

INFORMATION

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SCA invests in incontinence and corrugated board segments

In line with the Group's growth strategy, SCA is carrying out two projects in the incontinence area and three in packaging.

Incontinence

SCA is adopting a new technology for production of incontinence products concurrent with the launch of so-called pants diapers in the mild incontinence segment. The technology shift results in lower production costs, improved productivity and the possibility for more rapid product changes. The measures are aimed at SCA maintaining and reinforcing its market-leading position on the strength of high development pace and low production costs.

The new pants diaper for mild incontinence will be launched in the fastest growing segment as a complement to today's product offering. The project is being carried out in cooperation with Unicharm in Japan and is based on the latest technology that has yielded good results in Japan. The intention is that the product will be introduced in Europe and in the US in the consumer field. The launch in the US will be made through a new cooperation that SCA established with Johnson & Johnson for incontinence products in the consumer segment. The estimate is that the annual market growth will be about 20%.

Through implementing a technology shift and building up new capacity for pant diapers, the conditions are created for being able to increase the rate of growth within the entire incontinence business activities. Growth in the past five years has been 15% annually. The program now being adopted, which will be implemented successively, will involve investments during the next five years amounting to about SEK 2,000 M.

Corrugated board

Final negotiations are under way regarding acquisition of an integrated corrugated board unit in **southern Italy**, which focuses on high added-value products and a high service level. The unit is located in an area in which new establishment of companies is currently high. Corrugated board consumption in the region has increased 10% annually in recent years. The acquisition complements SCA's current operations in Italy, which are mainly concentrated in the northern parts of the country. SCA is currently market leader in Italy, with 700 million m² and a market share of 17%. The new unit has a capacity of about 50 million m², but to date has only used half this capacity. The equipment is modern and technically in good condition. Profitability is favorable and annual sales amount currently to about SEK 80 M. The acquisition is being made at an earnings multiple based on average operating surplus (EBITDA) reported during the past four years that is less than 6.0.

SCA is acquiring a converting and distribution company in the **Munich area**. The company holds a market-leading position in the region, with its own converting capacity for corrugated board and well developed wholesale operations with a broader range of packaging products. Business focuses on small and midsize customers that are offered a high service level. Profitability is favorable and annual sales amount to approximately SEK 130 M. The purchase is being made at an earnings multiple based on average operating surplus (EBITDA) reported during the past four years that is less 6.0.

SCA's operations in **Värnamo, Sweden** today are conducted at two plant sites, an old unit and a new one built in 1992. Now all operations will be transferred to the new unit concurrent with the procurement of new equipment in the form of a corrugator and converting equipment. As a result of these measures, the number of personnel can be reduced by 42 while at the same time agreement has been reached regarding increased flexibility in the work schedules for SCA's units in Värnamo, Mariestad and Järfälla. The measures also result in a capacity increase of about 25%. The investments amount to SEK 315 M and profitability is favorable (CVA index of 1.7). Currently, SCA holds a market share in Sweden of 30% and now gains strong potential to grow in pace with the market's increased demand.

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