



Year-end report presentation 2019

January 30, 2020





Ulf Larsson, CEO



Summary 2019

Sales growth of 4% vs 2018

- Price/mix -8%, volume 11%, currency 3%, acq/div -2%

EBITDA up 1% vs 2018

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

Operating cash flow up 6% vs 2018

Ramp-up of Östrand pulp mill

- Investment financed by operating cash flow

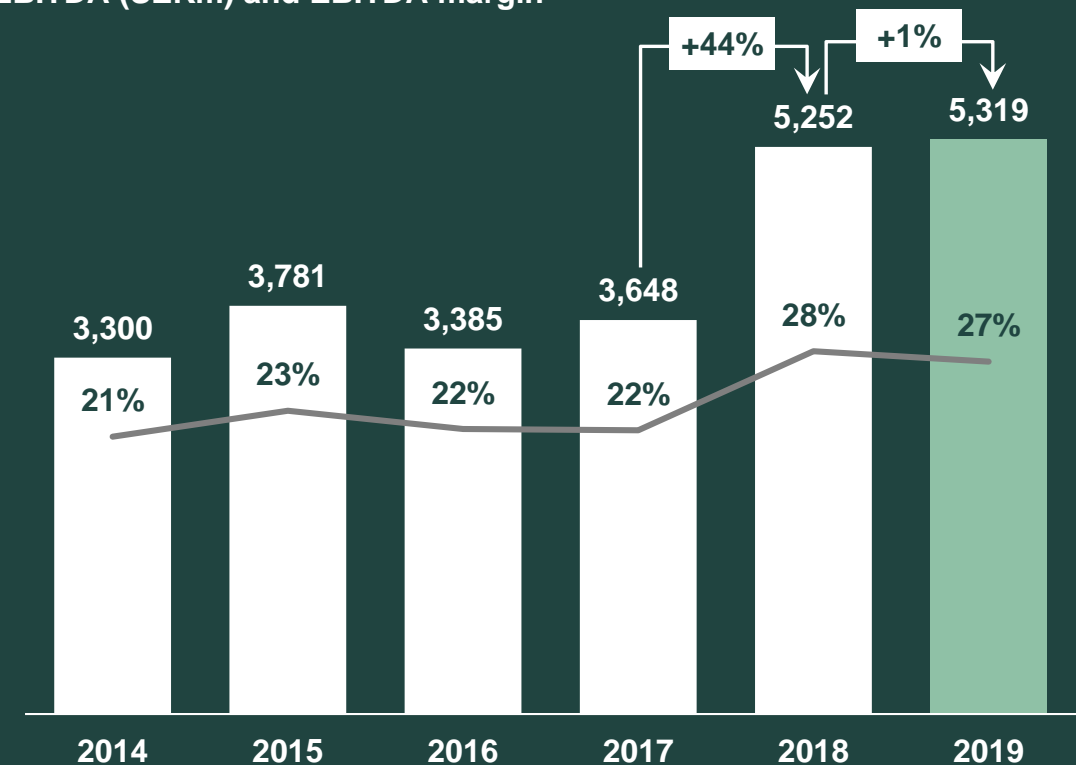
Acquisition of 30,000 ha forest land in the Baltics

SEK 7.5bn Kraftliner investment in Obbola

Increased standing volume from new forest survey

Revaluation of forest asset to market value of SEK 70bn

EBITDA (SEKm) and EBITDA margin



SCA's performance 2019

EBITDA (SEKm)

5,319
(5,252)

Industrial ROCE ¹⁾

12%
(20%)

Proposed dividend (SEK)

2.00
(1.75)

EBITDA margin

27%
(28%)

Net debt/EBITDA

1.6x
(1.3x)

EPS (SEK)

4.05
(5.21)

Note: Excluding effects from changed accounting method for valuation of forest assets.
Figures in "(#)" refer to 2018. 1) ROCE for the industrial segments; Wood, Pulp and Paper.

Summary Q4 2019

Sales growth of -12% vs Q4 2018

- Price/mix -12%, volume 1%, currency 1%, acq/div -2%

Weaker market with lower prices

- However, increasing demand and declining inventories Q4 vs Q3

EBITDA down 29% vs Q4 2018

- Lower selling prices
- Higher costs for planned maintenance stops
- Unplanned stops
- + Positive currency effects



SCA's performance Q4 2019

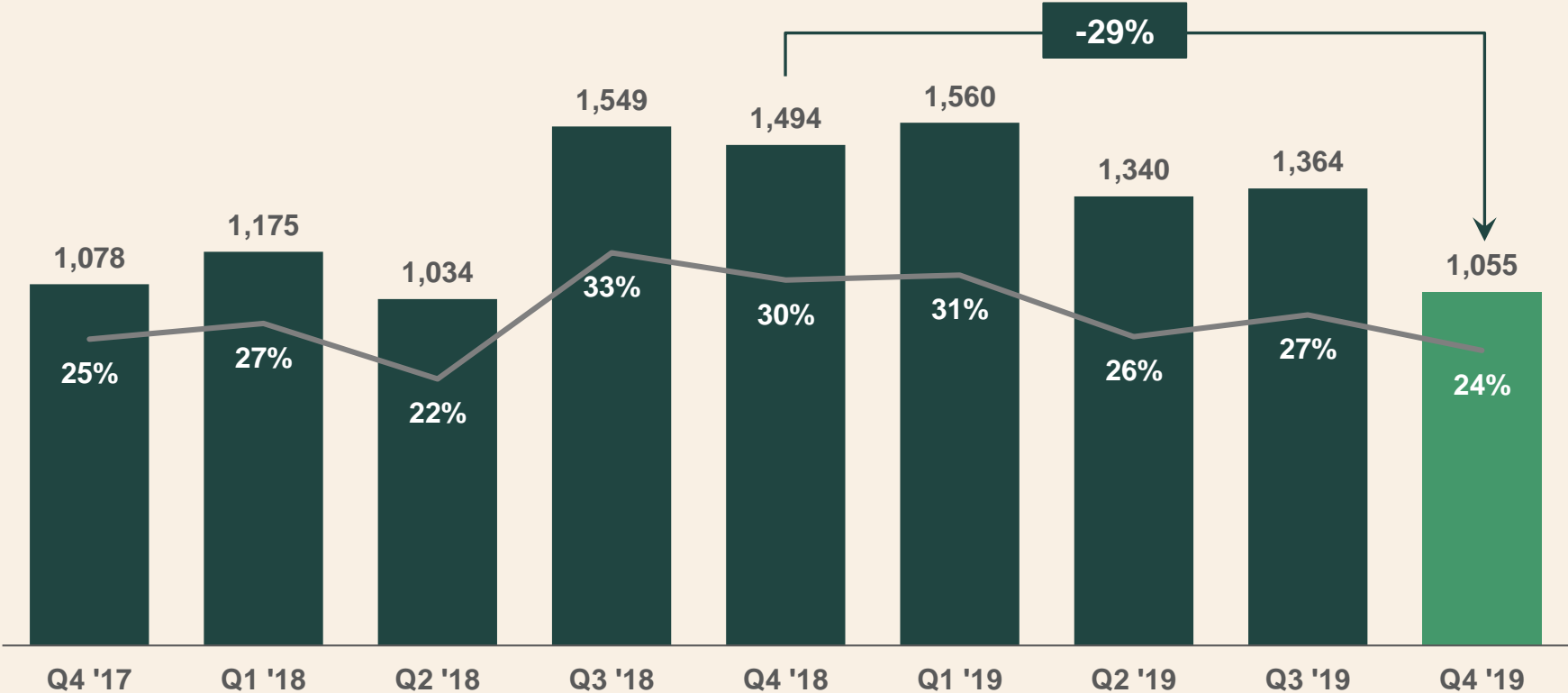
EBITDA (SEKm)

1,055

EBITDA margin

24%

EBITDA (SEKm) and EBITDA margin

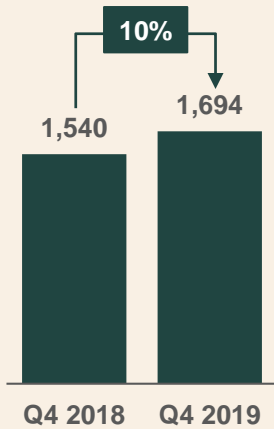


Note: Excluding effects from changed accounting method for valuation of forest assets.

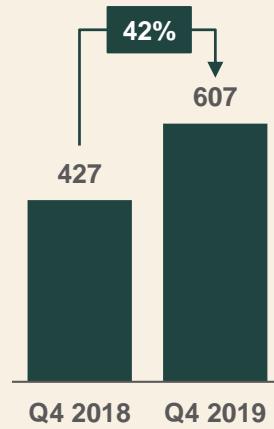


Forest Q4 2019 vs. Q4 2018

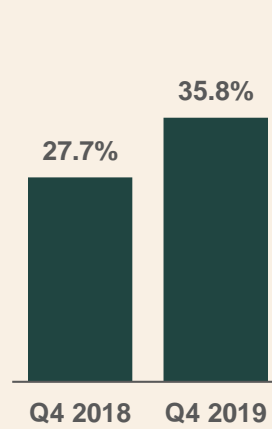
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Prices stable during the quarter

- Prices on new contracts are lower

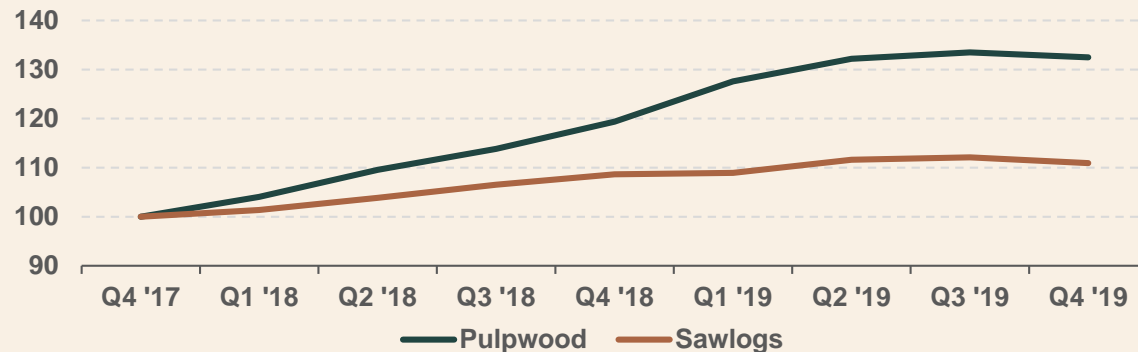
Sales up 10%

- + Increased volumes to the expanded pulp mill, partly offset by maintenance stops
- + Higher prices

EBITDA up 42%

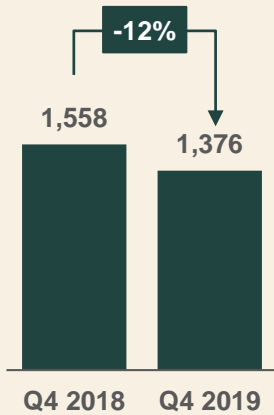
- + Higher prices
- + Higher earnings from revaluation of biological assets
- + Capital gain from forest transactions

Price development – Pulpwood and Sawlogs

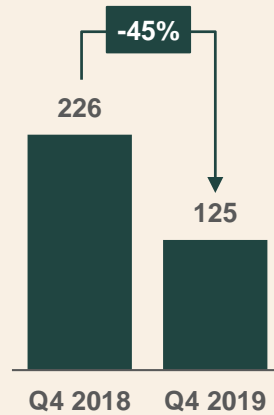


Wood Q4 2019 vs. Q4 2018

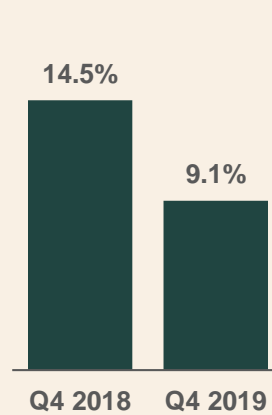
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Over supply in continental Europe, leading to declining prices

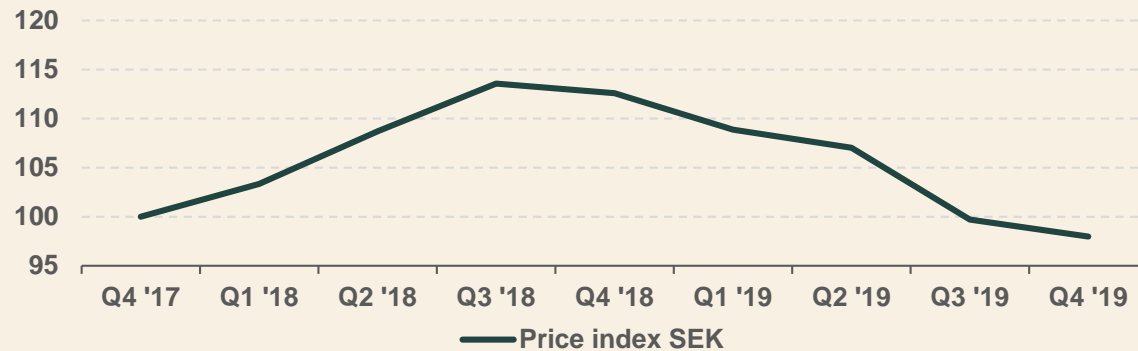
Sales down 12%

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

EBITDA down 45%

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

Price development – Solid Wood Products



Pulp – Q4 production update

Planned maintenance stop

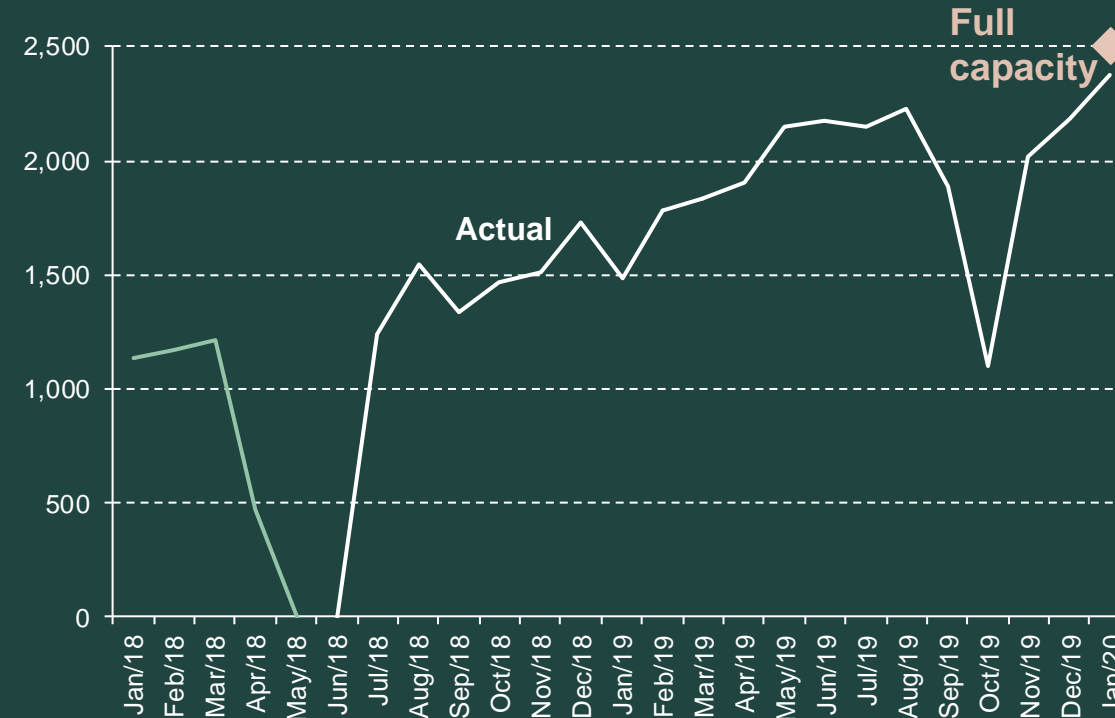
- Economizer replaced

Unplanned maintenance stop

- Downtime for repeated repair work on faulty conveyor belt

Focus on maximizing availability

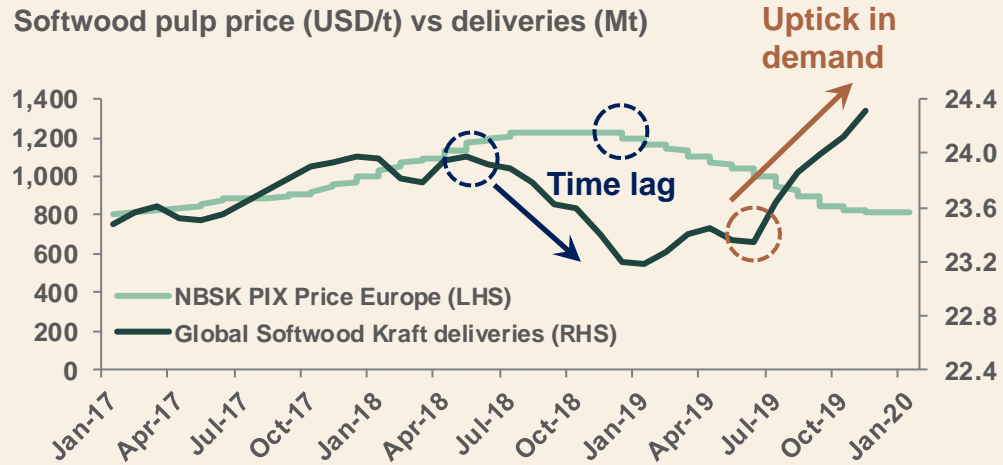
Average daily NBSK production (tonnes)



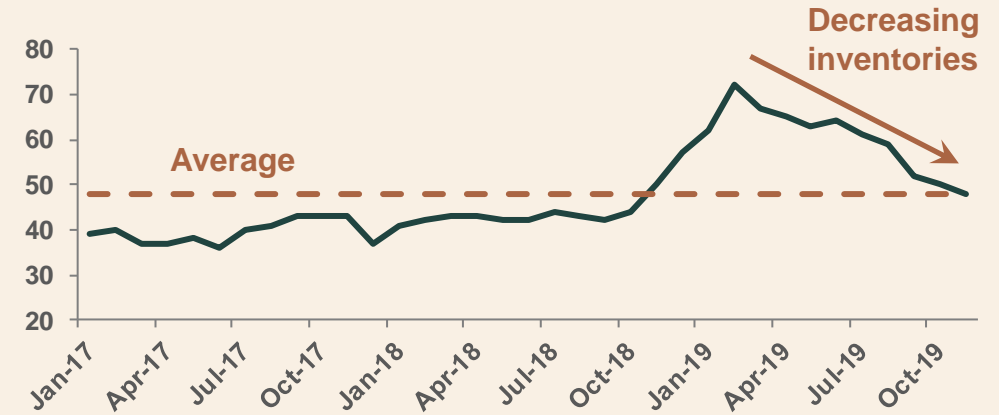
Note: October 2019 excludes planned maintenance stop.
Production January 2020 up until January 28, 2020.

Pulp market development

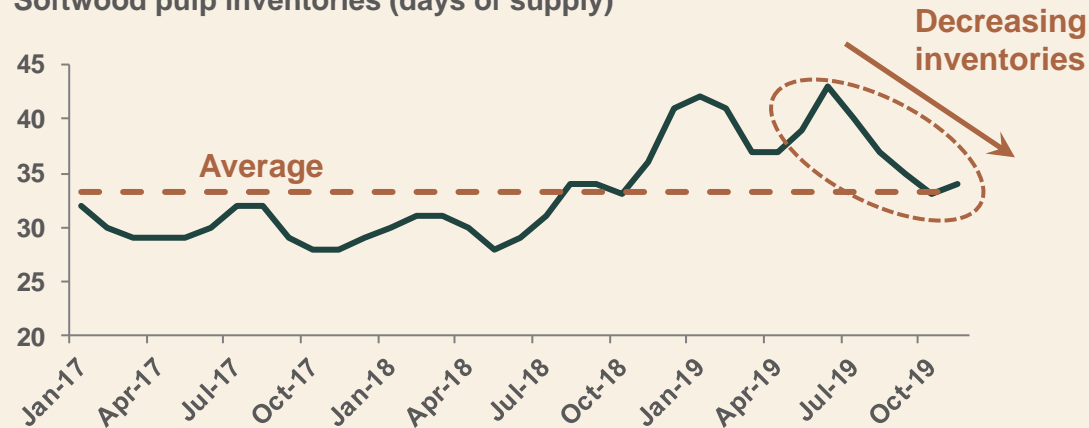
Softwood pulp price (USD/t) vs deliveries (Mt)



Hardwood pulp inventories (days of supply)



Softwood pulp inventories (days of supply)

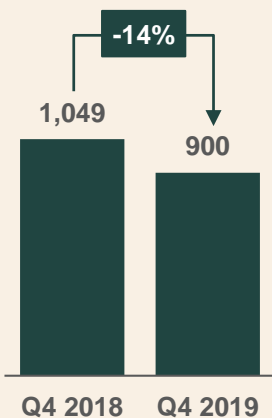


Increasing pulp demand

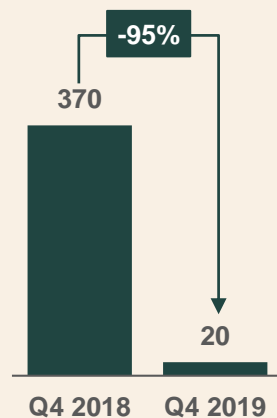
- Increased global pulp deliveries
- Decreased softwood and hardwood inventories
- However, prices lagging behind
- Chinese NBSK price slightly up in January

Pulp Q4 2019 vs. Q4 2018

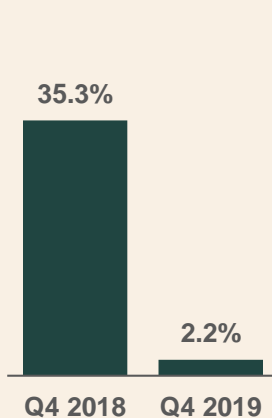
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



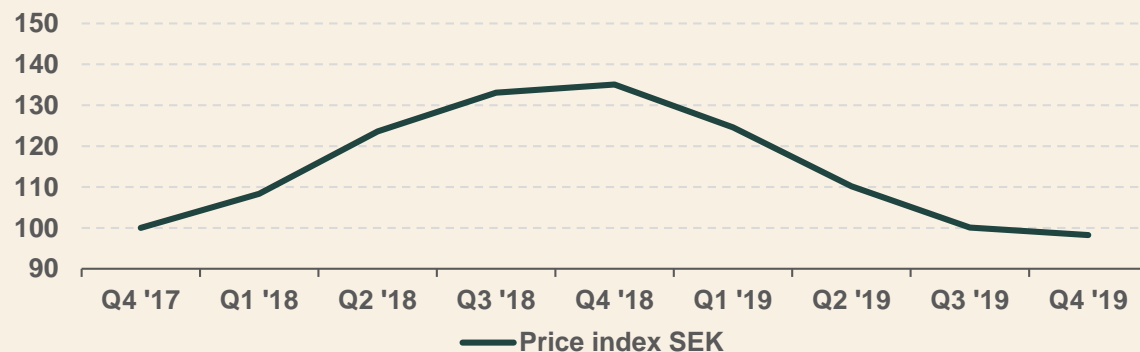
Sales down 14%

- + Increased volumes
- Lower prices
- Planned maintenance stop
- Unplanned stops

EBITDA down 95%

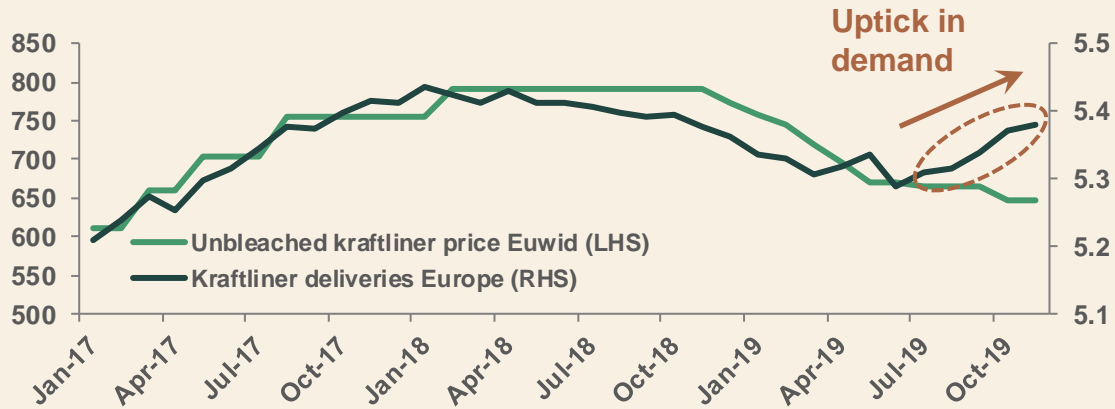
- Lower prices and higher costs for wood raw material
- Planned maintenance stop -138 (-15) MSEK
- Unplanned maintenance stops -50 (0) MSEK
- + Increased volumes and improved energy balance

Price development – NBSK Pulp

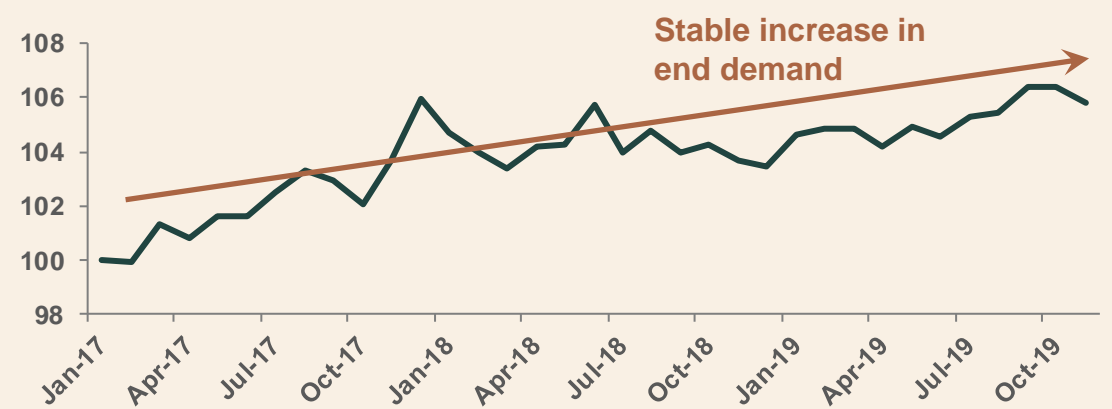


Containerboard market development

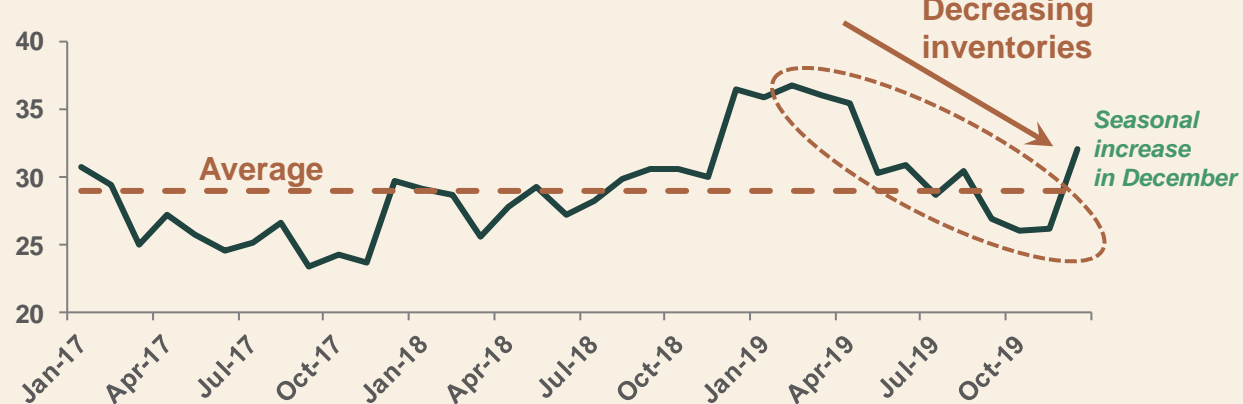
Price (EUR/t) vs Kraftliner deliveries (Mt)



Box demand (index)



Kraftliner inventories (days of supply)

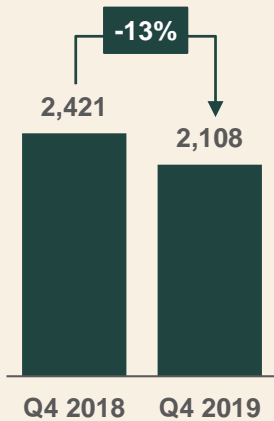


Increasing kraftliner demand

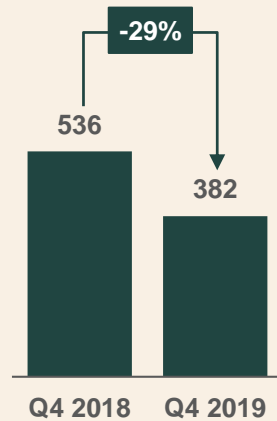
- Pick-up in European deliveries
- Decreasing inventories
- Stable increase in box demand
- Good order in-flow
- However, prices lagging behind

Paper Q4 2019 vs. Q4 2018

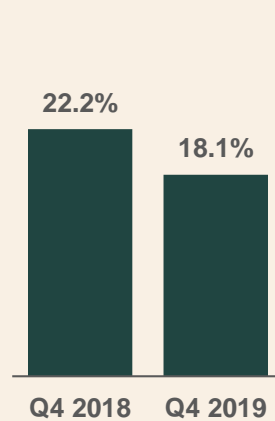
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



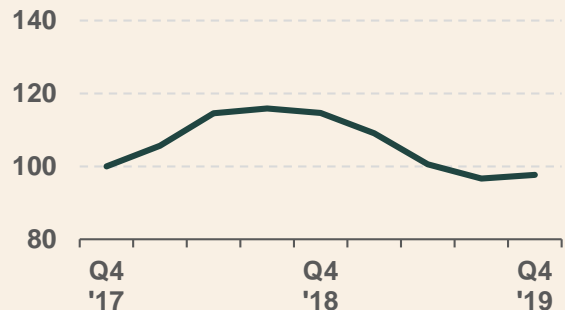
Sales down 13%

- Lower kraftliner prices and lower volumes
- + Positive currency effects

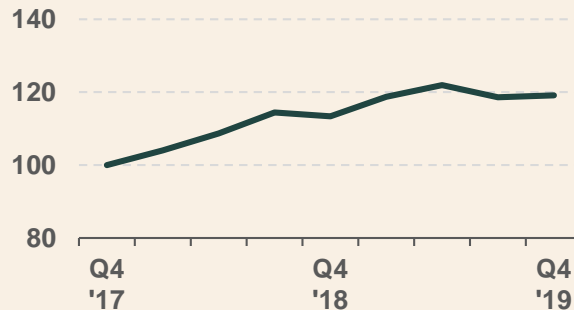
EBITDA down 29%

- Lower kraftliner prices and lower volumes
- Fire at Ortviken paper mill
- + Positive currency effects
- + Higher publication paper prices
- + Higher share of white-top kraftliner

Price development – Kraftliner



Price development – Publication paper (LWC)



— Price index SEK

New forest survey shows higher standing volume and growth in SCA's forests

New forest survey conducted in 2019

SCA's standing volume in Sweden increased 11m m³fo to 249m m³fo at Dec 31, 2019

- Previous survey from 2012-2013 indicated a standing volume of 238m m³fo at Dec 31, 2019

The 11m m³sk increase related to:

- 6m m³fo higher growth than expected between the two surveys (6 years)
- 5m m³fo from refined measurement method

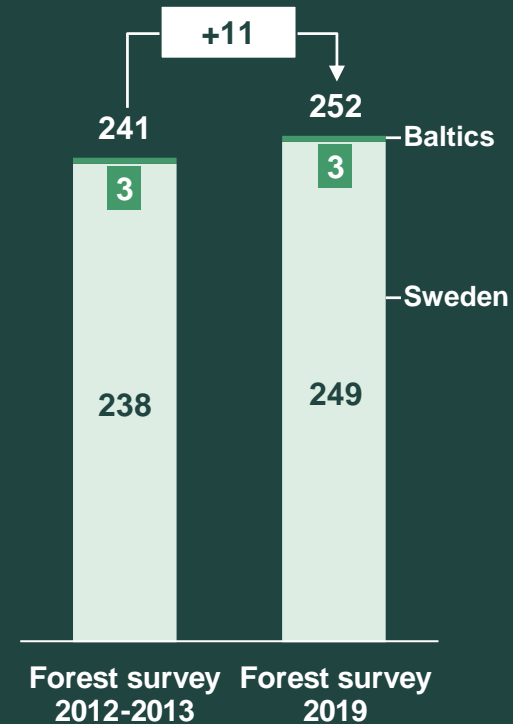
Annual growth 1m m³fo higher than expected

- Gross growth of 10.5 (9.5) m m³fo per year (Sweden)
- Net growth of 4.0 (3.0) m m³fo per year (Sweden)

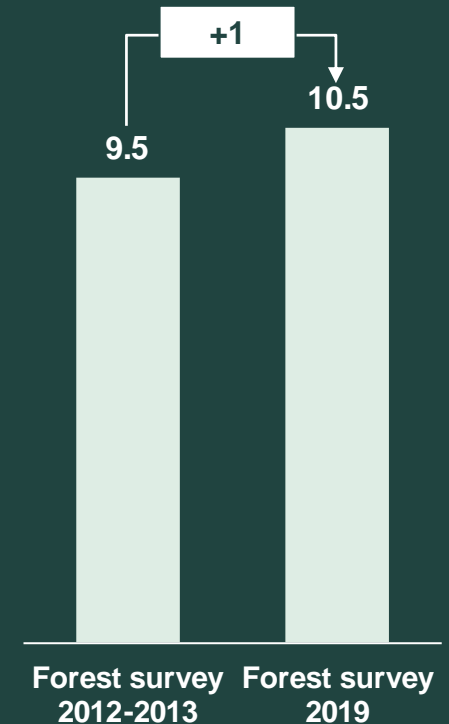
New harvesting plan to be calculated based on the new survey

- Expected to be completed during H1 2020
- Higher growth mainly from the younger forest

Standing volume at Dec 31, 2019
(m m³fo)



Gross forest growth Sweden
(m m³fo)





SCA

HÄLSINGLANN

SJÖDINS GNARP

SCANIA

SUPER

YMW 455

Toby Lawton, CFO



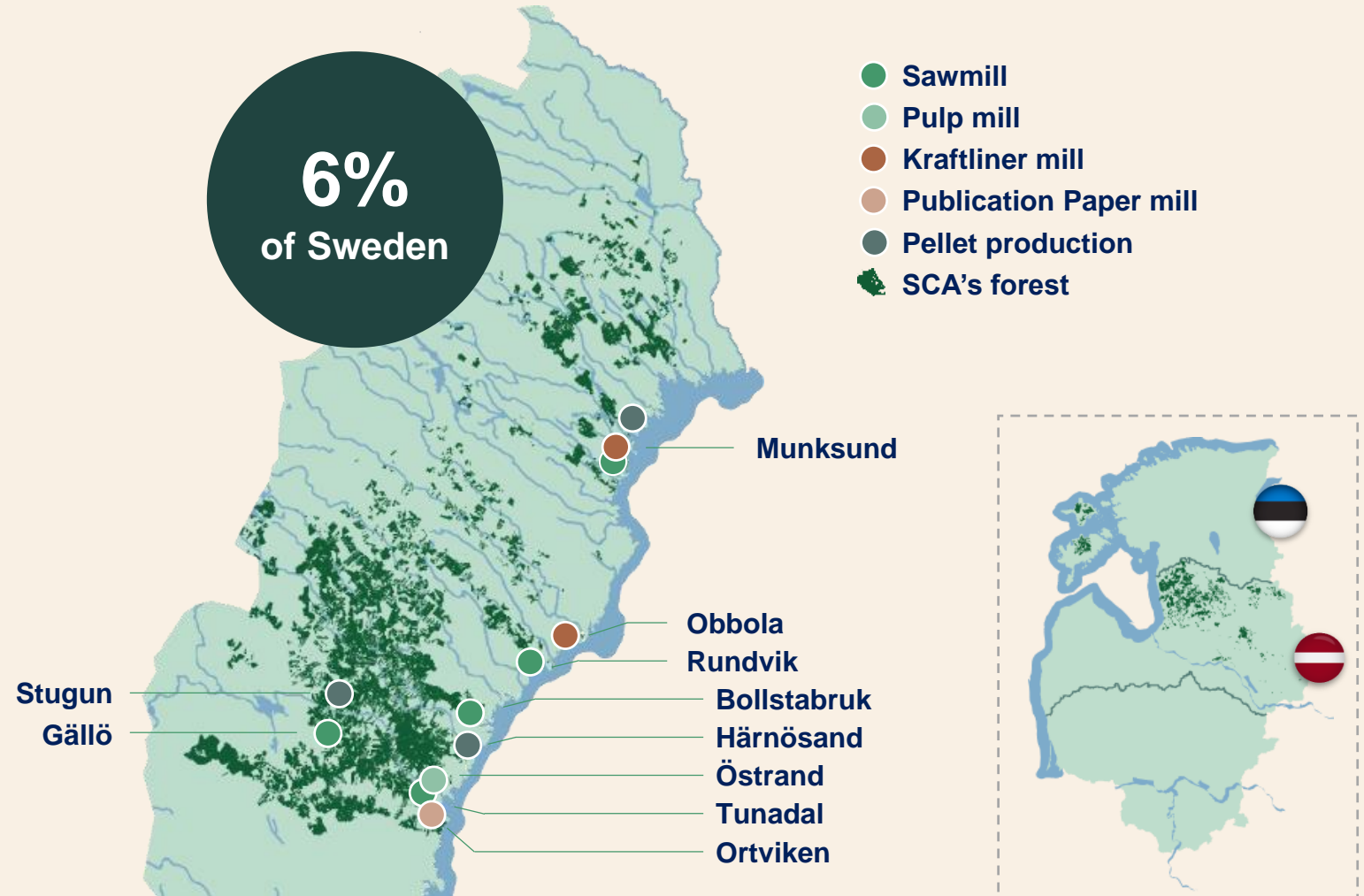
Forest Revaluation

Europe's largest private forest owner

Forestland
2.6 *m ha*

Productive forestland
2.0 *m ha*

Standing volume ¹⁾
252 *m m³fo*



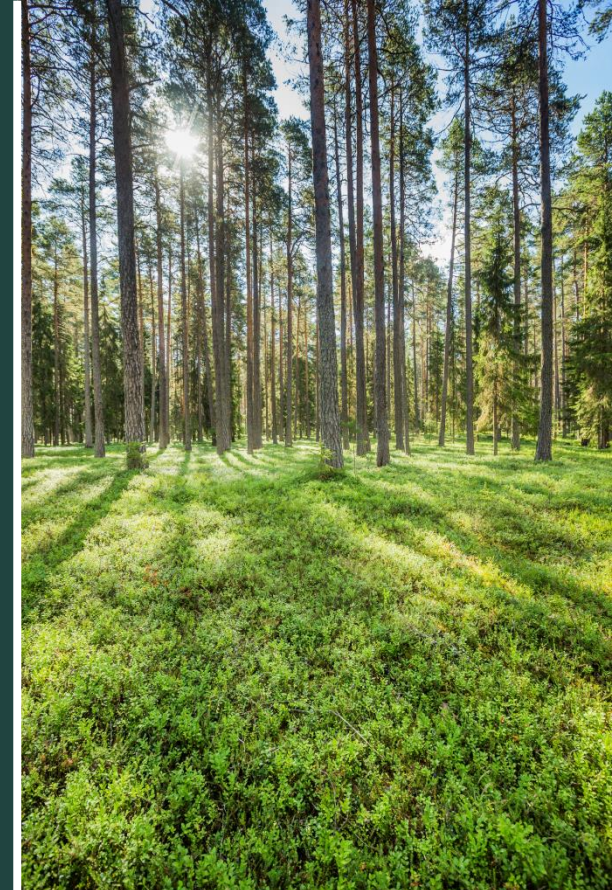
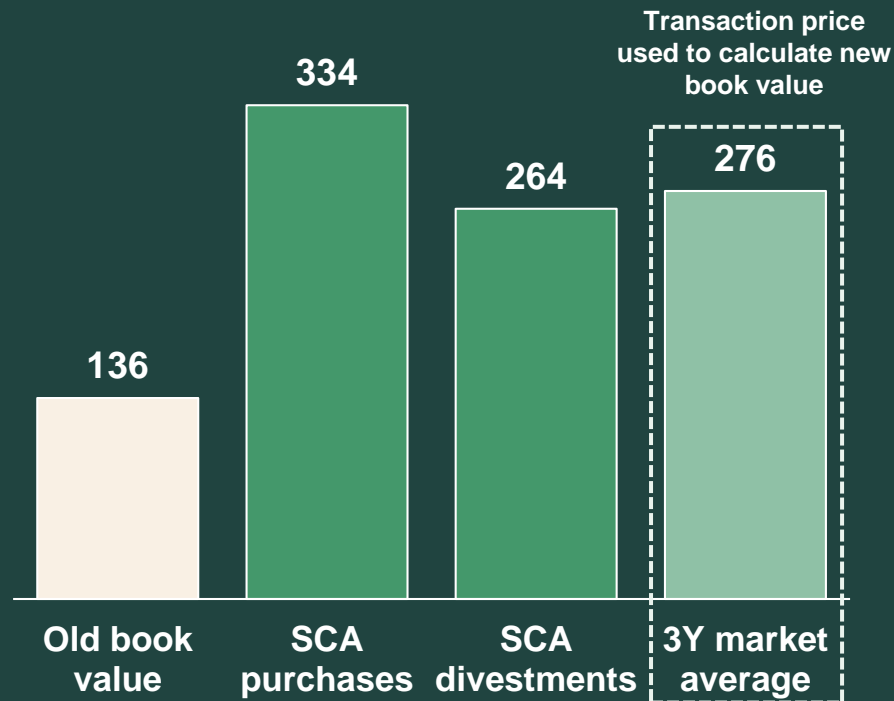
Note: 1) Including forest holdings in the Baltics.

Market value significantly above old book value

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

- Bergvik Öst / AMF – **333** SEK/m³fo
– vs SCA estimated benchmark price ~**370** SEK/m³fo ¹⁾
- Långvind / Holmen – **407** SEK/m³fo
– vs SCA estimated benchmark price ~**400** SEK/m³fo ¹⁾
- Bergvik Latvia / Södra – **31** EUR/m³fo

Value of forest land (2019, 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 asset valued at SEK 70bn

Changed accounting method for valuing the forest asset as of Dec 31, '19

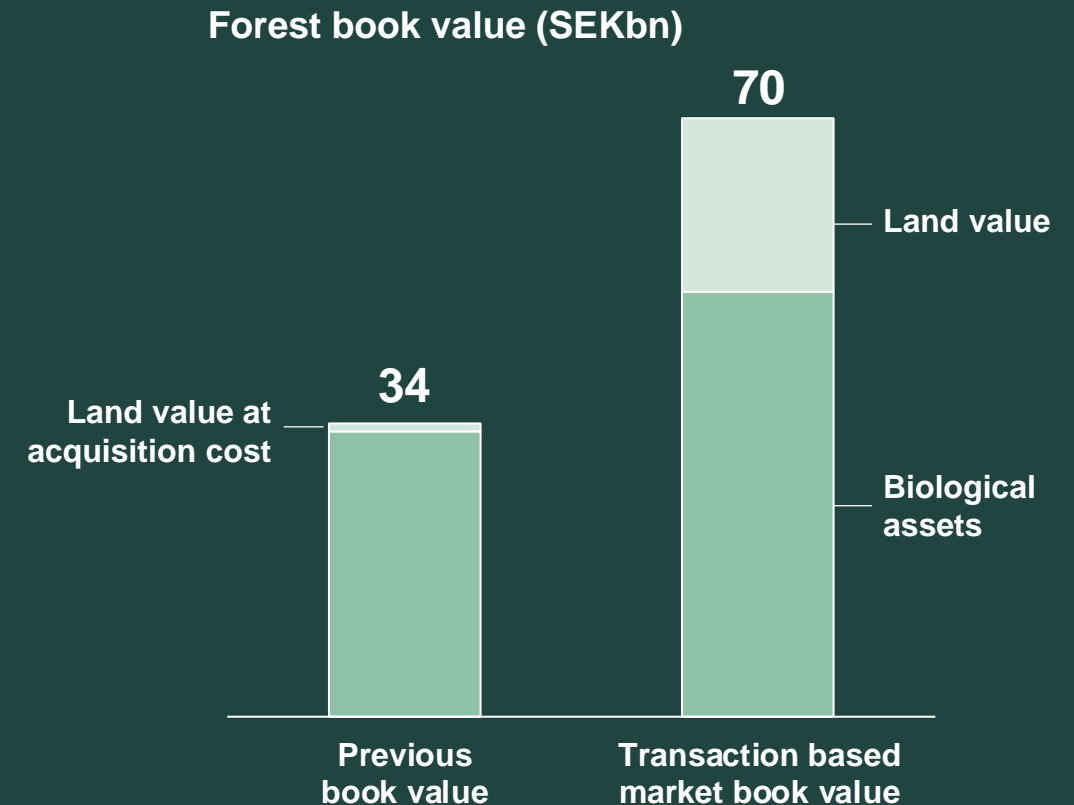
- Market value on the basis of transactions in SCA's area

Market value of SEK 70bn

- Increased standing volume from new taxation included

Value split between Biological assets and Land value according to IFRS

- Change in value of Biological assets reported in Income statement
- Change in value of Land reported in OCI



Income statement – impact from changed accounting method for valuing forests

The change in accounting method resulted in:

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

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

SEKm	Quarter		Full year	
	Q4 2019	Q4 2019 ¹⁾	2019	2019 ¹⁾
Net sales	4,312	4,312	19,591	19,591
EBITDA	17,098	1,055	21,361	5,319
<i>EBITDA margin</i>	396.5%	24.5%	109.0%	27.2%
EBIT	16,600	637	19,665	3,703
<i>EBIT margin</i>	385.0%	14.8%	100.4%	18.9%
Financial items	-25	-25	-126	-126
Profit before tax	16,575	612	19,539	3,577
Tax	-3,422	-134	-4,017	-730
Profit for the period	13,153	478	15,522	2,847
Earnings per share, SEK	18.73	0.68	22.10	4.05

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

Financials

Income statement

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

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

Proposed dividend

Proposed dividend (SEK)

2.00
(1.75)

Adjusted pay-out ratio ^{1) 2)}

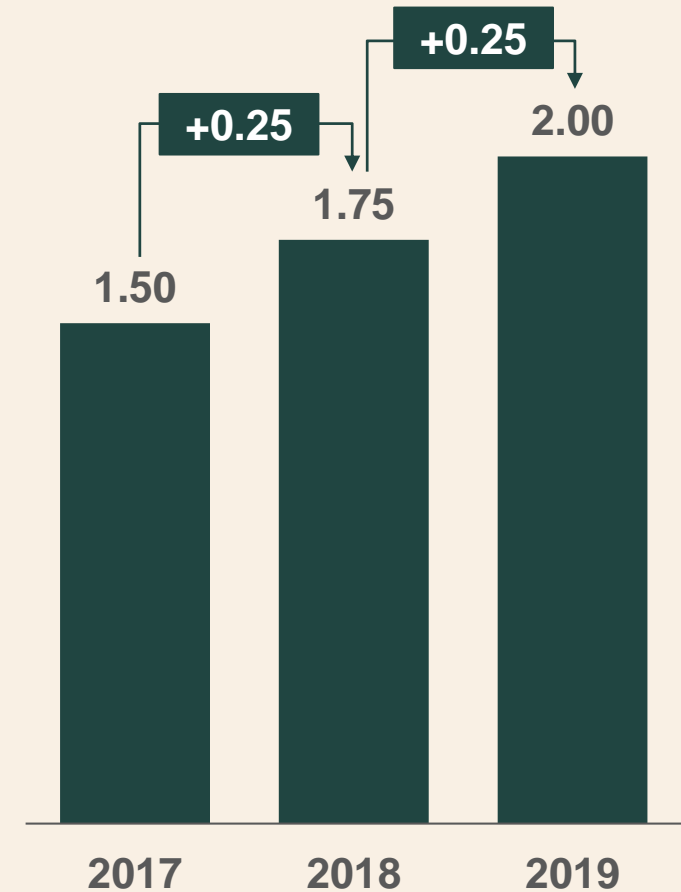
52%
(39%)

EPS (SEK) ¹⁾

4.05
(5.21)

Pay-out ratio ¹⁾

49%
(34%)



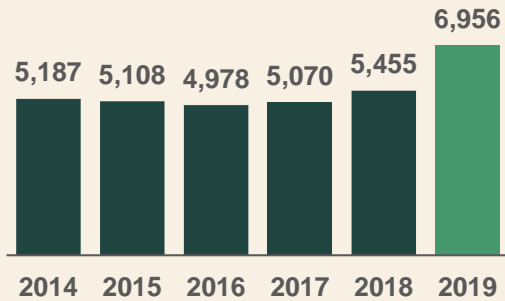
Note: 1) Excluding effects from changed accounting method for valuation of forest assets.

2) Pay-out ratio using EPS excluding the revaluation of deferred tax due to the reduction of the corporate tax rate. A positive one-off item of SEK 544m 2018 and SEK 139m 2019.

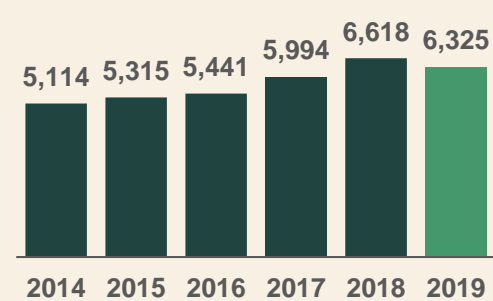
Contribution by segment

Forest

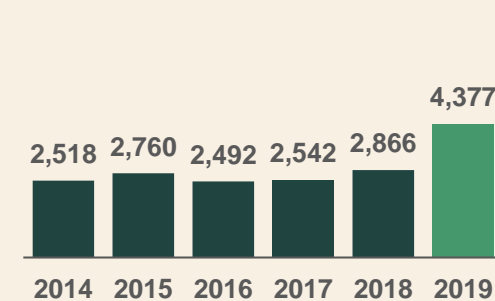
Net sales (SEKm)



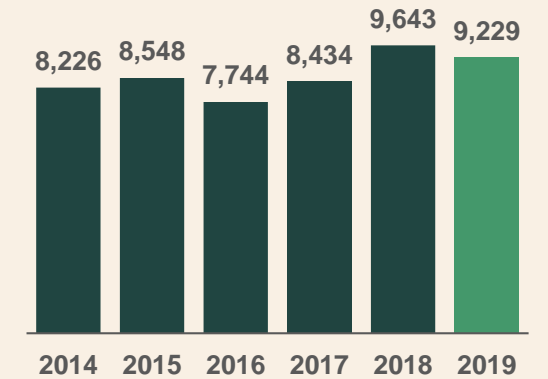
Wood



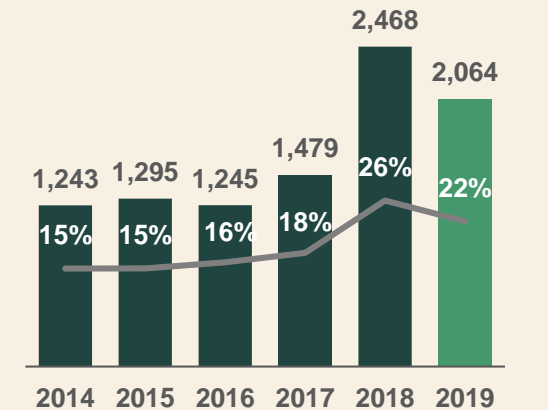
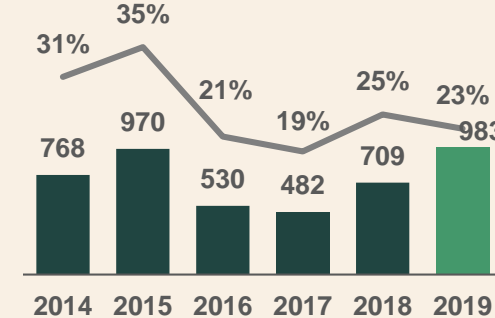
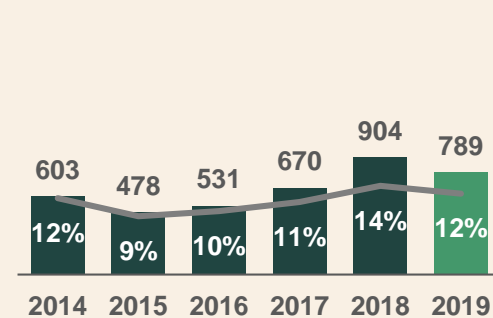
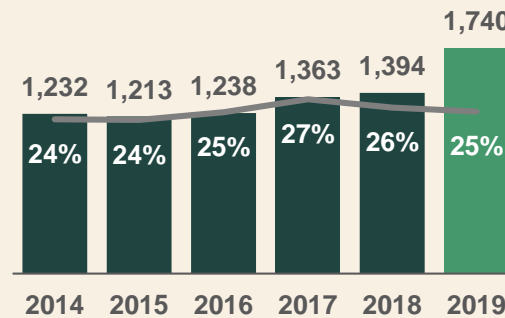
Pulp



Paper

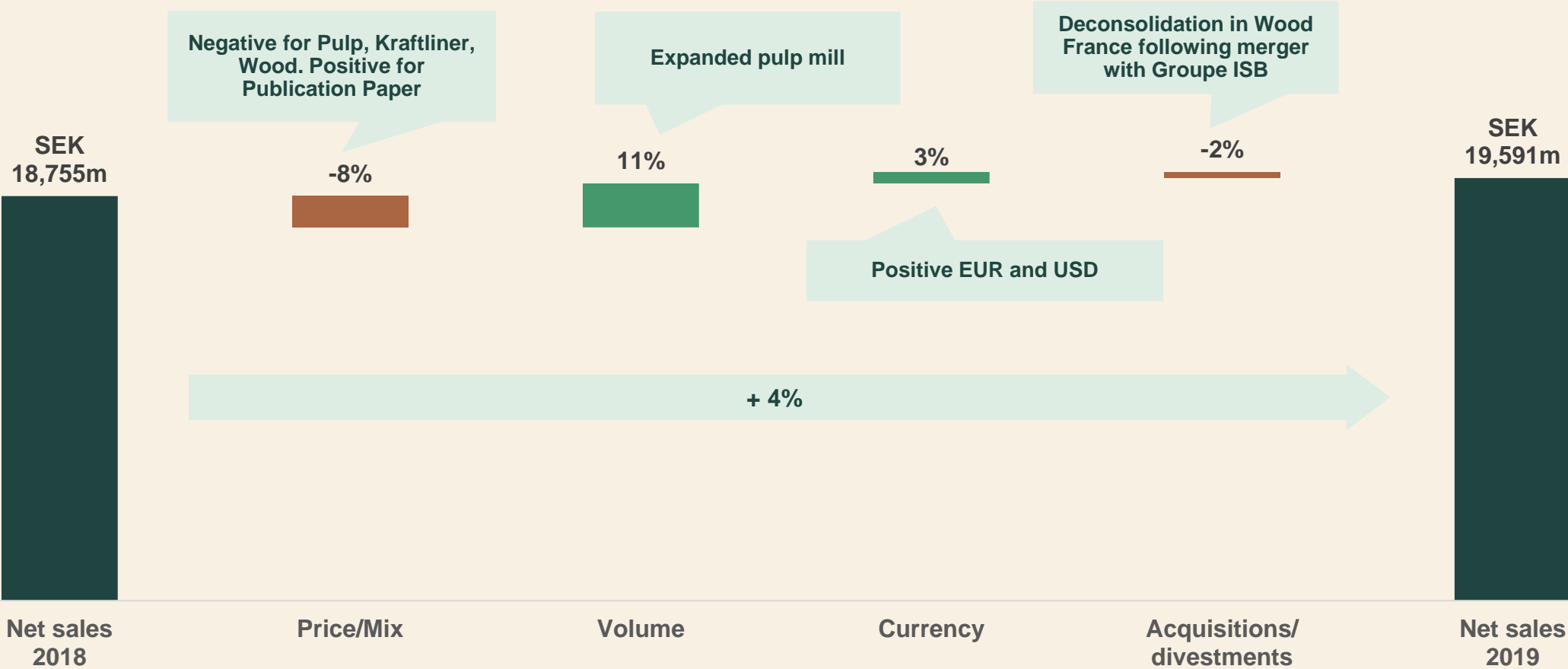


EBITDA (SEKm) and EBITDA margin ¹⁾

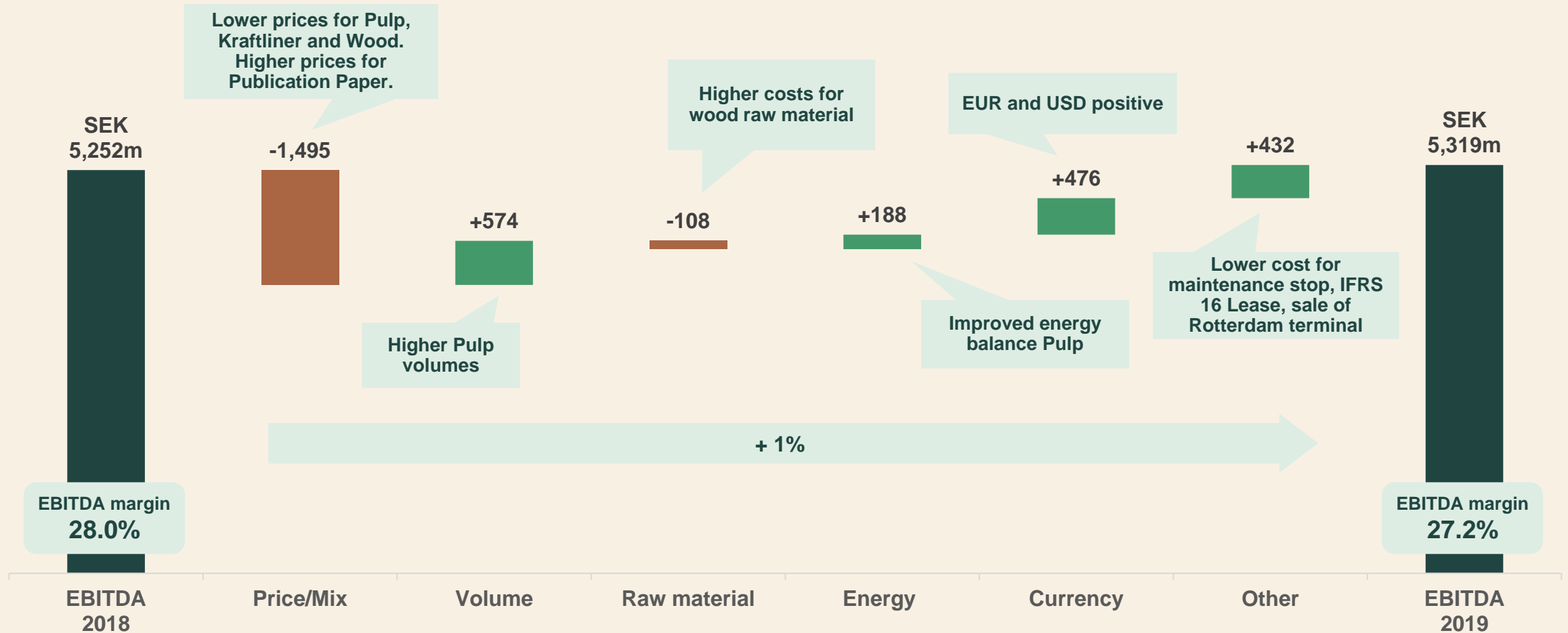


Note: 2014 and 2015 EBITDA refer to adjusted figures. 2016 and forward refer to unadjusted figures. For details please see the quarterly report.

Net sales 2019 vs. 2018



EBITDA 2019 vs. 2018

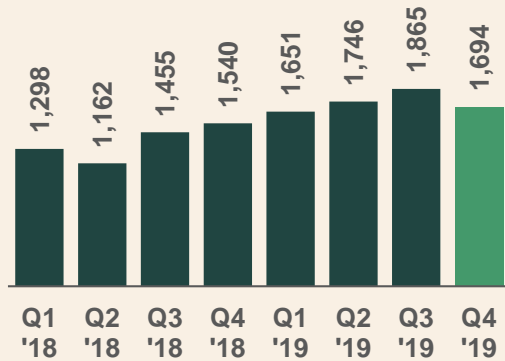


Note: EBITDA excluding effects from changed accounting method for valuation of forest assets.

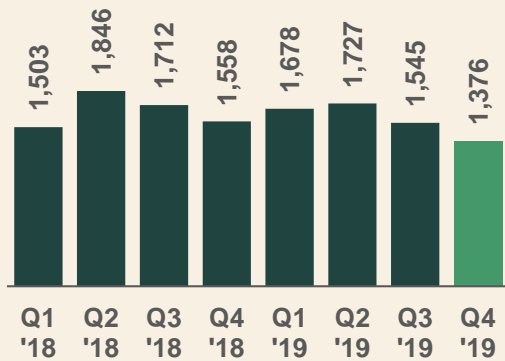
Contribution by segment and quarter

Forest

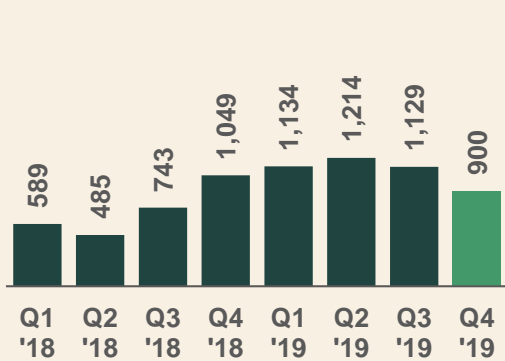
Net sales (SEKm)



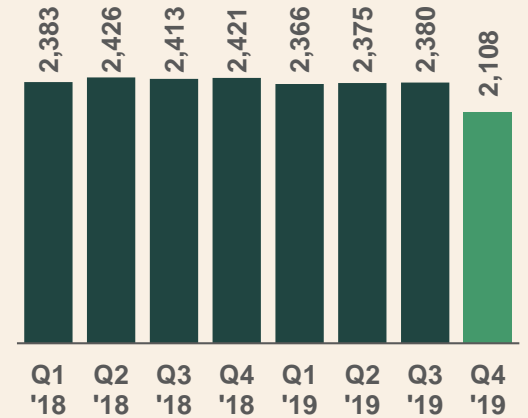
Wood



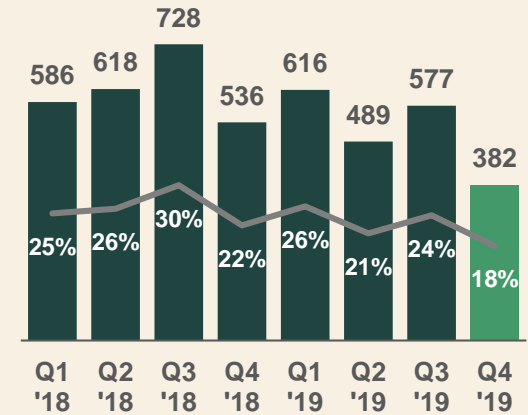
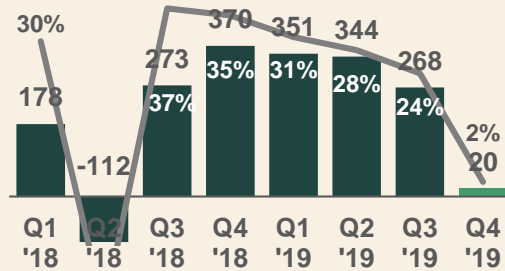
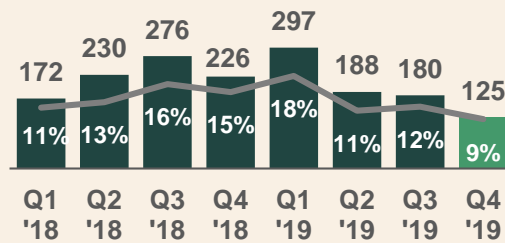
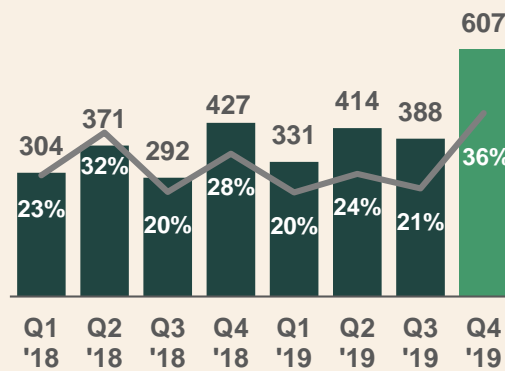
Pulp



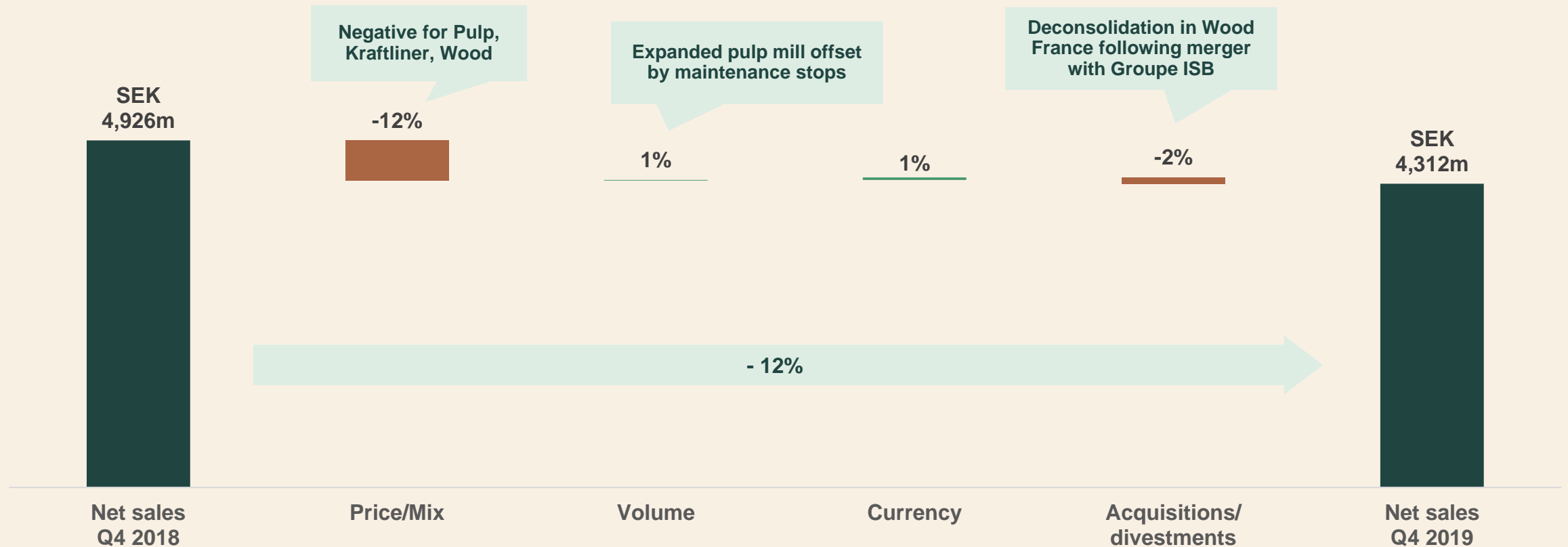
Paper



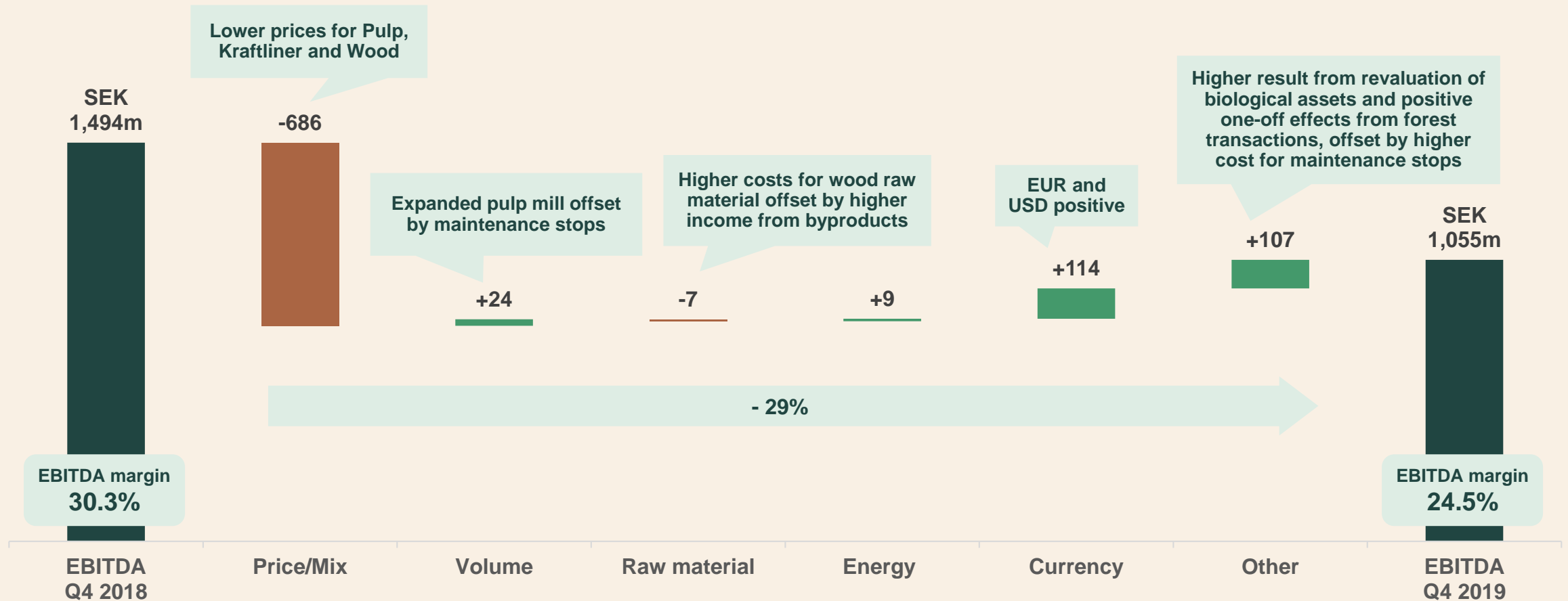
EBITDA (SEKm) and EBITDA margin



Net sales Q4 2019 vs. Q4 2018



EBITDA Q4 2019 vs. Q4 2018



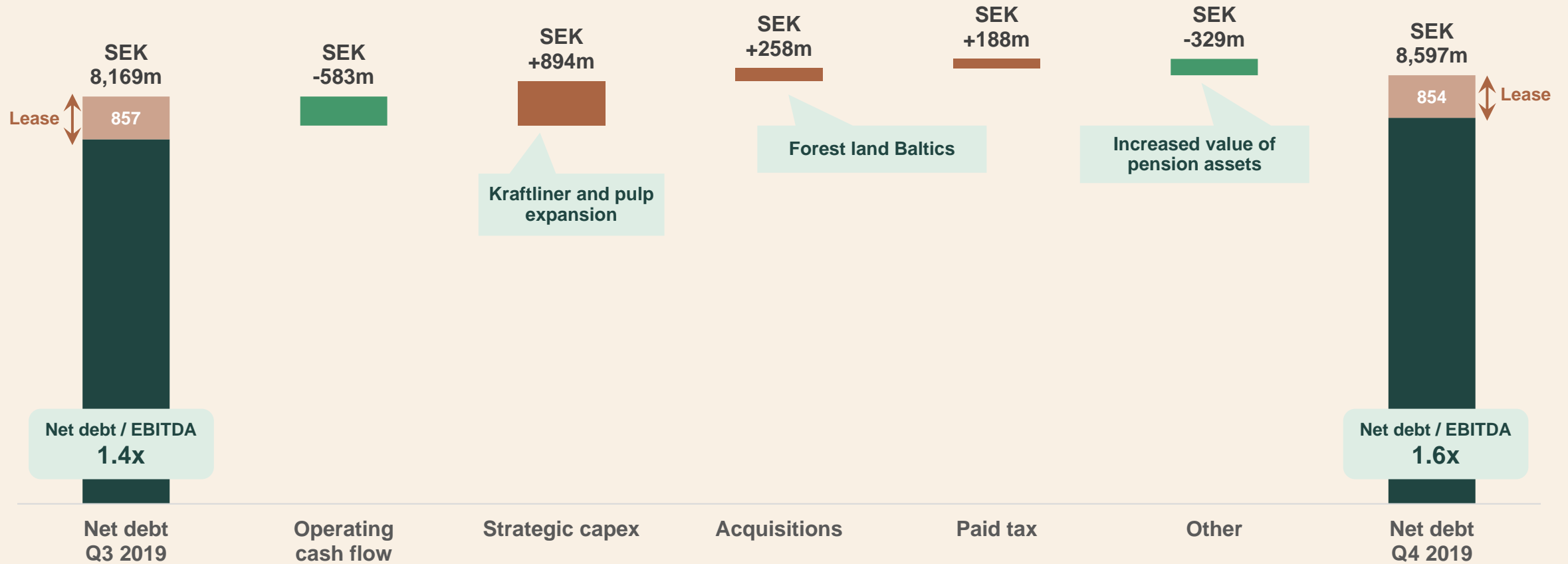
Note: EBITDA excluding effects from changed accounting method for valuation of forest assets.

Cash flow

SEKm	Quarter		Full year	
	Q4 2019	Q4 2018	2019	2018
EBITDA	1,055	1,494	5,319	5,252
Revaluation of biological assets and other non cash flow items	-323	-183	-937	-749
Operating cash surplus	732	1,311	4,382	4,503
Change in working capital	140	-217	-186	-843
Current capital expenditures	-370	-472	-1,132	-1,002
Other operating cash flow	81	122	-142	93
Operating cash flow	583	744	2,922	2,751
Strategic capital expenditures	-894	-262	-1,256	-1,967

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

Net debt Q4 2019 vs. Q3 2019



Balance sheet

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

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

Summary

Ulf Larsson, CEO

Summary 2019

Sales growth of 4% vs 2018

- Price/mix -8%, volume 11%, currency 3%, acq/div -2%

EBITDA up 1% vs 2018

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

Operating cash flow up 6% vs 2018

Ramp-up of Östrand pulp mill

- Investment financed by operating cash flow

Acquisition of 30,000 ha forest land in the Baltics

SEK 7.5bn Kraftliner investment in Obbola

Increased standing volume from new forest survey

Revaluation of forest asset to market value of SEK 70bn



Q&A

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.