

INFORMATION

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SCA and Grange form new forestry and sawmill company

SCA and Grange intend to form a new forestry and sawmill company, AB Grange-SCA. Grange is contributing all of its assets in the forest and timber area, while SCA is contributing 8% of its forest holdings and one of the Group's four sawmills. Grange's assets have been valued at 65% and SCA's at 35% of the company's total assets, which have a market volume of SEK 4,3 billion. SCA and Grange will have equal influence over the company through vote differentiated shares.

The new company's capital structure has been aligned to a stable cash flow that the company is expected to generate, whereby the debt/equity ratio of the company should be a multiple of about 2. Financing has been secured through bank financing. Consequently, SCA and Grange can release capital concurrent with the formation of the company.

The projected synergy gains resulting from combining the two companies amount to about SEK 75 M annually, among other measures, through restructuring of the sawmill operations and through coordination effects within forest management. Moreover, wood supply to the sawmills involved will improve.

The assets provided by Grange: 249,000 hectares of forest land and four sawmills – Bollsta, Rundvik, Grange and Vilhelmina, with a total capacity of 605,000 m³.

The assets provided by SCA: 144,000 hectares of forest land not included in the SCA parent company and the sawmill in Lugnvik with a capacity of 130,000 m³.

The parties agree that the new company will be open to actively participating with other parties in a restructuring process for the sawmill industry in northern Sweden. The aim is to improve competitiveness through more rational production and strong efforts to develop so-called developed timber products for the joinery industry based on the company's high-quality raw material base.

Kenneth Eriksson, President of SCA Forest Products, will be proposed as Chairman of the new company. The parties have proposed that Krister Fahlgren, currently President of Grange Skog & Trä AB, be named President of the new company.

The head office of the company will be in Bollstabruk.

Co-determination negotiations with the trade unions have been initiated.

For SCA, the merger means that

- net debt is reduced by about SEK 920 M
- active measures are being taken to initiate and participate in a restructuring of the sawmill industry in Northern Sweden.
- an improved financial structure is achieved for parts of the Group's forest holdings.
- the supply of raw materials to the Group's fiber-based industries in the region is improved.
- earnings per share are improved.

The transaction is expected to be completed as of 1 July 2000, following receipt of the requisite decisions and approvals.

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