

Interim report presentation Q2 2017

July 21, 2017



Ulf Larsson, CEO



Summary Q2 2017

Distribution of Essity successfully completed by June 15

- One-time cost of SEK 103m in Q2 due to split (shown as items affecting comparability)

Overall positive market situation

Strong 9% sales growth vs Q2 2016

- Prices up 3%, volumes up 5%

EBITDA ¹⁾ up 5% vs Q2 2016, influenced by:

- Sales price and volume growth
- Large planned maintenance stops during quarter (EBITDA impact SEK 71m vs LYQ)
- Higher raw material and energy cost
- Continued planned extra cost due to Östrand project (SEK 25m vs LYQ)

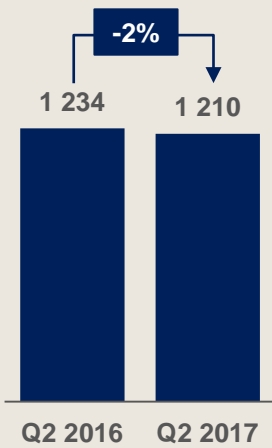
Östrand project progressing according to plan

- Planned start-up June 2018
- SEK 4.1bn invested from project start up to Q2, out of SEK 7.8bn in total

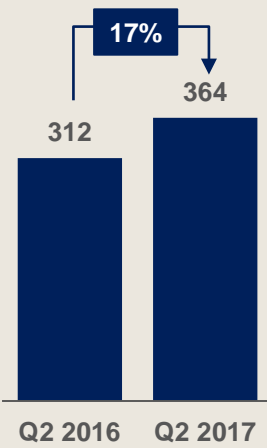


Forest Q2 2017 vs. Q2 2016

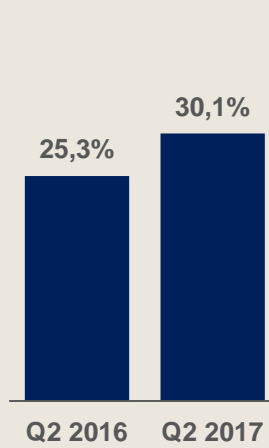
Net sales (SEKm)



EBITDA (SEKm) ¹⁾



EBITDA margin ¹⁾



Balanced timber supply in SCA's area, stable raw material market

Sales decrease of 2%

- Lower deliveries to SCA industry

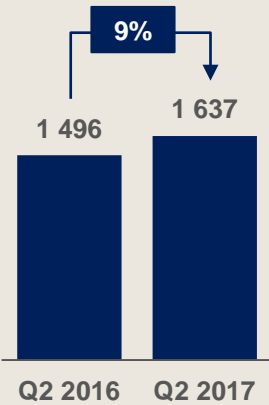
EBITDA ¹⁾ up 17%

- Higher share of deliveries from own forests

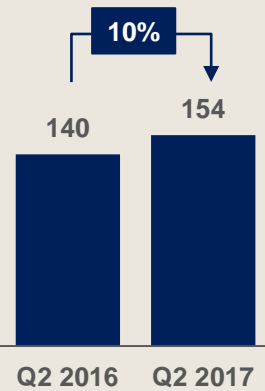


Wood Q2 2017 vs. Q2 2016

Net sales (SEKm)



EBITDA (SEKm) ¹⁾



EBITDA margin ¹⁾



Strong market in wood, with gradually increasing prices

In addition, seasonal up-turn in volumes in Q2, due to building materials trade

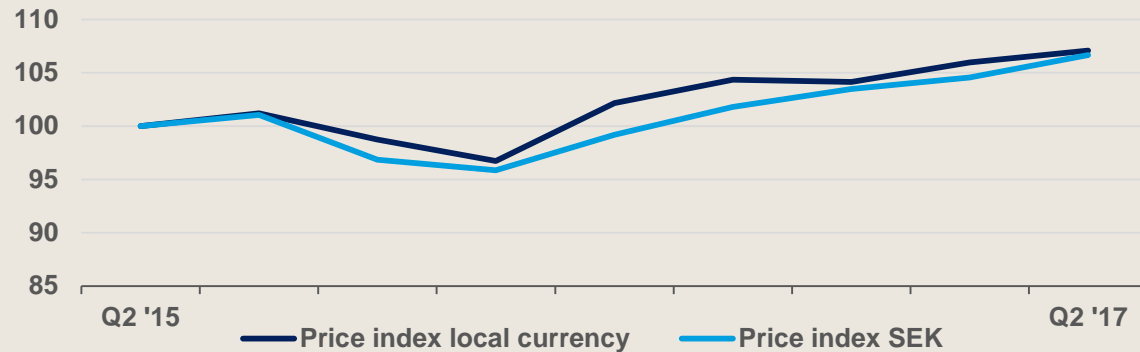
Sales up 9%

- Higher delivery volumes and higher prices

EBITDA ¹⁾ up 10%

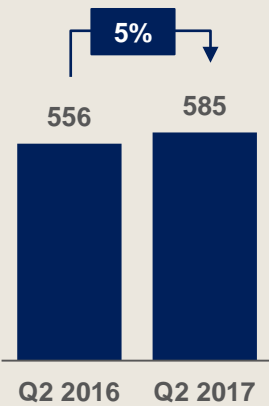
- Higher volumes and prices
- Higher raw material cost reduced EBITDA increase

Price development - Solid Wood Products

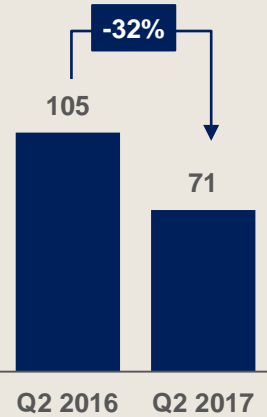


Pulp Q2 2017 vs. Q2 2016

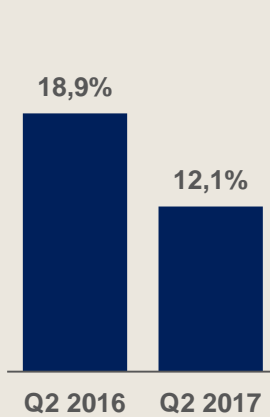
Net sales (SEKm)



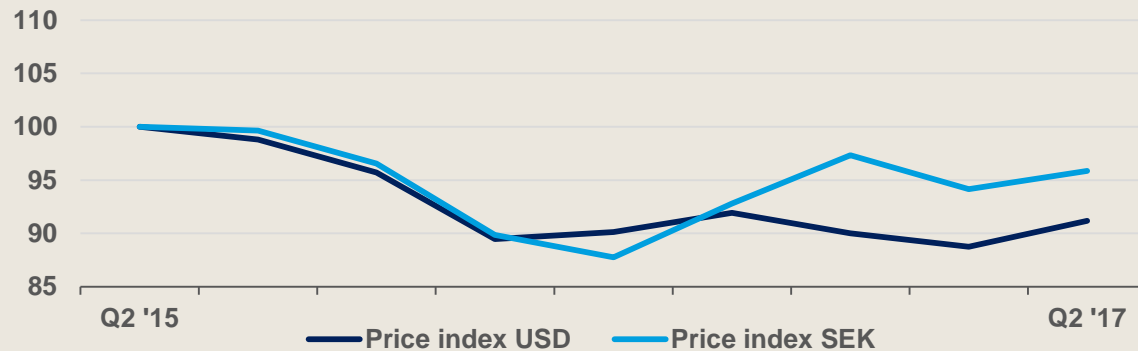
EBITDA (SEKm) ¹⁾



EBITDA margin ¹⁾



Price development - NBSK Pulp



Generally good development in pulp market

Large negative impact on result from Östrand project and maintenance stop

Sales up of 5%

- Higher prices and better currency situation compensated for lower deliveries

EBITDA ¹⁾ down 32%

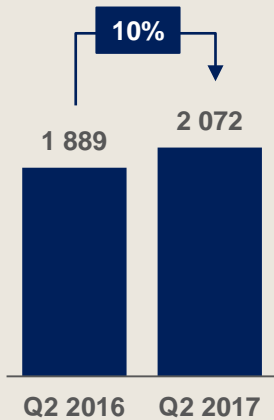
- Large maintenance stop during quarter (SEK -41m)
- Higher energy cost (SEK -10m)
- Continued extra cost due to Östrand project (SEK -25m)

Östrand project progressing according to plan

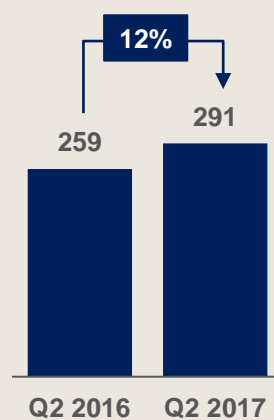
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Paper Q2 2017 vs. Q2 2016

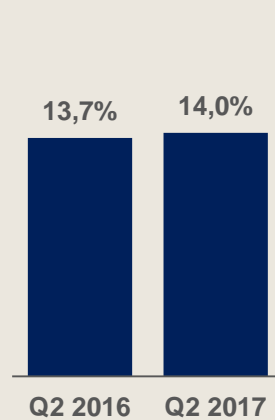
Net sales (SEKm)



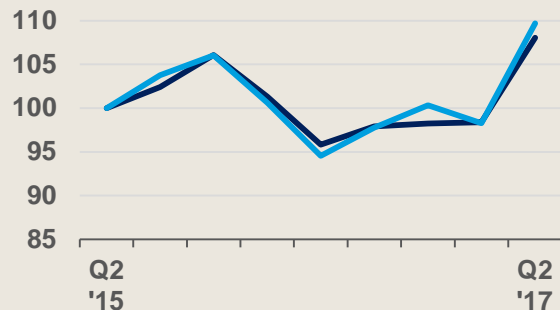
EBITDA (SEKm) ¹⁾



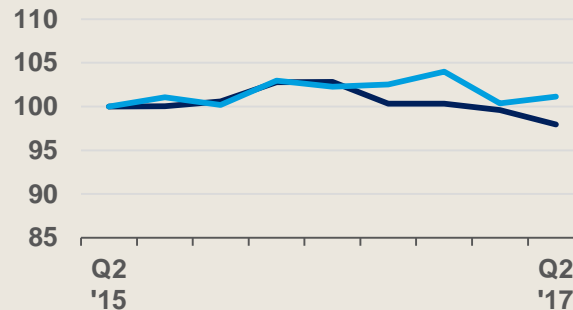
EBITDA margin ¹⁾



Price development - Kraftliner



Price development - Publication paper



— Price index local currency

— Price index SEK

Strong Kraftliner volume growth, with stepwise price increases last six months

Publication paper: stable market, no price changes since Q1 2017

Sales up 10%

- Higher Kraftliner prices, higher volumes and better currency situation

EBITDA ¹⁾ up 12%

- Higher sales figure increased EBITDA, with some reduction due to higher raw material cost (particularly recycled fiber and latex)

Toby Lawton, CFO



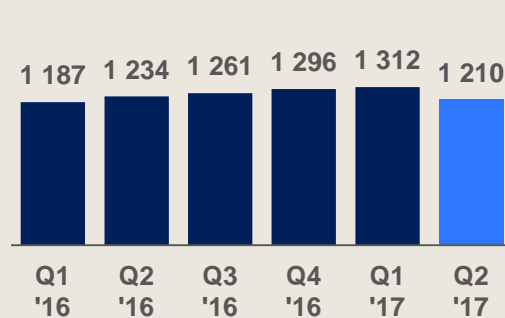
P&L Q2 2017 vs. Q2 2016

SEKm	Q2 2017	Q2 2016	Change
Net sales	4,222	3,872	9%
EBITDA ¹⁾	827	789	5%
<i>EBITDA ¹⁾ margin</i>	19.6%	20.4%	- 0.8 p.p.
EBIT ¹⁾	554	506	9%
<i>EBIT ¹⁾ margin</i>	13.1%	13.1%	0.0 p.p.
Items affecting comparability	-103	119	-222
Spin-off related costs	-103		-103
Capital gain from divestment of IL Recycling		119	-119
EBIT	451	625	- 28%
Financial items	- 39	-19	
Profit before tax	412	606	- 32%
Tax	-124	-102	
Profit for the period from continued operations	288	504	- 43%
Earnings per share continued operations, SEK	0.41	0.72	

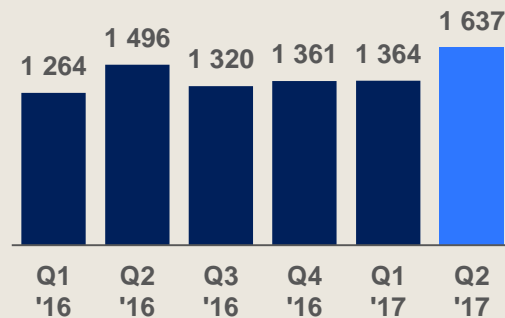
Contribution by segment and quarter

Forest

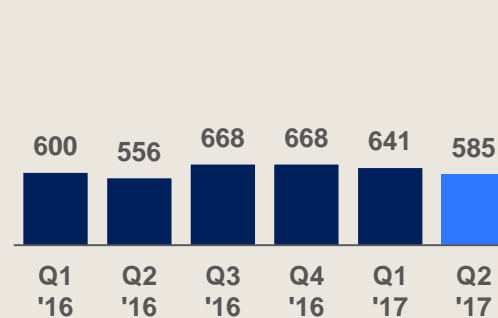
Net sales (SEKm)



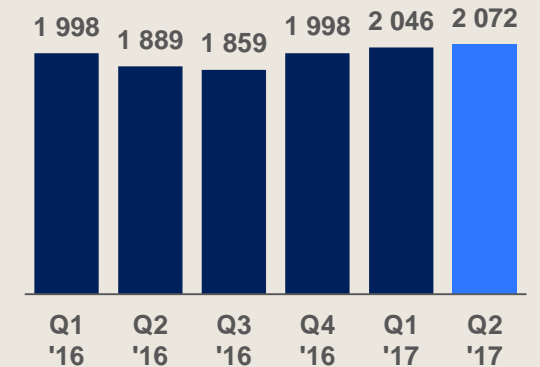
Wood



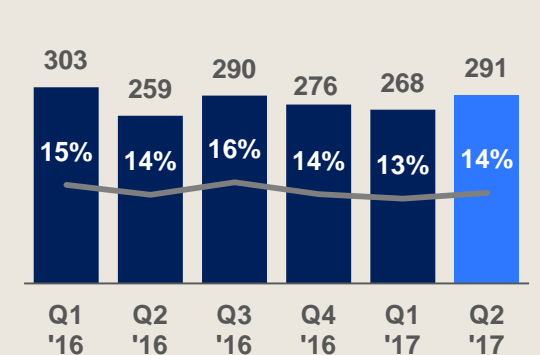
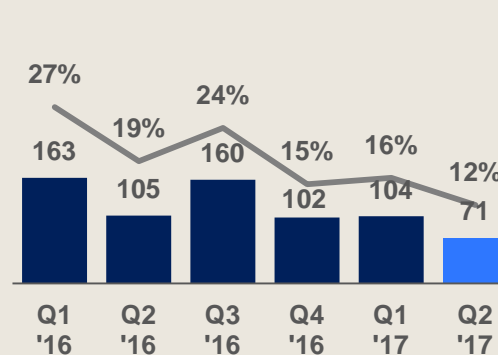
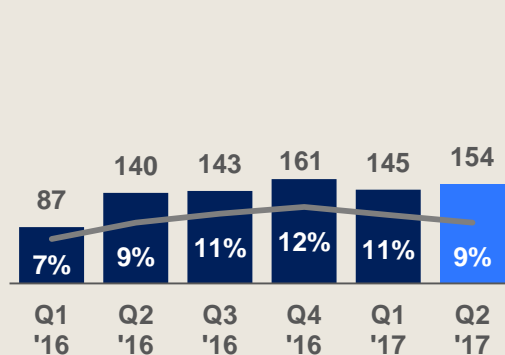
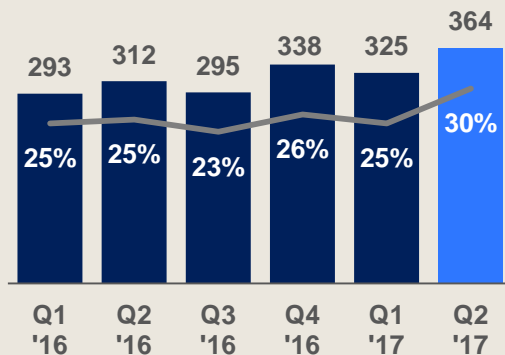
Pulp



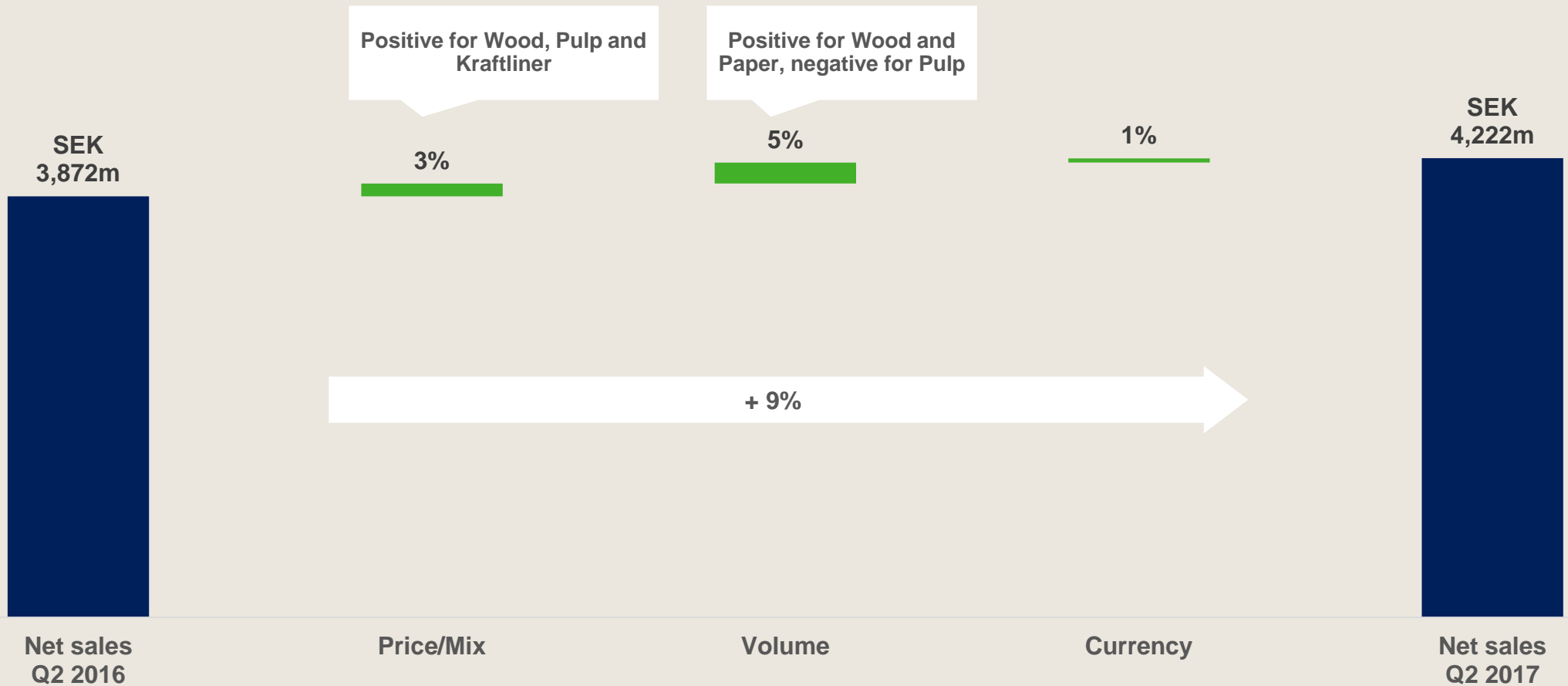
Paper



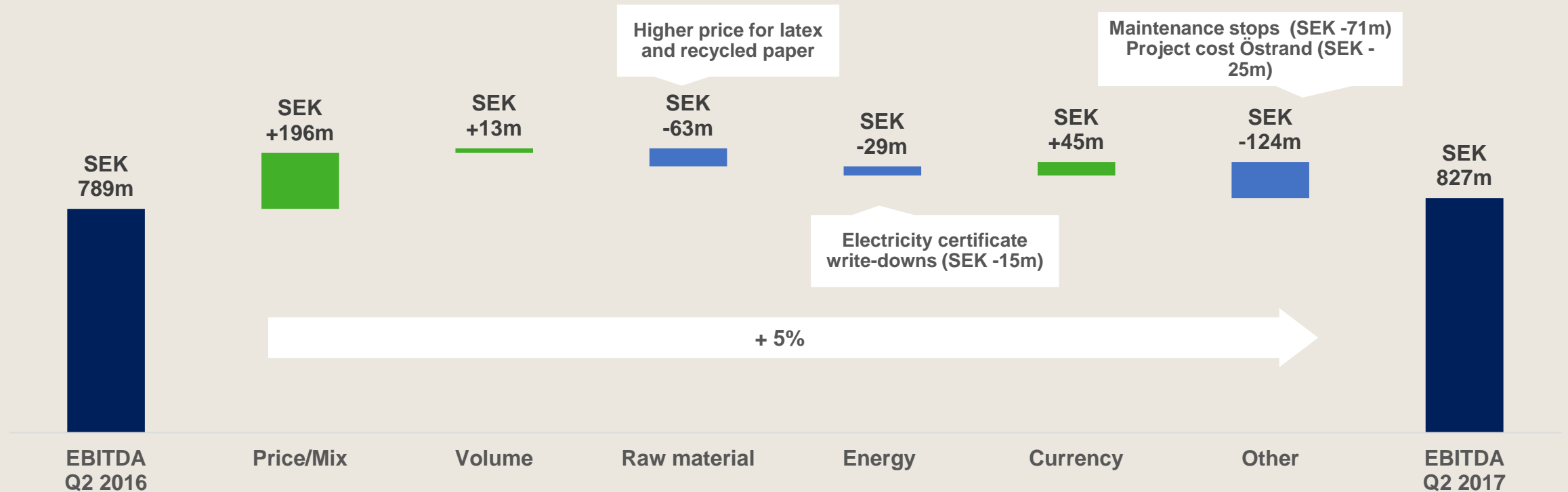
EBITDA (SEKm) and EBITDA margin ¹⁾



Net sales Q2 2017 vs. Q2 2016



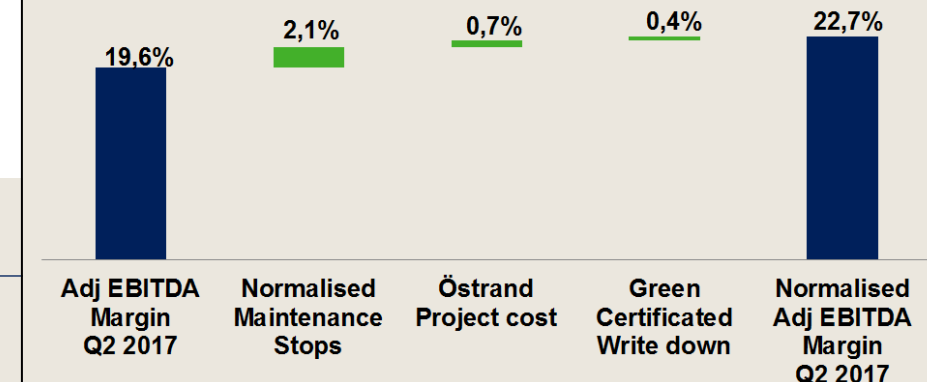
EBITDA ¹⁾ Q2 2017 vs. Q2 2016



Full year 2017 cost for:

- Maintenance stops: SEK 224m
- Project cost Östrand: SEK 148m, whereof SEK 53m depreciation

Normalised Adjusted EBITDA Margin



Cash flow Q2 2017 vs. Q2 2016

SEKm	April-June 2017	April-June 2016	Jan-June 2017	Jan-June 2016
Operating cash surplus	726	683	1,300	1,197
Change in working capital	395	81	41	430
Current capital expenditures, net	-163	-196	-289	-269
Restructuring costs 1)	-137	-28	-146	-18
Operating cash flow – continuing operations	821	540	906	1,340
Strategic capital expenditures 2)	- 961	- 494	-1,476	-882

- 1) Mainly due to split of SCA
- 2) Q2 2017 Östrand expansion investment was 951 SEKm. SEK 4.1bn invested from project start up to Q2, 2017, out of SEK 7.8bn in total capex

Balance sheet structure

SEKm	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
<i>Forest assets (gross value before deferred taxes)</i>	31,119	31,001	30,770
<i>Deferred tax relating to Forest assets</i>	-6,846	-6,820	-6,769
Forest assets, net of deferred tax	24,273	24,181	24,001
Working capital	2,673	3,031	2,740
<i>Working capital/Net sales</i>	17%	19%	18%
Other capital employed	14,353	13,601	13,386
Total capital employed	41,299	40,813	40,127
Net debt	5,584	5,376 ¹⁾	5,000 ¹⁾
<i>Net debt/EBITDA ²⁾</i>	1.8x	1.6x	1.5x
Equity	35,715	35,437 ³⁾	35,127 ³⁾
<i>Net debt/Equity</i>	15.6%	15.2%	14.2%

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Q&A

A leading industrial ecosystem, driven by the force of the forest

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.

