

Interim report presentation Q1 2018

April 26, 2018





Ulf Larsson, CEO



Summary Q1 2018

Strong market with higher prices

Sales growth of 11% vs Q1 2017

- Price/mix +13%, volumes -3%, currency 1%

EBITDA up 47% vs Q1 2017

- Higher prices
- Positive currency effects
- Harsh winter conditions

Östrand project progressing according to plan

- Planned start-up in June 2018
- SEK 6.1bn invested up to Q1, out of SEK 7.8bn in total

Stable wood supply despite harsh winter conditions

Improved product and market mix



SCA's performance Q1 2018

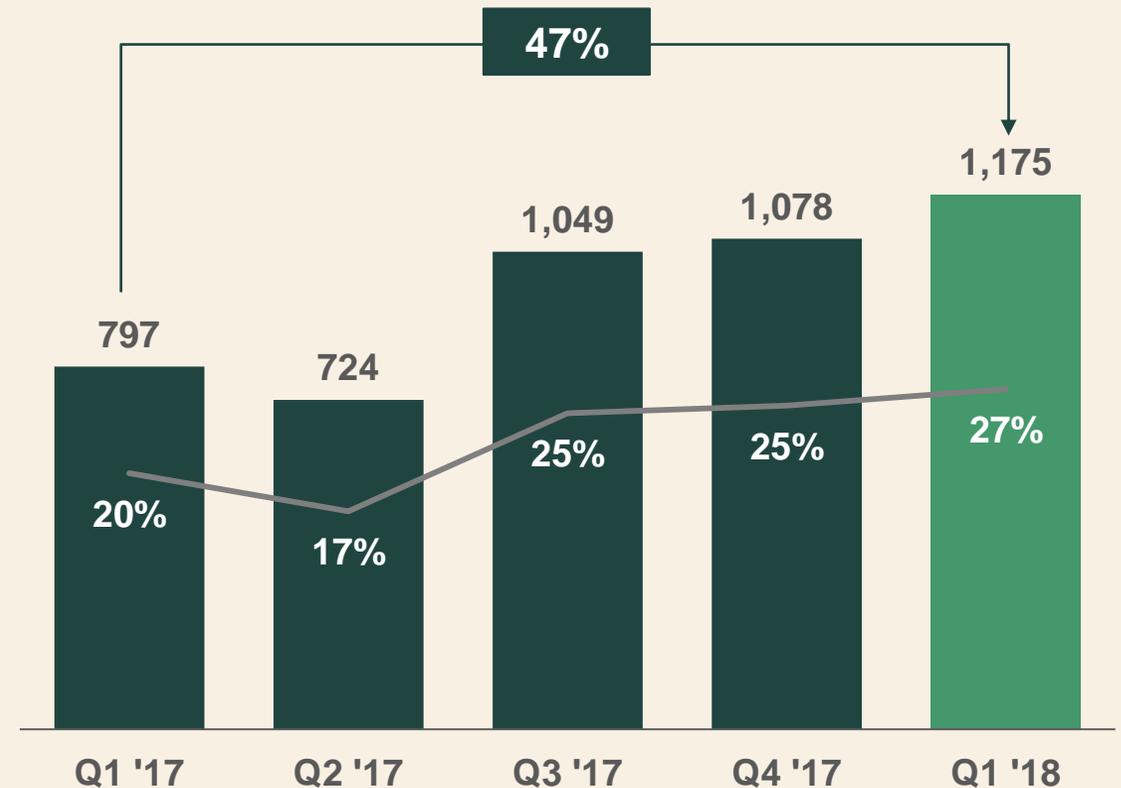
EBITDA (SEKm)

1,175

Industrial ROCE ¹⁾

12% / 17%*

EBITDA development (SEKm)



EBITDA margin

26.7%

Net debt/EBITDA

1.8x

Note: 1) ROCE for the industrial segments; Wood, Pulp and Paper (* Industrial ROCE adjusted for capex invested in the Östrand project).

Investment in profitable growth

The world's fastest saw line in full production in Tunadal

Start-up of a 1 million tonnes pulp mill in June 2018

Pilot facility for biofuel production in operations since Q2 2017

Wind power target of 5 TWh 2020 will be achieved

Investment in increased production of White-top Kraftliner

Environmental permit applications for a possible production increase at Obbola Kraftliner mill and a bio refinery at Östrand initiated



Management changes



Jerry Larsson, President Wood
April 1, 2018



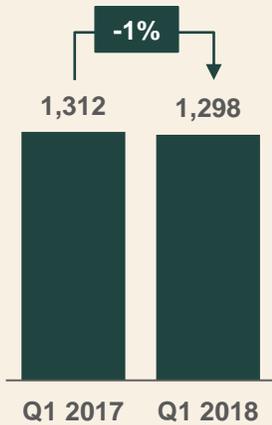
Kristina Enander, President Pulp
November 1, 2018



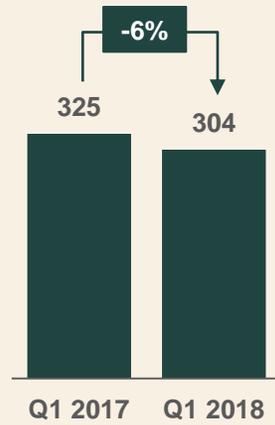
Jonas Mårtensson, President Forest
April 1, 2018

Forest Q1 2018 vs. Q1 2017

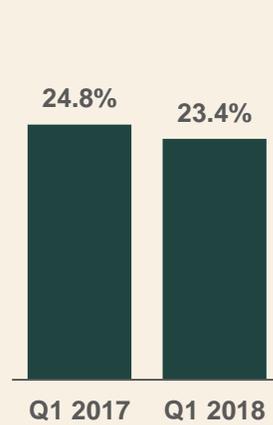
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Stable wood supply despite harsh winter conditions

Slight increase in prices, especially higher prices for imported wood

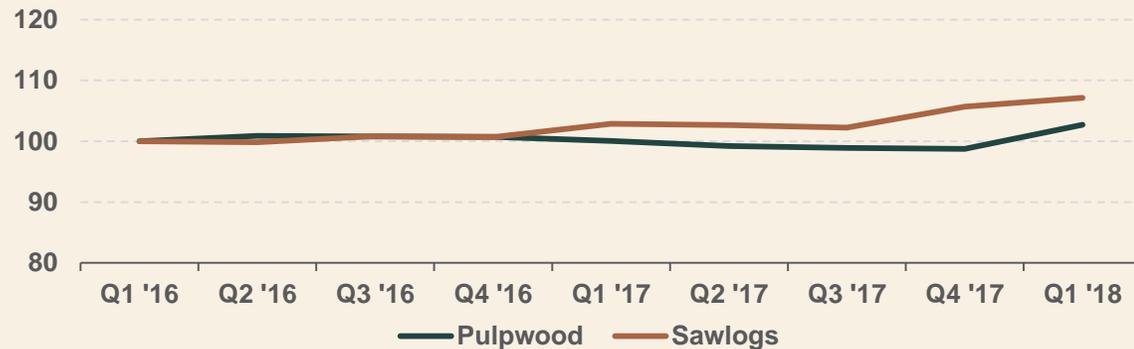
Sales down 1%

- Lower volumes
- Minor price increases

EBITDA down 6%

- Harsh winter conditions affecting transportation and harvesting costs

Price development – Pulpwood and Sawlogs



Wood Q1 2018 vs. Q1 2017

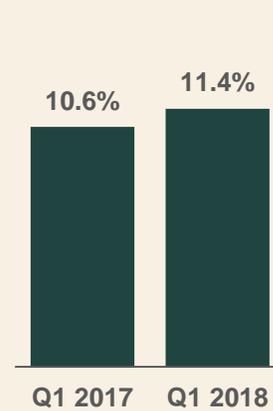
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Strong market with continued price increases

Low inventory levels

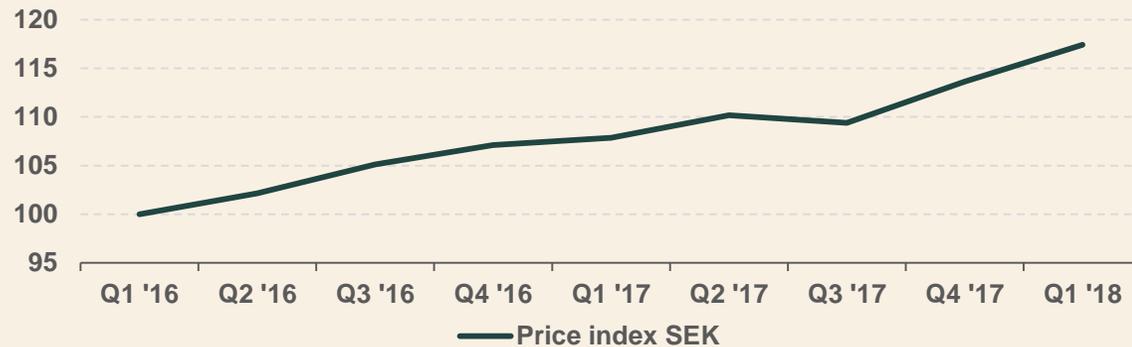
Sales up 10%

- Higher prices

EBITDA up 19%

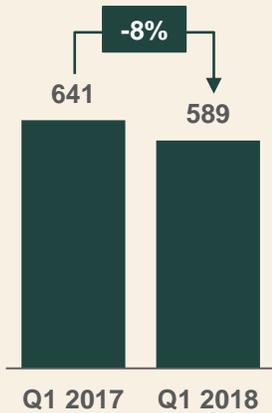
- Higher prices
- Increased raw material costs
- Extra costs related to the harsh winter conditions

Price development – Solid Wood Products

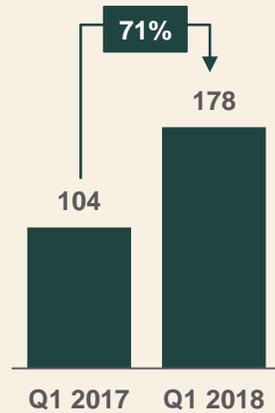


Pulp Q1 2018 vs. Q1 2017

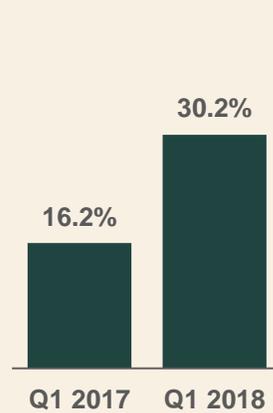
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Price development – NBSK Pulp



Strong pulp market with increased prices

Östrand project on plan

- Planned start-up in June 2018
- SEK 6.1bn invested up to Q1, out of SEK 7.8bn in total

Sales down 8%

- Higher prices
- Lower deliveries due to inventory build up ahead of the Q2 stop

EBITDA up 71%

- Higher prices
- Lower deliveries
- Direct costs affected by project
- Negative currency effects – mainly USD

Pulp – Start-up of the world's largest NBSK pulp line in June



Start-up in June according to plan

Sequential start-up mitigates risk

- Wood handling unit – Q3 2017
- Control center – Q3 2017
- Evaporation plant – Q4 2017
- Water treatment – Q4 2017
- Drying and packaging – Q1 2018



Extended stop initiated in April

- Extension of recovery boiler
- Fiber line



7.8
SEKbn
investment

Wood handling unit – Q3 2017



Evaporation plant – Q4 2017

Availability

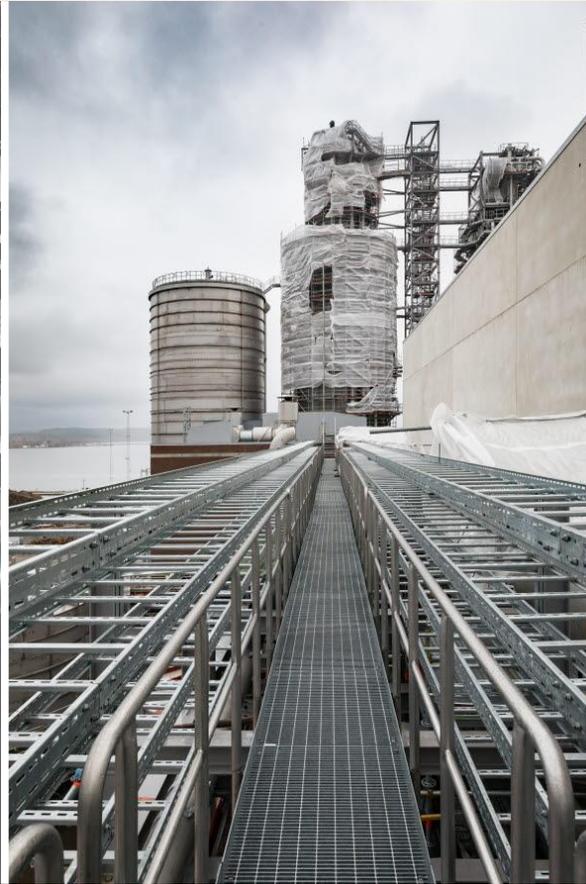
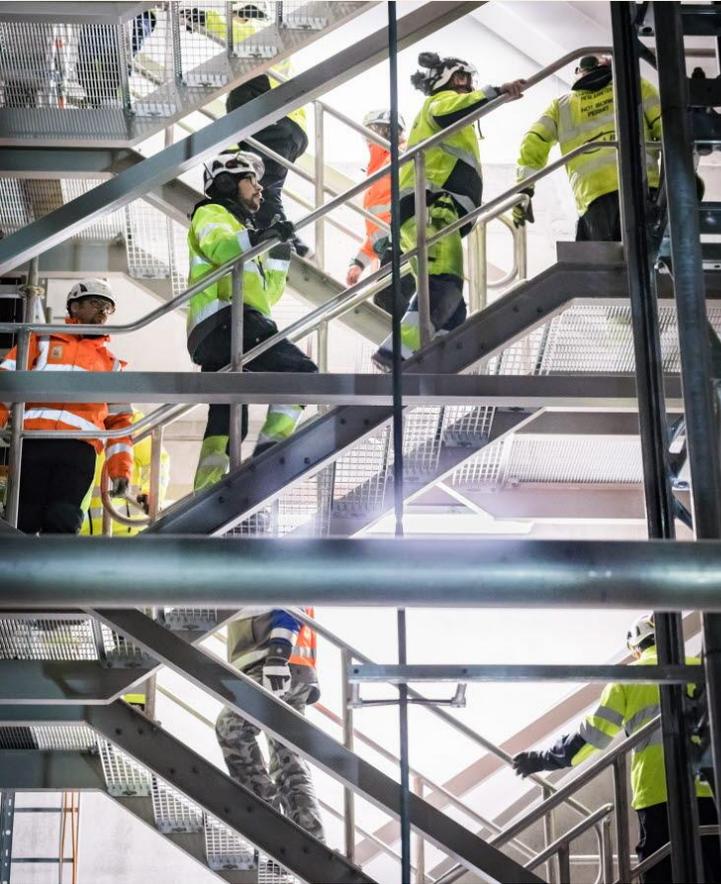
- December: 89.3%
- January: 99.2%
- February: 99.9%
- March: 100%



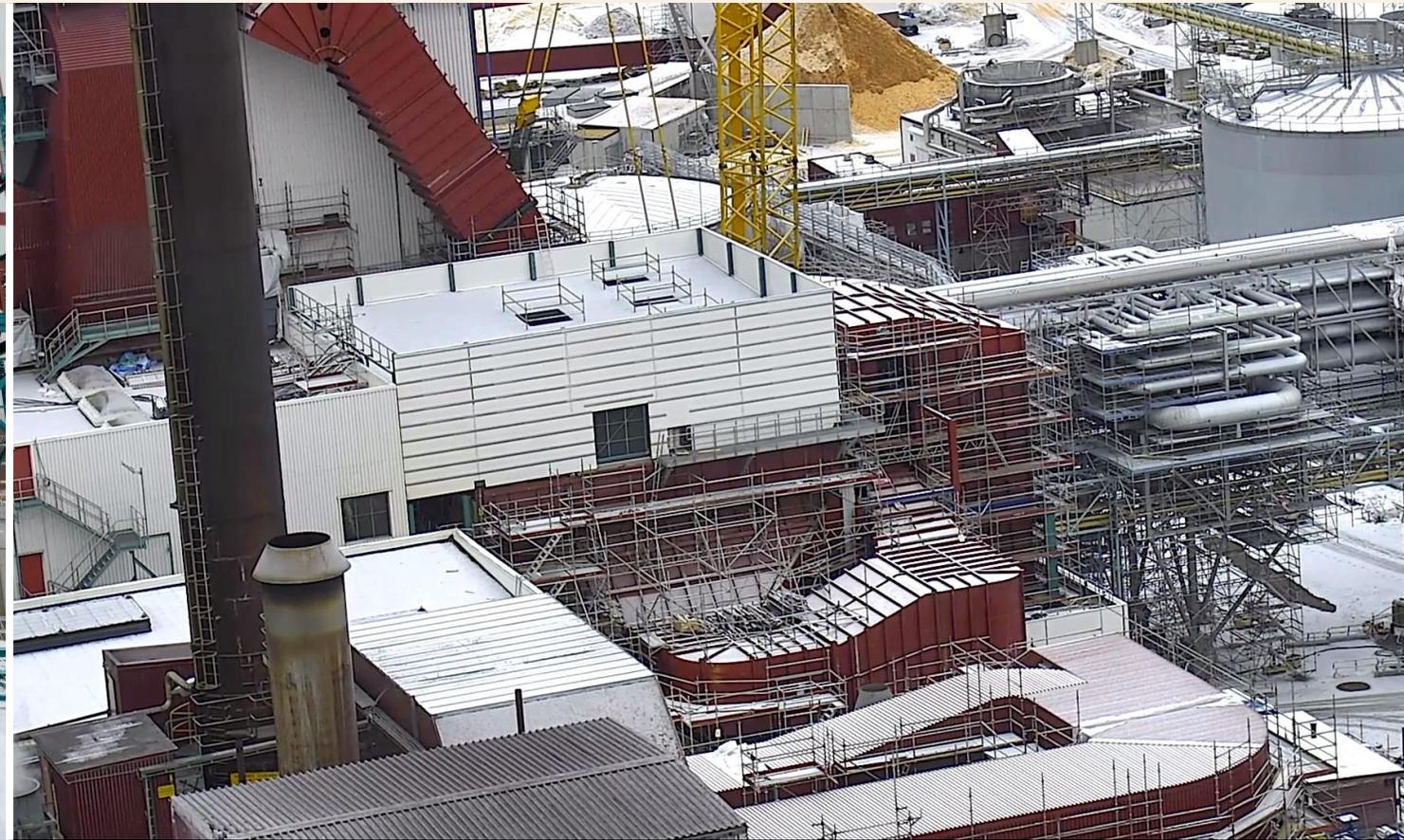
Drying and packaging – Q1 2018



Fiber line – Q2 2018



Recovery boiler – Q2 2018

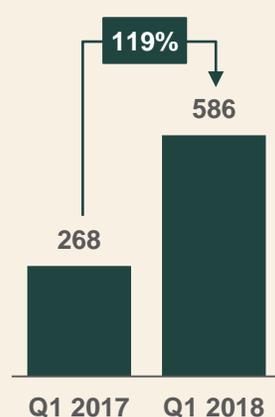


Paper Q1 2018 vs. Q1 2017

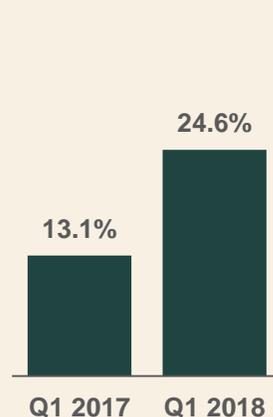
Net sales (SEKm)



EBITDA (SEKm)



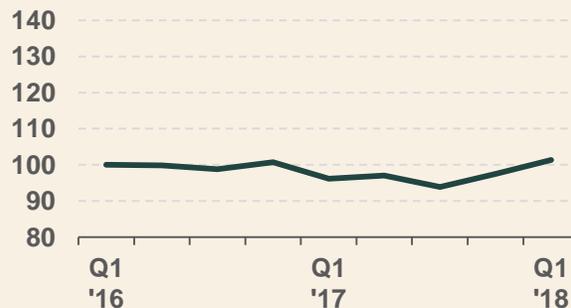
EBITDA margin



Price development – Kraftliner



Price development – Publication paper



— Price index SEK

Strong Kraftliner market with higher prices

Improved market for publication paper

Sales up 16%

- Higher Kraftliner prices

EBITDA up 119%

- Higher Kraftliner prices
- Positive currency effects
- Improved product and market mix
- Stable cost development

Toby Lawton, CFO



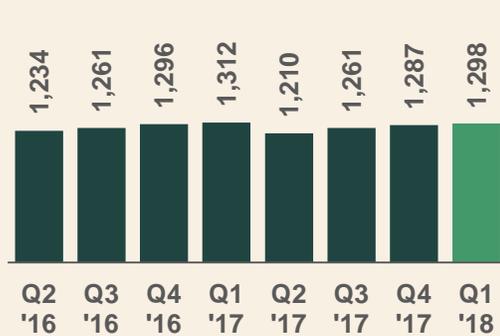
Income statement

SEKm	Quarter		
	Q1 2018	Q1 2017	Change
Net sales	4,400	3,972	11%
EBITDA	1,175	797	47%
<i>EBITDA margin</i>	26.7%	20.1%	6.6 p.p.
EBIT	889	498	79%
<i>EBIT margin</i>	20.2%	12.5%	7.7 p.p.
Financial items	1	-36	
Profit before tax	890	462	93%
Tax	-191	-99	
Profit for the period	699	363	93%
Earnings per share, SEK	1.00	0.52	

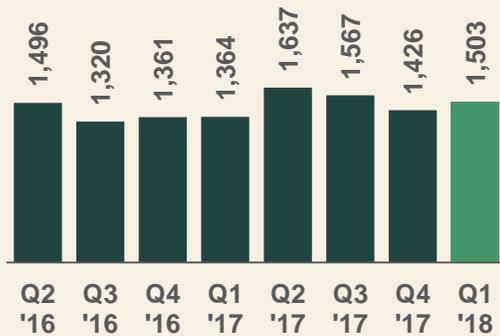
Contribution by segment and quarter

Forest

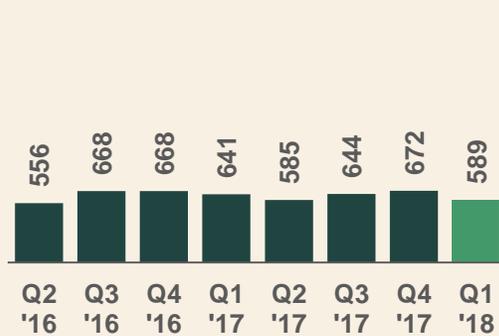
Net sales (SEKm)



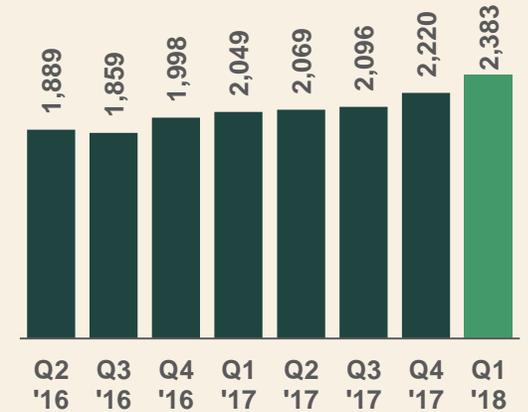
Wood



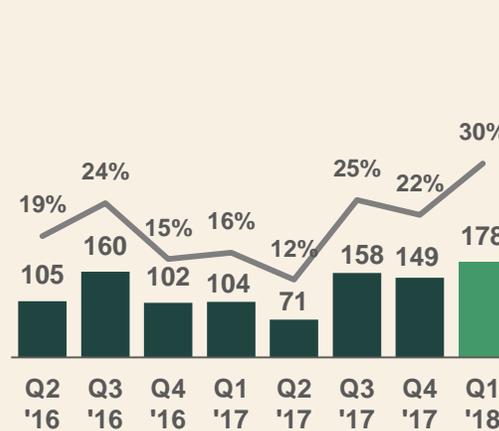
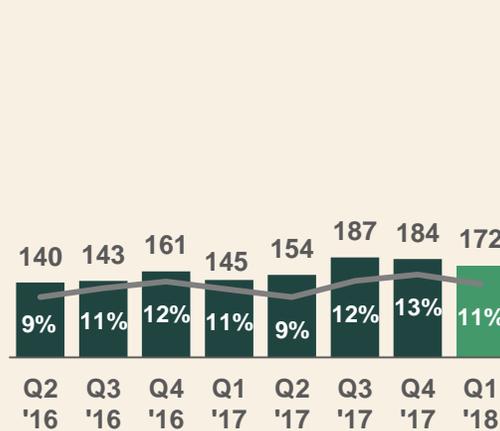
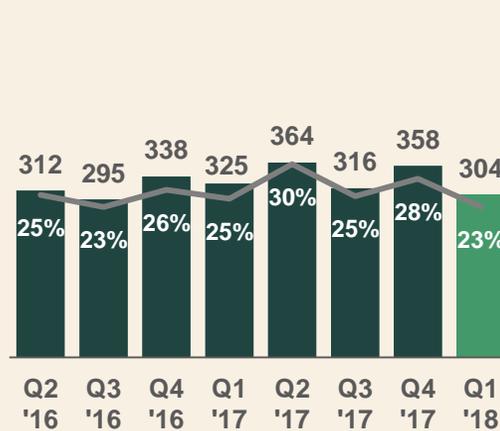
Pulp



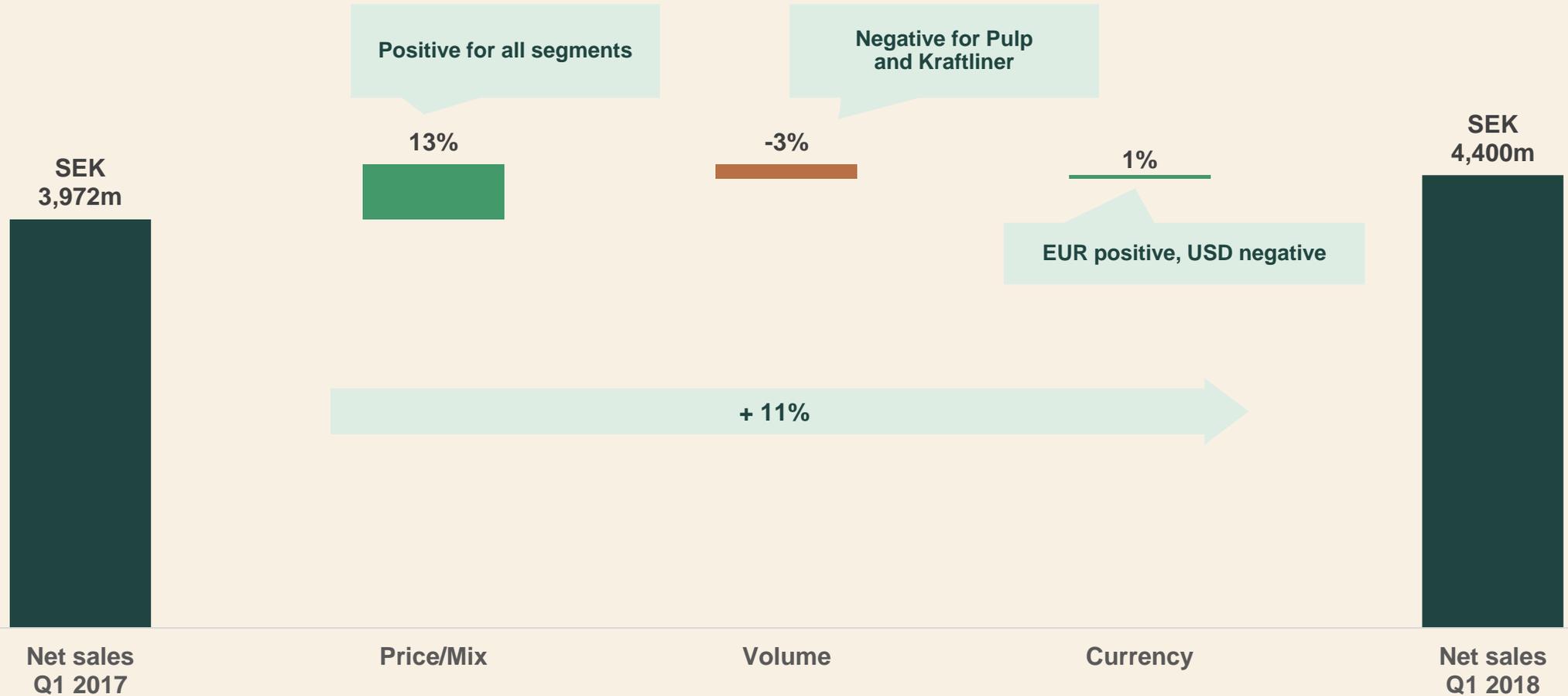
Paper



EBITDA (SEKm) and EBITDA margin



Net sales Q1 2018 vs. Q1 2017



EBITDA Q1 2018 vs. Q1 2017



Cash flow

SEKm	Q1 2018	Q1 2017
EBITDA	1,175	797
Revaluation of biological assets and other non cash flow items	-253	-223
Operating cash surplus	922	574
Change in working capital	-159	-354
Current capital expenditures	-76	-126
Other operating cash flow	-96	-9
Operating cash flow	591	85
Strategic capital expenditures	-634	-515



Östrand project



Start-up 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 impact

One-off costs related to the finalization of the Pulp expansion project

Project related costs (indirect)

- Project related costs of SEK 60m (150), of which SEK 10m (50) depreciation
- Primarily during the first 9 months of 2018

Maintenance stops

- Start-up in June 2018, following an extended maintenance stop
- Expected EBITDA impact of maintenance stops ⁽¹⁾
 - Q1: SEK 0m (8)
 - Q2: SEK 220m (65)
 - Q3: SEK 0m (0)
 - Q4: 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 100-250m, primarily in Q2 and Q3

Working capital

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

EBITDA impact	Q1 2018	2018e	2017
Project related costs	16	50	100
Maintenance stops	0	240	131
Ramp-up effects	25	100-250	-
Total (SEKm)	41	390-540	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	Mar 31, 2018	Dec 31, 2017
<i>Forest assets according to IAS 41 ¹⁾</i>	31,593	31,386
<i>Deferred tax relating to Forest assets</i>	-6,950	-6,905
Forest assets, net of deferred tax	24,643	24,481
Working capital	3,025	2,861
<i>Working capital/Net sales ²⁾</i>	17%	18%
Other capital employed	15,832	15,377
Total capital employed	43,500	42,719
Net debt	7,256	5,966
<i>Net debt/EBITDA ³⁾</i>	1.8x	1.6x
Equity	36,244	36,753
<i>Net debt/Equity</i>	20%	16%

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

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Stable wood supply despite harsh winter conditions

Improved product and market mix



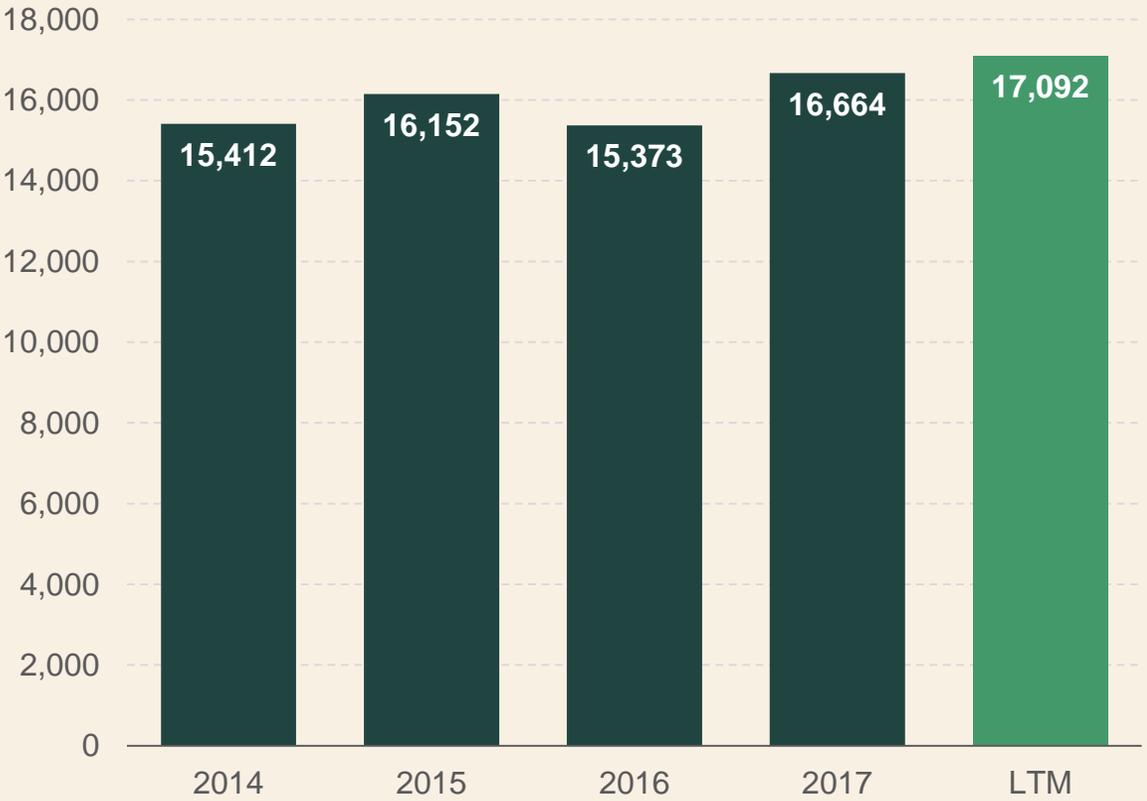
Q&A

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 gradient of orange and yellow, with a layer of mist or fog in the middle ground. The foreground shows the dark silhouettes of trees.

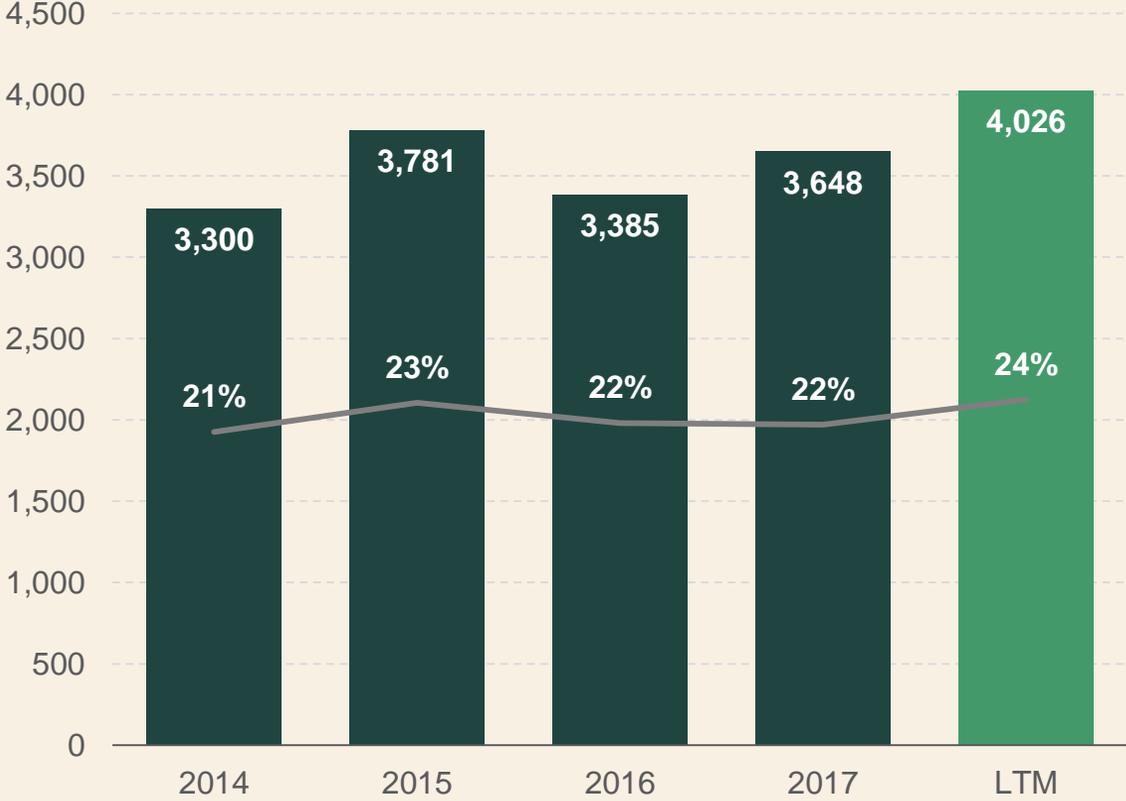
Appendix

Strong and stable performance

Net sales (SEKm)



EBITDA (SEKm) and EBITDA margin



Contribution by segment

Forest

Net sales (SEKm)



Wood



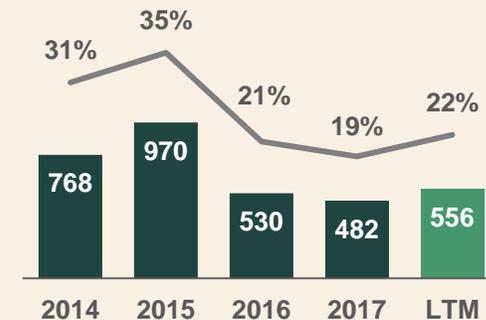
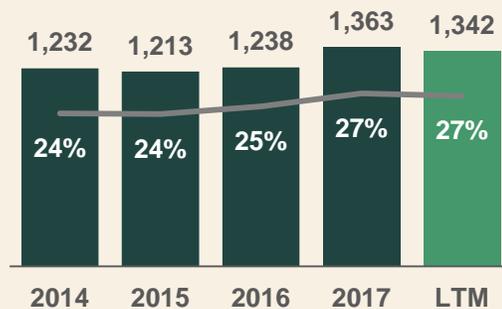
Pulp



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.

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.

