

Press Release

Modo Paper's strategy and the year-end financial report for 1999 will be presented today Thursday February 3, between 10:00 and 12:00 AM, in SSAB's office at Birger Jarlsgatan 58 in Stockholm.

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Year-end Report* 1999 Modo Paper

SUMMARY

MSEK	Full-year		Quarter 1999	
	1999	1998	4	3
Revenues	19 693	19 747	5 043	4 610
Operating surplus	1 926	1 757	614	421
Operating profit	902	745	359	166
Earnings after financial items	592		279	

- The market for fine paper was strengthened considerably during the last half of 1999, with rising prices and improved order bookings as a result.
- Operating profit for the fourth quarter amounted to MSEK 359, up MSEK 193 compared with the third quarter. Operating profit for the full year was MSEK 902, an improvement of MSEK 157 (+21%), compared with 1998.
- The Group's operating surplus increased by MSEK 193 during the fourth quarter to MSEK 614. For the full-year 1999 operating surplus increased by MSEK 169 to MSEK 1.926.
- The Board of Directors has reached a decision to consolidate the product portfolio to focus on the growth sectors of coated papers and office papers in cut size.
- A paper machine in the Husum paper mill is being converted from production of uncoated to coated paper. The investment is projected to amount to about SEK 2 billion. The start-up is estimated to April 2001.
- The total financial effect of the merger and the new product mix is expected to amount to approximately SEK 1 billion annually within a period of three years.
- The owners, SCA and MoDo, have decided to initiate work with an exchange listing and broadening of ownership of Modo Paper AB.

*) All financial information pertaining to other than the fourth period is based on pro forma accounting, as if the group had been established on January 1, 1998.

The new Modo Paper

Modo Paper was formally established on October 1, 1999, following a joint decision by Modo and SCA in April 1999 to merge the fine paper and merchanting activities of Modo Paper, Modo Merchants and SCA Fine Paper. The new Modo Paper has annual sales of approximately SEK 20 billion from operations in two business areas. The Paper business area has a production capacity of about 1.7 million tons of fine paper, and the Merchanting business area has annual sales volumes totaling about 1.0 million tons of paper. Combined operations of the new group comprise the third largest fine paper company in Europe.

Customer focus is the fundamental element in Modo Paper's strategy, and operations are organized to accommodate its two largest customer segments: Commercial Print and Office Paper. Commercial Print consists of products for the graphic arts industry, such as coated paper reels and sheets as well as uncoated folio sheets. Office Paper consists primarily of A4 cut size, but the product range also includes uncoated paper reels for converting into business forms, envelopes and other products.

Prices and Markets

Deliveries of fine paper from Western Europe's fine paper mills increased by approximately 7% during 1999 to more than 15 million tons. The demand for fine paper during the fourth quarter was very strong with good order bookings and a high capacity utilization. Deliveries of fine paper for the fourth quarter of 1999 were 8% higher compared with the same period in 1998 and 6% higher compared with the third quarter in 1999.

The increase in Modo Paper's primary products within Commercial Print (coated paper) and Office Paper (cut size) for Western Europe during 1999 compared to the same period in 1998 is expected to be nearly 10% and 5%, respectively.

After a weak first quarter in 1999, the market for Europe's paper merchanting gradually improved and, overall, the assessment is that the market increased by nearly 5%. Merchant inventories showed stable growth and currently are assessed to be at normal levels.

After a weak first half of 1999 a price increase of approximately 5-8%, depending on the products and market, was implemented during the fourth quarter. The prevailing price trend for fine paper is positive, and prices are expected to increase by an additional 5-8% during the first quarter of 2000.

During the third quarter in 1999, merchants raised their selling prices and at least one additional price increase is announced during this quarter.

Revenues

The Group's sales in the fourth quarter amounted to MSEK 5,043, up 9% compared with previous quarter. The price for fine paper was in average 5% higher than during the preceding quarter, while deliveries within the paper and merchanting operations rose by +2% (7,000 tons) and +13% (31,000 tons) respectively.

Revenues for the full year amounted to MSEK 19,693, in principle unchanged compared with last year. Average prices for fine paper were 5% lower than in 1998. In contrast, deliveries from both the paper and merchanting operations rose. The increase in the paper operations was +9% (141,000 tons) and in merchanting +4% (37,000 tons).

Operating profit

The Group's operating profit for the fourth quarter amounted to MSEK 359, an increase of MSEK 193, compared with the preceding quarter. Operating profit for the full year 1999 was MSEK 902, an improvement of MSEK 157 (+21%) compared with 1998.

Prices and margins for the paper operations developed positively during the fourth quarter. Operating profit for the fourth quarter was MSEK 270, up MSEK 172 compared with the third quarter. Concurrently, the operating margin rose from 3% to 9%.

The improvement of earnings in the paper operation is mainly attributable to the price increase that was implemented during the fourth quarter. At the same time, earnings in the third quarter were negatively affected by long production stops due to rebuilds in Alizay and Husum. As a result of product line optimization, productivity at all paper mills was record high during the fourth quarter.

Operating profit for the full year in the paper operations was MSEK 630, up MSEK 42 (+7%) compared with the preceding year. The full improvement in earnings is attributable to higher productivity and capacity utilization. Prices for fine paper were an average of 5% lower during 1999 than in 1998.

After a weak first half of the year, deliveries and margins in the merchanting operations has developed very favorably. Earnings in the fourth quarter amounted to MSEK 89, an improvement of MSEK 20 compared with the preceding quarter. The operating margin increased at the same time, from 3.0% to 3.5%. The integration of Modo Paper's merchanting operations was started during the fourth quarter, with mergers of the operations in Belgium, Spain and Sweden.

Operating profit for the full year 1999 in the merchanting operation amounted to MSEK 272, an improvement of MSEK 115 (+73%) compared with 1998. The main reason behind the sharp increase of earnings is the improved profitability of Modo Paper East, that was negatively influenced by large bad debt losses (MSEK 109) in conjunction with the Asian and Eastern European crises in 1998.

Cash flow

The Group's operating surplus increased by MSEK 193 during the fourth quarter to MSEK 614. The cash flow was influenced by a price- and volume related build-up of working capital and major investment projects. The largest single investment during the fourth quarter was the rebuild of PM1 in Stockstadt. The established quality and productivity goals for the investment were met already during the fourth quarter.

The Group's operating surplus for the full-year 1999 increased by MSEK 169 to MSEK 1.926. The lower cash flow is also here explained by a price- and volume related build-up of working capital and investment projects. Capital expenditures for the full-year 1999 amounted to MSEK 1.085, an increase of MSEK 182 compared with the preceding year. The most important investments during 1999 were a major quality upgrade of PM7 in Husum and the aforementioned investment in Stockstadt.

Modo Paper's strategic focus

Modo Paper has worked since the merger to formulate a strategy for the new group. Production and merchandising operations, as well as life-cycle assessments for different fine paper products, were the focal points of the strategic development efforts. The work culminated in today's decision by Modo Paper's Board of Directors to pursue a business strategy based on the following cornerstones:

- Focus on the growth sectors of coated papers and A4 cut size.
- Stronger market positions in priority segments supported by proprietary merchandising operations.
- Improved operating efficiency and higher capacity utilization through increased specialization in production lines and plants.
- Stronger market positions for merchandising operations in the European market.

The Group's prioritized and strategic products are coated papers in reels and sheets and A4 in cut size. These products are characterized by a high value added and demand is expected to remain strong. Expansion in these segments will generate significant benefits in the product portfolio of Modo Paper's merchandising operations.

Implementation of the strategy will require installation of a coating machine at the Husum paper mill. Accordingly, PM 8 in Husum will be converted from production of uncoated to coated paper. These measures, estimated to cost about SEK 2 billion, also include upgrading of PM8. The coater is scheduled to be placed in operation during April 2001. The total capacity of the coater is 300,000 tons annually. Modo Paper today concluded an agreement with a supplier for the coater and other key machinery.

As a result of the financial effects of the merger and changes in the product mix, Modo Paper's future earnings potential is improved by about SEK 1 billion on an annual basis. The synergies are expected to gain full effect in a three-year period.

For further information, reference is made to the earlier press release regarding the company's new strategy, or to Modo Paper's website www.modopaper.com.

Exchange listing of Modo Paper

The owners of Modo Paper, SCA and MoDo, have decided to initiate work with an exchange listing and broadening of ownership of Modo Paper AB, in which each currently holds a 50% interest. The broadening of ownership is intended to be accomplished through SCA selling shares in a public offering and MoDo distributing shares to its shareholders. MoDo intends to propose that the ordinary Annual General Meeting resolves to distribute an equal number of shares to its shareholders. It is SCA's intent in the public offering to sell shares corresponding to 35% of the total number of shares in Modo Paper AB. Assuming that the market conditions prevail for an exchange listing, the assessment is that Modo Paper will be listed on the OM Stockholm Stock Exchange during April 2000. For further information regarding the exchange listing we refer to MoDo and SCA.

Statement of Earnings

MSEK	Full-year		Q 4	1999			1998
	1999	1998		Q 3	Q 2	Q 1	Q 4
Revenues	19 693	19 747	5 043	4 610	4 976	5 064	4 816
- whereof Paper	11 779	11 438	3 074	2 841	2 903	2 960	2 782
- whereof Paper Trade	9 520	9 376	2 549	2 254	2 344	2 373	2 235
- internal sales eliminations	-1 606	-1 067	-580	-485	-271	-269	-201
Operating surplus	1 926	1 757	614	421	506	386	247
- whereof Paper	1 593	1 536	510	337	426	321	190
- whereof Paper Trade	332	220	104	84	79	65	56
Operating profit	902	745	359	166	248	130	-11
- whereof Paper	630	588	270	98	183	79	-51
- whereof Paper Trade	272	157	89	69	65	50	40
Financial Items			-80				
Earnings after financial items			279				
Net earnings			165				

Balance Sheet

MSEK	1999-12-31
Fixed assets	11 305
Interest-free current assets	7 245
Interest-bearing assets	617
Total assets	19 167
Equity	6 859
Minority interest	31
Provisions for taxes	1 733
Other interest-free liabilities	3 927
Interest-bearing liabilities	6 617
Total equity, provisions and liabilities	19 167
Net debts	6 000
Net debt equity ratio	0,87
Solidity	36%

Cash flow statement

MSEK	Full-year		1999	
	1999	1998	IV	III
Operating surplus	1 926	1 757	614	421
Investments	-1 085	-903	-350	-304
Change in working capital	-537	-76	-284	141
Cash flow	304	779	-20	258

Deliveries

Kton	Full-year		1999				1998
	1999	1998	Q 4	Q 3	Q 2	Q 1	Q 4
Paper	1 659	1 518	413	406	414	426	377
Coated paper	505	471	125	125	127	127	114
Uncoated paper	1 154	1 047	288	280	287	298	264
Paper Trade	1 000	963	266	235	249	249	238

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Modo Paper AB

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