



Reshaping SCA for the future - driven by the force of the forest

Capital Markets Day
December 3, 2020



Today's agenda

8.30

Strategy & future direction – *Ulf Larsson, CEO & Toby Lawton, CFO*

Forest – *Jonas Mårtensson, President Forest*

Wood – *Jerry Larsson, President Wood*

Q&A – *Jonas Mårtensson & Jerry Larsson*

Break

Paper – *Mats Nordlander, President Paper*

Pulp – *Kristina Enander, President Pulp*

Q&A – *Kristina Enander & Mats Nordlander*

Renewable energy – *Mikael Källgren, President Renewable Energy*

Group sustainability targets – *Katarina Kolar & Hans Djurberg, Sustainability Director*

Concluding remarks – *Ulf Larsson, CEO*

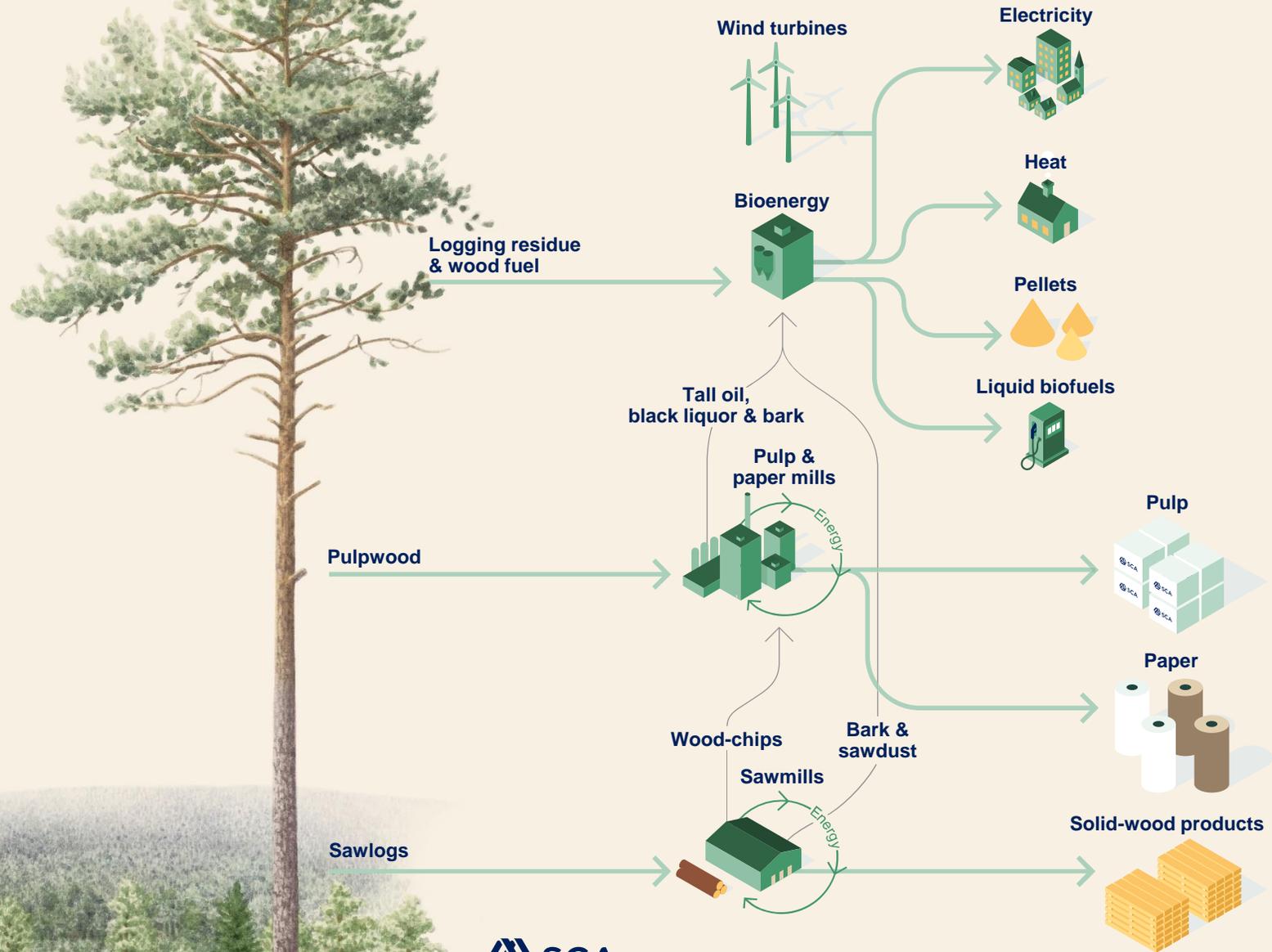
~ 12.00

Q&A – *Ulf Larsson & Toby Lawton*

Strategy & future direction

Ulf Larsson, CEO

SCA's integrated value chain



Sustainability – part of our DNA

Binds net
5.4
Mt CO₂

CO₂

1

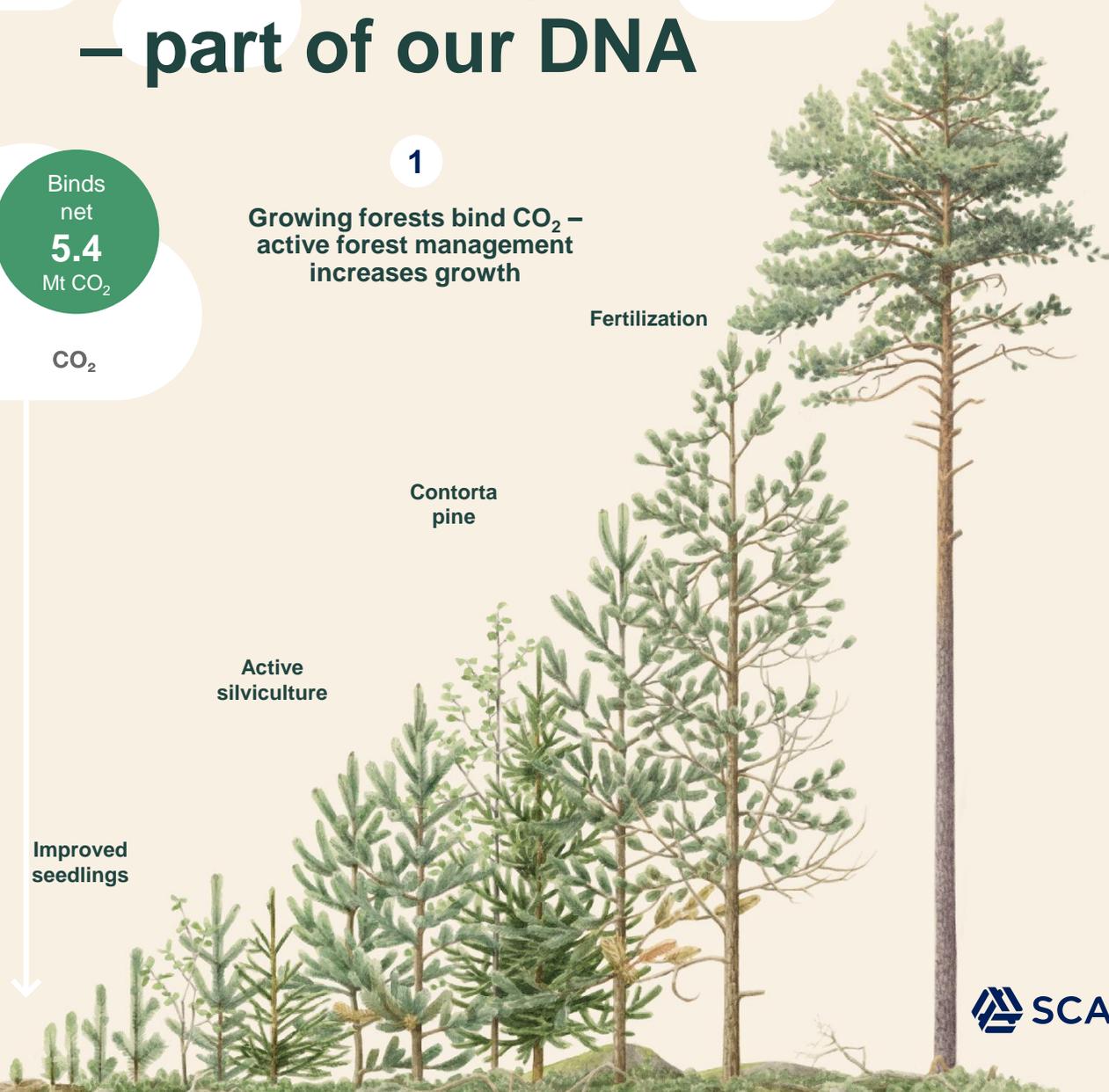
Growing forests bind CO₂ – active forest management increases growth

Fertilization

Contorta pine

Active silviculture

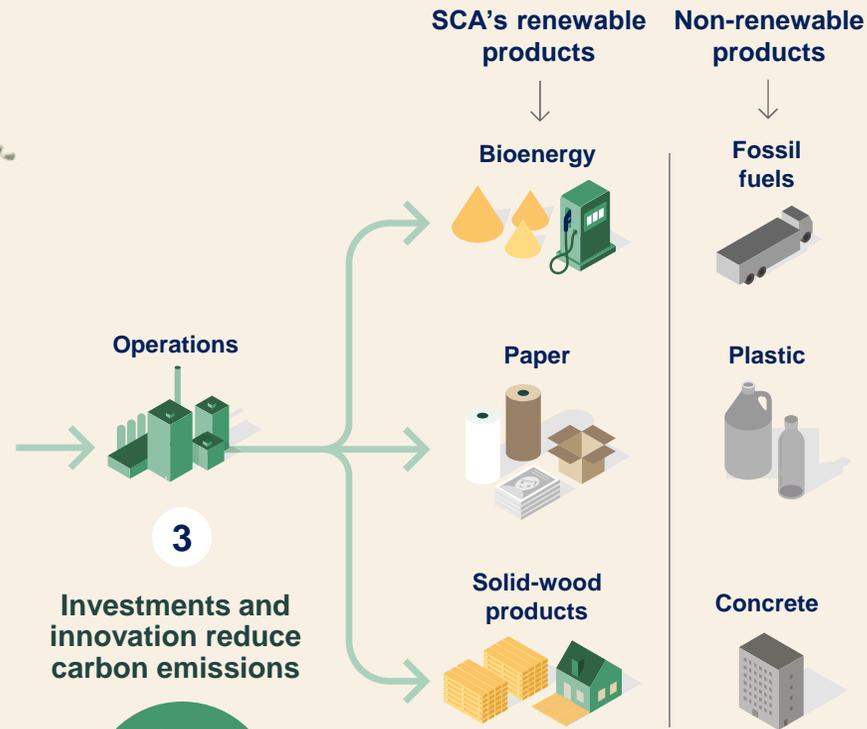
Improved seedlings



Replaces
6.0
Mt CO₂

2

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



3

Investments and innovation reduce carbon emissions

Low emissions
0.9
Mt CO₂

In 2019, SCA's climate benefit was 10.5 million tonnes of CO₂, which corresponds to emissions from all passenger cars in Sweden.

Profitable growth strategy

Increased
value from
each tree

Growing
forest asset



Invest in integrated value chain:

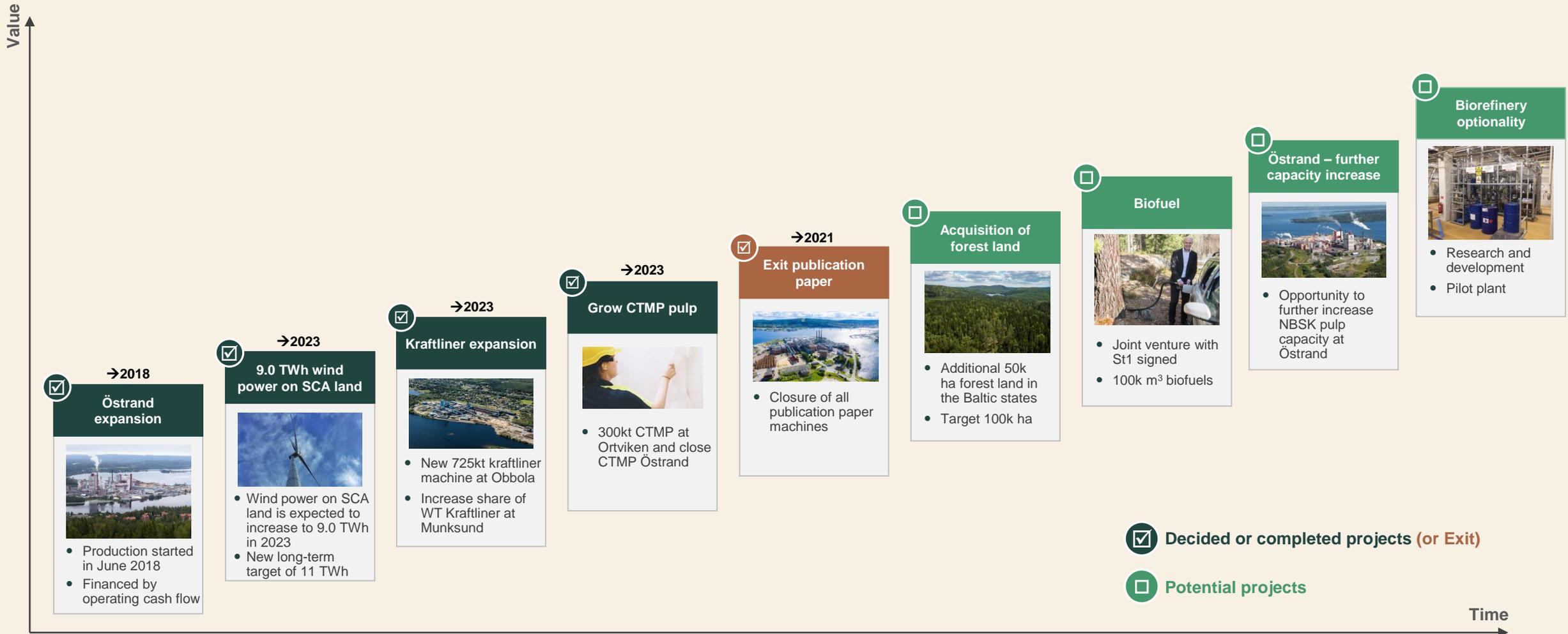
- Grow Pulp
- Grow Kraftliner
- Renewable energy new segment
- Reduce exposure to Publication Paper



Increase forest holdings:

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

Strong project portfolio driving profitable growth



Strong project portfolio driving profitable growth

– market leading packaging position



Strong project portfolio driving profitable growth – a globally competitive CTMP plant



Strong project portfolio driving profitable growth

– shift from declining to growing product areas



Strong project portfolio driving profitable growth

– strengthen the fiber supply base



→2024

Acquisition of forest land

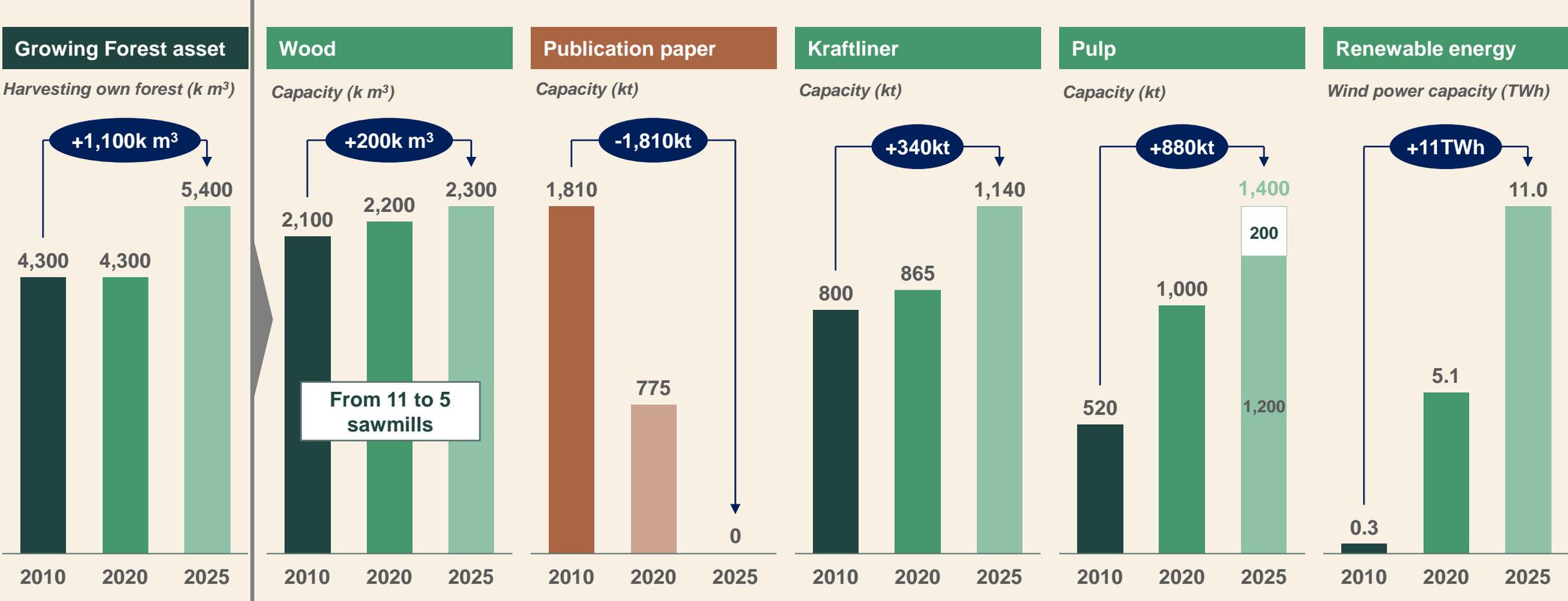


- Long term goal of 100k ha in the Baltic states
- ~50k ha acquired 2019-2020
- High potential growth – 2.5x northern Sweden
- Same price level as northern Sweden

- Strengthen fiber supply base

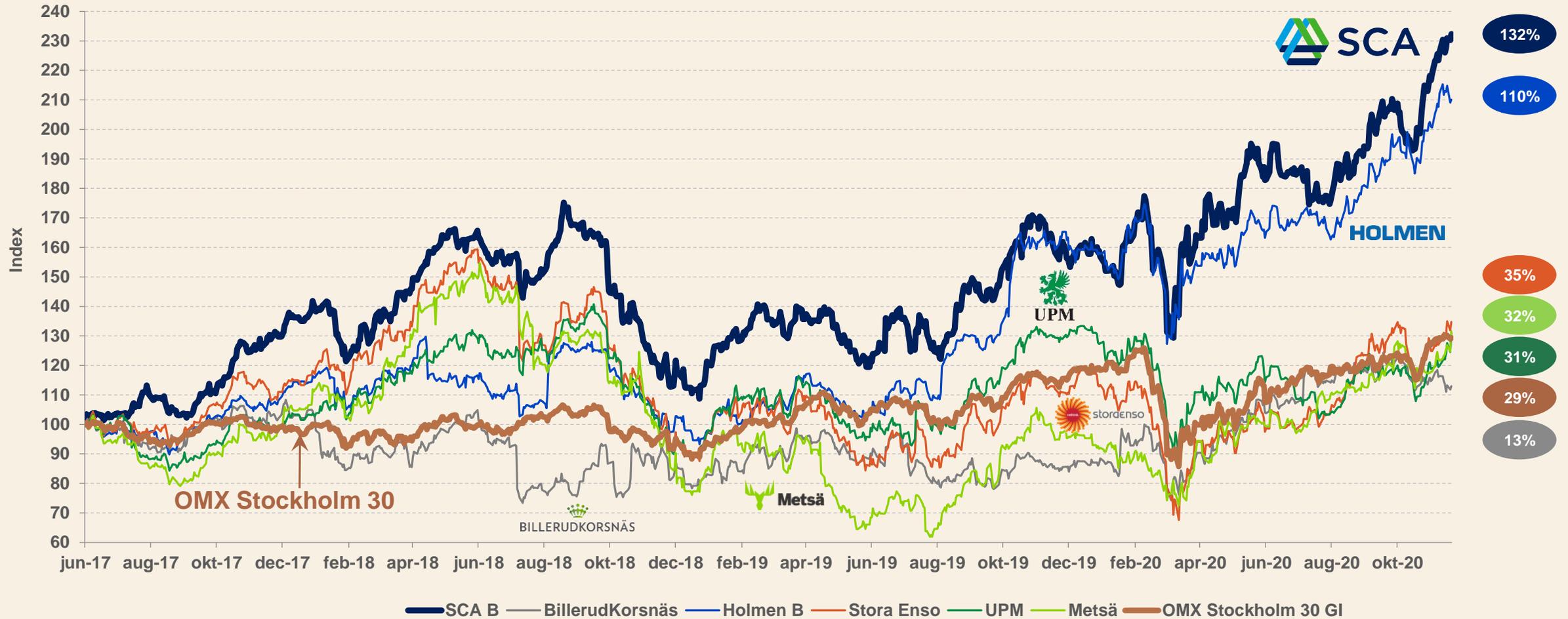
- Decided or completed projects (or Exit)
- Potential projects

SCA 2025 – shifting the portfolio to growing product areas



The SCA business model creates shareholder return

SCA's total shareholder return (TSR)



Source: FactSet.



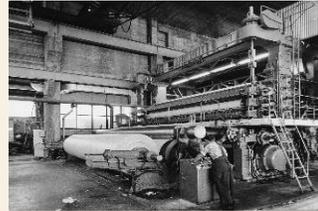
Strategic direction

Toby Lawton, CFO

Constantly changing world – but the forest always creates value



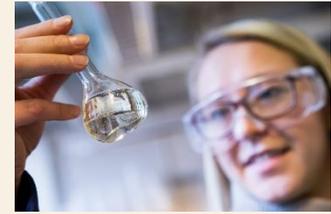
SCA invested in new kraft pulp production with the construction of the Östrand pulp mill



A newsprint mill was built in Ortvisen comprising two machines with a total capacity of 160,000 tonnes



SCA took the first step towards becoming a consumer goods company with the acquisition of the Swedish personal care company Mölnlycke



SCA discontinues publication paper and expands pulp and kraftliner, creating value in and from the forest

1929

The SCA Group was founded November 27, 1929

1932

1950

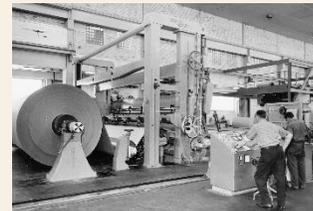
SCA was listed on the Stockholm Stock Exchange in 1950



1958

1961

SCA started its first kraftliner machine in Munksund marking the starting point for SCA's packaging business



1975

2017

SCA was divided into two listed companies; the forest products company SCA and the hygiene and health company Essity



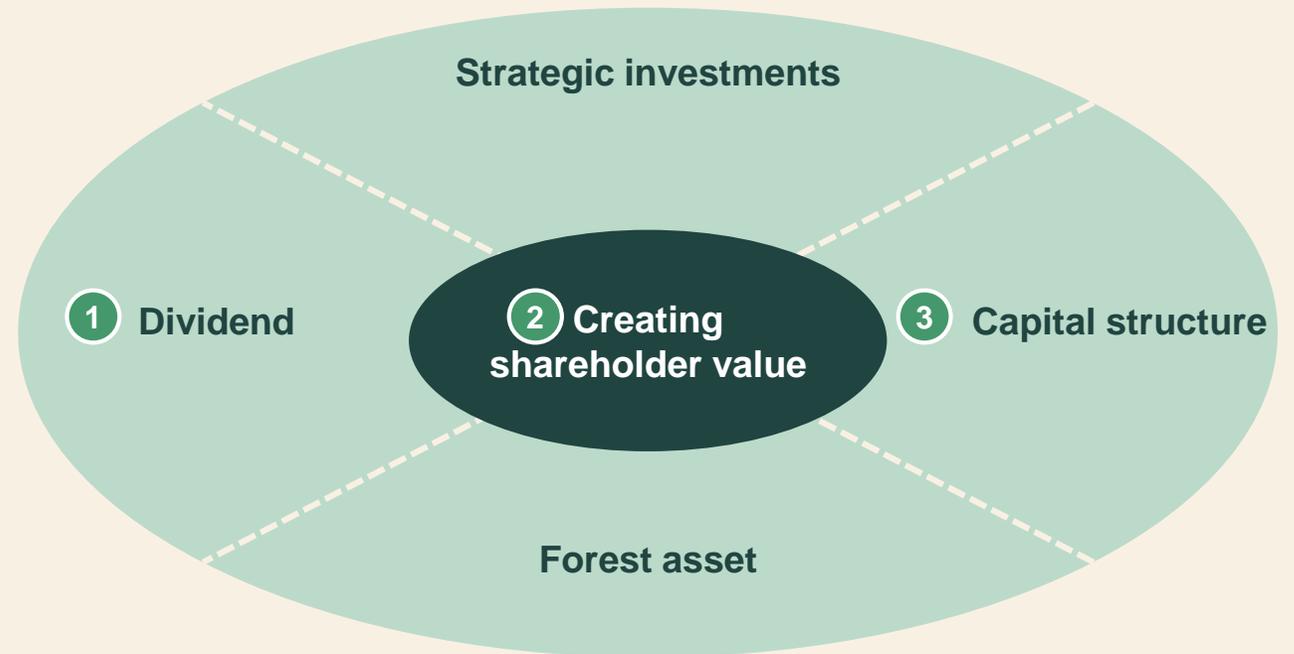
2020



Committed to our financial targets

- 1 Stable and growing dividend
- 2 Leading total shareholder return
- 3 Investment grade credit rating

Capital allocation model:



Strategic investments to drive growth

Transformative growth projects in kraftliner and pulp

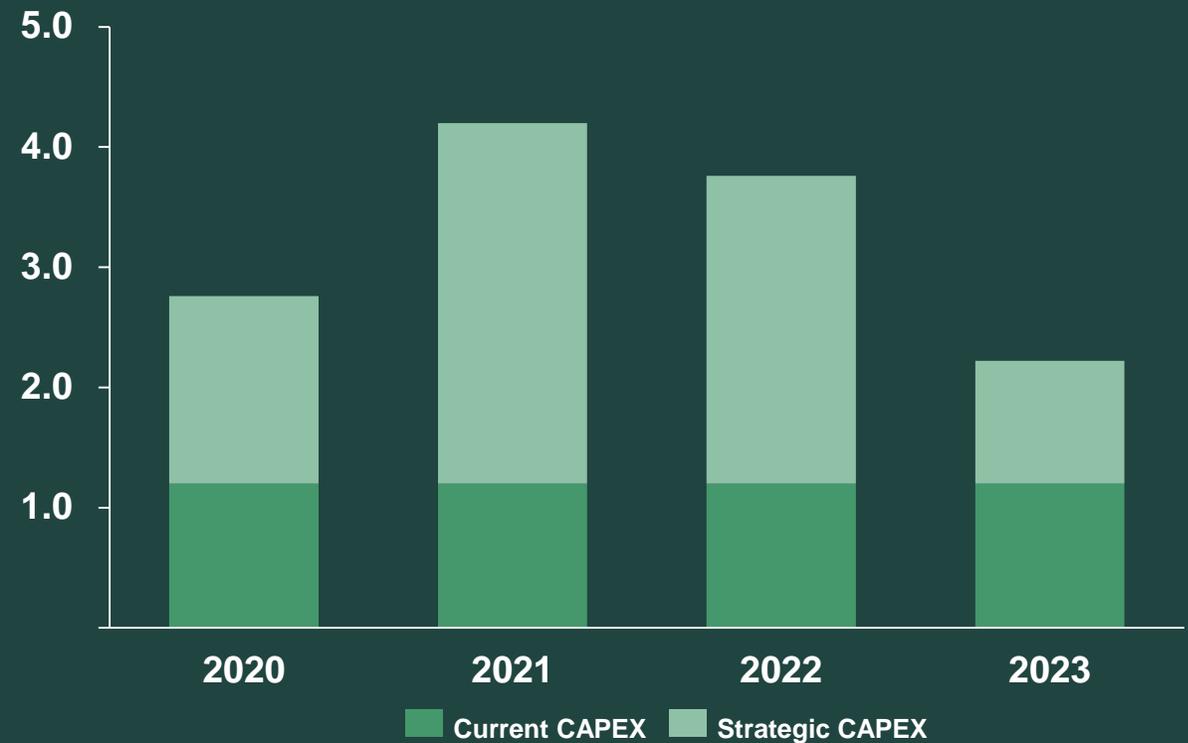
Obbola Expansion

- Investment decision 2019
- Total CAPEX: SEK 7.5bn
- CAPEX 2021-2023: SEK ~5bn

CTMP Investment

- Investment decision 2020
- Total CAPEX: SEK 1.45bn

CAPEX (SEKbn)



Financing

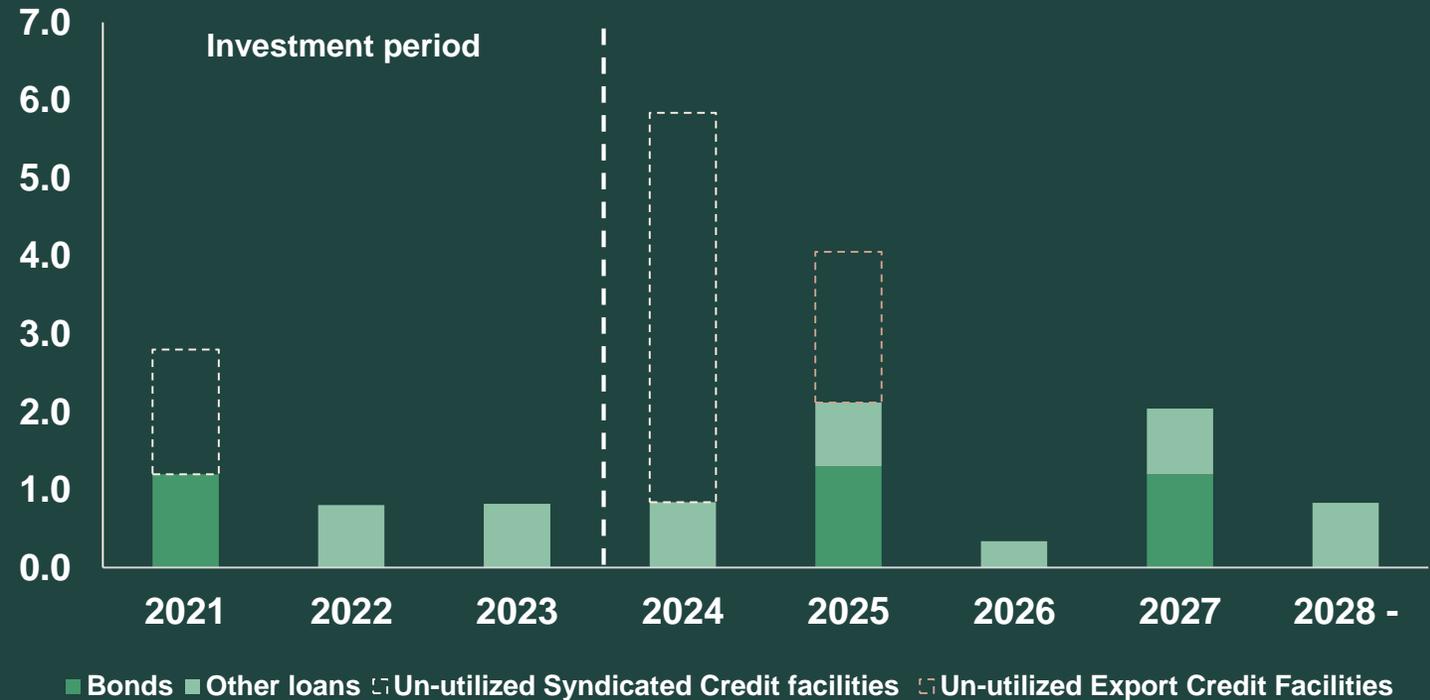
Well diversified and with a limited refinancing risk

Longer maturities beyond investment period

- Bond issues of SEK 2.5bn, maturities 2025 and 2027
- Increased frame amount on export credit facility – SEK ~1.2bn

2021 credit facility to be replaced with a SEK 2bn facility with longer maturity

Debt maturity profile (SEKbn)



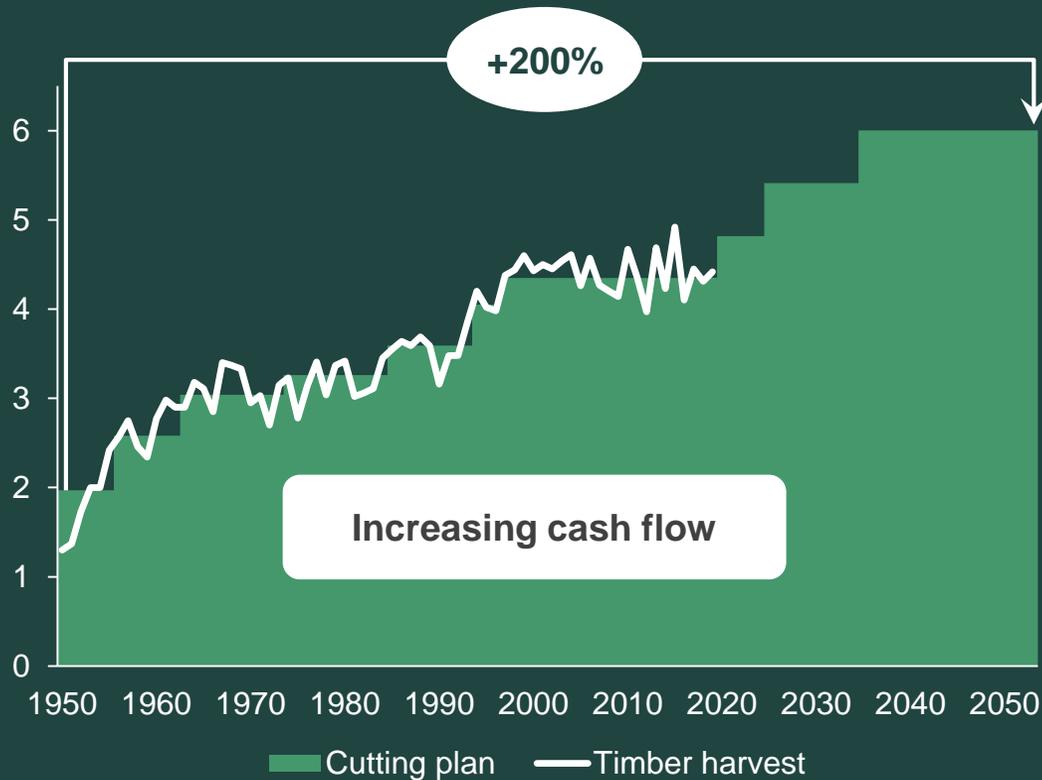
Forest

Jonas Mårtensson, President Forest

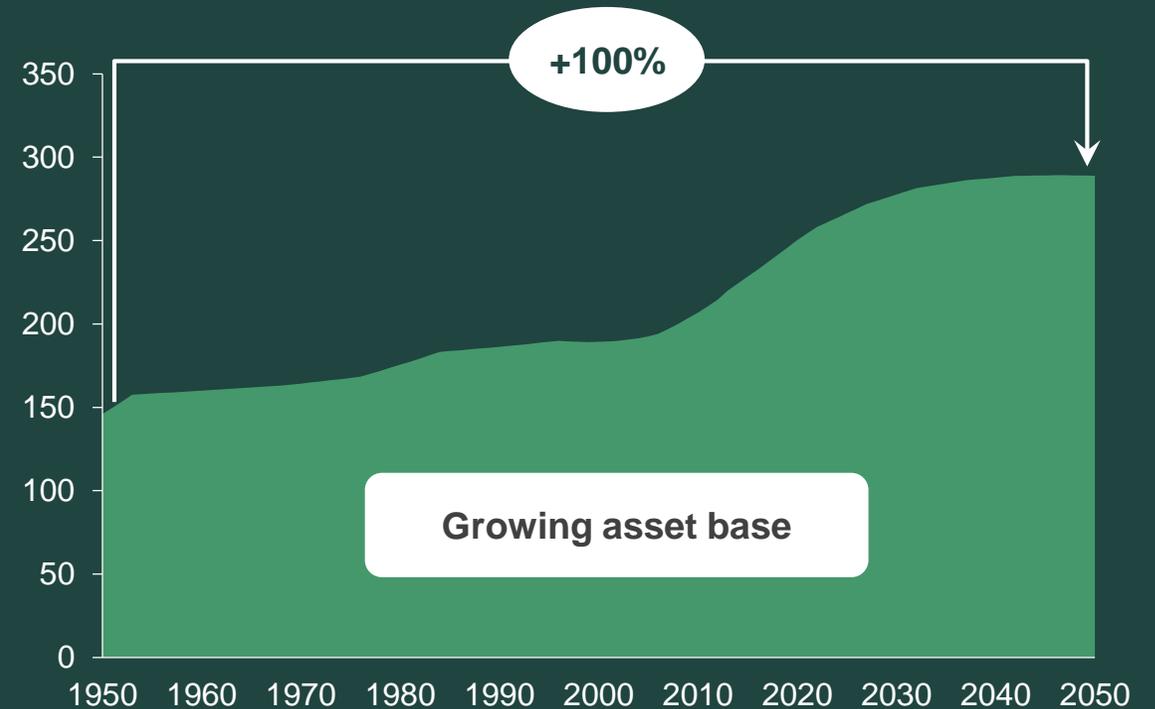
Increase in both standing volume and harvesting level

Based on current technology

Harvesting from own forest (m m³sub)



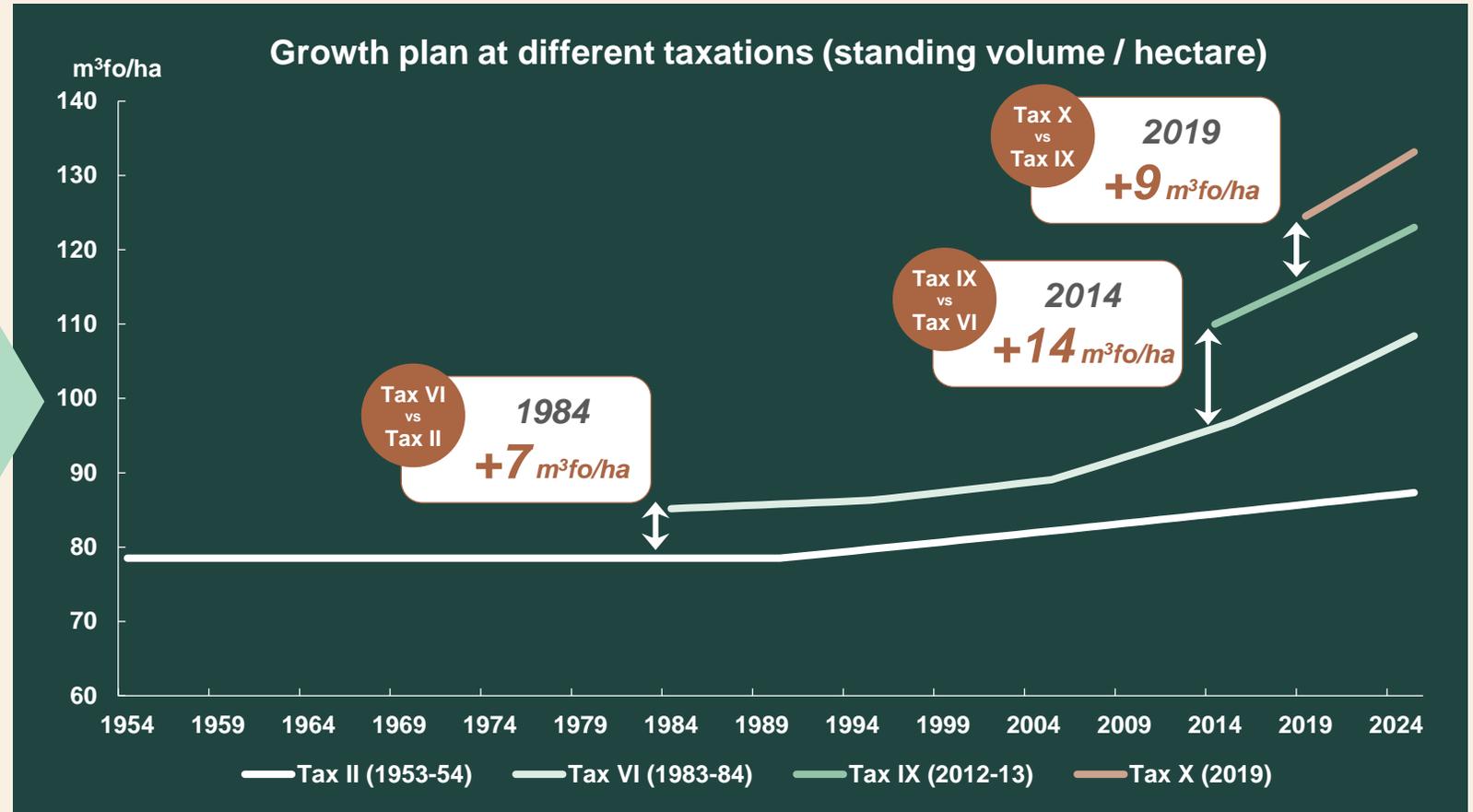
Standing timber volume (m m³fo)



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

Improved practices and technology increase growth

- 1 Silviculture
- 2 Improved seedlings
- 3 Introduction of Contorta pine
- 4 Fertilization



Source: SCA measurements and estimates.
 Note: Taxation = forest inventorisation. Lodgepole pine = Pinus contorta.

SCA's responsible forestry

Responsible forestry according to FSC® and PEFC™ results in some restrictions



Voluntary set-asides

≥5%



Combined goals

≥5%

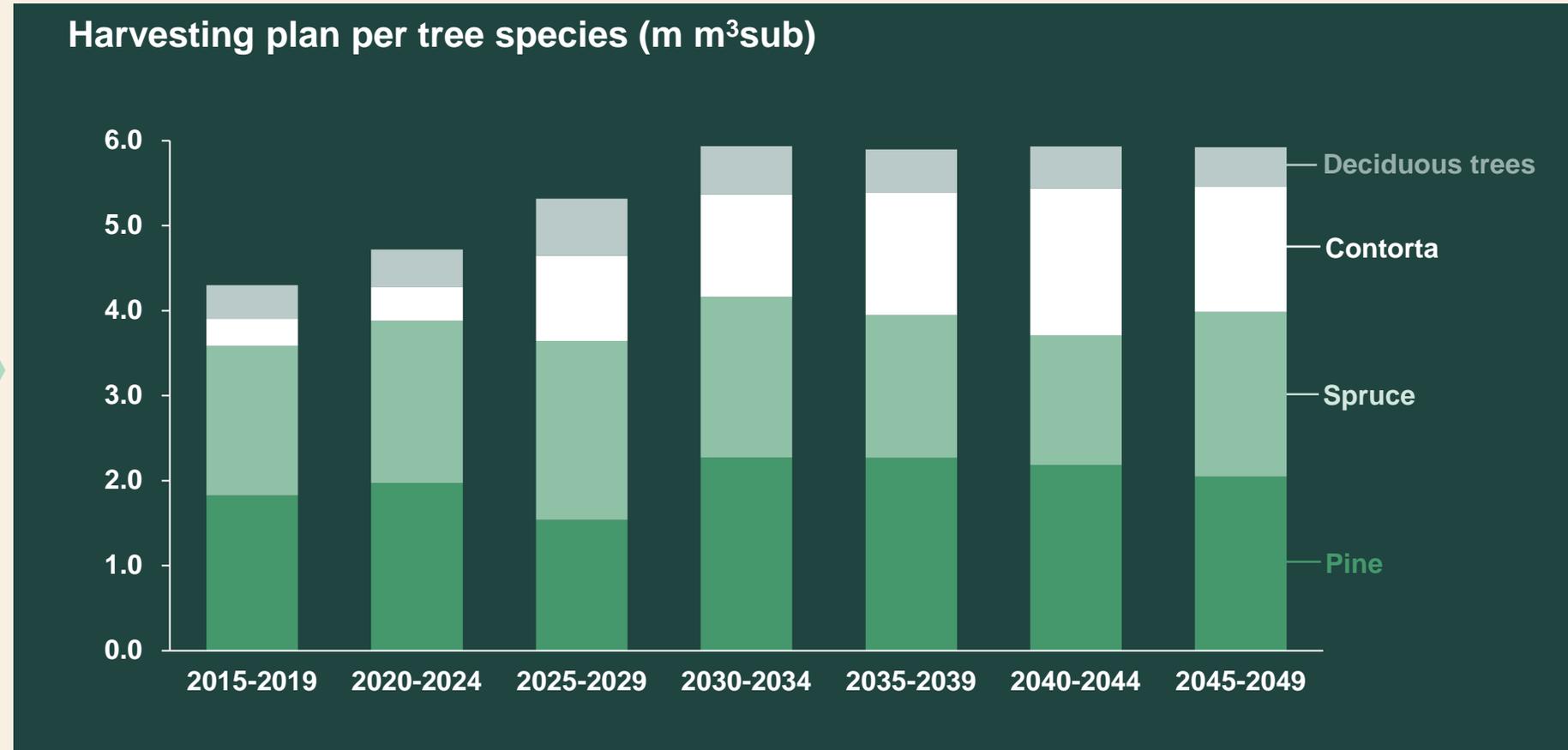
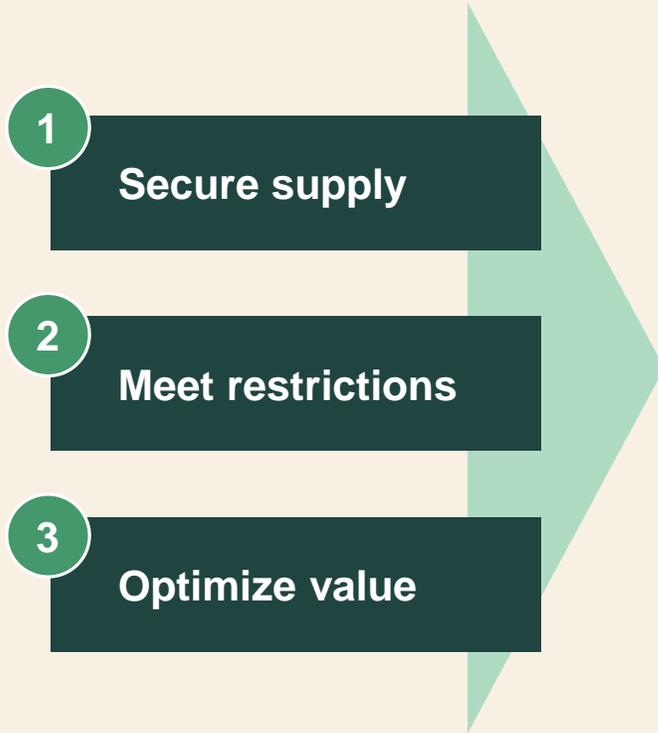


Consideration

Consideration for the Sami people and reindeer husbandry through dialogue and consultation

Harvesting plan with restrictions

Optimizes value and supply



Note: Based on Tax X (2019) and current technology and practices.

Changes versus harvesting plan 2015

1.1 million m³ higher harvesting level in 2025

Harvesting Contorta pine



thousand
m³sub/year
+600

- Higher growth compared to previous forecasts

Increased precision in nature conservation



thousand
m³sub/year
+350

- Higher volumes from alternative fellings

Harvesting "hidden" volumes



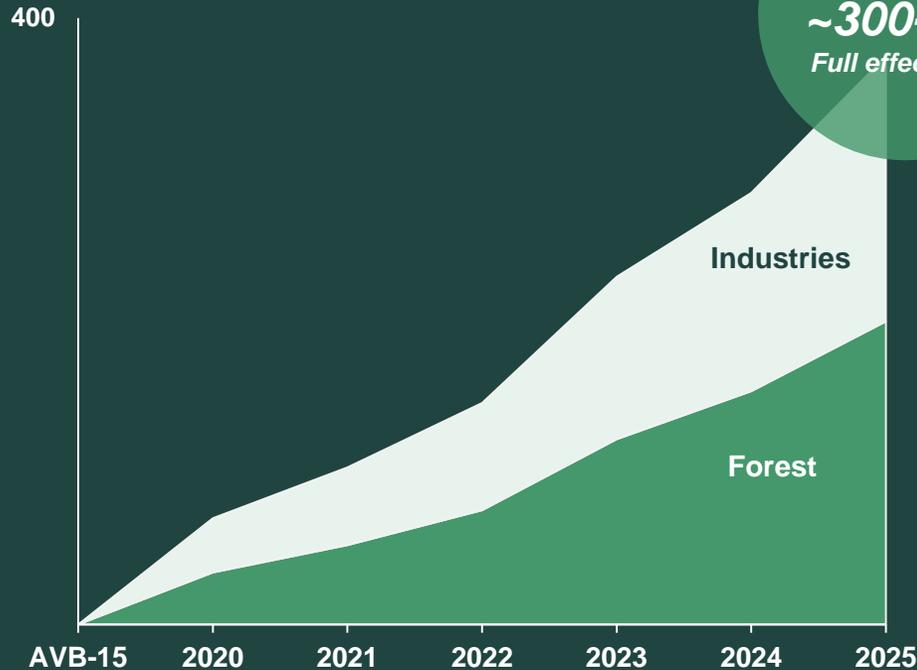
thousand
m³sub/year
+150

- Made possible by digitalization, laser scanning and AI

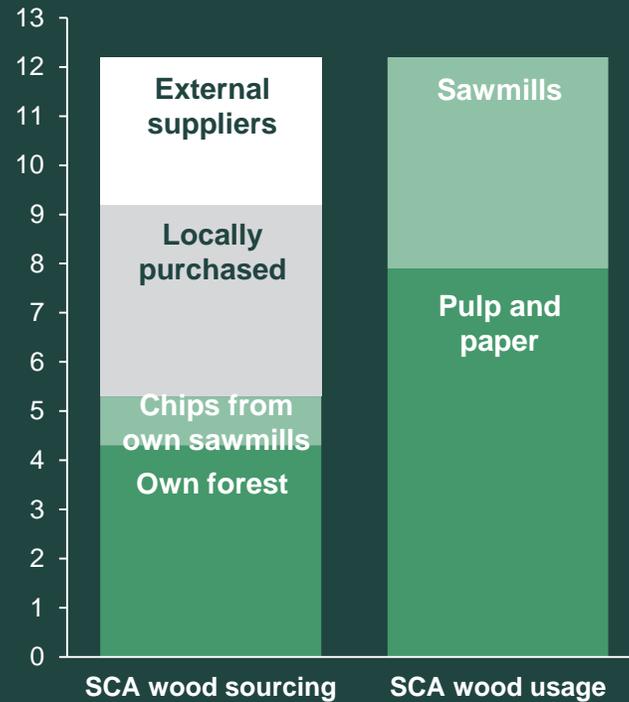
SCA's new long-term harvesting plan

Efficient wood supply to the industries

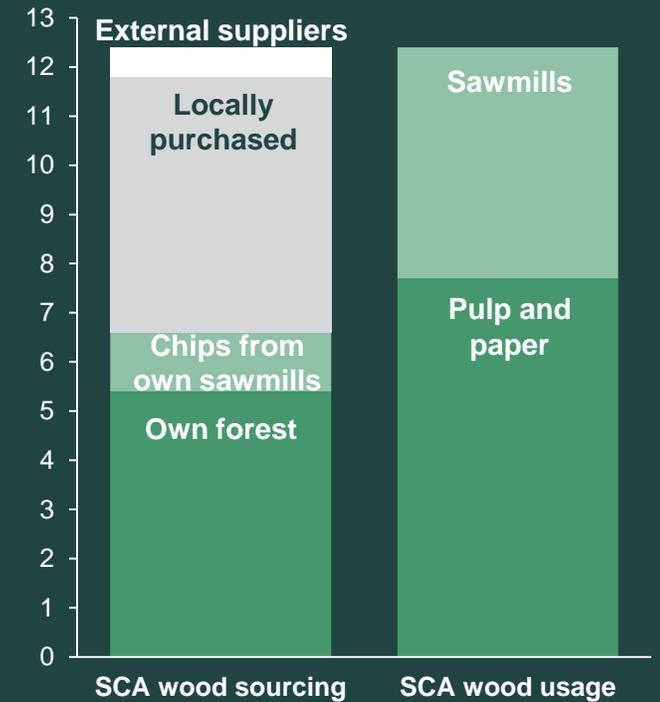
Cash flow effect new harvesting plan (SEKm)



Wood sourcing 2019 (m m³sub)



Wood sourcing 2025¹ (m m³sub)



¹ Includes decided projects: kraftliner expansion, CTMP expansion and exit publication paper.
Note: SEK 300-400m effect from increased harvesting does not include the impact of a lower net growth rate on the yearly revaluation.

"External suppliers" includes import. "Locally purchased" represents purchases from private forest owners in SCA's supply region.

Increase forest holdings in the Baltics

Increase productive forest land in our natural supply area

Increased
value from
each tree

Growing
forest asset



Invest in integrated value chain:

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



Increase forest holdings:

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

Acquire
forest land
outside Sweden
~100k ha

Strategic connection

– strengthen the fiber base for future projects

1

Strengthen our integrated value chain

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

2

High growth

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

3

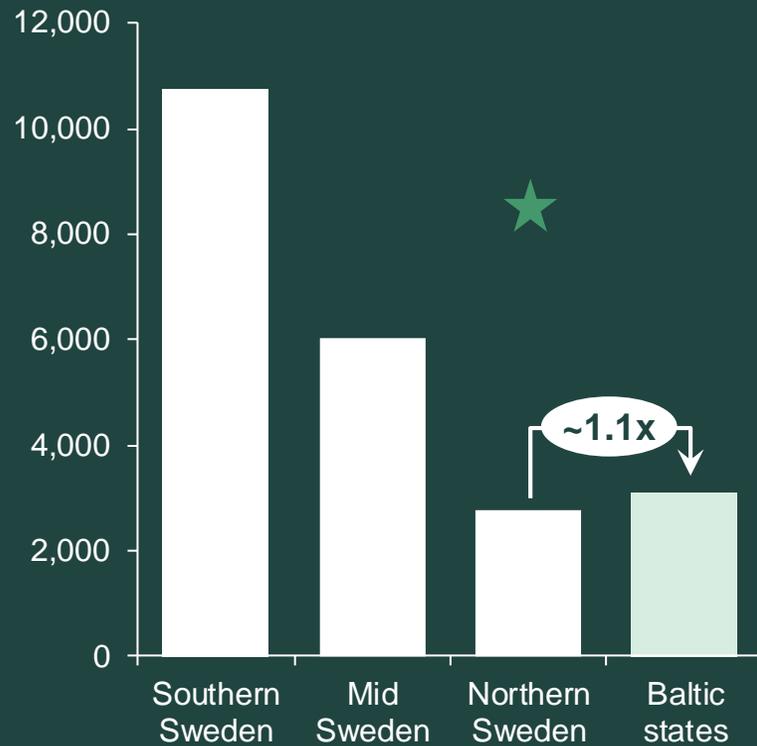
SCA's competence and resources

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

Attractive prices

Same value as northern Sweden, 2.5x higher growth

Price (EUR/ha forest land)



Growth potential (m³fo/ha/year)



Source: Norrskog.

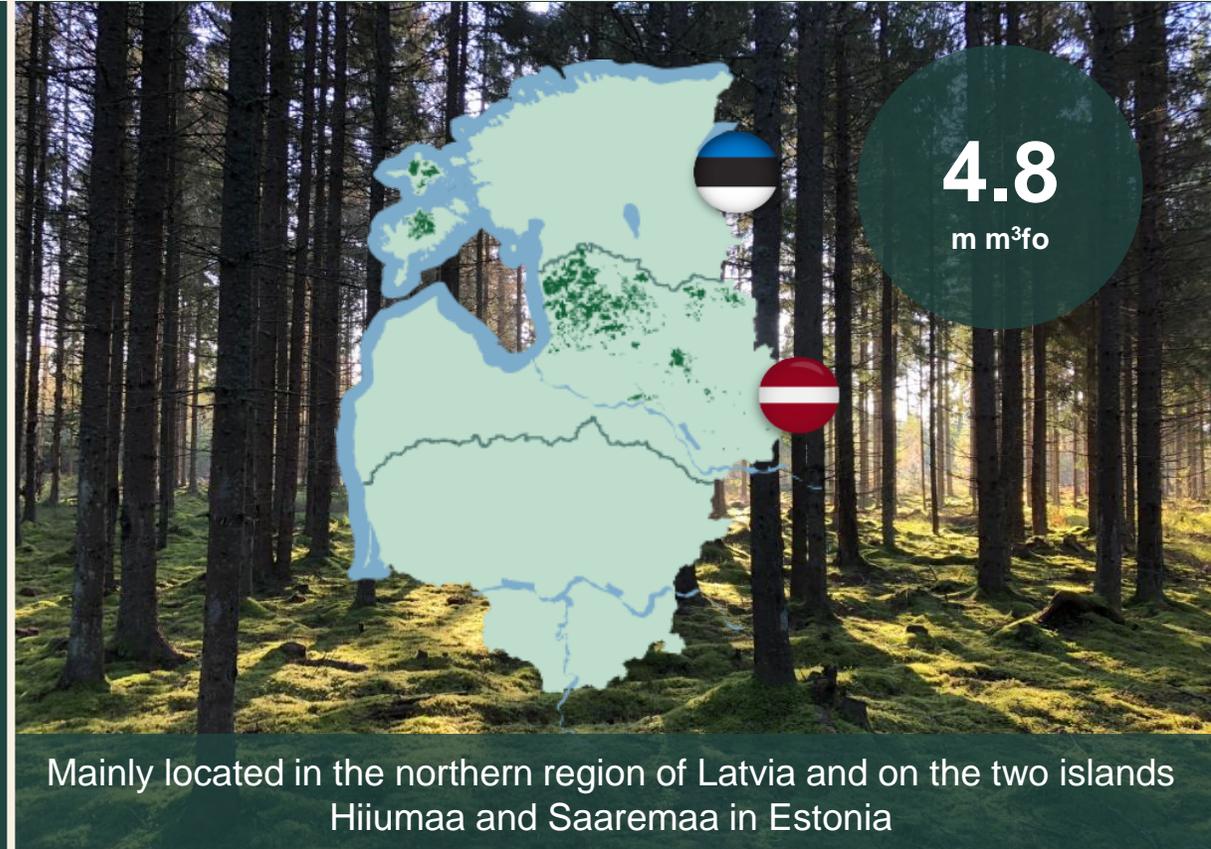
★ Aquisition in Ånge 2020, 800 hectares in company form.

SCA's forest holdings in the Baltics

SCA forest holdings in the Baltics

- ~ 50,000 hectare
- 4.8 millions m³fo forest
- Located in Estonia and Latvia

- ✓ Younger than SCA's forest holdings in Sweden
- ✓ More fertile ground and warmer climate – higher growth



Long term goals in the Baltics

Total area (k ha)

~100

Standing volume (m m³fo)

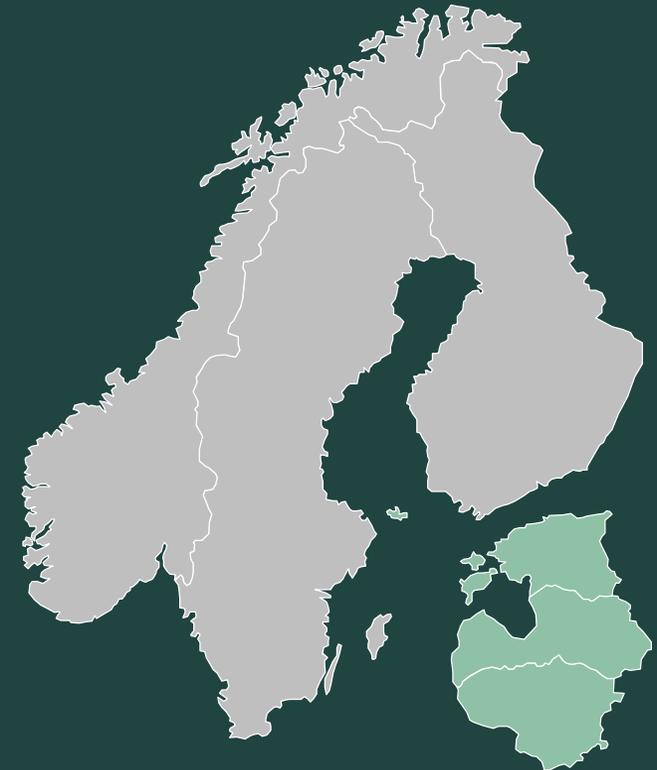
~12

Final fellings (m m³fo/year)

~0.5

Local purchases (m m³fo/year)

0.5-1.0



Wood

Jerry Larsson, President Wood

Divestment of Wood Supply UK

Divestment of SCA Wood Supply UK Ltd to BSW Timber Ltd

Financial effects on SCA, lower:

- Net Sales SEK ~1,400m
- EBITDA SEK ~25m
- Net Debt SEK ~150m

SCA retains sales organization for the sales of wood products to industrial customers in the UK

- Continued supply of sawn timber to BSW Timber



Sawlog – largest revenue from a tree

Sawlogs secure highest value for the forest owner



Pulpwood

52%
of volume

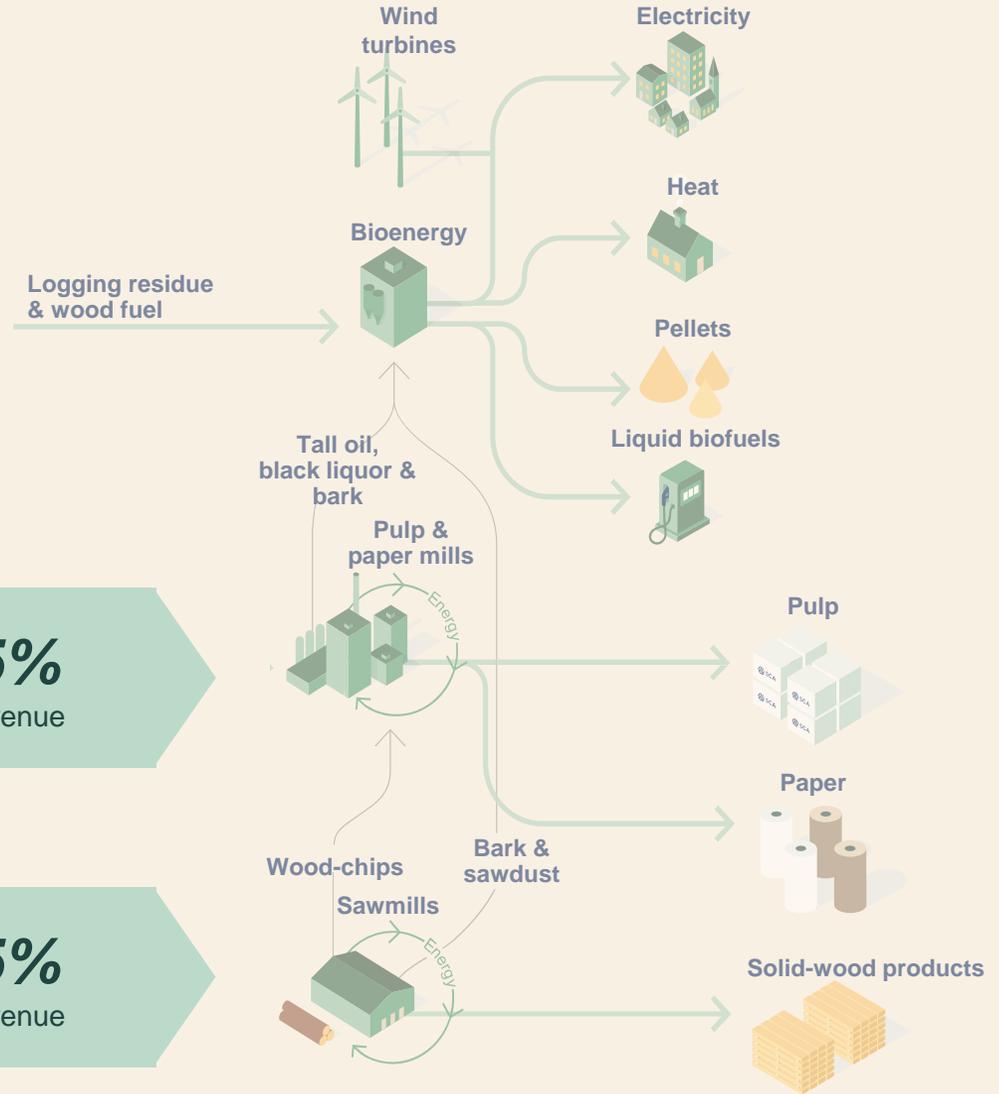
35%
of revenue



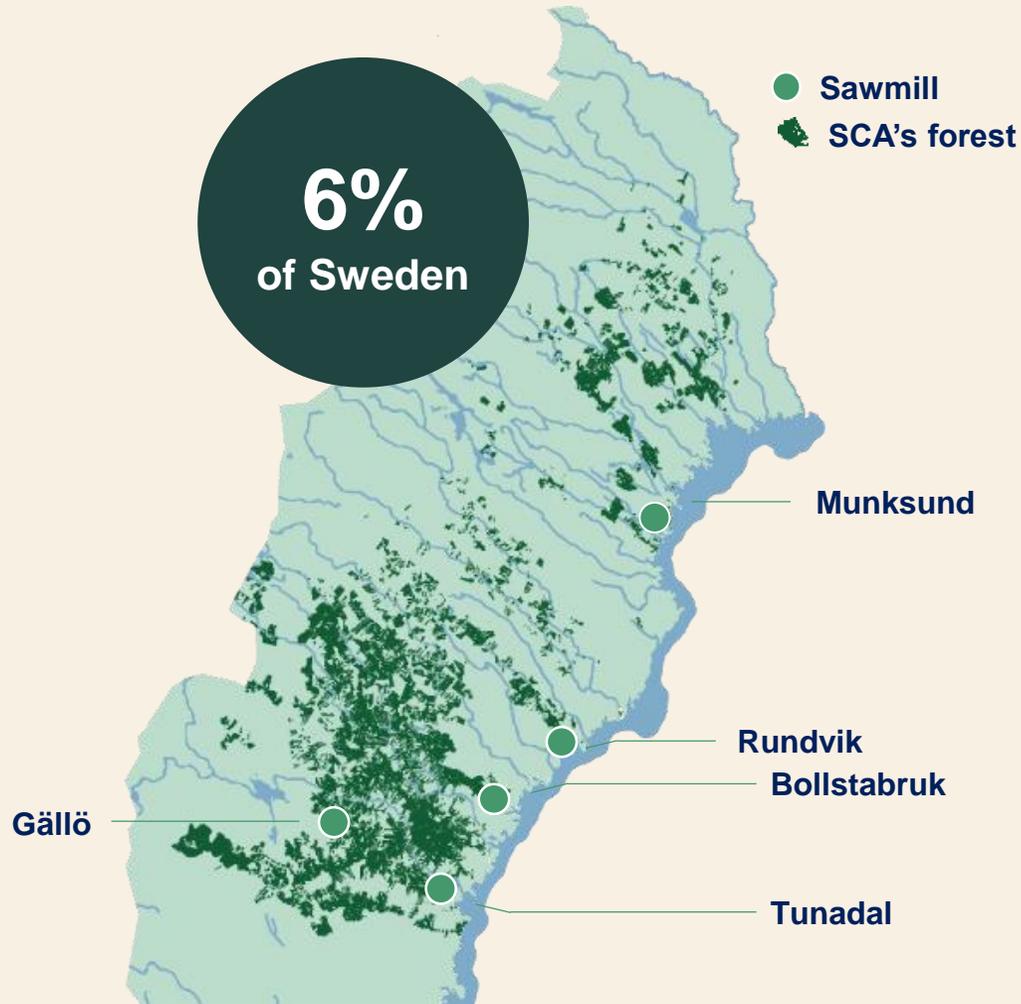
Sawlogs

48%
of volume

65%
of revenue



Europe's largest private forest owner



m m³sub

Sawlog harvest/consumption	2020	2025
SCA's own forest harvesting	2.0	2.5
External	2.3	2.2
Sawlog consumption	4.3	4.7
Share from own forests	47%	53%

Sawmill 4.0

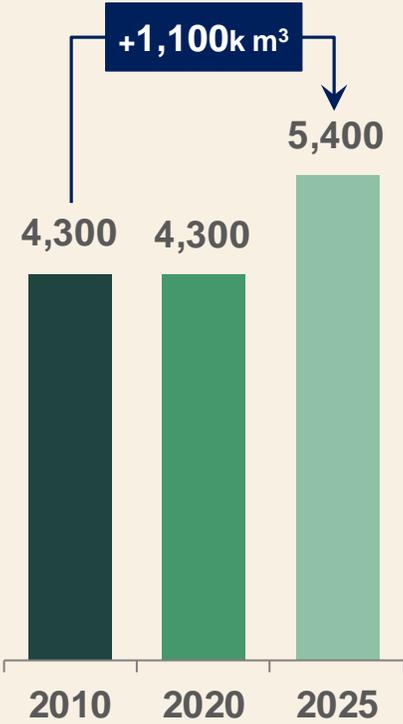
Digitalization increases the value
from each tree

SCA Wood 2025 – Maximize the value of the forest

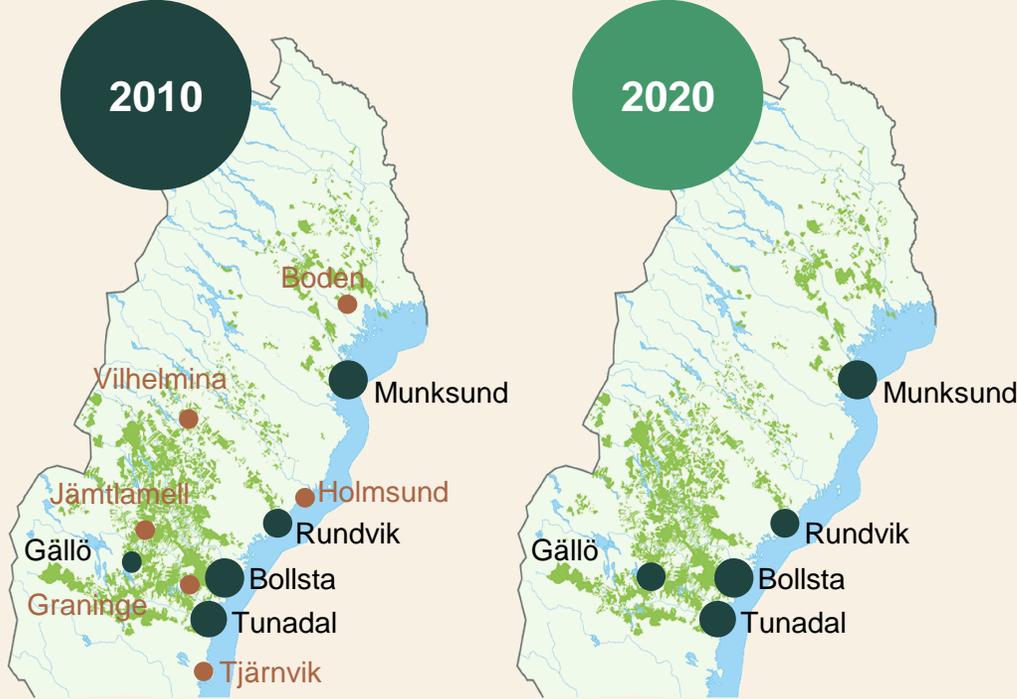
Growing forest asset

Europe's largest private forest owner

Harvesting own forest (k m³)



Structural change and increased productivity



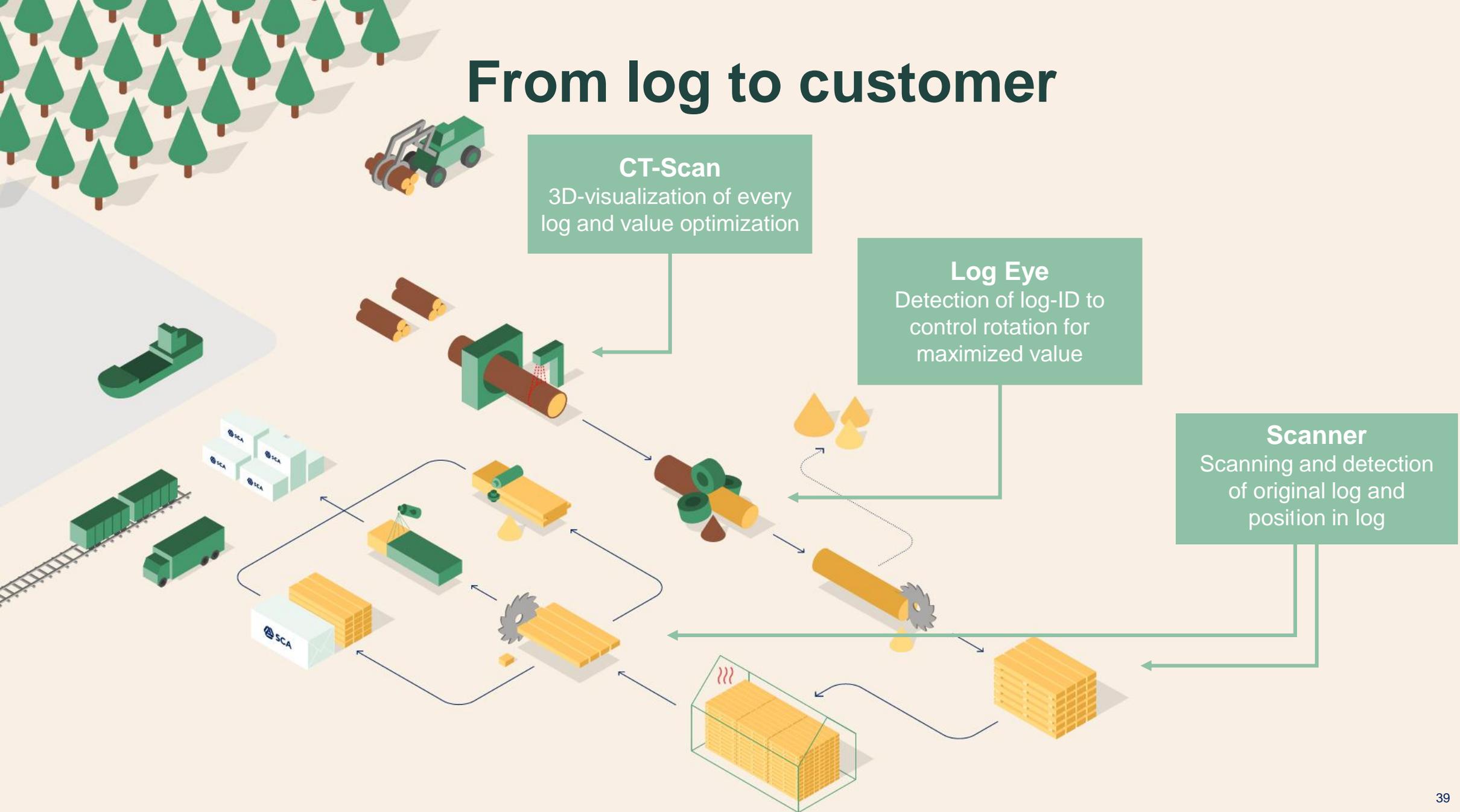
- 11 to 5 mills
- Increased productivity and cost efficiency

State of art technology

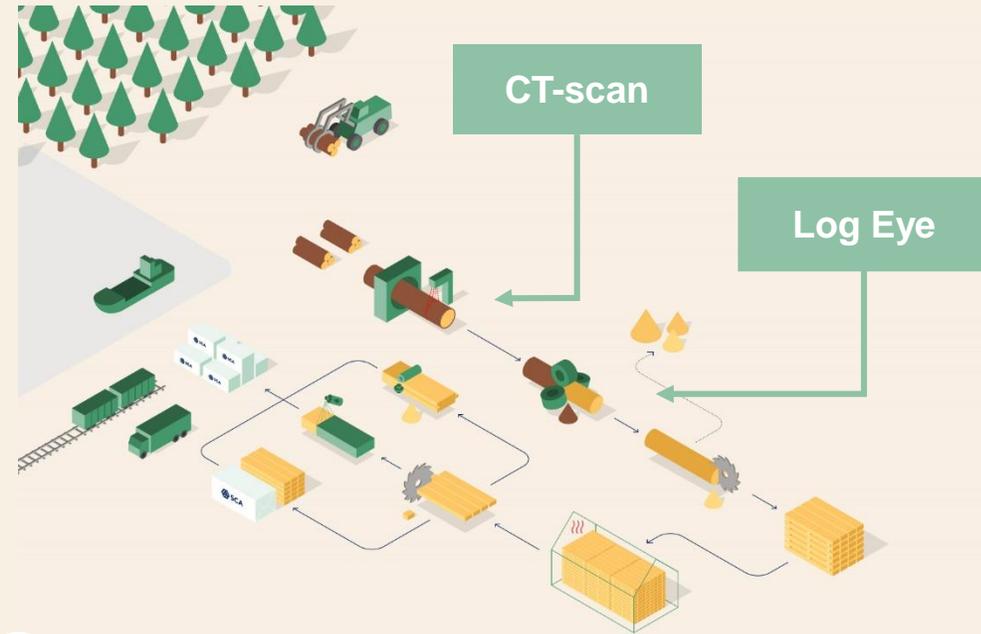
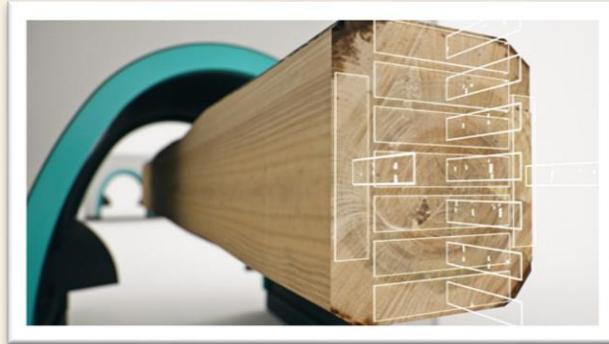


- Mega mills
- Automation and optimization
- Value creation

From log to customer

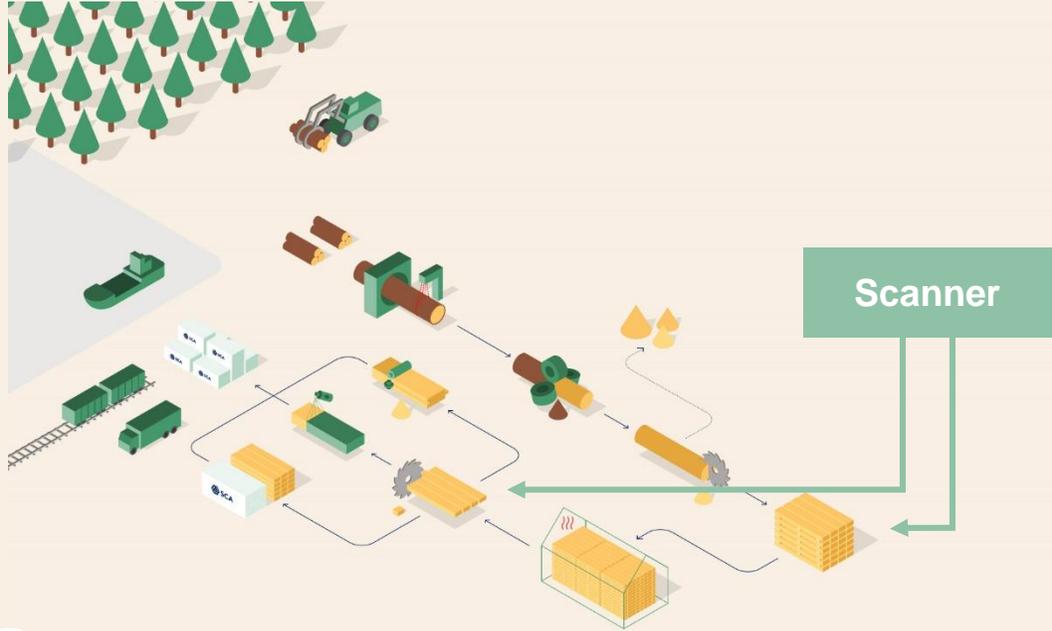
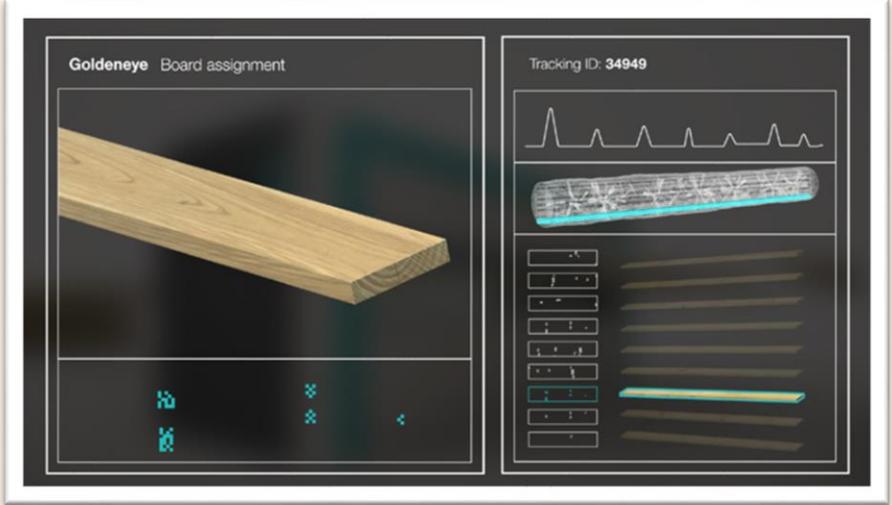


CT-scanning maximizes product value



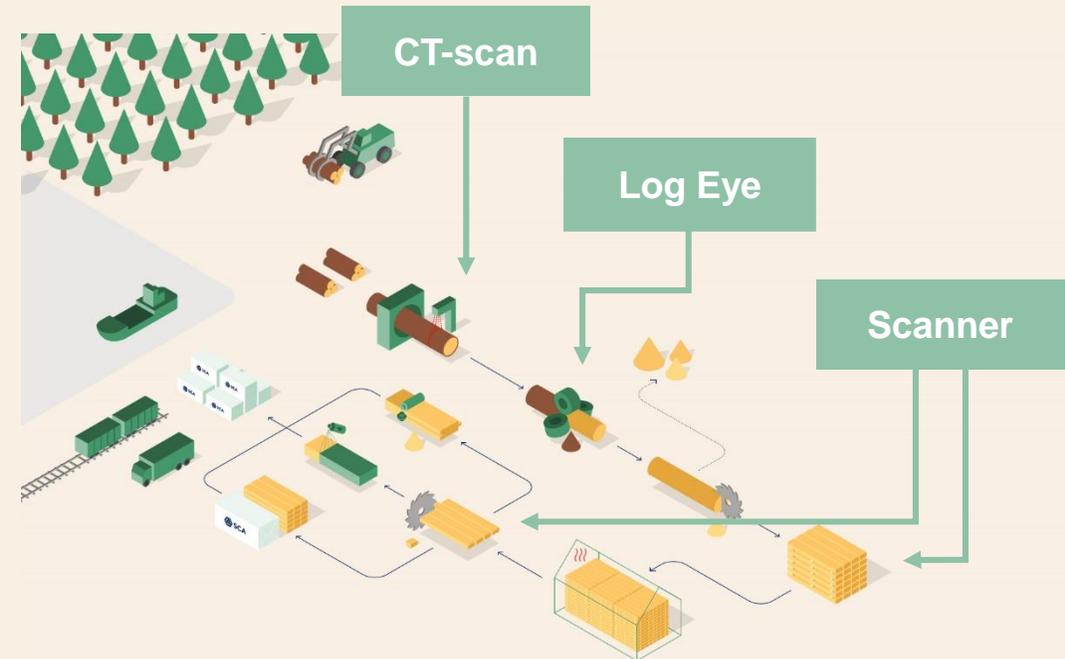
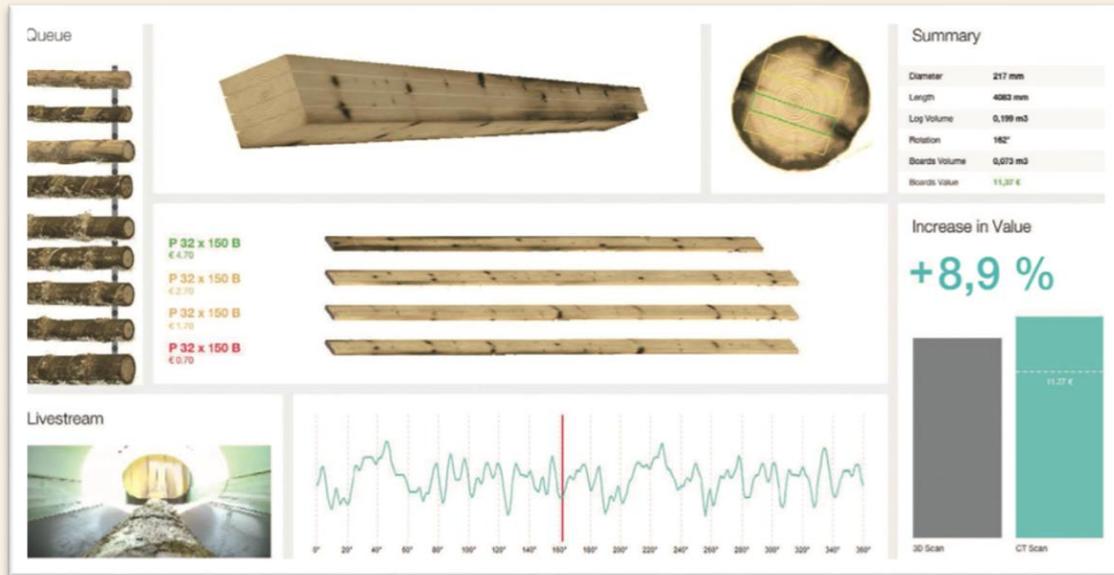
New data enables maximized value from each log

Downstream verification secures value



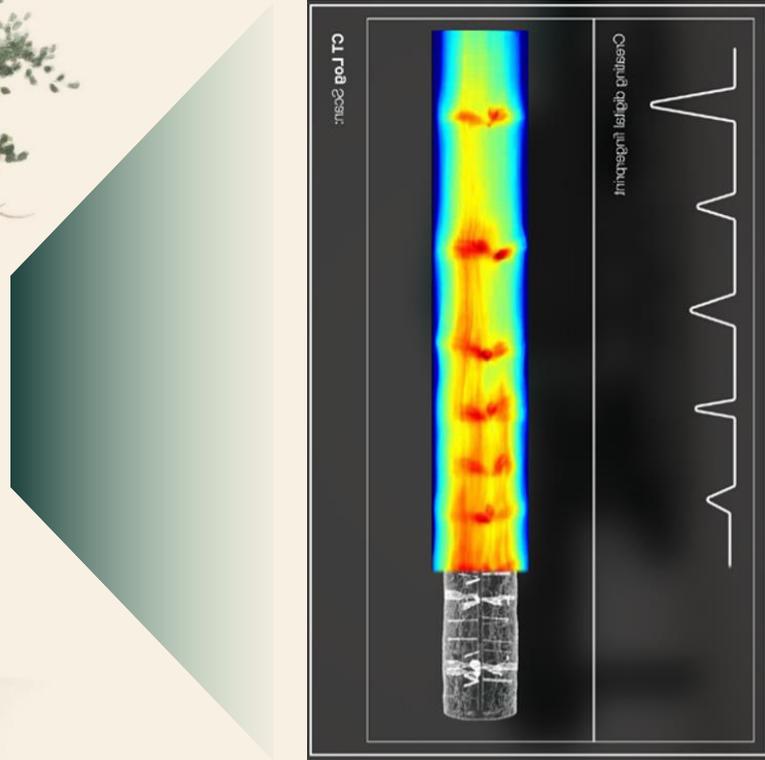
✔ Verifies the product value

"Fingerprint" connects the value chain



Business intelligence for improved knowledge and continuous improvement

Maximize the value for the forest owner



Maximize value of SCA's forest holdings

Connect log value to geography and forest type

By using AI guide and increase our strength to pay the forest owner

Sawmill 4.0 – digitalization increases the value from each tree

1

Improve efficiency

- Volume growth and production optimization

2

Increase revenue

- Secure highest value from each tree

3

Maximize value of SCA's forest holdings

- Use advanced technology to secure value to the forest owner



Q&A

Jonas Mårtensson, Jerry Larsson

An aerial photograph of a vast, dense green forest. In the distance, a small lake is visible, surrounded by rolling hills. The sky is filled with large, white, fluffy clouds. The word "Break" is overlaid in the center of the image in a large, white, sans-serif font.

Break

Paper

Mats Nordlander, President Paper

SCA Paper's strategic transformation

Profitable growth Kraftliner, Exit Publication Paper



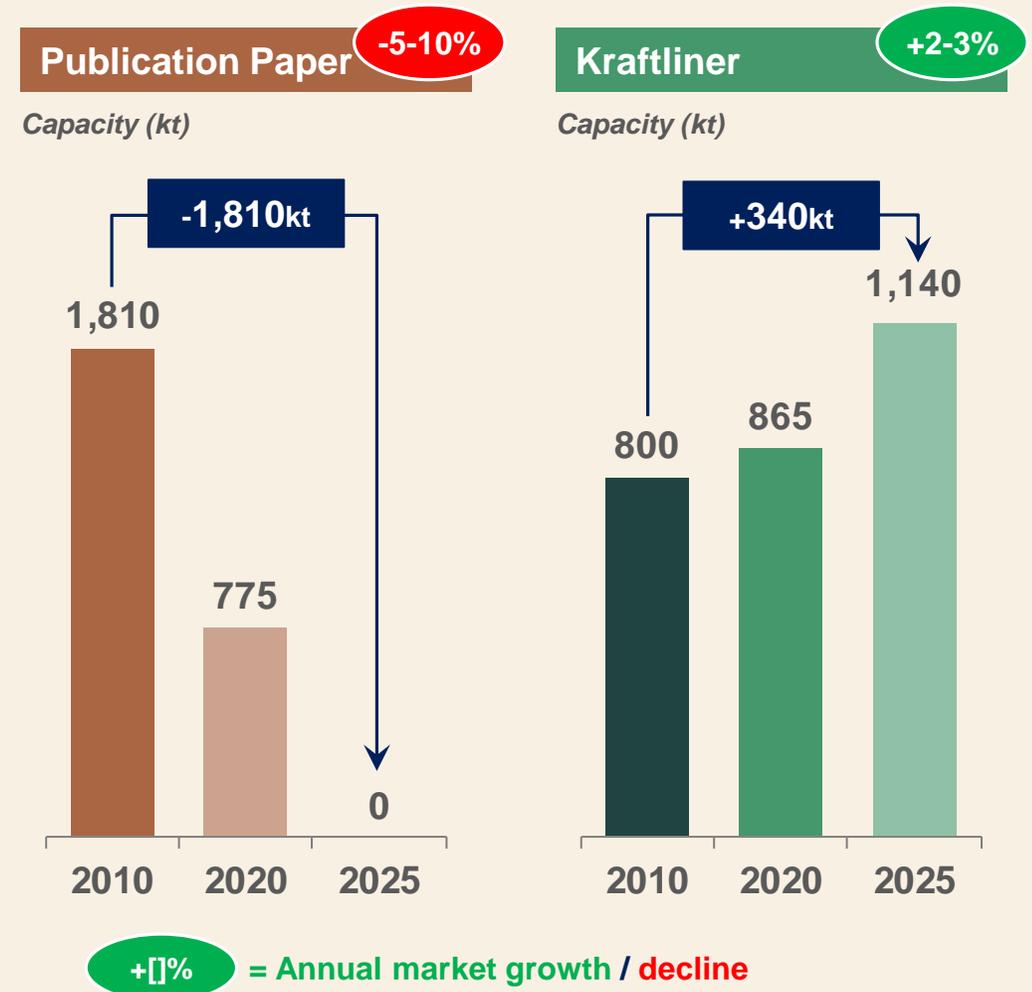
Increased share of White-top
 – *higher value add*



New 725kt paper machine Obbola
 – *increased competitiveness*



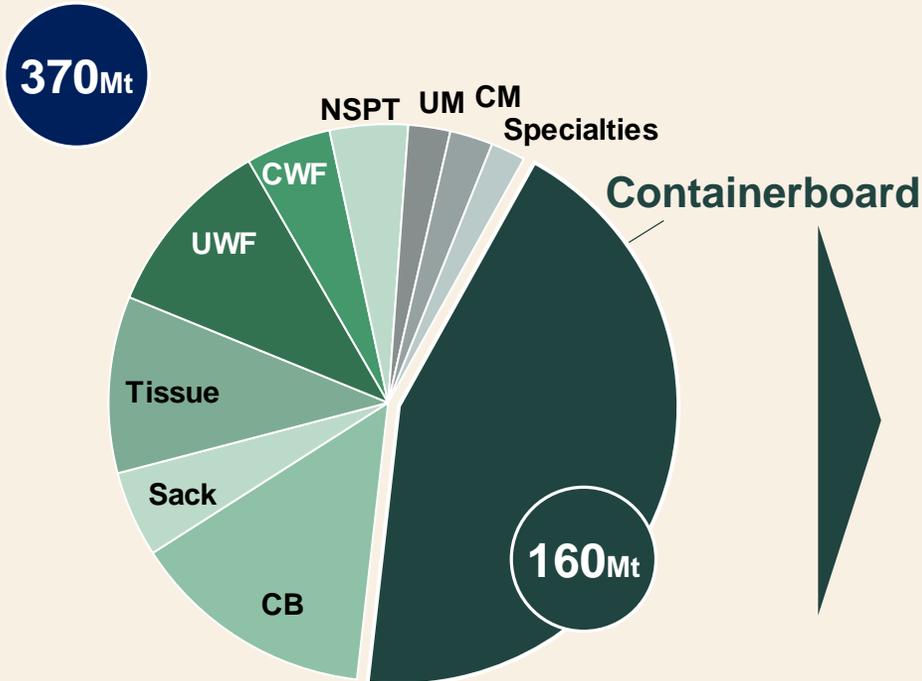
Exit Publication Paper
 – *shift to growing product areas*



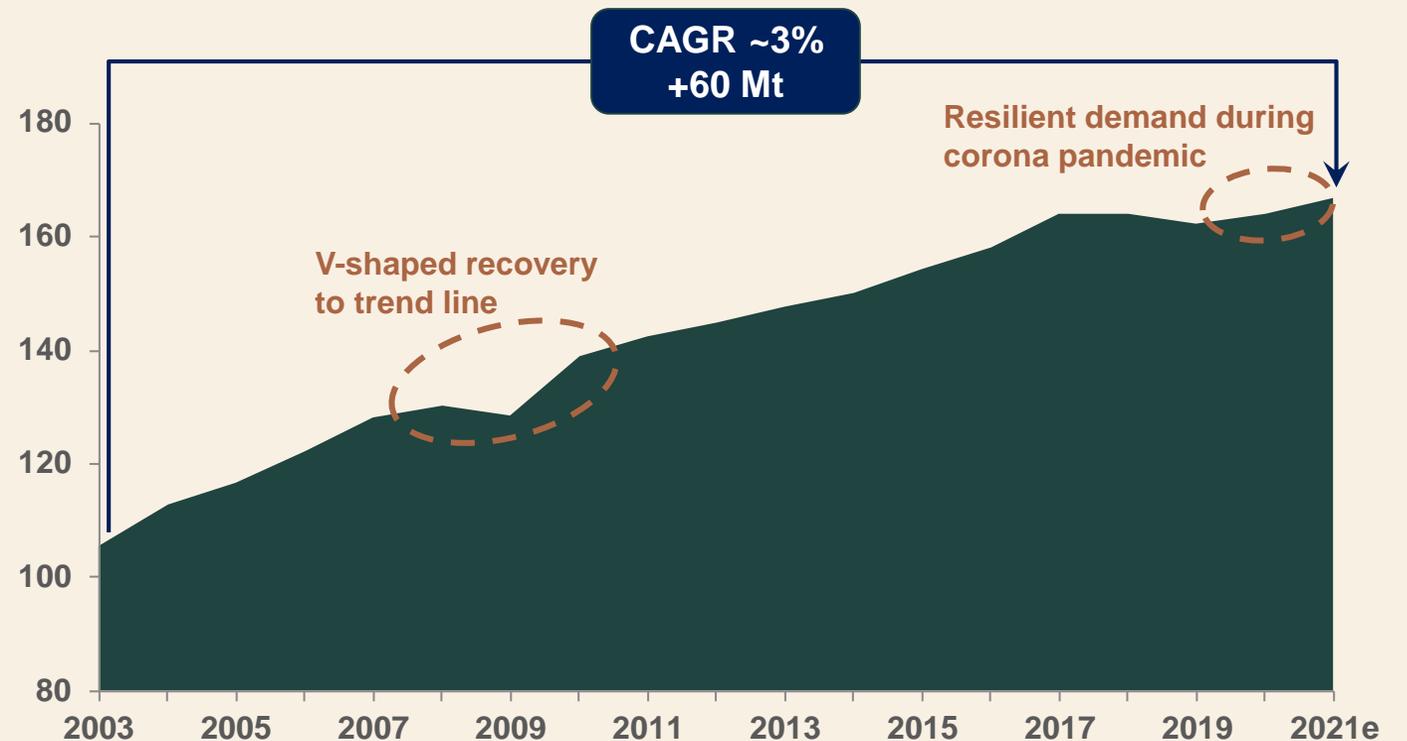
**Favorable trends drive
long-term Kraftliner growth**

Containerboard demand shows resilience during corona pandemic

Containerboard a 160 Mt global market...



...with a stable growth of ~3% per year



Long-term structural trends drive growth

Economic drivers

- 1 Industrial production
- 2 Consumer spending

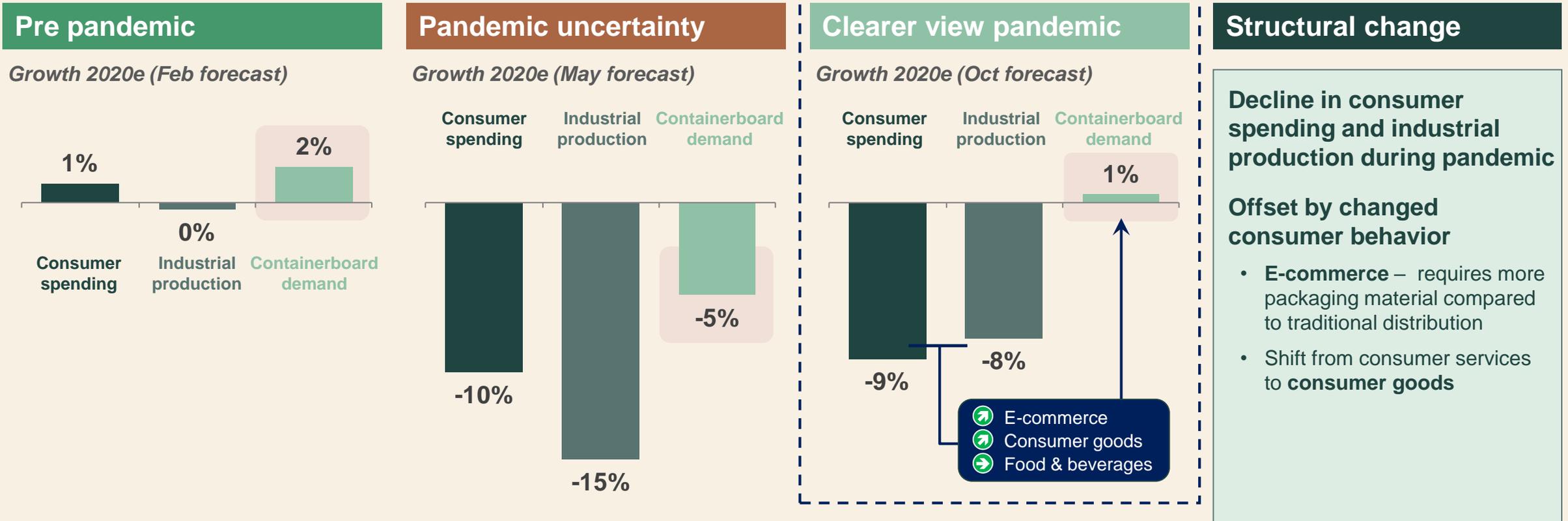
Structural growth

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

Kraftliner demand growth



Decline in economic drivers during pandemic offset by accelerated shift to e-commerce



Source: Numera.
Note: European growth.

Containerboard market development

Improved market sentiment

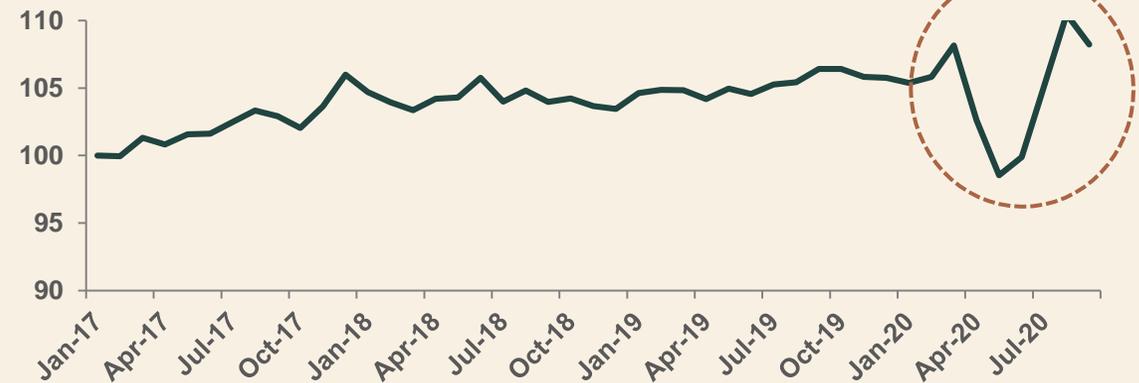
Kraftliner European deliveries (Mt)

Rolling 12 months



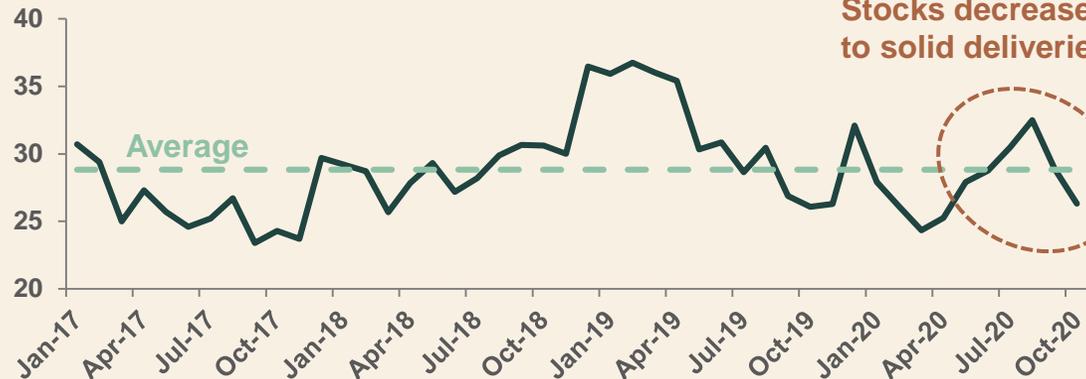
European Box demand (index)

Sharp V-curve for box deliveries.
Growth higher than trend



Kraftliner inventories (days of supply)

Stocks decrease due to solid deliveries



Invest in profitable growth

Kraftliner expansion drives profitable growth

New 725kt paper machine at Obbola

SEK 7.5bn investment

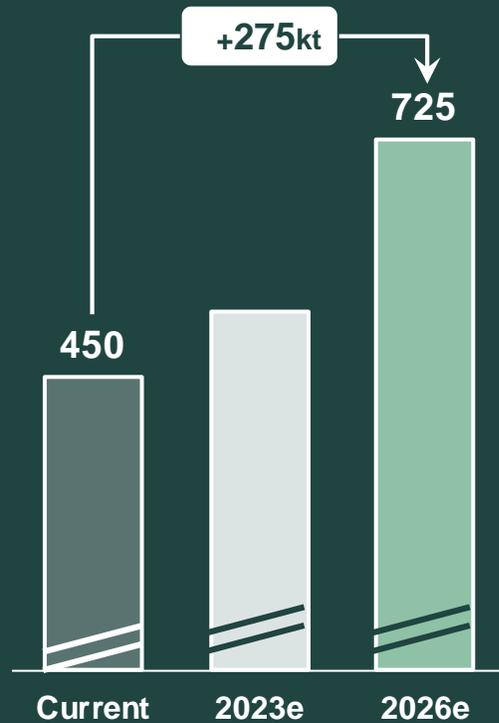
Start-up expected in Q1 2023

- Ramp-up period of ~3 years

Parallel start-up ensures EBITDA enhancement from start

Project proceeding according to plan and budget

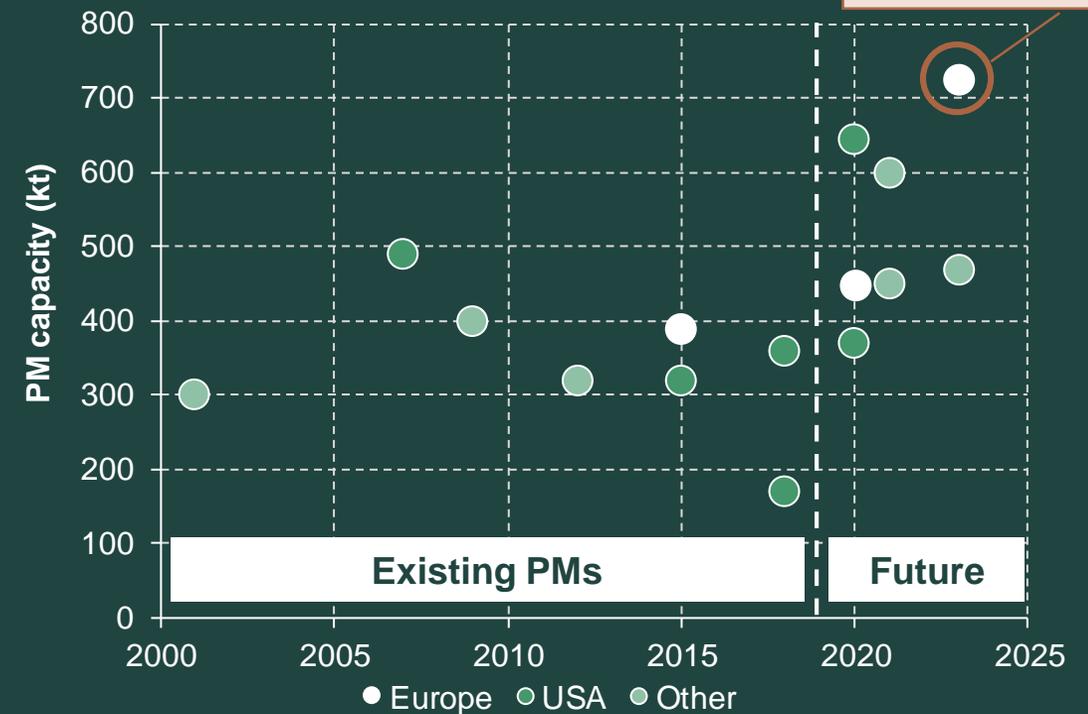
Obbola production (kt)



Asset renewal secures long-term competitiveness

- ✓ **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 + 60 years of experience**
 - World's most advanced and productive kraftliner machine
 - Improved productivity for customers
 - Best in class printing surface
 - Lowest carbon footprint – fossil-free kraftliner production

New Kraftliner PM's since 2000



Secure and improve current Kraftliner business

EBITDA expected to increase SEK 0.9bn

Segment Paper to change name to Containerboard in Q1 2021

- Publication Paper to be reported in Segment Other in 2021

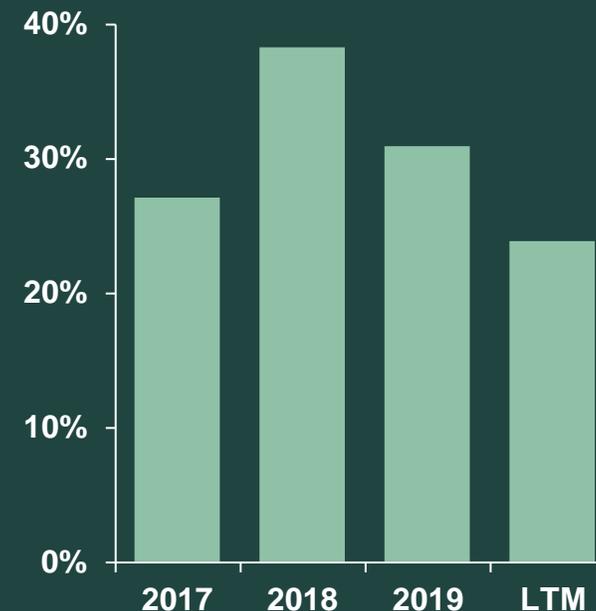
Obbola expansion drives profitable growth

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

Containerboard net sales (SEKbn)



Containerboard EBITDA margin



Paper – grow kraftliner, exit publication paper

1

Favorable trends drive long-term Kraftliner growth

- Resilient containerboard demand during the pandemic driven by accelerated shift to e-commerce

2

Invest in profitable growth

- Increased share of White-top Kraftliner
- New 725kt Kraftliner machine increases long-term competitiveness

3

Exit Publication Paper

- Structurally declining market accelerated by the corona pandemic
- Low and declining profitability



Pulp

Kristina Enander, President Pulp

SCA pulp portfolio



NBSK

Produced by cooking wood chips in white liquor
 Gives pulp with long, strong fibers
 Provides high strength and brightness
 Higher consumption of wood per tonne of pulp
 Creates an energy surplus

CTMP

Produced by grinding wood chips in a refiner
 Gives shorter, stiffer fibers that provide absorption capacity, bulk and stiffness
 Lower consumption of wood per tonne of pulp
 No energy surplus

Raw material

Pine and spruce (softwood)

Both softwood and hardwood

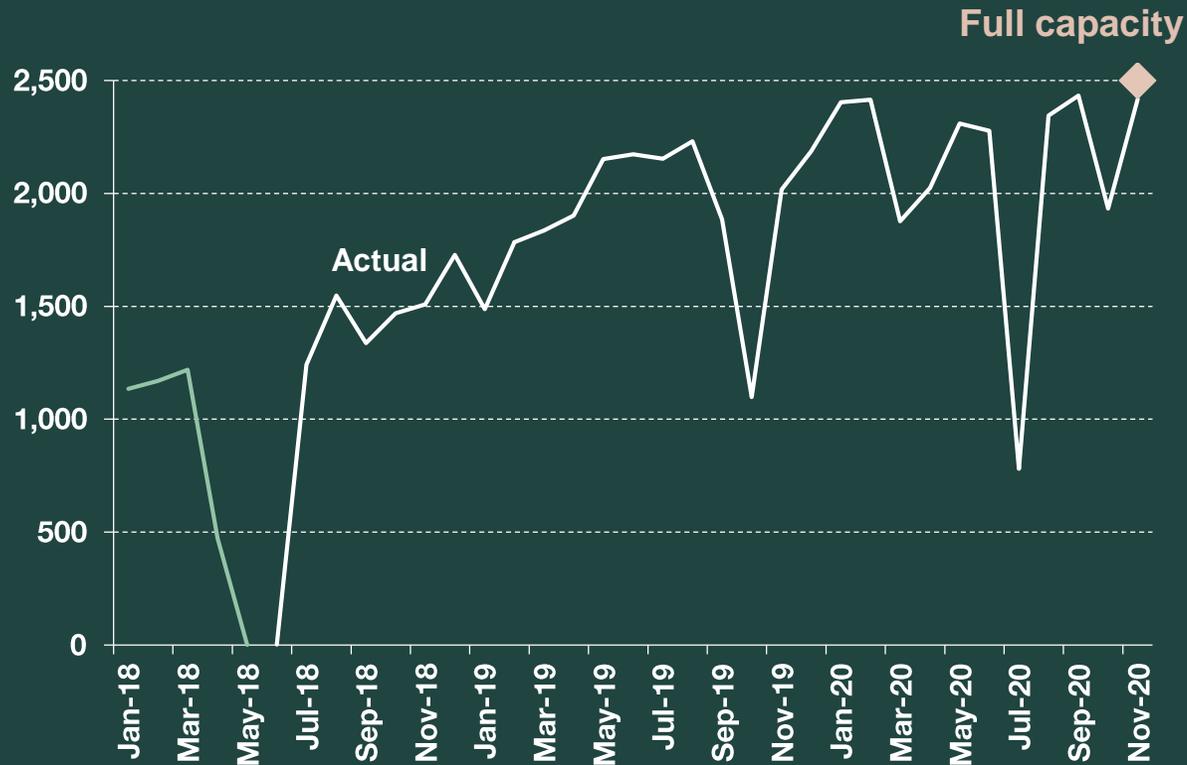
SCA capacity

900k tonnes at Östrand

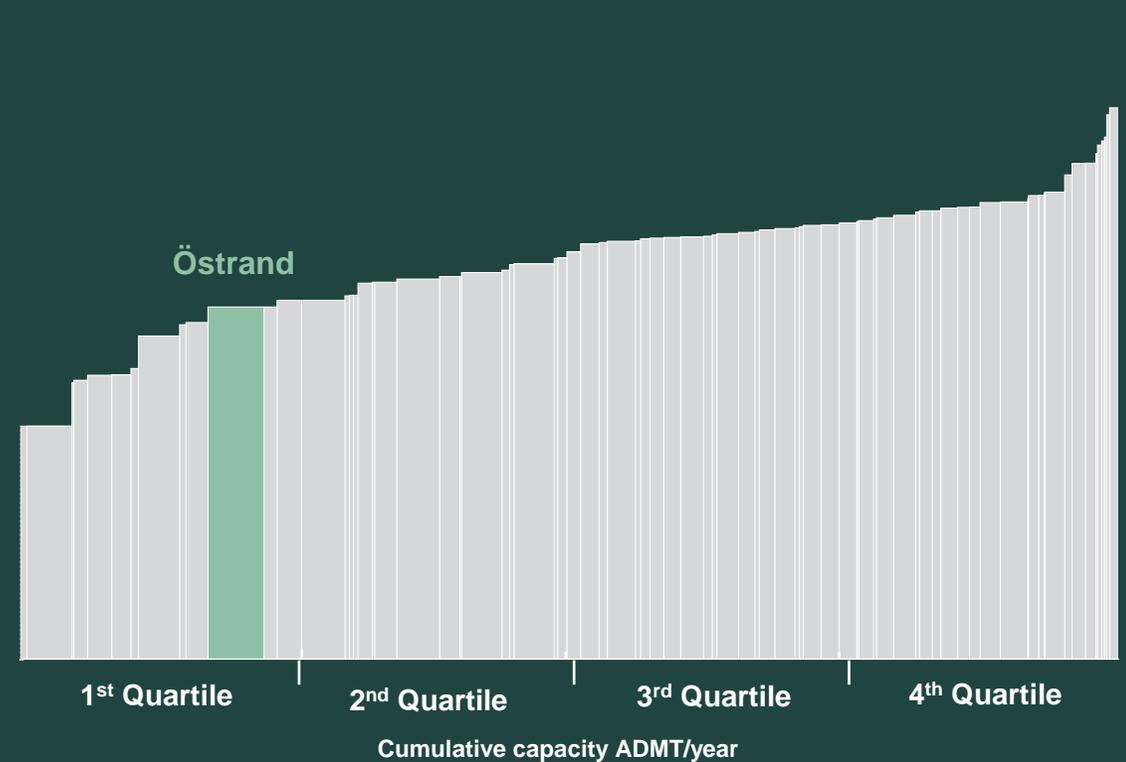
100k tonnes today at Östrand (to be closed)
 300k tonnes tomorrow at Ortviken

Östrand ramp-up on track

Average daily NBSK production (tonnes)



Cash cost global softwood producers (SEK/ADMT)

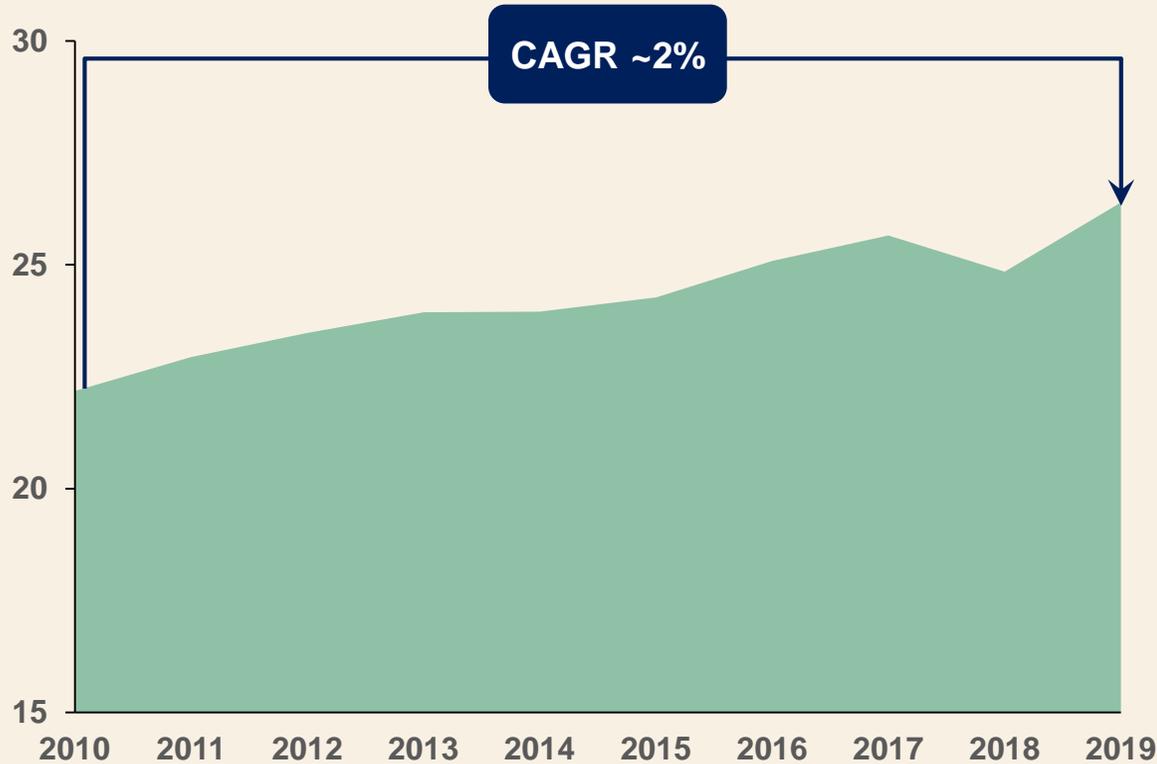


Strong position in growing market segments

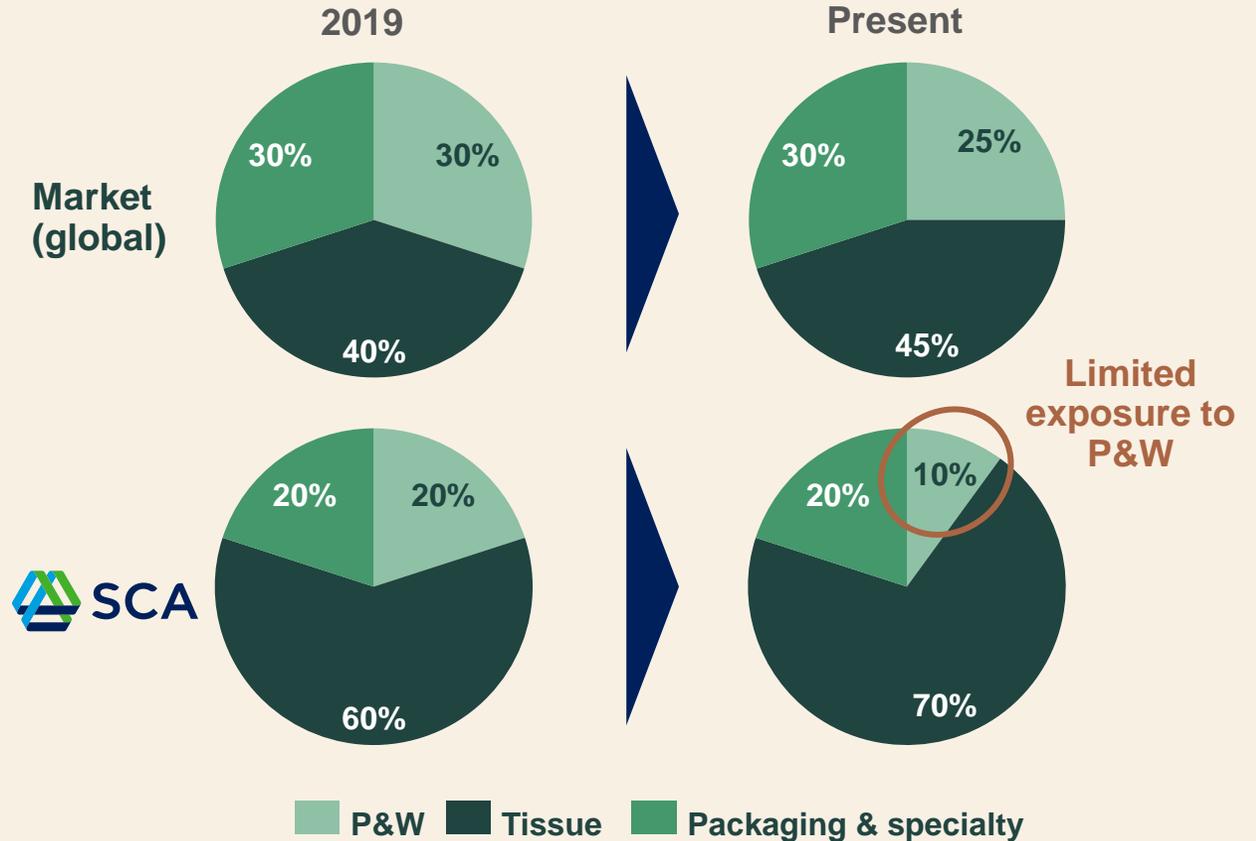
Long-term relationships, strong position in tissue segment

Demand growing ~2% per year driven by tissue

Global softwood pulp demand (m tonnes)



SCA has ~90% exposure to tissue and specialty paper



Northern Swedish fiber for premium pulp products

1

Premium strength

2

Wet strength

3

Filter application

4

Custom-made grades



Increase CTMP production

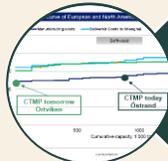
Investment in increased CTMP production



Expanding a profitable CTMP business



Low investment per tonne



CTMP plant with global competitiveness



Improves customer product properties at lower cost



High share of growth with existing customers



Expand already profitable CTMP business

Existing plant runs for cash

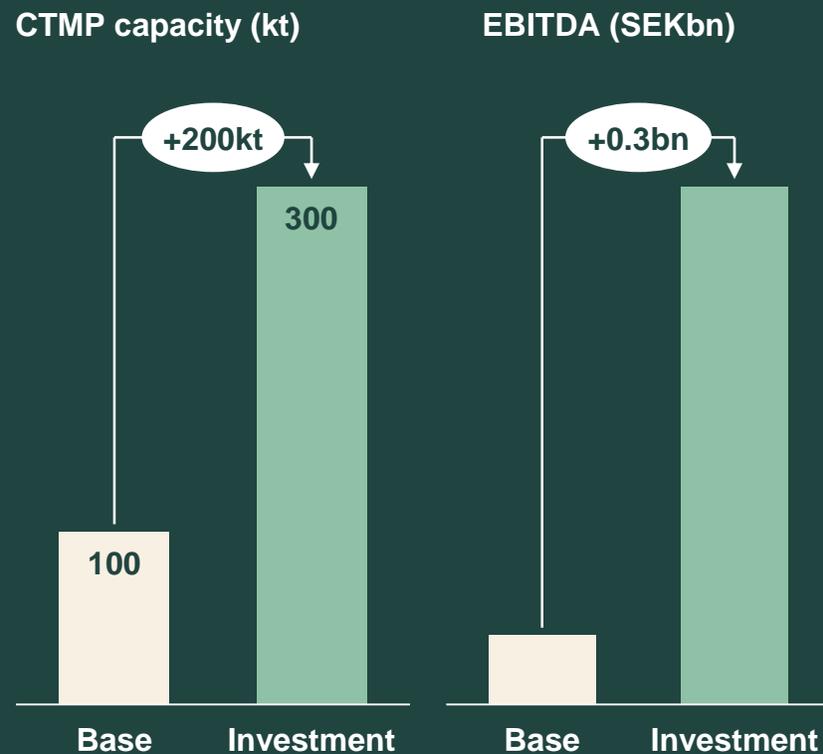
Solid customer base with a custom-made product mix

Unique competence in birch CTMP

Profitable growth

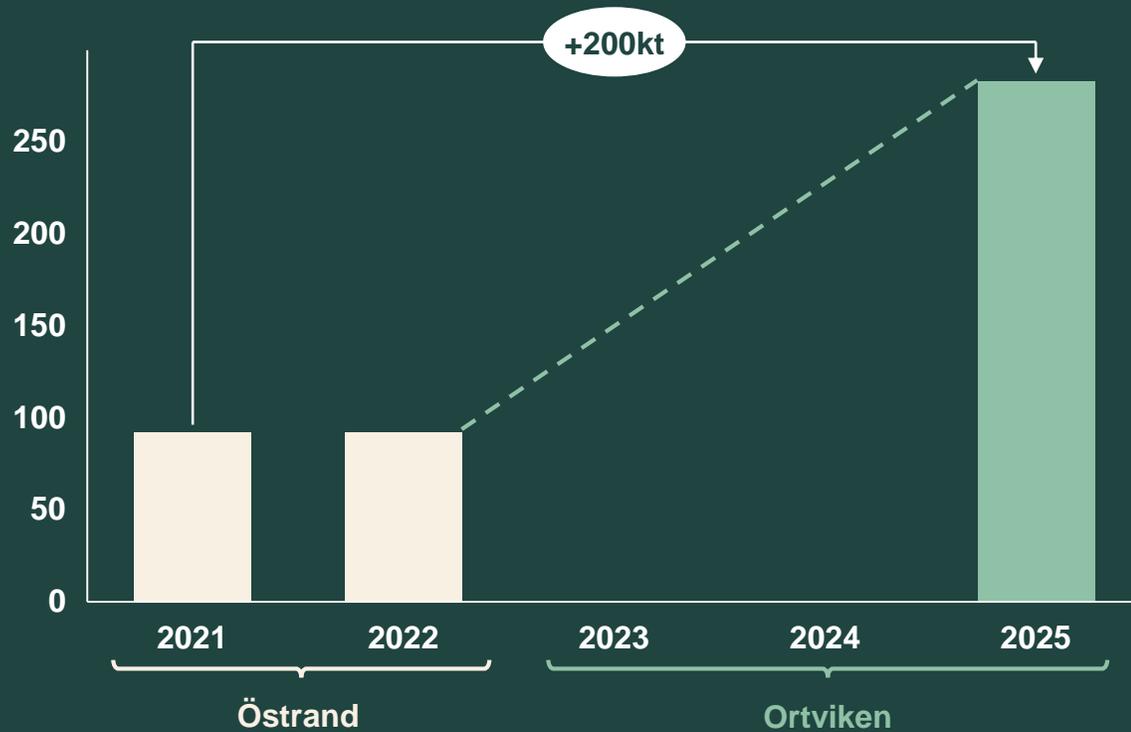
- +SEK 0.3bn EBITDA
- Secure current business

Creates opportunity for further NBSK expansion at Östrand



CTMP production at Östrand to end when new line up and running

Production CTMP (kt)



SCA invests in businesses with market leading positions

Investment rationale

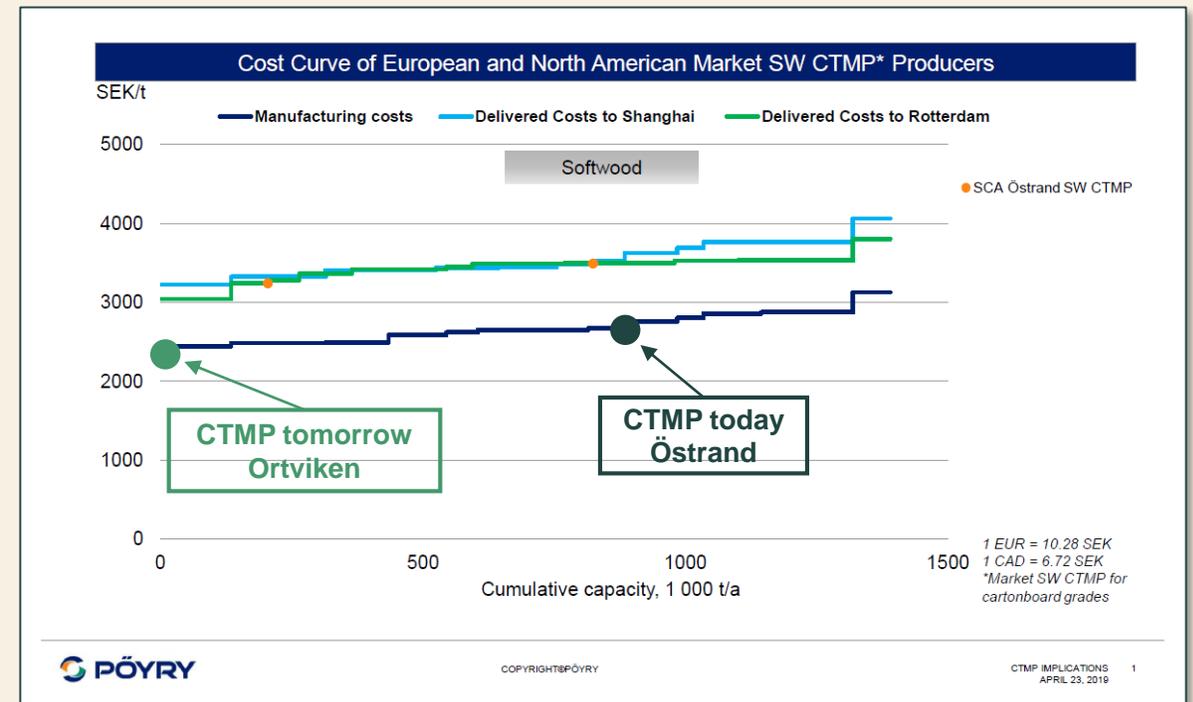
Low CAPEX per tonne

- CAPEX SEK 1.45bn
- CAPEX SEK 5k per tonne
- Utilize existing modern TMP asset

Scale up profitable business

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

Cost curve SW CTMP producers



Source: Pöyry.

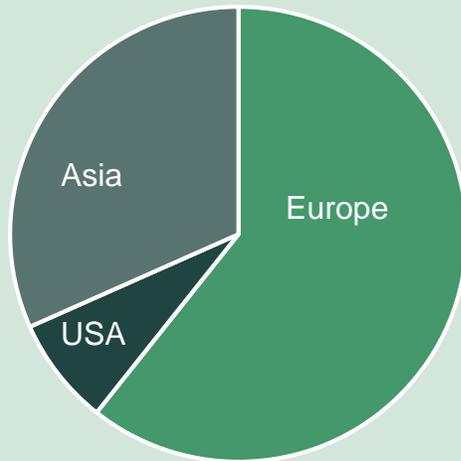
CTMP improves customer product properties at lower cost

	Product properties	Cost-cutting for customer Replaces more expensive pulp
1 Board	High bulk and bending rigidity Good smell and taste properties	Lower weight at a given strength provides a lower production cost
2 Tissue	High absorption and wet-strength	Increased absorption per kg product
3 Special products	High bulk, strength and porosity in e.g. filter products	Increased bulk. Creates strong and porous networks in the web
4 Graphic papers	High bulk and opacity	Increased paper caliper



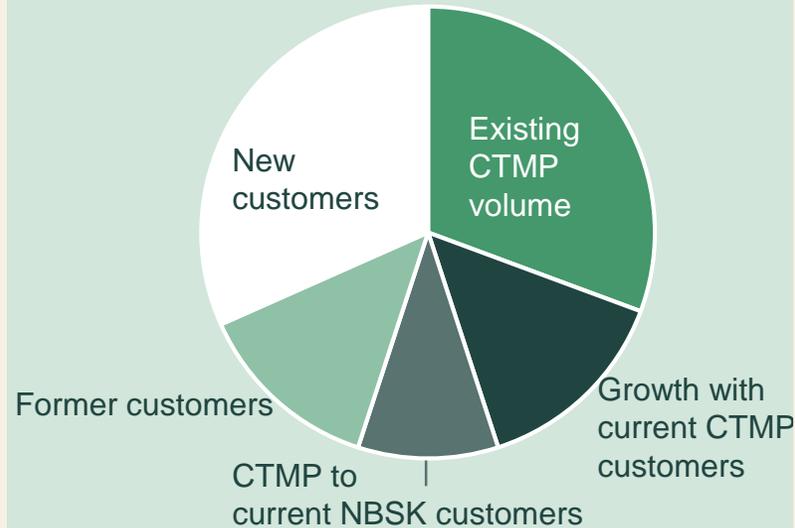
Increasing exposure to structurally growing segments

Market plan by geography



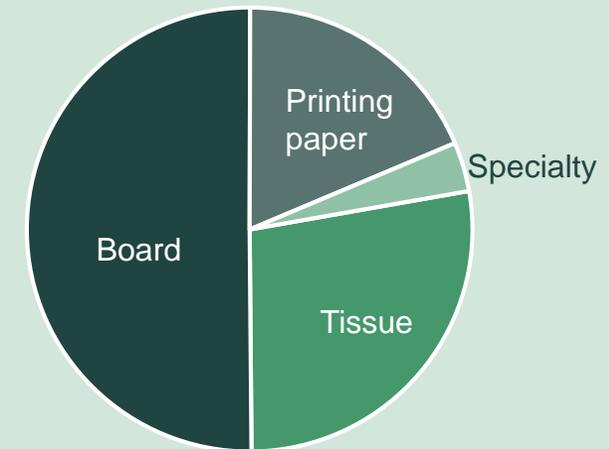
Europe market largest
 Asia focus – board segment in China
 US potential

Market plan by customer



70% of the market plan to existing customers

Market plan by product



Broad product mix
 Introduce birch CTMP to board segment in China
 Reduced share in printing paper segment

CTMP investment drives profitable growth



Strategic fit



Increased hardwood integration

Allows potential further expansion of NBSK at Östrand

Continue to develop a profitable CTMP business



Market



Board segment in Europe and Asia drives demand

SCA already established in CTMP market



Project



Capex
1.45mdr

Capex: SEK 1.45bn with start early 2021

SEK ~5k per tonne

Start up early 2023

Pulp – continued growth with leading cost position

1

Growing demand driven by tissue segment

2

Östrand ramp-up on track

3

New CTMP mill at Ortviken



Q&A

Kristina Enander, Mats Nordlander

Renewable energy

Mikael Källgren, President Renewable energy

Renewable energy – the next value creator and transformation enabler

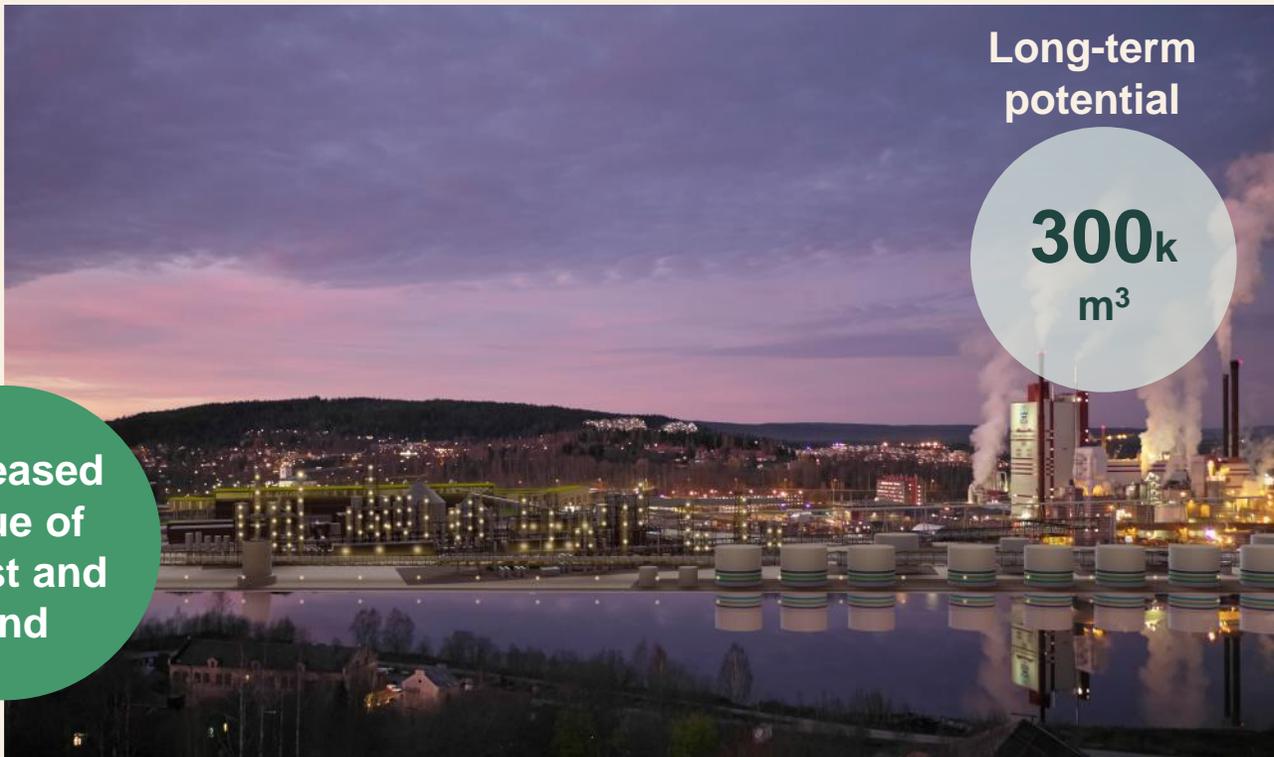


Target 2025

11
TWh

Increased
value of
forest and
land

Electrification of all cars in Sweden



Long-term
potential

300k
m³

Fossil-free domestic aviation in Sweden

**11 TWh wind power on
SCA's land 2025**

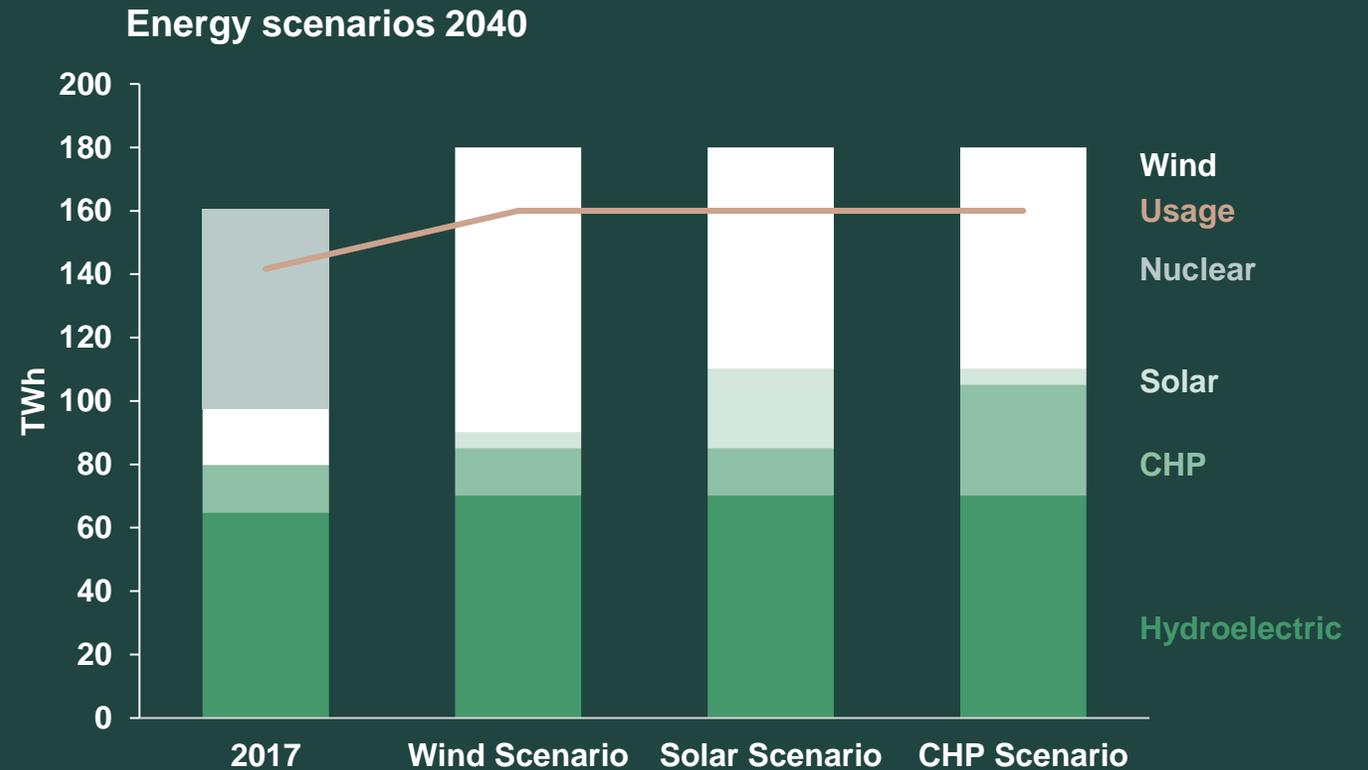
Future challenges in Swedish electricity production

Great need of new electricity production

- Reduction of nuclear power
- Increasing electricity usage

Expanded wind power capacity crucial

- ~ 60 – 100 TWh until 2040



11.0 TWh wind power on SCA land by 2025

Initiate new wind projects on SCA land and develop after market offering

Today, 538 wind turbines operate on SCA's land with an annual production capacity of 5.1 TWh

- Corresponds to 20% of Sweden's wind power production

9.0 TWh secured by 2023

- EBIT of SEK ~100m depending on electricity price

New long-term target of 11.0 TWh

Two partnership with OX2 and Eolus developing new wind projects



Biofuel – future enabler of profitable growth

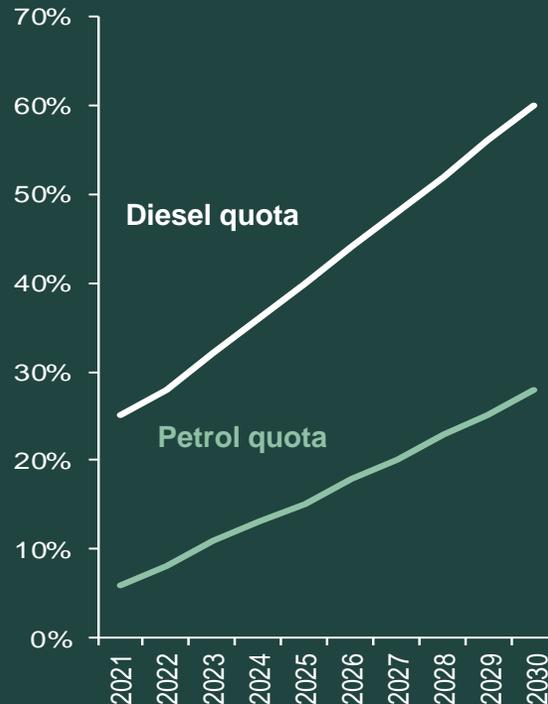
Quota obligations and penalties drive price and demand for biofuels

1 Global climate agreements
EU – Renewable energy directive

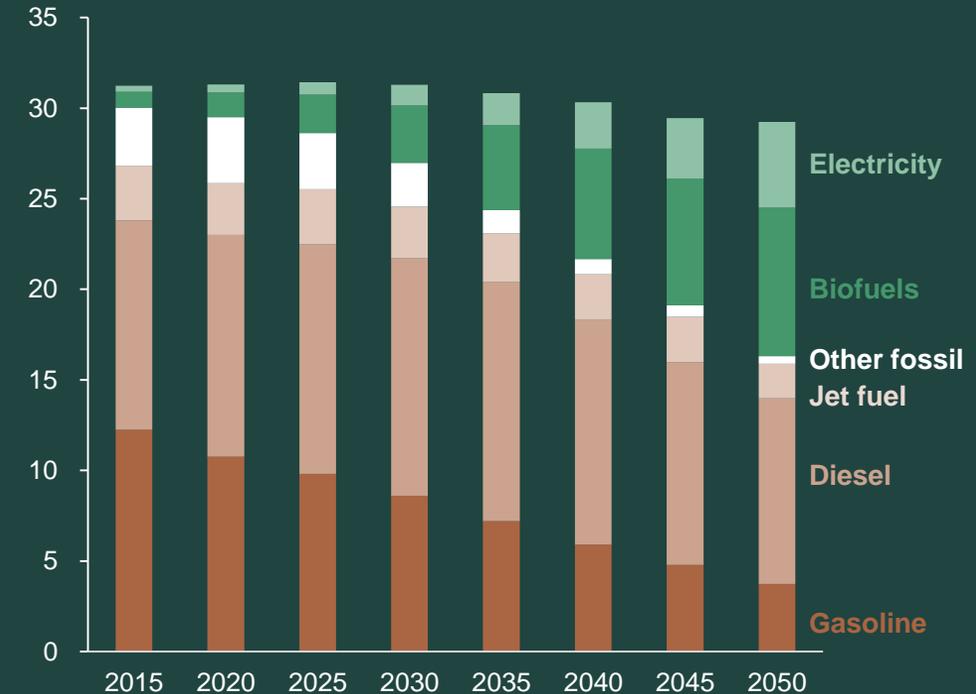
2 National legislation

3 Advanced biofuels

Diesel - quota obligation proposal (Sweden)



IEA's 2°C Scenario* (k TWh)



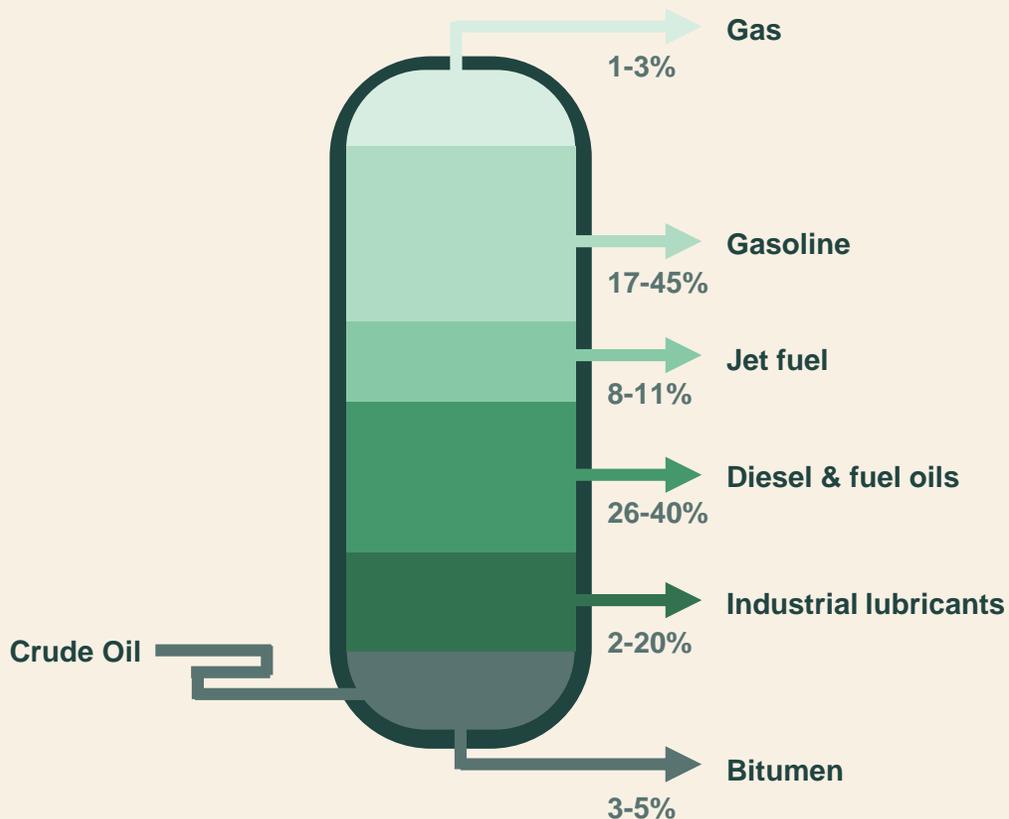
* Consistent with a 50% chance of limiting future global average temperature increases to 2°C by 2100 (IEA mid future case).

Source: Energimyndigheten; IEA (International Energy Agency).

Refining fossil oil gives multiple products

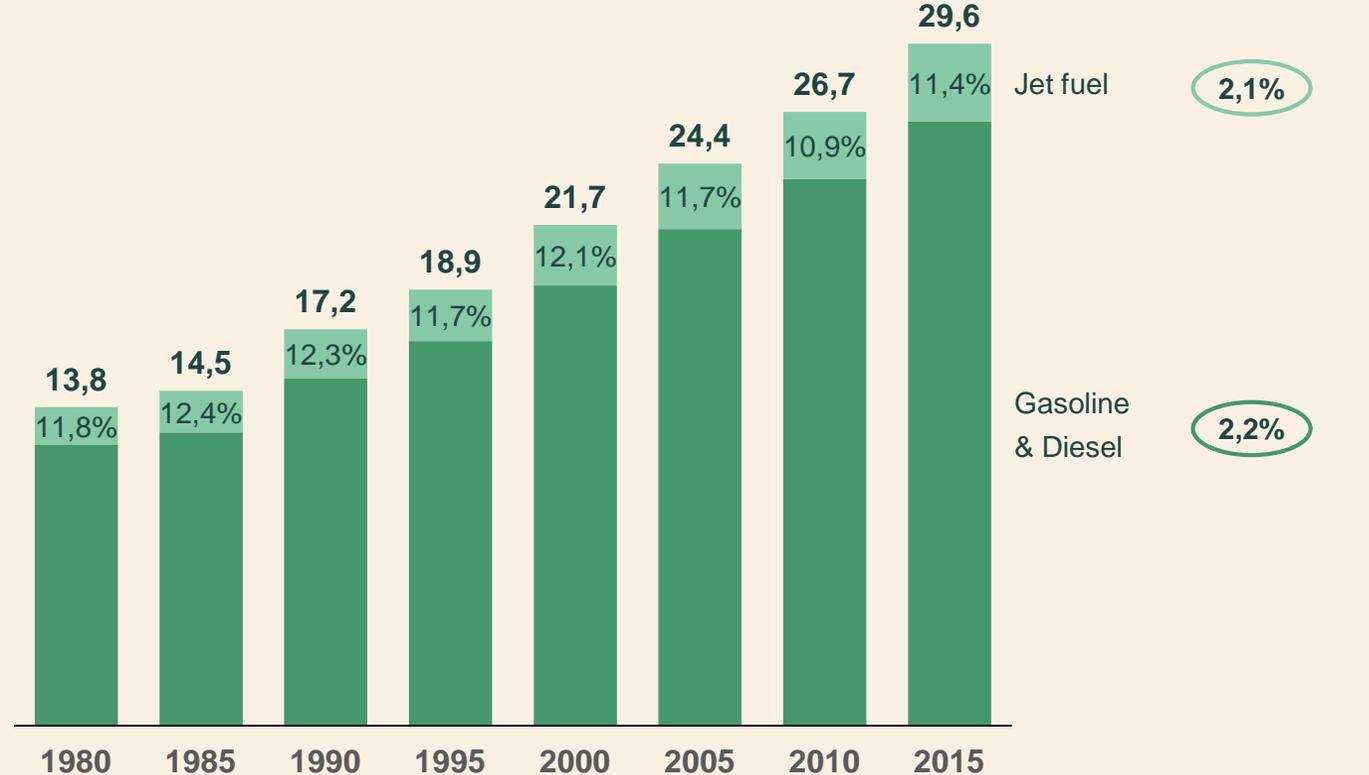
– renewable jet fuel is a solution to make green transition

When producing jet fuel, other oil products are produced...



... which limits consumption of jet fuels to ~11% of the total fuel market

Energy consumption per type of fuel, 1980-2015
'000 TWh



According to IEA, 9% of the crude oil is refined into aviation fuel, while diesel and gasoline make up 71%. This results in a total fraction of ~11% of aviation fuel.

Note: Fraction size varies depending on the type of crude oil, refinery, demand and geographical affiliation.

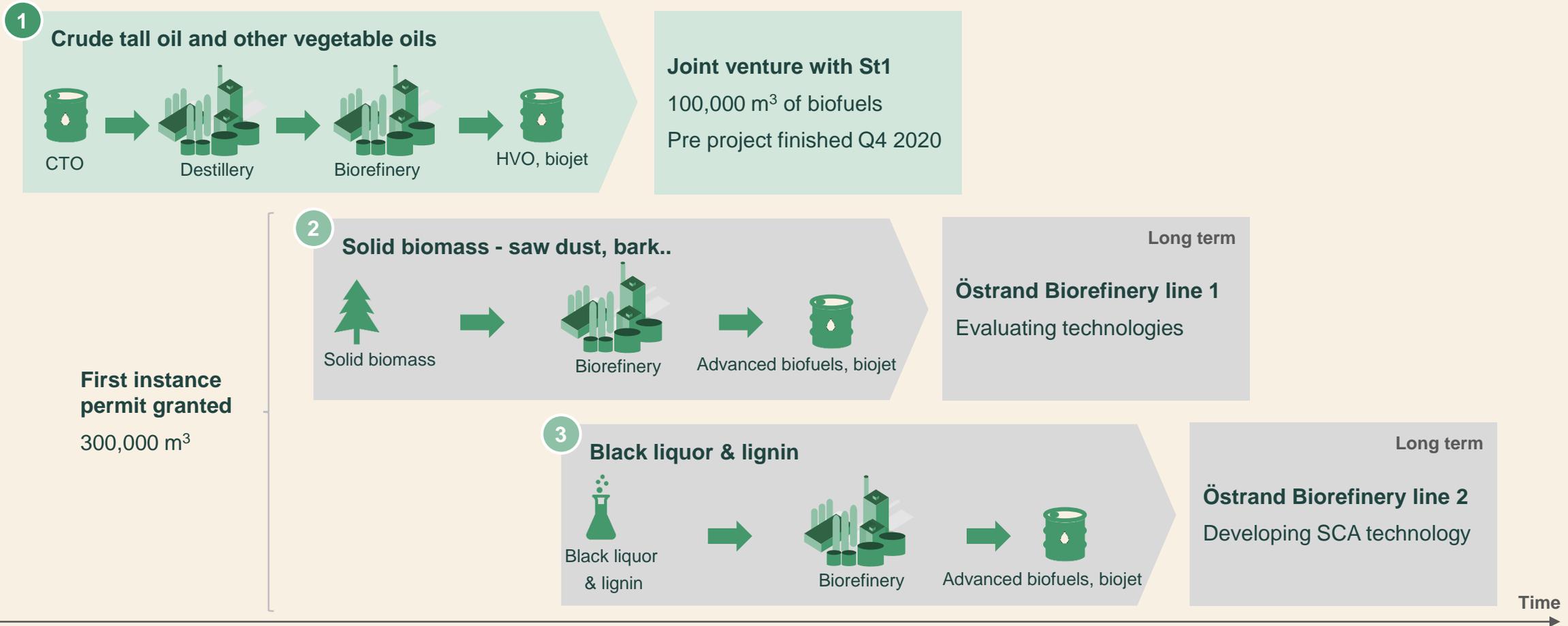
Source: IEA; FuelsEurope; Shell

SCA invests in growing markets and the integrated value chain

- 1 SCA has the feed stocks, utilities and infrastructure
- 2 Growth opportunity – market grows >10% annually
- 3 Profitable growth strategy – increased value of each tree
- 4 Contributing to a fossil-free world and increased climate benefit



Three potential feed stocks with different technology maturity



Group sustainability targets

Katarina Kolar, Hans Djurberg

SCA's sustainability platform

Formulated 2017 and launched 2019

Part of the business model

Social, environmental and economic

UN goals for sustainable development



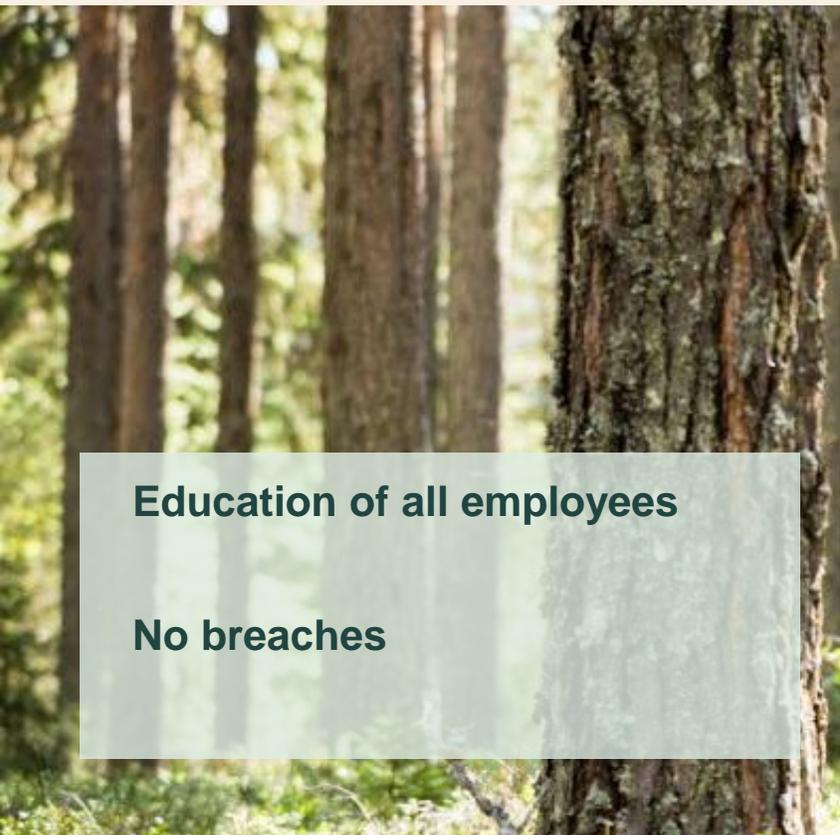
Group targets 2030 based on materiality

Clear direction and long-term perspective

	Fossil-free world	Increase SCA's climate benefit from 10 to 15 million tonnes
	Valuable forests	100% wood raw material from responsible managed forests
	Efficient use of resources	Zero waste
	Responsibility for people and the community	Accident-free and healthy SCA
	Profitable growth	Leading total shareholder return
	Values	All employees to follow SCA's code of conduct

Values

All employees to follow SCA's code of conduct



Education of all employees

No breaches

A living code



Suppliers sharing SCA's values

>98 % approved SCA's supplier standard

Sustainable supply chain



Risk based audits on-site

Follow-up

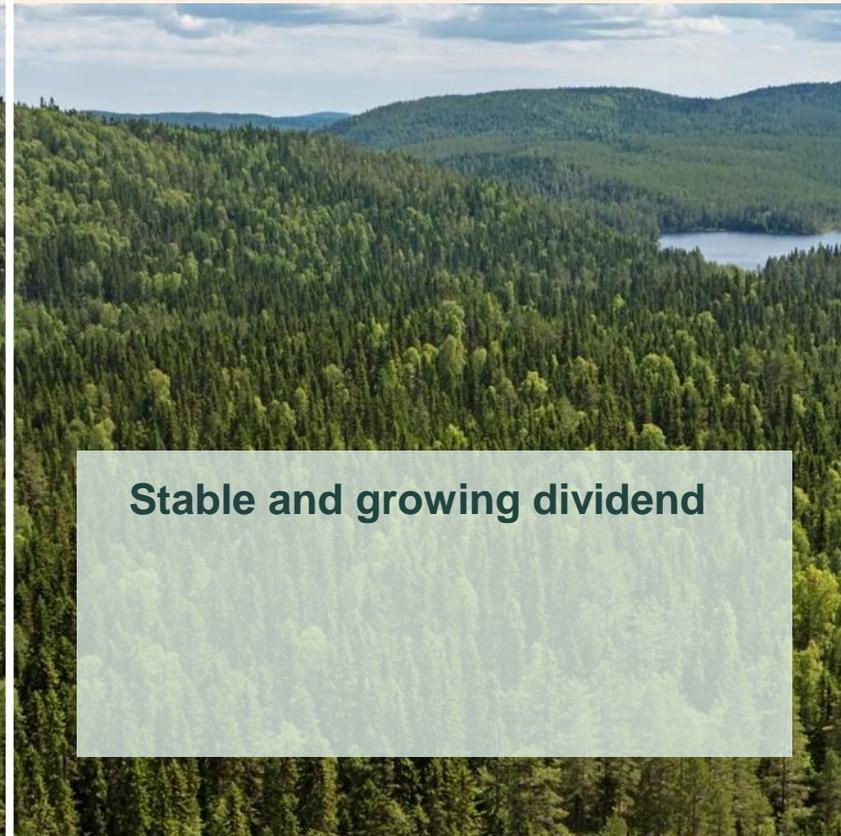
Profitable growth

Leading total shareholder return



Strategy for profitable growth
Portfolio of initiatives

Deliver on strategy



Stable and growing dividend

Value creation



Investment Grade credit rating

Financial stability

Fossil-free world

Increase SCA's climate benefit from 10 to 15 million tonnes CO₂ per year



Increased growth

Increase forest holdings in the Baltic states to 100,000 ha

Capture by the forest



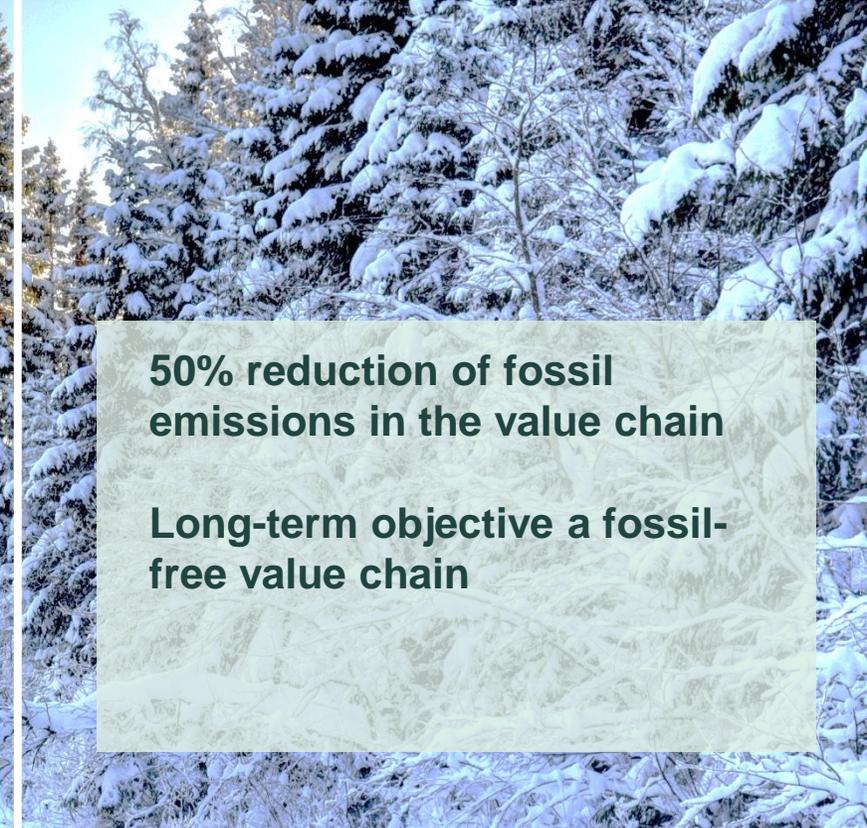
Increase volumes

New applications and innovations

11 TWh wind power capacity

New value streams

Renewable products



50% reduction of fossil emissions in the value chain

Long-term objective a fossil-free value chain

Fossil emissions

Valuable forests

100% wood raw material from responsibly managed forests



100% chain of custody certified
75% FSC or PEFC certified or
harvested with SCA retention
level

Responsible fiber sourcing



SCA's forest management
certified according to FSC and
PEFC

SCA's forests



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

Preserving biodiversity

Note: 100% chain of custody certified = Minimum requirement FSC's standard for controlled wood.
SCA retention level = Harvesting where the retention level is equal to the requirements of
FSC certified forest management.
Responsibly managed forests according to FSC™ (FSC™ C004466) and PEFC™.

Efficient use of resources

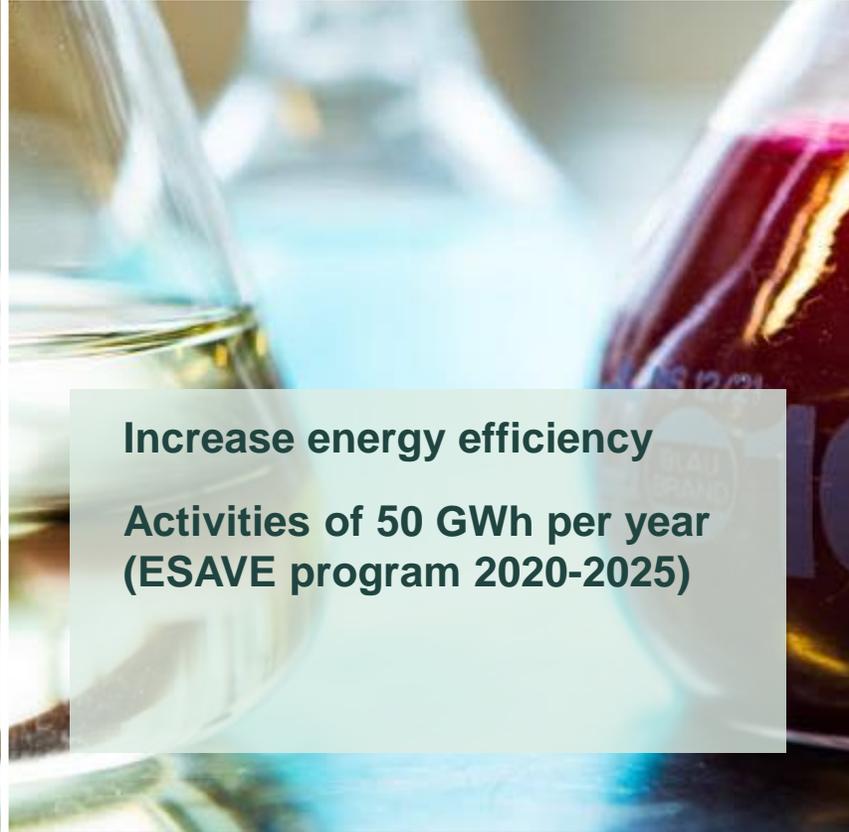
Zero waste



High yield in every process

Efficient use of residual streams

Raw material yield



Increase energy efficiency

Activities of 50 GWh per year
(ESAVE program 2020-2025)

Energy efficiency



Minimize emissions and effluent to air and water

Minimize landfill and hazardous waste

Emissions and waste

Responsibility for people and the community

Accident-free and healthy SCA



Zero accidents

Mature health and safety culture (interdependent)

Zero vision



Developing leaders for the future

Employees that flourish and succeed

People create success



Contribute to local communities

Vibrant local communities

Group sustainability targets 2030



Fossil-free world

Group target 2030

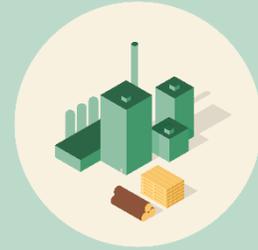
Increase SCA's climate benefit from 10 to 15 million tonnes CO₂ per year



Valuable forests

Group target 2030

100% wood raw material from responsibly managed forests



Efficient use of resources

Group target 2030

Zero waste



Responsibility for people and the community

Group target 2030

Accident-free and healthy SCA



Profitable Growth

Group target 2030

Leading total shareholder return



Values

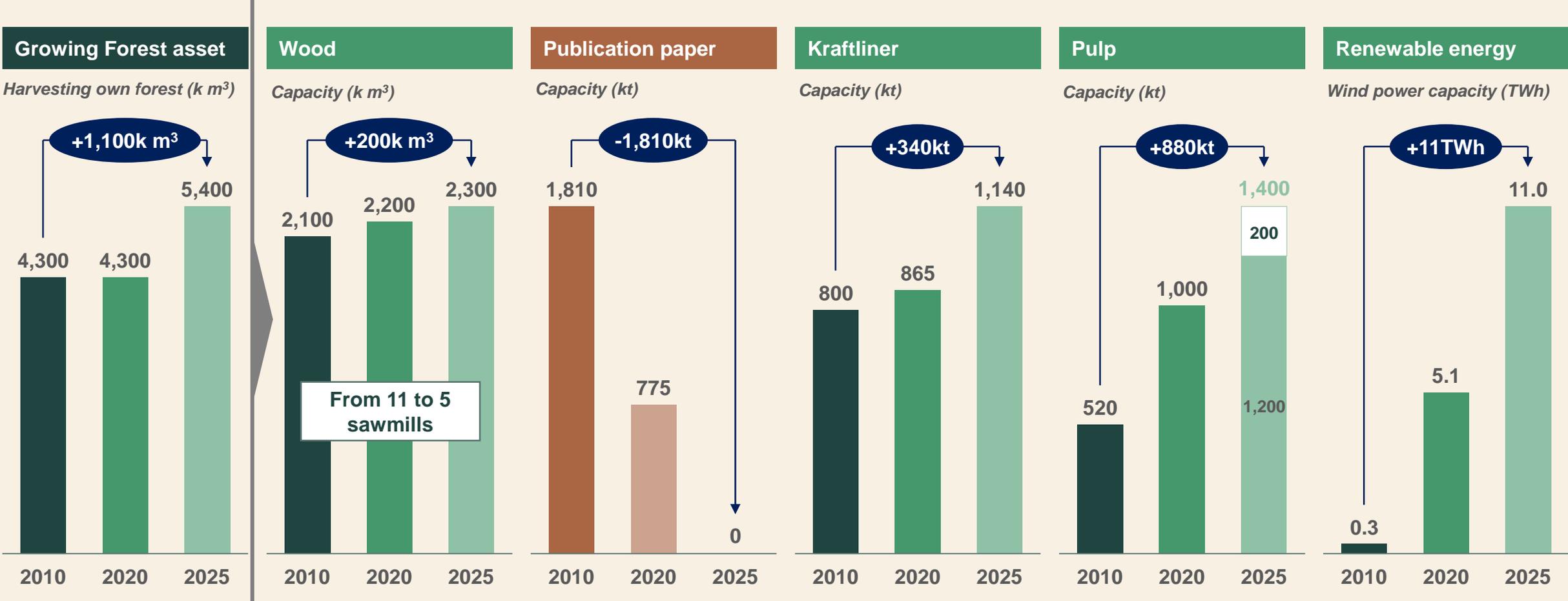
Group target 2030

All employees to follow SCA's code of conduct

Concluding remarks

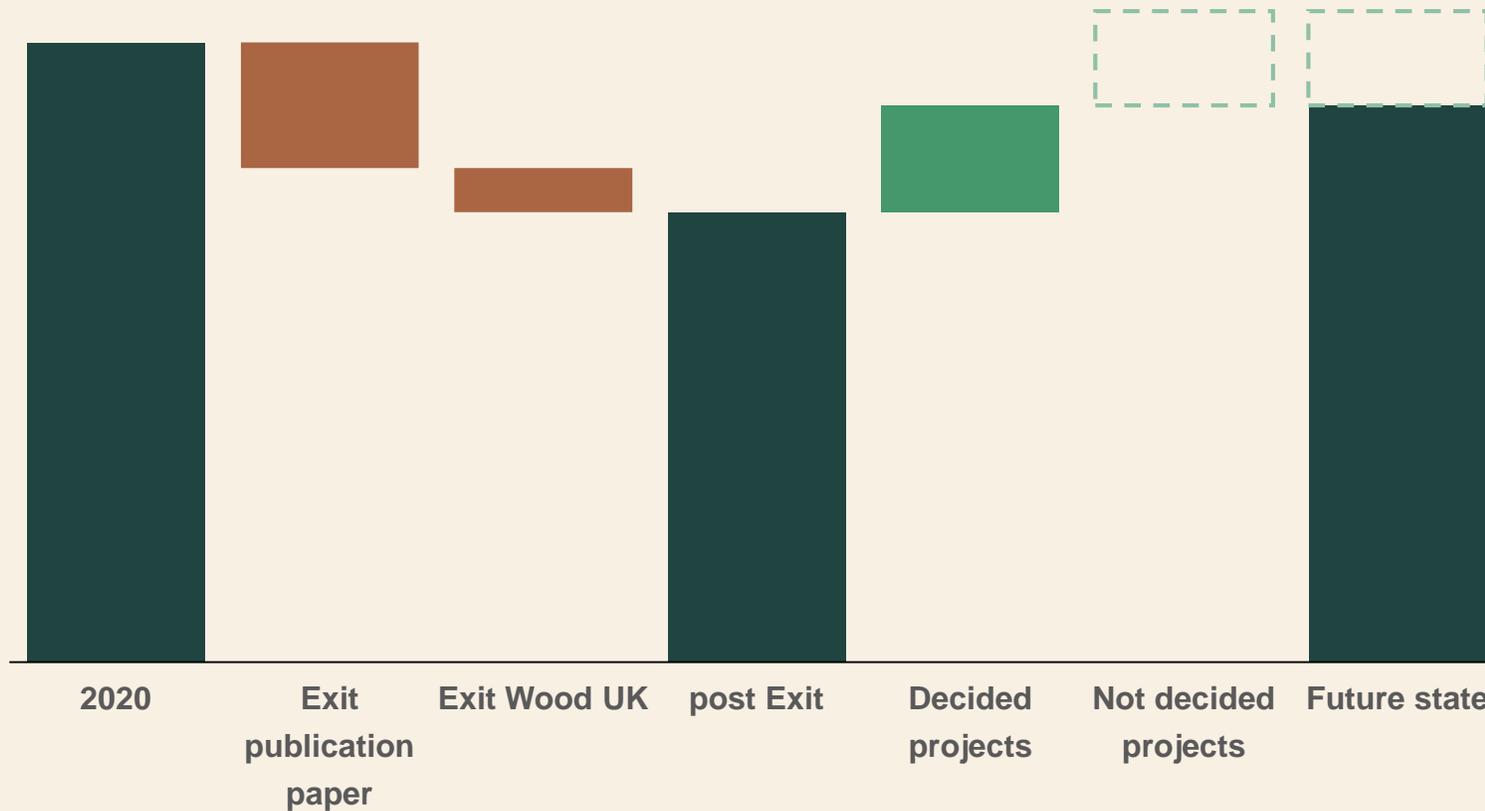
Ulf Larsson, CEO

SCA 2025 – shifting the portfolio to growing product areas



Transforming the product portfolio – creating profitable growth

Sales impact



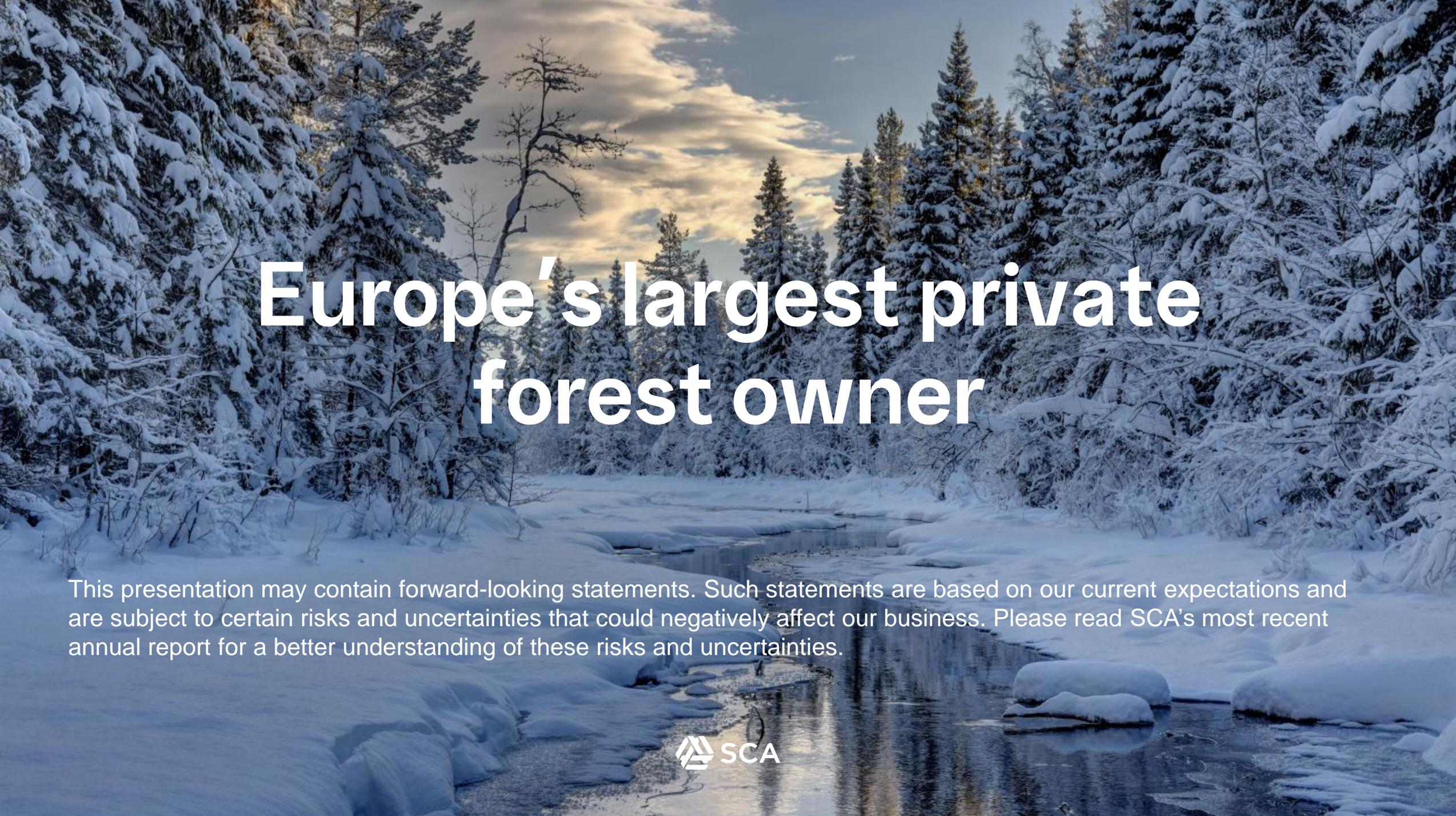
EBITDA margin enhancement (p.p)



Note: Future state figures are illustrative.

Q&A

Ulf Larsson, Toby Lawton



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.