

INFORMATION

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Press conference

A press conference will be held at Biblioteksgatan 29 Konferenser AB, Stockholm on 31 August 1999 at 2.30 pm.

SCA acquires British tissue company

SCA has acquired all shares in the British tissue company AM Paper Group Ltd for GBP 192 million (SEK 2.55 bn) on a debt-free basis.

AM Paper has expanded sharply in recent years. During 1999, the company started up a new machine for production of tissue using the so-called TAD technology, that is, with a production focused on the highest product quality. AM Paper's share of the British consumer tissue market is 14%. As a result of the acquisition, SCA's combined market share in the consumer sector in Great Britain now doubles and will amount to 28%.

Based on the forecast outcome in 2000, the first full 12-month period with the new paper machine in operation, the purchase price represents multiples for operating surplus (EBITD) and operating profit (EBIT) of 5.4 and 7.0, respectively. For 1999, the purchase price is estimated to correspond to a multiple of 7.4 times operating surplus (EBITD) and 9.7 times operating profit (EBIT). The estimated results for 1999 are based on the new TAD machine being in a start-up phase. The purchase price represents a multiple of 1.4 times sales in 2000.

AM Paper is the UK's second-largest supplier of tissue for the private label market, a part of the market where SCA, until now, has been relatively underrepresented. After the acquisition, SCA's market share in the private label segment will be 30%. Production within AM Paper is based on TAD as well as conventional technology. Total machine capacity amounts to 60,000 tons annually, of which 30,000 TAD. Converting capacity amounts to 100,000 tons per year. The number of employees is about 600.

It will be possible to smoothly integrate the acquired operations into SCA's British operations. For example, AM Paper's large converting capacity can be used to convert mother reels from SCA's plant in Prudhoe, which SCA acquired from Kimberly Clark in 1996.

In addition, as a result of the merger SCA can strongly establish a position in the private label market (bathroom tissue, household towels and facial tissue) at the same time as SCA's sales of brand-name products can continue to develop supported by the newly acquired converting capacity. Given these conditions as well as other planned coordination measures, the acquisition is assigned a CVA index of at least 1.2, that is at least 20% above SCA's weighted capital cost. From and including 2000, the operations are expected to contribute about SEK100-120 million to SCA's net profit, corresponding to SEK 0.50-0.60 per share.

The acquisition is part of SCA's strategic growth plan for Europe in the hygiene segment, which is aimed at the Group becoming a leading supplier of brand-name products as well as private-label products with a total market share of at least 20%. SCA's product portfolio in Great Britain currently comprises, *Velvet* bathroom tissue, *Wipe & Clean household towels*, *Tork tissue* for bulk consumers, *Up & Go* baby diapers and private-label baby diapers, *Bodyform* feminine hygiene products and *Tena* incontinence products. The acquisition will give SCA a new presence in the facial tissue market. SCA and AM Papers total sales of hygiene products in Great Britain are projected to amount in 2000 to nearly SEK 5 billion.

The acquisition of AM Paper is not conditional upon approval of government authorities, nor does it require approval pursuant to the EC's acquisition rules. The British competition authorities will be advised about the transaction.

Stockholm 31 August 1999

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