### A strong and integrated value chain

<table>
<thead>
<tr>
<th>Forest</th>
<th>Wood</th>
<th>Pulp</th>
<th>Paper</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales (SEKm)</strong></td>
<td>16,664</td>
<td><strong>EBITDA 1) (SEKm)</strong></td>
<td>3,761</td>
</tr>
<tr>
<td><strong>EBITDA margin 1)</strong></td>
<td>22.6%</td>
<td><strong>Industrial ROCE 2)</strong></td>
<td>13%</td>
</tr>
<tr>
<td><strong>Forestland</strong></td>
<td>2.6 m ha</td>
<td><strong>Net growth</strong></td>
<td>3.0 m $m^{3}fo$</td>
</tr>
</tbody>
</table>

Note: 1) Adjusted EBITDA and EBITDA margin. 2) Adjusted ROCE for the industrial segments; Wood, Pulp and Paper. ROCE adjusted for capex invested in the Östrand project. Financial figures refer to 2017.
Europe’s largest private forest owner

Forestland

2.6 m ha

Productive forestland

2.0 m ha

Standing volume

232 m³fo

6% of Sweden
Global trends favoring fiber based renewable materials

- Increased demand for renewable materials
- Growing demand for virgin fiber
- Eco-awareness
- E-commerce
- More packaged goods
Cash flow funded growth opportunities

- **ROCE**
- **Leverage**
- **Credit rating**
- **Integrated value chain**

2015 → 2018
- **Östrand expansion**
  - SEK 7.8bn investment
  - Production began in June
  - Further growth potential

2018 → 2019
- **Increase share of White-top Kraftliner**
  - SEK 196m investment
  - +50kt white-top kraftliner

2019 → 2021
- **Biofuel production from crude tall oil**
  - Joint venture with St1 signed

2019 → 2021/22
- **Kraftliner expansion**
  - Pre-project to prepare for expansion at Obbola

2025?
- **Biorefinery optionality**
  - SEK 50m pilot plant
  - Environmental permit

5.0 TWh wind power on SCA land
- Agreements signed for construction in 2018-2020

Value

Time
Profitable growth strategy

1. Forest – the source for value creation
2. Paper – Kraftliner expansion
3. Pulp – start-up of a SEK 7.8bn investment
4. Renewable energy – the next value creator
5. Wood – moving forward in the value chain

Increased value from each tree

Growing forest asset
Forest – the source for value creation
The forest is our source for value creation
Profitable growth since 1950

Standing volume
million m³fo
1950: 146
2017: 232
+60%

Growing asset base

Harvest plan
million m³sub
1950: 2.0
2017: 4.3
+120%

Increasing cash flow

Land value ¹)
SEK/m³fo (real value)
1950: 109
2017: 396
+260%

Increasing land value

Note: ¹) Average price Sweden, real price (2017 price level). Source Lantmäteriet.
Significant real growth of 3.5%

Forest growth metrics (m m³fo)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross growth of standing forest</td>
<td>9.5</td>
</tr>
<tr>
<td>Natural losses and pre-commercial thinning</td>
<td>-1.3</td>
</tr>
<tr>
<td>Available growth of standing forest</td>
<td>8.2</td>
</tr>
<tr>
<td>Annual harvesting</td>
<td>-5.2</td>
</tr>
<tr>
<td>Annual net increase of standing forest</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Note: 1) Corresponding to approximately 4.3 m³sub.

Real growth rate of 3.5% (in relation to the standing volume of 232 m³fo)

Current cash flow
New harvesting plan every 8-10 years
Harvesting increase to >7 m³fo in 2114

Future cash flow
## Forest – strategic direction

<table>
<thead>
<tr>
<th>Maximize growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase sustainable harvesting level</td>
</tr>
<tr>
<td>Secure raw material supply</td>
</tr>
<tr>
<td>Secure biodiversity for future generations</td>
</tr>
<tr>
<td>Prevent further restrictions in ownership rights</td>
</tr>
</tbody>
</table>
Paper – Kraftliner expansion
Kraftliner – strategic growth area
Munksund – grow the share of value-added products: white-top, heavy duty and wet strength
Obbola – increase production capacity and improve efficiency

Publication paper – maximize cash flow
Positive cash-flow through operational excellence and optimized product and market mix
Prepare for profitable growth in Kraftliner

1. Increase share of White-top in Munksund
   SEK 196m investment
   White-top Kraftliner capacity increased from 150k tonnes to 200k tonnes
   Expected completion in May 2019

2. Transfer mid-grammage brown products from Munksund to Obbola
   Investment enables contribution optimization of Obbola paper mill
   Cost savings in addition to increased share of White-top at Munksund

3. Expand capacity and reduce costs of goods in Obbola
   Environmental process initiated
   Pre-project to prepare for Kraftliner expansion at Obbola initiated
Favorable long-term trends for Kraftliner

- E-commerce – 20% growth CAGR
- Increasing world trade
- Substitution of plastics
- Shelf ready packaging
- Food safety

Source: Numera.
Increased capacity needed to meet demand

Kraftliner growth limited by shortage of supply

Operating rates (shipment-to-capacity)

- Virgin
- Recycled

Not enough supply to satisfy demand

+800kt capacity needed by 2026

Source: Numera.
Opportunity for increased capacity

Obbola one of few brown field opportunities in Europe

- Access to fresh fiber
- Technical requirements
- Infrastructure
- Chemical pulp
- Leading non-integrated supplier

Pre-project to prepare Kraftliner expansion at Obbola initiated

New ~800 kt paper machine

Expansion of existing pulp line
- Virgin fiber
- Recycled fiber

Potential investment decision based on outcome of pre-project

Total capacity Obbola (ktonnes/year)

Present: 450
New capacity: 700-800
Pulp – start-up of a SEK 7.8bn investment
World’s largest NBSK pulp line in operation

- Production began in June according to plan
  - On budget and on time

- Ramp-up period of 12-18 months
  - 2018 – volumes in line with 2017
  - 2020 – first full year at full capacity

- World-class competitiveness and cost position

- Meeting long-term growth in tissue and white packaging
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
- Wood supply secured, but with potentially higher transportation cost
- Leading pulp quality for tissue products
Growing demand for pulp

Strong market growth...

Growing tissue demand, shrinking supply of high grade recycled fiber from Printing & Writing

Index (global market)

Tissue production

CAGR +3.4%

Printing & Writing consumption

CAGR -1.8%

Source: CEPI, RISI, PPPC, SCA.
Pulp – strategic direction

1. Start-up
2. Ramp-up
3. Quality
Renewable energy – the next value creator
Östrand investment enables biofuel potential

60,000 tonnes

Doubled tall oil production

Energy surplus

Net energy producer 1)

Synergies

Energy and production optimization

Note: 1) Net energy producer at Östrand.
SCA and St1 to start a joint venture for the production of biofuels from tall oil

Reduction of CO₂ by blending biofuels
- **Sweden**: 21% diesel and 4.2% gasoline by 2020
- **EU**: 7% renewable energy in transport

The HVO market is growing rapidly due to its compatibility with fossil diesel

Joint venture with St1 for the production of liquid biofuels
- Moving forward in the value chain
- SEK ~0.5bn investment by JV
- Annual production of ~100k tonnes HVO or biojet
- SCA to supply ~60k tonnes CTO out of ~170k tonnes
- Additional products include LPG, Naphtha, Turpentine and Pitch bioenergy

Source: SPBl.
Note: HVO = Hydrogenated Vegetable Oil.
Biorefinery potential enabled through the Östrands investment

- Energy surplus and byproducts from pulp production create opportunities in biorefinery
- SEK 50m invested in a pilot plant in Obbola for the production of liquid biofuels from black liquor
- Environmental permit application for two full scale biorefinery lines initiated
- Investments enable debottlenecking of the recovery boiler
Doubled wind power production by 2020

- Land with excellent wind conditions
- Land available through leasing
- Target of 5.0 TWh by 2020 will be exceeded
- EBITDA contribution of SEK 60-70m by 2020

5.0 TWh

Construction scheduled to start in 2018-2020

Current wind power on SCA land

- 2.3
- 2.7

☑️

☑️
Wood – moving forward in the value chain
One of the largest and most efficient sawmill operations in Europe

From 11 to 5 highly automated and efficient sawmills

SEK ~2.0bn invested since 2007

11 sawmills → 5 sawmills

Average capacity/mill: (m³/year)

1.8 m³

11 sawmills

160k

2.2 m³

5 sawmills

430k

2007

2017
Long-term profitable growth with focus on value added products

Wood sales (SEKbn)

- 1997: 1.1
- 2007: 4.7
- 2017: 6.0

Profitable growth

Higher and more stable margins over a business cycle

Customized products based on customer insights
Product innovation

Pine heartwood decking

Outdoor cladding with concealed fitting
Wood – strategic direction

Continued profitable growth through focus on:
• Building Materials Trade in Scandinavia, UK and France
• Industrial customers with high demand for customized products

Optimized production sites for world-class efficiency:
• Well invested large scale units
• Focus on automatization and optimization

Digitalization
• New tools and services for a growing e-commerce market
Q2 summary
SCA’s performance Q2 2018

- **EBITDA (SEKm)**: 1,034
- **Industrial ROCE ¹):** 13% / 19%*
- **EBITDA margin**: 22.1%
- **Net debt/EBITDA**: 1.7x

**EBITDA development (SEKm)**

- Q2 '17: 724 (17%)
- Q3 '17: 1,049 (25%)
- Q4 '17: 1,078 (25%)
- Q1 '18: 1,175 (27%)
- Q2 '18: 1,034 (22%)

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.

Excluding Pulp
## Contribution by segment and quarter

### Net sales (SEKm)

<table>
<thead>
<tr>
<th></th>
<th>Q3 '16</th>
<th>Q4 '16</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest</td>
<td>1,261</td>
<td>1,296</td>
<td>1,312</td>
<td>1,210</td>
<td>1,261</td>
<td>1,287</td>
<td>1,298</td>
<td>1,320</td>
</tr>
<tr>
<td>Wood</td>
<td>1,320</td>
<td>1,361</td>
<td>1,364</td>
<td>1,367</td>
<td>1,503</td>
<td>1,426</td>
<td>1,503</td>
<td>1,503</td>
</tr>
<tr>
<td>Pulp</td>
<td>1,261</td>
<td>1,287</td>
<td>1,287</td>
<td>1,287</td>
<td>1,287</td>
<td>1,287</td>
<td>1,287</td>
<td>1,287</td>
</tr>
<tr>
<td>Paper</td>
<td>1,859</td>
<td>1,998</td>
<td>2,046</td>
<td>2,072</td>
<td>2,096</td>
<td>2,220</td>
<td>2,383</td>
<td>2,426</td>
</tr>
</tbody>
</table>

### EBITDA (SEKm) and EBITDA margin

<table>
<thead>
<tr>
<th></th>
<th>Q3 '16</th>
<th>Q4 '16</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest</td>
<td>295</td>
<td>338</td>
<td>325</td>
<td>364</td>
<td>316</td>
<td>358</td>
<td>304</td>
<td>371</td>
</tr>
<tr>
<td>Wood</td>
<td>143</td>
<td>161</td>
<td>145</td>
<td>154</td>
<td>187</td>
<td>184</td>
<td>172</td>
<td>230</td>
</tr>
<tr>
<td>Pulp</td>
<td>160</td>
<td>102</td>
<td>104</td>
<td>71</td>
<td>158</td>
<td>149</td>
<td>178</td>
<td>112</td>
</tr>
<tr>
<td>Paper</td>
<td>293</td>
<td>271</td>
<td>268</td>
<td>291</td>
<td>439</td>
<td>481</td>
<td>586</td>
<td>618</td>
</tr>
</tbody>
</table>
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
Wood Q2 2018 vs. Q2 2017

**Price development – Solid Wood Products**

*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
Pulp Q2 2018 vs. Q2 2017

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
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
### Balance sheet

<table>
<thead>
<tr>
<th>SEKm</th>
<th>Jun 30, 2018</th>
<th>Dec 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forest assets according to IAS 41</strong></td>
<td>31,693</td>
<td>31,386</td>
</tr>
<tr>
<td><strong>Deferred tax relating to Forest assets</strong></td>
<td>-6,529</td>
<td>-6,905</td>
</tr>
<tr>
<td><strong>Forest assets, net of deferred tax</strong></td>
<td>25,164</td>
<td>24,481</td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>3,150</td>
<td>2,861</td>
</tr>
<tr>
<td></td>
<td><strong>Working capital/Net sales</strong></td>
<td>17%</td>
</tr>
<tr>
<td><strong>Other capital employed</strong></td>
<td>16,200</td>
<td>15,377</td>
</tr>
<tr>
<td><strong>Total capital employed</strong></td>
<td>44,514</td>
<td>42,719</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>7,348</td>
<td>5,966</td>
</tr>
<tr>
<td></td>
<td><strong>Net debt/EBITDA</strong></td>
<td>1.7x</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>37,166</td>
<td>36,753</td>
</tr>
<tr>
<td></td>
<td><strong>Net debt/Equity</strong></td>
<td>20%</td>
</tr>
</tbody>
</table>

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.
Share information
SCA’s transformation journey

1929
SCA founded

2017 split

2007-2016
Acquisitions:
- Vinda, tissue, China
- P&G, tissue, EU
- Georgia-Pacific, A&H tissue, USA

Divestments:
- Packaging
- Two publication paper mills

1975-2006
Acquisitions:
- Möllycke, Sweden
- PWA, tissue, Germany
- Georgia-Pacific, A&H tissue, USA

Divestments:
- Packaging
- Two publication paper mills

2006

2016

2017

Forest Products

Hygiene

Forest Products and Packaging
Share price development since distribution of Essity

Share price development

Current market cap
SEK 63 billion

June 12
Opening price
SCA B: 61.60
Closing price
SCA B: 62.60

Source: FactSet.
Note: As of July 20, 2018.
# Shareholder structure

SCAs largest shareholders as of June 30, 2018

<table>
<thead>
<tr>
<th>#</th>
<th>Shareholder</th>
<th>Capital</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Industrivärden</td>
<td>9.5%</td>
<td>29.7%</td>
</tr>
<tr>
<td>2</td>
<td>Norges Bank</td>
<td>7.2%</td>
<td>9.6%</td>
</tr>
<tr>
<td>3</td>
<td>Handelsbanken Pensionsstiftelse</td>
<td>1.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>4</td>
<td>AMF Försäkring &amp; Fonder</td>
<td>4.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>5</td>
<td>Swedbank Robur Fonder</td>
<td>4.0%</td>
<td>2.2%</td>
</tr>
<tr>
<td>6</td>
<td>BlackRock</td>
<td>3.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>7</td>
<td>Livförsäkringsbolaget Skandia</td>
<td>0.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>8</td>
<td>Pensionskassan SHB Försäkringsförening</td>
<td>0.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>9</td>
<td>Schroders</td>
<td>2.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>10</td>
<td>Vanguard</td>
<td>2.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Top 10</td>
<td></td>
<td><strong>36.0%</strong></td>
<td><strong>55.1%</strong></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>64.0%</td>
<td>44.9%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Number of shareholders

~96,000

Swedish ownership

~47%

Number of shares

~702m

Source: Monitor.
Appendix
Growing forest asset
Swedish forest transformation

Exploitative selective logging of the 1920’s ¹)

The forest landscape of today

¹) Source SLU, Skogsbilder.
Improved practices has increased growth

1. Silviculture
2. Fertilization
3. Improved seedlings
4. Introduction of lodgepole pine

Source: SCA measurements and estimates.
Note: Taxation = forest inventorisation. Lodgepole pine = Pinus contorta.
Young forests and lodgepole pine drive biological growth

High share of young forests currently in a strong growth phase

Age classification
Standing volume, %

- 0-20: 1%
- 21-50: 33%
- 51-80: 18%
- 80+: 48%

Strong growth phase
- 33% of volume
- 61% of growth

Tree species
Standing volume, %

- Spruce
  - 36%
- Deciduous
  - 15%
- Pine
  - 40%
- Lodgepole pine
  - 9% of volume
  - 18% of growth

Note: Lodgepole pine = Pinus contorta.
Planning, planning, planning

Planning key to increase growth

1. **Calculation of sustainable yield – 100+ years**
   - Inventories, recalculations every 6-10 years

2. **Ecological landscape plans – 100+ years**
   - Set aside areas, areas for special management

3. **Stand selection for harvesting plans – 10 years**
   - Estimations of volumes and qualities

4. **Road construction – 5 years**

5. **Operational field planning for harvests – 1-3y**
   - Seasonal adaptions, consultations reindeer herding

6. **Supply planning – month, week, day**
   - Balancing harvesting, wood transport and industry supply
Improved seedlings

The world’s largest forest tree nursery with capacity to produce 100 million seedlings per year

Selective breeding bring seed with higher quality, survival rate and growth

On site R&D to improve growth and protection

Innovative seedling systems

>25% faster growth potential than natural regeneration
Global climate change

Increased growth in northern Sweden
- Significant longer growth period – earlier in spring, later in autumn
- 25-30% increased growth by the end of the century

Global warming will have a significant impact on the climate in northern Sweden
- 3-4°C increase in temperature by 2100

Increased risk
- Increased risk for storms, fire, infestation and snow damage
- Damage to soils and water due to shorter period of ground frost

Source: Skogsstyrelsen.
Note: Based on base case which includes a significant decrease in emissions. Areas furthest from the equator will receive the largest changes.
Increase in both standing volume and harvesting level

Harvesting from own forest (m $m^3$ sub)

Standing timber volume (m $m^3$ fo)

Increasing cash flow

Growing asset base

Note: Historic growth based on Tax I-VIII. Current growth and forecast based on Tax IX (2013) and current practices.
Nature conservation impacting current harvesting level

Forest holding by age class (by area – ha)

Large share of the forest in harvestable age is saved for nature conservation

High share of young forests currently in a strong growth phase

• Harvesting will rise when the younger forests reach harvestable age around 2035

Harvestable age

Nature conservation
## Responsible forest management

<table>
<thead>
<tr>
<th>Nature conservation areas</th>
<th>% of productive forest land</th>
<th>FSC requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary set-asides</td>
<td>5-8%</td>
<td>$\geq5%$</td>
</tr>
<tr>
<td>Nature considerations during harvesting operations</td>
<td>10-15%</td>
<td>$\sim5-10%$</td>
</tr>
<tr>
<td>Alternative forms of forest management</td>
<td>3-5%</td>
<td>–</td>
</tr>
<tr>
<td>Sum (over the rotation period of the forest)</td>
<td>$\sim20%$</td>
<td>$\sim10-15%$</td>
</tr>
</tbody>
</table>

21% currently excluded from harvesting

---

FSC = Forest Stewardship Council
Technological and organizational development drives productivity

1. Technical development
2. Instruction, training and feedback
3. Ownership structure
4. Coaching and business development

Productivity development (m³ sub/ day’s work)

Organizational development

Technical revolution

Storm felling
Efficient wood sourcing organization secures wood supply

Europe’s largest private forest owner

2.6 m ha

Wood sourcing to industries

10 m^3^ sub

Control of infrastructure

8 timber terminals

50% self sufficiency
Attractive offering for local forest owners

- Harvesting services – leading cost position
- Silviculture and advisory services
- Strong financial and industrial partner
- Skogsvinge™ – a digital tool

Relationship with 14,000 forest owners
Paving the way for a renewable future

SCA’s growing forest binds ~4m tons CO₂ annually and provide renewable materials

21% of the productive forest land is excluded from harvesting to preserve biodiversity

Carbon dioxide emissions from fossil fuels reduced by ~50% since 2010

95% fossil free production

Our forests will be as rich in timber, biodiversity and nature experience as today
Europe’s largest private forest owner

- Sustainable forest management
- Significant growth through young forest and active management
- Stable and long-term increasing harvesting rate
- High productivity and efficient value chain
- Securing timber and biodiversity for future generations
Increased value from each tree
Capital allocation

- Capital Structure
  - Investment Grade Rating
  - Net Debt to EBITDA
  - Integrated value chain

- Forest Asset
  - Real growth of 3.5%
  - Supported by strong cash flow

- Dividend
  - High return projects
  - Stable and increasing

- Strategic Investments
  - M&A
  - Creating Shareholder Value
Value creation for the forest owner

Saw logs
- Price ~510
- Revenue 63%
- Volume 48%

Pulp wood
- Price ~280
- Revenue 37%
- Volume 52%

Note: Price in SEK/m³ sub.
Integrated value chain creates significant value add from one tree

- **Wood raw material** ¹)
  - (m m³ sub)
  - ~9

- **EBITDA margin** ²)
  - 22.6%

- **Industrial ROCE** ³)
  - 13%

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<table>
<thead>
<tr>
<th>Income / m³ sub ⁴)</th>
<th>Saw logs</th>
<th>~510</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp wood</td>
<td>~280</td>
<td></td>
</tr>
<tr>
<td>Forest owner</td>
<td>~390</td>
<td></td>
</tr>
</tbody>
</table>

- + Wood products
- + Pulp
- + Publication paper
- + Kraftliner
- + Chips
- + Pellets
- + Wind power
- + District heating
- + Green electricity
- + Combined logistics

**SCA** 2,000+

---

Investment in value chain drives profitability

Increased value from each tree

Growing forest asset

Value

Time

Increase value add

Utilization of land

Increase value from byproducts

2015-2018
Östrand expansion

- SEK 7.8bn inv.
- Production began in June

2018-2019
Increase share of WT Kraftliner

- SEK 196m investment
- 50kt white-top kraftliner

2019-2020
5.0 TWh wind power on SCA land

- Agreements signed for construction in 2018-2020

2019-2021
HVO production from CTO

- Joint venture with St1 signed

2019-2021:22
Kraftliner expansion

- Pre-project to prepare for expansion at Obbola

2025?
Biorefinery optionality

- SEK 50m pilot plant
- Environmental permit
Forest seasonality

Net sales (SEKm)

EBITDA (SEKm)

Harvesting of own forest (k m³ sub)

- Revaluation of forest – lower revaluation when harvesting from own forest is high

- High level of harvesting from own forest in Q2 and Q4
Factors affecting relative profitability

**Income**

**Thinning**
- Income / m³: 80
- Harvesting cost: -40
- Gross profit: 40

**Final harvesting**
- Income / m³: 100
- Harvesting cost: -25
- Gross profit: 75

**Forest holding by age**
- Increased profitability as fast growing young forest reaches harvestable age

**Costs**
- Pre com. thinning
- Fertilization
- Road construction
- Silviculture

**Factors affecting relative profitability**

**i. Price to industry**
- Market prices, externally sourced wood sold at cost

**ii. Harvesting efficiency**
- Industry leading cost position

**iii. Young forest currently in a strong growth phase**
- Lower harvesting level
- Higher level of thinning and share of planted forest

**iv. Gains from wood swaps**
- ATTRIBUTED TO INDUSTRY

**v. Capital gains on land swaps and land sale**

**Note:** Forest holding by hectare.
Supplies industry segments with wood

Sold at market price
  • Prices based on market prices in SCA’s region

Price premium for certified forest

No EBITDA contribution from externally sourced wood (sold at cost to industry)
  • Östrand investment will increase Forest’s sales but not EBITDA
Leading cost position

1. Optimization and efficient forest management

2. Industry leading cost position

3. Economies of scale
   - Europe’s largest private forest owner
   - Relationship with 14,000 forest owners

![Graph showing harvesting cost (index)]
Forest portfolio optimization through buying and selling land

**SCA’s land purchases**

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (thousand m$^3$fo)</th>
<th>Price (SEK/m$^3$fo)</th>
<th>Value (SEKm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,655</td>
<td>264</td>
<td>437</td>
</tr>
<tr>
<td>2015</td>
<td>185</td>
<td>273</td>
<td>50</td>
</tr>
<tr>
<td>2016</td>
<td>123</td>
<td>263</td>
<td>32</td>
</tr>
<tr>
<td>2017</td>
<td>261</td>
<td>259</td>
<td>68</td>
</tr>
</tbody>
</table>

**SCA’s land divestments**

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (thousand m$^3$fo)</th>
<th>Price (SEK/m$^3$fo)</th>
<th>Value (SEKm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,405</td>
<td>322</td>
<td>452</td>
</tr>
<tr>
<td>2015</td>
<td>270</td>
<td>310</td>
<td>84</td>
</tr>
<tr>
<td>2016</td>
<td>176</td>
<td>274</td>
<td>48</td>
</tr>
<tr>
<td>2017</td>
<td>385</td>
<td>270</td>
<td>104</td>
</tr>
</tbody>
</table>

Stable price at ~270 SEK/m$^3$fo

1. **Move forest closer to the industry**
2. **Improve forest consolidation**
3. **Swap of land for nature reserves**

**Legal restrictions**

- Prevailing law in Sweden prohibits legal entities from the net purchase of forest land from private individuals
Improving forest consolidation

**Forest land swaps**

- **SCA’s forest land**
- **SCA gains**
- **Counterparty’s forest land**
- **SCA gives to counterpart**

**Acquisition of land to create larger consolidated areas**

*Forest ownership in Roggsjön 1955*

*Forest ownership in Roggsjön 2017*
Wood swaps drive both financial and environmental gains

Wood swaps totaling 1-1.5m m³ sub annually

Cost saving from lower transportation costs

Reduced emissions

Collaboration with several large forest owners

SEK 60m annual saving
IAS 41 valuation

Accounting valuation and regulations

Forest valuation is divided into two components

- Actual land – IAS 16 Property, plant and equipment
  - At acquisition cost (acquired long ago) and road investments
- Growing forest – IAS 41 Biological assets

IAS 41 principals

- Calculation based on existing harvesting plans, growth assessments and technology
- No global warming effects included
- Environmental restrictions taken into account
- Latest forest survey conducted in 2012-2013
- New assessment approximately every 8 years

Assumptions

- WACC 5.25%
- Price and cost based on 5 year averages
- 2% price and cost inflation
Market valuation of forest assets

Assumptions
• WACC / required return
• Price

Forecast harvesting plan
• Growth and harvesting
• Improved seedlings
• Silviculture and fertilization
• Technical development
• Climate change

Land value
• Land value not included in IAS 41
Launch of SCA Frontier
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
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.