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SCA improves distribution and production structure for tissue on the Iberian Peninsula

As a result of the acquisition of the Nisa, Marpo, Panosa and CartoInvest companies, SCA's volumes on the Iberian tissue market have grown to approximately 150,000 tons in 2003. The Spanish market for consumer tissue has shown annual growth of slightly more than 5%, which is expected to be sustained. Today, SCA is the market leader, with a market share of about 35% in consumer tissue. In the retailers' brand (private label) segment, the market share is about 56%. Through a number of structural measures, operations have been concentrated to only four industrial sites on the Iberian Peninsula, of which three in Spain and one in Portugal.

Only 42% of the mother reels (base tissue) supplied to SCA's Spanish converting units are produced locally, which means that about 60,000 tons annually are shipped from the Group's tissue mills in the rest of Europe. Ever since the acquisitions were made, SCA has planned for an increased local supply of base tissue in the area. The decision has now been made to build a tissue machine, with a capacity of about 60,000 tons annually, adjacent to the existing converting facility in Valls, outside Barcelona. This investment also facilitates the downsizing of comparable, less efficient production capacity within the framework of SCA's other tissue operations in Europe. The investment also includes warehouse facilities for mother reels, a complementary converting line and a new distribution terminal. The measures secure SCA's future competitiveness and facilitate capitalizing on the region's strong growth.

The investment, amounting to about EUR 100 M, shows a profitability corresponding to a CVA index of 1.4. This is achieved mainly through substantial cost savings in terms of the supply of base tissue and improved inventory control, distribution and logistics. The new facility is expected to be in operation toward the end of 2005.

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