

INFORMATION

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*Press conference will be held today at 11.30 am.
SCA's HQ, Stockholmssalen, Stureplan 3, Stockholm, Sweden.*

SCA expands in Packaging Acquires Rexam's corrugated packaging division

SCA has entered into an agreement to acquire Rexam PLC's corrugated operations, Rexam Corrugated Packaging Division for GBP 195 M (SEK 2.6 Billion). The consideration (GBP 195 M on a debt free basis) gives an EBITD multiple of 6.5 and an EBIT multiple of 9 calculated on estimated results for 1998.

SCA will gain substantial synergies through integration with its present activities in the UK and other European countries through production coordination, cost savings, paper integration and raw materials supply. The annual synergies are estimated to be GBP 8 M or 2% of the combined turnover.

The acquisition is estimated to exceed SCA's cost of capital by 35% (CVA index 1.35).

SCA's earning per share (including full projected synergies) is estimated to increase by SEK 0.65, which corresponds to 5% of 1997 earnings per share. Most of the synergies will be achieved within 3 years. The acquisition is estimated to give a contribution of SEK 0.25 to earnings per share for 1999. Goodwill of approximately SEK 1.5 billion will be accounted for.

A proforma calculation, based on 1998 profit level with the addition of the above mentioned synergies and financial costs based on an acquisition financing structure according to SCA's target debt to equity ratio of 0.6, has shown that the acquisition increases cash flow from operations by approximately SEK 240 M or SEK 1.20 per share. This corresponds to 7% of the SCA group sustainable cash flow target of SEK 3.2 billion (SEK 16.20 per share).

The acquisition is in line with SCA's strategic intent to enhance its business through selective acquisitions by focusing on high profit market segments and increasing its European market share in corrugated products to at least 20%, thereby contributing to a consolidation of the corrugated industry.

Rexam Corrugated has a market share of 8% in the UK, a corrugated production of 230 million M², a turnover of GBP 202 M and has had an average operating profit of GBP 20 M for the last three years (incl. 1998). Rexam also has corrugated operations in Spain, France and Belgium.

The acquisition increases SCA's market position in corrugated products in the UK from 13% to 21% and in Europe from 13% to 14%.

Rexam Corrugated consists of the Conventional Corrugated Division (5 main plants and 10 sheet plants in the UK), the Heavy Duty Corrugated Division (1 main plant and 3 sheet plants in the UK, 4 sheet plants in Spain, 1 sheet plant in each of France and Belgium) and the High Quality Print & Micro Flute Division (2 main plants and 2 sheet plants in UK). The total number of employees is 2.300.

SCA's UK Packaging activities, with a total turnover of GBP 230 M, consist of Corrugated (8 main plants, 15 sheet plants) and Containerboard (Testliner mill in Aylesford with a capacity of 225.000 tonnes).

The acquired businesses complement SCA in the UK, both geographically and from a market segment viewpoint. SCA's present corrugated activities are aimed mainly at fast moving consumer products while Rexam corrugated is concentrated more towards industrial and high quality print customers.

The Bulk Packaging division is being retained by Rexam.

The acquisition is conditional upon Rexam PLC shareholder approval and requires clearance under EC merger regulations.

Stockholm, 21 December 1998.

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