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SCA Capital Market Day focuses on profitability

Today, SCA – the hygiene and forest company – is holding a CMD in Stockholm. The Group-wide financial targets and strategy remains with a focus on efficiency, innovation, growth and sustainability. The target for return on capital employed for Tissue and Forest Products has been adjusted. In recent years, SCA has completed hygiene acquisitions and divested for example the packaging operations. In order to further strengthen profitability in the hygiene operations, measures are initiated for decreased costs and improved efficiency.

SCA is undergoing a major transformation and restructuring, and retains its Group-wide financial targets: a 13% return on capital employed (ROCE) over a business cycle, a debt/equity ratio of 0.70 and a debt-payment capacity of 35%. The dividend policy is to pay out one-third of cash flow from current operations. The ROCE target has been revised from 13% to 15% for Tissue and, for Forest Products, from 11% to being in the top quartile of the sector.

The integration of the European tissue operations acquired from Georgia-Pacific is progressing in line with or better than planned, and is expected to provide EUR 125m in annual cost synergies, with full effect after three years.

“Our efficiency program from 2011 goes according to plan and to date we have achieved more than half of the expected annual savings of EUR 80m. A new efficiency program has been initiated within the hygiene operations to further reduce costs and increase productivity. It will provide annual cost savings of some EUR 300m, with full impact in 2015. About 1,500 employees are affected and costs are expected to some EUR 100m,” says Jan Johansson, President and CEO.

During the past year, SCA completed a number of major acquisitions and divestments, which has strengthened the company and focused operations on hygiene and forest products. The hygiene operations currently accounts for 80% of SCA’s sales, with the majority in Europe, but with increasing exposure to emerging markets, both via organic growth and acquisitions. Increasing disposable income in emerging markets offers continuing favourable conditions for growth in the hygiene operations.

“We have seen great innovation progress with successful examples such as the Tork Xpressnap napkin dispenser and the TENA Belt incontinence product,” notes Jan Johansson.

“We have taken several steps to sharpen the focus of forest products operations on high value added products, most lately with the rebuild of a paper machine in Ortviken and the disposal of SCA’s shareholding in the UK-based Aylesford paper mill. We are also continuing to take steps in decreasing costs and making our production more environmentally friendly, most recently with the investment in a biofuel lime kiln at the Munksund kraftliner mill.”

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