

INFORMATION

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)
Communications and Investor Relations
Box 7827, SE-103 97 STOCKHOLM, Sweden
Tel +46 8-788 51 00, Fax +46 8-678 81 30
www.sca.com



SCA implements hygiene investments

SCA strengthens tissue operations in the US

To ensure future competitiveness in SCA's tissue operations in the US, an investment project will be carried out in Florence, Alabama. The project is aimed at securing SCA's position in the southern US, reducing production costs, increasing efficiency for converting and improving proprietary supplies of base tissue (mother reels) through investing in a new tissue machine.

The US tissue market comprises nearly seven million metric tons, of which 4.5 million tons consists of consumer products and 2.5 million tons is tissue for the Away-From-Home (AFH) market. The North American AFH market is showing an annual growth trend of 2-3%. The degree of consolidation is high within AFH, with the three largest producers controlling 82% of the market, in which SCA's share is 21%. In recent years, capacity expansion in the North American AFH market has corresponded to market growth, contributing to a balanced and high level of capacity utilization (90-97%).

SCA has sales of AFH tissue in all regions of the US and to varying degrees, SCA also owns converting facilities in each region. However, the converting capacity is limited in the south and, as a result, converted products are now transported from converting plants in the central and northeastern parts of the country to the south. In addition, production of base tissue is unevenly distributed in relation to sales of converted products, with SCA's operations in the southern region of the US being conspicuous because of the absence of proprietary capacity in base tissue. In conjunction with the acquisition of Georgia-Pacific's AFH tissue assets, SCA gained control of 450,000 tons of converted products, but only 370,000 tons of base tissue. To secure access to base tissue, the purchase contract stipulated that Georgia-Pacific would supply up to 120,000 tons over a six-year period. The new tissue machine will substantially reduce the level of external supplies, generating considerable savings.

The converting of tissue will be conducted partly on new converting lines and partly on older lines that are being transferred from three converting units (Brattleboro, Vermont, and Atlanta and LaGrange, Georgia) in the northeastern and southern US, which will be closed in conjunction with this project. The project involves old and new converting lines, a tissue machine with a capacity of 110,000 tons and a recycled fiber plant. Additionally, the project includes the construction of storage facilities and a distribution center.

The project generates considerable savings, mainly attributable to consolidation of the converting operations (three facilities will become one), integration of base tissue and converting (transport costs for mother reels is eliminated), the geographic location (converting is conducted in the region where the end-product is sold) and the construction of a modern and cost-effective tissue machine (replaces the purchase of mother reels from Georgia-Pacific or on the open market). The investment is expected to lead to annual cost savings of approximately SEK 700 M, calculated on the operating surplus level (EBITDA).

The total investment cost for the project amounts to approximately USD 240 M, corresponding to nearly SEK 2.2 billion. The current value of future free cash flow is estimated to exceed investment costs by about 90%, resulting in a CVA index of 1.9.

Investments in incontinence

As part of the continuing build-out of capacity for the Group's incontinence products, SCA has also decided to add new machine capacity at the plants in Europe and North America. The investment costs for this total about SEK 240 M.

Stockholm, 30 October 2002

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)
Communications and Investor Relations

For further information, please contact:

Jan Åström, President and CEO. Phone: +46 70-586 07 01

Peter Nyquist, Senior Vice President Communications and Investor Relations. Phone: +46 70-575 29 06