



Driven by the force of the forest


Capital Markets Day
November 25, 2022



Introduction

Ulf Larsson

Strategy communicated in 2017



Increased
value from
each tree

Growing
renewable
forest asset



Invest in integrated value chain:

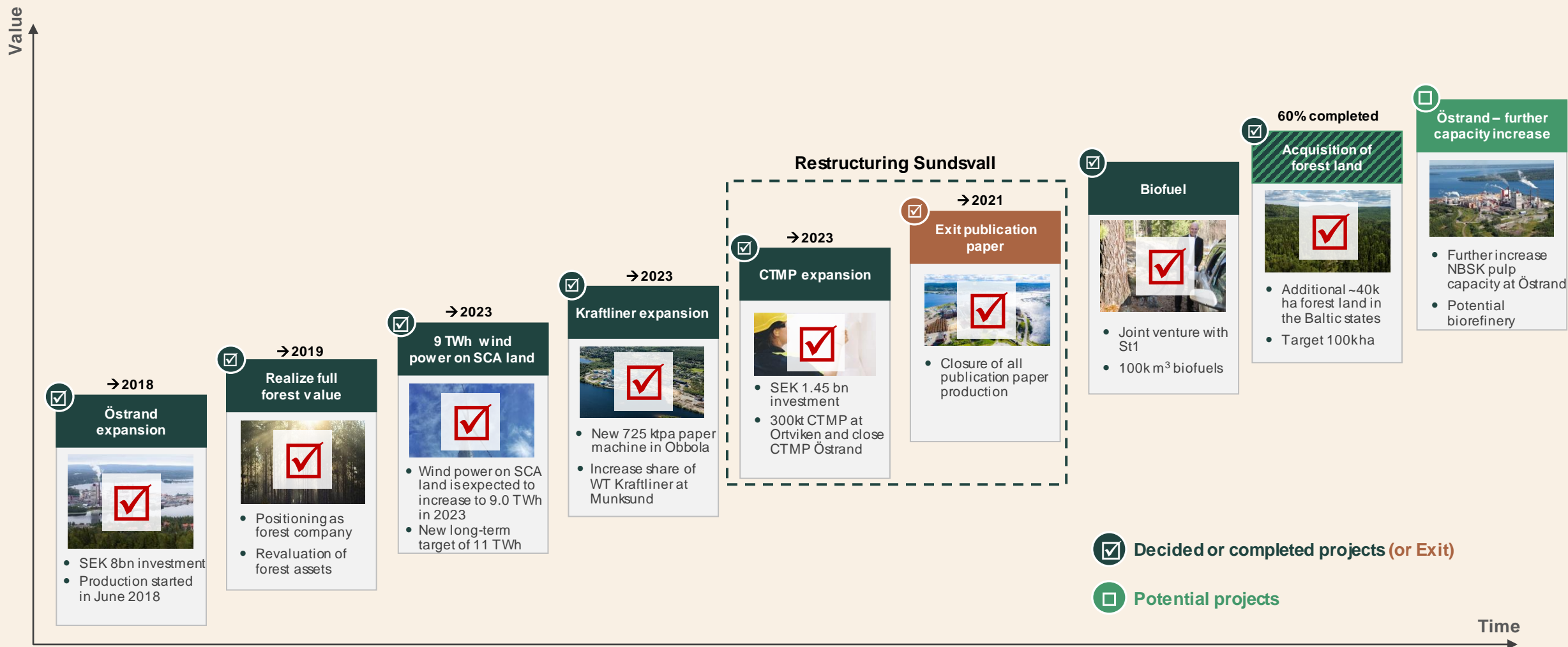
- Grow Pulp
- Grow Kraftliner
- Develop Renewable energy
- Reduce exposure to Publication Paper



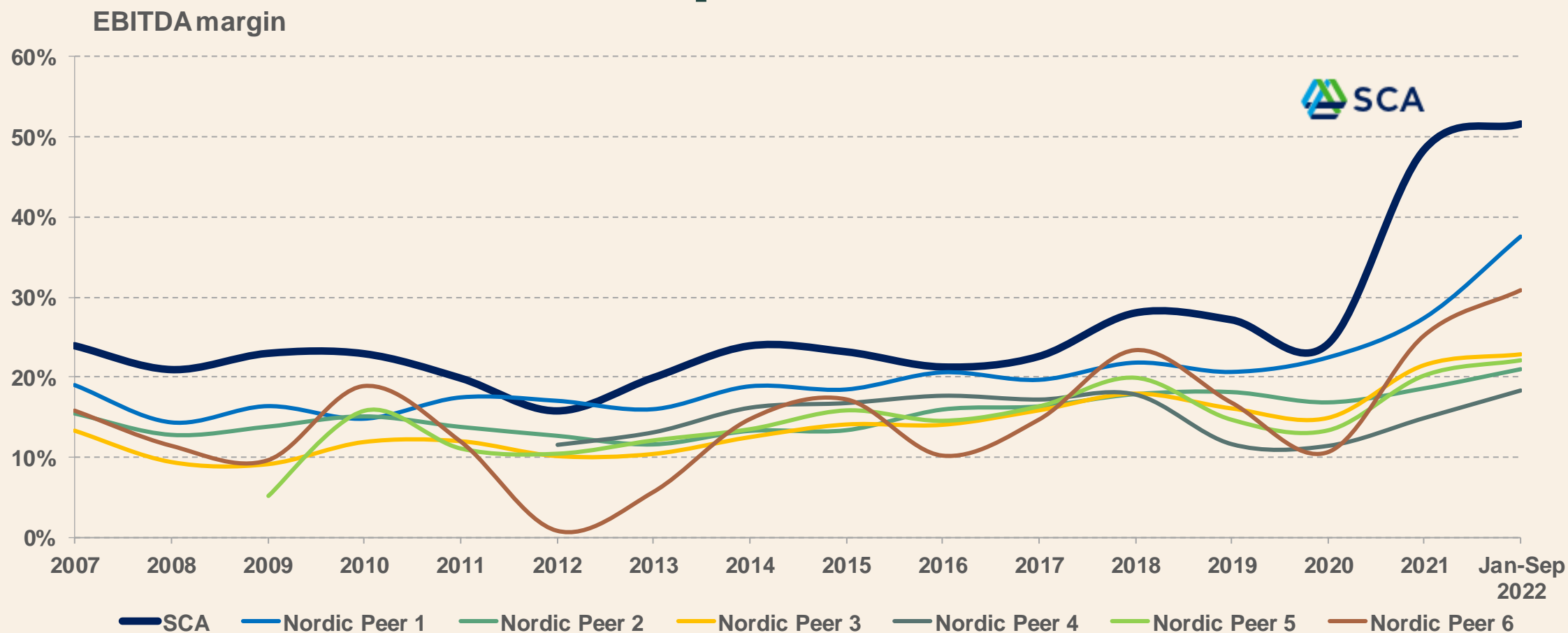
Increase forest holdings:

- Increase growth and harvesting level
- Acquire forest land

Project portfolio delivered



Transformation has increased competitiveness



..and contributed to a fossil free society

Binds net
5.4
Mt CO₂

CO₂

1

Growing forests bind CO₂ – active forest management increases growth

Fertilization

Contorta pine

Active silviculture

Improved seedlings



Operations

3

Investments and innovation reduce carbon emissions

Low Emissions
0.7
Mt CO₂

2

Higher growth enables more substitution – renewable alternatives replace fossil based products

SCA's renewable products

Non-renewable products

Bioenergy

Fossil fuels

Paper

Plastic

Solid-wood products

Concrete

In 2021 SCA's climate benefit was 10.5 million tonnes of CO₂, which corresponds to emissions from Sweden's passenger cars.



SCAs updated strategy for profitable growth



Increased value
from each tree

Growing
renewable forest
asset



Invest in integrated value chain:

- Grow pulp, containerboard and wood
- Realize business opportunities within renewable energy



Increase forest holding:

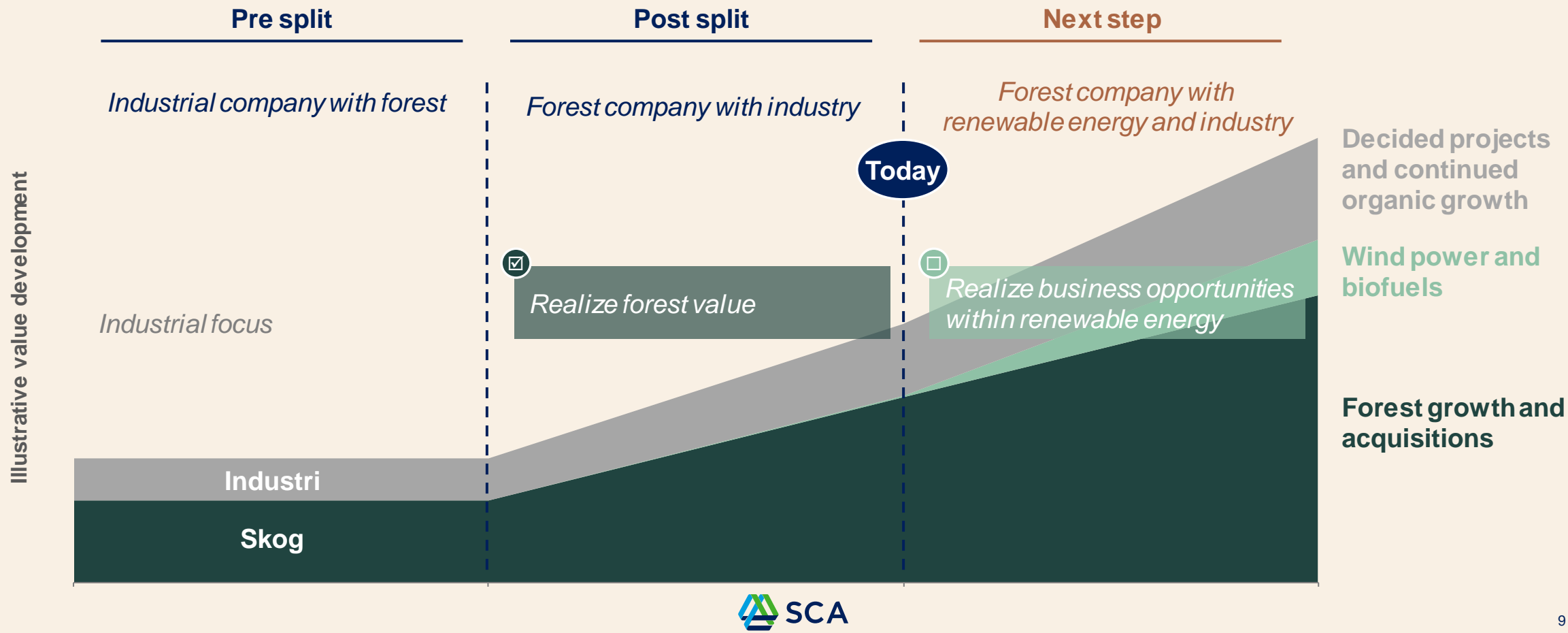
- Increased growth and harvesting level
- Continued acquisitions of forest land in Nordics and Baltics

Project focus upcoming years



Illustrative

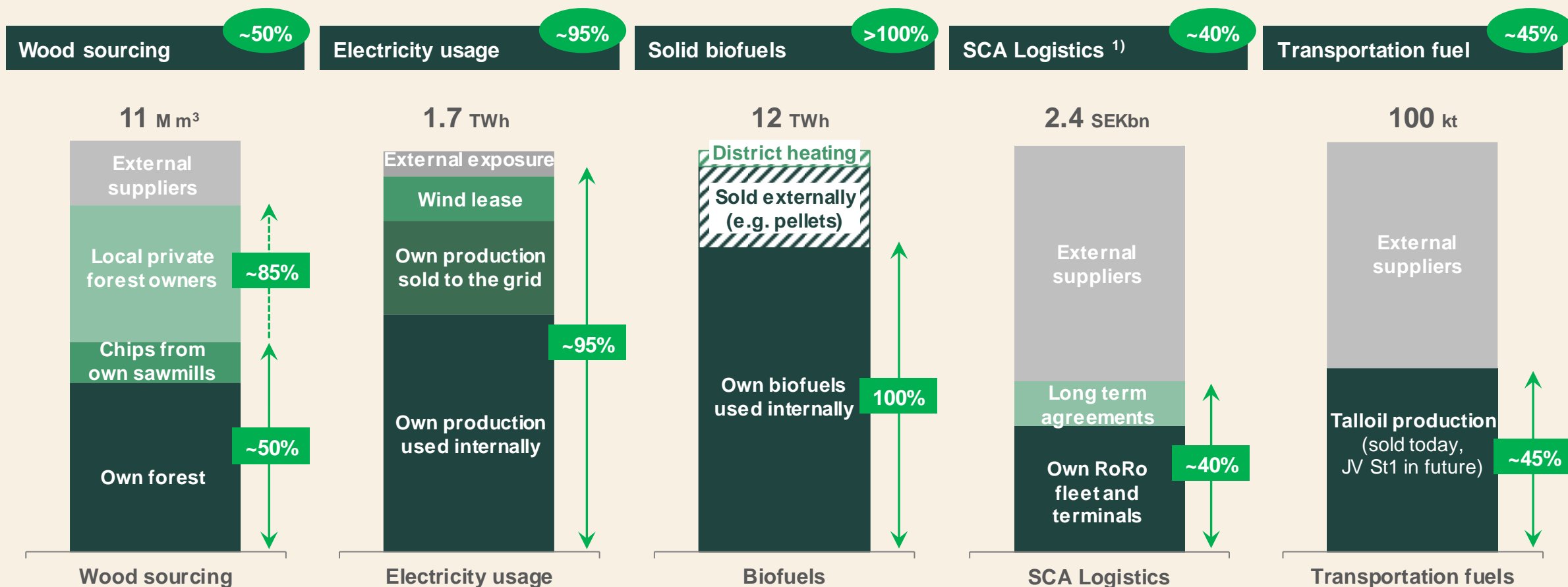
Continued transformation with remained balance between forest and industry



Financial summary

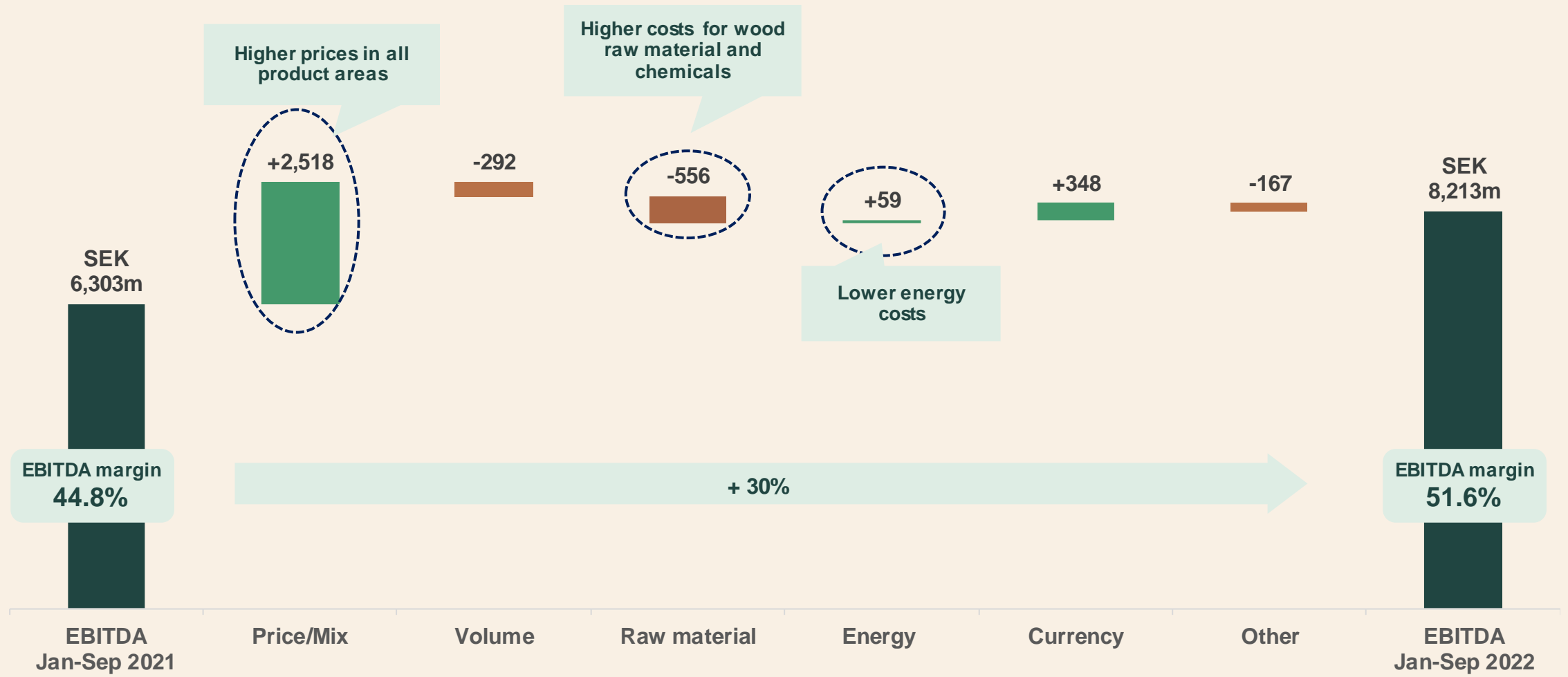
Andreas Ewertz

Integrated value chain with high self sufficiency offset cost increases



1) SCA Logistics sales excluding purchase of OCC and chemicals.

Price increase drops through to EBITDA



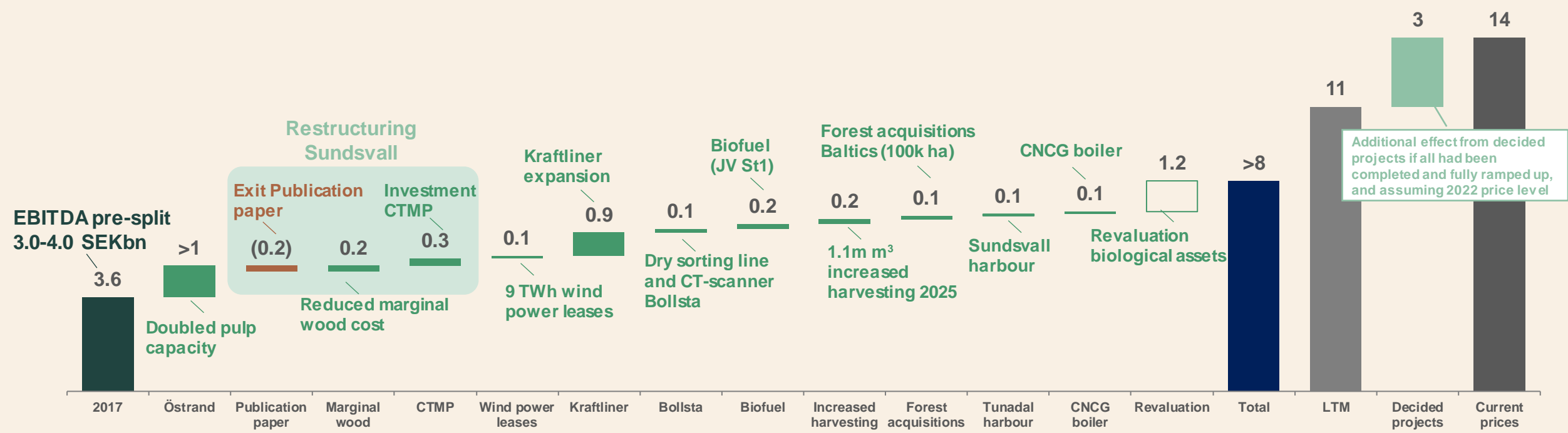
Illustrative

Decided projects, financed with operating cash flow, contributes to significantly increased EBITDA

Illustrative EBITDA potential
decided projects (SEKbn)

1 Decided projects
with trend prices

2 Decided projects
with 2022 prices



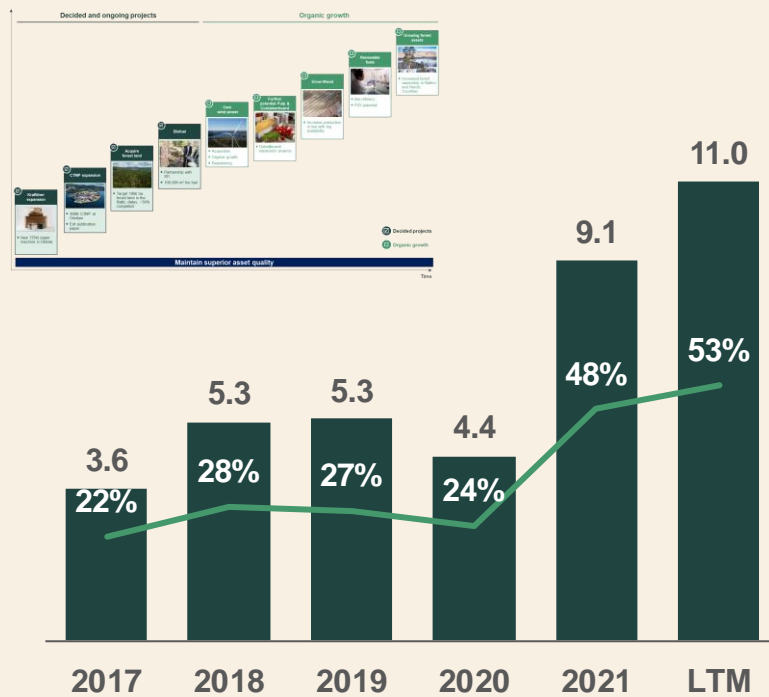
Note: Illustrative figure of previously communicated EBITDA contribution of decided projects at full capacity (assuming long term trend prices at normalized currency). Only includes contribution from the presented investments, all other impacts are excluded.

Capital allocation to secure long term profitable growth

1

Profitable growth strategy

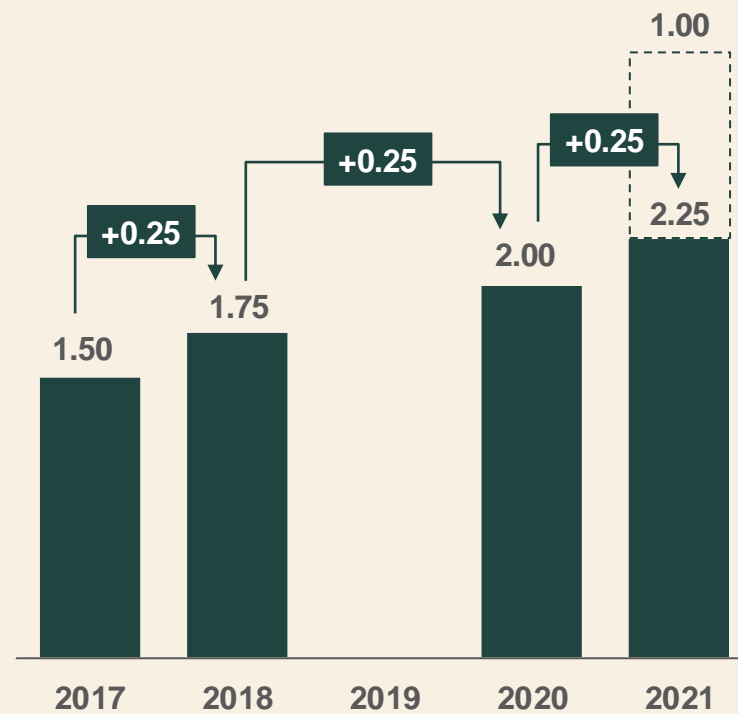
EBITDA (SEKbn) and EBITDA margin



2

Stable and increasing dividend

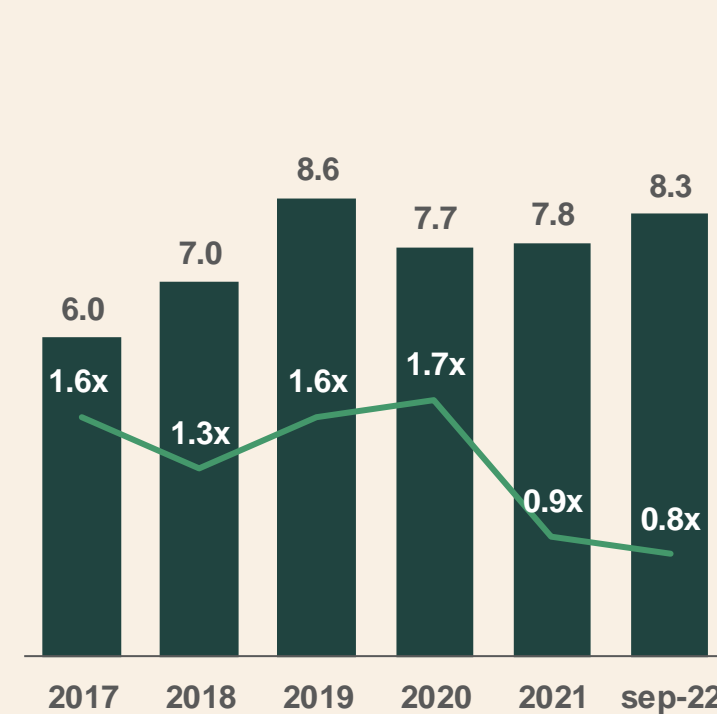
Dividend (SEK/share)



3

Investment grade credit rating

Net debt (SEKbn) and leverage (ND/EBITDA)

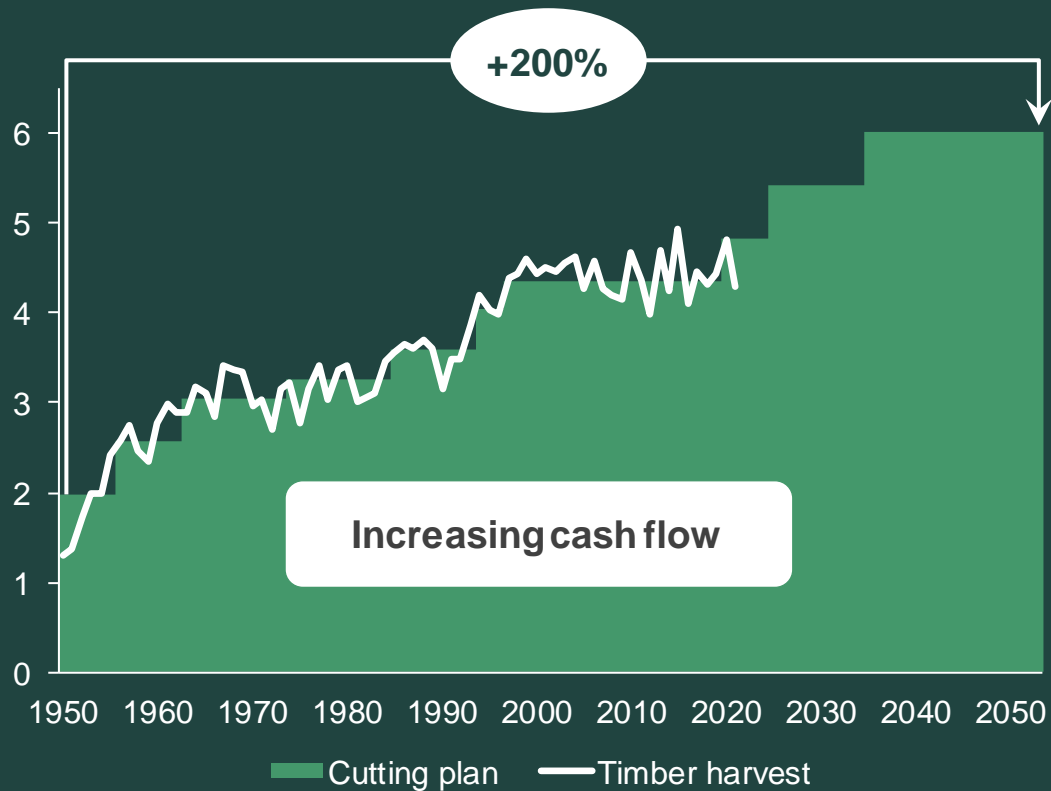


Forest

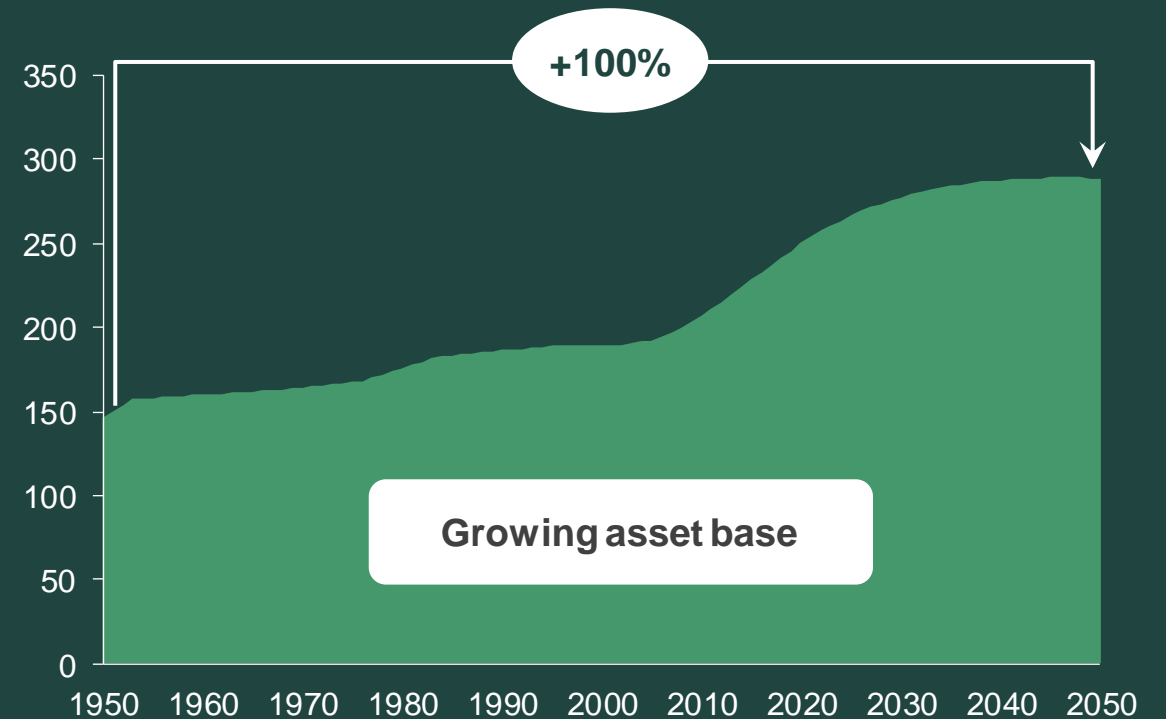
Jonas Mårtensson

Increase in both standing volume and harvesting level

Harvesting from own forest (m m³sub)



Standing timber volume (m m³fo)

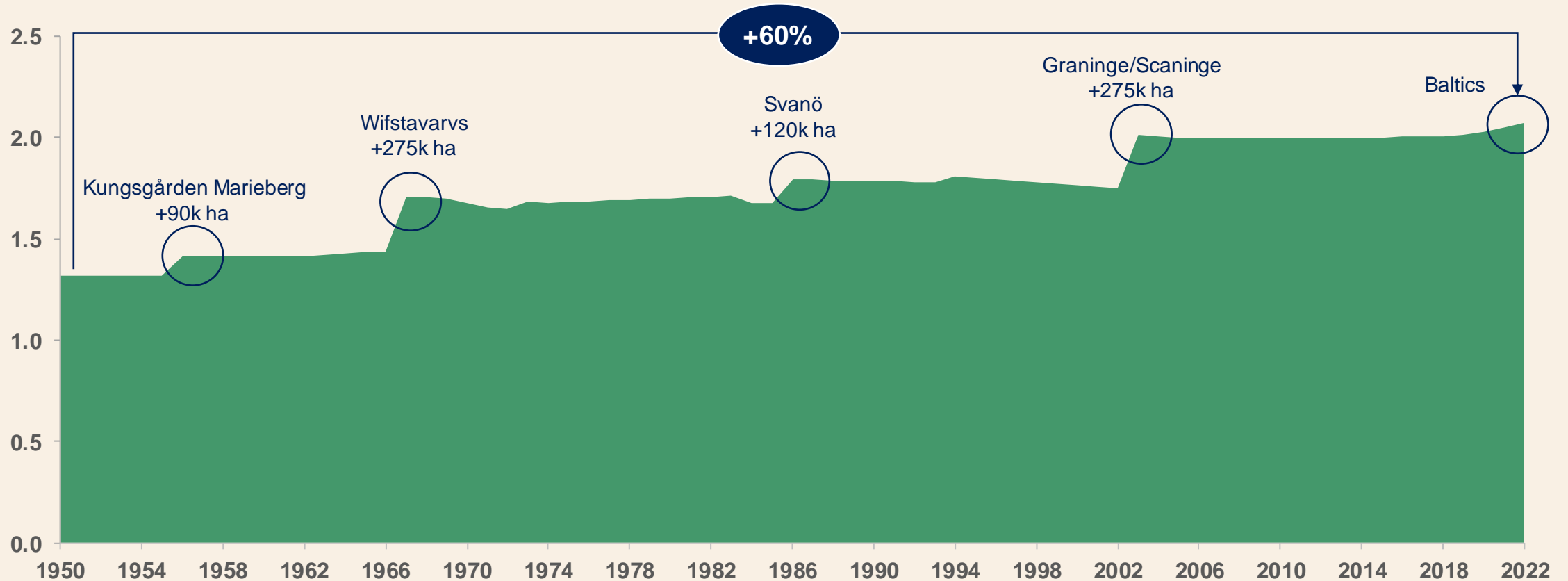


Note: Historic growth based on Tax I-IX. Current growth and forecast based on Tax X (2019) and current practices.

Forest acquisitions part of SCA's DNA

Continued acquisitions of forest land in Nordics and Baltics

Productive forest land has increased 60% since 1950, million hectares productive land



Forest land acquisitions in the Baltics

– strengthen the fiber base for future projects

1

Strengthen our integrated value chain

- Strengthen the raw material supply and maintain self-sufficiency level
- Competitive costs for raw material

2

High growth

- High growth – 2.5x northern Sweden
- Stable increasing cash flow

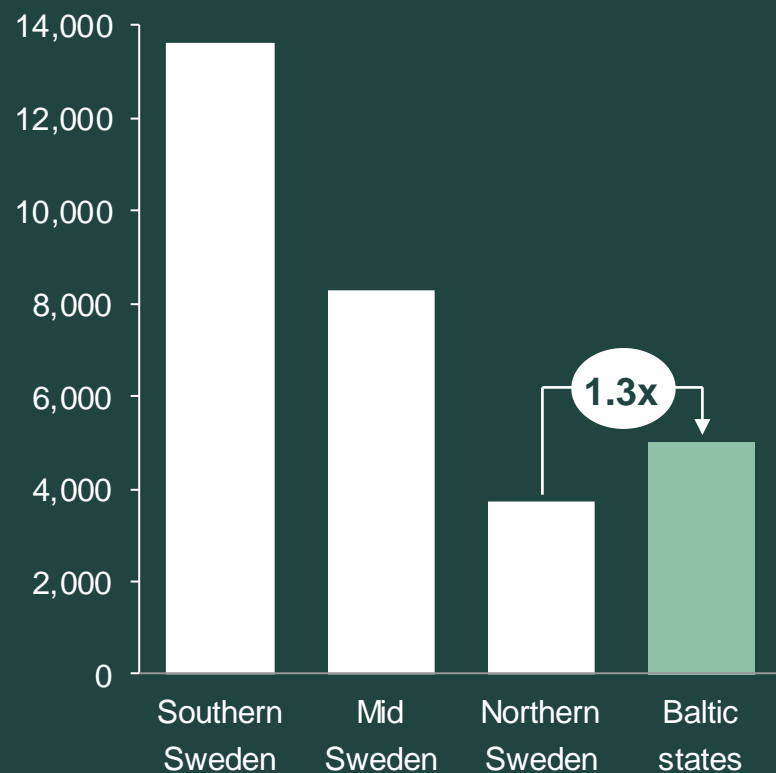
3

SCA's competence and resources

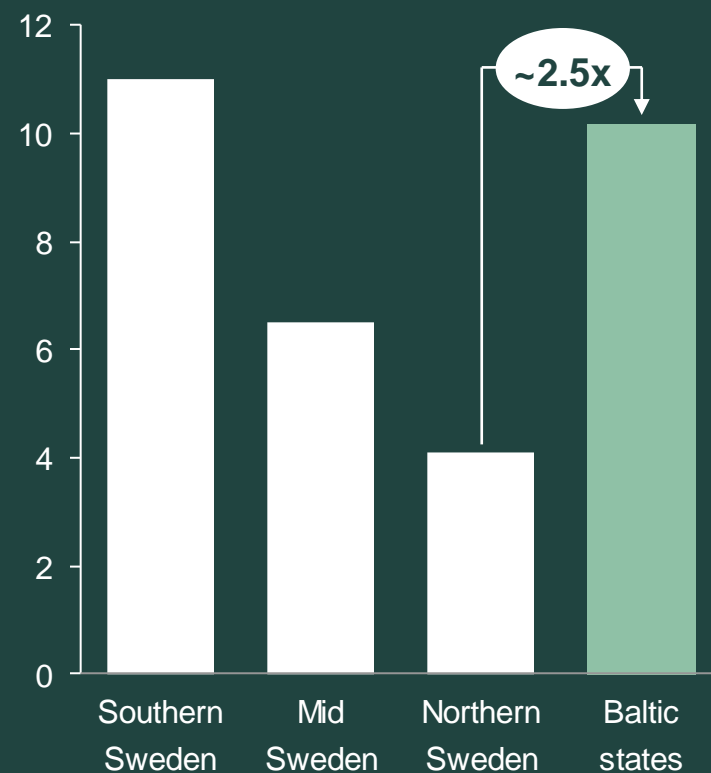
- Harvesting volume and standing volume increase over time
- Competence and resources for cost efficient forestry

The Baltics offer high forest growth potential

Price (EUR/ha forest land)

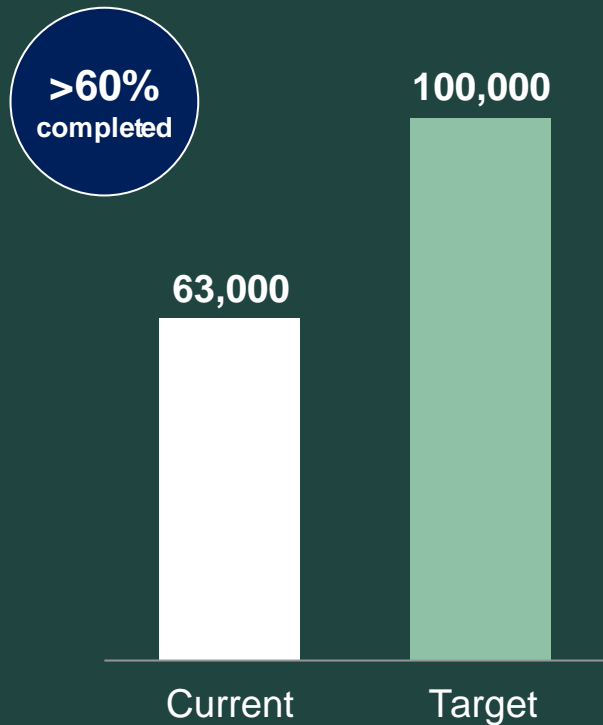


Growth potential (m³fo/ha/year)

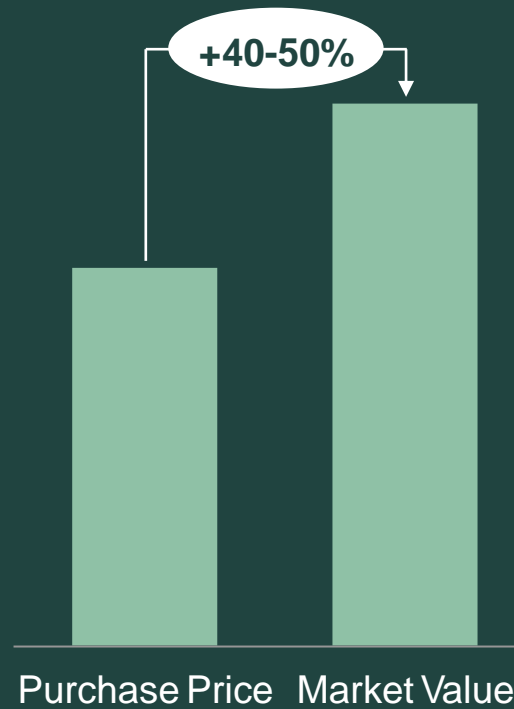


SCA's forest holdings in the Baltics

Land in the Baltics
(ha)



Value of forest land ¹
(mEUR)



Location



¹ Estimated market value 2021-12-31 based on transactions in the Baltic countries.

SCA Capital Markets Day

Niklas Lundberg

25th of November 2022



Outline

Svefa

1. Basis of data

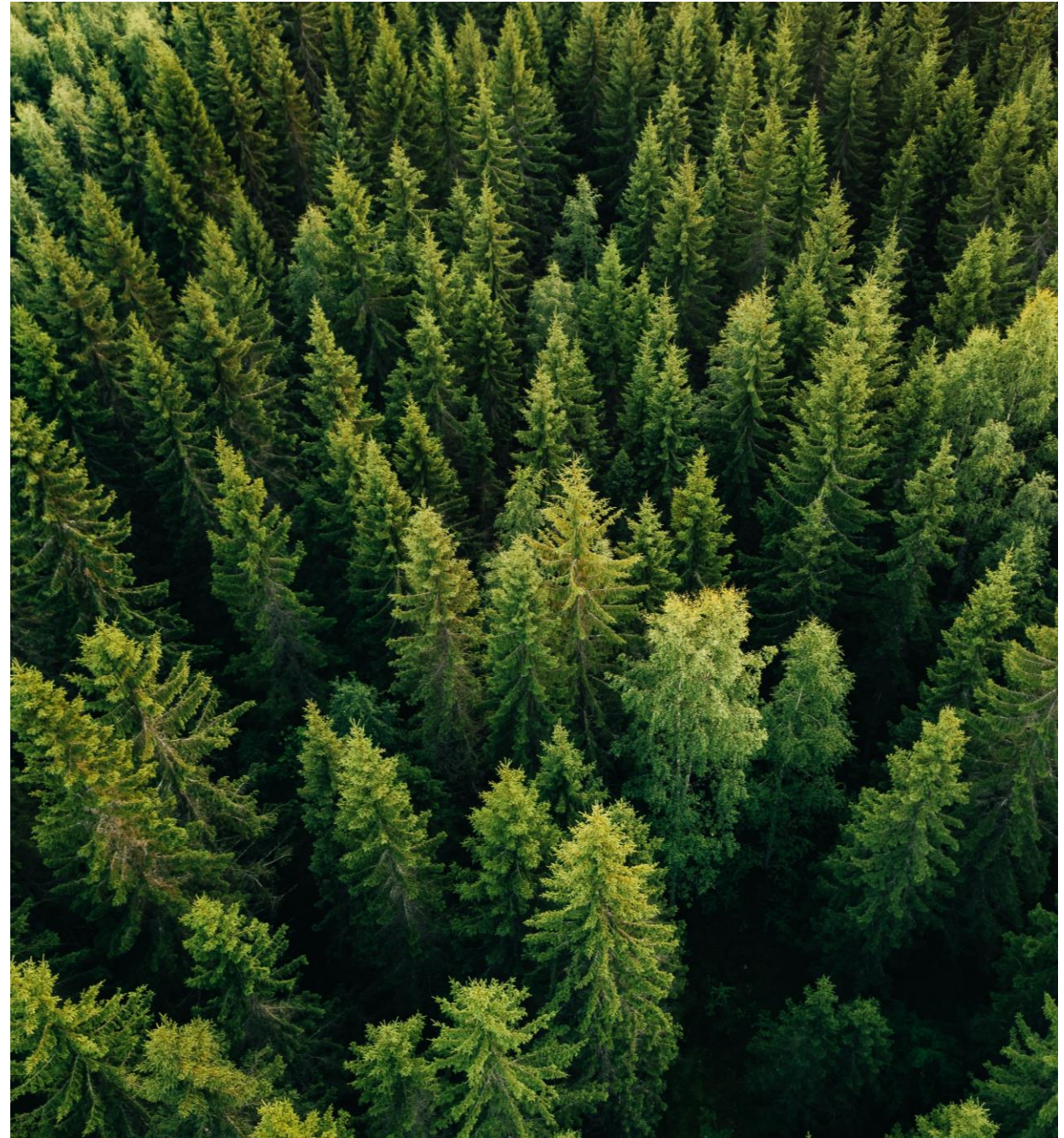
2. Description

Market development private investors

Legal entities

Property size

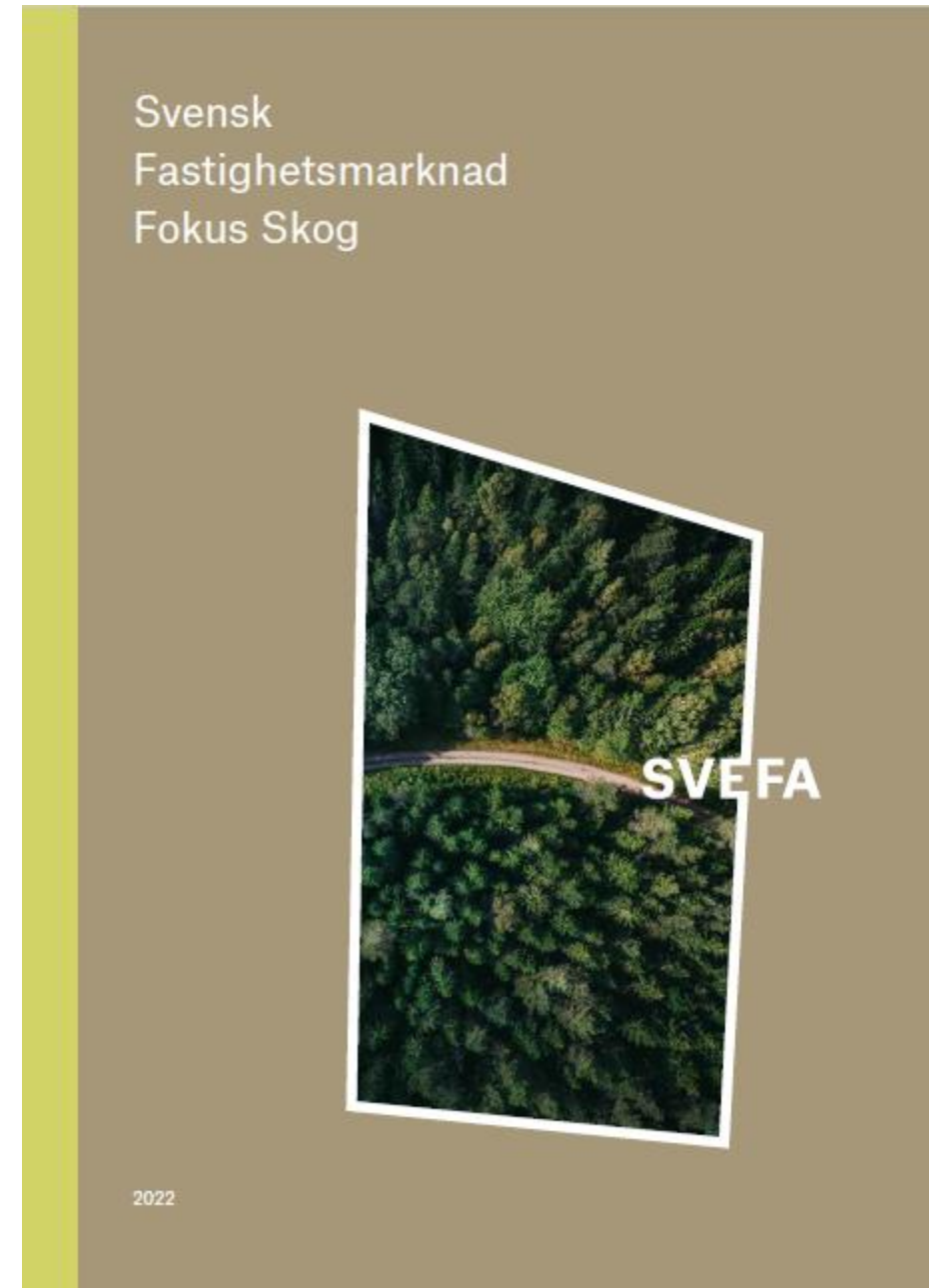
3. Value affecting factors



Basis of Data

Svefa's Sales comparison database

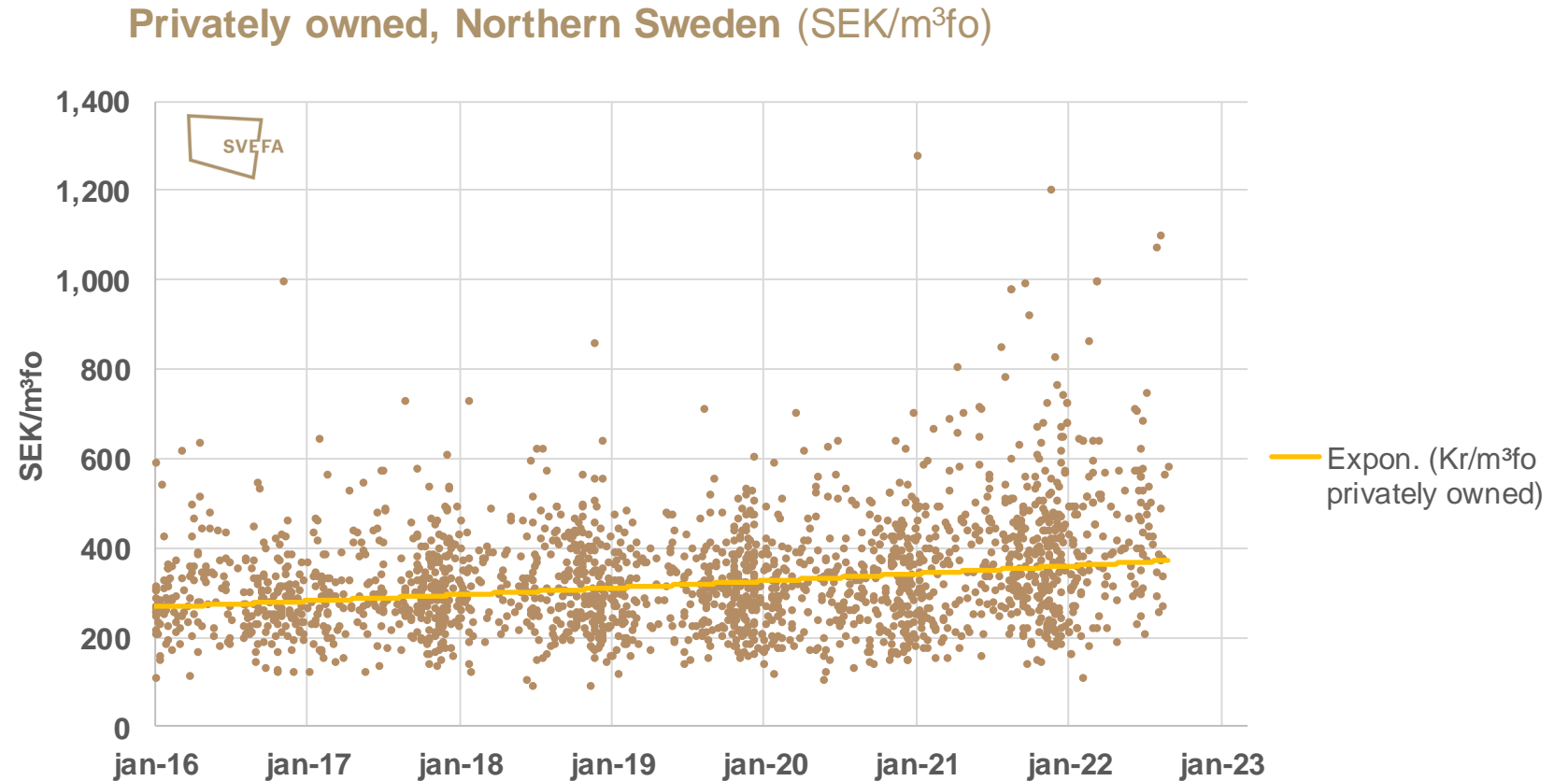
Svefa's Forest market report
Svensk Fastighetsmarknad Fokus Skog
is available at [Svefa.se](https://svefa.se)



Market development for forest properties

- privately owned, Northern Sweden

1. Positive market trend
2. Price floor
3. High value amplitude
4. Year seasonal pattern



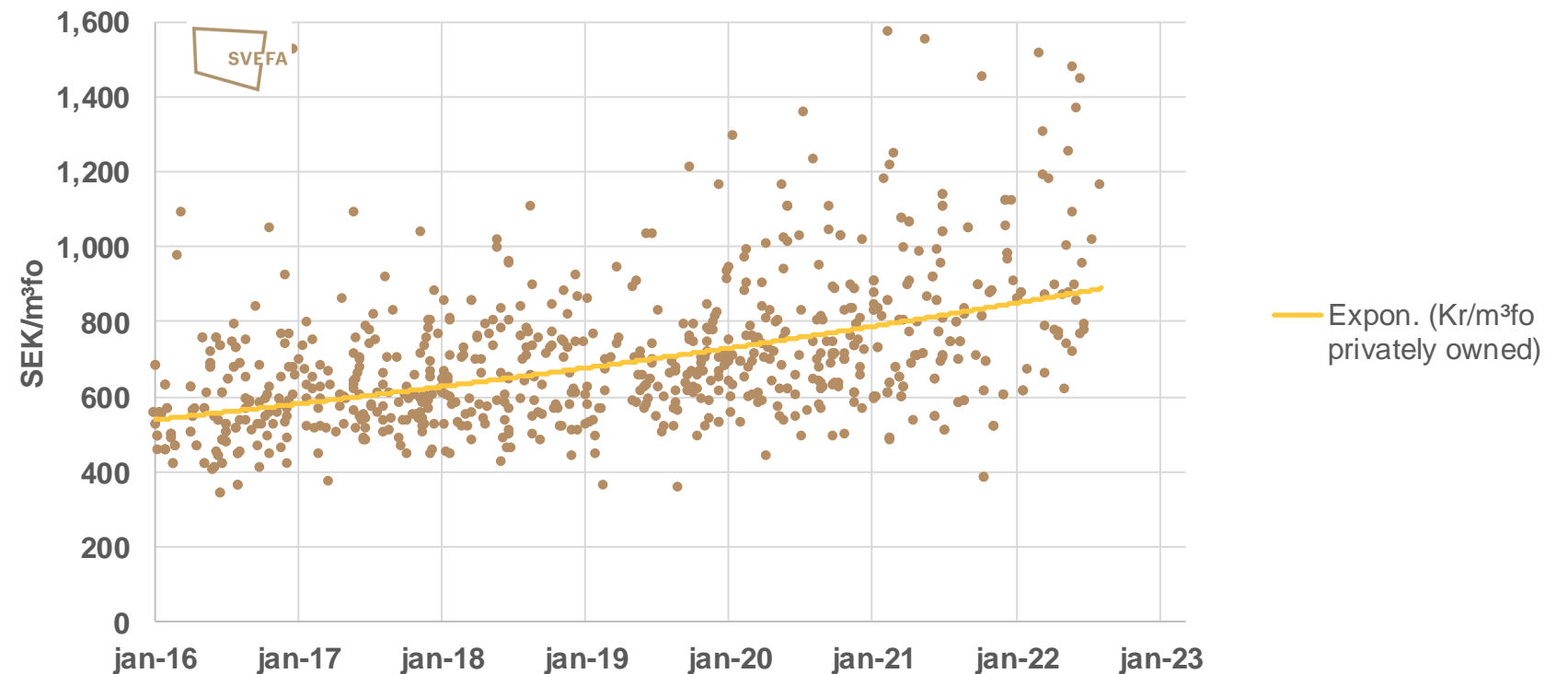
Market development for forest properties

- privately owned, Southern Sweden

1. Positive market trend
2. Price floor
3. High value amplitude
4. No seasonal pattern



Privately owned, Southern Sweden (SEK/m³fo)

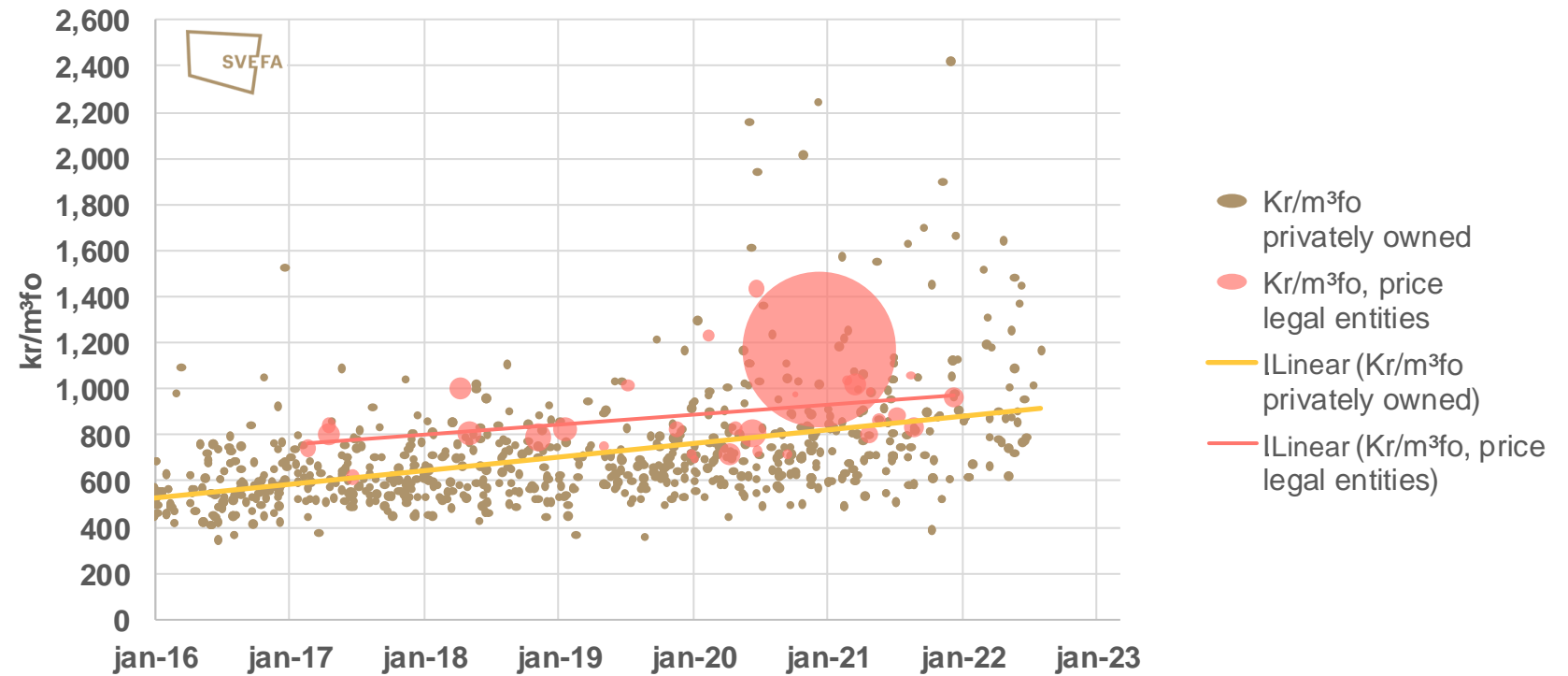


Market development for forest properties

- privately owned, and legal entities Southern Sweden



Privately owned and legal entities, Southern Sweden (SEK/m³fo)

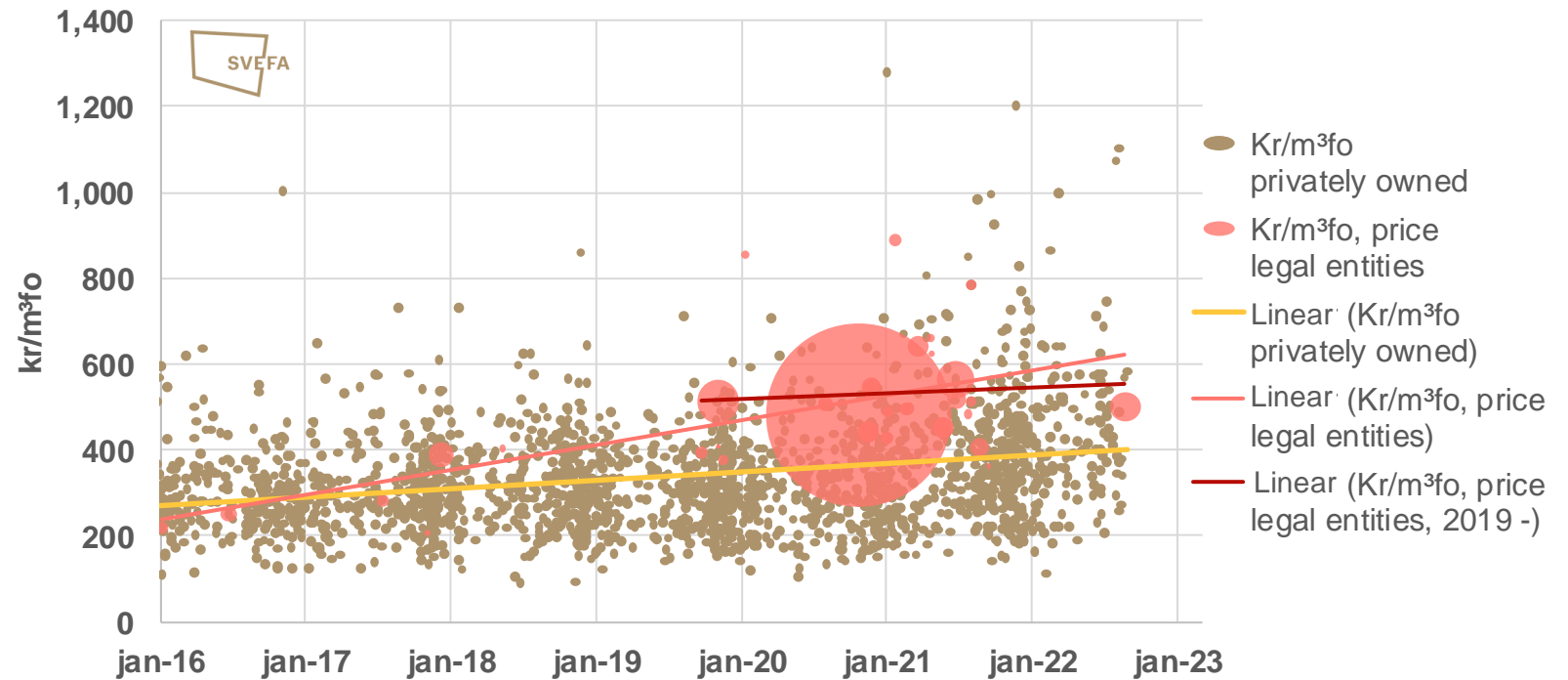


Market development for forest properties

- privately owned, and legal entities Northern Sweden

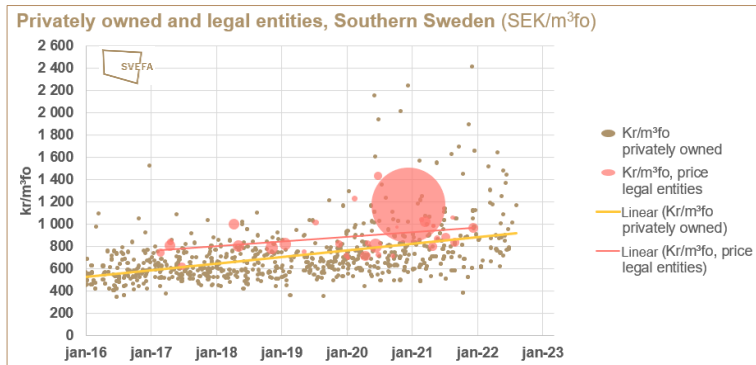
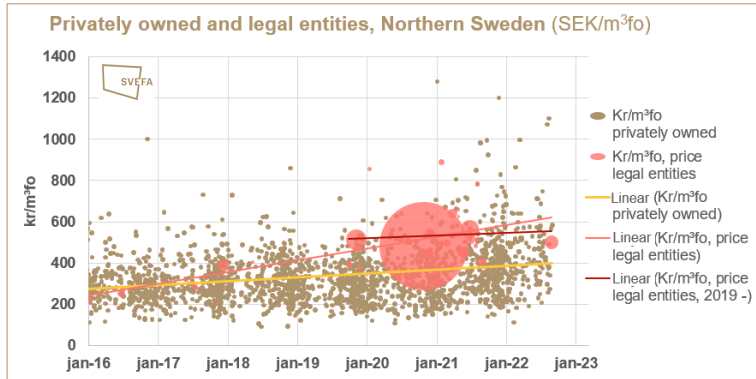


Privately owned and legal entities, Northern Sweden (SEK/m³fo)

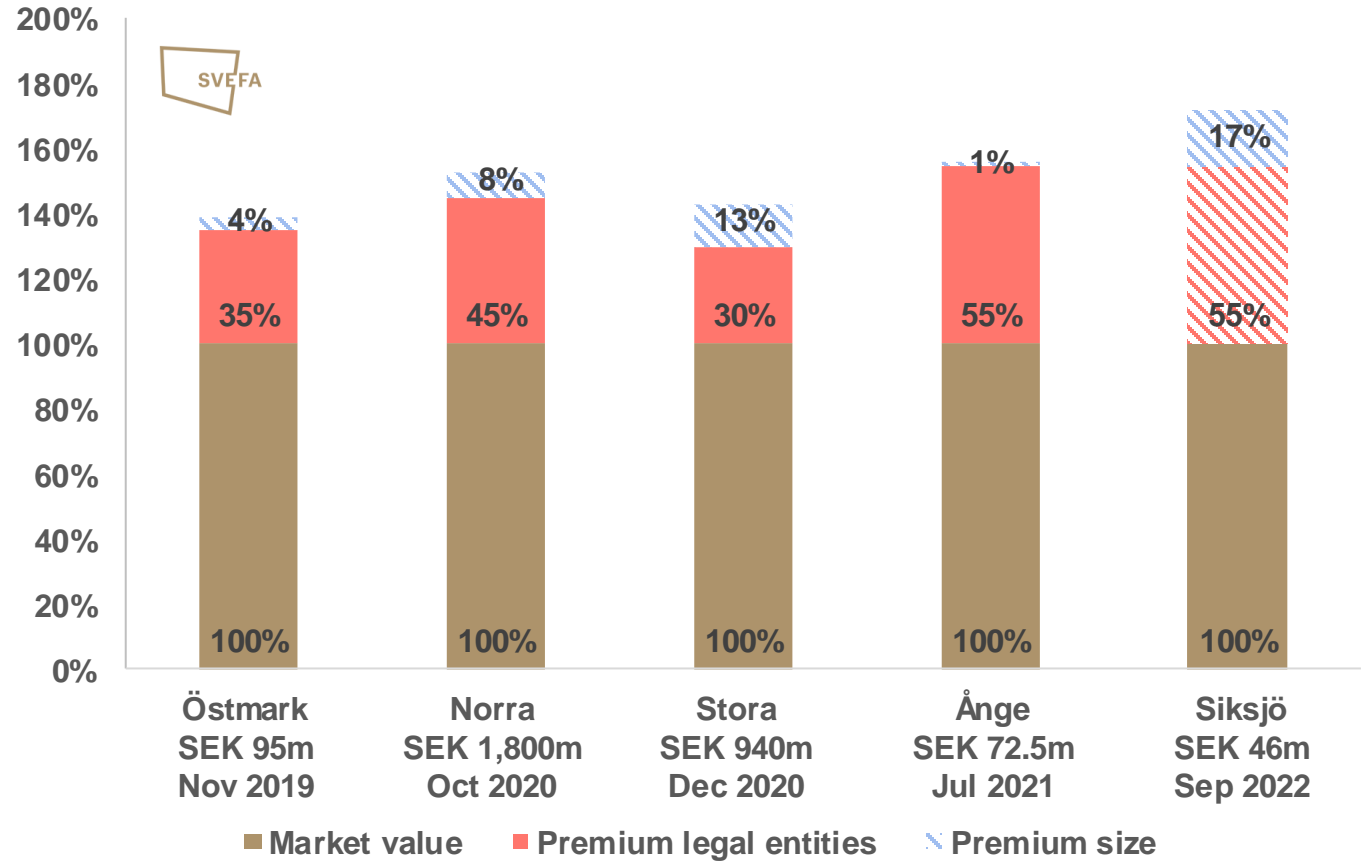


Market premium

- Legal entities and size



Historical transactions with visual size premium (% of private transaction value)



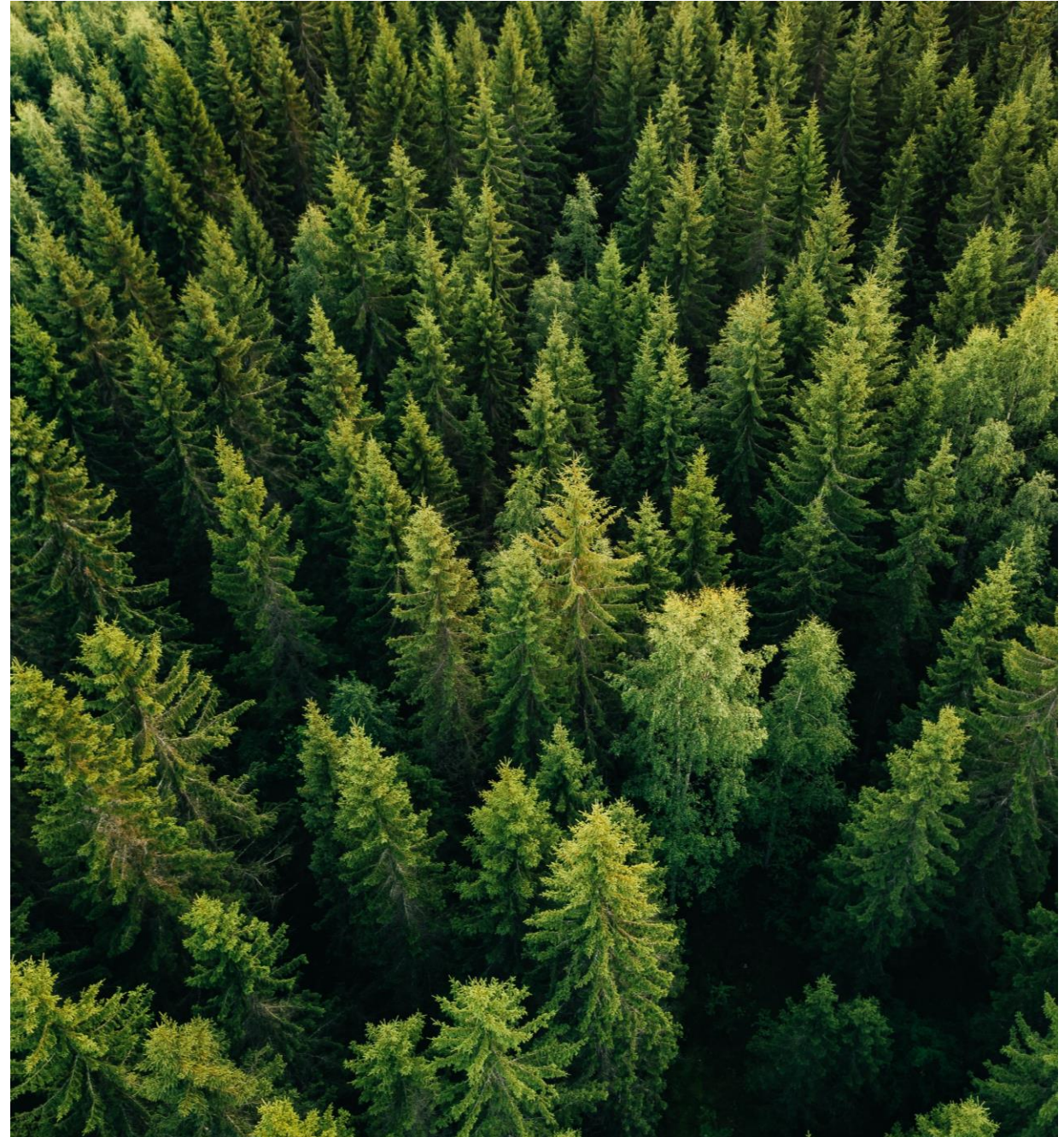
Value affecting factors

More categories of investors

Less risk

Sustainability

Future beliefs



Thank you!

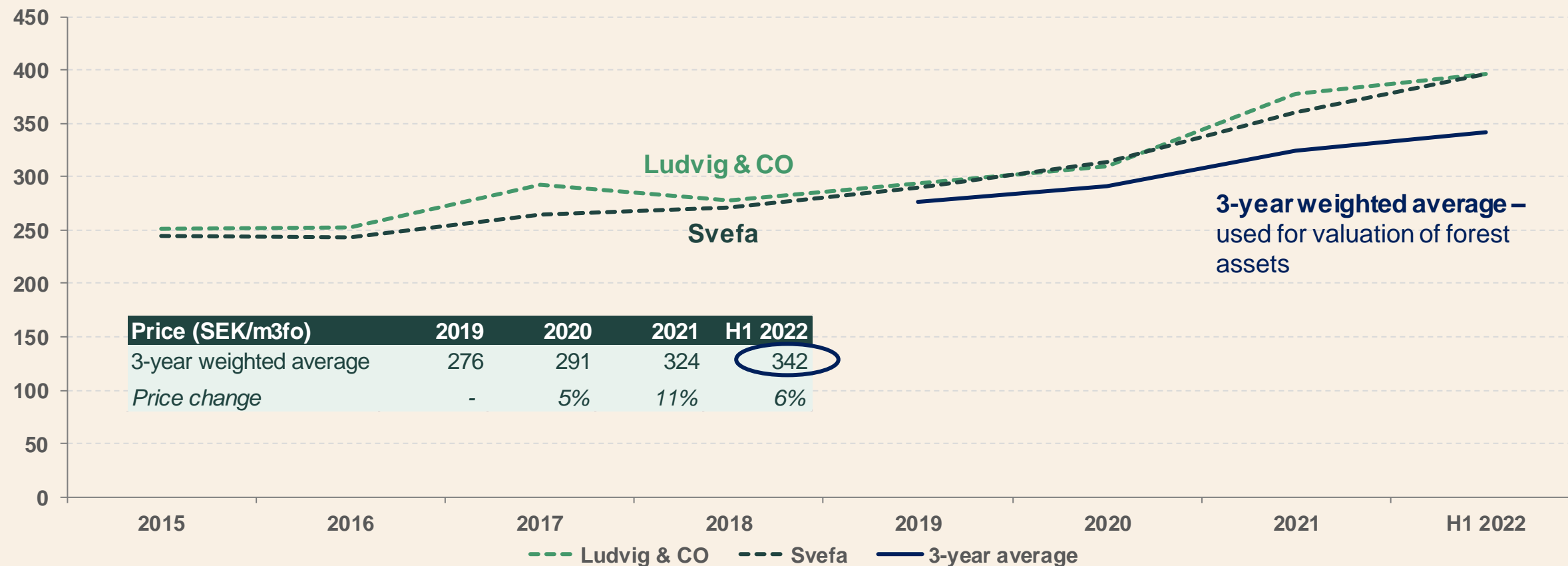
Niklas Lundberg

Niklas.Lundberg@svefa.se



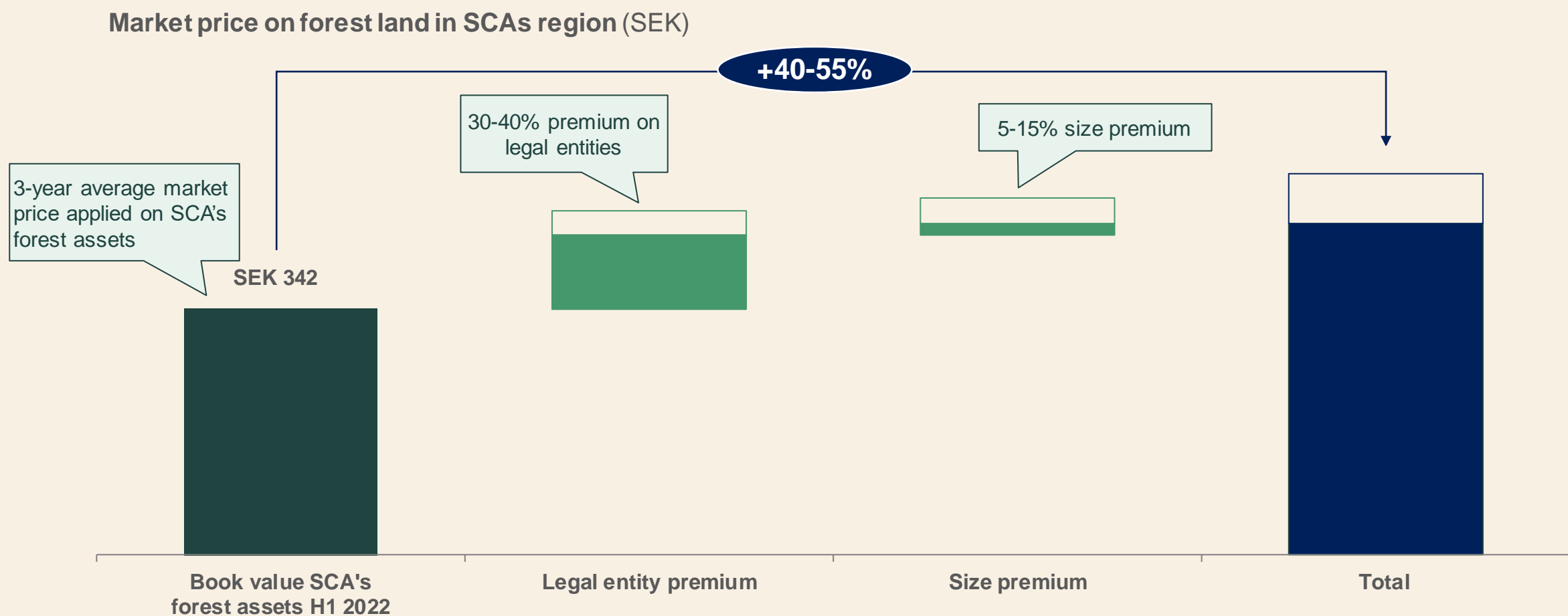
Book value of SCA's forest assets based on historical 3-year average

Forest land values – average in areas where SCA owns forest land (SEK/m³)



Illustrative

Potential premiums can have a significant effect



Forest generates long term value

CAGR of 10% since 1956

1 Increasing forest land value

- Land value (SEK/m³) has increased
 - Land value (SEK/m³): ~6% CAGR

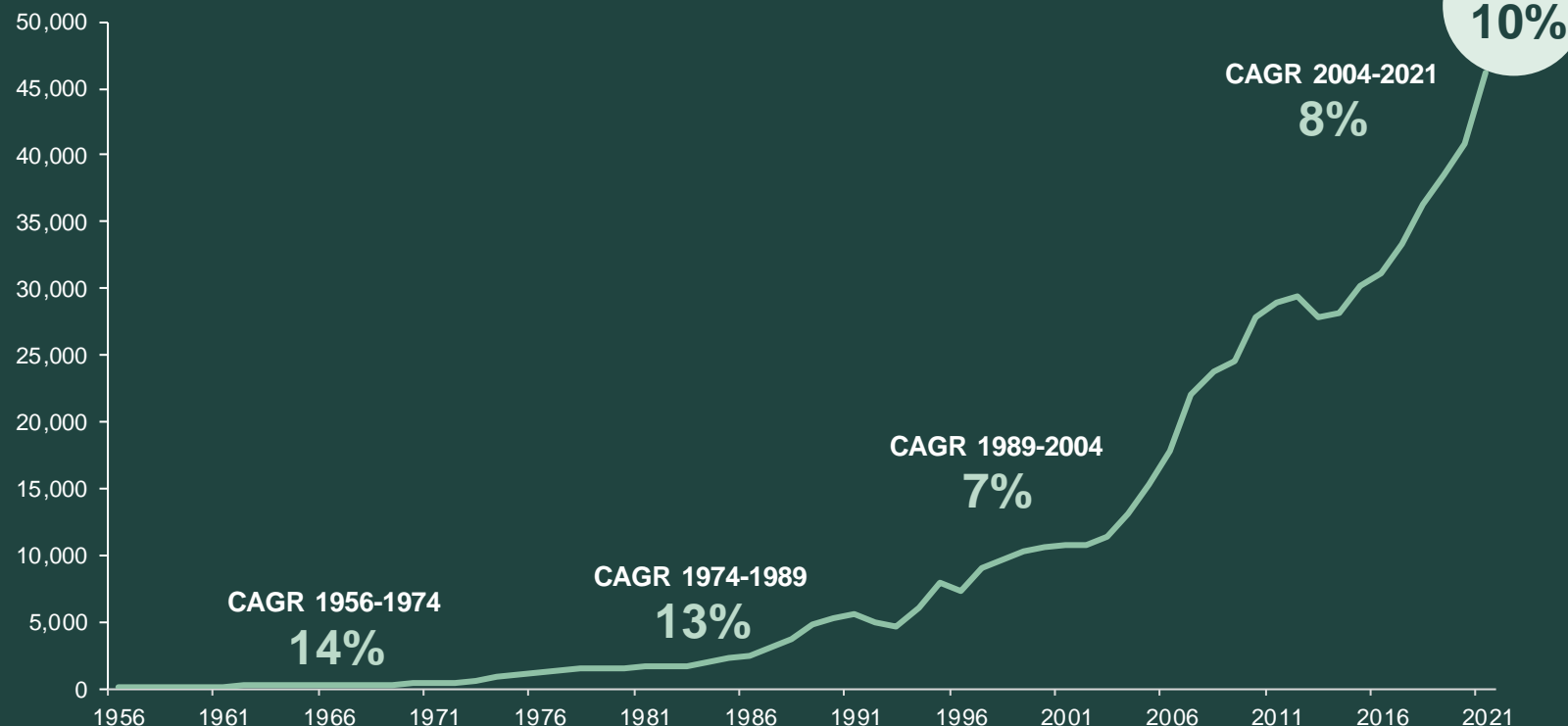
2 Increasing cash flow

- Harvesting generates cash flow
 - Cash flow: ~3% CAGR

3 Growing asset base

- Forest growth exceeds harvesting
 - Standing volume: ~1% CAGR

Forest – Total Return Index Sweden (1956-2021)

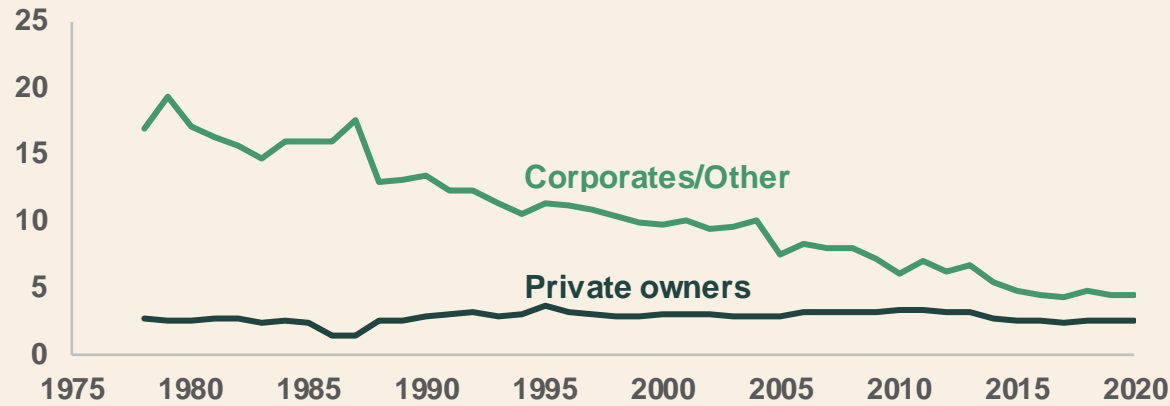


Biodiversity

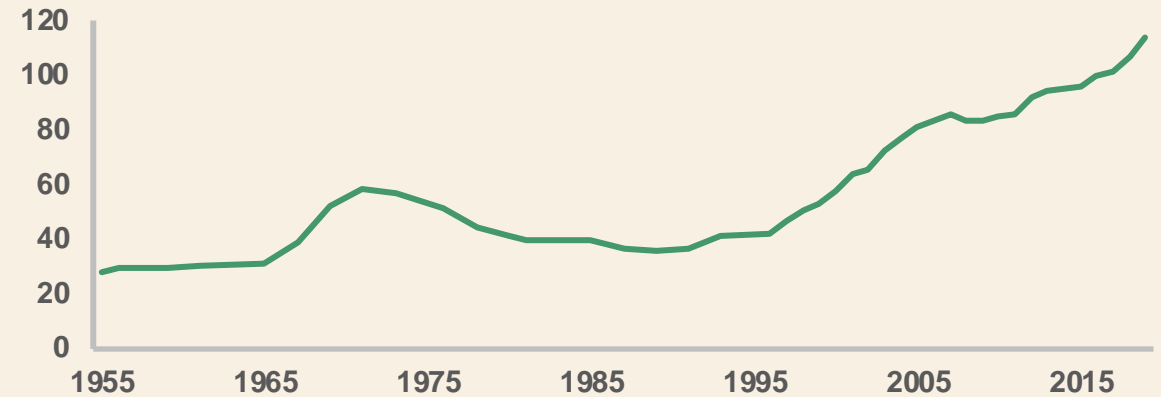
Hans Djurberg

Monitoring pre-conditions for biodiversity

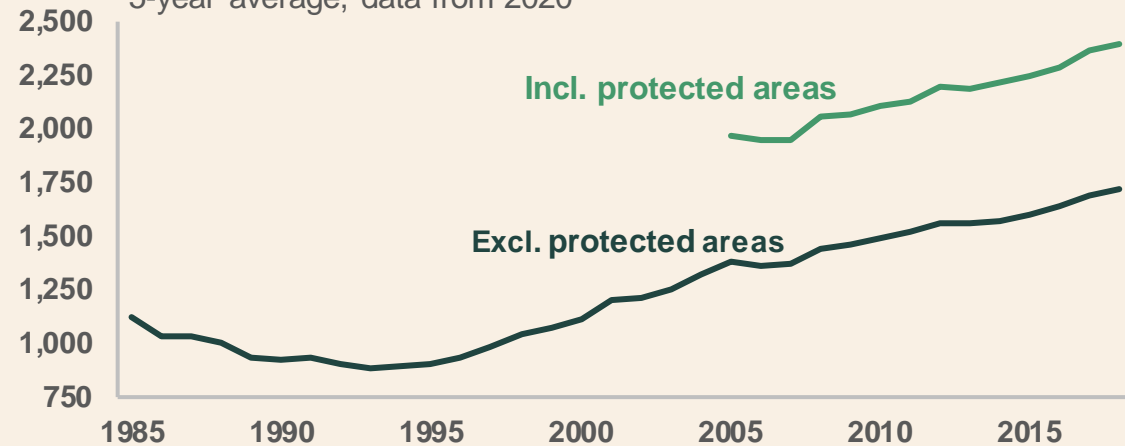
Average size cutting area, ha



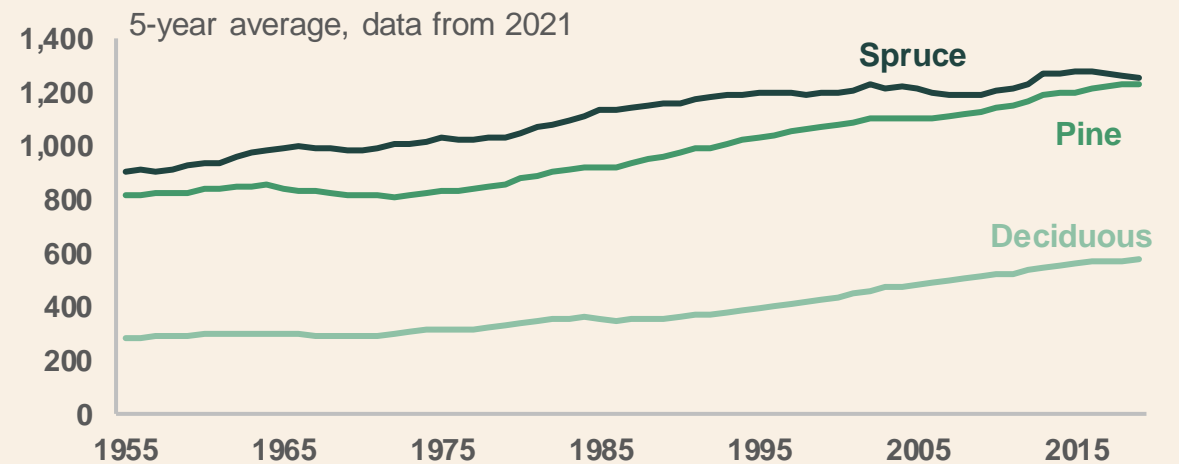
Volume hard dead wood, Mm³
5-year average, data from 2021



Old forest¹ on productive forest land, k ha
5-year average, data from 2020



Standing volume, Mm³



1. Older than 120 to 140 years depending on geography.

Source: Riksskogstaxeringen, Skogsdata, Skogsstatistisk årsbok; 1984, 1985, 1989, 2014, sverigesmiljomal.se

Presented in "Skogens biologiska mångfald – om arter, miljöarbete och statistik", Mats Hannerz, Per Simonsson.

Why is a biodiversity a concern and how do we address it?

Nature conservation strategy since 1987

SCA introduced a new approach in 2019

- To increase precision and quality in nature conservation measures

Measuring biodiversity using the IUCN Red List :

- IUCN: International Union for Conservation of Nature
- The Red list represents the best data available - but has limitations
- Monitoring species in decline, categorizing them by degree of threat
- Swedish list covers all of Sweden - all species not relevant to N Sweden

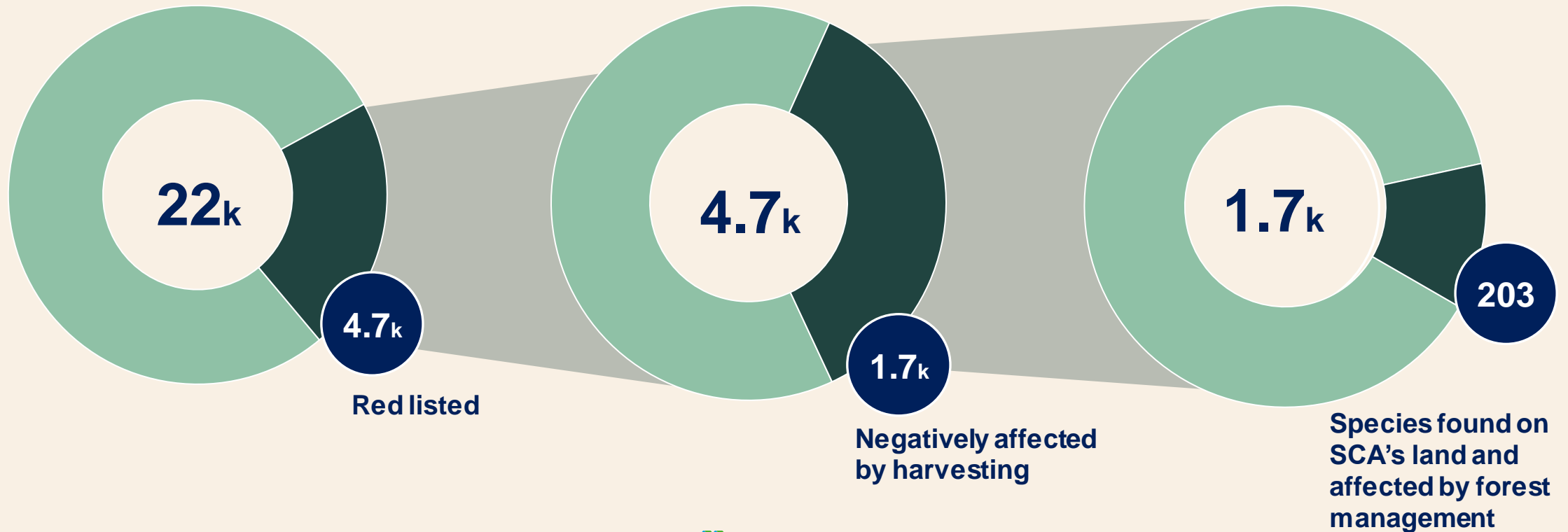


Our species commitment

Species reviewed in red list

Redlisted species

Species negative affected by harvesting



Biodiversity in the forest landscape – managed locally

Connecting activities on the ground to large-scale processes
- at the landscape level

Creating habitat linked to species commitment

The forest is dynamic – disturbance is natural

Fire is essential in boreal forests

Actively managing for important habitat types

- burned pine forests
- deciduous forests
- open, sunlit pine forests



Responsible forestry in SCA

Voluntary set-asides



Adapted retention



Combined targets



Basic retention

SCA's forests should be at least as rich in biodiversity, nature experiences and raw material in the future as today



Share of productive forest land

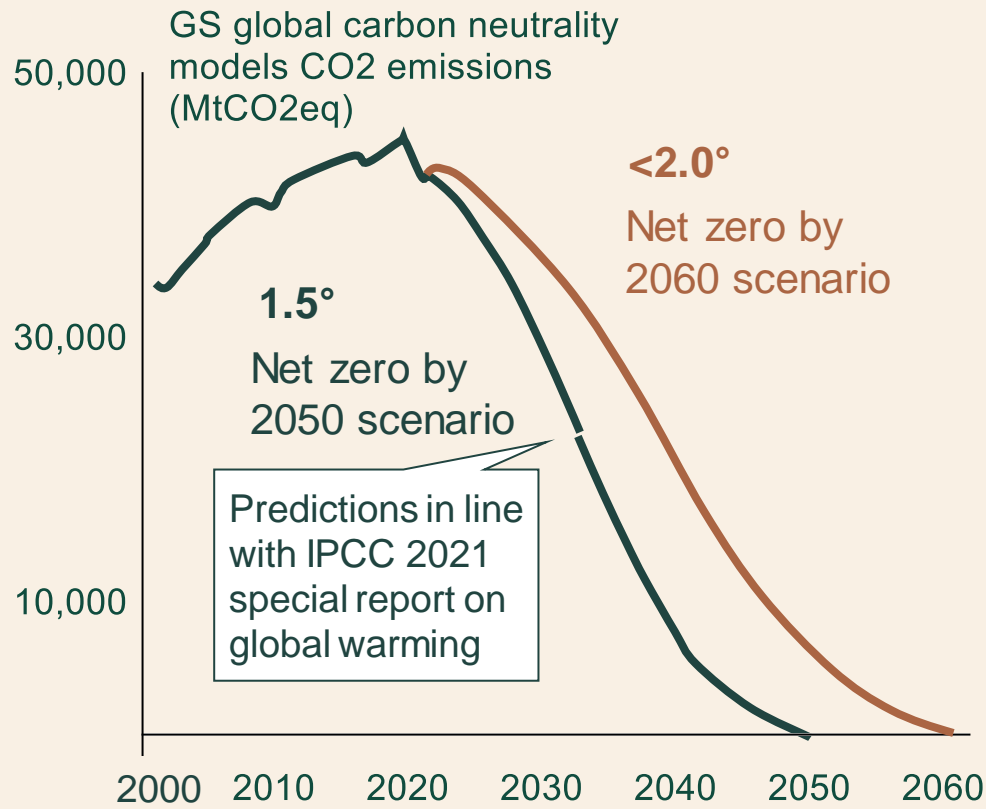


Renewable energy

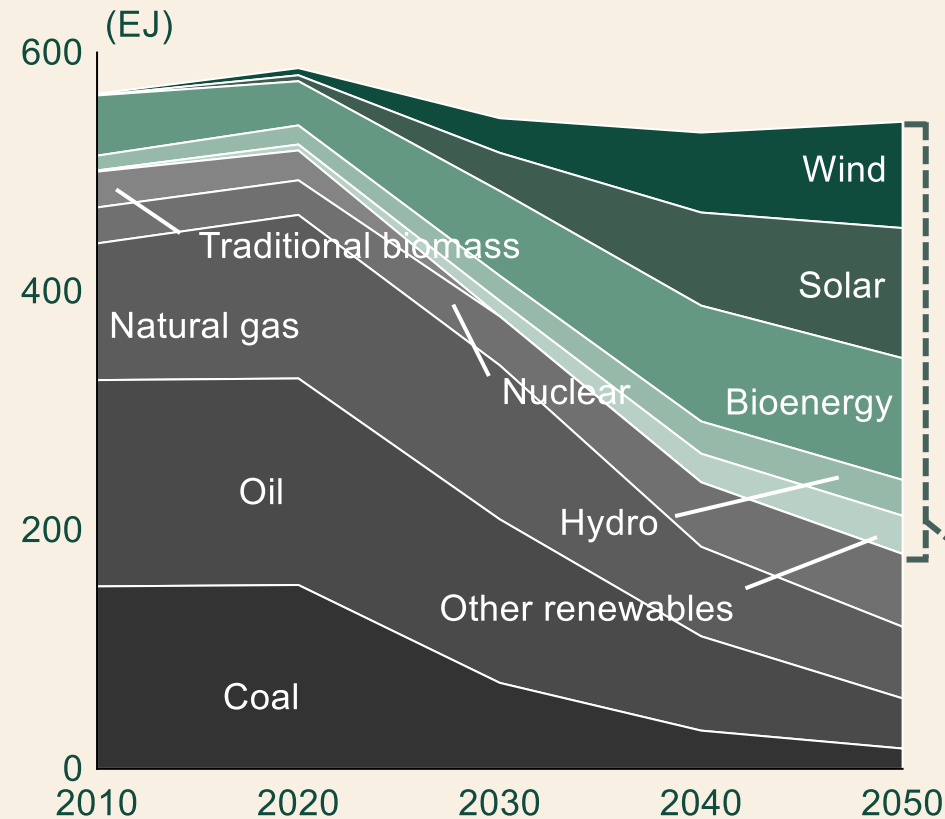
Mikael Källgren

Net Zero policy will shape demand for renewables

Global CO₂ emissions pathways to Net Zero



Global energy supply towards Net Zero



SCA has competitive advantages in...

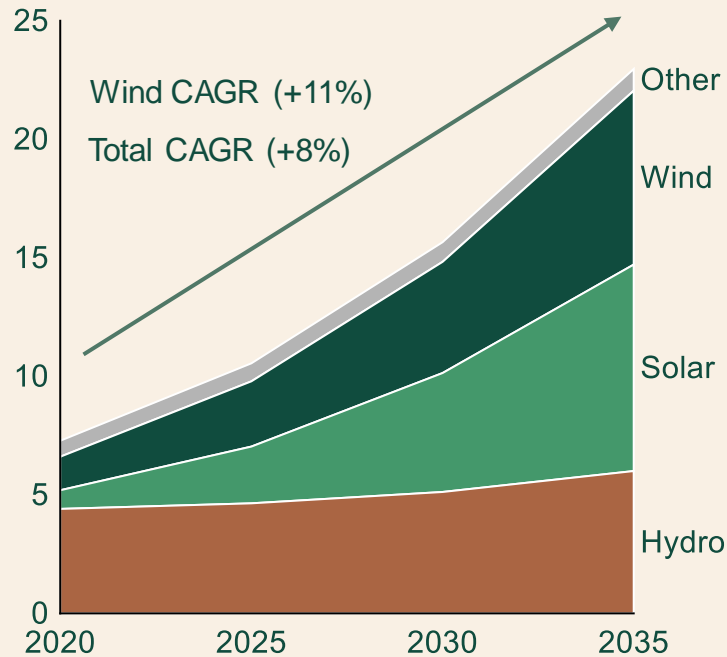
➔ 1 Wind

➔ 2 Biofuels

➔ 3 Hydrogen & E-fuels
More renewable energy enables PtX

Renewable demand is growing significantly

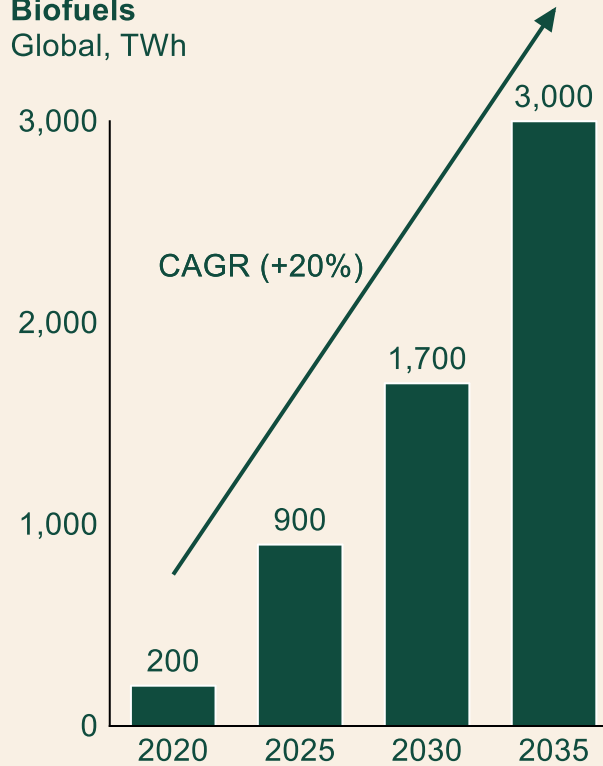
1 Renewable electricity generation,
Globally by source, PWh



Drivers of growth

LV transportation,
industry processes & heating

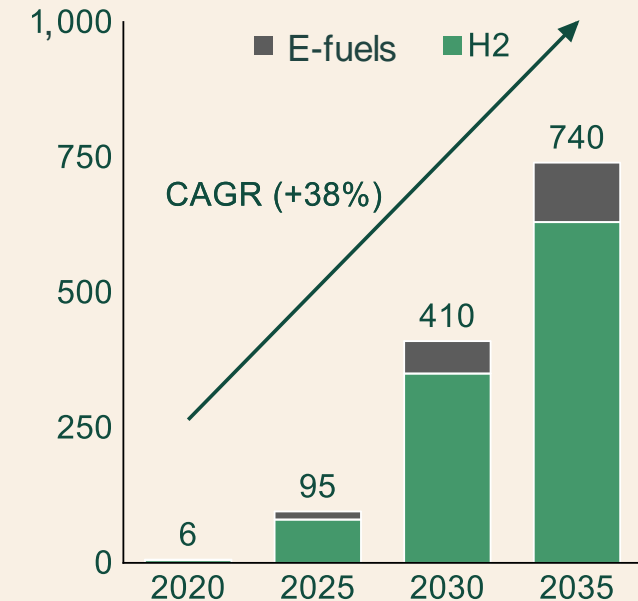
2 Biofuels
Global, TWh



Drivers of growth

Aviation, maritime &
HD transportation

3 Renewable hydrogen and E-fuels
Global consumption, Mt



Drivers of growth

Industrial feedstock, maritime,
aviation & HD transportation

SCA uniquely positioned to capitalize on transformation towards renewables



Wind power

Ownership of land with good wind conditions

Current **land lease agreements**

Experience from co-developing ~10 projects



20% of Swedish wind power on SCA land



Biofuels

Access to sustainable **biomass feedstock**

Existing **infrastructure**

Relation to key technology suppliers and partners



Entering 100kt liquid bio **JV with St1**



E-fuels

Access to **low-cost renewable energy**

Access to **biogenic CO₂**

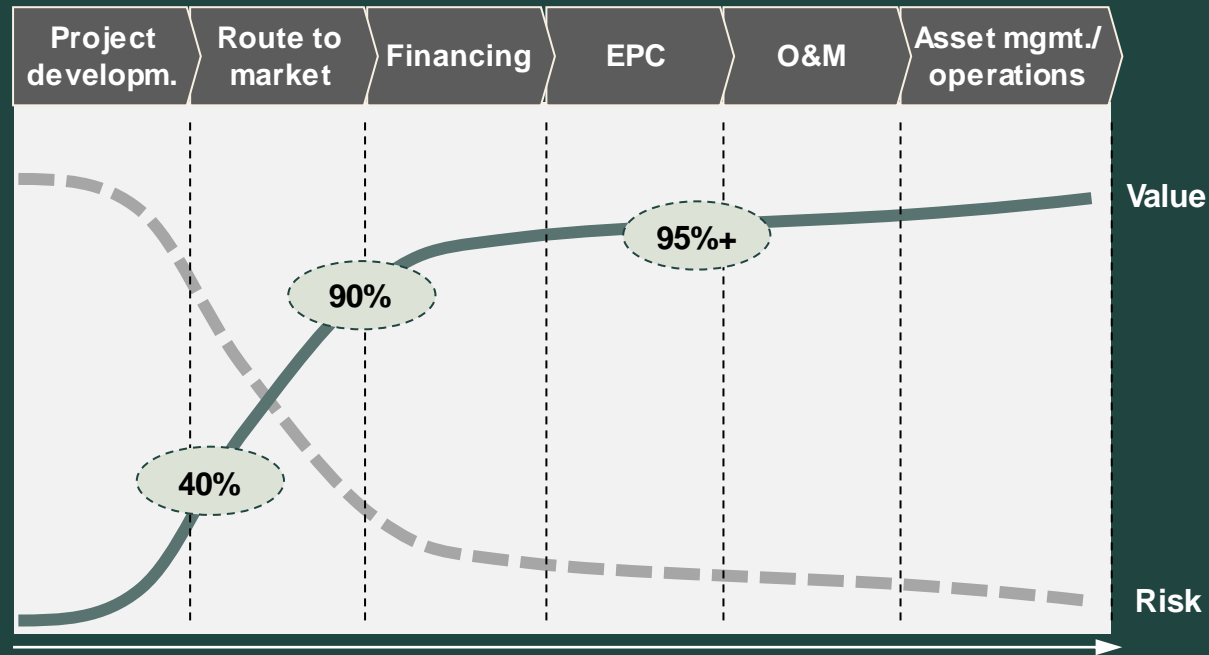
Competences from running large scale processing plants



Future project opportunities **at all of our mills**

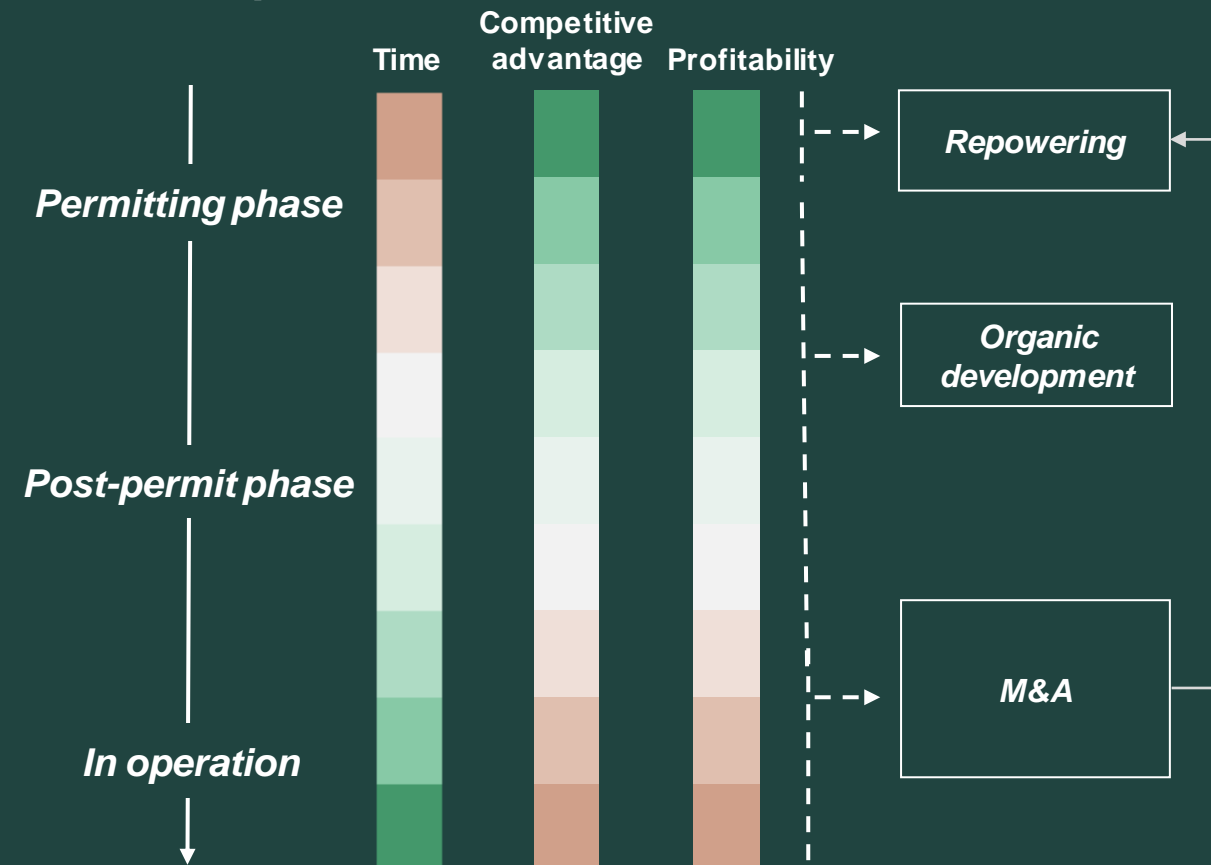
Participating in the development phases of a project ensures highest returns

Early entry in value chain drives higher returns but entails more risk

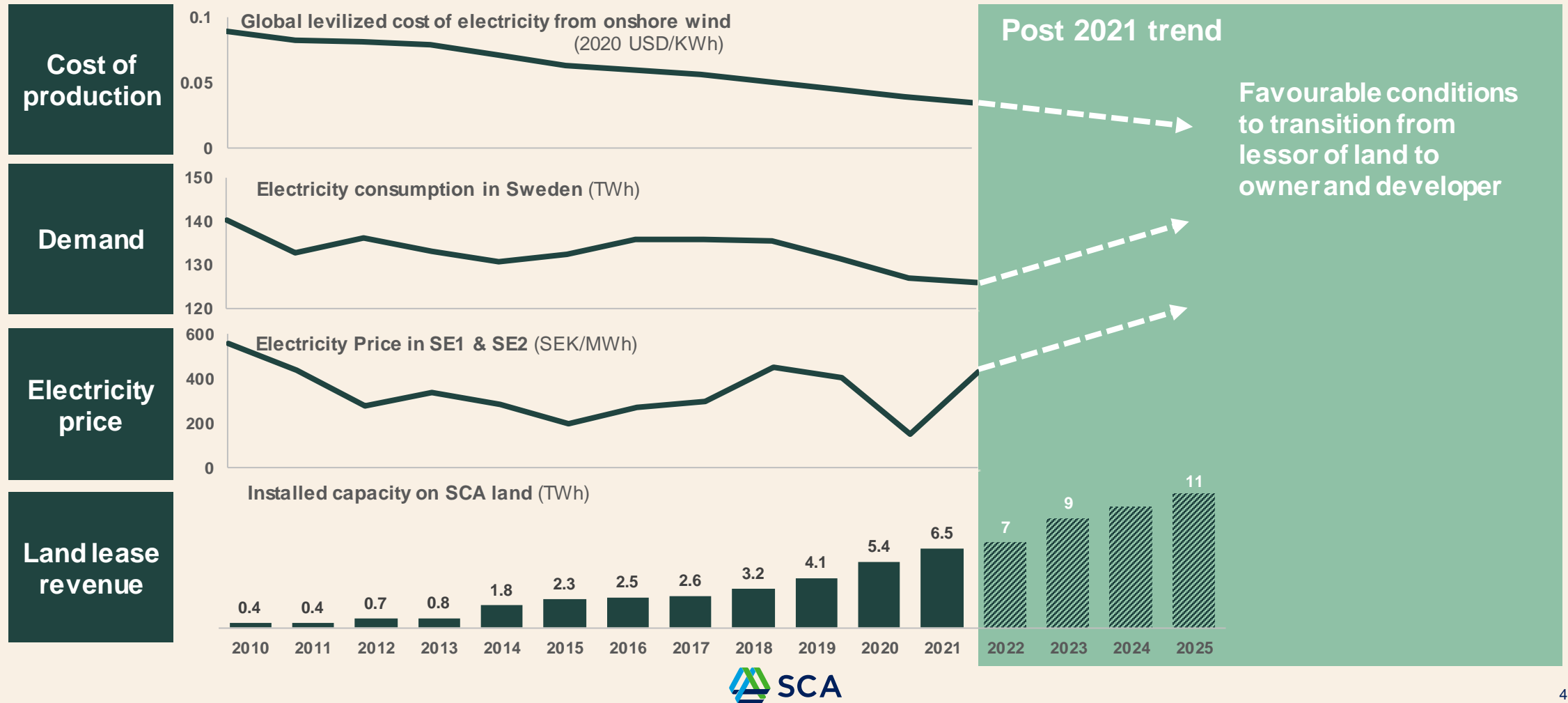


Only 20-30% of projects currently pass permitting stage

The identified growth opportunities for SCA vary in return profile



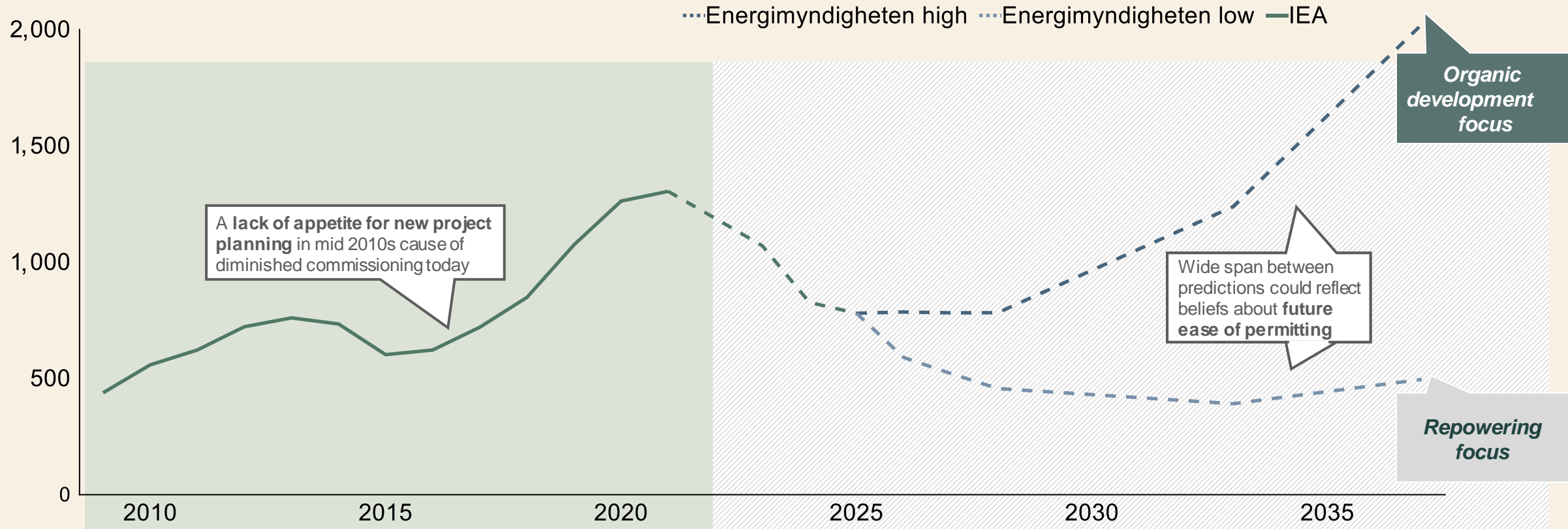
Factors in line for SCA to transition from land lessor to developer



Shortage of wind power projects 2022-2028 presents opportunity for SCA

Yearly commissioned onshore wind capacity

5 year average of new installed capacity
MW



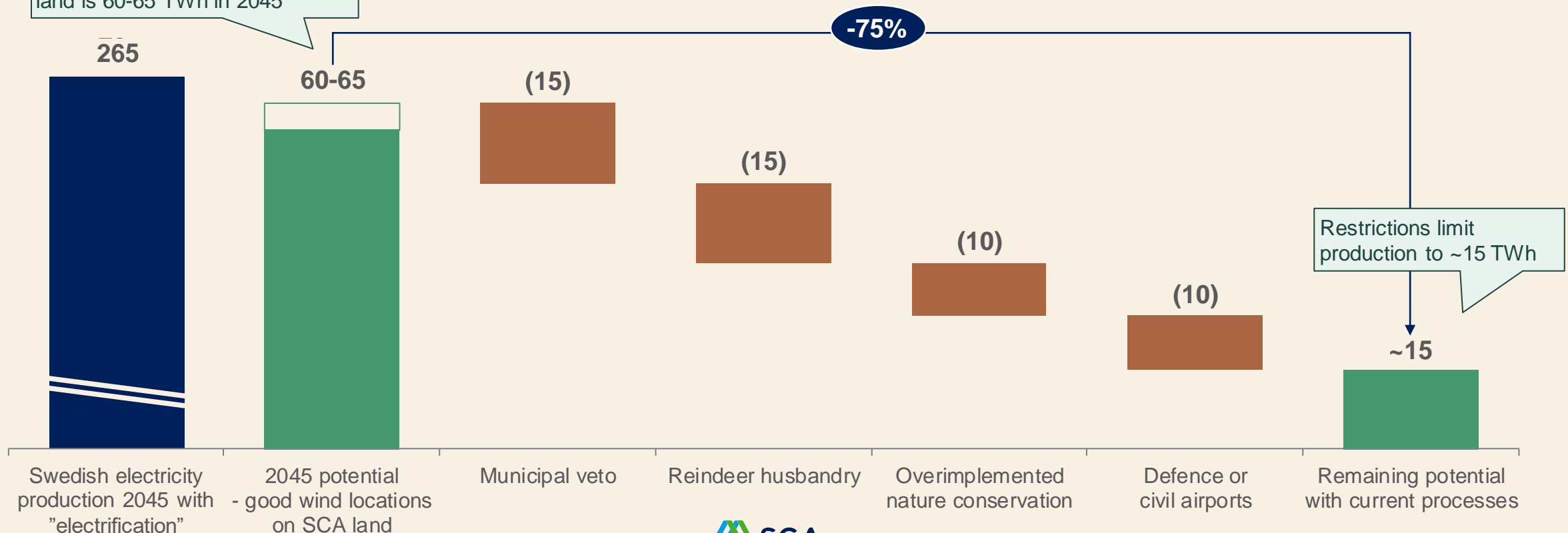
65 TWh full potential is restricted by legislations

Changes in policies will increase SCA's potential revenues and profitability substantially

Installed wind power (TWh)

Theoretical power production from grid connected sites on SCA land is 60-65 TWh in 2045

/ INDICATIVE FIGURES



Repowering of existing wind farms on SCA land represents a major opportunity

Repowering offers an attractive business case

Turbine size can be increased from 2MW to 7-10MW, significantly increasing production and profit margin

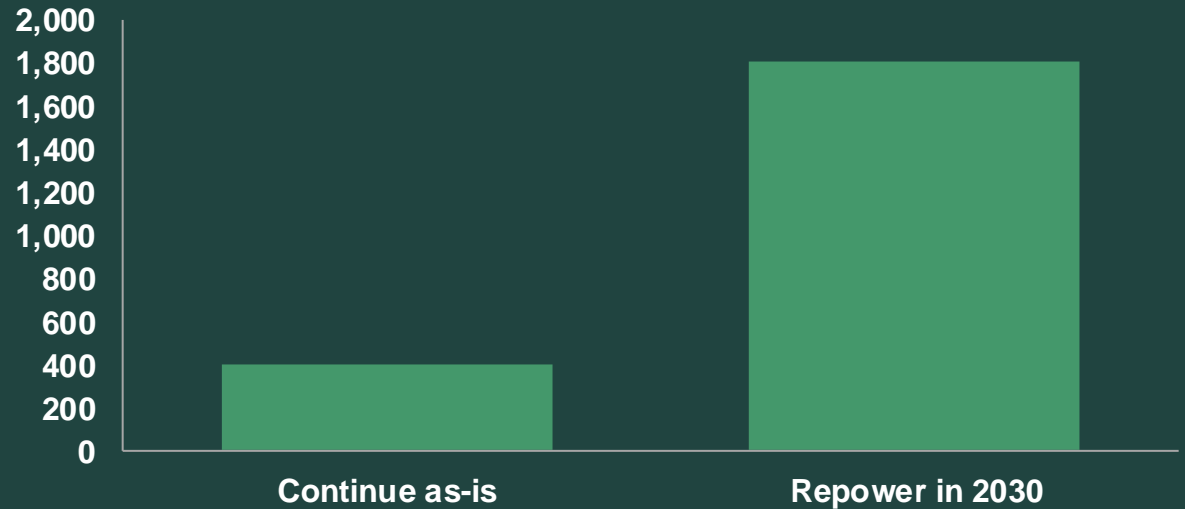
Requires permits but these can be acquired while wind farms are in operation

For old wind farms on SCA's land – acquire stake and apply for permits, capitalizing on repowering opportunity when granted

In 2030, older turbines benefit from repowering under all price scenarios

Net present value, 2010 project, 2 MV turbines
MSEK

/ EXAMPLE



50*2 MW
250 GWh

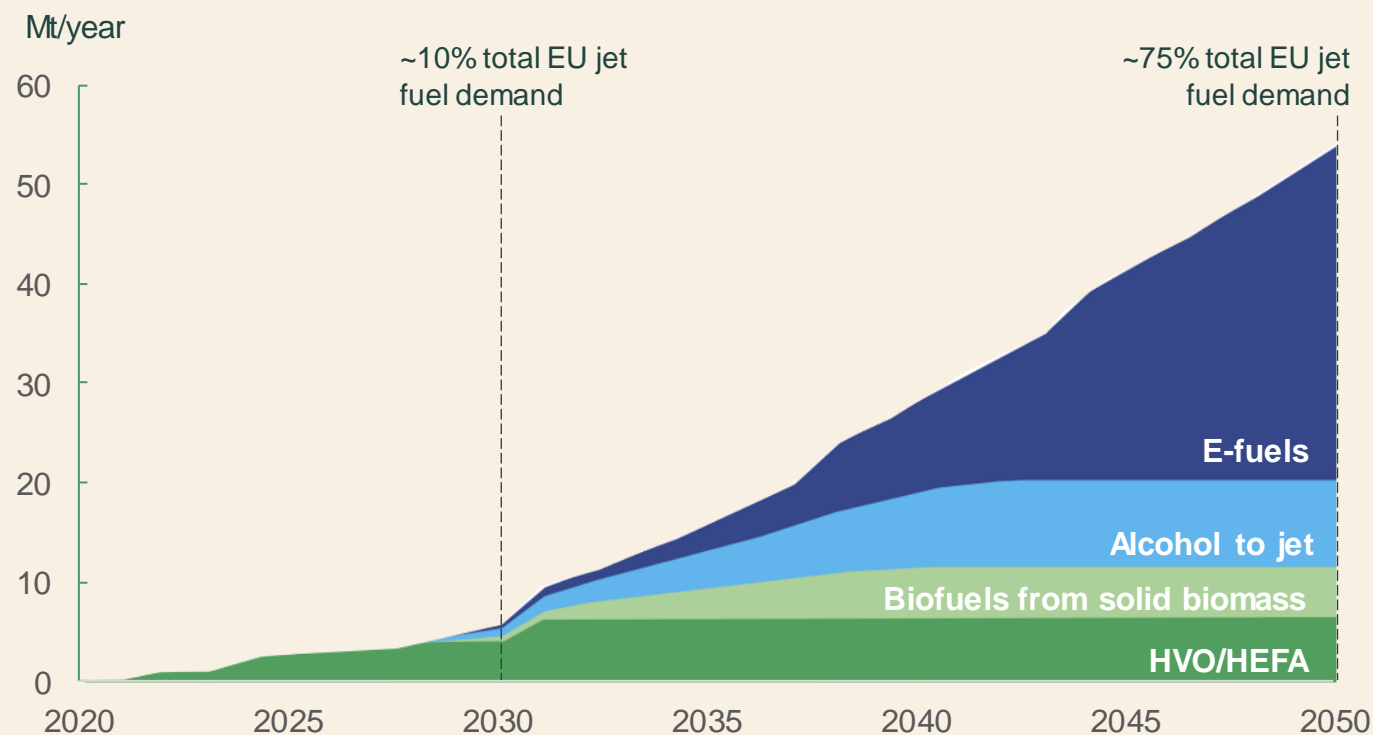


20*10 MW
>650 GWh

The market for renewable fuels is expected to grow

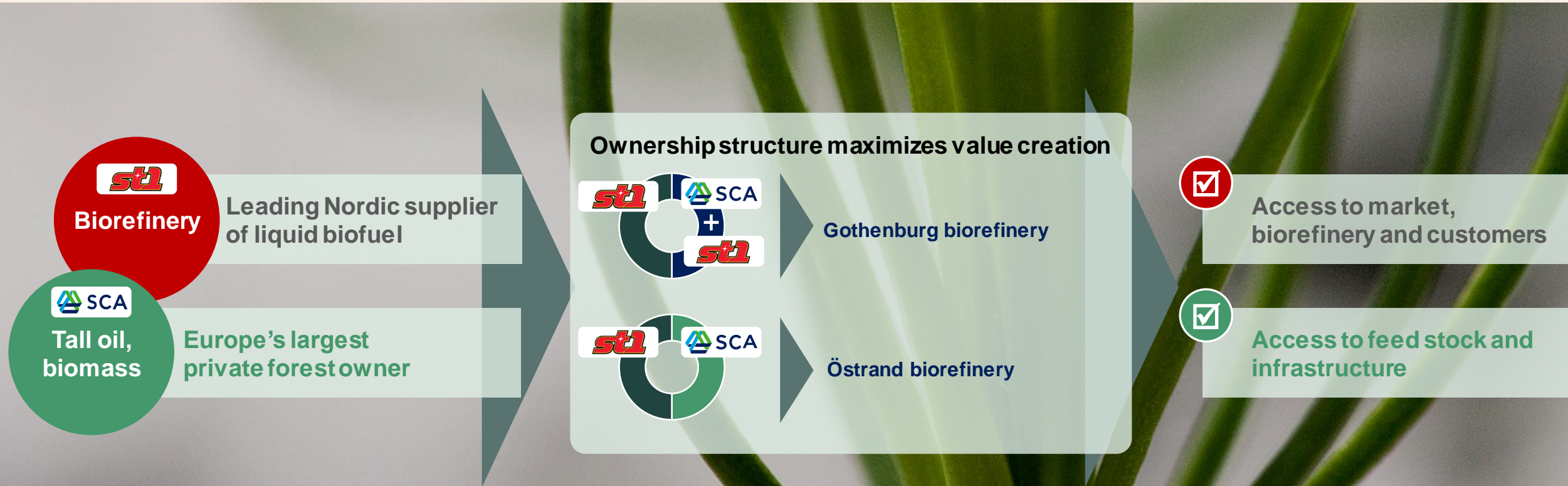
- 1 Greenhouse gas reduction quotas will increase as Europe redirects
- 2 Available biomass will not be sufficient
- 3 Access to renewable carbon dioxide and renewable electricity crucial

EU potential ramp-up of sustainable aviation fuel 2020-2050



SCA and St1 creating two companies

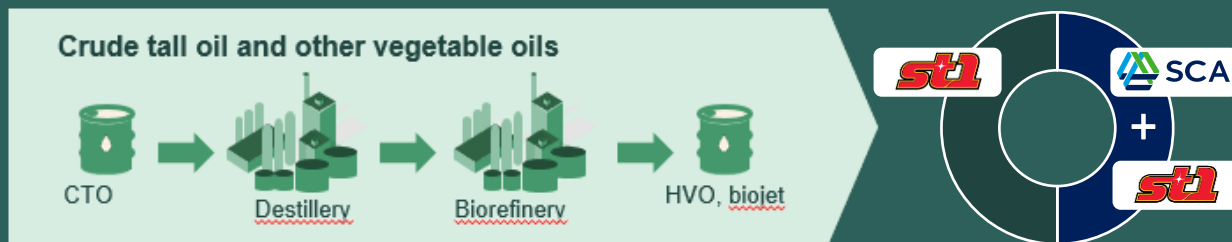
– from forest to fuel station



Göteborg Biorefinery

St1 is constructing a biorefinery in Göteborg

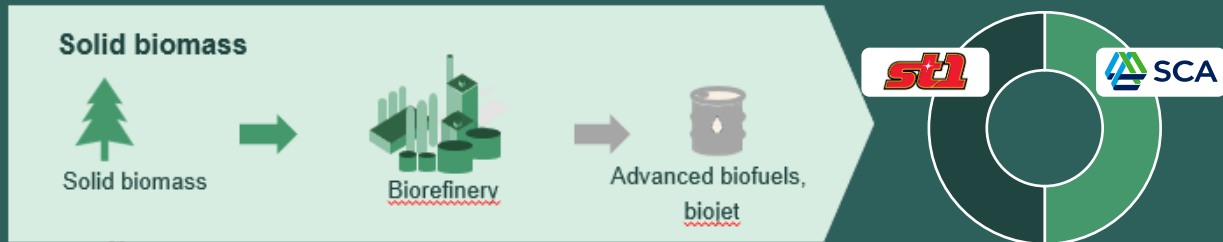
- Expected start up in Q4 2023
- Yearly capacity of 200 kt (SCA share 50 kt)
- Flexible design allowing the use of a wide range of feedstocks
- Capable of meeting current and future specifications of renewable fuels
 - Includes HVO diesel, jet fuel, and naphtha



Östrand Biorefinery

Development company

- Next to Östrand pulp mill
- Land reclamation started
- Sustainable feed stocks and energy available
- Environmental permit received to build a biorefinery at the Östrand pulp mill
- 300 kt tonnes capacity
- Finalizing design phase



Summary



Wind Power

**Liquid
biofuel**

Solid biomass

Invest in wind power:

- Development of portfolio in all maturity phases through M&A, development and repowering
- >3 TWh own wind power in ten years

Grow liquid biofuel:

- Start up of biorefinery in Gothenburg – IRR >20%
- Gothenburg 200kt of which SCA 50kt, Östrand up to 300kt

Increase value of SCA's biomass:

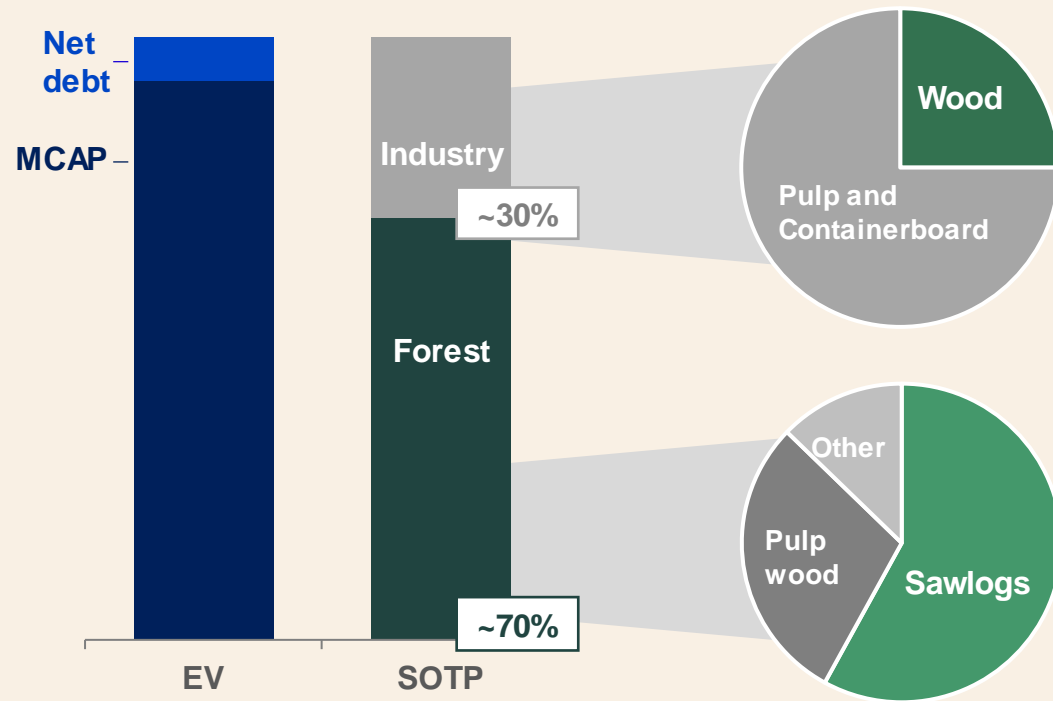
- Optimize production, product portfolio and profitability for the solid biomass business

Wood

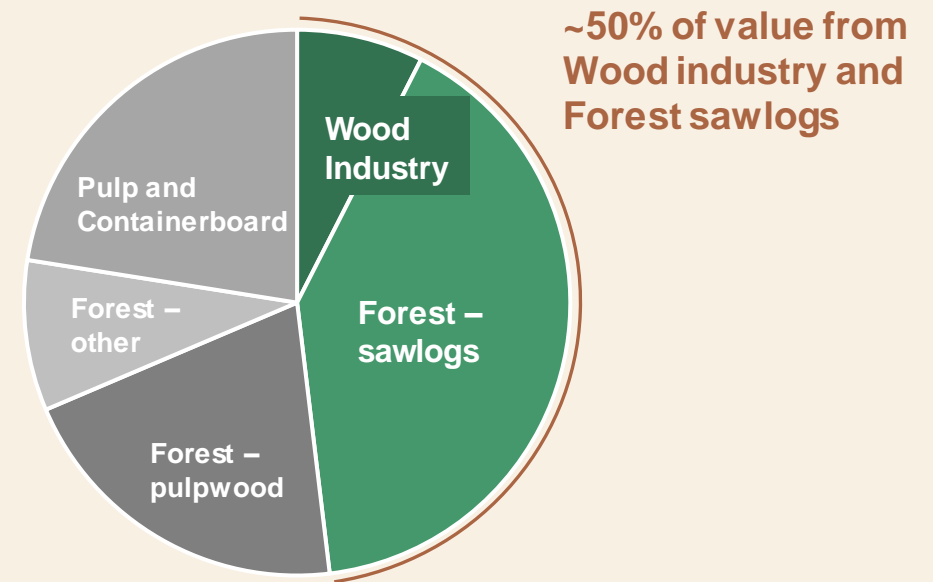
Jerry Larsson

Almost 50 % of SCA's total value dependent of competitive saw mills

SCA's SOTP (SEKbn)



Illustrative break down of SCA's value



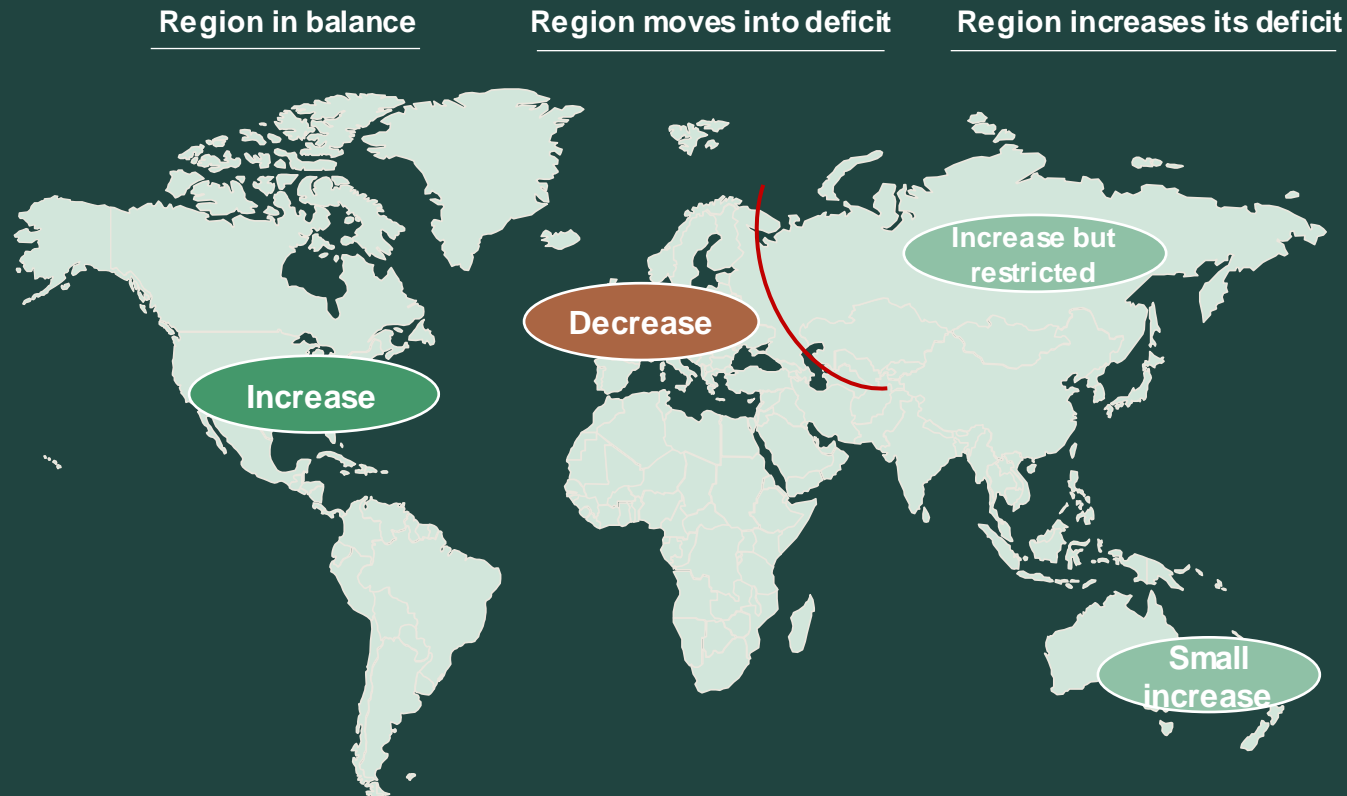
Note: SOTP split between Industry and Forest based on analyst reports.

Long term demand larger than supply

– Forest a strategic resource for the future

Estimated change in harvesting potential 2020-2030 (softwood sawlogs)

Long term demand of wood products growing faster than supply
CAGR 2020-2030



- Insect damage in Europe
- Harvesting restrictions in China
- Limited potential for new softwood plantations in South America
- Sanctions against Russia and Belarus
- Conflicting policy proposals from EU



Investment in increased efficiency in Bollsta Sawmill



Increased revenue from each log

- Increased raw material yield
- Optimize product value from each saw log

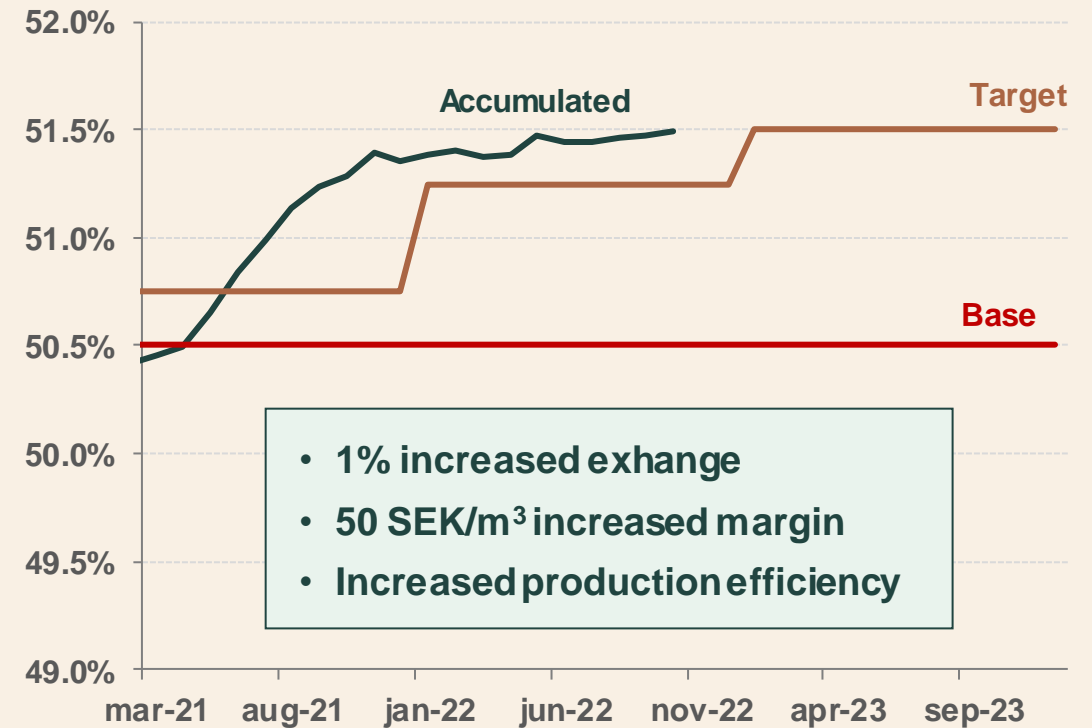


Best available technology enables further growth

- The world's most efficient grading mill
- Potential to increase production in Bollsta to 700k m³



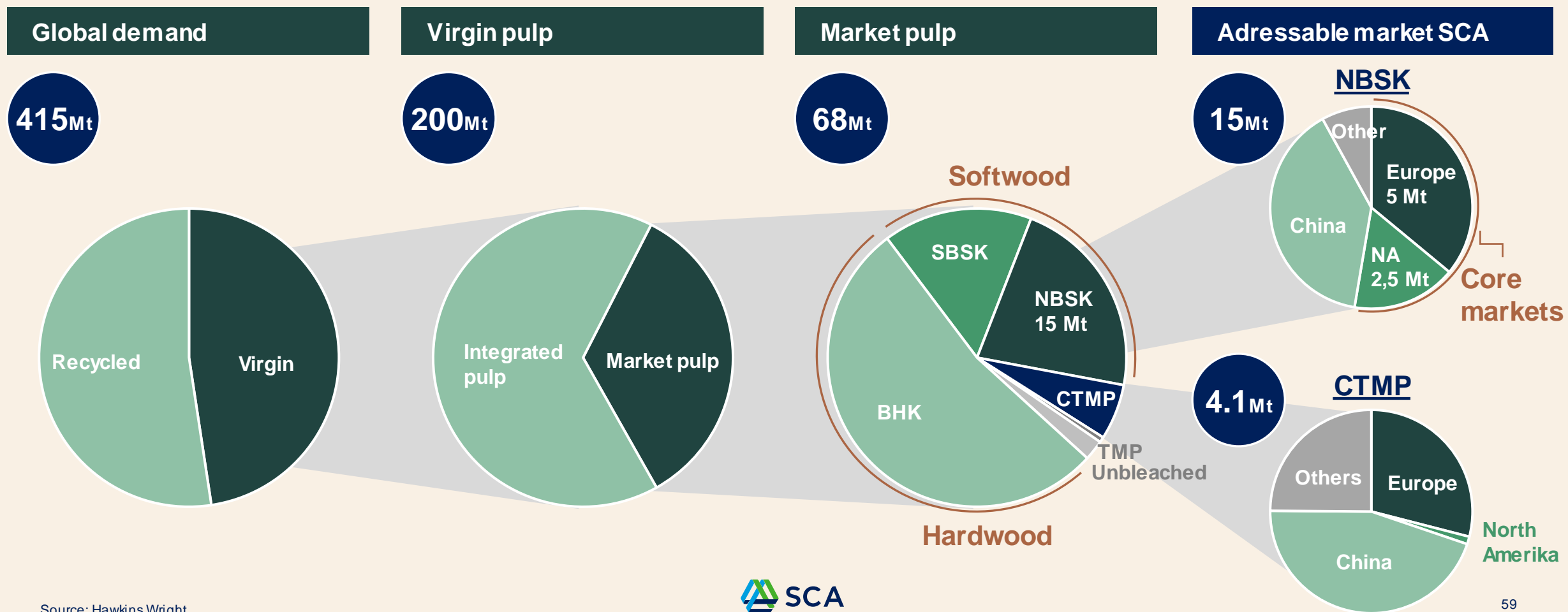
Increased yield



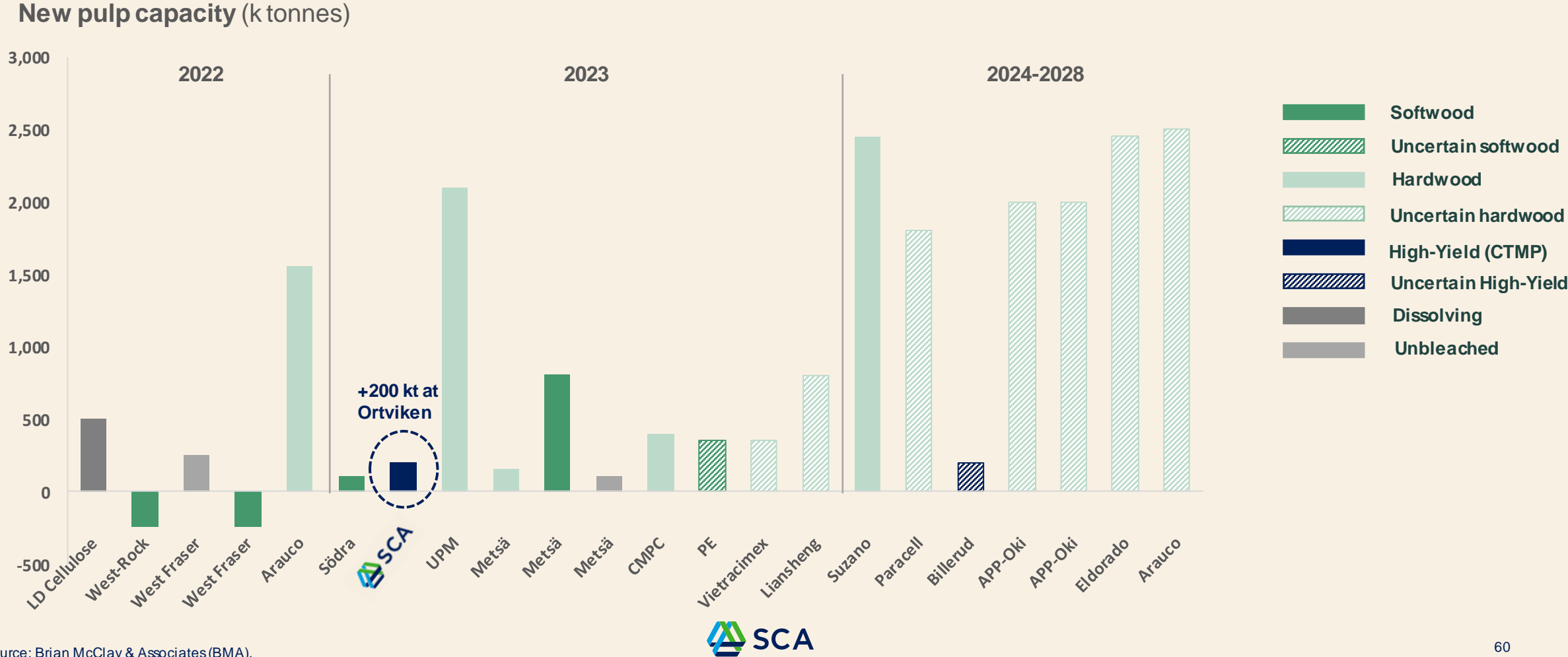
Pulp

Kristina Enander

Global pulp market 70 Mt of which 20 Mt adressable for SCA



Softwood grows with 1.0-2.0% per year, limited new capacity



Source: Brian McClay & Associates (BMA).



CTMP expansion drives profitable growth



Scale up profitable business

- ~15% lower cash cost per tonne
- Top quartile in cost position



Low investment per tonne

- Utilize existing modern TMP asset

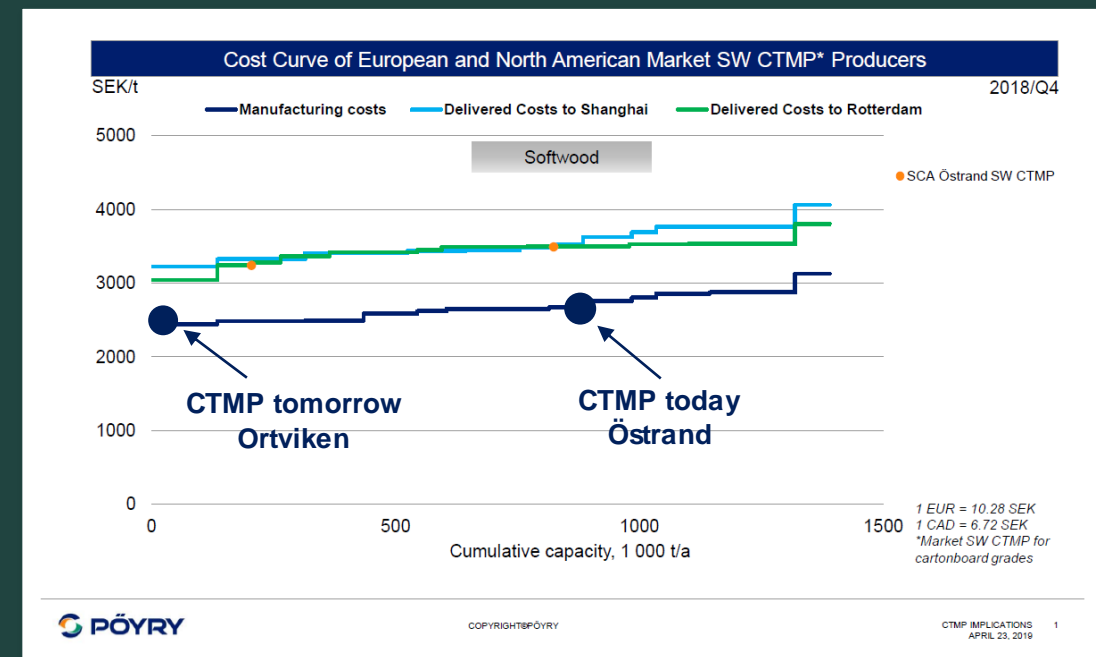


CTMP improves customer product properties at lower cost

- Cost-cutting for customer, replaces more expensive pulp
- High share of growth with existing customers

SEK 1.45bn of capex

Cost curve SW CTMP producers



Project status and ramp up

Robust market plan

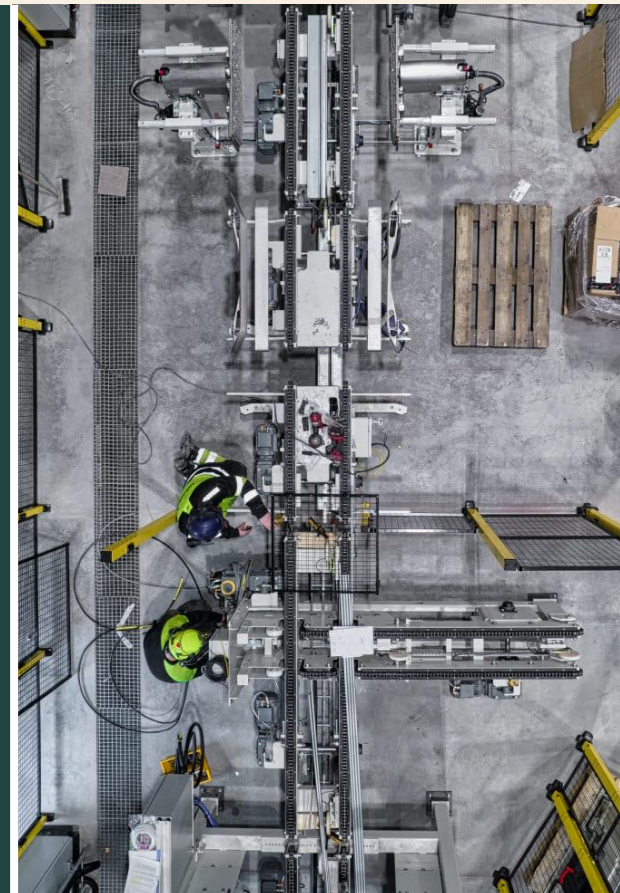
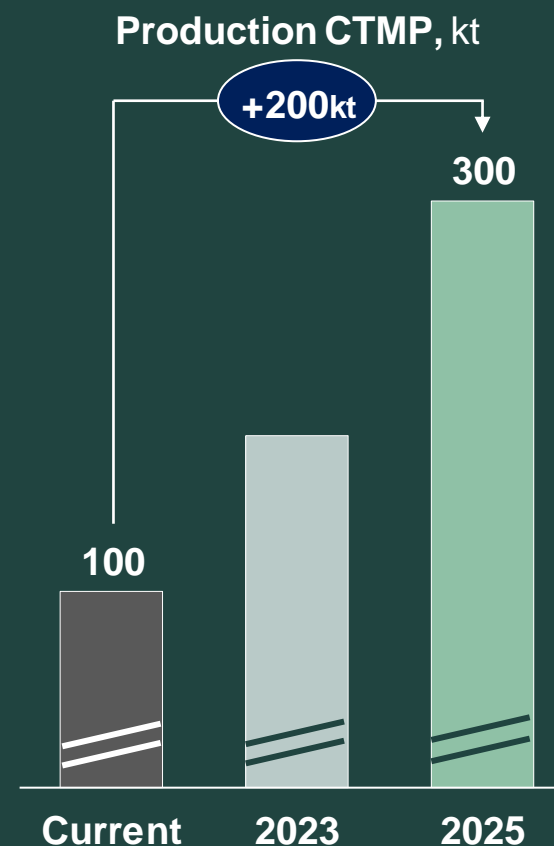
- Mainly existing customers
- Main market Europe
- Product development in collaboration with customers

Prior to time plan

- Operating trials ongoing
- Start up end of 2022

CTMP at Östrand closing when Ortviken up and running

- Enables for new opportunities at Östrand

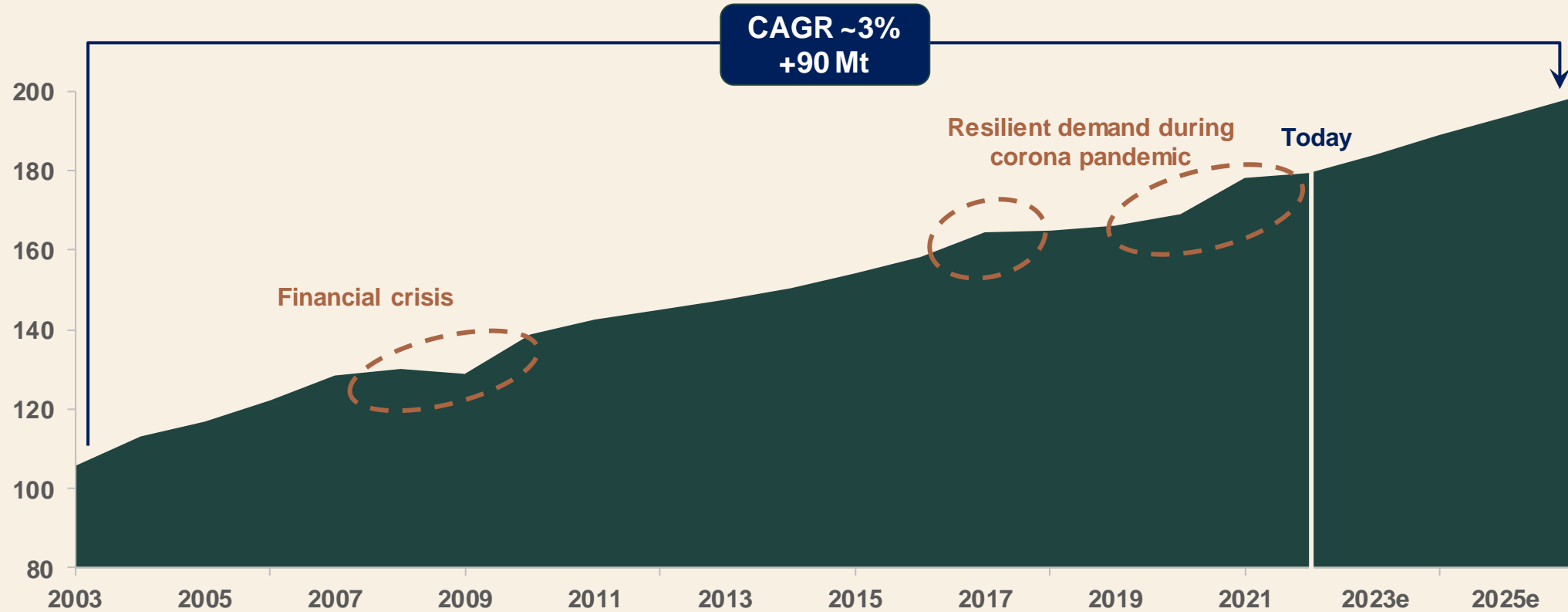


Containerboard

Mats Nordlander

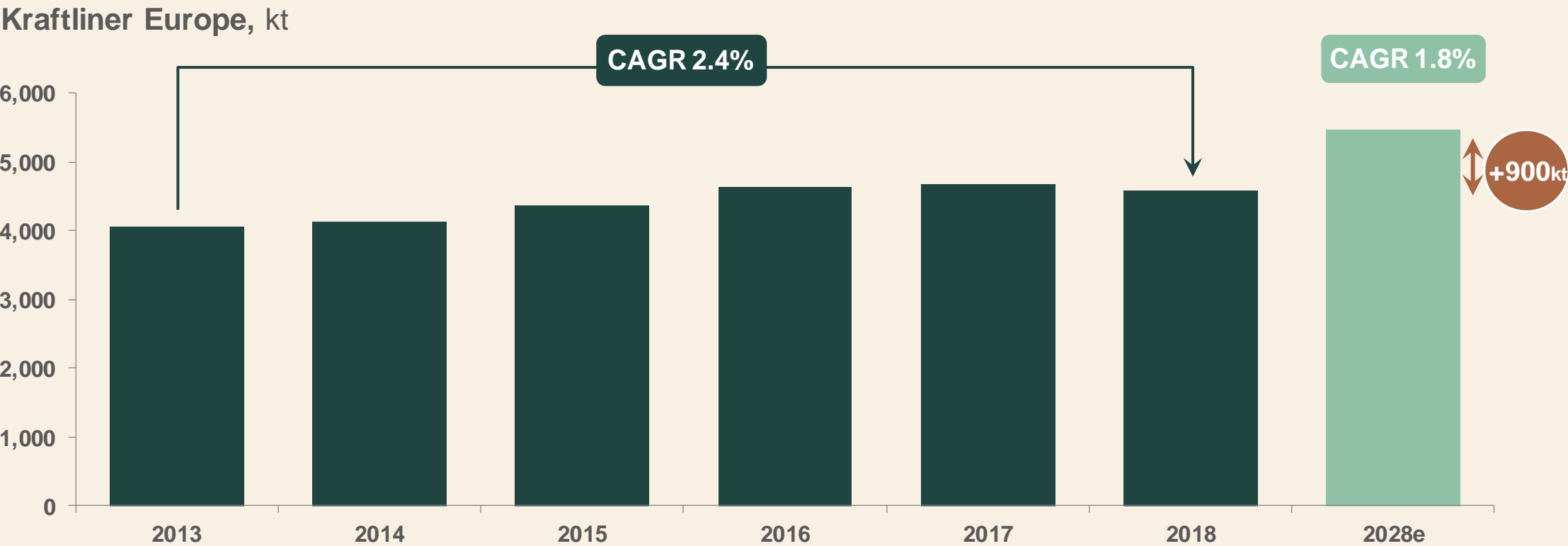
Discontinuities in economy effects containerboard demand short-term but long-term trend resilient

Global containerboard demand (Mt)



Source: Numera.

There is a need for additional 900,000 tonnes supply in Europe from investment-decision until 2028

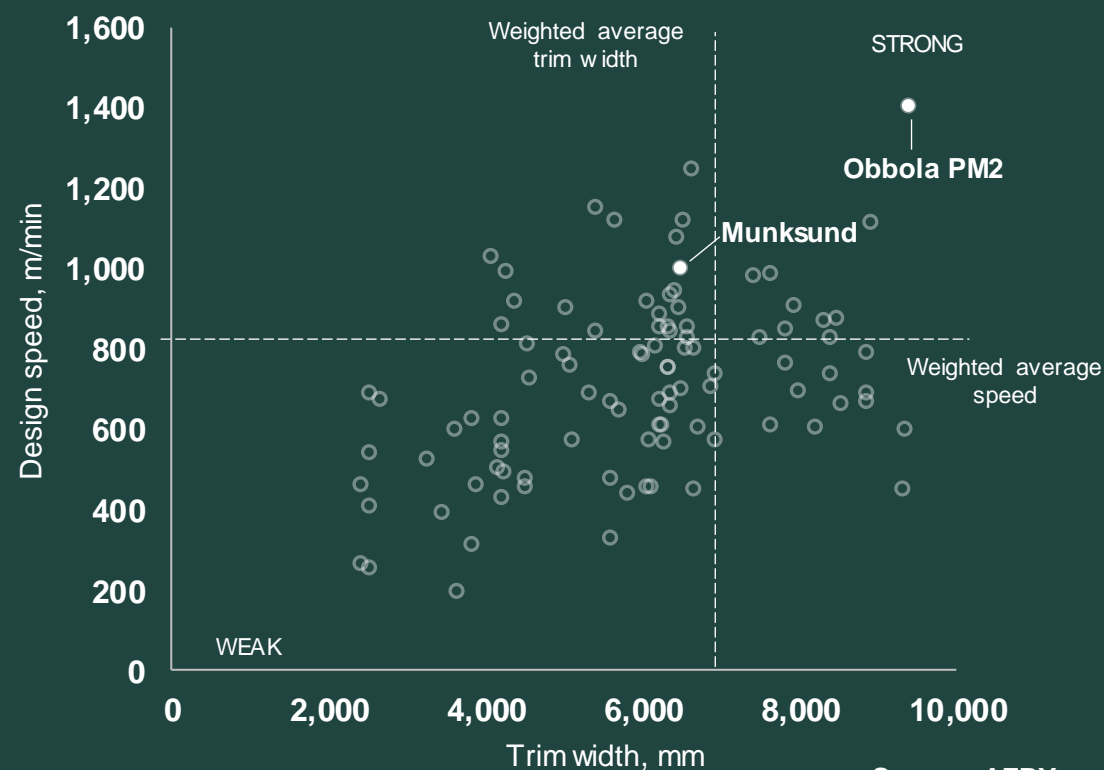


Source: SCA & Numera.

Investment in increased kraftliner production

- ✓ **Strengthened market leading position**
 - Europe's largest independent producer of kraftliner
 - Increased market share
- ✓ **Improved cost position**
 - Significantly lower indirect cost per tonne
- ✓ **Best available technology with future development potential**
 - World's most advanced and productive kraftliner machine
 - Lowest carbon footprint – fossil-free kraftliner production

Design speed vs. trim width



Source: AFRY

Project status and ramp up

Ahead of time plan

- Paper machine running 24/7, producing good quality sellable products.

Old corrugated case production unit expected to be completed mid year 2023

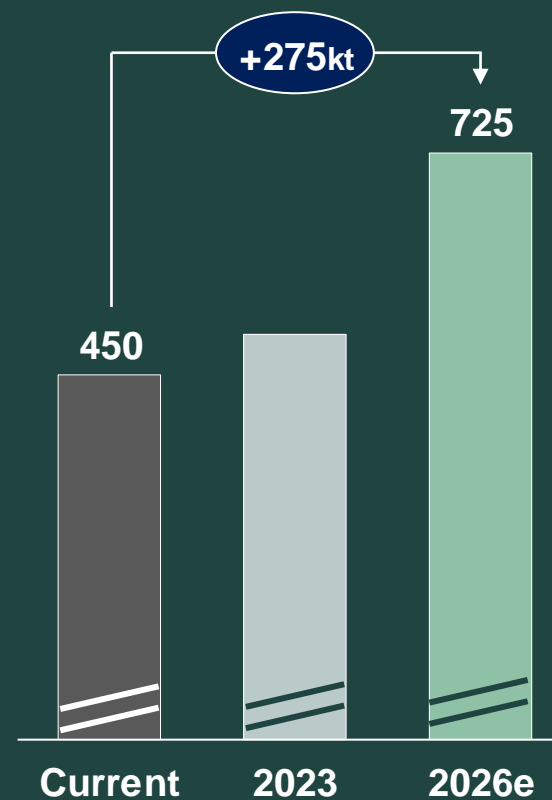
- Necessary for ramp up

Ramp-up period of ~3 years

- 2026 first full year with full capacity

Profitable during the first year of operation

Production kraftliner in Obbola, kt



Summary

Ulf Larsson

An aerial photograph of a large lake with numerous forested islands and peninsulas. The water is a deep blue, and the surrounding land is covered in dense green and brown forest. The foreground is dominated by a thick forest of tall trees.

Q&A



Europe's largest private forest owner

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.

