

# Press release

Stockholm, May 31, 2017



## Investor day with a presentation of the future forest products company SCA

**The Annual General Meeting on April 5, 2017, decided to split the SCA Group into two listed companies: the forest products company SCA and the hygiene and health company Essity. The distribution and listing of Essity is expected to take place in June 2017. The future forest products company SCA is today holding an investor day in Sundsvall at which the management will present the company's strategy and operations. The investor day opens at 8:30 am (CET) and will be available by webcast at [www.sca.com](http://www.sca.com).**

"As Europe's largest private forest owner with well-invested industrial operations close to the forest holdings, we have a well-integrated value chain that generates strong cash flows and favorable development opportunities. We have control over the entire value chain, from seedling to product at the customer's, and have built an industrial ecosystem that maximizes value creation from the forest resources," says Ulf Larsson, the future President and CEO of the future forest products company SCA.

The future forest products company SCA's forest assets account for around half of the company's annual timber consumption of about 10 million m<sup>3</sup>sub\*. SCA's forests are currently in a high-growth phase, whereby gross growth is currently around 9.5 million m<sup>3</sup>fo\* per year and net growth about 3.0 million m<sup>3</sup>fo per year. In 2016, the volume of standing timber on SCA's land amounted to around 230 million m<sup>3</sup>fo. SCA's plans include increasing felling at its own forests from the current level of approximately 4.3 million m<sup>3</sup>sub to about 6 million m<sup>3</sup>sub in about 100 years' time. Despite the increased felling, the volume of standing timber on SCA's land is expected to continue increasing over this interval.

The largest ongoing expansion project at the future forest products company SCA is the expansion of the Östrand pulp mill. The investment will increase the bleached kraft pulp capacity from 430,000 to 900,000 tons per year. The total investment amounts to around SEK 7.8bn, of which around SEK 3.1bn had been invested by the end of the first quarter of 2017. The planned production start is in June 2018 and an extended stoppage will be implemented ahead of the start. The loss of production capacity from the stoppage is expected to be compensated by increased capacity in the remainder of 2018. A normal start-up period for this type of project is 12–18 months. Accordingly, 2020 will be the first year when full capacity is expected to be reached. The investment will entail increased depreciation of around SEK 300 million, with a full-year effect from 2019.

The investment in Östrand is expected to strengthen the mill's competitiveness and create a world-class cost position. This will be achieved through a doubling of productivity per employee, the possibility of increasing deliveries by rail, lowering electricity and heating consumption per ton produced by 27 and 44% respectively, and through an electricity surplus to be sold in the market. The production of green electricity will increase from 0.5 to 1.2 TWh per year. Moreover, possibilities are being created to convert process by-products into biofuels and bio-based chemicals.

\*1 m<sup>3</sup>fo corresponds to about 0.82 m<sup>3</sup>sub. The metric m<sup>3</sup>sub excludes the trees' bark, branches and crowns

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### For further information, please contact:

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SCA is a leading global hygiene and forest products company that sustainably develops, produces and sells personal care, tissue and forest products. Through the recently acquired company BSN medical, the Group offers products within wound care, compression therapy and orthopedics. Sales are conducted in approximately 150 countries under many strong brands, including the leading global brands TENA and Tork, and other brands, such as Libero, Libresse, Leukoplast, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. As Europe's largest private forest owner, SCA places considerable emphasis on sustainable forest management. In 2016, the Group had approximately 46,000 employees and sales amounted to approximately SEK 117bn (EUR 12.4bn). SCA was founded in 1929, has its headquarters in Stockholm, Sweden, and is listed on Nasdaq Stockholm. SCA is dedicated to improving well-being through leading hygiene and health solutions. For more information, visit [www.sca.com](http://www.sca.com).



At March 31, 2017, the future forest products company SCA's net debt, after reallocation of net debt, amounted to SEK 5,376 million.

#### **Operating expenses for the future forest products company SCA in 2016**

Wood, chips and recovered fiber	14%
Other raw materials and consumables	12%
Personnel	16%
Transport and distribution expenses	19%
Energy	7%
Depreciation	7%
Other operating expenses	<u>25%</u>
Total operating expenses	100%

The other operating expenses mainly comprised goods purchased for resale, maintenance expenses, rents, IT and telecommunication expenses and selling costs.

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