

**Announcement: Moody's: SCA's disposal of packaging division is credit positive -- ratings likely to be confirmed at Baa1/P-2, stable outlook, upon conclusion of the disposal**

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Global Credit Research - 18 Jan 2012

Frankfurt am Main, January 18, 2012 -- Moody's Investors Service today commented that Svenska Cellulosa Aktiebolaget SCA's (SCA) intention to dispose of the majority of its packaging assets to DS Smith (unrated) is credit positive. If implemented as outlined in the group's announcement, which would provide SCA with cash proceeds of EUR1.7 billion, Moody's would likely confirm the group's senior unsecured ratings at Baa1 and the short-term rating at P-2 and stabilize the outlook.

However, considering that the disposal is subject to, among other factors, shareholder approval of DS Smith as well as to approval from regulatory bodies, the group's ratings remain under review for possible downgrade. It is our understanding that DS Smith has sufficient commitments secured both for the debt and equity component of the purchase price funding and that it expects to achieve necessary shareholder approval and placing of additional shares in February 2012. Considering the limited geographic overlap of SCA's packaging assets with DS Smith's existing production footprint, both companies are confident that regulatory bodies will not impose any material conditions upon the approval. Moody's therefore regards a successful equity issuance of DS Smith as the key milestone to re-assess the rating and to conclude the review process.

Moody's assesses the transaction as a credit enhancing step for SCA, as targeted proceeds, together with disposal proceeds from the recently announced sale of 50% of SCA's Australasian hygiene operations, will more than mitigate the expected increase in the group's debt load following the announcement to acquire Georgia-Pacific's European tissue operations for EUR1.32 billion in November 2011. If all transactions close as currently assumed, we would expect SCA to retain pro forma credit metrics well in line with the Baa1 rating, such as Debt/EBITDA below 3 times and RCF/Net debt above 20%. At the same time, we caution that this assessment also includes our expectation of a smooth integration of Georgia-Pacific's European tissue assets, with the ability to achieve considerable synergies to support the group's profitability going forward.

Besides the expected positive impact on the financial profile, Moody's notes favorably the reduced exposure to cyclical end markets with SCA then generating about 80% of sales in the relatively stable personal care and hygiene segments of the consumer products universe. Benefits from the structural growth trend and the inherent demand stability in these segments will in Moody's view outweigh the reduced segmental diversification.

This transaction is well in line with SCA's strategy to strengthen the group's hygiene operations and will allow it to concentrate on a further expansion of its footprint in both its tissue and personal care business areas. This would include in our view both organic expansion, building on recent acquisitions and a further roll-out of the existing product portfolio, as well as potential bolt-on acquisitions.

SCA announced on 17 January 2012 that it has reached an agreement with DS Smith for the sale of the group's packaging operations for a total consideration of EUR1.7 billion on a debt free basis, implying an EBITDA multiple of 6.3 times. In connection with the disposal, which does not include the group's two kraftliner mills in Sweden, SCA will incur goodwill impairments of SEK4 billion related to its packaging business area. The disposal will reduce the group's annual sales by about SEK24 billion or about 23% with a reduction in reported EBITDA by about 17% based on last twelve months September 2011 trading.

Svenska Cellulosa Aktiebolaget SCA ("SCA" or "the company"), headquartered in Stockholm, Sweden, is

a global hygiene and forest products company that develops and produces personal care products, tissue, packaging solutions, publication papers and solid-wood products. Sales are conducted in some 100 countries. SCA is also the leading private forestland owner in Europe. Last twelve months sales per September 2011 amounted to SEK 106.5 billion (c. EUR 11.6 billion). SCA has approximately 45,000 employees.

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