

Press release

Sundsvall, August 26, 2020

SCA intends to invest in pulp production and initiates consultations to discontinue publication paper

SCA intends to invest SEK 1,45bn in the production of chemically pre-treated thermo-mechanical pulp (CTMP) at the Ortviken paper mill in Sundsvall. In parallel, SCA is initiating consultations with trade unions and employee representatives to discontinue the production of publication paper at the mill.

SCA intends to invest to achieve an annual production volume of 300,000 tonnes of CTMP pulp at Ortviken, using the existing infrastructure. The investment is expected to give a positive EBITDA-effect of approximately SEK 0.3bn per annum. Expected start of production in the new mill is the beginning of 2023. SCA today has a production capacity of 100,000 tonnes of CTMP pulp at the Östrand pulp mill. This production will be phased out when the new line starts up, which will allow a future increase in the production of kraft pulp at Östrand Pulp mill.

“Our pulp customers want us to grow with them in product segments such as packaging board and hygiene products, segments with healthy growth,” says Ulf Larsson, SCA’s CEO. “In line with our strategy, we have gradually reduced our exposure to publication paper. We now initiate negotiations to leave this product segment completely.”

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 2019, the forest products company SCA had approximately 4,000 employees and sales amounted to approximately SEK 19.6bn (EUR 1.9bn).

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

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Tel: +46 60 19 30 00

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Currently, SCA produces coated and uncoated publication paper on three paper machines at Ortviken paper mill with annual sales of approximately SEK 4bn. Demand for publication paper in Western Europe has declined by approximately 5% per year since 2008. During the coronavirus pandemic, demand for publication paper decreased by a further 30-40% and production at Ortviken paper mill has been adapted to the weak order level. This low demand, combined with a weak price development, results in a negative profitability for the operation.

The closure of publication paper manufacturing at Ortviken paper mill proposed by SCA will affect about 800 employees, primarily at Ortviken paper mill, but also in other parts of SCA's operations. The closure would result in non-recurrent costs with cashflow effects which are estimated not to exceed SEK 0.9bn and an impairment of about SEK 1.1bn.

“Through today's proposals, we intend to continue to develop a strong, sustainable and profitable industry based on our renewable forest raw materials”, says Ulf Larsson. “This will have a significant impact on many people and we will in a responsible way seek the best possible solutions for those affected.”

Negotiations under the Co-determination at Work Act (MBL) with trade unions will now begin regarding the plans to discontinue paper production at Ortviken paper mill, the investment in CTMP production at Ortviken and the impact on other SCA operations. In other jurisdictions affected employees and their representatives will be informed and consulted in line with the legal framework.

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INVITATION TO PRESS CONFERENCE

The press conference can be followed via webcast or telephone. The President and CEO, Ulf Larsson, and CFO, Toby Lawton, will present the background to the intended investment and the proposal to discontinue publication paper production, and answer any questions.

Time: Wednesday August 26, 2020, at 10:00 a.m.

The press conference will be webcast live at www.sca.com. It is also possible to participate by telephone by calling:

Sweden: +46 (0)8 5069 2180

UK: +44 (0)2071 928000

US: +1 631 510 7495

State "SCA" or the conference ID: 1249139.

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. The information was submitted for publication, through the agency of the contact person set out below, on August 26, 2020 at 08:00 a.m. CET.

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

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