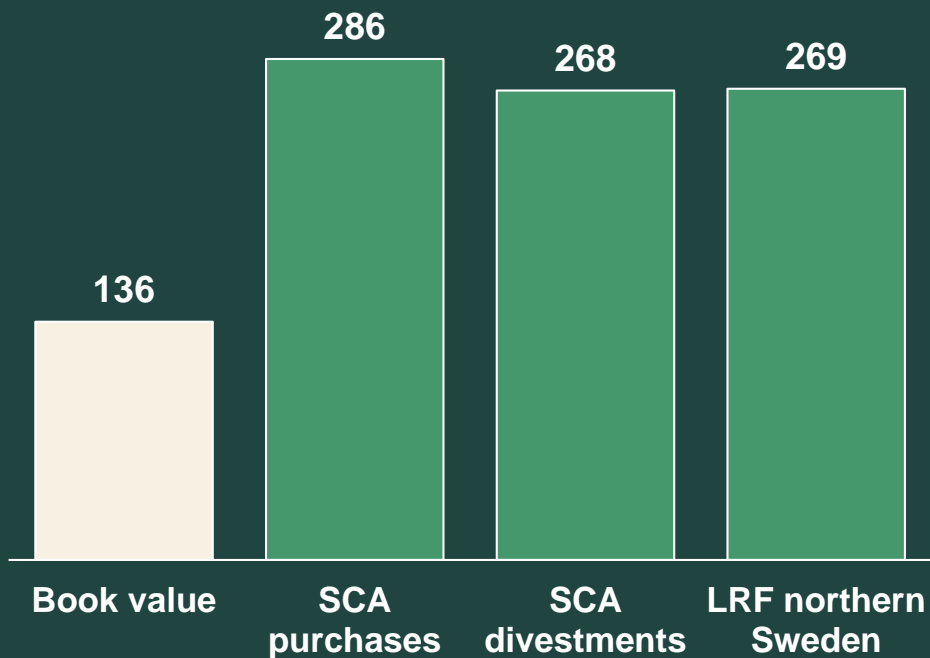
Note: 1) Including forest holdings in the Baltics. Estimated per December 31, 2019.

Market value significantly above book value

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

Value of forest land (2018, SEK/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 forest

Forest market value estimated to SEK 63-67bn

Plan to change the accounting method for valuing the forest holdings as of Dec 31, '19

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

Estimated market value of SEK 63-67bn

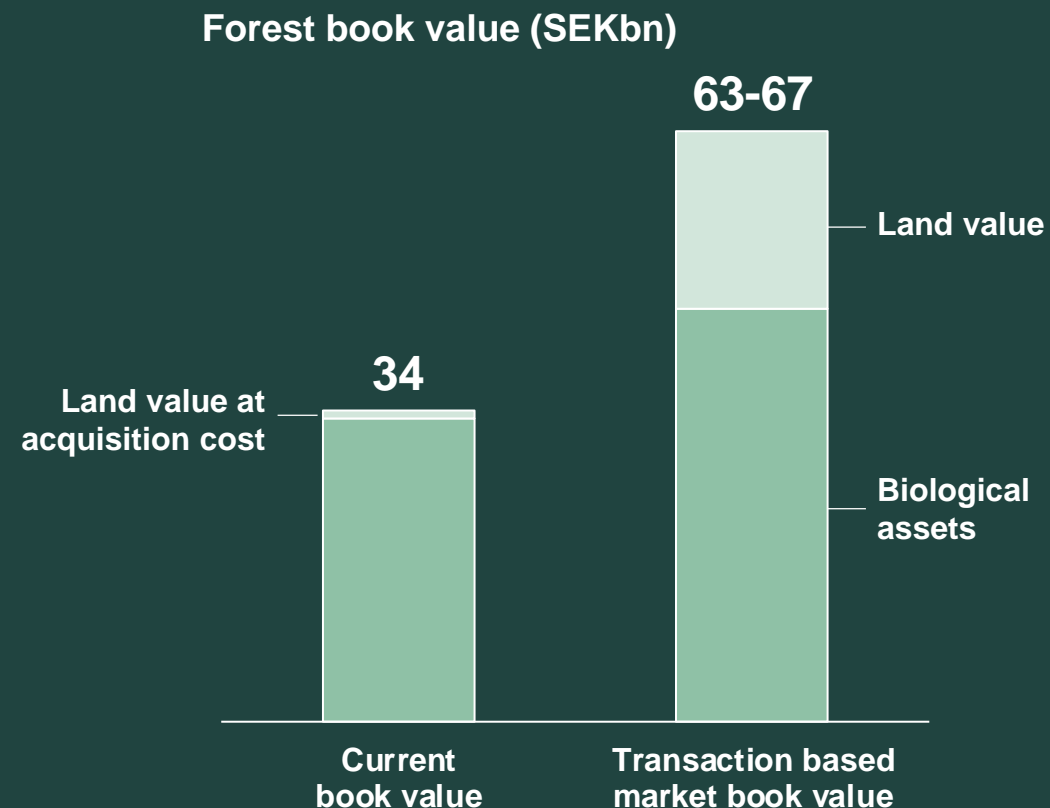
Value to be split between Biological assets and Land value according to IFRS

- DCF to calculate value of growing trees (biological assets)
- ~70% biological assets / ~30% land value

Change in value of Biological assets reported in Income statement

Change in value of Land reported in OCI

Review to be concluded in Q4 '19



Summary

Ulf Larsson, CEO

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Forest total return analysis

Revaluation of forest asset to market value as of Dec 31, 2019



Q&A

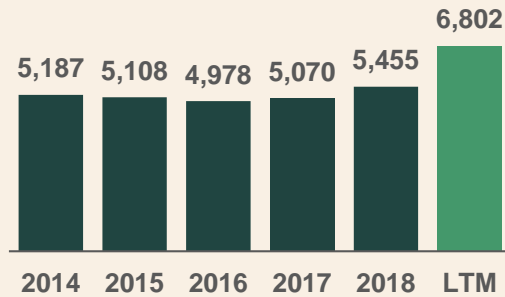
A photograph of a sunset over a forest. The sun is a bright, glowing circle in the center of the frame, partially obscured by the word 'Appendix'. The sky is a mix of orange, yellow, and light blue. The foreground shows the dark silhouettes of trees against the bright background.

Appendix

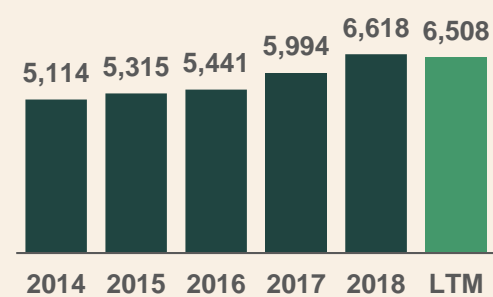
Contribution by segment

Forest

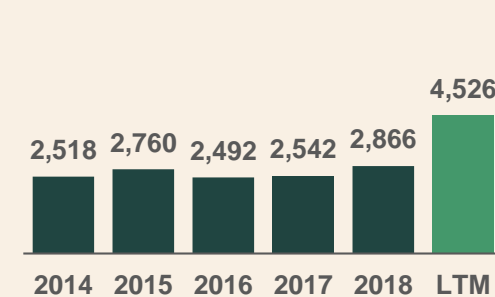
Net sales (SEKm)



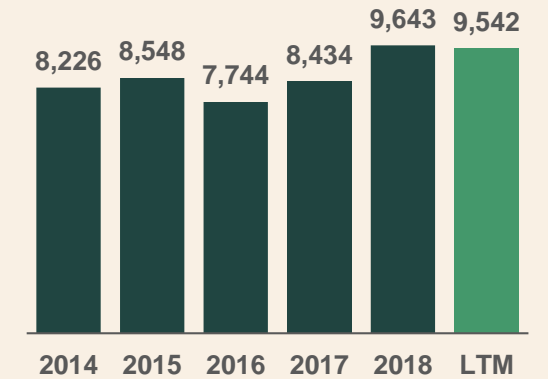
Wood



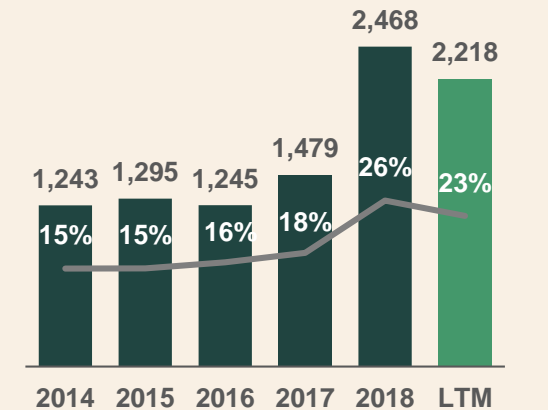
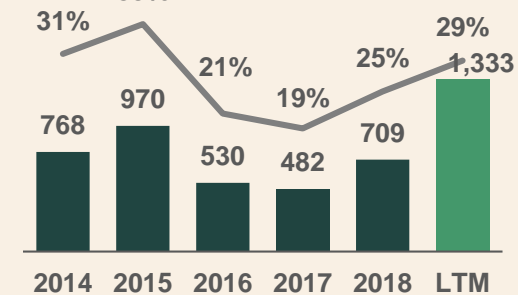
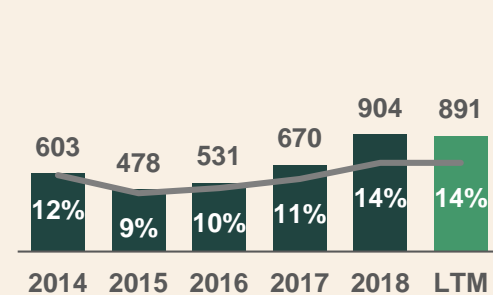
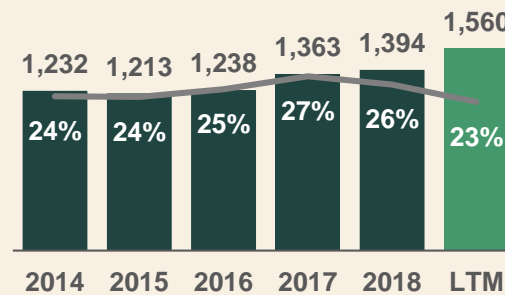
Pulp



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.