

INFORMATION

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Year-end account review at SCA

At its year-end account review, SCA decided that provisions allocated earlier for restructuring measures within tissue would be retained. A decision was also taken regarding provisions for tax effects in a Swedish tax case. In addition, the company decided to propose to the Annual General Meeting that the Board of Directors should be given the mandate to acquire own shares to a limited extent and that a decision is taken to permit an Option Scheme. Finally, the company's Nomination Committee announced that it intends to propose the new election of Anders Nyrén and that Clas Reuterskiöld and Christer Gardell have declined re-election.

Restructuring reserve retained

The Board has decided to retain the provision of SEK 625 M allocated earlier for restructuring measures within tissue. The amount is intended mainly to cover planned costs for rationalization measures in the combined production and logistics structure that will service the Nordic market. This achieves significant cost-savings and competitiveness, which will strengthen SCA's position on the combined Nordic tissue market. This plan was developed as a consequence of the EU Commission stopping SCA's acquisition plans for Metsä Tissue. The allocated amount will also be available for use to cover costs that could arise in conjunction with a future termination of the Group's involvement in Metsä Tissue.

Tax issues

In February, through a ruling by the Swedish Supreme Administrative Court on an advance ruling application, SCA was granted relief for a tax loss on the liquidation of a subsidiary. The tax effect, exceeding SEK 800 M, has been allocated to a reserve for tax risks related to restructuring measures, acquisitions and divestments.

In terms of liquidity, the tax effects will reduce the Group's tax payments for, mainly, 2001. Accordingly, SCA estimates that the Group's tax payments during 2001 will be limited to about SEK 1.5 billion.

Buyback of own shares

At this year's Annual General Meeting, the Board will present a proposal covering a mandate for the Board through to the next Annual General Meeting to carry out the acquisition and subsequent transfer of the company's own shares. Currently, SCA does not hold any of its own shares and the proposal involves the acquisition and subsequent transfer of a maximum of 11 million shares, corresponding to 5% of the number of shares in the company. The Board has made the assessment that ongoing acquisitions and pending expansion plans should exclude repurchases to change the company's capital structure. However, the need may arise for SCA to use its own shares as payment in certain company acquisitions and then mainly to hedge the company's costs in conjunction with the option scheme. With a mandate that is renewed at each Annual General Meeting, acquisition and transfer of own shares can be implemented without the need to convene an Extraordinary General Meeting.

Own shares shall, according to the proposal, be acquired on a stock exchange at a price per share within the price interval recorded on the stock exchange at the time of acquisition. It is proposed that transfers of own shares may be effected on a stock exchange or otherwise. In the latter case, it is proposed that transfers may take place at a market value estimated by the Board of Directors, while the lowest price on transfers effected on a stock exchange must be within the price interval recorded on the stock exchange at the time of transfer.

Option scheme to management and key persons

In addition, the Board has decided, prior to the company's Annual General Meeting on April 6, 2001, to present a proposal regarding an option scheme aimed at senior management and other key persons in the Group. In total, the scheme involves options for approximately 1.8 million B shares. Accordingly, the underlying shares correspond to about 0.8% of the total number of shares outstanding. Half of the options will be allocated in 2001 and half in 2002. The options, which are so-called personnel options, are non-transferable and the allocation can at the earliest be fully exercised three years after issue. In addition, the options have a lifetime of seven years and an exercise price corresponding to the SCA share price at the time the options are allocated.

The proposed option scheme will replace the current share-price related incentive program and entitles the President to an annual allocation of 40,000 options during each of the two years. The assessed value of the annual allocation for other executives and key personnel, about 70 persons, will also correspond to about 20% of each person's base salary.

The proposed scheme is aimed at providing SCA with a senior management incentive program that is in line with the trend prevailing on the market and which will serve as an incentive to create long-term value growth for the benefit of SCA's shareholders. The scheme is designed so that it can be applied within SCA's operations in North America.

Dilution of earnings per share, calculated applying the principles determined by the Swedish Financial Analysts Association, is initially 0.1% and at exercise at the end of the lifetime 0.4%, provided the assumption of an annual share price increase of 10%.

The complete proposal will soon be available at www.sca.se.

In order to implement the scheme, the Board will propose that the Annual General Meeting resolve

- (1) Amendment of the Articles of Association so that a new class of share, called Class C, may be issued, which are to be convertible into to Class B shares, at the request of the Board of Directors.*
- (2) A directed cash issue of 1.8 million Class C shares to a financial investor, with subscription for shares at nominal value, i.e. SEK 10 per share.*
- (3) Authorisation of the Board of Directors to resolve to make a directed offer to acquire shares to owners of all Class C shares in SCA. The acquisition shall be effected at a price not below SEK 10 and not above SEK 11 per share.*
- (4) Proposed resolution in respect of transfer of own shares so that Class C shares, after conversion to Class B, can be transferred to the persons included in the Option Scheme and to subsidiaries within the SCA Group, when such subsidiaries shall be obliged immediately to sell shares to the persons included in the Scheme. The price of the shares shall correspond to the average latest price paid for Class B shares on OM Stockholmsbörsen (Stockholm Stock Exchange) during a certain period before the date when allocation is to be effected under the various Schemes.*

Nomination Committee's proposal

The Nomination Committee¹ has decided to propose as a new member of SCA's Board the president-designate for AB Industrivärden, Anders Nyrén. In addition, the Committee announced that the departing president of AB Industrivärden, Clas Reuterskiöld and the president of AB Custos, Christer Gardell, have both declined re-election. As a result, the number of board members elected by the Annual General Meeting is reduced from eight to seven.

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¹ Prior to this year's Annual General Meeting, the Committee comprises Bo Rydin, Chairman of SCA, Bo Damberg, Handelsbankens Stiftelser, Thomas Halvorsen, Fjärde AP-fonden, Björn Lind, SEB Fonder, and Peter Rudman, Nordbanken Fonder.