

# Interim report presentation Q2 2018

July 25, 2018



# Ulf Larsson, CEO



# Summary Q2 2018

## Continued strong market

### Sales growth of 11% vs Q2 2017

- Price/mix +13%, volumes -7%, currency 5%

### EBITDA up 43% vs Q2 2017

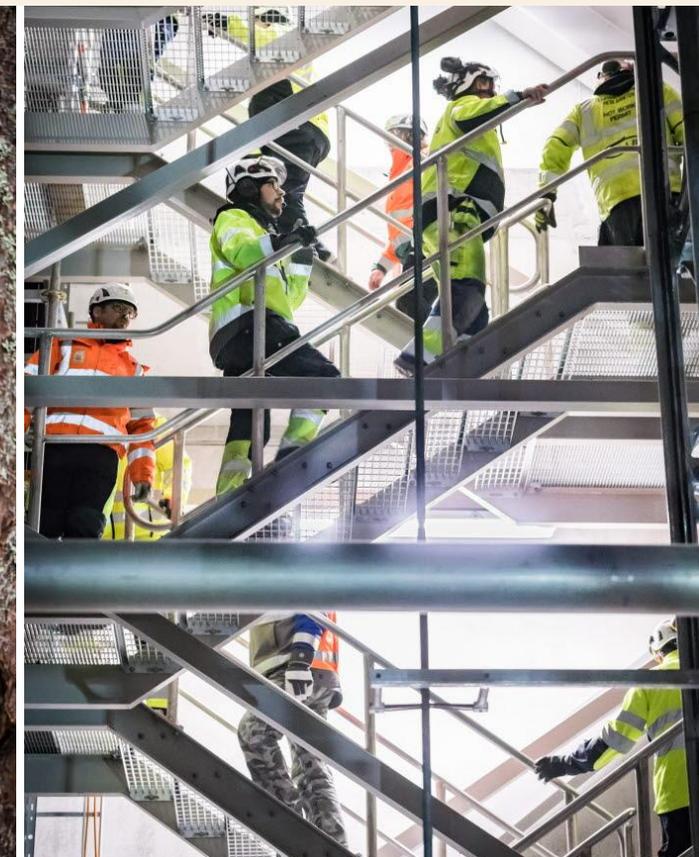
- Higher prices
- Expansion stop at Östrand

### St1 and SCA form partnership to produce renewable biofuel

- SEK ~0.5bn investment by JV
- Annual production of ~100k tonnes HVO

### Expanded Östrand pulp mill in operation

- Production began in June 2018 according to plan



# World's largest NBSK pulp line in operation



## Production began in June

- ~1,000 days after starting the project on August 28, 2015
- On time and on budget

## First pulp delivered

## Ramp-up progressing well

- Focus on calibrating the plant to quickly achieve full production and high product quality

7.8  
SEKbn  
investment

# SCA's performance Q2 2018

EBITDA (SEKm)

**1,034**

Industrial ROCE <sup>1)</sup>

**13% / 19%\***

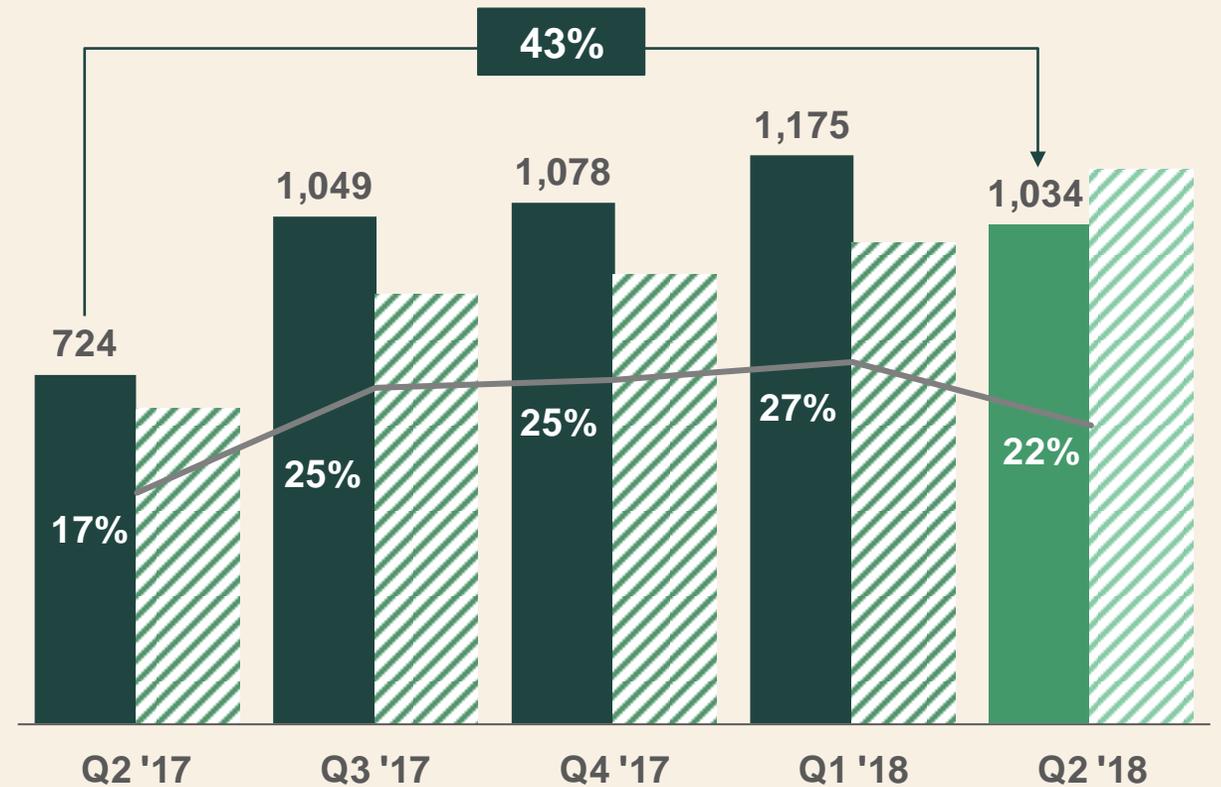
EBITDA development (SEKm)

EBITDA margin

**22.1%**

Net debt/EBITDA

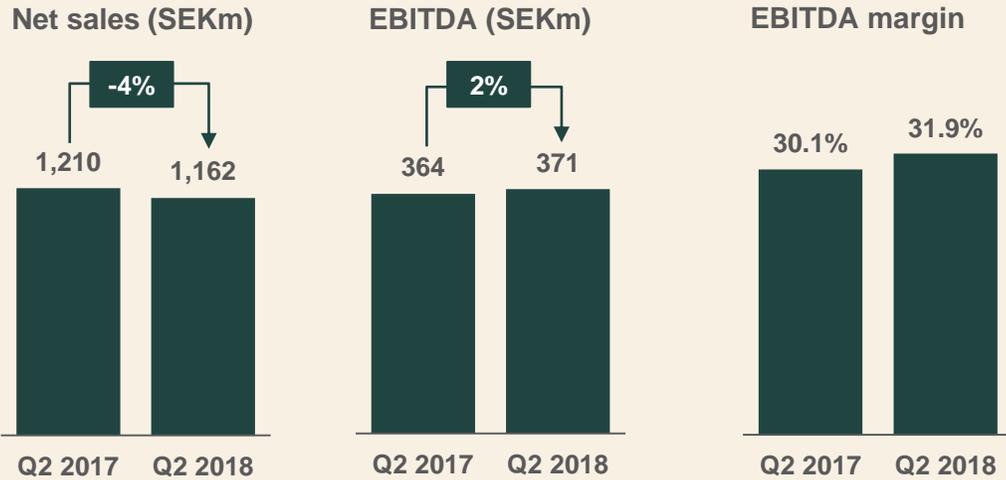
**1.7x**



Excluding Pulp

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

# Forest Q2 2018 vs. Q2 2017



**Stable wood supply to industries**

**Continued price increases, especially for imported wood**

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

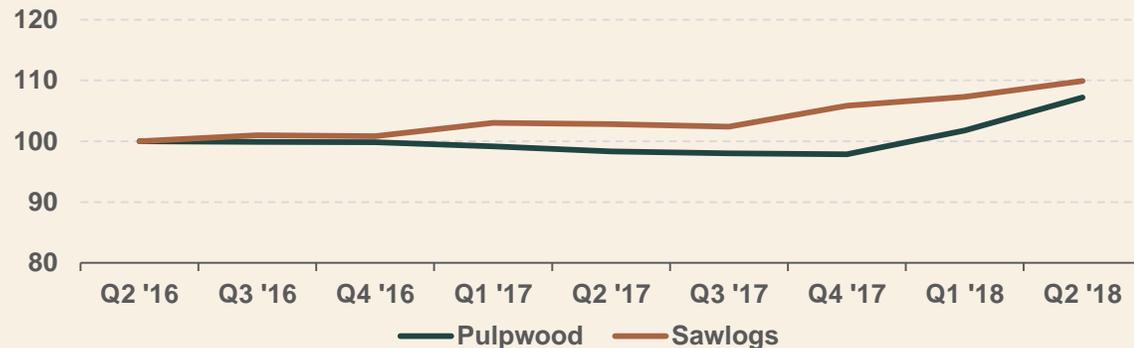
**Sales down 4%**

- Lower volumes due to the expansion stop at Östrand

**EBITDA up 2%**

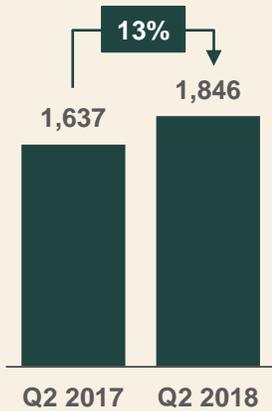
- Higher prices

**Price development – Pulpwood and Sawlogs**

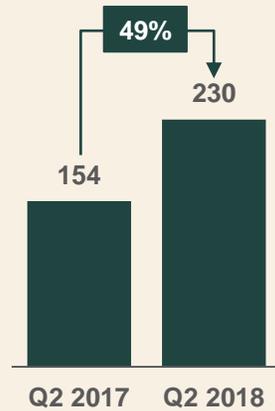


# Wood Q2 2018 vs. Q2 2017

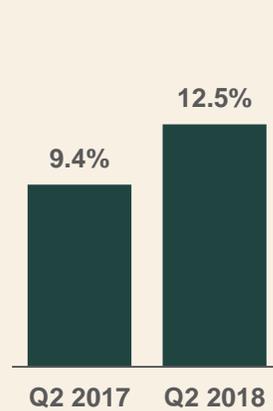
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Continued strong demand with increasing prices

Low inventory levels

Sales up 13%

- Higher prices

EBITDA up 49%

- Higher prices
- Positive currency effects
- Increased raw material costs

Price development – Solid Wood Products

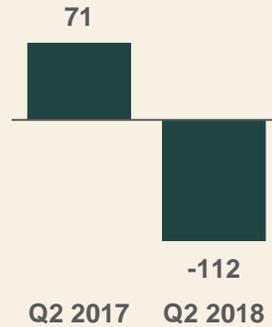


# Pulp Q2 2018 vs. Q2 2017

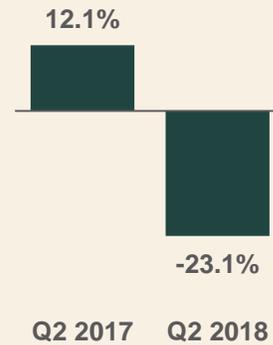
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Price development – NBSK Pulp



## Expanded Östrand pulp mill in operation

- Expansion stop to complete the final stage of the sequential start-up
- Limited production in the quarter
- Production began in June 2018 according to plan
- SEK 6.6bn invested up to Q2, out of SEK 7.8bn in total

## Strong pulp market with further price increases

### Sales down 17%

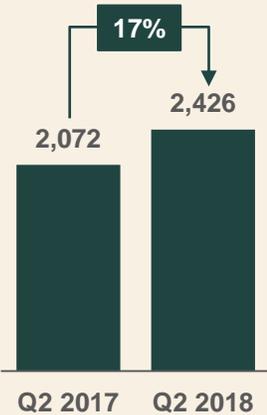
- Lower deliveries due to the expansion stop
- Higher prices

### Negative EBITDA

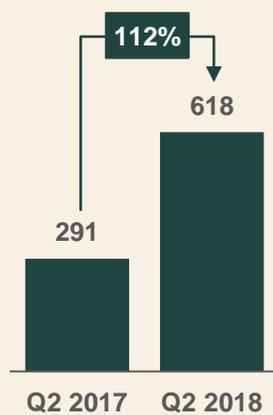
- Planned costs related to the start-up of the expanded pulp mill

# Paper Q2 2018 vs. Q2 2017

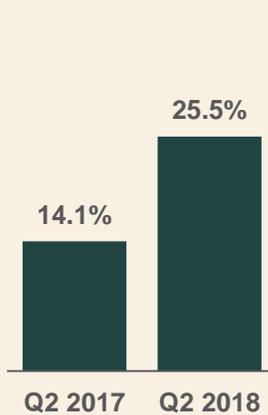
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Continued strong Kraftliner market

Improved market for Publication paper

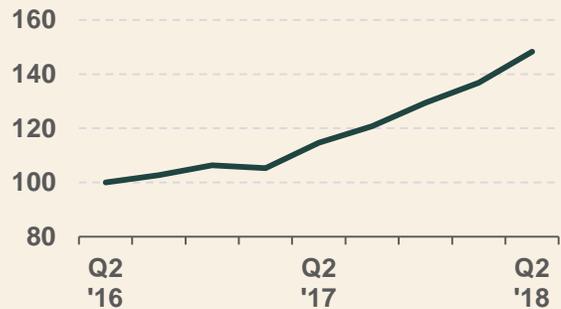
**Sales up 17%**

- Higher Kraftliner prices

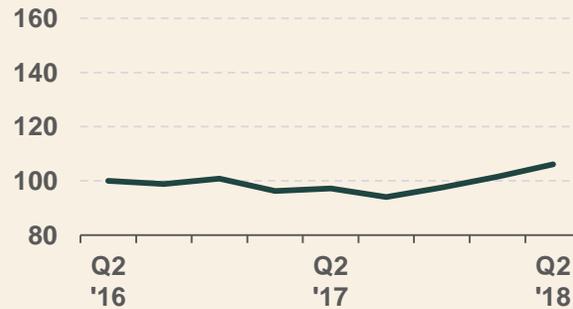
**EBITDA up 112%**

- Higher Kraftliner and Publication paper prices
- Positive currency effects
- Stable cost development

Price development – Kraftliner



Price development – Publication paper



— Price index SEK

# Expanding high-quality offering

## Launch of SCA Frontier

Clear focus on premium priced high quality products



Fast product renewal – 35% of current products did not exist 5 years ago

### Launch of SCA Frontier

- New paper category – Fine wood containing paper
- Competing with wood free paper
- Cost effective paper
- Well received in the market



# Toby Lawton, CFO



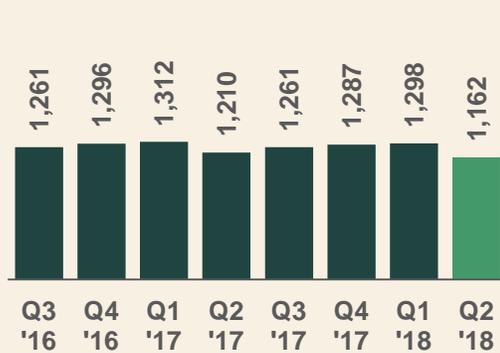
# Income statement

SEKm	Quarter		
	Q2 2018	Q2 2017	Change
Net sales	4,670	4,222	11%
<b>EBITDA</b>	<b>1,034</b>	<b>724</b>	<b>43%</b>
<i>EBITDA margin</i>	22.1%	17.1%	5.0 p.p.
<b>EBIT</b>	<b>744</b>	<b>451</b>	<b>65%</b>
<i>EBIT margin</i>	15.9%	10.7%	5.2 p.p.
Financial items	-4	-39	
<b>Profit before tax</b>	<b>740</b>	<b>412</b>	<b>80%</b>
Tax	369	-124	
<b>Profit for the period</b>	<b>1,109</b>	<b>288</b>	<b>285%</b>
Earnings per share, SEK	1.58	0.41	

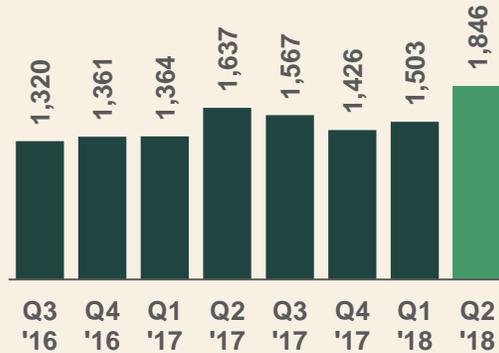
# Contribution by segment and quarter

## Forest

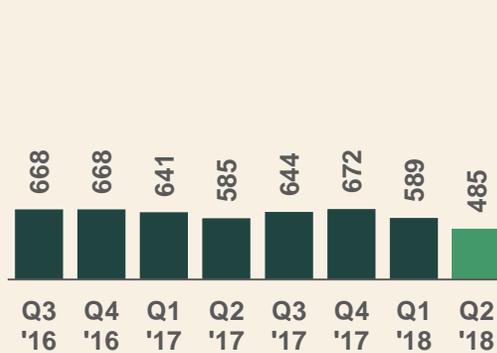
Net sales (SEKm)



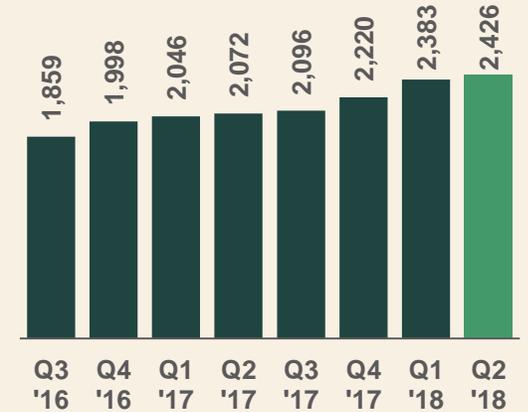
## Wood



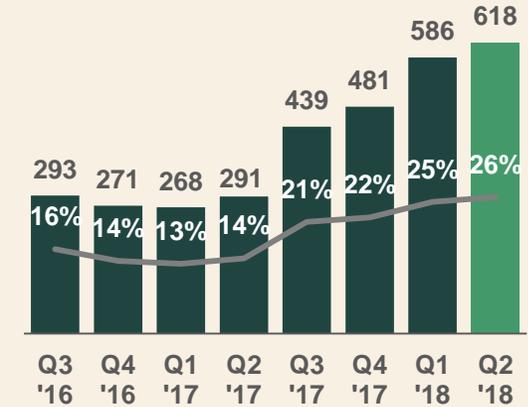
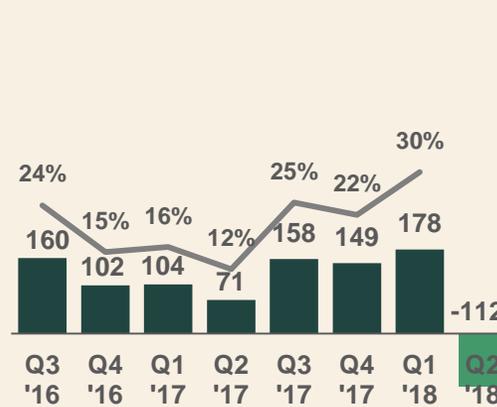
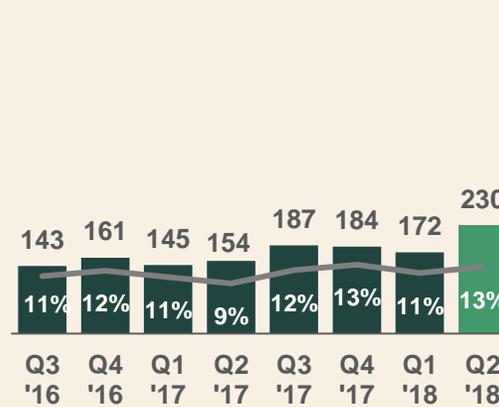
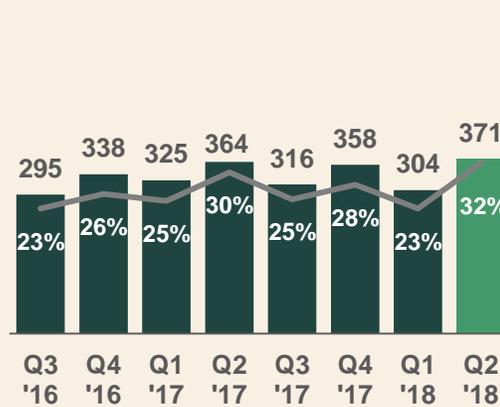
## Pulp



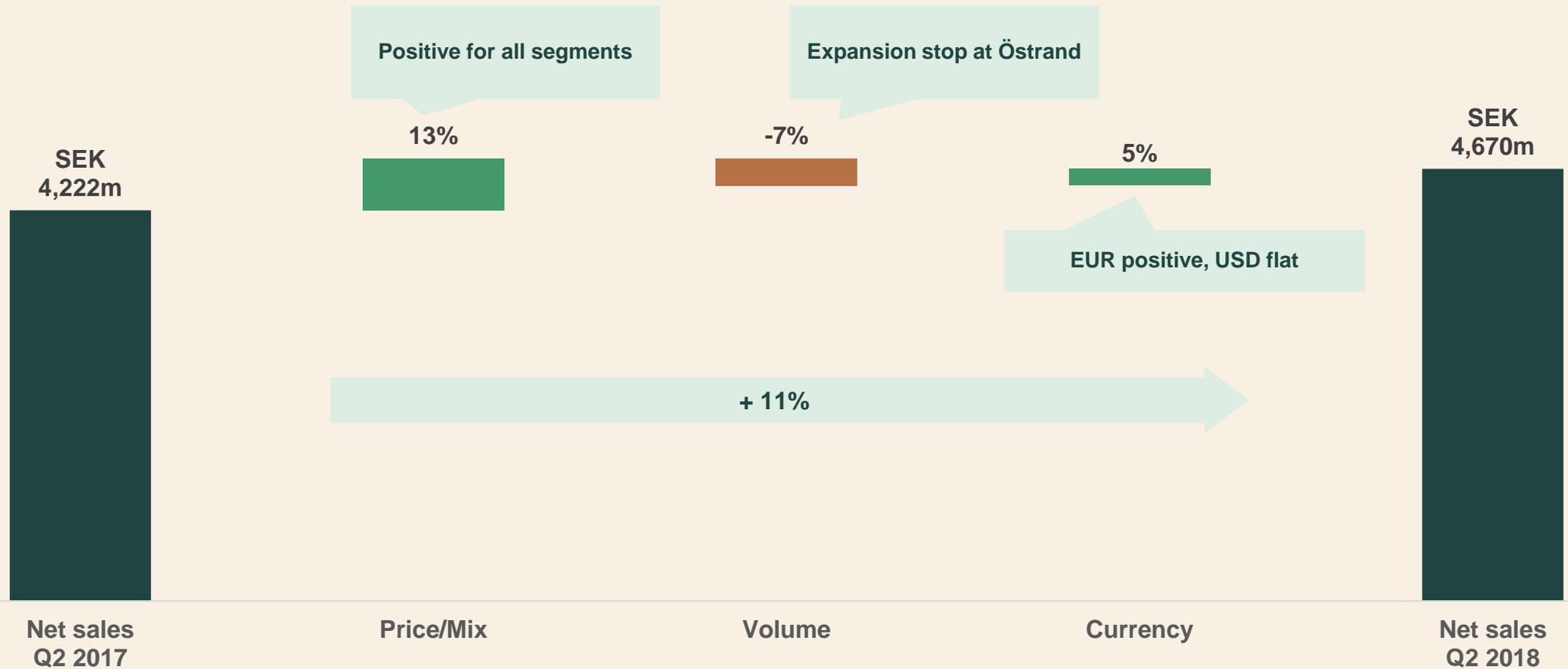
## Paper



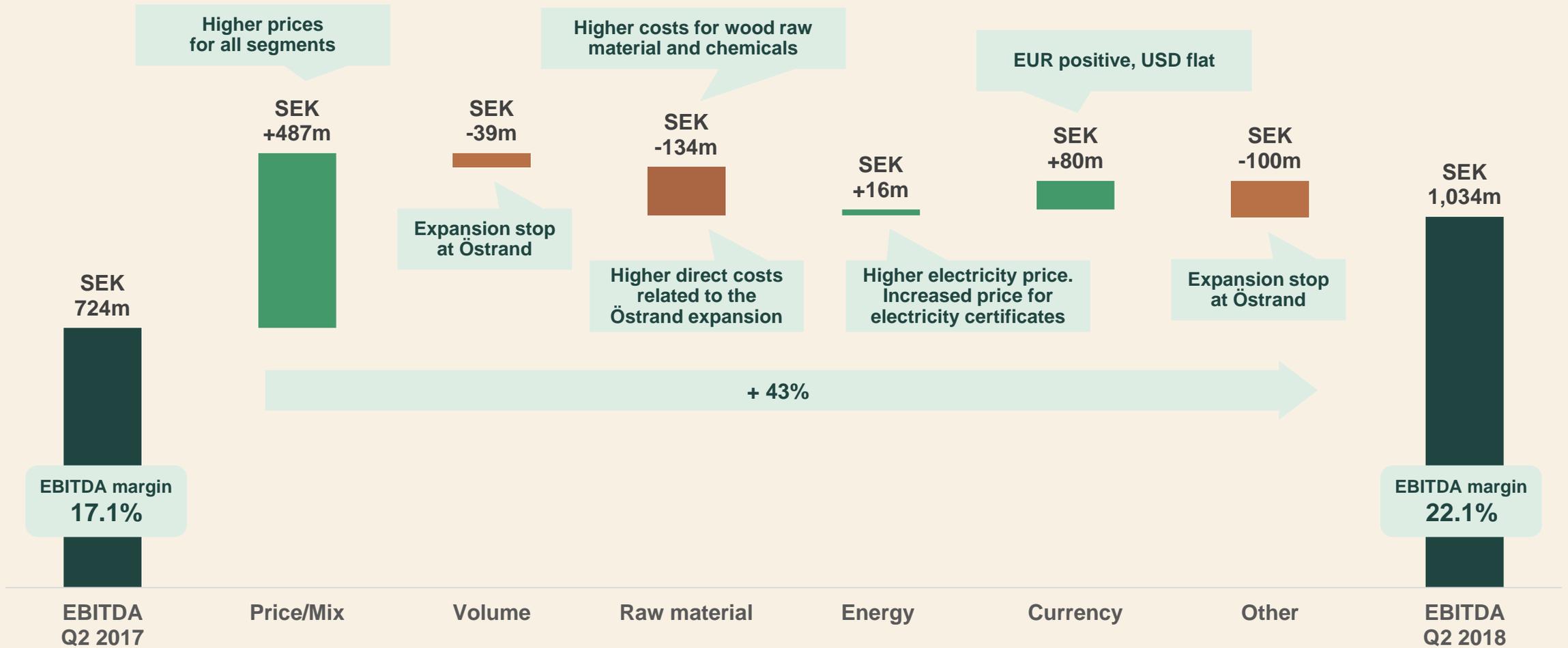
EBITDA (SEKm) and EBITDA margin



# Net sales Q2 2018 vs. Q2 2017



# EBITDA Q2 2018 vs. Q2 2017



# Cash flow

SEKm	Quarter		Jan-jun	
	Q2 2018	Q2 2017	2018	2017
EBITDA	1,034	724	2,209	1,521
Revaluation of biological assets and other non cash flow items <sup>1)</sup>	-93	2	-346	-221
<b>Operating cash surplus</b>	<b>941</b>	<b>726</b>	<b>1,863</b>	<b>1,300</b>
Change in working capital	-186	395	-345	41
Current capital expenditures	-200	-163	-276	-289
Other operating cash flow	119	-137	23	-146
<b>Operating cash flow</b>	<b>674</b>	<b>821</b>	<b>1,265</b>	<b>906</b>
Strategic capital expenditures	-488	-961	-1,122	-1,476

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 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

### Expansion and maintenance stops

- Production began in June 2018, following an expansion stop
- Expected EBITDA impact of expansion and maintenance stops <sup>(1)</sup>
  - Q1: SEK 0m (8)
  - Q2: SEK 236m (65)
  - Q3e: 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 100-250m

### Working capital

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

EBITDA impact	Q1 2018	Q2 2018	2018e	2017
Project related costs	16	15	50	100
Expansion/maintenance stops	0	236	256	131
Ramp-up effects	25	50	100-250	-
<b>Total (SEKm)</b>	<b>41</b>	<b>301</b>	<b>406-556</b>	<b>231</b>

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	Jun 30, 2018	Dec 31, 2017
<i>Forest assets according to IAS 41 <sup>1)</sup></i>	31,693	31,386
<i>Deferred tax relating to Forest assets</i>	-6,529	-6,905
Forest assets, net of deferred tax	25,164	24,481
Working capital	3,150	2,861
<i>Working capital/Net sales <sup>2)</sup></i>	17%	18%
Other capital employed	16,200	15,377
<b>Total capital employed</b>	<b>44,514</b>	<b>42,719</b>
<b>Net debt</b>	<b>7,348</b>	<b>5,966</b>
<i>Net debt/EBITDA <sup>3)</sup></i>	1.7x	1.6x
<b>Equity</b>	<b>37,166</b>	<b>36,753</b>
<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.

# Summary Q2 2018

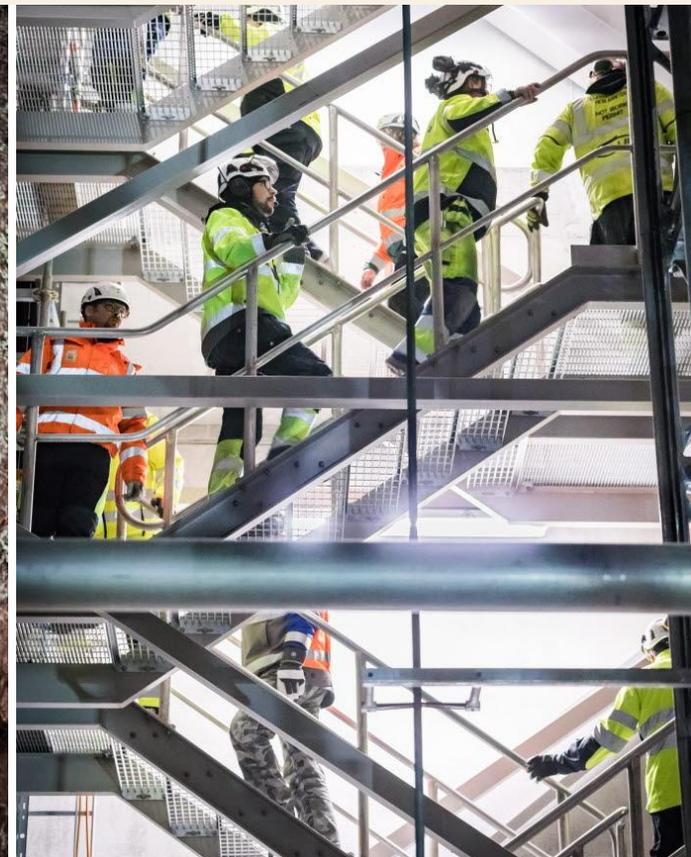
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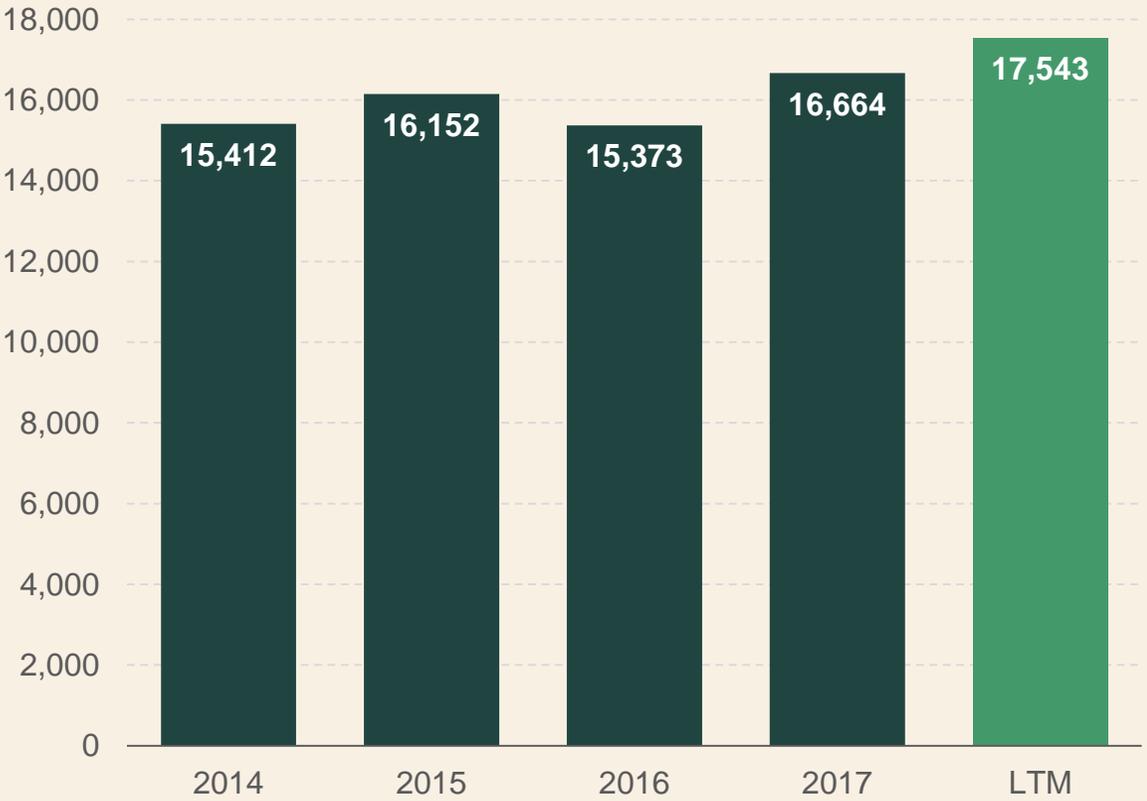
# Q&A



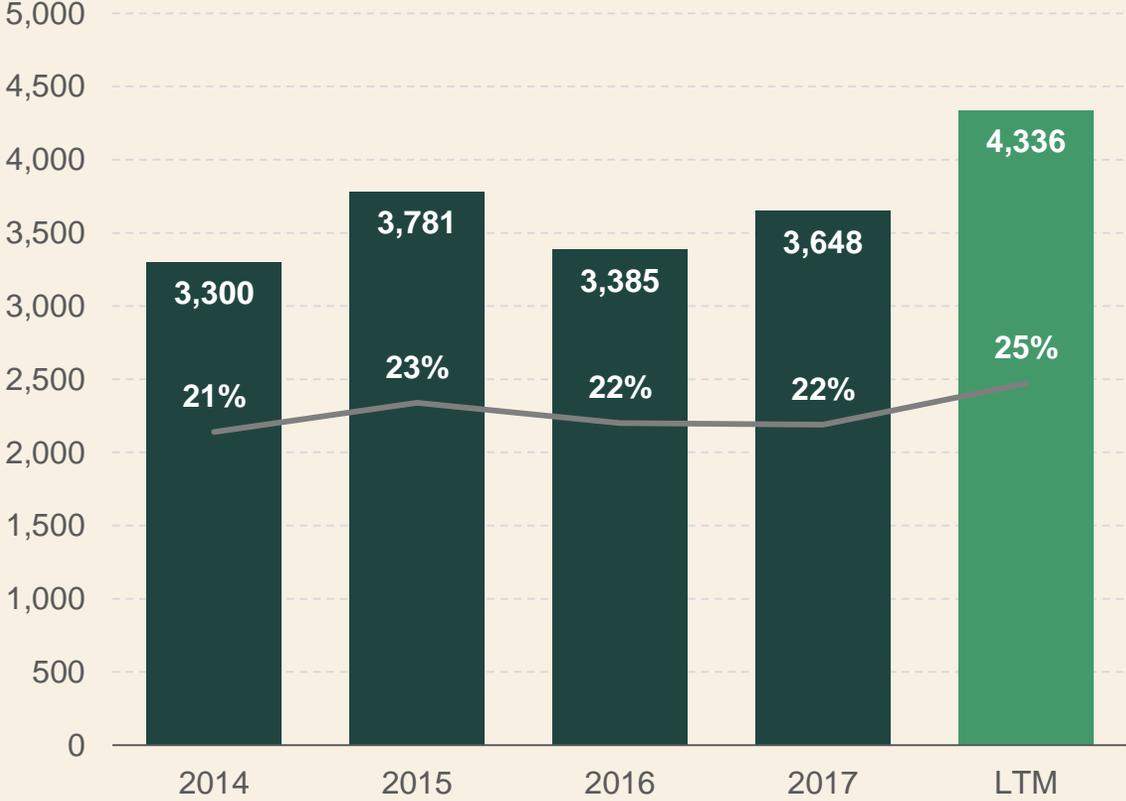
# Appendix

# Strong and stable performance

Net sales (SEKm)



EBITDA (SEKm) and EBITDA margin



# Contribution by segment

## Forest

Net sales (SEKm)



## Wood



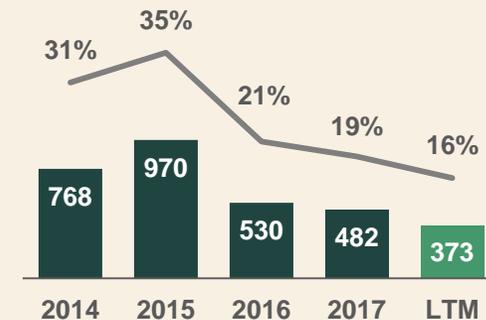
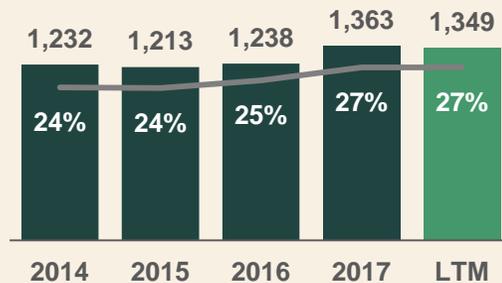
## Pulp



## Paper



EBITDA (SEKm) and EBITDA margin <sup>1)</sup>



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



# 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.

