

INFORMATION

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Joint press conference - SCA and Holmen - today at 10.30 am, Berns Salonger, Näckströmssalen.

SCA telephone conference today at 3.30 pm CET (9.30 am EST).

Instructions for participating in the telephone conference:

1. Dial +46 8 598 00 160, a few minutes before the conference starts.
2. Wait until the telephone conference starts.

If you are unable to participate but interested in listening to the recorded conference, you can do so by calling the telephone number +46 8 598 090 00, enter the phone meeting number 598 001 60 and the message pin 000531.

SCA acquires Metsä Tissue and Metsä Corrugated and divests shareholding in Modo Paper

SCA is selling its 50% shareholding in Modo Paper to Metsä Serla. At the same time, SCA is acquiring Metsä Serla's 65% holding in Metsä Tissue. In addition, SCA is acquiring Metsä Serla's entire corrugated board operation, Metsä Corrugated. Metsä Serla's production of containerboard is not included in the transaction.

The sale price for SCA's shares in Modo Paper amounts to SEK 6,500 M, corresponding to a debt-free valuation of about SEK 19,000 M for the entire company. Simultaneously, Holmen is divesting its entire holding to Metsä Serla on identical terms as SCA.

The acquisition price for the Metsä Tissue shares that SCA is buying is EUR 15 per share. The intention is that a corresponding offer will be made to holders of the outstanding shares. The acquisition is contingent upon SCA obtaining at least 90% of total number of shares. After today's transaction, SCA's total holding amounts to about 85%.

With consideration taken to SCA's previous acquisition, the purchase price corresponds to a debt-free valuation of about EUR 650 M for the company. In addition, SCA is acquiring 100% of Metsä Corrugated, which corresponds to a debt-free valuation of the entire company of about EUR 200 M.

The acquisition of Metsä Tissue is based on a sales multiple for the year 2000 of 1.0 and on a operating surplus multiple of 6.4 calculated on the sustained earnings capacity that SCA estimates Metsä Tissue can achieve under SCA's ownership. This corresponds to a gross margin of 15%. During the period from 1996 to 1999, the margin amounted to 12%. During the same period, SCA's margin was 15%. For the year 2000, Metsä Tissue anticipates that the gross margin will amount to about 6%. The lower margin is due in part to a time lag in compensating for rapidly increasing prices for raw materials and in part to restructuring measures within acquired German operations.

The acquisition of Metsä Corrugated is based on a sales multiple for the year 2000 of 0.8 and on a operating surplus multiple of 5.8 calculated on the sustained earnings capacity that SCA estimates that these operations can achieve under SCA's ownership. This corresponds to a gross margin of 12%. The average gross margin for the period from 1996 to 1999 was 9%, which was the same as for SCA during this period. For the year 2000, Metsä Corrugated estimates that the gross margin will amount to 8%.

As can be seen, SCA estimates the synergies at about 3% of sales in the acquired companies. Calculated on the basis of historical earnings, the acquisition of Metsä Tissue is thus being implemented with an average operating surplus multiple of 8.0 pro forma (based on the current scope of operations). For Metsä Corrugated, the corresponding multiple is 7.7 pro forma. The acquisitions meet SCA's weighted capital cost.

The sale of Modö Paper is being implemented at a operating surplus multiple of 9.9 for 1999 and 5.4 for the year 2000, based on a consensus forecast for Modö Paper. The price that SCA is receiving for the divested shares exceeds their book value by SEK 2,800 M.

On a debt-free basis, the sale of Modö Paper is being implemented for SCA's part at a level of SEK 9,500 M. The total cost of the acquisitions is EUR 850 M, corresponding to about SEK 7,000 M. SCA's net debt, however, is only marginally affected in relation to the situation at the end of the last quarter, since SEK 3,000 M of the debt in Modö Paper has already been eliminated in the consolidated accounts, while payments for the purchase of about 20% of the shares in Metsä Tissue amounting to about SEK 600 M were made previously. The capital gain amounts to SEK 2,800 M after tax, or SEK 12.10 per share. Further one-time effects may arise as a consequence of possible divestments and structural costs. During the second half of year 2000, the two acquired operations are expected to create a marginal dilution in SCA's earnings per share, taking into account goodwill amortization and interest on the purchase price. Earnings per share will improve, however, as the acquired operations are developed and synergies realized.

The decision to divest Modö Paper is completely in line with the SCA Group's stated objective of consolidating operations to three core areas: Hygiene Products, Packaging and Publication Papers. SCA's commitment to fine paper operations have been extremely limited in a historical perspective. In 1980, sack paper production at Wifstavarv was converted to uncoated fine paper in rolls. The project was conducted as a joint venture with the German partner PWA. SCA eventually assumed full ownership of this operation. In 1995, SCA acquired PWA, including its fine paper operations, for which profitability was highly unsatisfactory. A radical improvement plan was implemented, primarily intended to develop the value of the acquired operations. These efforts were successful, and a significant increase in profits was achieved in both paper and merchant operations. Operations were concentrated increasingly on coated papers in sheets. In 1999, collaboration was initiated with MoDo that offered synergies. The assessment at that time was that there was little interest in any major industrial merger among Europe's major players in fine papers. For that reason, work focused on taking Modö Paper public. This initiative was aborted in March 2000, however, due to the extremely low valuation that an exchange listing would have offered the sellers of the shares. The fact that an opportunity for a structural transaction is now at hand means that a value has been achieved which reflects the full value of the earnings capacity of Modö Paper and that the company in combination with Metsä Serla's other fine paper operations can be developed further to constitute the core unit in one of Europe's largest fine paper operations. This in turn strengthens the company's long-term development prospects and creates greater security for the employees.

For SCA, the acquisition of Metsä Tissue and Metsä Corrugated offers a unique opportunity to develop the Group's Hygiene Products and Packaging business areas in the Nordic region. Within Tissue, Nordic operations will more than double, while tissue operations on the European continent will increase by around 25%. SCA's total Hygiene Products operations in the Nordic countries will increase by approximately 40%, which means a significant improvement in the company's relative position in the category for disposable products for personal hygiene for both retail and institutional customers. These operations will be further strengthened by the recently announced partnership with Johnson & Johnson, through which SCA's Nordic sales organization will also sell Johnson & Johnson's entire consumer program in the Nordic region. Total sales are expected to exceed SEK 6,000 M. In addition to the fact that the Nordic region is showing ever-better growth, this is of great importance for product development, not least in view of the high level of consumption of hygiene products unique to this region. Expanding operations to Finland also create more favorable opportunities for development of the St Petersburg region and the Baltic countries. During 1998, SCA acquired the tissue plant in Svetogorsk, which is located on the Finnish-Russian border.

Within corrugated board, SCA gains access to the Finnish market with a market share of about 30%, thus making the company's Nordic coverage more complete. In addition, SCA attains leading positions in the Baltic countries through this acquisition, as well as well-established operations in Russia in both the St Petersburg and Black Sea regions. It is intended that the latter operation be developed in cooperation with SCA's business partner in Turkey. The acquisition also includes significant operations in Denmark and Greece.

Metsä Tissue's total production amounts to 445,000 tons, with raw material requirements totaling 260,000 tons of pulp and 225,000 tons of recycled fiber. SCA's total tissue capacity thus increases from 1,130,000 tons to 1,575,000 tons, corresponding to 38%. Metsä Corrugated's production amounts to 413 million square meters. The corresponding figure for SCA is 4,300 million square meters. The raw materials requirements for the acquired operations are 267,000 tons of paper. With this acquisition, SCA achieves its objective of becoming completely integrated in paper production.

All of the transactions are subject to EU approval. In regard to the fine paper and corrugated board transactions, the buyers have pledged to implement any divestments required from a competition perspective. SCA's commitments in the tissue transaction are limited in this respect.

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