

Kraftliner expansion

Investor Relations
September 2, 2019



Profitable growth strategy

Ulf Larsson, CEO

Profitable growth strategy



Increased
value from
each tree

Growing
forest asset



Invest in integrated value chain:

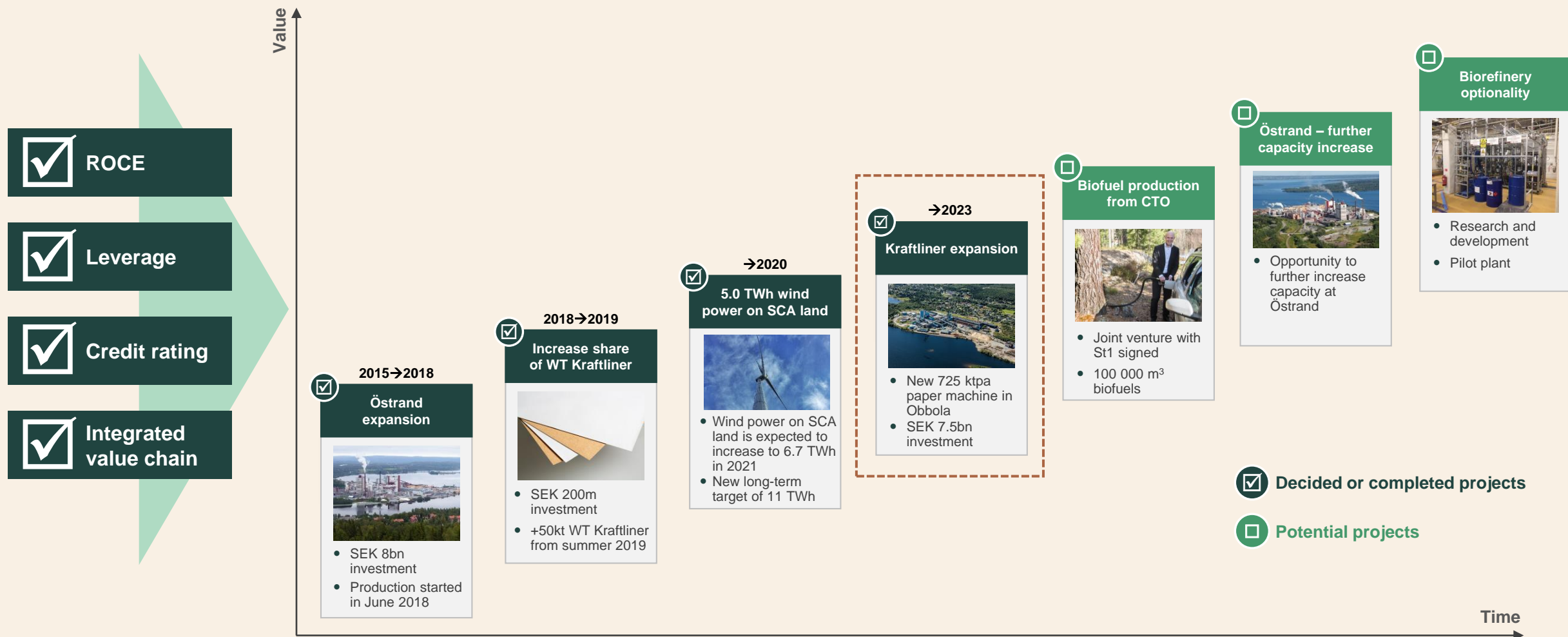
- Grow Pulp
- Kraftliner expansion
- Renewable energy new segment
- Reduce exposure to Publication Paper



Increase forest holdings:

- Increase growth and harvesting level
- Acquire forest land
- Optimize nature conservation

Cash flow funded growth opportunities



Kraftliner expansion – investment highlights



Favorable trends drive long-term growth

- Renewable packaging, e-commerce, more packaged goods from a growing population and middle class



Asset renewal secures long-term competitiveness

- Strengthened market leading position
- Improved cost position
- Best available technology with future development potential



Parallel start-up ensures EBITDA enhancement from start

- Parallel construction of the new paper machine ensures full production during the construction period
- Sequential start-up of pulp line minimizes risk
- Proven project approach with an extensive pre-project



Contributing to the transition towards a fossil free society

- Fiber based renewable materials replacing plastics
- Fossil free – investment to replace 8,000 m³ annual oil consumption with wood pellets



Profitable growth

- Secures current operations in Obbola
- Increased capacity by 275k tonnes

Financial summary

Toby Lawton, CFO

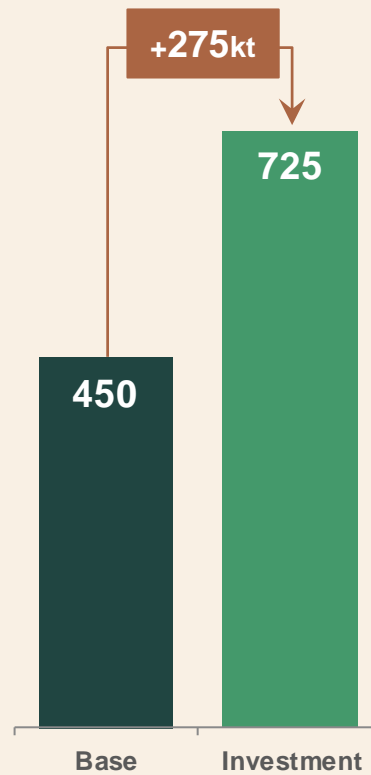
Kraftliner expansion drives profitable growth

We invest to secure the first 450kt and to add 275kt

Obbola investment '19-'23



Obbola production (kt)



EBITDA (SEKbn)



Profitable growth

Most value creative alternative

Capex of ~7.5 SEKbn

- Life extension: ~2.5bn non-optional
- Capacity expansion: ~5.0bn optional

Profitable growth

- Secure current operations
- +0.8-1.0 SEKbn EBITDA assuming trend-price of 600 EUR/t

Expected start-up in Q1 2023

- 3 year ramp-up to full capacity
- Profitable during the first year of operation

Note: Assuming kraftliner trend price of 600 EUR/t and current currency.

Kraftliner expansion

Mats Nordlander, President Paper

Market

Favorable long-term trends driving containerboard demand

Favorable long-term trends...

Population growth

Growing middle class

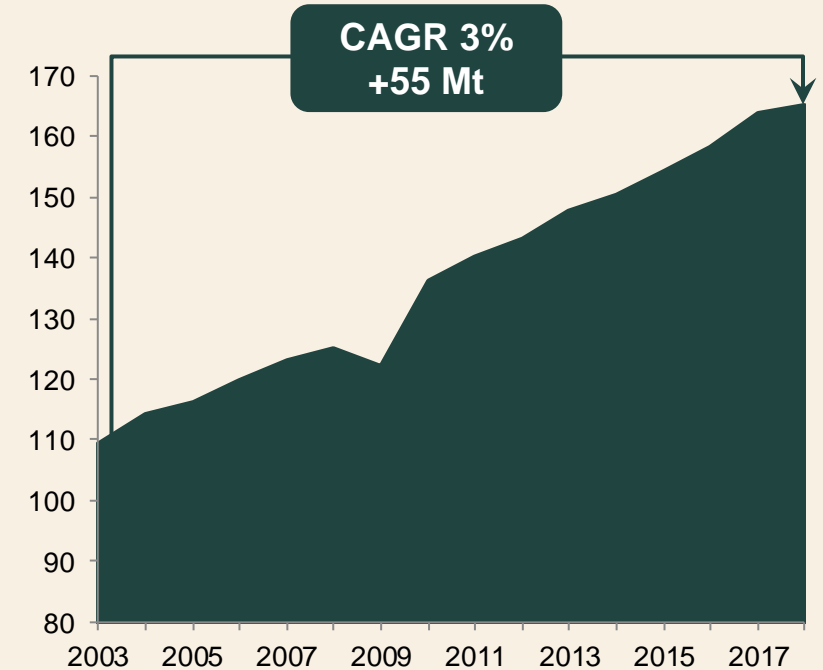
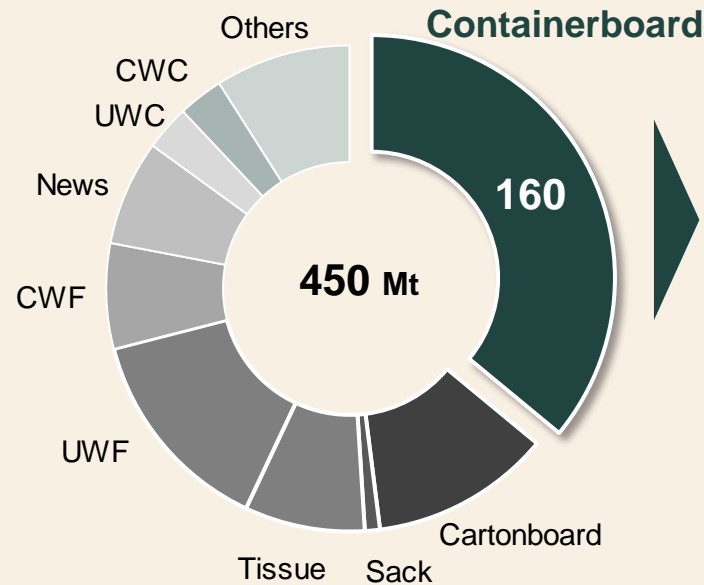
E-commerce

Substitution of plastics

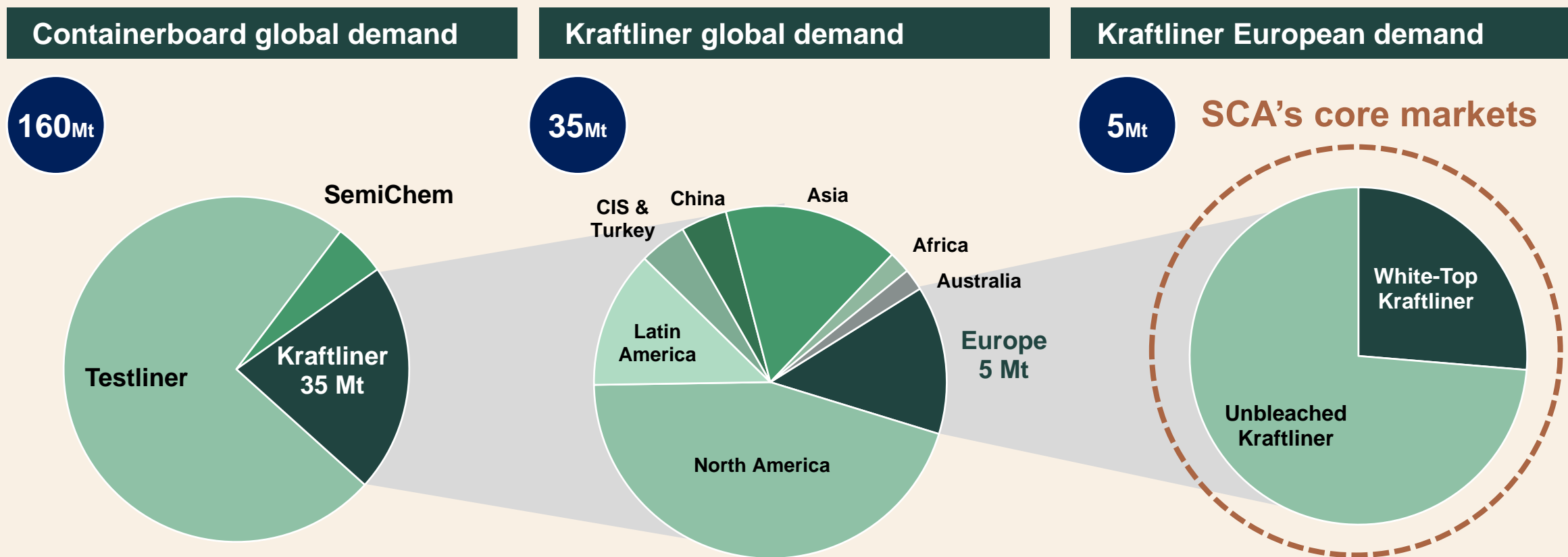
Food safety demanding kraftliner

...driving containerboard demand with a stable growth of ~3%

Containerboard a 160 Mt global market



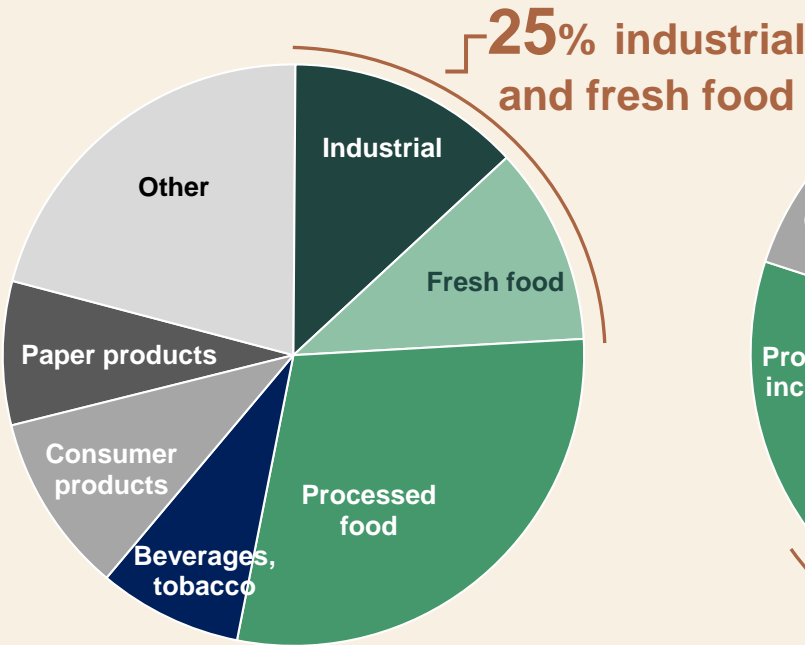
SCA focuses on the European kraftliner market



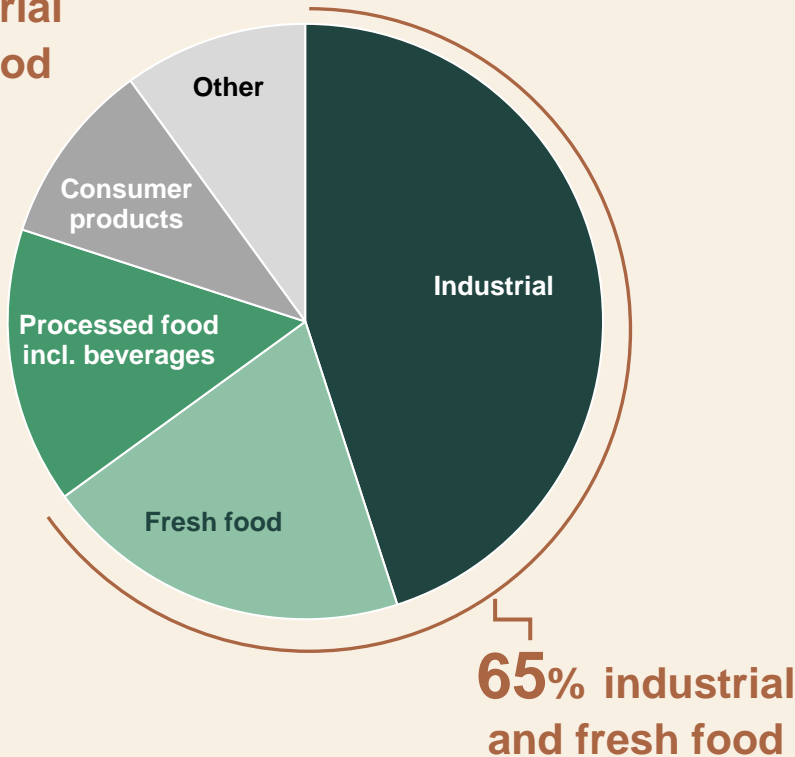
Kraftliner for packaging that requires strength

SCA's strong fiber suitable for kraftliner applications

Applications Containerboard



Applications Kraftliner



- 1 Climate variations in supply chain
- 2 Long distance transport
- 3 Material reduction
- 4 Food safety
- 5 Product safety

Long-term structural trends provide additional growth potential

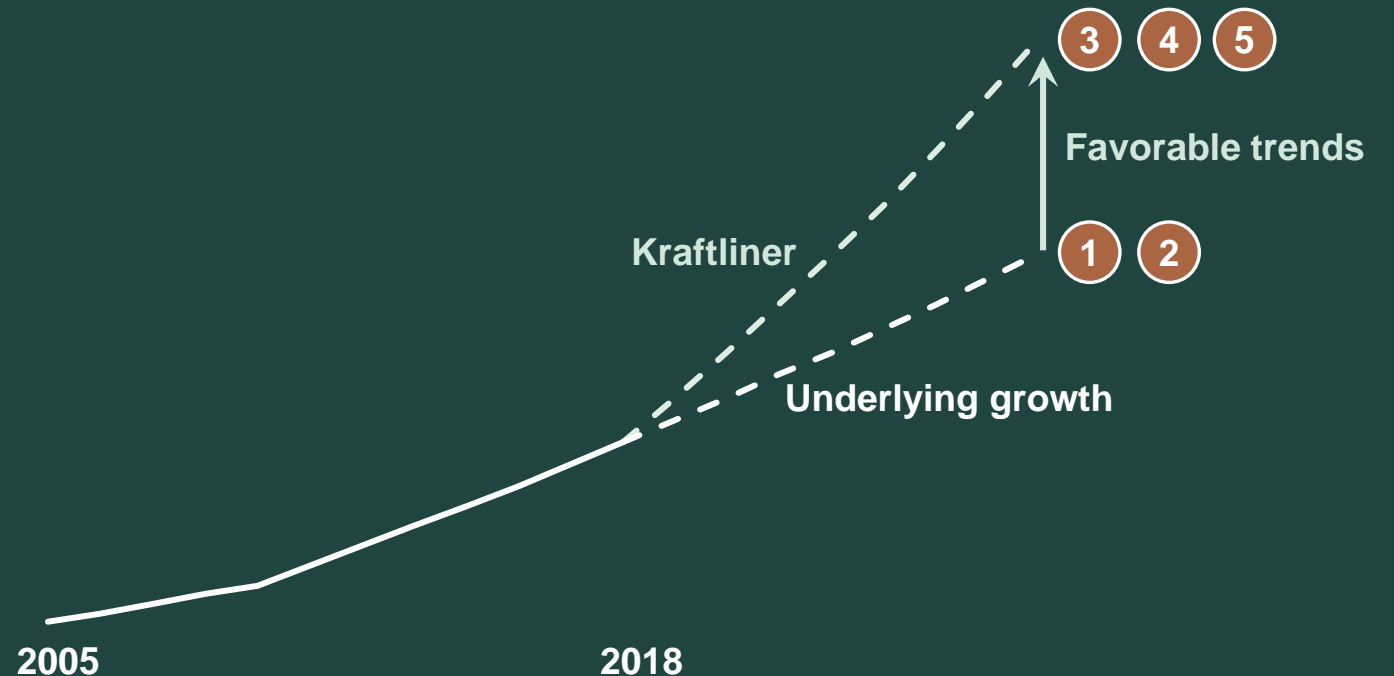
Economic drivers

- 1 Industrial production
- 2 Consumer spending

Structural growth

- 3 Changes in retail
- 4 E-commerce
- 5 Sustainable packaging

Kraftliner demand growth



Project overview

Secure and improve current kraftliner business...

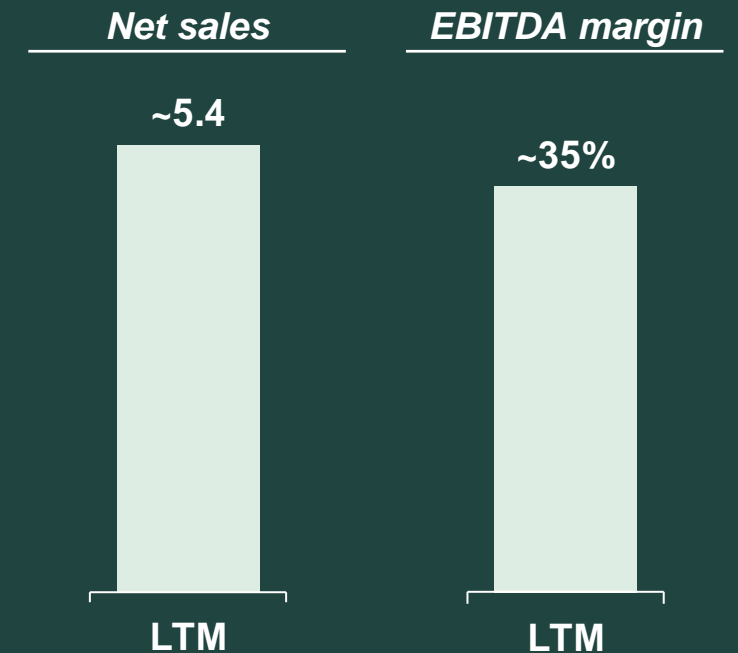
Kraftliner LTM EBITDA margin of 35%

Kraftliner EBITDA margin LTM Q2 2019 of ~35%

To maintain current operations at Obbola, a lifetime extension investment of SEK ~2.5bn over the next years is required

- Paper machine was built in 1975 and is fully depreciated

Kraftliner financials (SEKbn)



...and increase capacity with 275 kt

Obbola one of few brown field opportunities in Europe

☒ Access to fresh fiber supply

☒ Technical competence

☒ Infrastructure

☒ Chemical pulp

☒ Leading independent supplier

World's most advanced kraftliner machine

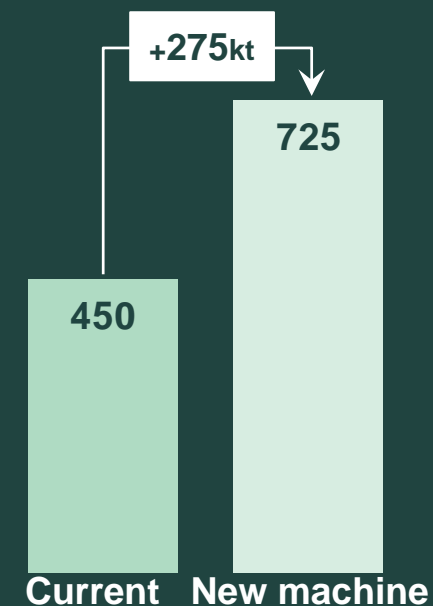
New 725 kt paper machine

Expansion of existing pulp line

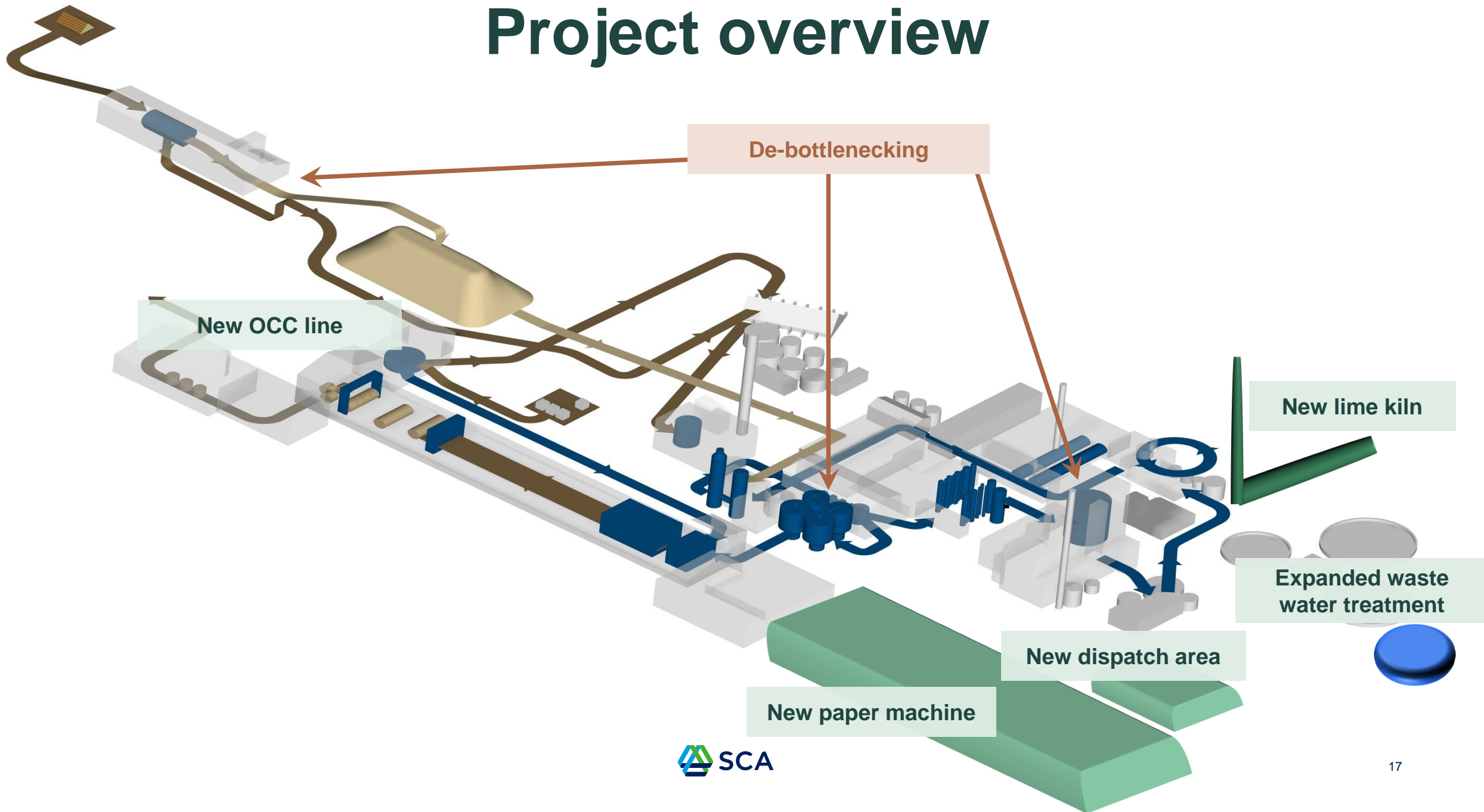
- Virgin fiber
- Recycled fiber

Investment option most value creative alternative

Obbola capacity (ktpa)



Project overview



Asset renewal secures long-term competitiveness



Strengthened market leading position

- Europe's largest independent producer of kraftliner
- Increased market share
- Improved product quality



Improved cost position

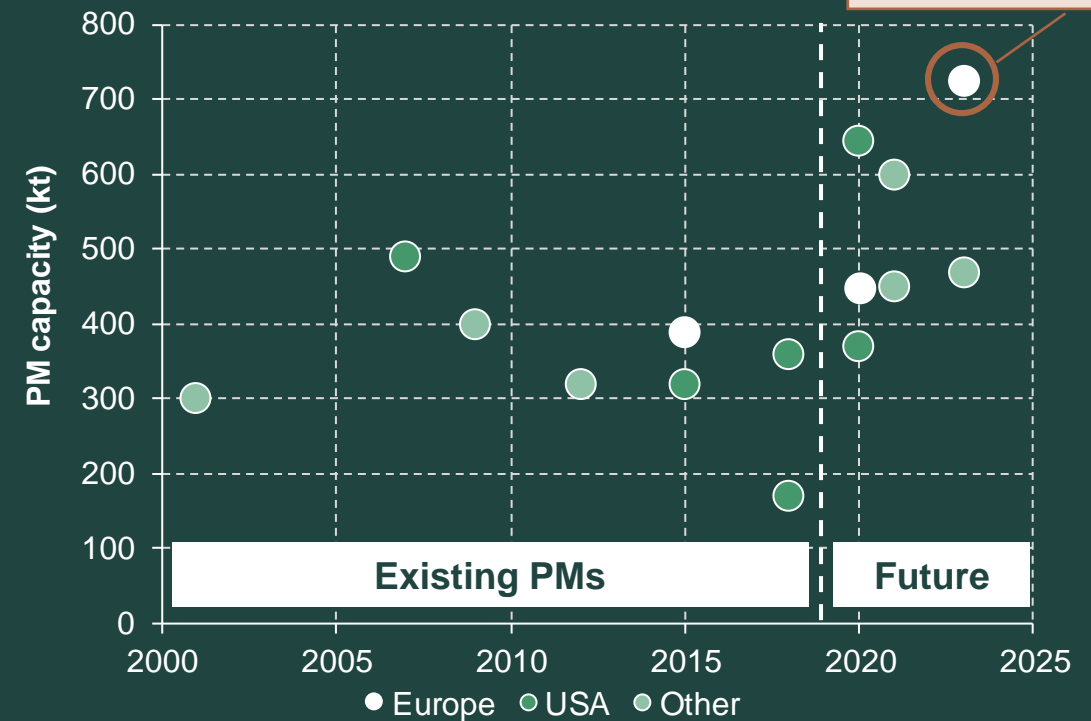
- Significantly lower indirect cost per tonne



Best available technology with future development potential

- World's most advanced and productive kraftliner machine
- A significant technological leap, but with proven components
- Three layer paper concept ensures best in class product quality

New Kraftliner PM's since 2000



Parallel start-up ensures EBITDA enhancement from start

✓ Parallel construction of the new paper machine ensures full production during the construction period

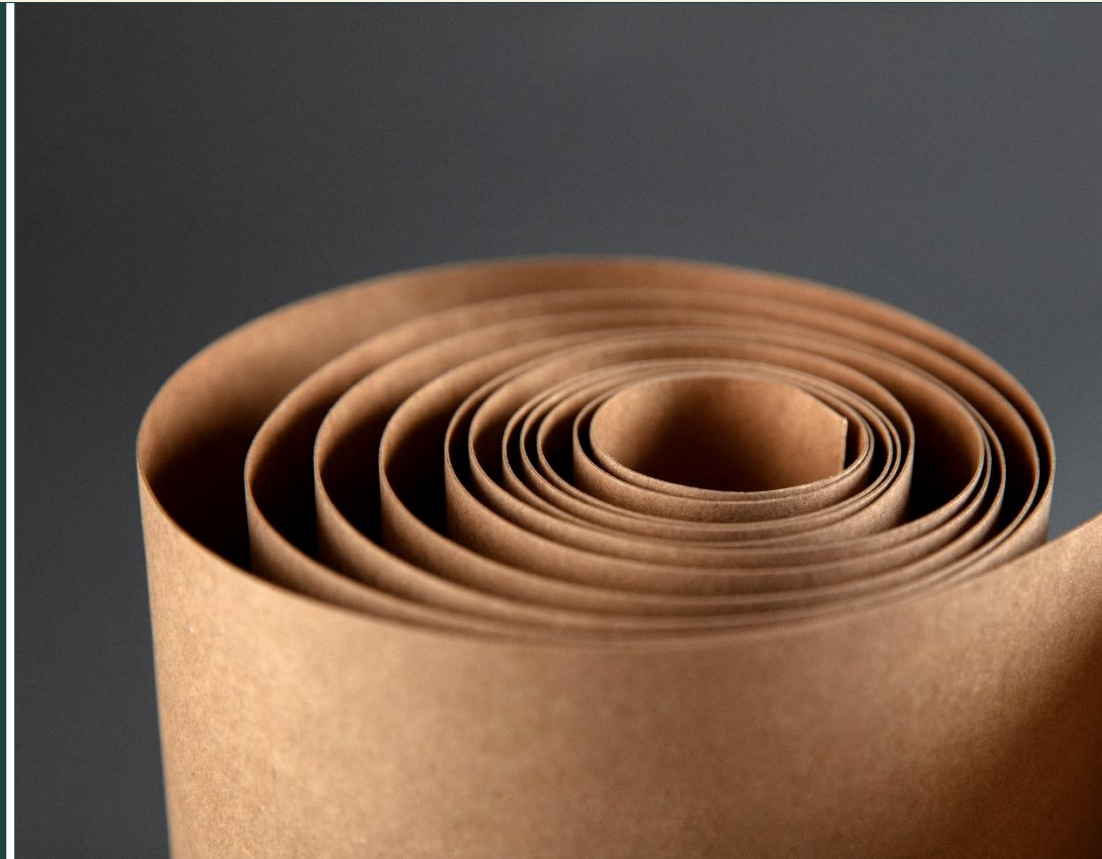
- Fiber line switched to new machine post construction
- Only a minor investment stop required

✓ Sequential start-up of pulp line minimizes risk

- Proven concept from the Östrand investment

✓ Proven project approach with an extensive pre-project

- Extensive planning and preparations
- Know-how and experience from the Östrand investment



Start-up expected in Q1 2023

Profitable during first year of operation

Full capacity of 725kt/year

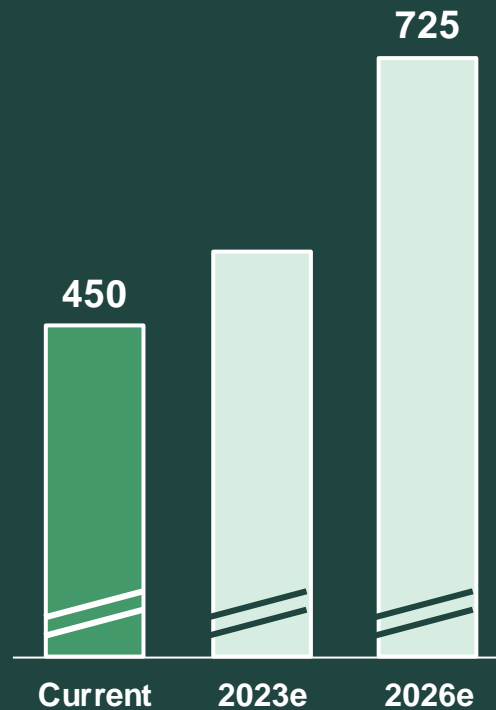
Start-up expected in Q1 2023

Ramp-up period of ~3 years

- 2026 first full year with full capacity

Profitable during the first year of operation

Obbola production (kt)





Europe's largest private forest owner

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