

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

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SCA to acquire Procter & Gamble's European tissue operations

SCA is to acquire Procter & Gamble's entire European tissue operations including a number of well-known and strong brands. This acquisition is an important step in improving profitability within SCA's European consumer tissue operations. SCA intends to further strengthen its product offering of brands and supply of quality private label products as well as greatly strengthening product development based on an awareness of consumer needs.

Jan Åström, President and CEO of SCA, comments: "We know that consumers throughout Europe are closely involved with their tissue products. Many consumers have greater demands than those being met by the market today. This acquisition will help us to take important steps towards improving our customer offer and profitability in our European consumer tissue operation."

The acquisition will give SCA access to additional established high quality brands. SCA will acquire the *Tempo* brand, the market leader in paper handkerchiefs in Western Europe and Hong Kong. In addition, SCA will obtain an exclusive licence in Europe to use the well known *Bounty* and *Charmin* brands for kitchen rolls and toilet tissue respectively. With this acquisition, SCA will increase its branded portfolio, providing the platform for consumer driven awareness. SCA plans to invest significantly in the company's brands in terms of innovation and marketing over the next few years.

The purchase price is EUR 512 million and will be paid in cash. Annual net sales are close to EUR 500 million. The EBITDA margin is on a par with SCA's total tissue operations. Synergies are expected to be considerable.

Procter & Gamble's five facilities are included in the acquisition. The plants are located in Manchester (England), Witzenhausen and Neuss (Germany), Orléans (France), and Lucca (Italy) and have a total of approximately 1,100 employees. SCA will have good opportunities to improve the supply chain and cost structure for the brands involved. The acquisition will give SCA further possibilities to optimize distribution and logistics to better serve SCA's retail customers.

SCA's European consumer tissue operations, in common with those of other players, have been under pressure in recent years. Rationalisation of the retail product range, by retailers focusing on private labels products, has led to increased pressure and frequent switching of supplier by the retailers.

"At the same time, we have had sharply increased energy and raw material costs. In this situation, few players have invested in innovation and product development. The result has been that the entire market has underperformed in terms of profitability," says Jan Åström and points out that the acquisition is important in order to break this trend.

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SCA's aim is to be the undisputed tissue category leader in Europe and the preferred choice for European consumers and customers.

The first phase of this work is designed to restore these operations to value creation by focusing on product development, intensive efforts in under-performing markets and by improving the level of customer service. The second phase of this work will focus on balancing the product portfolio towards a greater proportion of branded products and quality private labels products, increasing the proportion of strategic customer relations and growing the operations for AFH tissue within new segments and new markets.

The acquisition, which is structured as an asset deal, is subject to approval from the relevant authorities.

A telephone conference will be held today, 12 March 2007 at 10.30, CET. Those taking part will be Jan Åström, President and CEO and Mats Berencrutz, President of SCA Tissue Europe. If you would like to participate, please call:

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Presentation material will be available at www.sca.com shortly before the telephone conference.

For comments after the phone conference please contact:

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