

Press release

Sundsvall, September 2, 2019

SCA invests in Obbola kraftliner mill

SCA to build a new paper machine for the production of kraftliner at its Obbola paper mill in Umeå. The annual production in Obbola will increase from the current 450,000 tonnes of kraftliner to 725,000 tonnes to meet the growing demand for renewable packaging. The investment amount is SEK 7.5 billion.

SCA produces kraftliner – paper for transport packaging – at the paper mills in Obbola (Umeå) and Munksund (Piteå). SCA has today decided to invest to increase kraftliner capacity to 725,000 tonnes of kraftliner per year, an increase of 275,000 tonnes. The new paper machine will start operation in the first quarter of 2023.

The total investment amounts to SEK 7.5 billion over a five-year period. The investment replaces necessary reinvestments in Obbola of approximately SEK 2.5 billion. The investment will be mainly financed by operating cash flow, complemented by regular group financing activities.

In addition to the Obbola paper mill, SCA also produces kraftliner at Munksund paper mill in Piteå. Over the past twelve months SCA's kraftliner operations had an EBITDA margin of 35%. With a kraftliner trend price of EUR 600 per tonne, the investment is expected to generate an annual EBITDA improvement of approximately SEK 800-1,000 million after full ramp-up.

The core of SCA's business is the forest, Europe's largest private forest holding. Around this unique resource, we have built a well-developed value chain based on renewable raw material from our own and others' forests. We offer paper for packaging and print, pulp, wood products, renewable energy, services for forest owners and efficient transport solutions. In 2018, the forest products company SCA had approximately 4,000 employees and sales amounted to approximately SEK 18.8bn (EUR 1.8 bn).

SCA was founded in 1929 and has its headquarters in Sundsvall, Sweden. For more information, visit www.sca.com

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A profitable investment

Demand for paper based packaging is growing. This trend is being driven by a number of factors – increased e-commerce, a growing population and the ambition to reduce the use of plastic.

“This is a profitable investment in a growing segment,” says CEO Ulf Larsson. “We expect the investment to be profitable already during the first year of operation and to contribute positively to the return on capital from our industrial operations.”

“With the investment in Obbola we can meet the increased demand for sustainable packaging,” says Mats Nordlander, President, Paper. “We have access to high-quality wood fiber from Norrland. We have efficient and reliable supply of wood and logistic operations. As a result of this investment in the markets’s most advanced kraftliner machine with the best available technology, we will considerably improve the mill’s competitiveness, cost position and product quality.”

Full production during construction

The new paper machine is being constructed in a new building in line with the current paper machine. As a result the plant will be in full production during the entire construction period before switching over from the old machine to the new one ahead of the start up in 2023. The new plant’s ramp-up to full capacity is expected to take three years.

The total investment amount of SEK 7.5 billion includes investments in environmental improvements of approximately SEK 1 billion, including a reduction in the need for oil by 8,000 cubic meters per year and improvements in the water treatment capacity. Following the investment, SCA’s own industrial processes will be 97 per cent fossil-free.

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Invitation to press conference

At the press conference, which will be a webcast telephone conference, SCA's Management will present the investment in a new paper machine at the Obbola paper mill in more detail.

At the press conference, President and CEO Ulf Larsson, CFO Toby Lawton and President Paper, Mats Nordlander will present and respond to questions about the investment.

Press conference:

Date Monday, September 2, 2019
Time: 09:30 CET

The press conference will be webcast live at www.sca.com and you may participate by telephone by calling:

Sweden: +46 (0)8 5069 2180
UK: +44 (0)2071 928000
USA: +1 631 510 7495

Call in good time before the conference commences. Specify "SCA" or the conference ID: 5389306.

For further information, please contact

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Please note:

This is information that SCA is obliged to make public pursuant to the EU Market Abuse Regulation. This press release has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of the contact person set out below, on September 2, 2019 at 08:15 a.m.CET.

Björn Lyngfelt, Vice President, Communications, +46 (0)60 19 34 98

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