

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-23** | Period of Report: **1993-12-25**
SEC Accession No. **0000950109-94-000524**

([HTML Version](#) on secdatabase.com)

FILER

SCOTT PAPER CO

CIK: **87949** | IRS No.: **231065080** | State of Incorporation: **PA** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-02300** | Film No.: **94517373**
SIC: **2621** Paper mills

Business Address
SCOTT PLZ
PHILADELPHIA PA 19113
2155225000

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934

For the Fiscal Year Ended December 25, Commission File Number 1-2300
1993

SCOTT PAPER COMPANY

A Pennsylvania Corporation

IRS Employer Identification No. 23-
1065080

Scott Plaza
Philadelphia, Pennsylvania 19113-1585
Telephone (610) 522-5000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
Cumulative Senior Preferred Shares (without par value) Series designated \$3.40 Cumula- tive Senior Preferred Shares..	Philadelphia Stock Exchange
Series designated \$4.00 Cumula- tive Senior Preferred Shares..	Philadelphia Stock Exchange
Common Shares (without par val- ue).....	New York Stock Exchange; Philadelphia Stock Exchange; Pacific Stock Exchange
8 7/8% Sinking Fund Debentures Due 2000.....	New York Stock Exchange

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS
REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE
REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH
FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES [X] NO []

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM
405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO

THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [X]

STATE THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT. THE AGGREGATE MARKET VALUE SHALL BE COMPUTED BY REFERENCE TO THE PRICE AT WHICH THE STOCK WAS SOLD, OR THE AVERAGE BID AND ASKED PRICES OF SUCH STOCK, AS OF A SPECIFIED DATE WITHIN 60 DAYS PRIOR TO THE DATE OF FILING: \$3,328,335,000 AT THE CLOSE OF BUSINESS ON FEBRUARY 18, 1994.

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE: 74,229,280 COMMON SHARES OUTSTANDING AS OF FEBRUARY 18, 1994.

DOCUMENTS INCORPORATED BY REFERENCE: (1) THE COMPANY'S 1993 ANNUAL REPORT TO SHAREHOLDERS INCORPORATED PARTIALLY IN PARTS I AND II HEREOF AND (2) THE COMPANY'S PROXY STATEMENT DATED MARCH 11, 1994, INCORPORATED PARTIALLY IN PART III HEREOF.

1

PART I

ITEM 1. BUSINESS.

Scott Paper Company continues a business established in 1879. It was incorporated in Pennsylvania in 1922 as the successor to a company of the same name incorporated in Pennsylvania in 1905. Its executive offices are located at Scott Plaza, Philadelphia, Pennsylvania 19113-1585 (tel. 610/522-5000). As used herein, the terms "Scott" and "Company" refer to Scott Paper Company and its consolidated domestic and international subsidiaries unless the context otherwise indicates. Information contained herein is for 1993 or as of December 25, 1993, except as otherwise specified.

The Company's business consists of:

(1) worldwide personal care and cleaning, which includes products (primarily tissue products) for personal care, environmental cleaning and wiping, health care and foodservice, manufactured and marketed by the Company and its unconsolidated international affiliates; and

(2) printing and publishing papers, which principally consist of coated papers and include uncoated and specialty papers.

Pages 34 and 35 of the Company's 1993 Annual Report to Shareholders show, for 1993, 1992 and 1991, the sales, income before taxes, identifiable assets, capital expenditures and depreciation and cost of timber harvested of the two segments which comprise the Company's consolidated operations and show the sales, income before taxes, and identifiable assets of these operations by geographic area. The discussions under the heading "Printing and Publishing

Papers" on pages 14 and 17 of the Company's 1993 Annual Report to Shareholders show the sales by product class of this segment for 1993, 1992 and 1991. These pages are incorporated herein by reference.

PRODUCTIVITY IMPROVEMENT ACTIONS

In January 1994 the Company announced significant actions in support of its ongoing productivity improvement efforts, including plans to reduce the number of persons employed by the Company and its unconsolidated international affiliates, approximately 33,000 persons, by about 8,300. See "Employees" below. As a part of these actions, the Company will realign and shut down some older and inefficient tissue producing and converting assets in the United States and Europe, as well as consolidate and simplify S.D. Warren Company's coated paper business. In addition, the Company's Mexican affiliate is restructuring its operations. See the Management's Discussion and Analysis incorporated by reference in Item 7.

WORLDWIDE PERSONAL CARE AND CLEANING

The Company's personal care and cleaning business, including the Company's unconsolidated international affiliates, is the world's largest manufacturer of sanitary tissue paper products.

Page 26 of the Company's 1993 Annual Report to Shareholders contains information on those unconsolidated international affiliates which are reported on the equity method, including the combined sales, assets and net income (loss), and Scott's share of the net income (loss), of such affiliates. This page is incorporated herein by reference.

OPERATIONS IN THE AMERICAS

Scott's U.S. personal care and cleaning operations manufacture and market products for personal care, environmental cleaning and wiping, health care and foodservice. The principal consumer and away-from-home products marketed in the United States are listed in the following table:

CONSUMER PRODUCTS

BATHROOM TISSUE

- - - - -

Cottonelle, Family Scott, ScotTissue, Waldorf

DISPOSABLE TOWELS

- - - - -

Job Squad, ScotTowels, Viva

FACIAL TISSUE

- - - - -

Scotties, Scotties Accents

BABY WIPES

- - - - -

Baby Fresh, Wash a-bye Baby

PREMOISTENED CLEANSING CLOTHS

- - - - -

Sofkins, KidFresh

TABLETOP PRODUCTS

- - - - -

Scott, Viva and Viva Accents
napkins; Viva Designer Collection
tabletop ensembles, including
napkins, table covers, plates,
plastic cutlery and cups

"DO-IT-YOURSELF" PRODUCTS

- - - - -

Shop Towels on a Roll; Rags in a Box;
Gotcha Covered drop cloths; Ultra
Scrub cloths

AWAY-FROM-HOME PRODUCTS

- - - - -

PERSONAL CARE PRODUCTS

- - - - -

Bathroom Tissue--Cottonelle, Scott
Select, ScotTissue, Soft-Weve,
Soft Blend, Waldorf, JRT and JRT,
Jr. jumbo roll tissue
Facial Tissue--Scotties, Scotties
Accents
Folded Towels--Scottfold, Scott
Select
Roll Towels--Scott Select, Sequel
Perforated Roll Towels--ScotTowels,
Premiere

Soap Dispensing Systems--EuroBath,
Sani-Fresh, Sani-Tuff, SureTouch
Toilet Seat Covers--P.S. Personal
Seats
Industrial Garments--Durafab

ENVIRONMENTAL CLEANING AND WIPING PRODUCTS

Critical Task Wipers--Micro-Wipes,
Precision Wipes, Scottpure, Soft-
cote
General Purpose Light Duty Wipers--
Utility Wipes, Sturdi-Wipes,
EconoMizer
General Purpose Medium Duty
Wipers--WypAll, WypAll Plus, Grab-
a-Rag
General Purpose Heavy Duty Wipers--
Scottcloth, Shop and Service
Towels, Autoshop Towels
Custom Wipers--Sani-Prep dairy
towels, Dri-Tones windshield
towels, Professional Towel, Dry-Up
bath towels, Scottcloth and
Heftlon foodservice towels
Special Task Systems--Sani-Qwik
toilet bowl cleaning system,
Cleanworks modular dispensing
system, WetTask system

FOODSERVICE PRODUCTS

Cellutex, Craftmaster, Mealmates,
Scottex and Softees and other
napkins; Hoffmaster placemats, tray
covers, table covers; American
doilies, portion products, fluted
containers; Cater Cloth table
covers and napkins

FIXTURES

Dispensers for bathroom tissue,
towels, facial tissue, napkins,
toilet seat covers, cups, wiping
products and soaps

The Company's consumer products are marketed principally through supermarkets, drug stores, warehouse clubs, convenience stores and mass merchandisers. The principal methods of competition in consumer sanitary paper markets include product quality, price, design, packaging, advertising and promotion. ScotTissue bathroom tissue, ScotTowels paper towels, Scotties facial tissue, Scott napkins and Wash a-bye Baby baby wipes are the Company's principal brands in the value segment of the consumer market. In the premium segment of the consumer market, Scott's principal brands include Cottonelle bathroom tissue, Job Squad and Viva disposable towels and Baby Fresh baby wipes. In addition, the Company sells a modest amount of private label bathroom tissue, towels and facial tissue in certain areas of the country, and sells a "Do-It-Yourself" line of disposable auto care and home maintenance products.

The Company's away-from-home products and product systems are sold through a selective distribution network primarily to manufacturing, lodging, office building, foodservice and health care establishments and high volume public facilities. The away-from-home market has generally grown more rapidly than the consumer market for sanitary paper products, and is expected to continue to do so. Competition in away-from-home markets is primarily on the basis of price, product utility, product quality and service. The Company's away-from-home business continues to aggressively pursue its strategy of meeting the needs of key end-user markets with distinctive products and product systems.

3

The Company is a leading U.S. producer of disposable towels, bathroom tissue, baby wipes, consumer napkins, away-from-home cloth-replacement wipers and away-from-home product systems. In the sale of all of its principal products, the Company faces strong competition from other manufacturers, some of which are substantially larger and more diversified than the Company. The Company's principal competitive strengths are believed to include the Scott name and reputation for quality and value, strong market positions, strong sales forces and capabilities in managing the sale of products through distributor organizations, innovative away-from-home product systems and services and the Company's natural resources asset base. However, the Company continues to have high labor density at numerous sites, and several of its production facilities have relatively complex process flows and older equipment. The actions described above under "Productivity Improvement Actions" are designed to reduce labor density and streamline and simplify the Company's operations. See the "Trends" section of the Management's Discussion and Analysis incorporated by reference in Item 7.

Scott Health Care, a 50% joint venture between the Company and Molnlycke AB, a Swedish company, manufactures and markets Promise adult incontinence products and a chronic wound care system to nursing homes, home health care dealers and hospitals in the United States and Canada.

In February 1994, the Company divested its polystyrene bead operations, which manufacture expandable polystyrene beads and crystal and modified polystyrene beads for sale to third parties.

The Company's personal care and cleaning business in the Americas outside the

United States is conducted by the consolidated subsidiaries in Costa Rica and Honduras, and the unconsolidated affiliates in Canada and Mexico, which, together with Scott's direct or indirect ownership interest therein, are listed below.

CANADA -- Scott Paper Limited (50% owned)

COSTA RICA -- Scott Paper Company de Costa Rica, S.A. (51% owned)

HONDURAS -- Scott Paper Company-Honduras, S.A. de C.V. (/1/)

MEXICO -- Compania Industrial de San Cristobal, S.A. (48.8% owned) (/2/)

-- -----

(/1/) This subsidiary is 100% owned by Scott Paper Company de Costa Rica, S.A.

(/2/) An additional 3.1% of this affiliate is owned by a 40%-owned Mexican affiliate of the Company.

Scott Paper Limited manufactures and markets consumer and away-from-home sanitary paper products and systems similar to those marketed by the Company in the U.S., including Cottonelle, Purex and White Swan bathroom tissue, ScotTowels, Viva and White Swan disposable towels, Scotties and White Swan facial tissue and Scott Family napkins, and markets Baby Fresh baby wipes. Scott Paper Limited is the largest producer of sanitary tissue products in Canada.

Compania Industrial de San Cristobal, S.A., through its subsidiaries and affiliates, manufactures and markets consumer sanitary tissue products, including Petalo bathroom tissue, towels and napkins, Confort and Saba sanitary protection products and Baby Fresh baby wipes, as well as away-from-home sanitary paper and cleaning products and systems. This affiliate also produces coated and uncoated printing and writing papers for the Mexican market. The Costa Rican subsidiary and its subsidiary in Honduras produce consumer sanitary tissue products, principally Natural bathroom tissue for Central American and Caribbean markets.

EUROPEAN OPERATIONS

Scott's European personal care and cleaning business is conducted by the following consolidated subsidiaries and in certain cases by their wholly-owned subsidiaries, all of which are wholly-owned directly or indirectly by Scott unless otherwise noted.

4

BELGIUM -- Scott Continental N.V., Scott Paper International Trade Venture (Europe) B.V.

FRANCE -- Scott S.N.C.

GERMANY -- Scott Paper GmbH, Scott GmbH

ITALY -- Scott S.p.A.

THE NETHERLANDS -- Scott Page N.V.

PORTUGAL -- Scott Paper Portugal Lda.

SPAIN -- Scott Iberica, S.A. (99.7% owned)

UNITED KINGDOM -- Scott Limited, Cross Paperware Limited

The Company's European subsidiaries generally market sanitary tissue products in their own countries, and the products are manufactured either by the same subsidiaries or by others under arrangements designed to optimize use of the Company's manufacturing facilities across Europe. The Company's principal consumer products which are marketed in several European countries include Scottex bathroom tissue, disposable towels, napkins and facial tissue, Baby Fresh baby wipes and Cotonelle bathroom tissue and facial tissue. Similar products are sold under the Andrex trademark in the United Kingdom, the Le Trefle trademark in France, the Cel trademark in Spain, the Servus and Pro Natur trademarks in Germany and the Page and Popla trademarks in the Netherlands and Belgium. The Company's away-from-home products and product systems are also sold in several European countries.

The Company's European subsidiaries, which face competition from several multi-national and regional companies, together constitute the largest marketers of sanitary tissue products in the European Union. The subsidiaries in Belgium, Italy, The Netherlands, Spain and the United Kingdom are the largest marketers of sanitary tissue products in their respective countries; those in France and Portugal are the second largest; and the German subsidiary is one of the four largest. The Company's principal competitive strengths in Europe generally include strong market positions, brand names common to several countries, certain manufacturing technologies and an increasingly integrated management and manufacturing system. However, the Company faces the challenges of implementing its market growth strategies and lowering its costs and, in particular, its labor density at several sites. See Item 7.

PACIFIC OPERATIONS

The Company's personal care and cleaning business in the Pacific region is conducted by the consolidated subsidiaries in Hong Kong, Japan, Malaysia, Singapore, Taiwan and Thailand and the unconsolidated affiliate in Korea listed below. Scott's direct or indirect ownership interest is 100% unless otherwise noted.

HONG KONG -- Scott Paper (Hong Kong) Limited

JAPAN -- Scott Japan Limited

KOREA -- Ssangyong Paper Co., Ltd. (23.8% owned)

MALAYSIA -- Scott Paper (Malaysia) Sdn. Bhd.

SINGAPORE -- Scott Paper (Singapore) Pte. Ltd.

TAIWAN -- Taiwan Scott Paper Corporation (66.7% owned)

THAILAND -- Scott Trading Limited; Thai-Scott Paper Company Limited (99.6% owned)

The Company's Pacific subsidiaries and affiliates generally market sanitary tissue products in their own countries, and the products are manufactured either by the same subsidiaries or by other Company operations. The consumer products sold in this region include bathroom tissue, disposable towels, napkins, facial tissue and baby wipes under a variety of trademarks, including Scott, Scottex, Cottonelle, Baby Fresh, Sujay (in Taiwan) and Andrex and Purex (in Hong Kong). In 1993 the Company began moving toward common branding of its products sold in this region. The Company's away-from-home products and product systems are also sold in several countries in this region.

5

The subsidiaries in Malaysia, Singapore, Taiwan and Thailand are the largest marketers of sanitary tissue products in their respective countries. Sanitary tissue markets in this region are growing more rapidly than in the United States and Europe.

GENERAL

The Company generally maintains sanitary paper products inventories to meet the delivery requirements of its customers, and in most cases the backlog of customer orders is not significant in relation to sales. The Company has patents and patent applications which cover some of its sanitary paper products or the processes or equipment used in manufacturing them. The Company believes that the most significant of these patents and patent applications relate to certain processes for manufacturing its higher quality products and pulp. The trademarks for all major products are federally registered. The Company believes that such trademarks, as a whole, are material to its business.

PRINTING AND PUBLISHING PAPERS

S. D. Warren Company, a wholly-owned subsidiary of the Company, manufactures commercial printing, publishing and specialty papers. Its principal products are high quality coated printing papers used for print advertising, annual reports, specialty magazines, catalogs and other printed communications; uncoated printing papers of various grades and qualities used for a wide range of printing purposes; coated and uncoated publishing papers used for textbooks, illustrated books and trade books; and specialty products, including pressure sensitive base material sold to EDP label manufacturers and an extensive line of flat and embossed release papers used in the production of man-made leather and other synthetic materials which are sold worldwide.

The subsidiary's printing and publishing papers are distributed mainly through selected independent wholesale paper distributors throughout the United States. Its specialty papers are for the most part sold directly to converters. The subsidiary does not maintain significant finished goods inventories and the backlog of customer orders is not significant in relation to sales.

The subsidiary competes in several markets against a large number of companies which vary substantially in size. It is one of the largest U.S.

producers of high quality coated papers, release papers and pressure sensitive base material. In the subsidiary's markets the principal methods of competition generally include price, product quality and customer service. In many of these markets the subsidiary is believed to be helped by the Warren name and reputation, its coated paper manufacturing technology, strong market positions and a strong sales force with the ability to market products through selective distribution.

The Company and the subsidiary have patents and patent applications covering some of the subsidiary's products or the processes or equipment used in manufacturing them. Most of these patents or patent applications relate to release papers, paper coating and finishing methods. The trademarks for all of the subsidiary's major products are federally registered. The Company does not view such trademarks, except Warren and Somerset, as material to the subsidiary's business due to the nature of the markets in which its products are sold.

The S. D. Warren International Division of Scott Continental is a specialty papers business which sells electrophotographic offset masters, other reprographic products and release papers manufactured in the United States.

SUPPLY OF RAW MATERIAL

The Company's paper products are manufactured principally from wood pulp. The pulp mills and recycled fiber facilities of the Company's consolidated North American operations produce approximately 85% of the amount of pulp used by its U.S. paper manufacturing operations, and the pulp mills and recycled fiber facilities of the Company's consolidated international subsidiaries produce somewhat less than one-half of the pulp used in their operations. The Company's unconsolidated affiliates in Canada and Mexico produce approximately one-half of their own pulp. Recycled fiber provides approximately 20% to 25% of the pulp used by the Company's consolidated personal care and cleaning manufacturing operations.

Market pulp is a commodity product available from a large number of suppliers around the world. The Company purchases pulp at market-related prices from numerous suppliers under contracts which generally extend automatically unless terminated by either party. In addition, the Company has entered into long term contracts with Millar Western Pulp Limited of Canada and an affiliate of Millar Western to purchase approximately 210,000 metric tons per year of chemi-thermomechanical pulp. The Company owns 20% of Forestal e Industrial Santa Fe, S.A., which owns and operates a 240,000 metric ton per year eucalyptus pulp mill in Chile. Under a long term contract with this company, Scott is entitled to purchase up to 80% of the pulp mill's output and is required to purchase at least 40% of the output. Each of these long term contracts provides for pricing which tends to reduce the effect of pulp market fluctuations on the Company.

The Company's annual harvest of pulpwood from its U.S. and Nova Scotia timberlands, which constitutes approximately 60% of the total annual harvest from such timberlands, equals approximately 30% of the pulp manufacturing

requirements of the consolidated North American operations. Substantially all of the remainder of the timber harvest is sold as logs in international and U.S. markets. The estimated annual growth of such timber, in the aggregate, exceeds the annual harvest. The Company is continually implementing programs to enhance growth rates on its land. Standing timber is subject to various hazards, including forest fires, windstorms and various types of infestations. The Company employs active salvage and forest management programs to minimize their economic impact. Subject to these hazards, it is believed that the timber available from the Company's own resources, plus purchases of wood and wood chips in the open market, should provide its pulp mills with an adequate supply of raw materials for the foreseeable future. None of the Company's consolidated international subsidiaries has significant timberlands.

ENERGY SOURCES

The Company's consolidated North American pulp and paper operations generate approximately 75% of their energy requirements by burning spent pulping liquor, process wastes, biomass and wood residuals (including purchased biomass and wood residuals) and anthracite culm and from their own hydroelectric plants. The remaining 25% of such energy requirements is provided by purchased coal, oil, natural gas and electricity. Several facilities have the capacity to alternate between oil and natural gas to take advantage of differences in their relative prices and availability. In addition, several U.S. facilities generate electricity for their own use and for sale to electric utilities. Substantially all of the energy requirements of the Company's consolidated international subsidiaries are provided by purchased electricity, natural gas and oil.

RESEARCH AND DEVELOPMENT

The Company's research and development programs are principally conducted at the facilities located at Philadelphia, Pennsylvania and Westbrook, Maine. During 1993, 1992 and 1991, the Company expended approximately \$62.3 million, \$61.2 million and \$64.4 million, respectively, for research and development activities. The personal care and cleaning business' programs, some of which are conducted jointly with other organizations, support the development of new and improved products and product systems and the supporting packaging, converting, process control, and paper web process development; chemical, high-yield and recycled pulp processes; and the transmission of the results of these programs among the Company and its consolidated subsidiaries and unconsolidated affiliates. S. D. Warren conducts research in fiber optimization and paper making, coating and finishing. These programs also support the Company's ongoing efforts to reduce costs and to ensure employee safety, product safety and environmental protection.

EMPLOYEES

As of December 25, 1993, the Company employed approximately 25,900 persons and its unconsolidated affiliates in Canada and Mexico employed approximately 6,600 persons. Of the 15,700 persons employed in the consolidated North American operations, approximately 8,900 are hourly paid employees represented by collective bargaining units affiliated with regional, national or international unions. Of these union employees, approximately 28%, 41% and 31% are members of collective bargaining units whose agreements with the Company expire in

1994, 1997 and 1998, respectively. Of the 10,200 persons employed by the Company's consolidated international subsidiaries, a significant proportion of the manufacturing employees are represented by labor unions.

As noted in "Productivity Improvement Actions" on page 2, the Company intends to reduce the number of persons employed by it and its unconsolidated subsidiaries by approximately 8,300. Of these, 3,800 are employed in the United States, 2,600 are employed by the Company's consolidated international subsidiaries and 1,900 are employed by the Company's Mexican affiliate. See the "Trends" section of the Management's Discussion and Analysis incorporated by reference in Item 7.

ENVIRONMENTAL MATTERS

The paper industry is subject to a wide variety of laws relating to the environment in the countries in which the Company operates. The Company believes it is currently in substantial compliance with these laws in all of its U.S. operations and in substantially all of its operations outside the United States.

The Company and other manufacturers of pulp in the United States face proposed regulations imposing stringent limits on chlorinated organics, including dioxin and chloroform, which arise from the process of manufacturing bleached pulp. In late 1993, the Environmental Protection Agency (EPA) released its proposed regulations, which also include limitations on other discharges and emissions. After evaluation of these proposed regulations, the Company believes that the additional capital expenditures required to comply with them at its existing sites would be between \$250 million and \$300 million in the 1996-1998 period. These estimates could change further depending on several factors, including additional evaluation of the proposed regulations, changes in the proposed regulations, new developments in control and process technology, and inflation. It is also possible that limitations contained in permits currently being appealed by the Company and laws or regulations which may be adopted by states where Scott pulp mills are located could cause an acceleration of these expenditures (see the following paragraph and Item 3).

The State of Maine has enacted legislation limiting effluent color arising from the manufacture of pulp beginning in late 1996 or, if certain events occur, 1998. Compliance with this legislation would probably involve most of the same steps which are expected to be required by EPA, as described above. S.D. Warren Company has received NPDES permits from EPA which would limit dioxin discharges from its Skowhegan, Maine and Westbrook, Maine mills to less than the level of detectability. The Company understands that the New England region of EPA has issued similar permits to certain other pulp manufacturers. The Company is vigorously pursuing efforts to have the limits for these Company facilities revised. See Item 3. If such limits are not revised, these facilities could be placed at a competitive disadvantage compared to other pulp and paper manufacturers.

In 1993, the Company's capital spending for environmental improvements to

existing facilities was approximately \$25 million. It is currently estimated that the capital spending necessary for such improvements will be approximately \$25 million in 1994 and \$40 million in 1995, excluding any expenditures that may be required by the matters discussed in the second and third paragraphs above. These amounts do not include the environmental portion of capital expenditures on new projects. Actual expenditures may vary from these dollar estimates due to inflation, additional changes in regulatory requirements or new developments in control technology. As is the case with other companies, capital expenditures on environmental improvements are in addition to the Company's normal expenditures for maintenance and replacement of its plant, and generally result in increased operating costs.

The Company believes that its environmental improvement costs are of the same general magnitude as those of comparable pulp and paper companies. Except as noted in the third paragraph of this section, the more significant environmental regulations appear to be applied more or less uniformly throughout the industry. Assuming that such regulations are applied uniformly in the future, the Company believes that its environmental improvement costs will not have a material adverse impact on its relative competitive position.

See Item 3 for a description of litigation with respect to environmental matters.

CAPITAL EXPENDITURES

The Company's capital expenditures (excluding acquisitions and equity investments in unconsolidated international affiliates) during the past five years were as follows:

<TABLE>
<CAPTION>

YEAR	AMOUNT
----	-----
	(IN MILLIONS)
<S>	<C>
1989.....	\$ 776.9
1990.....	814.8
1991.....	314.6
1992.....	329.7
1993.....	457.8

Total.....	\$2,693.8
	=====

</TABLE>

The Company expects to spend a total of \$800 to \$900 million on capital projects during the 1994-1995 period. These projects include: approximately \$200 million of spending related to the Company's productivity improvement program; the continuation of four projects underway--a converting and distribution facility for S.D. Warren in Allentown, Pennsylvania, modernization of the pulp mill in Mobile, Alabama, capacity expansion for the wet wipes

business in Dover, Delaware and continued construction of a state-of-the-art tissue paper mill in Owensboro, Kentucky; and other projects designed to sustain existing operations and reduce costs. The Company expects to finance this spending primarily from internally generated funds.

ITEM 2. PROPERTIES

The location of the manufacturing facilities of the Company (including its consolidated subsidiaries) and the types of products produced at each facility are shown below.

WORLDWIDE PERSONAL CARE AND CLEANING

AMERICAS

Chester, Pennsylvania--sanitary tissue paper products	Durafab, Inc. Cleburne, Texas--industrial garments
Dover, Delaware--wet wipe products	Italy, Texas--industrial garments
Everett, Washington--sanitary tissue paper products and pulp	Scott Maritimes Limited New Glasgow, Nova Scotia--pulp
Ft. Edward, New York--sanitary tissue paper products	Scott Paper Company de Costa Rica, S.A. San Jose, Costa Rica--sanitary tissue paper products
Hattiesburg, Mississippi--sanitary tissue paper products	Scott Paper Company-Honduras, S.A. de C. V. San Pedro, Honduras--sanitary tissue paper products
Marinette, Wisconsin--sanitary tissue paper products	Scott Polymers, Inc.(/3/) Fort Worth, Texas (two locations)--polystyrene beads Saginaw, Texas--polystyrene beads
Mobile, Alabama--sanitary tissue paper products and pulp(/1/)	Scott Polymers, Ltd.(/3/) Baie d'Urfe, Quebec--polystyrene beads
Oconto Falls, Wisconsin--sanitary tissue paper products	
Oshkosh, Wisconsin--tabletop products	
Owensboro, Kentucky--sanitary tissue paper products	
San Antonio, Texas--personal cleansing products and systems	
Winslow, Maine--sanitary tissue paper products(/2/)	

EUROPE

Cross Paperware Limited
Dunstable, United Kingdom--
foodservice products

Scott Continental, N.V.
Duffel, Belgium--sanitary tissue
paper products

Scott GmbH
Neunkirchen, Germany--wet wipe
products

Scott Iberica, S.A.
Aranguren, Spain--sanitary base paper
Arceniaga, Spain--sanitary tissue paper products and personal cleansing prod-
ucts and systems
Canarias, Canary Islands--sanitary tissue paper products
Hernani, Spain--sanitary tissue paper products
Miranda del Ebro, Spain--pulp
Salamanca, Spain--sanitary tissue paper products

Scott Limited
Barrow, United Kingdom--sanitary tissue paper products
Northfleet, United Kingdom--sanitary tissue paper products

Scott Page N.V.
Gennep, The Netherlands--sanitary tissue paper products

Scott Paper GmbH
Flensburg, Germany--sanitary tissue paper products
Dusseldorf-Reisholz, Germany--sanitary tissue paper products

Scott S.N.C.
Orleans, France--sanitary tissue paper products

Scott S.p.A.
Alanno, Italy--sanitary tissue paper products
Romagnano, Italy--sanitary tissue paper products
Villanovetta, Italy--sanitary tissue paper products

PACIFIC

Scott Paper (Hong Kong) Limited
Hong Kong--sanitary tissue paper products(/4/)

Scott Paper (Malaysia) Sdn. Bhd.
Kluang, Malaysia--sanitary tissue paper products
Kuala Lumpur, Malaysia--foodservice products

Taiwan Scott Paper Corporation
Hsin Ying, Taiwan--sanitary tissue paper products(/5/)
Tayaun, Taiwan--sanitary tissue paper products

Thai-Scott Paper Company Limited
Samut Prakan, Thailand--sanitary tissue paper products

PRINTING AND PUBLISHING PAPERS

S. D. Warren Company

Muskegon, Michigan--paper and pulp

Skowhegan, Maine--paper and pulp

Westbrook, Maine--paper and pulp(/6/)

Scott Continental, S. D. Warren International Division

Bornem, Belgium--specialty papers

Mobile, Alabama--paper and pulp(/1/)

-- -----

(/1/) Land under this facility is held under two long-term operating leases with options to purchase the land at the end of the respective lease terms.

(/2/) The fiber recycling facility at this mill is held under an operating lease expiring in 2008 under which the Company has the option of renewing the lease for terms not exceeding nine additional years or purchasing the facility for its then fair market value.

(/3/) The Company sold these subsidiaries in February 1994.

(/4/) This facility is held under a short-term renewable lease.

(/5/) The land and a portion of this facility are subject to a mortgage.

(/6/) Part of the cogeneration facility at this mill is owned by a party with whom the Company has separate agreements expiring in 2008 to operate the facility and to purchase its output of steam and electricity on a take-or-pay basis. After such period, the Company has the option of renewing these agreements or purchasing the facility for its then fair market value.

The largest papermaking facilities of the Company (including its consolidated subsidiaries) are located at Chester, Everett, Mobile, Muskegon, Skowhegan and Westbrook. The largest pulp making facilities listed above are located at Everett, Mobile, New Glasgow and Skowhegan. A substantial portion of the Company's corporate headquarters near Philadelphia and certain warehouses are held under long-term capital leases. Various Company plants contain equipment, pollution control facilities and solid waste disposal facilities which have been financed by issuance of industrial revenue bonds and are held by the Company under lease or installment purchase agreements. During 1993 the Company's rate of utilizing its papermaking capacity was approximately 92%.

The Company's consolidated North American timber resources total approximately 2.8 million acres, including approximately 2.5 million acres owned in fee and approximately 366,000 acres on which the Company has long-term cutting rights or lease or purchase rights. In the United States, such timber resources include approximately 657,000 acres in Alabama and Mississippi, 910,000 acres in Maine, and 3,800 acres in Washington. In Canada, the Company's timber resources include approximately 1,217,000 acres (including long-term cutting rights on 214,000 acres of government lands) in Nova Scotia. The Company has mineral rights pertaining to substantially all of its U.S. timberlands but has no mineral rights pertaining to its Canadian timberlands.

Scott Paper Limited in Canada operates four manufacturing facilities, Compania Industrial de San Cristobal, S.A. in Mexico operates five manufacturing facilities and Ssangyong Paper Co., Ltd. in Korea operates four manufacturing facilities. Scott Health Care operates two manufacturing facilities in the United States and one in Canada. Forestal e Industrial Santa Fe, S.A. owns a pulp mill in Chile and Forestal y Agricola Monte Aguila, S.A. (of which the Company also owns 20%) owns 120,000 acres of forestland in Chile.

ITEM 3. LEGAL PROCEEDINGS

The Company and two of its senior officers, Chairman and Chief Executive Officer Philip E. Lippincott and Senior Vice President Ashok N. Bakhru, were defendants in In Re Scott Paper Securities Litigation, a consolidated class action in the U.S. District Court, Eastern District of Pennsylvania on behalf of a class of purchasers of the Company's common shares in 1990. In July 1993, attorneys for the plaintiff class and the defendants entered into a settlement stipulation under which the plaintiffs agreed to dismiss the action with prejudice and stipulated that they were unaware of any evidence that deliberate or intentional wrongdoing was involved, and under which the Company agreed to pay \$2,999,999 and its insurance carrier agreed to pay \$5 million. In November 1993, the Court issued a final order approving the settlement.

The Company is a defendant in numerous actions in state and federal courts seeking damages relating to breast implants. The actions allege that the plaintiffs' breast implants were covered by polyurethane foam manufactured by the Company's former Foam Division, which was sold in 1983, and that the foam caused physical or psychological harm to the plaintiffs. In each of these actions the Company is one of several defendants, including the Foam Division's successor and the manufacturers of the implants. The Company believes that only a small percentage of breast implants were covered by polyurethane foam manufactured by the Company's Foam Division prior to its sale. The Company believes that it has meritorious defenses against these claims and intends to conduct a vigorous defense and to seek insurance recovery to the extent provided under its insurance policies, if necessary.

In June 1990 S. D. Warren Company filed a request for an evidentiary hearing with the Environmental Protection Agency (EPA) challenging EPA's modification of the NPDES permit for the Skowhegan, Maine mill. In January 1994 EPA reissued the permit with additional limitations and the Company again filed a request for an evidentiary hearing. The modifications being challenged include limitations on the discharge of dioxin and absorbable organic halogens (AOX) and related monitoring requirements, as well as limitations on the discharge of conventional pollutants. See "Environmental Matters" on page 8.

In October 1992 S. D. Warren Company filed a request for an evidentiary hearing with EPA challenging EPA's modification of the NPDES permit for the Westbrook, Maine mill. The modifications being challenged include limitations on water temperature and the discharge of dioxin. While Warren's request has been granted, no hearing has been scheduled. See "Environmental Matters" on page 8.

The Company is involved in a number of administrative and judicial proceedings under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and comparable state laws. Most of these proceedings

involve the cleanup of hazardous substances at commercial landfills which receive waste from many different sources. While joint and several liability is authorized under CERCLA, as a practical matter, liability for CERCLA cleanups is generally allocated among many waste generators. The range of reasonably possible losses in these proceedings, to the extent not already provided for, is not significant.

In addition, the Company is involved in lawsuits and state and Federal administrative proceedings under the environmental and equal employment opportunity laws, among others. The relief sought in such lawsuits and proceedings includes injunctions, damages and penalties.

Although the final results in these suits and proceedings cannot be predicted with certainty, it is the present opinion of the Company, after consulting with counsel, that they will not have a material adverse effect on the Company's financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

This item is inapplicable because no matter was submitted during the fourth quarter of 1993 to a vote of the Company's security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following chart shows, as of March 10, 1994, the names, ages, current positions and areas of responsibility, and the dates applicable to such positions and areas of responsibility, for the Company's executive officers. Previous positions and areas of responsibility over the past five years, where applicable, are included in footnotes for all persons listed.

There is no "family relationship" between any of these officers or between any such officer and any Director of the Company. Each officer is elected at the regular meeting of the Board of Directors next following the Annual Meeting of Shareholders to serve for one year and until his or her successor is duly elected and qualified.

<TABLE>
<CAPTION>

NAME	AGE	CURRENT POSITIONS AND AREAS OF RESPONSIBILITY	POSITION HELD SINCE
Philip E. Lippincott (/1/)	58	Chairman Chief Executive Officer Director	February 1983 February 1982 February 1978
J. Richard Leaman, Jr. (/2/)	59	Vice Chairman President, S.D. Warren Company Director	April 1991 April 1991 October 1986

Clemens S. Andes, Jr. (/3/)	61	Senior Vice President Scott Worldwide-Pacific Consumer Business	January 1992 January 1992
Ashok N. Bakhru (/4/)	51	Senior Vice President Scott Worldwide-Wet Wipes and Health Care Businesses Corporate Development	April 1985 January 1992 January 1992
John J. Butler (/5/)	53	Senior Vice President and Chief Administrative Officer	January 1992
Paolo Forlin	57	Senior Vice President Scott Worldwide-European Consumer Business Managing Director-Scott S.p.A.	January 1992 January 1992 January 1992 May 1981
Paul N. Schregel (/6/)	53	Senior Vice President Scott Worldwide-Americas Consumer Business	November 1986 January 1992
P. Newton White (/7/)	51	Senior Vice President Scott Worldwide--Away-From-Home Business	April 1991 January 1992
Basil L. Anderson (/8/)	48	Vice President, Treasurer and Chief Financial Officer	February 1992
Edward B. Betz	59	Vice President and Controller	June 1979
Ellis A. Horwitz (/9/)	57	Vice President and General Counsel	January 1992
Barbara A. Rice	52	Vice President Human Resources	February 1988 February 1988
Joseph L. Salvucci (/10/)	53	Vice President Scott Worldwide-Technology	November 1990 November 1990

</TABLE>

- - - - -

- (/1/) In November 1993, Mr. Lippincott announced his plan to retire as the Company's Chairman and Chief Executive Officer and as a Director on April 1, 1994. As stated in the Company's Proxy Statement, the relevant pages of which are incorporated in Item 10, upon the request of the Board of Directors, Mr. Lippincott has agreed to stand for election as a Director at the Company's 1994 Annual Meeting of Shareholders and to serve as a Director and as Chairman and Chief Executive Officer until his successor has been duly elected and qualified.
- (/2/) Mr. Leaman served as President of Scott Worldwide since November 1986.
- (/3/) Mr. Andes served as Managing Director of Scott Limited since January 1988.
- (/4/) Mr. Bakhru served as the Company's Chief Financial Officer since April 1985.
- (/5/) Mr. Butler served as Senior Vice President in charge of Scott Worldwide's European Operations since January 1989 and as Vice President in charge of Scott Worldwide's Pacific Operations since November 1986.
- (/6/) Mr. Schregel served as Senior Vice President in charge of the Americas Region since April 1991 and as Senior Vice President in charge of Scott Worldwide's North American Operations since November 1986.
- (/7/) Mr. White served as Senior Vice President in charge of Scott Worldwide's Pacific Operations since April 1991, as Vice President of Scott Worldwide's Pacific Operations since February 1989, and as Vice President in charge of Scott Worldwide's North American Commercial Business since November 1986.
- (/8/) Mr. Anderson served as Vice President since February 1988 and as

Treasurer since January 1987.

(/9/) Mr. Horwitz served as Vice President and General Counsel--North American Operations since August 1987.

(/10/) Mr. Salvucci served as Division Vice President of Scott Worldwide in charge of papermaking technologies since January 1987.

13

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

See the text under the heading "Stock Exchange Listings" on page 37 of the Company's 1993 Annual Report to Shareholders, the market price and dividend information under the heading "Quarterly Highlights" on page 35 thereof, and the row "Number of common shareholders" on page 36 thereof, which portions of said pages are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

See page 36 of the Company's 1993 Annual Report to Shareholders, which page is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See the text under the heading "Management's Discussion and Analysis" on pages 13-18 of the Company's 1993 Annual Report to Shareholders and the portions of pages 23 and 24 thereof which are referred to in said "Management's Discussion and Analysis," all of which pages or portions thereof, as the case may be, are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the financial statements on pages 19-35 and the information under "Quarterly Highlights" on page 35 of the Company's 1993 Annual Report to Shareholders, all of which pages or portions thereof, as the case may be, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

This item is inapplicable to the Company.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

For information with respect to the Company's Directors and Director nominees, see the information under the heading "Election of Directors" on pages 3-7 of the Company's Proxy Statement dated March 11, 1994, which pages are incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

See pages 8-19 of the Company's Proxy Statement dated March 11, 1994, which pages are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See the information under the headings "Ownership of Shares" on pages 2 and 7-8 of the Company's Proxy Statement dated March 11, 1994, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

This item is inapplicable to the Company.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) FINANCIAL STATEMENTS: The financial statements, including the financial statement schedules, are listed in the Index to Financial Statements on page 17 hereof.

(b) REPORTS ON FORM 8-K: A report on Form 8-K, with disclosure under Item 5, was filed November 29, 1993.

14

(c) EXHIBITS:

<TABLE>

<CAPTION>

NUMBER

DESCRIPTION

<C> <S>

- | | |
|------|--|
| 3(a) | --The Company's Articles, as amended effective April 22, 1987, incorporated by reference to Exhibit 3(a) to the Company's 1989 Annual Report on Form 10-K. |
| 3(b) | --The Company's Bylaws, as amended effective October 19, 1993. |
| 4(a) | --Rights Agreement dated as of July 15, 1986 between the Company and Morgan Guaranty Trust Company of New York, as Rights Agent, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated July 16, 1986, as amended May 17, 1988 and October 18, 1988, such amendments being incorporated by reference to Exhibits 1 and 2, respectively, to the Company's Current Report on Form 8-K dated November 28, 1988. |
| 4(b) | --Indenture dated as of October 1, 1989 between the Company and The Chase Manhattan Bank (National Association), as Trustee, incorporated by reference to Exhibit 4 filed with the Company's Current Report on Form 8-K dated October 20, 1989. |
| 4(c) | --In reliance upon Item 601(b)(4)(iii)(A) of Regulation S-K, there are not being filed various instruments defining the rights of holders of |

long-term debt of the Company and its subsidiaries, because the total amount of securities authorized under each instrument does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish a copy of any such instrument to the Commission upon request.

- 10(a)* --The Company's 1979 Stock Option Plan, as amended, incorporated by reference to Exhibit A to the prospectus contained in Registration Statement No. 33-28777 on Form S-8, filed with the Commission on May 19, 1989.
- 10(b)* --The Company's 1986 Stock Option and Restricted Stock Plan, as amended, incorporated by reference to Exhibit B to the prospectus contained in Registration Statement No. 33-28777 on Form S-8, filed with the Commission on May 19, 1989.
- 10(c)* --The Company's 1989 Stock Option and Restricted Stock Plan, incorporated by reference to Exhibit C to the prospectus contained in Registration Statement No. 33-28777 on Form S-8, filed with the Commission on May 19, 1989.
- 10(d)* --The Company's Performance Plan, including Schedule 1 thereto, as amended effective January 1, 1993, incorporated by reference to Exhibit 10(d) to the Company's 1992 Annual Report on Form 10-K.
- 10(e)* --The Company's Performance Award Deferral Plan, as amended effective April 16, 1991, incorporated by reference to Exhibit 10(e) to the Company's 1991 Annual Report on Form 10-K.
- 10(f)* --The Company's Supplemental Executive Retirement Plan, as amended, incorporated by reference to Exhibit 10(f) to the Company's 1989 Annual Report on Form 10-K.
- 10(g)* --The Company's Directors' Deferred Compensation Plan, as amended effective September 21, 1993, incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the third quarter of 1993.
- 10(h)* --The Company's Directors' Retirement Benefit Plan, incorporated by reference to Exhibit 10(i) to the Company's 1987 Annual Report on Form 10-K.
- 10(i)* --The Company's Deferred Compensation Plan, as amended, incorporated by reference to Exhibit 10(i) to the Company's 1988 Annual Report on Form 10-K.
- 10(j)* --The Company's Supplemental Long-Term Disability Plan, established as of July 1, 1992, incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the second quarter of 1993.
- 10(k)* --Employment agreements between the Company and Philip E. Lippincott, J. Richard Leaman, Jr. and Ashok N. Bakhru, incorporated by reference to Exhibit 10(k) to the Company's 1987 Annual Report on Form 10-K and Exhibit 10(j) to the Company's 1989 Annual Report on Form 10-K; form of agreement renewing these agreements, incorporated by reference to Exhibit 10(j) to the Company's 1991 Annual Report on Form 10-K; and form of notice given in October 1993 terminating these agreements effective October 31, 1994.
- 10(l)* --Agreement dated April 10, 1991 between the Company and J. R. Leaman, Jr., incorporated by reference to Exhibit 10(k) to the Company's 1992 Annual Report on Form 10-K.
- 10(m)* --Agreement between the Company and Philip E. Lippincott, dated January 25, 1994.
- 12 --Statement re computation of ratio of earnings to fixed charges.

- 13 --The Company's 1993 Annual Report to Shareholders.
- 21 --The Company's Subsidiaries.
- 23 --Consent of Independent Accountants.
- 24 --Power of Attorney.

</TABLE>

- - - - -

* These items are management contracts or compensatory plans or arrangements required to be filed as an exhibit to this form pursuant to Item 14(c) of this report.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Scott Paper Company

(REGISTRANT)

/s/ Philip E. Lippincott

By _____
PHILIP E. LIPPINCOTT CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Date: March 23, 1994

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE AND TITLE

DATE

/s/ Philip E. Lippincott

March 23, 1994

By _____
PHILIP E. LIPPINCOTT CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

/s/ Basil L. Anderson

March 23, 1994

By _____
BASIL L. ANDERSON VICE PRESIDENT,
TREASURER AND CHIEF FINANCIAL
OFFICER

/s/ Edward B. Betz

March 23, 1994

By _____
EDWARD B. BETZ VICE PRESIDENT AND
CONTROLLER

PURSUANT TO GENERAL INSTRUCTION D TO FORM 10-K, THIS REPORT HAS BEEN SIGNED BELOW BY A MAJORITY OF THE BOARD OF DIRECTORS:

Jack J. Crocker	Philip E. Lippincott
Pierre J. Everaert	Richard K. Lochridge
John F. Fort, III	Bruce K. MacLaury
William H. Gray, III	Claudine B. Malone
Peter Harf	Gary L. Roubos
J. Richard Leaman, Jr.	Paula Stern

A majority of the Board of Directors

/s/ Frank W. Bubb, III

By _____

FRANK W. BUBB, III
ATTORNEY-IN-FACT

Date: March 23, 1994

16

INDEX TO FINANCIAL STATEMENTS

The consolidated financial statements, together with the report thereon of Price Waterhouse dated January 25, 1994, appearing on pages 19 through 35 of the accompanying 1993 Annual Report to Shareholders, are incorporated by reference in this Annual Report on Form 10-K as Exhibit 13. With the exception of the aforementioned information and the information incorporated by reference in Items 1, 5, 6, 7 and 8, the 1993 Annual Report to Shareholders is not to be deemed filed as part of this report. The following Financial Statement Schedules should be read in conjunction with the consolidated financial statements in such 1993 Annual Report to Shareholders:

<TABLE>
<CAPTION>

	PAGE

<C> <S>	<C>
Report of Independent Accountants on Financial Statement Schedules.....	18
Financial Statement Schedules:	
II -- Amounts Receivable from Related Parties and Employees Other Than Related Parties.....	19
V -- Property, Plant and Equipment.....	20
VI -- Accumulated Depreciation of Property, Plant and Equipment.....	21
VIII -- Valuation and Qualifying Accounts.....	22
X -- Supplementary Income Statement Information.....	23

</TABLE>

Financial statement schedules other than those listed above are omitted because they are not applicable or the required information is shown in the consolidated financial statements or the related financial review.

Columns omitted from schedules filed have been omitted because the information is not applicable.

Separate financial statements for each 50% or less owned affiliate have been omitted because the registrant's proportionate share of each such company's profit before income taxes and total assets is less than 20% of the respective consolidated amounts and the registrant's investment in and advances to each such company are less than 20% of the consolidated total assets of the registrant.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors Scott Paper Company

Our audits of the consolidated financial statements referred to in our report dated January 25, 1994 appearing on page 19 of the 1993 Annual Report to Shareholders of Scott Paper Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedules listed on page 17 of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse

Philadelphia, Pennsylvania
January 25, 1994

SCOTT PAPER COMPANY

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND EMPLOYEES OTHER THAN RELATED PARTIES

(THOUSANDS OF DOLLARS)

<TABLE>

<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
NAME OF DEBTOR	BALANCE AT BEGINNING OF YEAR	ADDITIONS	DEDUCTIONS	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>
Year 1993				
Robert DiLuzio (/1/)	\$--	\$235.5	\$--	\$235.5
	===	=====	===	=====

</TABLE>

(/1/)Note for house loan due April 6, 1994; interest rate 3.62%.

SCOTT PAPER COMPANY

SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT

(MILLIONS OF DOLLARS)

<TABLE>

<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS AT COST	RETIREMENTS	OTHER CHANGES ADD (DEDUCT) *	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Year 1993					
Plant Assets					
Land.....	\$ 70.6	\$ 7.3	\$ (.6)	\$ (4.3)	\$ 73.0
Buildings.....	850.7	66.8	(.3)	(21.5)	895.7
Machinery & Equipment.	6,137.8	376.6	(51.4)	(132.8)	6,330.2
	-----	-----	-----	-----	-----
	\$7,059.1	\$450.7	\$ (52.3)	\$ (158.6) (/1/)	\$7,298.9
	=====	=====	=====	=====	=====
Timber Resources.....	\$ 111.7	\$ 7.1	\$ --	\$ (5.8) (/2/)	\$ 113.0
	=====	=====	=====	=====	=====
Year 1992					
Plant Assets					
Land.....	\$ 68.6	\$ 5.6	\$ --	\$ (3.6)	\$ 70.6
Buildings.....	874.0	10.1	(.3)	(33.1)	850.7
Machinery & Equipment.	6,120.9	307.3	(42.8)	(247.6)	6,137.8
	-----	-----	-----	-----	-----
	\$7,063.5	\$323.0	\$ (43.1)	\$ (284.3) (/1/)	\$7,059.1
	=====	=====	=====	=====	=====
Timber Resources.....	\$ 108.1	\$ 6.7	\$ (.1)	\$ (3.0) (/2/)	\$ 111.7
	=====	=====	=====	=====	=====
Year 1991					
Plant Assets					
Land.....	\$ 73.4	\$.1	\$ (1.2)	\$ (3.7)	\$ 68.6
Buildings.....	868.8	19.9	(4.6)	(10.1)	874.0
Machinery & Equipment.	6,027.9	288.5	(72.5)	(123.0)	6,120.9
	-----	-----	-----	-----	-----
	\$6,970.1	\$308.5	\$ (78.3)	\$ (136.8) (/1/)	\$7,063.5
	=====	=====	=====	=====	=====
Timber Resources.....	\$ 108.5	\$ 6.1	\$ (.4)	\$ (6.1) (/2/)	\$ 108.1
	=====	=====	=====	=====	=====

</TABLE>

*Includes foreign currency translation adjustments in accordance with FAS No. 52.

(/1/) Includes activities related to businesses divested as part of the Company's business improvement program.

(/2/) Primarily includes cost of timber harvested and amortization of logging roads which are credited directly to the asset.

SCOTT PAPER COMPANY

SCHEDULE VI--ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
(MILLIONS OF DOLLARS)

<TABLE>

<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS	OTHER CHANGES ADD (DEDUCT) *	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Year 1993					
Buildings.....	\$ 213.7	\$ 18.8	\$ (.2)	\$ (.7)	\$ 231.6
Machinery & Equipment.	2,876.9	256.7	(39.9)	(50.3)	3,043.4
	-----	-----	-----	-----	-----
	\$3,090.6	\$275.5	\$ (40.1)	\$ (51.0) (/1/)	\$3,275.0
	=====	=====	=====	=====	=====
Year 1992					
Buildings.....	\$ 205.3	\$ 19.2	\$ (.2)	\$ (10.6)	\$ 213.7
Machinery & Equipment.	2,771.9	241.7	(30.9)	(105.8)	2,876.9
	-----	-----	-----	-----	-----
	\$2,977.2	\$260.9	\$ (31.1)	\$ (116.4) (/1/)	\$3,090.6
	=====	=====	=====	=====	=====
Year 1991					
Buildings.....	\$ 191.5	\$ 16.9	\$ (.5)	\$ (2.6)	\$ 205.3
Machinery & Equipment.	2,506.2	312.9	(55.2)	8.0	2,771.9
	-----	-----	-----	-----	-----
	\$2,697.7	\$329.8	\$ (55.7)	\$ 5.4 (/1/)	\$2,977.2
	=====	=====	=====	=====	=====

</TABLE>

* Includes foreign currency translation adjustments in accordance with FAS No. 52.

(/1/) Includes activities related to businesses to be divested as part of the Company's business improvement program.

SCOTT PAPER COMPANY

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS

(MILLIONS OF DOLLARS)

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS (/1/)	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>
Year 1993				
*Allowance for customer:				
Discounts & allowances.....	\$18.9	\$2.6	\$ (8.2)	\$13.3
Doubtful items	11.7	4.5	(4.2)	12.0
	-----	----	-----	-----
	\$30.6	\$7.1	\$ (12.4)	\$25.3
	=====	=====	=====	=====
Year 1992				
*Allowance for customer:				
Discounts & allowances.....	\$18.1	\$1.4	\$ (.6)	\$18.9
Doubtful items	10.1	5.6	(4.0)	11.7
	-----	----	-----	-----
	\$28.2	\$7.0	\$ (4.6)	\$30.6
	=====	=====	=====	=====
Year 1991				
*Allowance for customer:				
Discounts & allowances.....	\$23.7	\$ (.6)	\$ (5.0)	\$18.1
Doubtful items.....	11.4	3.8	(5.1)	10.1
	-----	----	-----	-----
	\$35.1	\$3.2	\$ (10.1)	\$28.2
	=====	=====	=====	=====

</TABLE>

*Applied as deductions from the receivables account.

(/1/) Consists of writeoffs, net of recoveries, and foreign currency translation adjustments in accordance with FAS No. 52.

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>
Year 1993				
Deferred Taxes Valuation Allowance.....	--	\$174.5 (/1/)	--	\$174.5
	===	=====	===	=====

</TABLE>

(/1/) Includes \$92.7 million due to the adoption of FAS No. 109 in the first quarter.

SCOTT PAPER COMPANY

SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

(MILLIONS OF DOLLARS)

<TABLE>

<CAPTION>

	CHARGED TO COSTS AND EXPENSES				
	1993 (/1/)	1992 (/1/)	(/2/)	1991 (/1/)	(/2/)
<S>	<C>	<C>		<C>	
Maintenance and repairs	\$278.2	\$277.3		\$314.8	
Advertising costs	81.1	100.0		89.1	
Property taxes	36.6	37.8		38.0	

</TABLE>

(/1/) These results exclude activities related to businesses divested as part of the Company's business improvement program.

(/2/) Revised to reflect the inclusion of costs related to the specialty papers business.

EXHIBIT INDEX

<TABLE>

<CAPTION>

NUMBER	DESCRIPTION
<C>	<S>
3(a)	--The Company's Articles, as amended effective April 22, 1987, incorporated by reference to Exhibit 3(a) to the Company's 1989 Annual Report on Form 10-K.
3(b)	--The Company's Bylaws, as amended effective October 19, 1993
4(a)	--Rights Agreement dated as of July 15, 1986 between the Company and Morgan Guaranty Trust Company of New York, as Rights Agent, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated July 16, 1986, as amended May 17, 1988 and October 18, 1988, such amendments being incorporated by reference to Exhibits 1 and 2, respectively, to the Company's Current Report on Form 8-K dated November 28, 1988.
4(b)	--Indenture dated as of October 1, 1989 between the Company and The Chase Manhattan Bank (National Association), as Trustee,

incorporated by reference to Exhibit 4 filed with the Company's Current Report on Form 8-K dated October 20, 1989.

- 4(c) --In reliance upon Item 601(b)(4)(iii)(A) of Regulation S-K, there are not being filed various instruments defining the rights of holders of long-term debt of the Company and its subsidiaries, because the total amount of securities authorized under each instrument does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish a copy of any such instrument to the Commission upon request.
- 10(a) --The Company's 1979 Stock Option Plan, as amended, incorporated by reference to Exhibit A to the prospectus contained in Registration Statement No. 33-28777 on Form S-8, filed with the Commission on May 19, 1989.
- 10(b) --The Company's 1986 Stock Option and Restricted Stock Plan, as amended, incorporated by reference to Exhibit B to the prospectus contained in Registration Statement No. 33-28777 on Form S-8, filed with the Commission on May 19, 1989.
- 10(c) --The Company's 1989 Stock Option and Restricted Stock Plan, incorporated by reference to Exhibit C to the prospectus contained in Registration Statement No. 33-28777 on Form S-8, filed with the Commission on May 19, 1989.
- 10(d) --The Company's Performance Plan, including Schedule 1 thereto, as amended effective January 1, 1993, incorporated by reference to Exhibit 10(d) to the Company's 1992 Annual Report on Form 10-K.
- 10(e) --The Company's Performance Award Deferral Plan, as amended effective April 16, 1991, incorporated by reference to Exhibit 10(e) to the Company's 1991 Annual Report on Form 10-K.
- 10(f) --The Company's Supplemental Executive Retirement Plan, as amended, incorporated by reference to Exhibit 10(f) to the Company's 1989 Annual Report on Form 10-K.
- 10(g) --The Company's Directors' Deferred Compensation Plan, as amended effective September 21, 1993, incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the third quarter of 1993.
- 10(h) --The Company's Directors' Retirement Benefit Plan, incorporated by reference to Exhibit 10(i) to the Company's 1987 Annual Report on Form 10-K.
- 10(i) --The Company's Deferred Compensation Plan, as amended, incorporated by reference to Exhibit 10(i) to the Company's 1988 Annual Report on Form 10-K.
- 10(j) --The Company's Supplemental Long-Term Disability Plan, established as of July 1, 1992, incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the second quarter of 1993.
- 10(k) --Form of employment agreements between the Company and Philip E. Lippincott, J. Richard Leaman, Jr. and Ashok N. Bakhru, incorporated by reference to Exhibit 10(k) to the Company's 1987 Annual Report on Form 10-K and Exhibit 10(j) to the Company's 1989 Annual Report on Form 10-K; form of agreement renewing these agreements, incorporated by reference to Exhibit 10(j) to the Company's 1991 Annual Report on Form 10-K; and form of notice given in October 1993 terminating these agreements,

effective October 31, 1994

10(1) --Agreement dated April 10, 1991 between the Company and J. R. Leaman, Jr., incorporated by reference to Exhibit 10(k) to the Company's 1992 Annual Report on Form 10-K.

10(m) --Agreement between the Company and Philip E. Lippincott, dated January 25, 1994

12 --Statement re computation of ratio of earnings to fixed charges

13 --The Company's 1993 Annual Report to Shareholders

21 --The Company's Subsidiaries

23 --Consent of Independent Accountants

24 --Power of Attorney

</TABLE>

BYLAWS

of

SCOTT PAPER COMPANY
(a Pennsylvania Registered Corporation)

[As Amended Effective October 19, 1993]

ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered Office. The registered office of the corporation

in the Commonwealth of Pennsylvania shall be at Industrial Highway at Tinicum Island Road, Delaware County, until otherwise established by the Board of Directors and a record of such change is filed with the Department of State in the manner provided by law, and the post office address shall be Scott Plaza, Philadelphia, Pennsylvania 19113.

Section 1.02. Other Offices. The corporation may also have offices at

such other places within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal Year. The fiscal year of the corporation shall end

on the last Saturday in December of each year.

ARTICLE II

Notice, Waivers and Meetings Generally

Section 2.01. Manner of Giving Notice.

(a) General Rule. Whenever written notice is required to be given to any

person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by any class of mail permitted under the Business Corporation Law, postage prepaid, or by telegram (with messenger service specified), or courier service, charges prepaid, or by telecopier, to the address (or to the telecopier

or telephone number) of the person appearing on the books of the corporation or, in the case of Directors, supplied by the Director to the corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telecopier, when transmitted. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(b) Adjourned Shareholder Meetings. When a meeting of shareholders is

adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the Board of Directors fixes a new record date for the adjourned meeting.

Section 2.02. Notice of Meetings of Board of Directors. Notice of a

regular meeting of the Board of Directors need not be given. Notice of every special meeting of the Board of Directors shall be given to each Director by

1

telephone or in writing at least 24 hours (in the case of notice by telephone) or 48 hours (in the case of notice by telecopier, telegram, courier service or express mail) or three days (in the case of notice by first-class mail) before the time at which the meeting is to be held. Every such notice shall state the date, time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in a notice of the meeting.

Section 2.03. Notice of Meetings of Shareholders.

(a) General Rule. Written notice of every meeting of the shareholders

shall be given by, or at the direction of, the Secretary to each shareholder of record entitled to vote at the meeting at least (1) ten days prior to the day named for a meeting called to consider amendment of the articles or adoption of a plan of merger, consolidation, exchange, asset transfer, division or conversion or adoption of a proposal of dissolution or (2) five days prior to the day named for the meeting in any other case. If the Secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws. In the case of a

meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal

of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

Section 2.04. Waiver of Notice.

(a) Written Waiver. Whenever any written notice is required to be given

under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Except as otherwise required by this subsection, neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting. In the case of a special meeting of shareholders, the waiver of notice shall specify the general nature of the business to be transacted.

(b) Waiver by Attendance. Attendance of a person at any meeting shall

constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05. Use of Conference Telephone and Similar Equipment. One or

more persons may participate in a meeting of the Board of Directors, and if so specified by a resolution of the Board of Directors with respect to a meeting of the shareholders of the corporation, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

Shareholders

Section 3.01. Place of Meetings. All meetings of the shareholders of the

corporation shall be held at the registered office of the corporation unless another place has been designated by the Board of Directors and is set forth in the notice of such meeting.

Section 3.02. Annual Meeting. The Board of Directors may fix and

designate the date and time of the annual meeting of the shareholders, but if no such date and time is fixed and designated by the Board of Directors, the

meeting for any calendar year shall be held on the third Tuesday of April in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, at ten o'clock a.m., and at said meeting the shareholders then entitled to vote shall elect Directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call the meeting at any time thereafter.

Section 3.03. Special Meetings. Special meetings of the shareholders may

be called at any time by resolution of the Board of Directors, which may fix the date, time and place of the meeting. If the Board does not fix the date, time or place of the meeting, it shall be the duty of the Secretary to do so. A date fixed by the Secretary shall not be more than 60 days after the date of the adoption of the resolution of the Board calling the special meeting.

Section 3.04. Quorum and Adjournment.

(a) General Rule. A meeting of shareholders of the corporation duly

called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the Board of Directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a Quorum. The shareholders present at a duly organized

meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments Generally. Any regular or special meeting of the

shareholders, including one at which Directors are to be elected and one which cannot be organized because of absence of a quorum, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct.

(d) Electing Directors at Adjourned Meeting. Those shareholders entitled

to vote who attend a meeting called for the election of Directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing Directors.

(e) Other Action in Absence of Quorum. Those shareholders entitled to

vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 3.05. Action by Shareholders. Except as otherwise provided in the

Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized by a majority of the votes cast at a duly organized meeting of shareholders by the holders of shares entitled to vote thereon. Except when acting by unanimous consent to remove a Director or Directors, the shareholders of the corporation may act only at a duly organized meeting.

Section 3.06. Organization. At every meeting of the shareholders, the

Chairman of the Board, if there be one, or in the case of vacancy in office or absence of the Chairman of the Board, one of the following officers present in the order stated: the Vice Chairman of the Board, if there be one, the President, the Vice Presidents in their order of rank and seniority, or a Chairman chosen by vote of the shareholders present, shall act as Chairman. The Secretary, or, in the absence of the Secretary, an Assistant Secretary, or in the absence of both the Secretary and every Assistant Secretary, a person appointed by the Chairman shall act as Secretary.

Section 3.07. Voting Rights of Shareholders. Unless otherwise provided in

the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

Section 3.08. Determination of Shareholders of Record.

(a) Fixing Record Date. The Board of Directors may fix a time prior to

the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any record date fixed as provided in this subsection. The Board of Directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the Board of Directors fixes a new record date for

the adjourned meeting.

(b) Determination When No Record Date Fixed. If a record date is not

fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day immediately preceding the day on which notice is given.

(2) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(c) Certification by Nominee. The Board of Directors may adopt a

procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. Upon receipt by the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the shareholder making the certification.

Section 3.09. Voting and Other Action by Proxy.

(a) General Rule.

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by a proxy of a shareholder shall constitute the presence of, or vote or action by the shareholder.

4

(3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Minimum Requirements. Every proxy shall be executed in writing by the

shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the Secretary of the corporation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not

be effective until written notice thereof has been given to the Secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the Secretary of the corporation.

(c) Expenses. The corporation shall pay the reasonable expenses of

solicitation of votes, proxies or consents of shareholders by or on behalf of the Board of Directors or its nominees for election to the Board, including solicitation by professional proxy solicitors and otherwise.

Section 3.10. Voting by Corporations. -----

(a) Voting by Corporate Shareholders. Any corporation that is a

shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the Board of Directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the Secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares. Shares of this corporation owned, directly or

indirectly, by it and controlled, directly or indirectly, by the Board of Directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

Section 3.11. Voting Lists. -----

(a) General Rule. The officer or agent having charge of the transfer

books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof except that, if the corporation has 5,000 or more shareholders, in lieu of the making of the list the corporation may make the information required therein available at the meeting by any other means.

(b) Effect of List. Failure to comply with the requirements of this

section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine

the list. The original share register or transfer book, or a duplicate thereof kept in the Commonwealth of Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

Section 3.12. Judges of Election.

(a) Appointment. In advance of any meeting of shareholders of the

corporation, the Board of Directors may appoint judges of election, who need not be shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for an office to be filled at the meeting shall not act as a judge.

(b) Vacancies. In case any person appointed as a judge fails to appear or

fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties. The judges of election shall determine the number of shares

outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report. On request of the presiding officer of the meeting or of any

shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 3.13. Nominations for Director.

A nomination for election of a Director may be made by any shareholder entitled to vote for the election of Directors only if written notice (the "Notice") of such shareholder's intent to nominate a Director at the meeting is given by the shareholder and received by the Secretary of the corporation in the

manner and within the time specified herein. The Notice shall be delivered to the Secretary of the corporation not less than 60 days prior to the date fixed by these bylaws for the annual meeting of shareholders; provided, however, that if Directors are to be elected by the shareholders at any other time, the Notice shall be delivered to the Secretary of the corporation not later than the seventh day following the day on which notice of the meeting was first mailed to shareholders. In lieu of delivery to the Secretary of the corporation, the Notice may be mailed to the Secretary of the corporation by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the Secretary of the corporation.

The Notice shall be in writing and shall contain or be accompanied by:

(a) the name and residence of such shareholder;

(b) a representation that the shareholder is a holder of the corporation's voting stock and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the Notice:

(c) such information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to Regulation 14A of the rules and regulations established by the Securities Exchange Act of 1934 (or pursuant to any successor act or regulation) had proxies been solicited with respect to such nominee by the management or Board of Directors of the corporation:

6

(d) a description of all arrangements or understandings among the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which such nomination or nominations are to be made by the shareholder; and

(e) the consent of each nominee to serve as Director of the corporation if so elected.

The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the foregoing procedures and, in such event, the nomination shall be disregarded.

The Board of Directors shall determine in good faith whether the proposed nominee meets the qualifications for Director as set forth in these bylaws or in a resolution approved by the Board of Directors or the committee of the Board of Directors responsible for identifying candidates for Director.

ARTICLE IV

Board of Directors

Section 4.01. Powers; Personal Liability.

(a) General Rule. Unless otherwise provided by the Business Corporation

Law, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

(b) Personal Liability of Directors.

A Director shall not be personally liable for monetary damages, as such, for any action taken, or any failure to take any action, unless the Director has breached or failed to perform the duties of his or her office under Section 1721 of the Business Corporation Law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of a Director pursuant to any criminal statute or the liability of a Director for the payment of taxes pursuant to local, state or federal law.

(The provisions of this subsection (b) were first adopted by the shareholders of the corporation on April 21, 1987 and referenced the predecessor to Section 1721 of the Business Corporation Law.)

(c) Notation of Dissent. A Director who is present at a meeting of the

Board of Directors, or of a committee of the Board, at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the Director files a written dissent to the action with the Secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the Secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a Director who voted in favor of the action. Nothing in this section shall bar a Director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the Director notifies the Secretary, in writing, of the asserted omission or inaccuracy.

Section 4.02. Qualifications and Selection of Directors.

(a) Qualifications. No person shall be eligible to serve as a Director

(1) unless he or she is a natural person of full age, (2) unless he or she is a shareholder of the corporation, (3) after the termination of his or her service as an officer of the corporation, unless his or her further service as a Director is approved by resolution of the Board, or (4) after the Annual

Meeting of Shareholders coincident with or next following his or her attainment of age seventy (70). When any person serving as a Director shall cease to be eligible to serve as such pursuant to item (2), (3) or (4) of the foregoing requirements, he or she shall immediately cease to be a Director and his or her

office shall thereupon become vacant.

(b) Selection. Except as otherwise provided in these bylaws, Directors of

the corporation shall be elected by the shareholders. If prior to any such election the Chairman or the Secretary shall receive notice that any person, who is listed as a nominee for the office of Director in the proxy statement that is mailed to the shareholders in connection with such meeting, has for any reason become unable or unwilling to serve as a Director, the number of Directors to be elected at such meeting shall automatically be reduced by the number of such persons, but without limiting the authority of the Board of Directors to increase or further decrease the number of Directors either prior or subsequent to such meeting.

Section 4.03. Number and Term of Office.

(a) Number. The Board of Directors shall consist of such number of

Directors, not less than ten (10) nor more than seventeen (17), as may be determined from time to time by resolution of the Board of Directors.

(b) Term of Office. Each Director shall hold office for one year and

until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of Directors shall not have the effect of shortening the term of any incumbent Director.

(c) Resignation. Any Director may resign at any time upon written notice

to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

Section 4.04. Vacancies. Vacancies in the Board of Directors, including

vacancies resulting from an increase in the number of Directors, may be filled by a majority vote of the remaining members of the Board of Directors though less than a quorum, or by a sole remaining Director, and each person so selected shall be a Director to serve until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

Section 4.05. Removal of Directors.

(a) Removal by the Shareholders. The entire Board of Directors or any

individual Director may be removed from office by vote of the shareholders entitled to vote thereon without assigning any cause. In case the Board or any one or more Directors are so removed, new Directors may be elected at the same meeting.

(b) Removal by the Board. The Board of Directors may declare vacant the

office of a Director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the Director does not accept the office either in writing or by attending a meeting of the Board of Directors.

Section 4.06. Place of Meetings. Meetings of the Board of Directors may

be held at such place within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.07. Organization of Meetings. At every meeting of the Board of

Directors, the Chairman of the Board, if there be one, or, in the case of a vacancy in the office or absence of the Chairman of the Board, any other officer

then serving as Chief Executive Officer, that Vice Chairman of the Board who is most senior in his or her service as a Director and is present, the President, that Vice President who is most senior in his or her service as a Director and is present, or a Chairman chosen by a majority of the Directors present, shall preside. The Secretary, or, in the absence of the Secretary, an Assistant Secretary, or in the absence of the Secretary and every Assistant Secretary, any person appointed by the Chairman of the meeting, shall act as Secretary.

Section 4.08. Regular Meetings. Regular meetings of the Board of

Directors shall be held on the third Tuesday of every month except in January, when it shall be on the last Tuesday, and except in June, August and December, when no meeting is scheduled. The meetings shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors or by the Chairman of the Board in a notice given in accordance with these bylaws. The Chairman of the Board may postpone any regular meeting by giving notice, provided that two consecutive regular meetings may not be postponed unless authorized by a resolution of the Board of Directors.

Section 4.09. Special Meetings. Special meetings of the Board of

Directors shall be held whenever called by the Chairman or by two or more of the Directors.

Section 4.10. Quorum of and Action by Directors.

(a) General Rule. A majority of the Directors in office of the

corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the Directors present and voting at a

meeting at which a quorum is present shall be the acts of the Board of Directors.

(b) Action by Written Consent. Any action required or permitted to be

taken at a meeting of the Directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the Directors in office is filed with the Secretary of the corporation.

Section 4.11. Committees of the Board.

(a) Establishment and Powers. The Board of Directors may, by resolution

adopted by a majority of the Directors in office, establish one or more committees to consist of one or more Directors of the corporation. Any committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all of the powers and authority of the Board of Directors except that a committee shall not have any power or authority as to the following:

- (1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.
- (2) The creation or filling of vacancies in the Board of Directors.
- (3) The adoption, amendment or repeal of these bylaws.
- (4) The amendment or repeal of any resolution of the Board of Directors that by its terms is amendable or repealable only by the Board of Directors.
- (5) Action on matters committed by a resolution of the Board of Directors to another committee of the Board of Directors.

(b) Alternate Committee Members. The Board may designate one or more

Directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate member or members of a committee, the member or members

thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another Director to act at the meeting in the place of the absent or disqualified member.

(c) Term. Each committee of the Board of Directors shall serve at the

pleasure of the Board of Directors.

(d) Committee Procedures. The term "Board of Directors" when used in any

provision of these bylaws relating to the organization or procedures of or the manner of taking action by the Board of Directors, shall be construed to include and refer to any committee of the Board of Directors.

Section 4.12. Compensation. The Board of Directors shall have the

authority to fix the compensation of Directors for their services as Directors and a Director may be a salaried officer of the corporation.

Section 4.13. Exercise of Fiduciary Duty. In taking action in the best

interests of the Company, the Board shall consider the long-term interests of shareholders, in addition to considering any other factors that may be pertinent, and shall always endeavor to take such action in a manner that enhances the long-term interests of shareholders.

ARTICLE V

Officers

Section 5.01. Officers Generally.

(a) Number, Qualifications and Designation. The officers of the

corporation shall be a President, one or more Vice Presidents (of whom, if there are more than one, one or more may be an Executive Vice President, Vice President and Group Executive, Senior Vice President, or bear such other title as may be designated by the Board of Directors), a Secretary, a Treasurer, a Controller and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be Directors or shareholders of the corporation. The President and Secretary shall be natural persons of full age. The Treasurer may be a corporation but, if a natural person, shall be of full age. The Board of Directors may elect from among the members of the Board a Chairman of the Board and one or more Vice Chairmen of the Board, all of whom shall be officers of the corporation. Any number of offices may be held by the same person, except that the same person shall not be Treasurer and Controller.

(b) Bonding. The corporation may secure the fidelity of any or all of its

officers by bond or otherwise.

Section 5.02. Election, Term of Office and Resignations.

(a) Election and Term of Office. The officers of the corporation, except

those elected by delegated authority pursuant to Section 5.03, shall be elected annually by the Board of Directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or

until his or her earlier death, resignation or removal.

(b) Resignations. Any officer may resign at any time upon written notice

to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

Section 5.03. Subordinate Officers, Committees and Agents. The Board of

Directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more Assistant Secretaries and one or more Assistant Treasurers, each of whom shall hold office for such period, have such authority,

10

and perform such duties as are provided in these bylaws, or as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04. Removal of Officers and Agents. Any officer, committee,

employee or agent of the corporation may be removed, with or without cause, by the Board of Directors and, if elected by an officer or committee given such power by Section 5.03, by such officer or committee. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer, committee, employee or agent shall not of itself create contract rights.

Section 5.05. Vacancies. A vacancy in any office because of death,

resignation, removal, disqualification, or any other cause, may be filled by the Board of Directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 5.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.06. Authority. All officers of the corporation, as between

themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the Board of Directors or, in the absence of controlling provisions in the resolutions or orders of the Board of Directors, as may be determined by or pursuant to these bylaws.

Section 5.07. The Chief Executive Officer. The Chief Executive Officer of

the corporation shall have general supervision over the business and operations

of the corporation, subject however, to the control of the Board of Directors. The Chief Executive Officer shall sign, execute and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these bylaws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of a president of a corporation and such other duties as from time to time may be assigned by the Board of Directors. If a Chief Executive Officer has not been elected by the Board of Directors and a President of the corporation has been elected, the President shall perform the duties of the Chief Executive Officer.

Section 5.08. The Chairman and Vice Chairman of the Board. The Chairman

of the Board or in the absence of the Chairman, the Vice Chairman of the Board, shall preside at all meetings of the shareholders and of the Board of Directors, and shall perform such other duties as may from time to time be requested by the Board of Directors.

Section 5.09. The Vice Presidents. In the absence or unavailability of

the Chief Executive Officer or the President, if there be one, the Vice Presidents shall perform the duties of the President and such other duties as may from time to time be assigned to them by the Board of Directors, the Chief Executive Officer and the President.

Section 5.10. The Secretary. The Secretary or an Assistant Secretary

shall attend all meetings of the shareholders and of the Board of Directors and shall record all the votes of the shareholders and of the Board of Directors and the minutes of the meetings of the shareholders and of the Board of Directors and of committees of the Board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under

its seal; and, in general, shall perform all duties incident to the office of Secretary, and such other duties as may from time to time be assigned by the Board of Directors, the Chief Executive Officer and the President.

Section 5.11. The Treasurer. The Treasurer or an Assistant Treasurer

shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as Treasurer in such banks or other places of deposit as the Board of Directors may from time to time designate; shall, whenever so required by the Board of Directors, render an account showing all transactions as Treasurer, and the financial condition of

the corporation; and, in general, shall perform all duties incident to the office of Treasurer and such other duties as may from time to time be assigned by the Board of Directors, the Chief Executive Officer and the President.

Section 5.12. The Controller. The Controller shall have charge of the

accounts of the corporation and shall perform all duties incident to the office of Controller and such other duties as may from time to time be assigned by the Board of Directors, the Chief Executive Officer and the President.

Section 5.13. Assistant Officers. Each Assistant Officer shall, in the

absence or disability of his superior in office, perform the duties and exercise the powers of such superior as directed by such superior, by the Chief Executive Officer, or by the Board of Directors, and shall also have such other powers and shall perform such other duties as may be granted to or required of him or her in accordance with this Article or by his or her superior in office. Performance of any of the duties or the exercise of any of the powers of his or her superior in office by any such Assistant Officer shall, as to third parties, be conclusive evidence of his or her authority to act in such respect.

Section 5.14. Salaries. The salaries of the officers elected by the Board

of Directors shall be fixed from time to time by the Board of Directors or by such committee as may be designated by resolution of the Board of Directors. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the committee or officer as may be designated by resolution of the Board. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a Director of the corporation.

ARTICLE VI

Certificates of Stock, Transfer, Etc.

Section 6.01. Share Certificates. Certificates for shares of the

corporation shall be in such form as approved by the Board of Directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. The share record books and blank share certificates shall be kept by the Treasurer or by any transfer agent or registrar designated by the Board of Directors for that purpose.

Section 6.02. Issuance. The share certificates of the corporation shall

be numbered and registered in the share ledger and transfer books of the corporation as they are issued. They shall be signed by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant

Treasurer, and shall bear the corporate seal, which may be a facsimile, engraved or printed; but where such certificate is signed by a transfer agent or a registrar the signature of any corporate officer upon such certificate may be a facsimile, engraved or printed. In case any officer who has signed, or whose

12

facsimile signature has been placed upon any share certificate shall have ceased to be such officer because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer has not ceased to be such at the date of its issue. The provisions of this Section 6.02 shall be subject to any inconsistent or contrary agreement at the time between the corporation and any transfer agent or registrar.

Section 6.03. Transfer. Transfers of shares shall be made on the books of

the corporation upon surrender of the certificates therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. (S) (S)8101 et seq., and its amendments and

-- ----

supplements.

Section 6.04. Recordholder of Shares. The corporation shall be entitled

to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.05. Lost, Destroyed or Mutilated Certificates. The holder of

any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the Board of Directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate, or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction, and, if the Board of Directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII

Indemnification of Directors, Officers and Other Authorized Representatives

[Effective as to acts or omissions occurring after
April 20, 1976 and prior to April 21, 1987]

Section 7.01 Indemnification of Authorized Representatives in Third Party

Proceedings. The corporation shall indemnify any person who was or is an

"authorized representative" of the corporation (which shall mean for purposes of this Article a Director, officer, employee or agent of the corporation or a person serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise) and who was or is a party (which shall include for purposes of this Article the giving of testimony or similar involvement) or is threatened to be made a party to any "third party proceeding" (which shall mean for purposes of this Article any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation) by reason of the fact that he or she was or is an authorized representative of the corporation, against expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such third party proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal third party proceeding (which shall include for the purposes of this Article any administrative or investigative proceeding which could or does lead to a criminal third party proceeding), had no reasonable cause to believe his or her conduct was unlawful. The termination of any third party proceeding by judgment, order, settlement, indictment, conviction or upon a plea of nolo

contendere or its equivalent, shall not, of itself, create a presumption that

the authorized representative did not

13

act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal third party proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 7.02. Indemnification of Authorized Representatives in Derivative

Actions. The corporation shall indemnify any person who was or is an authorized

representative of the corporation and who was or is a party, or is threatened to be made a party to any "derivative action" (which shall mean for purposes of this Article any threatened, pending or completed action or suit by or in the right of the corporation or procure a judgment in its favor) by reason of the fact that he or she was or is an authorized representative of the corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such derivative action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the

corporation unless and only to the extent that the court of common pleas of the county in which the registered office of the corporation is located or the court in which such derivative action was pending shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such authorized representative is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

Section 7.03. Mandatory Indemnification of Authorized Representatives.

To the extent that an authorized representative of the corporation has been successful on the merits or otherwise in defense of any third party proceeding or derivative action or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 7.04. Determination of Entitlement to Indemnification. Any

indemnification under Section 7.01., 7.02. or 7.03. of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the authorized representative is proper in the circumstances because he or she has either met the applicable standard of conduct set forth in Section 7.01. or 7.02. or has been successful on the merits or otherwise as set forth in Section 7.03., and that the amount requested has been actually and reasonably incurred. Such determination shall be made:

(A) By the Board of Directors by a majority of a quorum consisting of Directors who were not parties to such third party proceeding or derivative action, or

(B) If such a quorum is not obtainable, or, even if obtainable a majority vote of such a quorum so directs, by independent legal counsel in a written opinion, or

(C) By the shareholders.

Section 7.05. Independent Legal Counsel. Independent legal counsel may be

appointed by the Board of Directors, even if a quorum consisting of Directors who were not parties to the third party proceeding or derivative action is not available, or by a person designated by the Board of Directors. Independent legal counsel shall not include any employee of the corporation nor any law firm which has rendered services to the corporation during the preceding three years. If independent legal counsel shall determine in its written opinion that indemnification is proper under this Article, it shall be made without further action of the Board of Directors.

Section 7.06. Advancing Expenses. Expenses actually and reasonably

incurred in defending a third party proceeding or derivative action shall be paid on behalf of an authorized representative by the corporation in advance of the final disposition of such third party proceeding or derivative action as authorized in the manner provided in Section 7.04. of this Article upon receipt of an undertaking by or on behalf of the authorized representative to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this Article. The financial ability of such authorized representative to make such repayment shall not be a prerequisite to the making of an advance.

Section 7.07. Scope of Article. The indemnification provided by this

Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of shareholders or disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an authorized representative and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7.08. Reliance on Provisions. Each person who shall act as an

authorized representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification provided by this Article.

ARTICLE VIII

Indemnification of Directors, Officers and
Other Authorized Representatives

[Effective as to any act or failure to
act occurring on or after April 21, 1987]

Section 8.01. Indemnification of Authorized Representatives. The

corporation shall indemnify any person who was or is an "authorized representative" of the corporation (which shall mean for purposes of this Article a Director, officer, employee or agent of the corporation, or a person serving at the request of the corporation as a director, officer, partner, trustee, employee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise) and who was or is a party (which shall include for purposes of this Article the giving of testimony or similar involvement) or is threatened to be made a party to any "proceeding" (which shall mean for purposes of this Article any threatened, pending or completed action, suit, appeal or proceeding of any nature, whether civil, criminal, administrative, or investigative, whether formal or informal, including an action by or in the right of the corporation or a class of its security holders) by reason of the fact that he or she was or is an authorized representative of the corporation, against any liability (which shall mean for purposes of this Article any damage, judgment, penalty, fine, amount paid in settlement, punitive damages, excise tax assessed with respect to an employee

benefit plan, or cost or expense of any nature [including, without limitation, attorneys' fees and disbursements]) including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except where such indemnification is for acts or failures to act constituting self-dealing, willful misconduct or recklessness. "Self-dealing" shall mean the receipt of a personal benefit from the corporation to which the authorized representative is not legally entitled. If an authorized representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such authorized representative to the maximum

15

extent for such portion of the liabilities. The termination of any proceeding by judgment, order, settlement, indictment or conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the authorized representative is not entitled to indemnification.

Section 8.02. Proceedings Initiated by Authorized Representatives.

Notwithstanding any other provision of this Article, the corporation shall not indemnify under this Article an authorized representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the Directors in office. This section does not apply to successfully prosecuting or defending the rights of an authorized representative granted by or pursuant to this Article.

Section 8.03. Advancing Expenses. Expenses (including attorneys' fees and

disbursements) incurred in good faith shall be paid by the corporation on behalf of an authorized representative in advance of the final disposition of a proceeding described in Section 8.01. of this Article upon receipt of an undertaking by or on behalf of the authorized representative to repay such amount if it shall ultimately be determined pursuant to Section 8.06. of this Article that such person is not entitled to be indemnified by the corporation as authorized in this Article. The financial ability of such authorized representative to make such repayment shall not be a prerequisite to the making of an advance.

Section 8.04. Securing of Indemnification Obligations. To further effect,

satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security

interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate. Absent fraud, the determination of the Board of Directors, with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and Directors and shall not be subject to voidability.

Section 8.05. Payment of Indemnification. An authorized representative

shall be entitled to indemnification within 30 days after a written request for indemnification has been received by the Secretary of the corporation.

Section 8.06. Arbitration. Any dispute related to the right to

indemnification or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 which the corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the metropolitan area in which the corporation's executive offices are located, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators, one of whom shall be selected by the corporation, the second of whom shall be selected by the authorized representative and the third of whom shall be selected by the other two arbitrators. In the absence of the American Arbitration Association or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, or if the arbitrators selected by the corporation and the authorized representative cannot agree on the selection of the third arbitrator within 30 days after such time as the corporation and the authorized representative have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the presiding judge of the court of general jurisdiction in such metropolitan area. Each arbitrator selected as provided herein is required to be or have been a director of a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange or the American

Stock Exchange or quoted on the National Association of Securities Dealers Automated Quotations Systems. The party or parties challenging the right of an authorized representative to the benefits of this Article shall have the burden of proof. The corporation shall reimburse an authorized representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration. Any award entered by the arbitrators shall be final, binding and nonappealable, and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable.

Section 8.07. Discharge of Duty. An authorized representative shall be

deemed to have discharged such person's duty to the corporation if he or she has relied in good faith on information, advice or an opinion, report or statement

prepared by:

(a) one or more officers or employees of the corporation whom such authorized representative reasonably believes to be reliable and competent with respect to the matter presented;

(b) legal counsel, public accountants or other persons as to matters that the authorized representative reasonably believes are within the person's professional or expert competence; or

(c) a committee of the Board of Directors on which he or she does not serve as to matters within its area of designated authority, which committee he or she reasonably believes to merit confidence.

Section 8.08. Contract Rights; Amendment or Repeal. All rights to

indemnification under this Article shall be deemed a contract between the corporation and the authorized representative pursuant to which the corporation and each authorized representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

Section 8.09. Scope of Article. The indemnification and advancement of

expenses provided by, or granted pursuant to, this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any statute, certificate or articles of incorporation, bylaw, agreement, vote of shareholders or Directors or otherwise, both as to action in his or her official capacity and as to action in any other capacity, and shall continue as to a person who has ceased to be an authorized representative in respect of matters arising prior to such time and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

Section 8.10. Reliance on Provisions. Each person who shall act as an

authorized representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification provided by this Article.

ARTICLE IX

Miscellaneous

Section 9.01. Execution of Instruments. All checks, drafts, bills of

exchange, acceptances, notes and other obligations and evidences of indebtedness, deeds, conveyances, bills of sale, assignments and other instruments of transfer and all other instruments and documents in writing of any nature, may be signed, executed, accepted, endorsed, verified, acknowledged or delivered on behalf of the corporation by such Officer or Officers or other person or persons as the Board of Directors may from time to time designate.

The Board of Directors at its discretion may authorize the use of an appropriate facsimile signature of any such Officer or person in lieu of his or her manual signature.

17

Section 9.02. Amendment of Bylaws. These bylaws may be amended or

repealed, or new bylaws may be adopted, either (a) by vote of the shareholders at any duly organized annual or special meeting of shareholders, or (b) with respect to those matters which are not by statute committed expressly to the shareholders and regardless of whether the shareholders have previously adopted or approved the bylaw being amended or repealed, by vote of a majority of the Board of Directors of the corporation in office at any regular or special meeting of the Board of Directors. Any change in these bylaws shall take effect when adopted unless otherwise provided in the resolution effecting the change.

18

October 20, 1993

Certified Mail
Return Receipt Requested

Re: Executive Employment Agreement
(the "Agreement")

Dear :

This letter is to notify you that the Board of Directors of Scott Paper Company, at its meeting on October 19, 1993, directed that the Agreement between you and the Company dated November 1, 1984, and as subsequently amended, be terminated. In accordance with Section 1 of that Agreement, this letter will serve as written notice of termination, and the Agreement shall terminate as of October 31, 1994.

If you have any questions, please call. Thank you.

Yours very truly,

/s/Stephen D. Ford

Stephen D. Ford
Secretary

EMPLOYEE CONSULTING AGREEMENT

This Employee Consulting Agreement (this "Agreement"), dated as of January 25, 1994, is made by and between Scott Paper Company, a Pennsylvania corporation (the "Company"), and Philip E. Lippincott, a resident of the Commonwealth of Pennsylvania (the "Executive").

W I T N E S S E T H :

WHEREAS, the Executive wishes to retire as a full-time employee and resign as Chairman of the Board of Directors, as a Director, and as Chief Executive Officer, of the Company, effective on April 1, 1994 (the "Resignation Date"), and the Company is willing to accept the Executive's resignation;

WHEREAS, the Company recognizes the valuable services that the Executive has rendered to the Company and that the Executive's expertise and knowledge in the business of the Company will be of value to the Company in formulating future business decisions;

WHEREAS, the Company wishes to retain the Executive for a period of two (2) years after his retirement from full-time employment referenced above to provide, from time to time, consulting services in accordance with this Agreement;

WHEREAS, the Executive agrees to be a part-time employee of the Company for either 20 months or 24 months at his discretion, and to provide consulting services to the Company in accordance with this Agreement;

WHEREAS, the Executive wishes to retire as a part-time employee of the Company effective either November 30, 1995, or March 31, 1996, at the Executive's choice (the date chosen by the Executive to be referred to herein as the "Retirement Date"), such choice to be communicated by the Executive in writing to the Company by October 31, 1995, and the Company and the Executive wish to specify the terms and conditions applicable to such retirement;

NOW, THEREFORE, for and in consideration of the above mentioned premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

RESIGNATION

1.1 Resignation Date. The Executive hereby resigns, effective as of -----
the Resignation Date, as Chairman of the Board of Directors of the Company, as a Director of the Company, and as Chief Executive Officer of the Company and from any and all other director, executive, or officer positions that the Executive may hold with the Company or any subsidiary or affiliate thereof.

1.2 Consideration Prior to the Resignation Date. The Executive shall -----
continue to receive through and including the Resignation Date the base salary, annual performance plan bonuses (which will be calculated on a pro rata basis through the Resignation Date), and customary benefits that the Executive has been receiving prior to the Resignation Date, including coverage under the Company's disability pay plan and eligibility under the Company's savings plan. As a part-time employee, the Executive shall not receive, after the Resignation Date, any additional grants of stock options, restricted stock, or other awards under the Company's 1989 Stock Option and Restricted Stock Plan (the "1989 Stock Plan") or under any successor or other plan. Moreover, disability pay and savings plan contributions will cease after the Resignation Date.

1.3 Certain Benefits after the Resignation Date. After the -----
Resignation Date, the Executive and any eligible dependents shall be provided with the employee benefits and plan coverages set forth in Exhibit A. Effective as of the Resignation Date, the Executive shall not be entitled as a part-time employee to any employee benefits and plan coverages except those set forth in Exhibit A or otherwise specifically provided for herein nor shall the Executive receive any compensation, including base salary and annual

performance plan bonuses, after the Resignation Date, except as provided herein.

1.4 Designation of Retirement Date. The Executive (or, if the

Executive has died or is disabled from being able to make the decision, the Executive's beneficiary or personal representative) may designate either November 30, 1995, or March 31, 1996, as the date he will fully retire from the Company by communicating the designation in writing to the Company on or before October 31, 1995. If a timely designation is not so made of the Retirement Date, the Retirement Date shall be March 31, 1996.

1.5 Determination of Equivalency. Inasmuch as the Executive may

choose either November 30, 1995 or March 31, 1996, as the Retirement Date, the Parties agree that the choice of November 30, 1995 should cost the Company no more, and no less, than the choice of March 31, 1996. Accordingly, if November 30,

2

1995 is chosen instead of March 31, 1996, (1) the Net Present Value ("NPV") will be determined of differences in costs to the Company caused thereby with respect to the Executive's compensation between the Resignation Date and the Retirement Date, and the cost of his benefits after the Retirement Date under the Company's Retirement Plan for Salaried Employees ("Trust"), the Company's Program for Individual Deferred Compensation Arrangements ("PIDCA"), and the Company's Supplemental Executive Retirement Plan ("SERP"), (2) the NPV calculations will be made during November 1995, using interest rates determined per the Company's regular procedure in place on the effective date of this Agreement, and (3) the sum of the NPV's will be netted against the final payment of Base Pay to be made to the Executive on November 30, 1995, as provided in Section 2.2. An illustrative calculation is included as Exhibit C. If the Executive dies after the Resignation Date, but prior to the Retirement Date, determination of survivor benefits will be as specified in the Trust and the SERP, and an additional amount will be provided by the PIDCA equal to the difference in value between (1) the combined NPV of the Executive's benefits under the Trust, SERP, and PIDCA had the Retirement Date been March 31, 1996, and (2) the combined NPV of the death benefits provided in respect of the Executive under the Trust and SERP on the date of the Executive's death. In the event of the Executive's death between the Resignation Date and the Retirement Date, the Executive's surviving spouse will have the option to elect a single-payment distribution in lieu of any other benefits under both the SERP and the PIDCA. The NPV of the difference in cost to the Company caused by the Executive's death between the Resignation Date and the Retirement Date with respect to his compensation, and his benefits under the Trust, SERP and PIDCA will be determined using interest rates determined per the Company's regular procedure in place on the effective date of this Agreement. The sum of the NPV's will be netted against a final payment of Base Pay covering the period between the Executive's death and March 31, 1996.

ARTICLE II

CONSULTING SERVICES

2.1 Description of Services. For the period beginning on the

Resignation Date and ending on the Retirement Date (the "Consulting Period"), the Executive shall be available to provide such consulting services to the Company as the Board of Directors, or the Chief Executive Officer, of the Company reasonably and from time to time may request (the "Consulting Services"). The Executive shall use his best efforts, and shall take all actions reasonably necessary, to further the interests and business of the Company in the performance of the Consulting Services.

3

2.2 Base Pay Consideration. In consideration of the Executive

agreeing to provide the Consulting Services and in consideration of the covenants and agreements of the Executive set forth in Article IV hereof, the Company shall pay to the Executive an annual salary of \$635,000 in equal bi-weekly installments covering the period beginning on April 1, 1994, and ending on the Retirement Date. If the Retirement Date is November 30, 1995, an additional Final Payment equal to four months' pay (\$211,667), but subject to modification pursuant to Section 1.5, will be made on the Retirement Date.

2.3 Allowance. Upon presentation by the Executive to the Company of

documentation, expense statements, vouchers and/or such other supporting information as the Company may reasonably request, the Company will reimburse the Executive for office facilities, equipment and/or secretarial assistance;

provided that such reimbursement shall not exceed Fifty Thousand Dollars (\$50,000) in the aggregate.

2.4 Expenses. The Company shall reimburse the Executive for all

reasonable travel, entertainment and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his Consulting Services or in furtherance of any other duties, responsibilities, or services requested by the Company, upon presentation by the Executive to the Company of documentation, expense statements, vouchers, and/or such other supporting information as the Company may reasonably request.

2.5 Status as a Part-Time Employee. The parties hereby acknowledge

that in the course of performing the Consulting Services to be rendered hereunder until the Retirement Date, the Executive shall be considered a part-time employee of the Company.

2.6 Additional Availability. If the Retirement Date is November 30,

1995, the Executive nevertheless shall be available to provide Consulting Services as an independent contractor, if required by the Company, through March 31, 1996, for no additional compensation or consideration other than that provided herein.

2.7 Indemnification. In carrying out his obligations under this

Agreement, the executive shall be considered an "authorized representative" under the Company's indemnification bylaw. In addition, the Indemnification Agreement between the Executive and the Company dated April 21, 1987, shall continue in effect until the termination of this Agreement.

4

ARTICLE III

RETIREMENT

3.1 Retirement. The Executive hereby retires from the employment of

the Company, effective as of the Retirement Date. Upon retirement, the Executive and any qualifying dependents shall remain eligible for employee benefits and plan coverages in accordance with Article I hereof.

3.2 Stock Options. As a part-time employee of the Company through

the Retirement Date, the stock options granted to the Executive under the Company's 1986 Stock Option and Restricted Stock Plan ("1986 Stock Plan") and the 1989 Stock Plan as of the date hereof shall continue to vest and be or become exercisable in accordance with their terms and the terms of the 1986 Stock Plan and the 1989 Stock Plan as if the Executive had been a full-time employee of the Company through the Retirement Date. After the Retirement Date, all such options shall be exercisable in accordance with their terms and the terms of the 1986 Stock Plan and 1989 Stock Plan as currently in effect on the date hereof as if the Executive first retired as a full-time employee from the Company on the Retirement Date.

3.3 Calculation of Pension. The Executive shall earn retirement age

and service credit under the Company's Trust and SERP through the Retirement Date, and actuarial penalties that will be incurred by the Executive because of the Executive's retiring prior to age 62 will be offset in their entirety under the PIDCA. Consequently, if the Retirement Date is November 30, 1995, the Executive shall receive a combined pension from the Trust, SERP and PIDCA of Five Hundred Twenty Thousand Two Hundred Thirty-Six Dollars (\$520,236) per year unless, in accordance with the terms of the SERP, the Executive elects a lump sum distribution (such lump sum to be determined in accordance with the Company's procedures in effect on the effective date of this Agreement, taking into account interest rates on the date of the calculation which will be made during the month following the Executive's Retirement Date) in full satisfaction of the Company's obligation under the SERP, in which case the Executive will receive a combined pension from the Trust and PIDCA of One Hundred Twenty Thousand Three Hundred Twelve Dollars (\$120,312) per year. If the Retirement Date is March 31, 1996, the Executive shall receive a combined pension from the Trust, SERP, and PIDCA of Five Hundred Twenty-Five Thousand (\$525,000) per year unless, in accordance with the terms of the SERP, the Executive elects a lump sum distribution (such lump sum to be determined in accordance with the Company's procedures in effect on the effective date of this Agreement, taking into account interest rates on the date of the calculation) in full

5

satisfaction of the Company's obligation under the SERP, in which case the Executive will receive a combined pension from the Trust and PIDCA of One Hundred Fourteen Thousand Seventy-Two Dollars (\$114,072) per year.

ARTICLE IV

CONFIDENTIALITY, NON-COMPETITION

The Company's standard form Employment Agreement (attached hereto as Exhibit B) contains provisions regarding confidential information and non-competition. The Executive and the Company hereby agree that the terms of such form agreement contained in paragraphs 1 through 7 and 10 and 11 thereof, but excluding specifically paragraphs 8 and 9 thereof, are hereby incorporated into this Agreement in their entirety and made a part hereof. The Executive hereby also agrees that in lieu of any compensation that would otherwise have been paid under paragraph 8 of such form agreement, the consideration being paid hereunder and supporting this Agreement shall be deemed to satisfy any obligation that would otherwise have arisen in the circumstances contemplated by said paragraph 8.

ARTICLE V

RELEASES

5.1 The Executive's Release. In exchange for and in consideration of

the benefits and promises set forth in this Agreement, and except as set forth in the last sentence of this Section 5.1, the Executive hereby unconditionally releases, acquits and discharges (a) the Company and any subsidiary or affiliate thereof, (b) the past and present officers, directors, agents, employees and assigns of the Company and any subsidiary or affiliate thereof, and (c) all persons, business entities, and corporate entities identified in interest with any of such persons, jointly and individually, of and from all actions, causes of action, claims, demands, obligations, liabilities, or controversies, known or unknown, which the Executive has or may have against any of such persons by reason of or relating to any cause, action, or event whatsoever from the beginning of the world to the date hereof, including, without limitation, any actions, causes of action, claims, demands, obligations, liabilities or controversies arising out of, or relating to, the Executive's employment with, or resignation or retirement from, the Company and any subsidiary or affiliate thereof. This release includes but is not limited to any and all claims of alleged employment discrimination, including age, race, sex, national origin, non-job-related handicap, religious, or any

6

other type of discrimination, under any federal, state or local law, including but not limited to claims actionable under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, and the Rehabilitation Act of 1973. The Executive understands and agrees that this release shall bind his assigns, heirs, executors, beneficiaries, trustees and administrators, and inure to the benefit of the predecessors, successors and assigns of the Company and any subsidiary or affiliate thereof and each past and present employee, officer, or director of the Company and any subsidiary or affiliate thereof. The Executive understands further that the consideration for his agreeing to this release consists of the benefits and promises of the Company provided in this Agreement and that no other promise or agreement of any kind has been made to or with the Executive by any person or entity whatsoever to cause the Executive to sign this release or this Agreement. Notwithstanding any provision in this Agreement to the contrary, the release set forth in this Section 5.1 shall not include any claims of the Executive arising due to the non-performance by the Company of any of its contractual obligations under this Agreement.

5.2 The Company's Release. In exchange for and in consideration of

the benefits and promises set forth in this Agreement, the Company hereby unconditionally releases, acquits and discharges the Executive of and from all actions, causes of action, claims, demands, obligations, liabilities, or controversies, known or unknown, which the Company may have against the Executive by reason of or relating to any cause, action or event whatsoever from the beginning of the world to the date hereof; provided, however, that

such release shall not include any claims which the Company may have against the Executive due to the non-performance by the Executive of his obligations under this Agreement. The Company understands and agrees that this release shall bind the predecessors, successors, assigns of the Company, and inure to the benefit of the assigns, heirs, executors, beneficiaries, trustees and administrators of the Executive. The Company understands further that the consideration for its agreeing to this release consists of the benefits and promises of the Executive provided in this Agreement and that no other promise

or agreement of any kind has been made to or with the Company by any person or entity whatsoever to cause the Company to sign this release or this Agreement.

ARTICLE VI

TERMINATION OF AGREEMENT

In consideration of the covenants and agreements set forth herein, the Company and the Executive hereby agree that the Executive Employment Agreement between the Executive and the Company, dated as of September 18, 1984, is hereby terminated as

7

of the date hereof, and all other agreements (other than this Agreement and the Indemnification Agreement referenced in Section 2.7) or understandings that may exist between the Executive and the Company or any subsidiary or affiliate thereof are hereby terminated as of the Resignation Date (except for any provisions (e.g., indemnification provisions) that, in accordance with their terms, survive such termination).

ARTICLE VII

TERMINATION

7.1 Termination for Cause. Notwithstanding anything in this

Agreement to the contrary, the Company shall have the right to terminate this Agreement at any time, effective upon written notice to the Executive, if the Company shall determine, in its reasonable discretion, that (a) after receiving a written notice from the Company notifying the Executive of the provision(s) of this Agreement of which he is in material breach and requesting that the Executive cease engaging in the acts or omissions that are causing such breach and providing the Executive with a reasonable opportunity to cure any such breach, the Executive continues to be in material breach of said provision(s), or (b) the Executive has engaged in unlawful acts amounting to a felony that are reasonably likely to materially and adversely affect the Company; provided, however, that the provisions of Article IV and V

shall survive any such termination. Upon terminating this Agreement for cause pursuant to this Section 7.1, the Company shall no longer be obligated to make any payments to, or provide any benefits for, the Executive and his dependents pursuant to this Agreement.

7.2 Termination Other Than for Cause. The Company may not terminate

this Agreement for any reason, specifically including the death or disability of the Executive, except for cause pursuant to Section 7.1. In the event of the death of the Executive, the Company shall continue to make payments under Section 2.2 to any beneficiary designated by the Executive or to the Executive's estate if the designated beneficiary does not survive the Executive, or if no such beneficiary is designated, but shall cease making payments under the other provisions of Article II, except to the extent of expenses or liabilities incurred prior to the death of the Executive (including for lease termination or severance pay to secretaries committed to prior to the death of the Executive but payable after the death of the Executive).

8

ARTICLE VIII

MISCELLANEOUS

8.1 Binding Effect. The Executive's rights and benefits under this

Agreement are personal to the Executive (but shall not be terminated due to the death or disability of the Executive), and no such right or benefit shall be subject to voluntary or involuntary alienation, assignment, or transfer except as explicitly provided herein or in Exhibit A hereto or as explicitly provided under the terms of any benefit plan pursuant to which the Executive may receive benefits hereunder. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, beneficiaries, successors, and permitted transferees and assigns.

8.2 Taxes. The Company may deduct from any amounts payable hereunder

all federal, state, local and other taxes that the Company reasonably determines to be required by law to be withheld with respect to payments and

benefits provided hereunder. The Executive shall be liable for all taxes on the payments and benefits provided hereunder other than for any taxes withheld hereunder.

8.3 Amendment; Assignment. This Agreement contains the entire

agreement between the parties hereto with respect to the subject matter contained herein. No amendment, modification, variation, extension, supplementation, renewal, termination, or assignment and no future representation, promise, or agreement in connection with the subject matter of this Agreement shall be binding on the Executive or the Company unless made in writing and signed by the Executive and an authorized officer of the Company.

8.4 Waiver. The failure of either party hereto to insist upon strict

compliance by the other party with any term, covenant, or condition hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver of or relinquishment of or failure to insist upon strict compliance with any right or power hereunder at any one time or times be deemed a waiver or relinquishment of such right or power at any other time or times.

8.5 Governing Law, Venue, Enforceability. This Agreement shall be

construed and enforced according to the laws of the Commonwealth of Pennsylvania without regard to the conflicts of laws rules thereof. In the event that any provision of this Agreement shall be invalid or legally unenforceable, such provision shall not affect in any respect the validity or enforceability of the remainder of this Agreement. In the event that the provisions of any section of this Agreement shall be

9

held to be invalid or unenforceable in any respect, such section shall nevertheless be construed and applied so as to be valid and enforceable to the maximum extent permitted by law or in equity.

8.6 Injunctive Relief. The Executive acknowledges and agrees that a

breach of any of the covenants or agreements set forth in Article IV hereof would result in irreparable injury to the Company and its subsidiaries and that the Company would not have an adequate remedy at law for such breach, and therefore, the Executive agrees that the Company shall be entitled to enforce its rights by injunction proceedings restraining the Executive from such breaches or threatened breaches without bond. Neither the institution of an injunction proceeding nor the granting of any injunctive relief therein shall in any way limit the right of the Company to other relief available at law or in equity.

8.7 Notices. All notices, requests, demands, and other

communications that are required or that may be given pursuant to the terms of this Agreement shall be in writing and shall be delivered by hand, sent by registered or certified mail (postage prepaid and return receipt requested), sent by Federal Express or comparable overnight delivery service, or sent by facsimile transmission, as follows,

If to the Executive, to: Philip E. Lippincott

If to the Company, to: Scott Paper Company
Scott Plaza 1
Philadelphia, Pennsylvania 19113
Telephone: (610) 522-5816
Fax: (610) 522-6007

Attention: Stephen D. Ford

Corporate Secretary

or to such other address with respect to any of the foregoing parties as such party shall have designated by notice in writing to such other party in the manner specified herein. All notices given hereunder shall be effective upon receipt.

8.8 Counterparts. This Agreement may be executed in one or more

counterparts, all of which together shall constitute one and the same instrument.

8.9 Headings. The descriptive headings of the several Articles and

Sections of this Agreement are inserted for convenience only, do not
constitute a part of this Agreement and

10

shall not affect in any way the meaning or interpretation of this Agreement.

8.10 Execution. By execution of this Agreement the Executive

certifies that he has read and fully understands the meaning and intent of its
terms and has had an opportunity to review it with counsel. The Executive
agrees to be legally bound by this Agreement and certifies that he signs this
Agreement voluntarily and knowingly, without coercion and with full knowledge
of the nature and consequences of signing it.

8.11 Further Assurances. Each of the parties agrees to perform any

and all further acts and to execute and deliver any and all further documents
and instruments that may be necessary or desirable to carry out the provisions
of this Agreement.

8.12 Survival. All provisions that by their terms should survive

this Agreement shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to
be executed on the day and year first above written.

SCOTT PAPER COMPANY

By: /s/ William A. Andres

Name: William A. Andres

/s/ Gary L. Roubos

Name: Gary L. Roubos

/s/ Philip E. Lippincott

PHILIP E. LIPPINCOTT

11

EXHIBIT A

EMPLOYEE BENEFIT PLAN COVERAGE

GROUP BENEFITS

The following is a summary of the current implications of the Executive's
change in status effective April 1, 1994, on his group benefits coverages
under SCOTTFlex:

As of March 31, 1994, consistent with Company policy, the Executive's
coverage under the Salary Continuation and Long-Term Disability programs will
end. The other elections he made under the SCOTTFlex Program (medical, dental,
employee life insurance, dependent life insurance, accidental death &
dismemberment insurance and the reimbursement accounts) for the Plan year
effective July 1, 1993, will continue until June 30, 1994. The Executive will
have the opportunity to make elections under the following group benefits
programs during the enrollment period for the SCOTTFlex Plan Years effective
July 1, 1994, and July 1, 1995: medical, dental, employee life insurance,
dependent life insurance, accidental death & dismemberment insurance, and the
reimbursement accounts. The elections made at that time will remain effective
as described below, and the deductions for coverages will continue from
bi-weekly pay.

Group benefits coverages during retirement will be subject to the terms
and conditions of the law, contracts and Company policies in effect at that
time as the same may be modified in the future. The retiree life, medical and
dental programs described below reflect the programs in effect today.

MEDICAL INSURANCE AFTER RETIREMENT

When payment of the Executive's retirement allowance commences, he may elect group medical insurance coverage on the same basis as is then available to salaried employees at the Plaza for himself and his eligible dependent(s). The Executive's portion of the premiums for his medical coverage (currently 10% employee paid) will be deducted from his monthly retirement payment and may vary from year to year as the group rate changes. The Executive will have the opportunity to select medical coverage from the options available at that time. His group medical coverage will end when he reaches eligibility for Medicare (currently age 65).

Under current regulations, part "A" of Medicare (hospital insurance) will be provided by the government at no cost to the

12

Executive. Part "B" (medical insurance) will require a monthly payment by the Executive which will be deducted from his monthly Social Security check. During the lifetime of the retiree, for the retiree as well as the eligible participating spouse, the Company currently reimburses on a quarterly basis up to a specific dollar amount for the "Part B" medical insurance available through the government. In order to be eligible for this benefit, the Executive must provide a copy of his (and his spouse's) Medicare card to the Company's Compensation and Benefits Department.

While the Executive is living, dependent medical coverage will be continued until the end of his dependent's eligibility period. Should the Executive die during his dependent's eligibility period, medical coverage for his eligible dependent(s) will be continued at Company expense for one year after his death or until the end of the dependent's eligibility period, whichever is earlier. Eligible dependent(s) may have the ability to continue medical coverage beyond the end of their eligibility period under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). When his dependent's eligibility period ends, the Executive should request further information about dependent rights under COBRA. In the event of the Executive's death, information on COBRA will be provided by the Company, when appropriate.

MEDICAL SERVICES AFTER RETIREMENT

During the Executive's lifetime, the services of the Company's Plaza Medical Department (provided the Company is then maintaining such facility) will be available to him, primarily for annual physicals.

EXPRESS PHARMACY AFTER RETIREMENT

When the Executive's retirement allowance commences, if he elects coverage in one of the CMM plans or a PPO/PCN plan, he can continue to purchase prescription drugs through the Express Pharmacy mail-order drug program (or successor or similar program, if any). As with active employees, he will pay 10% of the cost of each prescription; the Company will pay the rest.

Coverage eligibility for Express Pharmacy is the same as medical insurance. The Executive and his spouse, if they continue to be married, are covered until they each reach 65. Other dependents will be covered through the end of their eligibility period.

In the event of the Executive's death, Express Pharmacy will be available for his dependent(s) for one year or until the end

13

of their eligibility period, whichever comes first. Eligible dependents may continue to use Express Pharmacy beyond the end of their eligibility period if they elect to continue coverage under one of the eligible medical plans under COBRA. If COBRA coverage is arranged, any prescriptions ordered through Express Pharmacy would be paid entirely by the dependent(s) during the period of COBRA eligibility.

DENTAL INSURANCE AFTER RETIREMENT

When payment of the Executive's retirement allowance commences, he may elect dental coverage for himself and his eligible dependent(s) on the same basis as is then available to salaried employees at the Company's Headquarters site. The Executive's portion of the premium (currently 30% employee paid) for dental coverage will be deducted from his monthly retirement payment and may vary from year to year as the group rate changes. The Executive may change his dental plan option on the same basis as active employees (annually or during

the plan year in the event of a qualifying change in status). The Executive's spouse may elect to continue dental coverage after his death.

RETIREMENT PLAN

The Executive will continue to earn Credited Employment under the Scott Paper Company Retirement Plan for Salaried Employees through his Retirement Date. Calculation of the Executive's retirement allowance will reflect no actuarial reduction for commencement of his retirement allowance payments prior to age 62. The portion of the Executive's retirement allowance attributable to this enhancement will be paid by the Company from its non-qualified Plan for Individual Deferred Compensation Arrangements ("PIDCA") in the same form as his allowance from the Scott Retirement Trust ("Trust").

The Executive also has an entitlement under the Company's non-qualified Supplemental Executive Retirement Plan ("SERP"). It will be paid by the Company in the same form as the Executive's Allowance from the Trust unless the Executive elects the optional single payment distribution. If elected, the single payment distribution will be paid in January of the year following the Retirement Date.

The Executive's estimated retirement allowances under each of his payment options effective on either December 1, 1995, or April 1, 1996, are attached. The Executive's election of the form of payment must be made within the ninety-day (90) period immediately preceding his Retirement Date.

14

DISABILITY PRIOR TO RETIREMENT

In view of the protection provided in Section 7.2 of this Agreement, the Executive waives his right to a disability retirement allowance as provided in Section 5.3 of the Company's Retirement Plan for Salaried Employees in the event he becomes disabled between the Resignation Date and the Retirement Date.

STOCK OPTIONS

The Executive currently has outstanding stock options from grants made on the dates shown below. The Executive's right to exercise these options, to the extent to which they are exercisable when his active employment ceases, will be as follows: (1) if on November 30, 1995, will expire on November 29, 1998, or (2) if on March 31, 1996, will expire on March 30, 1999.

The number of shares exercisable from each of the Executive's grants is shown in the right-hand column:

<TABLE>
<CAPTION>

Grant Date	Options Granted	Price	Options Exercised	Exercisable	
				Options Outstanding	As of 11/30/95
<S>	<C>	<C>	<C>	<C>	<C>
02/16/88	40,000	\$35.1875	15,000	25,000	25,000
02/21/89	40,000	\$39.6250	0	40,000	40,000
02/20/90	40,000	\$43.5000	0	40,000	40,000
02/19/91	80,000	\$45.9375	0	80,000	80,000
02/18/92	50,000	\$43.5000	0	50,000	50,000
02/16/93	40,000	\$38.5625	0	40,000	40,000
				TOTAL	275,000

</TABLE>

PERSONAL FINANCIAL PLANNING

The financial counselling service which is currently being provided to the Executive at Company expense will be continued for his lifetime, including the additional period of time required to settle his estate.

15

LIFE INSURANCE AFTER RETIREMENT

When payment of the Executive's retirement allowance commences, Basic life insurance in the amount of two times his annual base salary or the limits

of the Company's Base Life Insurance Plan, whichever is less, as of his last SCOTTFlex enrollment will be provided for him at Company expense until age 65. On the Executive's 65th birthday, his Basic life insurance will be reduced by 25% and by an identical dollar amount on each subsequent birthday until a minimum of \$6,000 is reached.

If the Executive is participating in the Group Universal Life (GUL) Savings Fund immediately preceding the time his retirement allowance commences, he may elect to continue, at his own expense, active employee levels of additional insurance (1 to 5 times salary or the limits of the Company's Group Universal Life Insurance Plan, whichever is less) and Savings Fund contributions until age 65, at which time additional term insurance ceases and the Savings Fund may be either used to purchase Paid-Up (whole) life insurance or taken as cash. Continued premiums and Savings Fund contributions are billed directly by Prudential on a quarterly basis.

If the Executive is not participating in the Group Universal Life (GUL) Savings Fund, he may elect to continue, at his own expense, one level of life insurance (until age 65) in addition to the two levels which are provided at Company expense. In order to be eligible for this additional coverage, he must have maintained at least three levels of Basic/GUL insurance immediately preceding his retirement. Premiums will be deducted monthly from his retirement check. This additional coverage will be cancelled on the Executive's 65th birthday unless he elects to cancel this coverage earlier.

During the thirty-one day period following any reduction in the Executive's life insurance coverage for himself or his dependents, he may convert all or a portion of the cancelled amounts to private coverage. Conversion of group life insurance coverage will allow the Executive to purchase individual non-term life insurance coverage without being required to submit proof of good health. The cost of any converted insurance will be based upon standard premium rates for individual non-term insurance coverage at the applicable age. If such conversion is desired, the Executive should contact a local Prudential agent at his earliest convenience to discuss the necessary arrangements.

16

VACATION

- - - - -

The Executive will be eligible for six weeks of paid vacation for the calendar year 1994. Pay will be delivered in lieu of any such vacation not taken prior to the Resignation Date.

AARP MEMBERSHIP

- - - - -

When the Executive's retirement allowance commences, the Company will provide to him and his spouse a lifetime membership in the American Association of Retired Persons (AARP). (If the Executive has previously purchased an AARP membership, he should contact AARP to receive a refund of the membership fee which he paid.)

The purpose of providing this membership is to give the Executive an opportunity to purchase private Medicare supplemental medical insurance through AARP and Prudential without pre-existing condition barriers. If interested in this coverage, the Executive should contact AARP about two months before his 65th birthday.

SALARIED INVESTMENT PLAN

- - - - -

As of the Resignation Date, it is agreed that the Executive will cease making contributions to his account in the Salaried Investment Plan, and that matching Company contributions will also cease. Between the Resignation Date and the Retirement Date, the Executive will be subject to all other Salaried Investment Plan policies and procedures applicable to regular employees.

Any balance in the Executive's account at the Retirement Date will be distributed to him in accordance with the instructions he provides on his Final Distribution form. Distribution of the Executive's assets will be made within 30 days after the date his account is valued. The account will be valued as of the last day of the second month following the Retirement Date, unless the Executive elects to defer receipt of his distribution. The Executive may elect to defer receipt of his distribution by completing a Deferral Election Form, or he may elect to receive an immediate distribution by completing a Final Distribution Form. The appropriate forms must be returned to the Company's Compensation and Benefits Department no later than the end of the second month following the Retirement Date.

17

According to the terms of the Plan, if the required Distribution election forms are not received by the end of the second month following the Retirement Date, payment of benefits will be deferred to the valuation date for the month in which the Executive attains age 65, and he will automatically receive a lump sum cash payment with Federal income tax withheld at the then required rate.

HEALTH CARE REIMBURSEMENT ACCOUNT

If the Executive is enrolled in the Health Care Reimbursement Account during the year in which he retires, his contributions will be discontinued with his final bi-weekly pay. If the Executive has requested reimbursement from this account before he has fully funded the reimbursed amount through payroll deductions, the amount owed will be deducted from his final bi-weekly pay on a before-tax basis. Under IRS regulations, if the Executive has funds remaining in the Health Care Reimbursement Account at the end of his active employment, he may request a reimbursement only for services he incurred prior to the end of the payroll period reflected in his last bi-weekly payment, unless he continues to submit after-tax contributions to this account. Arrangements can be made to have such contributions deposited in the Executive's account through the end of the SCOTTFlex Plan Year. The Executive will have until September 30 of the SCOTTFlex Plan Year to submit a request for eligible expenses incurred during the period of the Plan Year in which he made contributions.

STATEMENT OF YOUR ESTIMATED RETIREMENT ALLOWANCES
UNDER THE SCOTT PAPER COMPANY RETIREMENT PLAN(S)

HERE ARE YOUR ESTIMATED ALLOWANCES UNDER THE PAYMENT OPTIONS AVAILABLE TO YOU IF YOU ELECT TO COMMENCE PAYMENT OF YOUR RETIREMENT ALLOWANCE ON THE ANNUITY STARTING DATE SHOWN BELOW. THESE ESTIMATES REFLECT YOUR PERSONAL DATA AND THE APPLICABLE PLAN TEXT(S) AS DESCRIBED IN THE SUMMARY PLAN DESCRIPTION(S). THE AMOUNT OF YOUR ACTUAL ALLOWANCE WILL REFLECT THE TERMS AND CONDITIONS OF THE PLAN(S) IN EFFECT ON YOUR SEVERANCE FROM SERVICE DATE UNDER THE PLAN(S).

<TABLE>
<CAPTION>

ESTIMATED EARLY RETIREMENT ALLOWANCE(S) (\$/MONTH)
END OF CREDITED EMPLOYMENT: 11/30/95 ANNUITY STARTING DATE: 12/01/95 AGE 60/00

<S>	<C>	<C>	TO AGE 62 (11/30/97)		<C>
			<C>	<C>	<C>
DATA AS OF: 12/02/93					
NAME: PHILIP E. LIPPINCOTT					
SOCIAL SECURITY NO.:					
LOCATION: PHILADELPHIA	FORM OF PAYMENT	TRUST	SERP	PIDCA	TOTAL
BIRTH DATE: 11/28/35	SINGLE LIFE	\$5,690	\$33,327	\$4,336	\$43,353
SURVIVOR'S BIRTH DATE: 04/29/38	50% JOINT & SURVIVOR				
(DATE(S) SUBJECT TO VERIFICATION)	RETIREE	\$5,690	\$29,524	\$3,913	\$39,127
HIRE DATE: 08/03/59	SURVIVOR	\$2,845	\$14,657	\$1,945	\$19,447
SCOTT RETIREMENT PLAN(S) HISTORY:	75% JOINT & SURVIVOR				
PLAN CREDITED EMPLOYMENT	RETIREE	\$5,690	\$27,894	\$3,732	\$37,316
SALARY 36/04 (YRS/MOS)	SURVIVOR	\$4,267	\$20,764	\$2,782	\$27,813
EST. AVERAGE FINAL COMPENSATION (AFC)	100% JOINT & SURVIVOR				
UNDER PLANS EARNINGS-BASED FORMULA:	RETIREE	\$5,690	\$26,419	\$3,568	\$35,677
TOTAL \$954,554.57	SURVIVOR	\$5,690	\$26,210	\$3,545	\$35,445
TRUST \$224,030.00					

<CAPTION>

<S>	<C>	SOCIAL SECURITY LEVEL BENEFIT OPTIONS		<C>	<C>
		<C>	<C>	<C>	<C>
- - - - -	SS LEVEL - SINGLE LIFE	\$6,513	\$33,327	\$4,336	\$44,176
COMMENT:	SS LEVEL AND 50% J&S				
PIDCA REFLECTS:	RETIREE	\$6,513	\$29,524	\$3,913	\$39,950
- ACTUARIAL FORGIVENESS	SURVIVOR	\$2,845	\$14,657	\$1,945	\$19,447
- - - - -	SS LEVEL AND 75% J&S				
	RETIREE	\$6,513	\$27,894	\$3,732	\$38,139
	SURVIVOR	\$4,267	\$20,764	\$2,782	\$27,813
	SS LEVEL AND 100% J&S				
	RETIREE	\$6,513	\$26,419	\$3,568	\$36,500

SURVIVOR \$5,690 \$26,210 \$3,545 \$35,445

<CAPTION>

<S> AT AGE 62 (12/01/97)

DATA AS OF: 12/02/93

NAME: PHILIP E. LIPPINCOTT	FORM OF PAYMENT	TRUST	SERP	PIDCA	TOTAL	BASED ON CURRENT LIMITS (93) & SERP INT. RATE OF 3.25% SERP SINGLE PAYMENT
SOCIAL SECURITY NO.:						
LOCATION: PHILADELPHIA						
BIRTH DATE: 11/28/35	SINGLE LIFE	\$5,690	\$33,118	\$4,313	\$43,121	\$5,486,961
SURVIVOR'S BIRTH DATE: 04/29/38 (DATE(S) SUBJECT TO VERIFICATION)	50% JOINT & SURVIVOR					
	RETIREE	\$5,690	\$29,315	\$3,890	\$38,895	\$5,383,904
HIRE DATE: 08/03/59	SURVIVOR	\$2,845	\$14,657	\$1,945	\$19,447	
SCOTT RETIREMENT PLAN(S) HISTORY:	75% JOINT & SURVIVOR					
PLAN CREDITED EMPLOYMENT	RETIREE	\$5,690	\$27,685	\$3,709	\$37,084	\$5,333,431
SALARY 36/04 (YRS/MOS)	SURVIVOR	\$4,267	\$20,764	\$2,782	\$27,813	
EST. AVERAGE FINAL COMPENSATION (AFC)	100% JOINT & SURVIVOR					
UNDER PLANS EARNINGS-BASED FORMULA:	RETIREE	\$5,690	\$26,210	\$3,545	\$35,445	\$5,284,958
TOTAL \$954,554.57	SURVIVOR	\$5,690	\$26,210	\$3,545	\$35,445	
TRUST \$224,030.00						

<CAPTION>

SOCIAL SECURITY LEVEL BENEFIT OPTIONS

<S> <C> <C> <C> <C> <C> <C>

SS LEVEL - SINGLE LIFE	\$5,599	\$33,118	\$4,313	\$43,030	\$5,486,961
COMMENT:					
PIDCA REFLECTS:					
- ACTUARIAL FORGIVENESS					
SS LEVEL AND 50% J&S					
RETIREE	\$5,599	\$29,315	\$3,890	\$38,804	\$5,383,904
SURVIVOR	\$2,845	\$14,657	\$1,945	\$19,447	
SS LEVEL AND 75% J&S					
RETIREE	\$5,599	\$27,685	\$3,709	\$36,993	\$5,333,431
SURVIVOR	\$4,267	\$20,764	\$2,782	\$27,813	
SS LEVEL AND 100% J&S					
RETIREE	\$5,599	\$26,210	\$3,545	\$35,354	\$5,284,958
SURVIVOR	\$5,690	\$26,210	\$3,545	\$35,445	

</TABLE>

19

STATEMENT OF YOUR ESTIMATED RETIREMENT ALLOWANCES
UNDER THE SCOTT PAPER COMPANY RETIREMENT PLAN(S)

HERE ARE YOUR ESTIMATED ALLOWANCES UNDER THE PAYMENT OPTIONS AVAILABLE TO YOU IF YOU ELECT TO COMMENCE PAYMENT OF YOUR RETIREMENT ALLOWANCE ON THE ANNUITY STARTING DATE SHOWN BELOW. THESE ESTIMATES REFLECT YOUR PERSONAL DATA AND THE APPLICABLE PLAN TEXT(S) AS DESCRIBED IN THE SUMMARY PLAN DESCRIPTION(S). THE AMOUNT OF YOUR ACTUAL ALLOWANCE WILL REFLECT THE TERMS AND CONDITIONS OF THE PLAN(S) IN EFFECT ON YOUR SEVERANCE FROM SERVICE DATE UNDER THE PLAN(S).

<TABLE>
<CAPTION>

ESTIMATED EARLY RETIREMENT ALLOWANCE(S) (\$/MONTH)
END OF CREDITED EMPLOYMENT: 03/31/96 ANNUITY STARTING DATE: 04/01/96 AGE 60/04

<S> TO AGE 62 (11/30/97)

DATA AS OF: 11/23/93

NAME: PHILIP E. LIPPINCOTT	FORM OF PAYMENT	TRUST	SERP	PIDCA	TOTAL*
SOCIAL SECURITY NO.:					
LOCATION: PHILADELPHIA					
BIRTH DATE: 11/28/35	SINGLE LIFE	\$5,861	\$34,244	\$3,645	\$43,750
SURVIVOR'S BIRTH DATE: 04/29/38 (DATE(S) SUBJECT TO VERIFICATION)	50% JOINT & SURVIVOR				
	RETIREE	\$5,861	\$30,335	\$3,290	\$39,486
HIRE DATE: 08/03/59	SURVIVOR	\$2,930	\$15,058	\$1,635	\$19,623
SCOTT RETIREMENT PLAN(S) HISTORY:	75% JOINT & SURVIVOR				
PLAN CREDITED EMPLOYMENT	RETIREE	\$5,861	\$28,660	\$3,138	\$37,659
SALARY 36/08 (YRS/MOS)	SURVIVOR	\$4,396	\$21,330	\$2,338	\$28,064
AVERAGE FINAL COMPENSATION (AFC)	100% JOINT & SURVIVOR				
UNDER PLANS EARNINGS-BASED FORMULA:	RETIREE	\$5,861	\$27,144	\$3,000	\$36,005

TOTAL	\$954,554.57 (ACTUAL)	SURVIVOR	\$5,861	\$26,925	\$2,980	\$35,766
TRUST	\$224,030.00 (ACTUAL)					

<CAPTION>

<S>	<C>	SOCIAL SECURITY LEVEL BENEFIT OPTIONS	<C>	<C>	<C>	<C>
- -----		SS LEVEL - SINGLE LIFE	\$6,709	\$34,244	\$3,645	\$44,598
COMMENT:		SS LEVEL AND 50% J&S				
		RETIREE	\$6,709	\$30,335	\$3,290	\$40,334
PIDCA REFLECTS:		SURVIVOR	\$2,930	\$15,058	\$1,635	\$19,623
- ACTUARIAL FORGIVENESS						
- -----		SS LEVEL AND 75% J&S				
		RETIREE	\$6,709	\$28,660	\$3,138	\$38,507
		SURVIVOR	\$4,396	\$21,330	\$2,338	\$28,064
		SS LEVEL AND 100% J&S				
		RETIREE	\$6,709	\$27,144	\$3,000	\$36,853
		SURVIVOR	\$5,861	\$26,925	\$2,980	\$35,766

<CAPTION>

<S>	<C>	<C>	AT AGE 62 (12/01/97)	<C>	<C>	<C>	<C>
DATA AS OF: 11/23/93							
NAME: PHILIP E. LIPPINCOTT							BASED ON CURRENT LIMITS
SOCIAL SECURITY NO.:							& SERP INT. RATE OF 3.25%
LOCATION: PHILADELPHIA	FORM OF PAYMENT	TRUST	SERP	PIDCA	TOTAL*		SERP SINGLE PAYMENT
							=====
BIRTH DATE: 11/28/35	SINGLE LIFE	\$5,861	\$34,025	\$3,625	\$43,511		\$5,581,644
SURVIVOR'S BIRTH DATE: 04/29/38							
(DATE(S) SUBJECT TO VERIFICATION)	50% JOINT & SURVIVOR						
	RETIREE	\$5,861	\$30,116	\$3,270	\$39,247		\$5,476,521
HIRE DATE: 08/03/59	SURVIVOR	\$2,930	\$15,058	\$1,635	\$19,623		
SCOTT RETIREMENT PLAN(S) HISTORY:	75% JOINT & SURVIVOR						
PLAN CREDITED EMPLOYMENT	RETIREE	\$5,861	\$28,441	\$3,117	\$37,419		\$5,425,036
SALARY 36/08 (YRS/MOS)	SURVIVOR	\$4,396	\$21,330	\$2,338	\$28,064		
AVERAGE FINAL COMPENSATION (AFC)	100% JOINT & SURVIVOR						
UNDER PLANS EARNINGS-BASED FORMULA:	RETIREE	\$5,861	\$26,925	\$2,980	\$35,766		\$5,375,584
TOTAL	SURVIVOR	\$5,861	\$26,925	\$2,980	\$35,766		
TRUST							

<CAPTION>

<S>	<C>	SOCIAL SECURITY LEVEL BENEFIT OPTIONS	<C>	<C>	<C>	<C>
- -----		SS LEVEL - SINGLE LIFE	\$5,784	\$34,025	\$3,625	\$43,434
COMMENT:		SS LEVEL AND 50% J&S				
		RETIREE	\$5,784	\$30,116	\$3,270	\$39,170
PIDCA REFLECTS:		SURVIVOR	\$2,930	\$15,058	\$1,635	\$19,623
- ACTUARIAL FORGIVENESS						
- -----		SS LEVEL AND 75% J&S				
		RETIREE	\$5,784	\$28,441	\$3,117	\$37,342
		SURVIVOR	\$4,396	\$21,330	\$2,338	\$28,064
		SS LEVEL AND 100% J&S				
		RETIREE	\$5,784	\$26,925	\$2,980	\$35,689
		SURVIVOR	\$5,861	\$26,925	\$2,980	\$35,766

</TABLE>

EXHIBIT B

SCOTT EMPLOYEE'S AGREEMENT

I, _____, am or am about to be employed by SCOTT
(print name)
PAPER COMPANY, a Pennsylvania corporation, (which together with its
subsidiaries, affiliates and related companies, is referred to as "the
Company").

In consideration of my employment by the Company, and the compensation
and benefits incident thereto, or in the case of individuals previously
employed by Scott, in consideration of my receipt of a promotion or nomination
to certain incentive or variable compensation programs of the Company, as
announced from time to time, and intending to be legally bound, I hereby agree
as follows:

1. Definitions:

(a) The term "Confidential Information" includes all business information (whether or not in written form) which relates to the Company and which is not known to the public generally, including but not limited to technical notebooks and technical records; technical reports; patent applications; machine, equipment, process and product designs including any drawings and descriptions thereof; unwritten knowledge and "know-how"; formulae; operating instructions; training manuals; production and development processes; production schedules; customer lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; territory listings; market surveys; marketing plans; profitability analyses; product cost; long-range plans; pricing, competitive strategies, new product development; information relating to any forms of compensation and other personnel-related information; contracts; supplier lists;

(b) The term "Invention" includes any discovery, improvement, design or idea.

2. I shall disclose promptly to the Company any Invention, patentable or otherwise, which during any period of such employment heretofore has been or may be hereafter conceived, developed or perfected by me, either alone or jointly with another or others, and either during or outside the hours of such employment, and which pertains to any activity, business, process, equipment, material or product in which the Company has any direct or indirect interest whatsoever.

3. I hereby grant to the Company all my right, title and interest in and to any such invention, together with all U.S. and foreign Letters Patent that may at any time be granted therefore and all reissues, renewals and extensions of such Letters Patent, any and all of which (whether made, held or owned by me, directly or indirectly) shall be for the sole use and benefit of the Company, which shall be at all times entitled thereto. At the request and expense of the Company, I will perform any act, and prepare, execute and deliver any written instrument (including descriptions, sketches, drawings and other papers), and render all such other assistance as in the opinion of the Company may be necessary or desirable to (i) vest full right and title to each such Invention in the Company, (ii) enable it lawfully to obtain and maintain such full right and title in any country whatsoever, (iii) prosecute application for and secure patents (including the reissue, rene-

21

wal and extension thereof), trademarks, copyrights and any other form of protection with regard to each such Invention, and (vi) prosecute or defend any interference or opposition which may be declared involving any such application or patent, and any litigation in which the Company may be involved with respect to any such Invention. The grant and the obligation set forth in this paragraph shall survive the termination of my employment, and shall be binding on my executors, administrators or assigns, unless waived in writing by the Company.

4. I will not, directly or indirectly, during or at any time after the period of my employment by the Company, use for myself or others, or disclose to others, any Confidential information of the Company, whether or not conceived, developed or perfected by me and no matter how it became known to me, unless I first secure written consent of the Company to such disclosure or use, or until the same shall have lawfully become a matter of public knowledge.

5. The Company recognizes that I may be bound, whether legally or ethically, not to disclose information belonging to a former employer. I understand that the Company specifically desires that I fulfill any such obligation, and that I refrain from giving to my fellow employees, and from using in the Company's business, any such information belonging to any of my former employers so long as it remains confidential.

6. Upon leaving the employ of the Company, or at any other time upon request, I will promptly deliver to the Company all documents and records which are in my possession or under my control and which pertain to the Company, any of its activities or any of my activities in the course of my employment. Such documents and records include but are not limited to technical notebook records, technical reports, patent applications, drawings, specifications, reproductions, and process or design disclosure information, models, schedules, manuals, lists of customers and sales, sales records, sales requests, lists of suppliers, plans, correspondence and all copies thereof whether or not such information was authored by me. I will not retain or deliver to any third person copies of any such documents or records.

7. During (i) my employment by the Company including any period of limited service immediately preceding termination of employment, and (ii) that period which immediately follows the termination of and is equal in duration

to the period of such employment (but being in any event not less than 6 nor more than 24 months), I will not, without the written consent of the Company, either as principal, agent, consultant, employee, director, or otherwise, engage in any work or other activity (a) in or directly related to the subject matter in which I worked during my employment by the Company, or (b) involving or directly related to the Confidential Information of which I became aware or to which I had access during such employment. I hereby agree to consult with the Company when considering entering upon any activity which might violate this paragraph. For a period determined in accordance with this paragraph, I will not engage in work or other activity, as defined above within such geographic area as is necessary to protect the interests of the Company.

In those situations in which my primary job assignment location during the six months prior to termination of employment is Scott corporate headquarters or the research facility, or the headquarters, manufacturing or research facility of any affiliate, subsidiary or business unit of Scott, or in any other instance in which the Company deems that the protection of the Company's interests or the Company's Confidential Information require it, I agree that I shall not engage in work or other activity as defined above for a competitor of the Company in any capacity.

In those instances where I am employed by the Company in a sales capacity and engage to act as an employee, representative or consultant in a sales capacity for a competitor, this geographic restriction shall be an area extending for one hundred miles from the perimeter of the sales territory which was the location of my last job assignment for the Company.

8. If because of restrictions imposed in or pursuant to Paragraph 7, I am unable to obtain employment consistent with my experience and employment qualifications, I understand that the Company will pay to me each month, so long as such restrictions remain in effect, a sum equal to the base compensation which I was receiving from the Company at the termination of my employment, less the sum of (i) any unemployment compensation, (ii) the total of any and all compensation paid or due to me from any other employment in which I engaged during such month (whether or not part- or full-time, temporary or permanent, of a consulting nature, or otherwise), and (iii) any retirement benefits I receive from Company retirement plans or severance pay during such month, such payment to be made only upon the receipt from me with respect to such month of a written statement setting forth (i) my certification as to the compensation paid or due to me for any other employment, (ii) my efforts to obtain employment consistent with my experience and employment qualifications, and (iii) my certification that, despite my conscientious efforts, I have been unable to obtain such employment because of such restrictions. I, further, understand that the obligation of the Company to make any such monthly payment shall cease upon my obtaining employment consistent with my experience and employment qualifications, upon the Company's waiving such restrictions, or upon the expiration of 24 months after the termination of my employment by the Company, which ever shall first occur.

9. I acknowledge that my employment can be terminated, with or without cause, at any time, by either the Company or myself. I understand that no manager or representative of Scott Paper Company, other than a corporate vice president of the Company, has any authority to enter into any agreement for employment for any specified period of time, or to make any agreement contrary to the foregoing, and that any such agreement be in writing. This Agreement does not constitute a waiver by any employee of any rights he or she may have under federal or state statutes concerning termination of employment.

10. I hereby acknowledge that I have had the opportunity to discuss with a responsible representative of the Company any questions I may have regarding this Agreement, that I fully understand its provisions, and that I have signed it of my own free will.

11. I agree that each paragraph of this Agreement shall be separately enforceable and that the invalidity of one paragraph shall not constitute a basis for declaring the other paragraphs unenforceable.

12. This Agreement shall be construed under the laws of the Commonwealth of Pennsylvania. This Agreement supersedes all prior Agreements whether written or oral.

DO NOT SIGN IF YOU DO NOT UNDERSTAND ANYTHING IN THIS AGREEMENT. YOUR SIGNATURE BELOW INDICATES YOU UNDERSTAND AND ACCEPT THIS AGREEMENT.

Signed at _____ on _____, 19 ____

(SEAL)

Employee's Signature

Witness

EXHIBIT C

Determination of the Net Present Value of the difference in cost to the Company considers both the timing and amounts of payments, and actuarially based assumptions about the expected lifetime of the Executive. These assumptions determine the expected time over which the cost differences will extend. Once this is established, then, using the Company's current procedure to determine interest rates, (See Note 1) a net present value of the cost difference is established. This value represents an amount that, if invested at the interest rate, would produce a cash flow produced by both earning interest and drawing down the principal, that would exactly cover the cost for the Executive's expected lifetime.

Following are the present values of the cost differences determined using the Company's December, 1993 interest rate of 3.25%. (Variations in the interest rate will cause variations in the net present values. If interest rates are higher, the values will be lower, and vice versa.)

1. Because the Retirement Date is earlier, the annual pension payable from the Trust is lower (\$68,280 starting 12/95 vs. \$70,332 starting 4/96). The present value of this cost advantage to the Company is largely offset by beginning the payments sooner. To neutralize the residual cost advantage to the Company, a net present value of \$5,330 should be added to the Final Payment.
2. Because the Retirement Date is earlier, the annual pension payable from the SERP is lower (\$399,924 starting 12/95 vs. \$410,928 starting 4/96. If a single payment distribution is elected, the calculation of the amount will also reflect this difference.) The net present value of this cost advantage to the Company is largely offset by beginning the payments sooner. To neutralize the residual cost advantage to the Company, a net present value of \$16,129 should be added to the Final Payment.
3. Because the Retirement Date is earlier, the annual cost to the Company of forgiving the actuarial penalty for retiring prior to age 62 is higher, (\$52,032 starting 12/95 vs. \$43,740 starting 4/96). Because this produces a higher cost which also begins sooner, the net present value is proportionately much larger than in Items 1 and 2 above. To neutralize this cost disadvantage to the Company, a net present value of \$128,670 should be deducted from the Final Payment.
4. Because the final four months' pay will be paid earlier than if the Retirement Date had been March 31, 1996, there is a time value of money cost to the Company. To neutralize this cost, \$4,232 should be deducted from the Final Payment.

SUMMARY:

- - - - -

<TABLE>

<S>	<C>
Four Months' Final Pay	\$ 211,667
	+ 5,330
	+ 16,129
	- 128,670
	- 4,232

Net Final Pay	\$ 100,224

</TABLE>

Note 1. December 1993 Interest Calculation Procedure:
(Pension Benefit Guaranty Corporation Rate plus 1)
multiplied by (1 minus Company marginal Tax Rate)
 $(4.25+1) * (1-0.38) = 3.25$

EXHIBIT 12. STATEMENT RE COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

<TABLE>

<CAPTION>

	1989	1990	1991	1992	1993
	-----	-----	-----	-----	-----
	(IN MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>
Income (loss) before taxes and share of earnings of international equity affiliates.....	\$509.7	\$118.1	\$ (120.8)	\$220.3	\$ (331.4)
Adjustments to earnings (loss):					
Minority interest in majority-owned subsidiaries having fixed charges.....	7.1	6.6	8.9	9.1	10.4
Share of earnings (loss) before taxes of fifty percent owned equity affiliates.....	14.3	9.7	6.8	(3.6)	3.2
Distributed income of less than fifty percent owned equity affiliates and share of loss, if any, if debt is guaranteed.....	--	--	--	14.5	--
Previously capitalized interest amortized during the period.....	4.5	5.3	7.1	5.8	5.8
Fixed charges net of capitalized interest.....	207.0	246.8	291.5	247.6	219.8
	-----	-----	-----	-----	-----
Earnings (loss) before taxes and fixed charges as adjusted.....	\$742.6	\$386.5	\$ 193.5	\$493.7	\$ (92.2)
	=====	=====	=====	=====	=====
Fixed charges (see below)...	\$229.5	\$296.2	\$ 296.7	\$250.5	\$ 228.7
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges.....	3.2x (/1/)	1.3x (/1/)	(/2/) (/1/)	2.0x	(/2/) (/1/)
	=====	=====	=====	=====	=====
Fixed charges:					
Interest incurred.....	\$180.4	\$248.8	\$ 252.5	\$211.8	\$ 192.1
Share of interest incurred of fifty percent owned equity affiliates.....	31.9	25.8	20.7	15.0	12.7
Portion of rental expense which represents an appropriate interest factor.....	13.7	18.4	19.9	20.1	20.7
Share of portion of rental expense which represents an appropriate interest					

factor for fifty percent owned equity affiliates..	1.1	0.8	0.7	0.7	0.9
Portion of fixed amount payable under the Westbrook biomass cogeneration facility power sales agreement....	2.4	2.4	2.9	2.9	2.3
	-----	-----	-----	-----	-----
Total fixed charges.....	229.5	296.2	296.7	250.5	228.7
Less:					
Capitalized interest....	(22.5)	(49.4)	(5.2)	(2.9)	(8.9)
	-----	-----	-----	-----	-----
Total fixed charges net of capitalized interest.....	\$207.0	\$246.8	\$ 291.5	\$247.6	\$ 219.8
	=====	=====	=====	=====	=====

</TABLE>

-
- (1) Excluding the special items referred to on page 36 of the Company's 1993 Annual Report to Shareholders, the ratio of earnings to fixed charges would have been 2.7, 1.9, 1.5 and 1.7 for 1989, 1990, 1991 and 1993, respectively.
- (2) Earnings did not cover fixed charges by \$103.2 million and \$320.9 million in 1991 and 1993, respectively.

Management's Discussion and Analysis
RESULTS OF OPERATIONS--1993 vs. 1992

Consolidated sales in 1993 decreased 7% to \$4.7 billion compared with \$5.1 billion in 1992, primarily due to the impact of unfavorable European foreign exchange rates. Results of operations were a loss of \$153.6 million in 1993 versus income from operations of \$414.2 million in the prior year. The Company recorded a net loss of \$277.0 million, or a per-share loss of \$3.75, versus net income of \$167.2 million and earnings per share of \$2.26 in 1992.

The Company's results for 1993 included the effects of special items amounting to approximately \$394.6 million after tax, or \$5.33 per share. Excluding the effects of special items, net income was \$117.6 million and earnings per share were \$1.58. The following table presents earnings for 1993, both as reported and excluding special items, and for 1992.

<TABLE>

<CAPTION>

(In millions, except on a per share basis) <S>	1993		1992
	Reported <C>	Excluding Special Items <C>	Reported <C>
(Loss) Income			
from operations	\$ (153.6)	\$ 336.0	\$ 414.2
Net (loss) income	\$ (277.0)	\$ 117.6	\$ 167.2
(Loss) Earnings per share	\$ (3.75)	\$ 1.58	\$ 2.26

</TABLE>

The special items included a restructuring charge of \$381.0 million or \$5.15 per share primarily for productivity improvements; a \$.34 per-share charge for nonrecurring items recorded by the Company's Mexican affiliate and for changes in the U.S. tax law; a \$.13 per-share extraordinary charge for the Company's tender for its 11.5% debentures; and a one-time positive adjustment of \$.29 per share for the cumulative effect of the required adoption of FAS 109, Accounting for Income Taxes. Approximately two-thirds of the restructuring charge was related to the Company's plans to reduce its worldwide work force of about 33,000 employees by approximately 8,300 people, a 25% reduction, in support of its productivity improvement program. It is expected that 4,500 of the reductions will occur in the Company's international operations and affiliates. The remainder of the restructuring charge relates to the realignment and shutdown of some older and inefficient tissue producing and converting assets in the personal care and cleaning business, the consolidation and simplification of the coated papers business and the restructuring being undertaken by the Company's Mexican affiliate. The Company expects that the pre-tax cash outflows related to these actions will be approximately \$400 million over a three-year period, with approximately one-half of the outflows occurring in 1994. See "Trends" on page 15.

These actions are part of the Company's ongoing effort to take firm control of its destiny in the slow growth, highly competitive, value-focused environment of the 1990s. The work force reductions are largely based on competitive benchmarking studies indicating that Scott's labor density is much higher than its lowest-cost competitors worldwide. These moves, along with streamlining and simplifying operations and business processes, are an integral part of achieving the Company's minimum 5% annual productivity improvement target and building the foundation for success in the future.

Results for 1993 were impacted by a charge of approximately \$.04 per share for the settlement of the securities litigation commenced in 1990.

Scott's operations are reported in two business segments -- Scott Worldwide's "Personal Care and Cleaning" business and S.D. Warren's "Printing and Publishing Papers" business. The following is a discussion and analysis of the Company's business segments and the information which appears in Note 28. In order to provide a better basis for comparison, results of operations for 1993, both as reported and excluding special items, are compared with results from 1992. During 1993, operating income for Scott Worldwide and S.D. Warren was impacted by charges for special items amounting to \$355.0 million and \$109.2 million, respectively.

[CHART ENTITLED "SALES BY BUSINESS SEGMENT" APPEARS HERE]

Personal Care and Cleaning

This segment consists of products (primarily tissue products) for personal care, environmental cleaning and wiping, health care and foodservice. Consolidated sales for Scott Worldwide's personal care and cleaning segment were approximately \$3.6 billion in 1993 compared with \$3.9 billion in 1992. Scott Worldwide's consolidated operations reported a loss of \$48.4 million in 1993 versus income from operations of \$374.7 million in 1992. Excluding special items in 1993, income from operations was \$306.6 million in 1993, down 18% compared with 1992.

United States

In 1993, sales revenue for Scott Worldwide's total U.S. personal care and cleaning business was up slightly over 1992. Sales volume decreased 1%, while average selling prices for tissue products were approximately 2% better than in 1992 despite the continuation of extremely competitive market conditions.

Excluding special items in 1993, income from operations decreased 14%. Manufacturing cost improvements and improved product pricing had a favorable impact on income from operations, but these positive factors were offset by manufacturing cost inflation, higher freight and distribution expenses, and increased spending for strategic product development and marketing.

Europe

Sales volume for Scott Worldwide's operations in the European region was 3% less than in 1992 and sales revenue decreased 20%, of which approximately 16% was related to changes in exchange rates due to the continuing strength of the U.S. dollar. Also impacting results were competitive pricing pressures and the region's weak economies. Excluding special items in 1993, income from operations declined 26% compared with 1992 and, excluding changes in exchange rates, was 1% lower than in 1992. Productivity gains and manufacturing cost improvements achieved by the European businesses nearly offset the negative impact of the lower sales volume and pricing.

Pacific and Latin America

In the Pacific and Latin American regions, sales volume for the Company's consolidated operations grew 5% compared with 1992, and sales revenue in 1993 was 5% higher than in the previous year. Income from operations, excluding special items in 1993, decreased 17%.

International Equity Affiliates

Scott's share of international equity affiliates' earnings was a loss of \$21.7 million in 1993 compared with earnings of \$5.4 million in 1992.

Excluding special items in 1993, Scott's share of net income from its Mexican affiliate more than doubled, primarily due to improvement in its consumer business. The Company's Canadian affiliate also reported improved results in 1993 mainly due to cost reductions which more than offset lower sales volume and unfavorable product pricing.

Printing and Publishing Papers

Sales volume for the S.D. Warren printing and publishing papers segment decreased approximately 4% in 1993, and sales revenue was 6% lower than the year before. S.D. Warren reported a loss from operations of \$29.6 million in 1993 compared with income from operations of \$90.8 million in the prior year. Excluding special items in 1993, income from operations of \$79.6 million was 12% less than in 1992.

Sales volume for coated papers in 1993, which accounted for about 78% of S.D. Warren's total paper sales volume, was down 4% versus the previous year reflecting intense competitive activity for quality coated papers and the increased levels of imports into the U.S. market. Sales revenue for coated papers of \$830 million was down about 5% from 1992, and sales revenue for uncoated papers and specialty grades of \$316 million decreased 7% in 1993. The average selling price per ton of Warren paper in 1993 was approximately 2% lower than in the prior year reflecting the excess industry capacity and the continuation of price discounting in the coated papers market.

Income from operations was negatively impacted by the lower sales volume and selling prices. Results in 1992 were affected by increased costs associated with the shutdown and rebuild of the recovery boiler at the Somerset mill in Skowhegan, Maine.

As announced in April 1993, the Company no longer intends to divest Warren's specialty papers business. As a result, this business, which had been excluded from earnings since the beginning of 1991, is now included in Scott's results for 1993. The 1992 results have been reclassified for comparability, with no impact on 1992 net income or earnings per share.

Interest, Other Income and Taxes

Interest expense of \$182.0 million in 1993 was \$23.1 million less than in the prior year primarily due to reduced interest rates and favorable foreign exchange impacts.

Other income and expense items reflect income of \$4.2 million in 1993, down \$7.0 million from 1992 largely due to lower interest income.

The Company reported a tax benefit of \$64.0 million in 1993 compared with taxes on income of \$58.5 million in the prior year. Excluding the effects of special items in 1993, the effective tax rates for 1993 and 1992 were approximately 37% and 27%, respectively. The increase in the effective tax rate, an impact of approximately \$.21 per share, was primarily due to the adoption of FAS 109, the higher tax cost of foreign source income, and the increase in the U.S. tax rate.

See the Financial Review Notes for further detail on the above items.

14

<TABLE>
<CAPTION>

Returns and Margins

	1993		1992
	Reported	Excluding Special Items	Reported
<S>	<C>	<C>	<C>
Return on investment	(3.1)%	4.5%	5.9%
Return on common shareholders' equity	(14.4)%	5.9%	8.2%
Pretax margin on sales	(7.0)%	3.3%	4.3%

</TABLE>

TRENDS

The economic and competitive conditions affecting both the worldwide tissue and U.S. coated papers markets are expected to continue to present challenges for Scott's businesses throughout 1994.

While the U.S. economy appears to be gaining strength, this improvement has yet to be reflected in the markets in which Scott's businesses compete. Industry forecasts for the U.S. tissue market indicate that operating rates will remain near their current levels in 1994. The lack of any significant growth in this market segment, along with aggressive competition and the value-consciousness of customers and end-users, could limit the opportunity for further pricing recovery in this mature market. During 1993, the coated papers business in the U.S. suffered from excess capacity and increased levels of imports. Although coated papers capacity growth in the U.S. is projected to slow down significantly over the next several years, increased demand would have to occur before operating rates and pricing can improve.

Outside of the U.S., the poor economic conditions in most Western European countries are expected to continue to have a dampening effect on short-term growth prospects in that region during 1994. Results from Scott's operations in Europe could also be negatively impacted if the dollar were to strengthen further relative to currencies in countries where the Company has significant operations. Declining rates of exchange for foreign currencies against the U.S. dollar cause reported earnings to be lower on a U.S. dollar basis. Elsewhere, markets in Mexico and along the Pacific rim represent good prospects for future growth and development, while the Canadian market continues to be very competitive due to excess capacity.

To better position itself to compete successfully in the business environment of the 1990s, Scott is undergoing fundamental internal changes. Through global benchmarking, the annual minimum 5% productivity improvement target and systemic changes in how Scott conducts its business, the Company is taking the steps designed to provide the resources to improve short-term results and invest in the innovation and capability development critical to the future of the business. The restructuring program, which will also require approximately \$200 million of capital expenditures over the two-year period beginning in 1994, is an essential part of this effort. If successful, the restructuring program would result in annual after-tax savings, before inflation, in the range of \$150 million to \$250 million when fully implemented. However, in order to successfully implement this program, the Company faces the complexities and challenges associated with rationalizing assets, redesigning the flow of work, and achieving the planned significant work force reductions. In addition, the Company's ability to realize savings from this program, as well as the length of the period during which savings are realized, will depend upon actions taken by its competitors in response to the same business conditions facing the Company.

As a net buyer of pulp, Scott is affected by fluctuations in market prices for this commodity. In the long term, pulp prices tend to follow a cyclical pattern. To minimize the Company's exposure to this cyclicity, a portion of Scott's pulp supply is purchased on the basis of a multi-year moving average price. The Company may be negatively impacted if prices paid by Scott for pulp increase without a corresponding increase in selling prices for finished products. While the outlook for the pulp market is uncertain, announcements by major pulp producers indicate that prices may increase during 1994 from the historically low levels experienced in 1993.

Scott and other manufacturers of pulp in the U.S. face proposed regulations imposing stringent limits on chlorinated organics, including dioxin and

chloroform, which arise from the process of manufacturing bleached pulp. In November 1993, the Environmental Protection Agency (EPA) released its proposed regulations, which also include limitations on other discharges and emissions. After evaluation of these proposed regulations, the Company believes that the additional capital expenditures required to comply with them at its existing sites would be between \$250 million and \$300 million in the 1996-1998 period. These estimates could change further depending on several factors, including additional evaluation of the proposed regulations, changes in the proposed regulations, new developments in control and process technology, and inflation. It is also possible that limitations contained in permits currently being appealed by the Company and laws or regulations which may be adopted by states where Scott pulp mills are located could cause an acceleration of these expenditures.

During the past year, five-year labor agreements were ratified at three of Scott's manufacturing sites in the U.S. and at a pulp mill in Nova Scotia. There are three agreements to be negotiated at large U.S. sites in 1994. Scott's continuing cooperative jointness effort with the United Paperworkers International Union will be severely tested by, and will be critical to the success of, the work redesign and other changes that will be required at all U.S. manufacturing sites.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operating activities was \$318.7 million in 1993 compared with \$414.9 million and \$582.0 million in 1992 and 1991, respectively. Capital expenditures were \$457.8 million in 1993 compared with \$329.7 million and \$314.6 million in 1992 and 1991, respectively. Total debt increased to \$2,546.4 million at December 25, 1993 compared with \$2,285.9 million at December 26, 1992. Weaker sales volumes, price erosion and some inflation adversely impacted operating cash flows during 1993. Lower operating cash flows coupled with increased business investment were primary causes for the increase in the Company's debt level at December 25, 1993.

During 1994 and 1995, the Company plans to invest \$800-\$900 million in capital projects. The projects include: \$200 million of spending related to the productivity improvement program; the continuation of four projects underway -- the modernization of the pulp mill in Mobile, Alabama, capacity expansion for the wet wipes business in Dover, Delaware, a sheeting facility for S.D. Warren in Allentown, Pennsylvania, and construction of a state-of-the-art tissue mill in Owensboro, Kentucky; and other projects designed to sustain existing operations and reduce costs. The Company expects to finance this spending primarily from internally generated funds.

During 1993, the Company's financing activities included the issuance of \$200 million in publicly-held long-term debt. The proceeds were primarily used to pay maturing debt owed to Feldmuhle AG related to the purchase in 1990 of its sanitary tissue business. In December 1993, the Company issued \$110 million of tax-exempt bonds, which will be used to finance a portion of the Owensboro tissue mill construction. During 1992, the Company issued \$300 million in publicly-held long-term debt, the proceeds from which were used to refinance long-term and short-term debt.

The Company has both variable rate debt and variable rate financial assets, which primarily consist of \$220 million of notes receivable from Crown Pacific Ltd. The variable rate financial assets reduce the exposure of the Company to changes in interest rates. When the variable rate assets are netted against debt, the portion of the Company's debt which is variable rate at December 25, 1993 is 49% compared with 39% as of December 26, 1992 and 31% as of December 28, 1991.

To maintain flexibility in meeting its financing needs, the Company has two revolving bank credit facilities totaling \$775 million which were unused as of December 25, 1993.

[CHART ENTITLED "NUMBER OF EMPLOYEES" APPEARS HERE]

RESULTS OF OPERATIONS--1992 vs. 1991

Consolidated sales in 1992 increased 2% to \$5.1 billion compared with \$5.0 billion in the prior year. Income from operations was \$414.2 million in 1992 versus \$50.5 million in 1991. Net income was \$167.2 million compared with a net loss of \$69.9 million in 1991, and earnings per share in 1992 were \$2.26 versus a loss of \$.95 per share in the previous year.

The following table presents earnings for 1992 and for 1991, both as reported and excluding special items in 1991 related to the Company's business improvement program.

<TABLE>
<CAPTION>

	1992	1991	
(In millions, except on a per share basis)	Reported	Reported	Excluding Special Items

<S>	<C>	<C>	<C>
Income from operations	\$414.2	\$ 50.5	\$341.0
Net income (loss)	\$167.2	\$(69.9)	\$113.5
Earnings (Loss) per share	\$ 2.26	\$ (.95)	\$ 1.54

Excluding special items in 1991, earnings per share increased 47% in 1992. Earnings benefited by approximately \$.48 per share from the net effect of accounting changes instituted at the beginning of 1992 related to depreciation and postretirement benefits. Without the positive impact of the accounting changes, earnings per share from normal operations were up 16% in 1992.

In late 1991, the Company recorded net special charges for the costs associated with work force reductions, restructuring and divestments related to its business improvement program. These net special charges amounted to \$2.49 per share.

16

The Company's results for both 1992 and 1991 exclude the results of the nonstrategic businesses that were identified to be divested in connection with Scott's business improvement program. However, due to the decision in 1993 to retain and restructure S.D. Warren's specialty papers business, results for both 1992 and 1991 have been reclassified to include this business, with no impact on net income or earnings per share. During 1992, Scott sold the foodservice container business and the bulk nonwovens business. Since the impact of these divestments was included in the provision for special items in 1991, earnings for 1992 were not affected.

The following is a discussion and analysis of the Company's business segments and the information which appears in Note 28. In order to provide a better basis for comparison, results of operations for 1992 are compared with results from 1991 both as reported and excluding special items. During 1991, operating income for Scott Worldwide and S.D. Warren was impacted by charges for special items amounting to \$121.2 million and \$38.0 million, respectively.

Personal Care and Cleaning

Consolidated sales for Scott Worldwide's personal care and cleaning segment were approximately \$3.9 billion in 1992 compared with \$3.8 billion in 1991. Consolidated income from operations increased 73% to \$374.7 million in 1992 versus \$216.2 million in the prior year. Excluding special items in 1991, income from operations was up 11% in 1992.

The net effect of the accounting changes implemented at the beginning of 1992 contributed approximately \$27 million to the overall improvement in income from operations, approximately \$20 million of which benefited U.S. operations.

United States

In 1992, sales revenue for Scott Worldwide's total U.S. personal care and cleaning business was up approximately 1% compared with 1991. Sales volume increased 2%, while average selling prices for the tissue products business were approximately 3% less than in 1991 primarily due to highly competitive market conditions.

Income from operations in 1992 was 83% higher than in the prior year. Excluding special items in 1991, income from operations increased 4%. Results were significantly affected by the downward pressures on product pricing due to increased competitive activity. In the manufacturing area, cost reduction activities and productivity improvements, as well as a decrease in the cost of purchased pulp and lower curtailment costs, more than offset the impact of inflation.

Europe

Sales volume for Scott Worldwide's operations in the European region in 1992 was 3% higher than in the prior year, and sales revenue increased 2% over 1991. Income from operations in Europe grew 20%, excluding special items in 1991, as the continuing successful focus on cost reduction efforts and the favorable impact of lower pulp costs more than offset higher advertising and promotion expenses.

Pacific and Latin America

In the Pacific and Latin American regions, sales volume for the Company's consolidated operations grew 6% compared with 1991, and sales revenue in 1992 was 8% higher than in the prior year. Income from operations, excluding special items in 1991, increased 26% in 1992 primarily due to the lower cost of purchased pulp, reduced manufacturing costs, and the increase in sales volume.

International Equity Affiliates

Scott's share of international equity affiliates' earnings was \$5.4 million in 1992 compared with \$30.2 million in 1991.

Scott's share of net income, excluding special items in 1991, from its Mexican affiliate decreased 68% in 1992 primarily due to the continuing adverse market conditions in the printing and writing papers business. The Company's Canadian affiliate also reported a decline in earnings in 1992 primarily due to unfavorable product pricing and the substantial excess capacity in the Canadian tissue paper industry.

Printing and Publishing Papers

Sales volume for the S.D. Warren printing and publishing papers segment increased 8% in 1992, and sales revenue was 6% higher than in 1991. Income from operations in 1992 grew to \$90.8 million compared with \$18.0 million in the prior year. Excluding special items in 1991, income from operations increased 62% in 1992. The net effect of the accounting changes implemented at the beginning of 1992 contributed approximately \$34 million to the overall improvement in income from operations for S.D. Warren.

17

Sales volume for coated papers in 1992, which accounted for about 77% of S.D. Warren's total paper sales volume, was up approximately 13% over the previous year primarily due to increased shipments of lightweight coated paper.

Sales revenue for coated papers of \$871 million was up about 7% from 1991, while sales revenue of \$341 million for uncoated papers and specialty grades decreased 5% in 1992. The average selling price per ton of Warren paper in 1992 was approximately 3% lower than in the prior year reflecting the continuation of price discounting.

Income from operations was significantly higher than 1991's very depressed levels despite the lower selling prices. Income from operations was favorably impacted by higher volume, cost containment and productivity improvement programs, product mix improvements, and significantly less production curtailment in 1992 versus 1991. Results in both years were affected by costs associated with the recovery boiler at the Somerset mill, which was shut down for temporary repairs in 1991 and then underwent a scheduled shutdown and rebuild in 1992.

Interest, Other Income and Taxes

Interest expense of \$205.1 million in 1992 was \$33.4 million less than in the prior year due to debt reduction and lower interest rates. During 1992, approximately \$3.8 million of interest expense was allocated to the results of the businesses to be divested compared with \$8.8 million in 1991.

Other income and expense items reflect income of \$11.2 million in 1992 and \$67.2 million in 1991, which included proceeds from the sale of Scott's shares in its Japanese affiliate.

Taxes on income were \$58.5 million in 1992 compared with a tax benefit of \$20.7 million in 1991 associated with the loss before taxes. Excluding the effects of special items in 1991, the effective tax rates for 1992 and 1991 were approximately 27% and 33%, respectively.

See the Financial Review Notes for further detail on the above items.

ACCOUNTING REVISION AND STANDARDS CHANGES

In the first quarter of 1993, the Company adopted FAS 109, Accounting for Income Taxes. The Company reported a positive adjustment for the cumulative effect of adopting FAS 109 of \$21.7 million, or \$.29 per share. See Note 13.

Beginning in 1992, the Company revised the estimated average useful lives used to compute depreciation for most of its pulp and paper mill equipment from 16 years to 20 years and for most of its finishing and converting equipment from 12 years to 15 years. This revision was made to more properly reflect the true economic lives of the assets and to better align Scott's depreciable lives with the predominant practice in the industry. As a result, reported earnings increased by approximately \$.75 per share in 1992.

In the first quarter of 1992, the Company adopted FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, as discussed in Note 26. In 1992 expenses increased by approximately \$.27 per share due to this standards change.

The accounting revision and standards changes have no impact on the Company's cash flow.

EFFECTS OF CHANGING PRICES

The moderate levels of inflation during recent years have not had a material effect on the Company. Although the replacement cost of assets increases during inflationary periods, cash flow and earnings can be maintained through the ability to increase selling prices when market conditions permit and also

through the repayment of debt with dollars that have reduced purchasing power.

[CHART ENTITLED "SALES BY GEOGRAPHIC AREA" APPEARS HERE]

18

FINANCIAL REVIEW

RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Shareholders
Scott Paper Company

The Financial Review has been prepared by the Company in conformity with generally accepted accounting principles to reflect the substance of all relevant events and transactions. The Company is responsible for all information and representations contained in the Financial Review and for the estimates and judgments required for its preparation.

In order to meet this responsibility, the Company maintains a system of internal accounting controls which is designed to provide what are believed to be reasonable assurances that assets are safeguarded, transactions are executed in accordance with the Company's authorization and financial records are reliable as a basis for preparation of financial statements. The Company is continually modifying its system of internal accounting controls in response to changes in business conditions and operations. Support for this system is provided by the Company's internal auditors through their periodic audits of Scott's operations throughout the world.

The Company's independent accountants, Price Waterhouse, are engaged to conduct an independent audit of the Company's financial statements, which includes such review of the system of internal accounting controls to determine their auditing procedures as they consider necessary in the circumstances. Their opinion on the fairness of reported operating results and financial condition appears on this page.

The Company's Board of Directors has had an Audit Committee composed solely of outside directors since 1969. This Committee reviews the Company's accounting controls and policies as well as its practices in financial reporting to shareholders and the public. It meets on a timely basis with the internal auditors, the independent accountants and Company management to review their work and to ensure that each is properly fulfilling its responsibilities. In addition, the internal auditors and independent accountants each meet periodically with the Committee, without Company management present, to discuss the results of their audit work and related matters.

It is the policy of the Company to conduct its affairs in a manner designed to earn the respect of the public as a reputable and honest business firm. This is reflected in Company policy statements on the conduct of domestic and international business activities, conflicts of interests, internal accounting controls and compliance with antitrust, environmental and other laws. These policies are communicated regularly to employees and compliance is monitored regularly by the Company in an effort to provide reasonable assurances of their continuing effectiveness.

Scott Paper Company

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Scott Paper Company

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated operations, cash flows and common shareholders' equity, including the Financial Review, present fairly, in all material respects, the financial position of Scott Paper Company and its subsidiaries at December 25, 1993 and December 26, 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 25, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed under Accounting Policies in the Financial Review Notes, the company changed its methods of accounting for income taxes and postretirement

benefits other than pensions in 1993 and 1992, respectively.

Price Waterhouse
 Thirty South Seventeenth Street
 Philadelphia, Pennsylvania 19103
 January 25, 1994

19

Consolidated Operations
 <TABLE>
 <CAPTION>

(In millions, except on a per share basis)	1993	1992 (1)	1991 (1)
<S>	<C>	<C>	<C>
Sales	\$4,748.9	\$5,091.3	\$4,959.3
Costs and expenses			
Product costs	3,578.0	3,799.2	3,754.5
Marketing and distribution	598.7	631.2	597.3
Research, administration and general	232.2	250.1	251.4
Restructuring and divestments	489.6	--	300.2
Other	4.0	(3.4)	5.4
	4,902.5	4,677.1	4,908.8
(Loss) Income from operations	(153.6)	414.2	50.5
Interest expense	182.0	205.1	238.5
Other income and (expense)	4.2	11.2	67.2
(Loss) Income before taxes	(331.4)	220.3	(120.8)
Income taxes	(64.0)	58.5	(20.7)
(Loss) Income before share of (loss) earnings of international equity affiliates, extraordinary loss and cumulative effect of accounting change	(267.4)	161.8	(100.1)
Share of (loss) earnings of international equity affiliates	(21.7)	5.4	30.2
(Loss) Income before extraordinary loss and cumulative effect of accounting change	(289.1)	167.2	(69.9)
Extraordinary loss on early extinguishment of debt, net of income tax benefit of \$5.2	(9.6)	--	--
Cumulative effect of change in accounting for income taxes	21.7	--	--
Net (Loss) Income	\$ (277.0)	\$ 167.2	\$ (69.9)
Per share:			
(Loss) Income before extraordinary loss and cumulative effect of accounting change	\$ (3.91)	\$ 2.26	\$ (.95)
Extraordinary loss on early extinguishment of debt	(.13)	--	--
Cumulative effect of change in accounting for income taxes	.29	--	--
(Loss) Earnings per share	\$ (3.75)	\$ 2.26	\$ (.95)
Dividends per share	\$.80	\$.80	\$.80
Average common shares outstanding	74.0	73.9	73.7

</TABLE>
 (1) Certain accounting reclassifications (not affecting net income) have been made to present more clearly the results of operations.
 The Financial Review, pages 19-35, is an integral part of these statements.

20

Consolidated Balance Sheet
 <TABLE>
 <CAPTION>

(Millions)	December 25, 1993		December 26, 1992	
<S>	<C>	<C>	<C>	<C>
Assets:				
Current assets				
Cash and cash equivalents		\$ 133.6		\$ 141.7
Receivables		600.3		647.1
Inventories		523.7		537.2
Deferred income tax asset		277.9		--
Prepaid items and other		74.4		65.5
		1,609.9		1,391.5
Plant assets, at cost	\$7,298.9		\$7,059.1	
Accumulated depreciation	(3,275.0)	4,023.9	(3,090.6)	3,968.5
Timber resources, at cost less timber harvested		113.0		111.7

Investments in international equity affiliates		223.8		246.2
Investments in and advances to other equity affiliates		84.1		88.1
Construction funds held by trustees		87.1		2.1
Notes receivable, goodwill and other assets		483.3		491.5
Total		\$6,625.1		\$6,299.6
Liabilities and Shareholders' Equity:				
Current liabilities				
Payable to suppliers and others		\$ 891.5		\$ 998.1
Accruals for restructuring programs		639.0		207.8
Current maturities of long-term debt		180.2		255.3
Accrued taxes on income		59.1		54.3
		1,769.8		1,515.5
Long-term debt		2,366.2		2,030.6
Deferred income taxes and other liabilities		913.4		728.6
		5,049.4		4,274.7
Preferred shares		7.1		7.1
Common shareholders' equity				
Common shares	\$ 450.4		\$ 445.1	
Reinvested earnings	1,358.1		1,708.3	
Cumulative translation adjustment	(227.5)		(121.6)	
Treasury shares	(12.4)	1,568.6	(14.0)	2,017.8
Total		\$ 6,625.1		\$6,299.6

</TABLE>

The Financial Review, pages 19-35, is an integral part of these statements.

21

Consolidated Cash Flows
<TABLE>
<CAPTION>

(Millions)	1993	1992(1)	1991(1)
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities:			
Net (loss) income	\$ (277.0)	\$ 167.2	\$ (69.9)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Cumulative effect of accounting change	(21.7)	--	--
Share of loss/earnings of affiliates, net of distributions	29.0	16.0	(17.1)
Depreciation, cost of timber harvested and amortization	300.3	291.0	353.0
Deferred income taxes	(93.9)	(2.9)	(73.7)
Extraordinary loss on extinguishment of debt, net of taxes	9.6	--	--
(Gains) Losses on asset sales	(5.7)	(12.9)	33.8
Other postretirement benefits, deferred expenses	33.6	14.7	--
Changes in current assets and current liabilities net of effects from businesses divested:			
Decrease (Increase) in receivables	7.5	(9.3)	109.9
(Increase) Decrease in inventories	(9.5)	(4.1)	118.7
(Increase) in prepaid items and other	(10.3)	(10.5)	(3.8)
(Decrease) Increase in payable to suppliers and others	(78.9)	43.4	29.2
Increase (Decrease) in accruals for restructuring programs	429.1	(95.4)	145.0
Increase (Decrease) in accrued taxes on income	6.6	17.7	(43.1)
Net cash provided by operating activities	318.7	414.9	582.0
Cash Flows from Investing Activities:			
Investments in plant assets, timber resources and other assets	(457.8)	(329.7)	(314.6)
Proceeds from businesses divested and asset sales	5.7	103.9	70.7
Investment in construction funds	(85.0)	--	3.9
Advances to affiliates, net	(2.3)	(6.6)	(13.4)
Other investing	11.0	(11.8)	29.7
Net cash used for investing activities	(528.4)	(244.2)	(223.7)
Cash Flows from Financing Activities:			

Dividends paid	(59.5)	(59.4)	(59.6)
Net decrease in short-term borrowings	(143.7)	(192.6)	(158.9)
Proceeds from issuance of long-term debt	815.4	403.7	386.8
Repayments of long-term debt	(389.3)	(363.8)	(477.6)
Other financing	(15.4)	.9	25.9
Net cash provided by (used for) financing activities	207.5	(211.2)	(283.4)
Effect of exchange rate changes on cash	(5.9)	(2.4)	(4.5)
Net (Decrease) Increase in Cash and Cash Equivalents	(8.1)	(42.9)	70.4
Cash and cash equivalents at beginning of year	141.7	184.6	114.2
Cash and cash equivalents at end of year	\$ 133.6	\$ 141.7	\$ 184.6

</TABLE>

(1) Certain accounting reclassifications (not affecting net income) have been made to present more clearly the results of operations.

The Financial Review, pages 19-35, is an integral part of these statements.

22

CONSOLIDATED COMMON SHAREHOLDERS' EQUITY

Scott Paper Company

<TABLE>

<CAPTION>

		(Millions)					
Of 200,000,000 Authorized Common Shares (1)							
Shares Issued	Treasury Shares	Total	Common Shares	Reinvested Earnings	Cumulative Translation Adjustment	Treasury Shares	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
74,241,435	603,377	Balance at December 29, 1990	\$2,175.3	\$ 431.5	\$1,747.2	\$ 11.2	\$ (14.6)
		Net loss	(69.9)	--	(69.9)	--	--
93,949	(11,233)	Shares issued for the exercise of stock options, stock awards and restricted stock grants	7.9	7.7	--	--	.2
		Dividends paid on Common shares	(59.3)	--	(59.3)	--	--
		Preferred shares	(.3)	--	(.3)	--	--
		Foreign currency translation adjustment	(63.8)	--	--	(63.8)	--
		Minimum pension liability charge	(8.1)	--	(8.1)	--	--
74,335,384	592,144	Balance at December 28, 1991	1,981.8	439.2	1,609.6	(52.6)	(14.4)
		Net income	167.2	--	167.2	--	--
150,334	(16,264)	Shares issued for the exercise of stock options, stock awards and restricted stock grants	6.3	5.9	--	--	.4
		Dividends paid on Common shares	(59.1)	--	(59.1)	--	--
		Preferred shares	(.3)	--	(.3)	--	--
		Foreign currency translation adjustment	(69.0)	--	--	(69.0)	--
		Minimum pension liability charge	(9.1)	--	(9.1)	--	--
74,485,718	575,880	Balance at December 26, 1992	2,017.8	445.1	1,708.3	(121.6)	(14.0)
		Net loss	(277.0)	--	(277.0)	--	--
56,066	(64,404)	Shares issued for the exercise of stock options, stock awards and restricted stock grants	6.9	5.3	--	--	1.6
		Dividends paid on Common shares	(59.2)	--	(59.2)	--	--
		Preferred shares	(.3)	--	(.3)	--	--
		Foreign currency translation adjustment	(105.9)	--	--	(105.9)	--
		Minimum pension liability charge	(13.7)	--	(13.7)	--	--
74,541,784	511,476	Balance at December 25, 1993	\$1,568.6	\$ 450.4	\$1,358.1	\$(227.5)	\$ (12.4)

</TABLE>

(1) Without par value

The Financial Review, pages 19-35, is an integral part of these statements.

23

1. ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of all majority-owned domestic and international subsidiaries listed on page 37. This listing includes the percentage of direct or indirect ownership by Scott. All significant intercompany transactions have been eliminated.

Fiscal Year End

The Company's fiscal year ends on the last Saturday in December, which results in a 52- or 53-week year. Fiscal years 1993, 1992 and 1991 consisted of 52 weeks. To facilitate prompt reporting of Scott's financial results, the financial statements of the international subsidiaries and affiliates are based on the twelve months ending November 30.

Accounting Standards Changes

In 1993, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 109 (FAS 109), Accounting for Income Taxes. Note 13 provides a discussion of the impact on taxes and Note 14 is the analysis of the deferred tax accounts.

In 1992, the Company adopted FASB Statement No. 106 (FAS 106), Employers' Accounting for Postretirement Benefits Other Than Pensions. See Note 26 for a discussion of the impact on benefit costs.

In November 1992, the FASB issued Statement No. 112 (FAS 112), Employers' Accounting for Postemployment Benefits, which requires the accrual method be used in accounting for certain benefits, including workers' compensation, disability and similar benefits that are provided after employment but before retirement. The Company will adopt FAS 112 in the first quarter of 1994. The effect of adopting this statement is not expected to be material.

Other Accounting Policies

Goodwill and acquired patents and trademarks are amortized over various periods not exceeding 40 years. Expenditures for all other patents and trademarks are charged to income as incurred. Other significant accounting policies are included in the Notes of the Financial Review to which they apply.

2. RESTRUCTURING AND PRODUCTIVITY IMPROVEMENT

In 1993 and 1991 the Company recorded charges of \$489.6 million and \$249.1 million, respectively, primarily for restructuring and productivity improvement programs. The 1993 charge included the estimated effect of further work force reductions as well as the actions to realign and shut down some older and inefficient tissue producing and converting assets in the personal care and cleaning business. Actions also will be taken to consolidate and simplify the Company's coated papers business. While the accrued liability for these programs is shown as a current liability, a portion of the cash outflows for the above actions initiated in 1994 will occur in 1995 and 1996. The Company's Mexican affiliate is also restructuring its operations. See Note 8.

The 1991 charge included provisions for the planned sale of certain nonstrategic businesses. As a result of the decision to sell these businesses, their anticipated operating results through the estimated date of sale were included as part of the 1991 divestment charge. During 1993, the Company decided to restructure, rather than sell, one of these businesses. As a result of this decision, the consolidated statement of operations has been reclassified to include the operating results of this business for all periods presented. This reclassification did not affect the previously reported amounts of net income or earnings per share. The 1991 net charge also included a gain of \$51.1 million on the sale of the Company's Japanese affiliate.

3. RECEIVABLES

<TABLE>

<CAPTION>

	December 25 1993	December 26 1992
(Millions)		
<S>	<C>	<C>
Customer receivables	\$516.6	\$586.1
Allowance for discounts and doubtful items	(25.3)	(30.6)
	491.3	555.5
Other receivables	109.0	91.6
	\$600.3	\$647.1

</TABLE>

During 1991, the Company entered into an agreement to sell a percentage ownership interest in a defined pool of the Company's customer receivables. Under terms of the agreement, the Company has retained substantially the same risk of credit loss as if the receivables had not been sold. Proceeds from the

sale, which were used to reduce outstanding commercial paper, were \$100 million. Generally, collections on receivables are

automatically reinvested in new receivables unless either party terminates the agreement. The proceeds were reported as operating cash flows in the Company's statement of cash flows in 1991. The Company pays fees based on the purchaser's level of investment and borrowing costs. During 1993, 1992 and 1991, the Company recorded \$4.5 million, \$5.0 million and \$2.1 million, respectively, of these fees as interest expense.

4. INVENTORIES

<TABLE>

<CAPTION>

	December 25	December 26
(Millions)	1993	1992
<S>	<C>	<C>
Finished products	\$220.0	\$202.6
Work in process	69.6	71.7
Pulp, logs and pulpwood	67.5	79.4
Maintenance parts	106.2	116.6
Other materials and supplies	60.4	66.9
	\$523.7	\$537.2

</TABLE>

Of the Company's total inventories of \$523.7 million, \$225.5 million represents inventories with cost determined by using the last-in, first-out (LIFO) method. If inventories had been valued at the latest production or purchase cost, they would have been \$126.6 million higher at December 25, 1993 and \$129.9 million higher at December 26, 1992 than the amounts shown above. Where the LIFO method is not used, inventories are valued on a basis of average current manufacturing or purchase cost.

5. PLANT ASSETS

<TABLE>

<CAPTION>

	December 25	December 26
(Millions)	1993	1992
<S>	<C>	<C>
Plant assets, at cost		
Land	\$ 73.0	\$ 70.6
Buildings	895.7	850.7
Machinery and equipment	6,330.2	6,137.8
	7,298.9	7,059.1
Accumulated depreciation	(3,275.0)	(3,090.6)
	\$ 4,023.9	\$ 3,968.5

</TABLE>

6. CAPITAL EXPENDITURES

<TABLE>

<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Plant and other assets	\$ 450.7	\$ 323.0
Timber resources	7.1	6.7
	\$457.8	\$ 329.7

</TABLE>

Expenditures for renewals and betterments which increase the useful life or capacity of plant assets, as well as reforestation costs, are capitalized. Costs for repairs and maintenance are expensed.

The unexpended appropriations for capital additions at December 25, 1993 were approximately \$388.4 million compared with \$281.4 million at the end of 1992.

The Company capitalizes certain startup costs on any single capital project for which such costs are expected to exceed \$3.0 million. The capitalized costs are amortized over the life of the asset.

Expenditures for research and development are charged to income as incurred. Research and development costs were \$62.3 million, \$61.2 million and \$64.4 million for the years 1993, 1992 and 1991, respectively.

7. DEPRECIATION AND COST OF TIMBER HARVESTED

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Depreciation of buildings, machinery and equipment	\$275.5	\$260.9	\$329.8

Cost of timber harvested and			
amortization of logging roads	5.6	4.9	4.9
	\$281.1	\$265.8	\$334.7

</TABLE>

Depreciation is principally calculated by the straight-line method. For certain major capital additions, depreciation is calculated on the units-of-production method during the learning curve phase of the project.

Beginning in 1992, the Company revised the estimated average useful lives used to compute depreciation for most of its pulp and paper mill equipment from 16 years to 20 years and for most of its finishing and converting equipment from 12 years to 15 years. These revisions were made to more properly reflect the true economic lives of the assets and to better align the Company's depreciable lives with the predominant practice in the industry. The change had the effect of increasing net income by approximately \$55 million in 1992. Estimated useful lives of 20 to 50 years for buildings were not revised.

The cost of timber harvested is determined by calculating that portion of the investment in timber which the current year's harvest bears to the total standing timber. Amortization is the cost of logging roads absorbed as timber is harvested and is based on the estimated recoverable timber in areas serviced by the roads.

On most retirements or sales, the cost of plant assets is removed from the asset account and charged to the related depreciation reserve account. Amounts realized from such dispositions are credited to the reserve account.

25

8. INTERNATIONAL EQUITY AFFILIATES

The North America equity affiliates are Scott Paper Limited (Canada) and Compania Industrial de San Cristobal, S.A. (Mexico). These affiliates are principally engaged in the manufacture and sale of sanitary paper products similar to those sold by Scott Worldwide. A minority-owned Mexican affiliate owns approximately 3% of the Company's Mexican affiliate. The Company views this indirect investment as temporary.

In 1993, the Company's Mexican affiliate recorded net charges before taxes of \$45.6 million for restructuring including headcount reductions and mill closings related to the printing and writing papers business.

In 1991, the Company sold its investment in its affiliate in Japan.

The following statements show the Company's investments in and share of the earnings of the unconsolidated international affiliates using the equity method of accounting.

Investments in International Equity Affiliates

<TABLE>

<CAPTION>

(Millions)	December 25 1993	December 26 1992
<S>	<C>	<C>
Cost	\$ 53.2	\$ 53.2
Equity in undistributed earnings	170.6	193.0
	\$223.8	\$246.2

</TABLE>

<TABLE>

<CAPTION>

Changes in Investments in International Equity Affiliates

(Millions)	1993	1992
<S>	<C>	<C>
Scott's share of:		
(Loss) Earnings	\$ (21.7)	\$ 5.4
Cumulative effect of change in accounting for income taxes	3.7	--
Cash dividends paid to Scott	(.6)	(17.0)
Decrease in reinvested earnings	(18.6)	(11.6)
Dispositions and other	.1	(.7)
Foreign currency translation	(3.9)	(6.9)
Decrease in investments	\$ (22.4)	\$ (19.2)

</TABLE>

<TABLE>

<CAPTION>

International Equity Affiliates-- Combined Earnings of International Equity Affiliates

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Sales	\$782.0	\$729.1	\$800.0
Costs and expenses	754.1	694.2	690.3
Restructuring	45.6	--	--
(Loss) Income from operations	(17.7)	34.9	109.7

Interest expense	15.8	18.4	34.0
Other income and (expense)	4.6	6.4	9.7
(Loss) Income before taxes	(28.9)	22.9	85.4
Income taxes	12.8	12.3	26.6
Net (loss) income before cumulative effect	(41.7)	10.6	58.8
Cumulative effect of change in accounting for income taxes	7.4	--	--
Net (loss) income	\$(34.3)	\$10.6	\$ 58.8

</TABLE>

Financial Position of International Equity Affiliates

<TABLE>

<CAPTION>

	November 30	November 30
(Millions)	1993	1992
<S>	<C>	<C>
Current assets	\$300.1	\$296.9
Plant assets, net	460.6	474.3
Other assets	27.2	38.8
Total assets	787.9	810.0
Current liabilities	151.2	132.8
Long-term debt	105.6	121.4
Other liabilities and deferred credits	106.5	88.1
Total liabilities	363.3	342.3
Shareholders' equity	424.6	467.7
Partners' share	200.8	221.5
Scott's investment	\$223.8	\$246.2

</TABLE>

[CHART ENTITLED "CAPITAL EXPENDITURES" APPEARS HERE]

9. INVESTMENTS IN AND ADVANCES TO OTHER EQUITY AFFILIATES

The Company's other equity affiliates are various unconsolidated 50% or less owned companies and joint ventures. The results from operations of these affiliates are included in other operating income and expense.

At December 25, 1993, the Company's investments in and advances to other equity affiliates totaled \$84.1 million, which primarily represents the Company's investment in companies which own a pulp mill, forestland and a tree plantation in Chile.

The Company has an agreement with one of the Chilean affiliates obligating the Company to purchase a minimum of 40% of the pulp mill's production at market-related prices until 2001. The Company also has an option to purchase up to 80% of the mill's production.

26

Also, the Company is a 50% partner in a joint venture that manufactures and markets adult incontinence and wound care products under the name "Scott Health Care."

10. PAYABLE TO SUPPLIERS AND OTHERS

<TABLE>

<CAPTION>

	December 25	December 26
(Millions)	1993	1992
<S>	<C>	<C>
Payable to suppliers	\$ 580.1	\$ 634.4
Accrued salaries, wages and employee benefits	146.8	166.3
Taxes, other than on income	22.9	23.1
Accrued interest	50.8	55.3
Other accrued expenses	90.9	119.0
	\$891.5	\$ 998.1

</TABLE>

11. (LOSS) INCOME BEFORE TAXES

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Domestic	\$(309.1)	\$ 133.6	\$(185.4)
International	(22.3)	86.7	64.6
	\$(331.4)	\$ 220.3	\$(120.8)

</TABLE>

Domestic operations include the accounts of Scott Maritimes Limited, a wholly-owned Canadian subsidiary, which produces pulp primarily for transfer to Scott papermaking operations in the United States. However, the income tax expense of Scott Maritimes Limited is included in foreign taxes on income.

12. INCOME TAXES

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Current--Federal	\$ 2.1	\$ 29.6	\$ 48.1
--Foreign	26.1	30.1	.1
--State and local	1.7	1.7	4.8
	29.9	61.4	53.0
Deferred--Federal	(82.4)	.9	(82.8)
--Foreign	(11.6)	(5.1)	11.5
--State and local	.1	1.3	(2.4)
	(93.9)	(2.9)	(73.7)
	\$ (64.0)	\$ 58.5	\$ (20.7)

</TABLE>

13. ACCOUNTING FOR INCOME TAXES, ADOPTION OF FAS 109

In the first quarter of 1993, the Company adopted FAS 109. This standard requires that deferred taxes be accounted for using an asset and liability approach. Under this approach the deferred taxes must be based on the enacted tax rates in effect for the years in which the assets and liabilities are expected to reverse.

The Company reported a positive adjustment for the cumulative effect from the adoption of FAS 109 of \$21.7 million, or \$.29 per share, in the first quarter of 1993. In addition, the third quarter of 1993 included a negative impact of \$10.5 million, or \$.14 per share, for the deferred tax adjustment for the new federal tax rate.

14. DEFERRED TAXES

Under FAS 109, the cumulative deferred tax liabilities and (assets) were comprised of the following:

<TABLE>

<CAPTION>

(Millions)	December 25, 1993
<S>	<C>
Depreciation	\$ 667.4
Installment sales	137.9
Other	49.9
Total deferred tax liabilities	855.2
Productivity improvement program charges	(260.8)
Tax loss carryforwards	(140.2)
Employee benefits	(90.5)
Alternative minimum tax credit carryforward	(71.4)
Other	(132.4)
Total deferred tax (assets)	(695.3)
Valuation allowance	174.5
Net deferred tax liabilities	\$ 334.4

</TABLE>

Tax loss carryforwards of \$384 million are in jurisdictions outside the United States. Losses in the amount of \$148 million have an unlimited carryover period, while the remaining losses expire between the years 1994 and 2000.

For the years prior to the adoption of FAS 109, the deferred income tax provisions resulted from the following:

<TABLE>

<CAPTION>

(Millions)	1992	1991
<S>	<C>	<C>
Productivity improvement program charges	\$ 26.1	\$ (64.9)
Depreciation	3.2	(28.1)
Interest expense	(6.5)	13.2
Other operating expenses	(13.7)	(6.6)
Other	(12.0)	12.7
Deferred tax provisions	\$ (2.9)	\$ (73.7)

</TABLE>

Deferred taxes resulted from recognizing items of income and expense on income tax returns in periods other than when they affected reported earnings.

27

15. EFFECTIVE TAX RATE

The effective tax rate varied from the federal tax rate of 35% in 1993 and 34% in 1992 and 1991 because of the following factors:

<TABLE>

<CAPTION>

Percent of (Loss) Income

Before Taxes	1993	1992	1991
<S>	<C>	<C>	<C>
Federal tax rate	(35)%	34%	(34)%
State income taxes	--	1	1
Dividends from international subsidiaries and affiliates	6	2	15
International subsidiaries	6	(6)	(2)
Depreciation	--	(5)	(11)
Basis difference in asset write-offs	--	--	8
Effect of tax rate increase on deferred taxes	3	--	--
Other factors	1	1	6
Effective tax rate	(19)%	27%	(17)%

The Company's share of undistributed earnings of its consolidated international subsidiaries and unconsolidated international affiliates, which is intended to be permanently reinvested and on which no U.S. taxes have been provided, totaled approximately \$555 million at the end of 1993.

16. LONG-TERM DEBT

<TABLE>

<CAPTION>

	Average Rate(1)	Payable Through	December 25 1993	December 26 1992
			(Millions)	
<S>	<C>	<C>	<C>	<C>
Debentures	9.16%	2023	\$1,095.4	\$924.1
Revenue bonds	3.88%	2023	493.5	391.8
Notes	8.27%	2009	468.0	433.3
Commercial paper	3.49%	Various	154.8	--
Capital leases	6.23%	Various	12.9	15.1
Other currencies	7.84%	2007	157.4	275.6
			2,382.0	2,039.9
Less Unamortized Discount			(15.8)	(9.3)
			\$2,366.2	\$2,030.6

</TABLE>

(1) At December 25, 1993

Scheduled maturities of long-term debt and sinking fund payments, in millions, at December 25, 1993 are:

<TABLE>

<S>	<C>	<C>	<C>
1995	\$ 81.3	1998	\$ 78.9
1996	196.9	1999	9.6
1997	213.8	2000-2023	1,785.7

</TABLE>

The Company maintains several long-term and short-term credit facilities of which \$810.4 million and \$11.9 million, respectively, were unused as of December 25, 1993. These agreements are subject to normal banking terms and conditions. Since commercial paper and similar short-term borrowings are supported by the unused portion of \$775.0 million of long-term credit agreements, these borrowings are classified as long-term debt.

The debentures and notes represent unsecured borrowings of the Company. The industrial revenue bonds are generally secured by the financed facilities. Of the Company's \$340.8 million of variable rate industrial revenue bonds, \$334.0 million are supported by letters of credit which expire from 1997 through 1999.

During December 1993, the Company initiated a plan to purchase and retire its \$72.1 million 11.5% debentures prior to the scheduled maturity of December 1, 2015. As a result, the Company recognized an extraordinary charge of \$9.6 million, net of tax benefits of \$5.2 million, for the premium to be paid and the write-off of related unamortized debt discount and issuance costs. Using funds provided by the issuance of commercial paper, the Company retired the debentures in early 1994.

17. FINANCIAL INSTRUMENTS

In addition to the financial instruments disclosed in Note 16 and other Notes in the Financial Review, the Company enters into forward foreign exchange contracts and currency swaps to hedge foreign currency transactions and balances for periods consistent with its committed exposures and does not engage in speculation. The Company's forward exchange contracts, which mature in 1994, and currency swaps, which mature in 1994 through 1997, reduce the Company's risk due to exchange rate movements because gains and losses on these instruments offset losses and gains on the assets, liabilities and transactions being hedged.

The Company manages exposure to interest rates by entering into interest rate swap agreements which are recognized as adjustments of interest expense

over the borrowing period. At December 25, 1993, the Company had outstanding interest rate swaps with principal amounts of \$915.3 million which mature in 1995 through 1999. The net effect of these swaps is to convert \$484.7 million of fixed rate liabilities with interest rates averaging 8.4% to variable rate liabilities averaging 6.2%.

28

Fair Values of Financial Instruments

<TABLE>

<CAPTION>

(Millions)	December 25, 1993		December 26, 1992	
	Gross Notional or Principal Amount	Fair Value	Gross Notional or Principal Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	\$ 133.6	\$ 133.6	\$ 141.7	\$ 141.7
Long-term notes receivable	220.0	220.0	220.0	220.0
Current maturities and long-term debt	(2,546.4)	(2,797.3)	(2,285.9)	(2,453.8)
Foreign currency contracts	363.8	4.0	405.4	.2
Currency swaps	263.5	(32.8)	381.3	(38.7)
Interest rate swaps	915.3	(9.4)	717.0	(30.3)

</TABLE>

The estimated fair values of the Company's financial instruments are generally based on quoted market prices or on current rates available to the Company for financial instruments of similar remaining maturities and do not include potential tax effects or possible expenses incurred in settling the transactions.

The counterparties to interest rate swaps, foreign currency swaps and forward exchange contracts consist of a number of major international financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties, and limits the amount of agreements or contracts it enters into with any one party. Although the Company may be exposed to credit losses in the event of nonperformance by these counterparties, it does not anticipate losses due to the control procedures described above.

[CHART ENTITLED "TOTAL DEBT" APPEARS HERE]

18. INTEREST EXPENSE

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Gross interest expense	\$192.1	\$211.8	\$252.5
Capitalized interest	(8.9)	(2.9)	(5.2)
Interest expense allocated to divestments	(1.2)	(3.8)	(8.8)
Interest expense	\$182.0	\$205.1	\$238.5

</TABLE>

Interest expense is capitalized on major construction projects. Interest expense has been allocated to the reserves for businesses to be divested based on the net assets being sold.

19. LEASES AND OTHER COMMITMENTS

A capital lease transfers substantially all of the benefits and risks of ownership of the leased property to the Company. On the Company's consolidated balance sheet, the following amounts of capitalized leases are included in plant assets and the related obligations are included in debt:

<TABLE>

<CAPTION>

(Millions)	December 25	December 26
	1993	1992
<S>	<C>	<C>
Plant assets under capital leases	\$ 58.1	\$ 66.7
Accumulated depreciation	(30.2)	(33.2)
Net capital leases	\$ 27.9	\$ 33.5
Current lease obligations	\$ 6.4	\$ 10.0
Long-term lease obligations	12.9	15.1
Capital lease obligations	\$ 19.3	\$ 25.1

</TABLE>

All other leases are accounted for as operating expenses. Rental expense for operating leases was \$62.2 million, \$60.3 million and \$59.7 million for 1993, 1992 and 1991, respectively. In 1993, \$23.2 million represented payments on

short-term leases (those expiring within one year of the balance sheet date).

The future minimum obligations under leases and other commitments having an initial or remaining non-cancelable term in excess of one year as of December 25, 1993 are as follows:

(Millions)	Capital Leases	Operating Leases	Other Commitments
<S>	<C>	<C>	<C>
1994	\$ 7.4	\$ 26.9	\$ 7.0
1995	5.7	21.4	7.0
1996	3.5	19.7	7.0
1997	1.3	20.9	7.5
1998	1.3	18.7	7.8
Later years	3.4	86.9	86.0
Future minimum obligations	22.6	\$194.5	\$122.3
Interest portion	(3.3)		
Capital lease obligations	\$ 19.3		

The Company has agreements, which expire in 2008, to operate a biomass cogeneration facility adjacent to its Westbrook, Maine mill and to purchase its steam and electricity output on a take-or-pay basis. Under these agreements the Company paid \$7.0 million in 1993, and \$8.6 million in both 1992 and 1991.

29

20. OTHER INCOME AND (EXPENSE)

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Interest income	\$ 14.6	\$18.5	\$23.5
Equity affiliate dispositions	--	--	51.1
Minority interest	(10.4)	(9.1)	(8.9)
Other	--	1.8	1.5
	\$ 4.2	\$11.2	\$67.2

Interest income includes \$1.2 million in both 1993 and 1992 and \$1.3 million during 1991 on advances to affiliates.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents consist of cash on hand and investments in short-term, highly liquid securities which generally have maturities when purchased of three months or less.

Cash payments for income taxes and for interest net of amounts capitalized and amounts allocated to businesses to be divested follow:

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Income taxes	\$ 12.5	\$ 30.3	\$ 82.0
Interest--net	181.9	195.3	246.6

22. LITIGATION

The Company is a defendant in numerous actions in state and federal courts seeking damages relating to breast implants. The actions allege that the plaintiffs' breast implants were covered by polyurethane foam manufactured by the Company's former Foam Division, which was sold in 1983, and that the foam caused physical or psychological harm to the plaintiffs. In each of these actions the Company is one of several defendants, including the Foam Division's successor and the manufacturers of the implants. The Company believes that a small percentage of breast implants were covered by polyurethane foam manufactured by the Company's Foam Division prior to its sale. The Company believes that it has meritorious defenses against these claims and intends to conduct a vigorous defense and to seek insurance recovery to the extent provided under its insurance policies, if necessary. The Company is also involved in lawsuits and administrative and legal proceedings under the environmental protection laws, among others. The relief sought in such lawsuits and proceedings includes injunctions, damages and penalties. Although the final results in these suits and proceedings cannot be predicted with certainty, it is the present opinion of the Company, after consulting with counsel, that they will not have a material adverse effect on the Company's financial condition.

23. SHAREHOLDER RIGHTS PLAN

Under the terms of a Shareholder Rights Plan adopted in 1986 and amended in 1988, the Company's Board of Directors declared a dividend distribution of one right for each two outstanding common shares. The rights may not be exercised or traded apart from the common shares to which they are attached unless a person or group has acquired, obtained the right to acquire, or commenced a tender offer for, at least 20% of the Company's outstanding common shares. In such event, each right will become exercisable for one one-hundredth of a Series B Junior Participating Preferred Share, of which 800,000 have been reserved for issuance, for a price of \$180. If a person or group acquires 20% or more of the Company's outstanding common shares other than through an offer which provides fair value to all common shareholders; or the Company is the surviving corporation in a merger with a holder of 20% or more of its common shares and such shares are not changed or exchanged; or a holder of 20% or more of the Company's common shares engages in certain self-dealing transactions with the Company, each right will become exercisable for common shares worth \$360 and the rights held by the acquiror will become null and void. If the Company is involved in a merger and its common shares are changed or exchanged, or if more than 50% of its assets or earnings power is sold or transferred, each right will become exercisable for common stock of the acquiror worth \$360. The rights will expire on July 25, 1996 unless earlier redeemed by the Company for \$.05 per right. Subject to its right to extend the redemption period, the Company may redeem the rights at any time until ten days after any person or group has acquired, or obtained the right to acquire, at least 20% of the Company's outstanding common shares.

30

24. STOCK OPTION AND INCENTIVE PLANS

Under the 1989 stock option plan, the Company may grant nonqualified stock options to aid in attracting and retaining employees by encouraging such employees to invest in the Company's common shares and providing them with increased incentives to promote the well-being of Scott.

Under the 1989 and 1986 stock option plans, 24,500, 41,000 and 32,000 restricted common shares were granted to certain key management employees in 1993, 1992 and 1991, respectively. The restricted common shares outstanding may not be transferred, pledged or otherwise disposed of for specified vesting periods.

Stock appreciation rights and stock option transactions under the 1989, 1986 and 1979 stock option plans for the three years ended December 25, 1993 are summarized as follows:

	1993	1992	1991
Stock Appreciation Rights			
(Thousands)			
<S>			
<C>			
Balance outstanding at beginning of year	125.6	137.7	1,061.7
Rights granted	10.0	11.0	592.5
Rights exercised for cash	(16.8)	(23.1)	(111.9)
Rights expired, surrendered or forfeited	(6.0)	--	(1,404.6)
Balance outstanding at end of year	112.8	125.6	137.7

	1993	1992	1991
Stock Options			
(In thousands, except for prices)			
<S>			
<C>			
Balance outstanding at beginning of year	3,759.8	3,335.8	2,253.7
Options granted	677.4	666.3	1,330.7
Average price	\$ 38.50	\$ 43.53	\$ 45.91
Options exercised	(31.6)	(111.9)	(65.6)
Average price	\$ 26.30	\$ 33.00	\$ 26.71
Options expired or forfeited	(40.6)	(130.4)	(183.0)
Balance outstanding at end of year	4,365.0	3,759.8	3,335.8
Average price	\$ 41.30	\$ 41.64	\$ 41.05
At year end:			
Closing stock price	\$ 39.625	\$ 36.000	\$ 34.375
Options exercisable	3,939.0	3,427.0	2,667.7
Shares available for option grants and restricted stock awards	761.7	1,450.1	2,050.7

The Company's Performance Plan and sales incentive plans provide incentive and reward to approximately 6,000 salaried and certain hourly employees in the U.S. In addition, various international subsidiaries also have incentive plans for key personnel. For the years 1993, 1992 and 1991 the expense for awards under the Performance Plan, international plans and sales incentive plans totaled \$18.1 million, \$46.6 million and \$32.9 million, respectively.

Most of the awards are paid in cash in the year following the year for

which they are awarded. To the extent deferral has been elected for years prior to 1992 by certain highly paid recipients, awards are payable wholly or partially in cash or shares in a designated subsequent year or upon termination of employment. Under the terms of these plans 22,941, 10,957 and 7,342 treasury shares were delivered to participants in 1993, 1992 and 1991, respectively, for awards earned in prior years.

25. PREFERRED SHARES

<TABLE>
<CAPTION>

(Millions of Dollars)	December 25 1993	December 26 1992	December 28 1991
<S>	<C>	<C>	<C>
Shares outstanding(1)			
46,205 (\$3.40 series)	\$4.7	\$4.7	\$4.7
24,435 (\$4.00 series)	2.4	2.4	2.4
	\$7.1	\$7.1	\$7.1

</TABLE>

(1) Total of 70,640 authorized cumulative senior preferred shares without par value

In addition, the Company has authorized but unissued 10,000,000 Series Preferred Shares, without par value, of which 800,000 have been reserved for issuance as Series B Junior Participating Preferred Shares.

[CHART ENTITLED "CAPITALIZATION" APPEARS HERE]

31

26. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Effective December 29, 1991, the Company adopted FAS 106 for its U.S. retiree health care and life insurance benefit plans. Under FAS 106, the Company is required to accrue the estimated cost of these benefits during the participants' active service periods up to the dates as of which they become eligible for full benefits. As permitted by FAS 106, the Company elected to amortize the accumulated postretirement benefit obligation (APBO) existing at December 29, 1991 on a straight-line basis over the average remaining service period of active plan participants, which is approximately 16 years.

Prior to December 29, 1991, the Company recognized the cost of providing postretirement benefits as expense when paid. The effect of the change in accounting was to increase postretirement benefit expense by approximately \$32 million in 1992. Under the provisions of previous accounting principles, the postretirement benefit cost was \$13.6 million for 1991.

<TABLE>
<CAPTION>

Financial Status of Postretirement Benefit Plans

(Millions)	December 25 1993	December 26 1992
<S>	<C>	<C>
Accumulated Postretirement Benefit Obligations:		
Retirees	\$ 183.1	\$ 159.6
Fully eligible active participants	52.2	49.1
Other active participants	94.2	104.3
Total APBO	329.5	313.0
Unrecognized transition obligation	(224.1)	(263.7)
Unrecognized net actuarial loss	(27.3)	(4.8)
Accrued postretirement benefit cost	\$ 78.1	\$ 44.5
Assumptions used to value the APBO:		
Discount rate	7.0%	8.0%
Health care cost trend rate	10.9%	12.4%

</TABLE>

<TABLE>
<CAPTION>

Net Postretirement Benefit Cost (Millions)	1993	1992
<S>	<C>	<C>
Benefits earned during the year	\$ 9.3	\$ 8.2
Interest cost on benefits earned in prior years	23.5	23.2
Amortization of items not previously recognized:		
Transition obligation	17.1	18.4
Net actuarial losses	.8	--
Net postretirement benefit cost	\$ 50.7	\$ 49.8

</TABLE>

The health care cost trend rate used to value the APBO is assumed to decrease gradually to an ultimate rate of 5% in 2007. A one-percentage point increase in

the assumed health care cost trend rates for each future year would increase the APBO at December 25, 1993 and December 26, 1992 by approximately 5.2% and 7%, respectively, and would increase the sum of the benefits earned and interest cost components of net postretirement benefit cost for 1993 and 1992 by approximately 8.5% and 9.2%, respectively.

Substantially all of the Company's U.S. employees and certain international employees may become eligible for these benefits at retirement after meeting minimum age and service requirements. The Company continues to fund benefits on a pay-as-you-go basis, with some retirees paying a portion of the costs.

The Company is required to adopt FAS 106 for its international plans no later than 1995. Based upon preliminary estimates, the Company does not anticipate that the effects will be material. The cost of providing these benefits, which was not significant for the years 1993, 1992 and 1991, is currently recognized as expense when paid.

27. PENSION AND SAVINGS PLANS

Pension Plans

The Company and its consolidated subsidiaries sponsor pension or, in certain countries, termination pay plans covering substantially all employees. Company contributions to these plans are made in accordance with applicable laws and tax regulations. Assets of funded plans are invested and benefits are paid primarily through trusts. Approximately 73% and 72% of the assets of plans were invested in equity securities at year end 1993 and 1992, respectively. The remainder was invested in bonds, short-term investments and real estate funds.

Plans covering U.S. salaried and some hourly employees provide pension benefits that are based on each employee's years of service and compensation during the final years of employment. Plans covering all other hourly employees provide benefits of stated amounts for each year of service. Pension benefits for employees of consolidated international subsidiaries are based primarily on each employee's years of service and compensation. Prior service cost is amortized on a straight-line basis over the participants' average remaining service period for plans with compensation-related benefit formulas and over seven years for other plans.

Savings Plans

The Company sponsors savings plans covering substantially all employees in the U.S. The Company's contributions to the plans are based on employee contributions and compensation. The Company's contributions totaled \$17.5 million, \$16.2 million and \$13.6 million in 1993, 1992 and 1991, respectively.

32

<TABLE>
<CAPTION>

FUNDED STATUS OF PENSION PLANS

(Millions)	December 25, 1993 Plans in which		December 26, 1992 Plans in which	
	Assets Exceed Accum. Benefits <C>	Accum. Benefits Exceed Assets <C>	Assets Exceed Accum. Benefits <C>	Accum. Benefits Exceed Assets <C>
<S>				
Present value of future benefit payments based on service to date and: Present pay levels				
-- Vested	\$381.8	\$ 932.8	\$372.8	\$ 782.1
-- Non-vested	16.4	63.7	16.3	51.7
Total Accumulated Benefit				
Obligation (ABO)	398.2	996.5	389.1	833.8
Projected pay increases	34.8	131.7	51.4	122.7
Total Projected Benefit				
Obligation (PBO)	433.0	1,128.2	440.5	956.5
Fair value of plan assets available for benefits	474.2	885.9	439.1	742.0
Assets in excess of (less than) PBO	41.2	(242.3)	(1.4)	(214.5)
Items not yet recognized in the consolidated balance sheet:				
Unamortized net asset	(21.9)	(21.6)	(25.7)	(23.7)
Unamortized prior service cost	10.0	34.4	13.3	31.8
Unrecognized net actuarial and investment losses	14.6	118.1	54.4	80.8
Adjustment for minimum liability	--	(61.8)	--	(46.4)
(Accrued) Prepaid pension cost recognized in the consolidated balance sheet	\$ 43.9	\$ (173.2)	\$ 40.6	\$ (172.0)

Weighted average assumptions used to value benefit obligations:		
Discount rate	7.1%	8.2%
Assumed rate of increase in compensation levels	4.6%	5.6%

</TABLE>

<TABLE>

<CAPTION>

NET PENSION EXPENSE

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Benefits earned during the year	\$ 33.8	\$ 33.3	\$ 31.2
Interest cost on benefits earned in prior years	111.3	108.9	102.8
Net investment income on plan assets:			
Actual	(242.1)	(68.9)	(209.1)
Deferral of difference between actual and expected income	120.3	(52.0)	92.4
Amortization of items not previously recognized:			
Net transition asset	(5.4)	(5.6)	(5.8)
Prior service cost	8.2	5.8	3.7
Net actuarial and investment losses	1.3	1.0	.3
Net pension expense	\$ 27.4	\$ 22.5	\$ 15.5

Weighted average assumptions used to determine net pension expense:

Expected long-term rate of return on plan assets	10.5%	10.5%	10.6%
Discount rate for benefit obligations	8.2%	8.3%	9.3%
Assumed rate of increase in compensation levels	5.6%	5.8%	6.8%

</TABLE>

33

28. Business Segments--Consolidated operations

The Company's operations are reported in two segments:

Personal Care and Cleaning

Includes a broad range of products (primarily tissue products) for personal care, environmental cleaning and wiping, health care and foodservice. Pulp and timberlands operations which are vertically integrated with those businesses are also included.

Printing and Publishing Papers

Includes printing, publishing and specialty papers and those pulp and timberlands operations vertically integrated with those businesses.

The Company's investment in international equity affiliates of \$223.8 million in 1993, \$246.2 million in 1992 and \$265.4 million in 1991 are included in Corporate assets. Information concerning the operations of international equity affiliates is contained in Note 8.

<TABLE>

<CAPTION>

Year 1993 (Millions)	Sales	(Loss) Income Before Taxes	Identifiable Assets (1)	Capital Expenditures	Depreciation and Cost of Timber Harvested
<S>	<C>	<C>	<C>	<C>	<C>
Business Segment					
Personal Care and Cleaning	\$3,584.9	\$ (48.4)	\$3,760.7	\$371.3	\$174.7
Printing and Publishing Papers	1,164.0	(29.6)	1,851.8	75.1	102.6
Total business segments	4,748.9	(78.0)	5,612.5	446.4	277.3
Corporate restructuring	--	(25.4)	--	--	--
Corporate	--	(50.2)	1,012.6	11.4	3.8
Interest expense	--	182.0	--	--	--
Other income and (expense)	--	4.2	--	--	--
Consolidated total	\$4,748.9	\$ (331.4)	\$6,625.1	\$457.8	\$281.1
Geographic Area					
United States	\$3,251.7	\$ (87.4)	\$3,988.6		
Europe	1,236.3	(9.4)	1,376.7		
Pacific and Latin America	260.9	18.8	247.2		
Subtotal	4,748.9	(78.0)	5,612.5		

Corporate restructuring	--	(25.4)	--
Corporate	--	(50.2)	1,012.6
Interest expense	--	182.0	--
Other income and (expense)	--	4.2	--
Consolidated total	\$4,748.9	\$ (331.4)	\$6,625.1

</TABLE>

(1) Includes investments in and advances to other equity affiliates of: Personal Care and Cleaning--\$57.3; Corporate--\$26.8.

<TABLE>
<CAPTION>

Year 1992 (1) (Millions)	Sales	Income Before Taxes	Identifiable Assets (2)	Capital Expenditures	Depreciation and Cost of Timber Harvested
<S>	<C>	<C>	<C>	<C>	<C>
Business Segment					
Personal Care and Cleaning	\$3,856.0	\$ 374.7	\$3,780.5	\$269.2	\$172.4
Printing and Publishing Papers	1,235.3	90.8	1,842.2	56.5	88.0
Total business segments	5,091.3	465.5	5,622.7	325.7	260.4
Corporate	--	(51.3)	676.9	4.0	5.4
Interest expense	--	205.1	--	--	--
Other income and (expense)	--	11.2	--	--	--
Consolidated total	\$5,091.3	\$ 220.3	\$6,299.6	\$329.7	\$265.8
Geographic Area					
United States	\$3,310.4	\$ 299.0	\$3,801.4		
Europe	1,532.8	126.9	1,588.8		
Pacific and Latin America	248.1	39.6	232.5		
Subtotal	5,091.3	465.5	5,622.7		
Corporate	--	(51.3)	676.9		
Interest expense	--	205.1	--		
Other income and (expense)	--	11.2	--		
Consolidated total	\$5,091.3	\$ 220.3	\$6,299.6		

</TABLE>

(1) Certain accounting reclassifications (not affecting net income) have been made to present more clearly the results of operations.

(2) Includes investments in and advances to other equity affiliates of: Personal Care and Cleaning--\$65.3; Corporate--\$22.8.

34

<TABLE>
<CAPTION>

Year 1991 (1) (Millions)	Sales	Income (Loss) Before Taxes	Identifiable Assets (2)	Capital Expenditures	Depreciation and Cost of Timber Harvested
<S>	<C>	<C>	<C>	<C>	<C>
Business Segment					
Personal Care and Cleaning	\$3,793.4	\$ 216.2	\$3,917.0	\$266.6	\$209.5
Printing and Publishing Papers	1,165.9	18.0	1,836.7	45.5	119.4
Total business segments	4,959.3	234.2	5,753.7	312.1	328.9
Divestments and corporate restructuring	--	(141.0)	--	--	--
Corporate	--	(42.7)	738.9	2.5	5.8
Interest expense	--	238.5	--	--	--
Other income and (expense)	--	67.2	--	--	--
Consolidated total	\$4,959.3	\$ (120.8)	\$6,492.6	\$314.6	\$334.7
Geographic Area					
United States	\$3,229.3	\$ 127.1	\$3,789.2		
Europe	1,499.9	82.6	1,748.4		
Pacific and Latin America	230.1	24.5	216.1		
Subtotal	4,959.3	234.2	5,753.7		
Divestments and corporate restructuring	--	(141.0)	--		
Corporate	--	(42.7)	738.9		
Interest expense	--	238.5	--		
Other income and (expense)	--	67.2	--		
Consolidated total	\$4,959.3	\$ (120.8)	\$6,492.6		

</TABLE>

(1) Certain accounting reclassifications (not affecting net income) have been made to present more clearly the results of operations.

(2) Includes investments in and advances to other equity affiliates of: Personal Care and Cleaning--\$65.9; Corporate--\$2.1.

<TABLE>
<CAPTION>
QUARTERLY HIGHLIGHTS (UNAUDITED)

(In millions, except on a per share basis)	1993				1992			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Dividends	.20	.20	.20	.20	.20	.20	.20	.20

Market price -- high	\$41	\$37 7/8	\$35 1/2	\$39 3/4	\$44 1/2	\$46	\$40 3/4	\$39 1/4
-- low	33 3/4	31 7/8	31	32 3/8	34 1/2	38 1/8	35	35

</TABLE>

35

Eleven-Year Financial Summary

Scott Paper Company

<TABLE> <CAPTION> (Millions) <S>	1993(1) <C>	1992(2) (3) <C>	1991(3) (4) <C>	1990(3) (4) <C>	1989(3) (5) <C>	1988(3) (6) <C>
Sales	\$4,748.9	\$5,091.3	\$4,959.3	\$5,168.6	\$4,894.9	\$4,549.4
Costs and expenses						
Product costs	3,578.0	3,799.2	3,754.5	3,873.6	3,633.7	3,246.7
Marketing and distribution	598.7	631.2	597.3	585.0	545.2	515.7
Research, admin. and general	232.2	250.1	251.4	256.4	245.4	247.5
Restructuring, divest. and other	493.6	(3.4)	305.6	161.9	(165.6)	(192.8)
	4,902.5	4,677.1	4,908.8	4,876.9	4,258.7	3,817.1
(Loss) Income from operations	(153.6)	414.2	50.5	291.7	636.2	732.3
Interest expense	182.0	205.1	238.5	199.4	157.9	147.5
Other income and (expense)	4.2	11.2	67.2	25.8	31.4	16.9
(Loss) Income before taxes	(331.4)	220.3	(120.8)	118.1	509.7	601.7
Income taxes	(64.0)	58.5	(20.7)	7.9	165.2	237.8
Share of (loss) earnings of international equity affiliates	(21.7)	5.4	30.2	37.8	31.0	37.0
(Loss) Income before cumulative effect of accounting change and early extinguishment of debt	(289.1)	167.2	(69.9)	148.0	375.5	400.9
Extraordinary loss due to extinguishment of debt, net	(9.6)	--	--	--	--	--
Cumulative effect of change in accounting for income taxes	21.7	--	--	--	--	--
Net (loss) income	\$ (277.0)	\$ 167.2	\$ (69.9)	\$ 148.0	\$ 375.5	\$ 400.9
Dollars per common share						
(Loss) Earnings	\$ (3.75)	\$ 2.26	\$ (.95)	\$ 2.01	\$ 5.11	\$ 5.23
Dividends	.80	.80	.80	.80	.80	.755
Market price -- high	41	46	46 5/8	51 3/8	52 1/2	42 3/4
-- low	31	34 1/2	29 1/2	30	38 3/8	32 3/8
(Millions)						
Total assets at year end	\$6,625.1	\$6,299.6	\$6,492.6	\$6,900.5	\$5,746.3	\$5,156.3
Long-term debt at year end	2,366.2	2,030.6	2,333.2	2,454.9	1,677.6	1,450.3
Capital expenditures	457.8	329.7	314.6	814.8	776.9	508.7
Depreciation and cost of timber harvested	281.1	265.8	334.7	327.4	297.0	271.5
(Loss) Income from operations as a percentage of sales	(3.2)%	8.1%	1.0%	5.6%	13.0%	16.1%
Debt as a percentage of total capitalization	50.6%	45.7%	48.5%	49.5%	40.7%	38.2%
Return on common shareholders' equity	(14.4)%	8.2%	(3.3)%	6.9%	19.0%	23.1%
Average common shares outstanding (Millions)	74.0	73.9	73.7	73.6	73.4	76.6
Number of common shareholders (Thousands)	37.7	37.9	39.5	40.7	41.4	44.2
Number of employees (Thousands)	25.9	26.5	29.1	30.8	29.4	27.0

<CAPTION>

(Millions) <S>	1987(3) <C>	1986(3) (7) <C>	1985(3) <C>	1984(3) <C>	1983(3) <C>
Sales	\$3,976.9	\$3,313.1	\$2,934.0	\$2,747.4	\$2,615.5
Costs and expenses					
Product costs	2,827.9	2,376.9	2,123.3	2,003.2	2,021.3
Marketing and distribution	484.7	423.7	358.1	312.6	290.1
Research, admin. and general	206.3	157.5	146.1	127.3	117.1
Restructuring, divest. and other	15.5	(13.4)	10.3	(1.9)	(18.0)
	3,534.4	2,944.7	2,637.8	2,441.2	2,410.5
(Loss) Income from operations	442.5	368.4	296.2	306.2	205.0
Interest expense	139.0	122.0	81.4	64.2	42.4
Other income and (expense)	8.6	28.7	14.4	43.2	3.9
(Loss) Income before taxes	312.1	275.1	229.2	285.2	166.5

Income taxes	117.1	106.3	75.4	104.2	66.4
Share of (loss) earnings of international equity affiliates	38.8	17.7	47.3	6.0	23.6
(Loss) Income before cumulative effect of accounting change and early extinguishment of debt	233.8	186.5	201.1	187.0	123.7
Extraordinary loss due to extinguishment of debt, net	--	--	--	--	--
Cumulative effect of change in accounting for income taxes	--	--	--	--	--
Net (loss) income	\$ 233.8	\$ 186.5	\$ 201.1	\$ 187.0	\$ 123.7
Dollars per common share					
(Loss) Earnings	\$ 3.05	\$ 2.48	\$ 2.26	\$ 1.91	\$ 1.29
Dividends	.68	.635	.605	.56	.50
Market price -- high	43 1/2	33 5/16	26 1/8	17 7/16	16 1/8
-- low	27 1/2	24	16 11/16	12 5/8	9 5/16
(Millions)					
Total assets at year end	\$4,480.5	\$3,939.4	\$3,517.2	\$3,313.3	\$2,846.3
Long-term debt at year end	1,381.9	1,412.3	1,379.1	640.4	582.5
Capital expenditures	380.1	420.7	514.2	285.8	225.3
Depreciation and cost of timber harvested	246.8	202.8	167.3	158.8	149.6
(Loss) Income from operations as a percentage of sales	11.1%	11.1%	10.1%	11.1%	7.8%
Debt as a percentage of total capitalization	40.6%	45.5%	48.7%	34.5%	26.6%
Return on common shareholders' equity	16.1%	14.7%	14.1%	12.2%	8.6%
Average common shares outstanding (Millions)	76.5	75.0	88.8	96.4	91.0
Number of common shareholders (Thousands)	44.5	47.5	52.4	55.9	59.1
Number of employees (Thousands)	25.4	24.9	22.2	20.6	20.9

</TABLE>

(1) Loss per share included net special items of \$5.33. Excluding these items, earnings per share were \$1.58. See Management's Discussion and Analysis for description.

(2) Reflects the adoption of FAS 106, Employers' Accounting for Postretirement Benefits, and the revision of estimated useful lives for depreciable assets which increased net income by \$35.3 million and earnings per share by \$.48.

(3) Certain accounting reclassifications (not affecting net income) have been made to present more clearly the results of operations.

(4) (Loss) Earnings per share for 1991 and 1990 included net charges of \$2.49 and \$1.36, respectively, for special items related to the Company's business improvement program. Excluding special items, earnings per share for 1991 and 1990 were \$1.54 and \$3.37, respectively.

(5) Earnings per share for 1989 included a net gain of \$1.00 for special items, which include the sale of timberlands in Washington State net of charges for asset restructuring and other items. Excluding special items, earnings per share for 1989 were \$4.11.

(6) Earnings per share for 1988 included a net gain of \$1.22 for special items, which include the sale of Scott's interest in Brunswick Pulp & Paper Company net of charges for asset restructuring and other items. Excluding special items, earnings per share for 1988 were \$4.01.

(7) Reflects the adoption of FAS 87, Employers' Accounting for Pensions, for U.S. plans, which reduced 1986 pension cost and thereby increased net income by \$10.6 million and earnings per share by \$.14.

36

STOCK EXCHANGE LISTINGS

Common Shares -- Listed on the New York, Philadelphia, Pacific and Tokyo Stock Exchanges.
 Stock Symbol -- SPP
 Cumulative Senior Preferred Shares -- Listed on the Philadelphia Stock Exchange.

37

APPENDIX ON GRAPHIC AND IMAGE MATERIAL

The foregoing excerpts from the 1993 Annual Report to Shareholders contain the following graphic material:

Page 13:

A chart entitled "Sales By Business Segment (Millions \$)" showing (i) Personal Care and Cleaning, and (ii) Printing and Publishing, with the vertical axis starting at \$2,000 and increasing in \$500 increments to \$5,500 and the horizontal axis starting at 1989 and ending at 1993, showing the following information:

<TABLE>

<CAPTION>

	Personal Care and Cleaning -----	Printing and Publishing -----
<S>	<C>	<C>
1989	3,613	1,282
1990	3,902	1,267
1991	3,793	1,166
1992	3,856	1,235
1993	3,585	1,164

</TABLE>

Page 16:

A chart entitled "Number of Employees (Thousands)" showing (i) Consolidated Operations, and (ii) Affiliated Companies, with the vertical axis starting at 15 and increasing by increments of 5 up to 45 and the horizontal axis starting at 1989 and ending at 1993, showing the following information:

<TABLE>

<CAPTION>

	Consolidated Operations -----	Affiliated Companies -----
<S>	<C>	<C>
1989	29.4	11.5
1990	30.8	9.3
1991	29.1	8.0
1992	26.5	7.2
1993	25.9	6.6

</TABLE>

Page 18:

A chart entitled "Sales By Geographic Area (Millions \$)" showing (i) the United States, (ii) Europe, and (iii) Pacific and Latin America, with the vertical axis starting at \$2,000 and increasing in \$500 increments to \$5,500 and the horizontal axis starting at 1989 and ending at 1993, showing the following information:

<TABLE>

<CAPTION>

	United States -----	Europe -----	Pacific and Latin America -----
<S>	<C>	<C>	<C>
1989	3,547	1,153	195
1990	3,649	1,290	230
1991	3,229	1,500	230
1992	3,310	1,533	248
1993	3,252	1,236	261

</TABLE>

Page 26:

A chart entitled "Capital Expenditures (Millions \$)", with the vertical axis starting at \$100 and increasing in \$100 increments to \$900 and the horizontal axis starting at 1989 and ending at 1993, showing the following information:

<TABLE>

<CAPTION>

	Capital Expenditures -----
<S>	<C>
1989	777
1990	815
1991	315
1992	330
1993	458

</TABLE>

Page 29:

A chart entitled "Total Debt (Millions \$)", with the vertical axis starting at \$0 and increasing in \$500 increments to \$3,000 and the horizontal axis starting at 1989 and ending at 1993, showing the following information:

<TABLE>
<CAPTION>

	Total Debt

<S>	<C>
1989	1,899
1990	2,789
1991	2,491
1992	2,286
1993	2,546

</TABLE>

Page 31:

A chart entitled "Capitalization (Millions \$)" showing (i) Total Debt, (ii) Deferred Taxes & Other Liabilities, and (iii) Shareholders' Equity, with the vertical axis starting at \$0 and increasing in \$1,000 increments to \$6,000 and the horizontal axis starting at 1989 and ending at 1993, showing the following information:

<TABLE>
<CAPTION>

	Total Debt	Deferred Taxes & Other Liabilities	Shareholders' Equity
	-----	-----	-----
<S>	<C>	<C>	<C>
1989	1,899	694	2,068
1990	2,789	668	2,182
1991	2,491	661	1,989
1992	2,286	729	2,025
1993	2,546	913	1,576

</TABLE>

EXHIBIT 21. SUBSIDIARIES

Scott Paper Company, a corporation organized under the laws of Pennsylvania, has the following subsidiaries and affiliates. Information is shown as of December 25, 1993. Not listed are certain small subsidiaries, including dam, water power, finance and inactive subsidiaries, which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

<TABLE>

<CAPTION>

	ORGANIZED UNDER THE LAWS OF	PERCENTAGE OF VOTING SECURITIES OWNED (/1/)
-----	-----	-----
<S>	<C>	<C>
Consolidated subsidiaries		
Cape Chignecto Lands Limited.....	Canada	100%
Cartiera Scott Sud S.p.A.	Italy	100%
Cross Paperware Limited.....	United Kingdom	100%
Delaware Overseas Finance, Inc.	Delaware	100%
Discott II, Inc.	Delaware	100%
Durafab, Inc.	Texas	100%
Escuhbia Oil Company.....	Alabama	100%
Excell Paper Sales Company.....	Pennsylvania	100%
Financo Ltd.	Cayman Islands, British West Indies	100%
Health Care Company.....	Delaware	100%
Owikeno Lake Timber Company Limited.....	Canada	100%
Riscott Insurance, Ltd.	Bermuda	100%
S.D. Warren Company.....	Pennsylvania	100%
Scott CB Holding Co.	Delaware	100%
Scott Continental, N.V.	Belgium	100%
Scott European Holdings, Inc.	Delaware	100%
Scott Gennep N.V.	Netherlands	100%
Scott GmbH.....	Germany	100%
Scott Graphics, Inc.	Massachusetts	100%
Scott Iberica, S.A.	Spain	99.7%
Scott Investment Company.....	Delaware	100%
Scott Japan Limited.....	Japan	100%
Scott Kft.....	Hungary	100%
Scott Limited.....	United Kingdom	100%
Scott Maritimes Limited.....	Canada	100%
Scott Miranda, S.A.	Spain	100%
Scott Page N.V.	Netherlands	100%
Scott Paper Beteiligungsgesellschaft mbH....	Germany	100%
Scott Paper Company de Costa Rica, S.A.	Costa Rica	51%

Scott Paper Company--Honduras, S.A. de C.V.	Honduras	51% (/2/)
Scott Paper Coordination Center, N.V.	Belgium	100%
Scott Paper GmbH.....	Germany	100%
Scott Paper (Hong Kong) Limited.....	Hong Kong	100%
Scott Paper International Finance (Netherlands), B.V.	Netherlands	100%
Scott Paper International, Limited.....	Hong Kong	100%
Scott Paper International Trade Venture (Europe), B.V.	Belgium	100%
Scott Paper (Malaysia) Sdn. Bhd.	Malaysia	100%
Scott Paper Overseas Finance Limited.....	Cayman Islands, British West Indies	100%
Scott Paper Portugal Lda.	Portugal	100%
Scott Paper (Singapore) Pte. Ltd.	Singapore	100%
Scott Paper (U.K.) Ltd.	United Kingdom	100%

</TABLE>

<TABLE>

<CAPTION>

	ORGANIZED UNDER THE LAWS OF	PERCENTAGE OF VOTING SECURITIES OWNED (/1/)
	-----	-----
<S>	<C>	<C>
Scott Polymers, Inc.....	Texas	100% (/3/)
Scott Polymers, Ltd.....	Canada	100% (/3/)
Scott, S.A.	France	100%
Scott S.N.C.	France	100%
Scott S.p.A.	Italy	100%
Scott Servicios y Asesorias Limitada (a partnership).....	Chile	100%
Scott Timber Holding Company, Inc.	Alabama	100%
Scott Trading Limited.....	Thailand	100%
Scott Worldwide, Inc.	Pennsylvania	100%
Scott Worldwide Inc. (Chile) y Compania Limitada (a partnership).....	Chile	100%
Scottdel, Inc.	Delaware	100%
Skylark, Inc.	Maine	100%
Taiwan Scott Paper Corporation.....	Taiwan	66.7%
Thai-Scott Paper Company Limited.....	Thailand	99.6%
Three Rivers Timber Company.....	Washington	100%
Unconsolidated international affiliates		
Compania Industrial de San Cristobal, S.A.	Mexico	50%
Desarrollos Dar de Mexico, S.A. de C.V.	Mexico	40%
Scott Paper Limited.....	Canada	50%
Ssangyong Paper Co., Ltd.	Korea	23.8%
Other affiliates		
Cabin Bluff Management Company (a partnership).....	Delaware	50%

Cabin Bluff Partners (a partnership).....	Delaware	50%
Canso Chemicals Limited.....	Canada	33.3%
Forestal e Industrial Santa Fe, S.A.	Chile	20%
Forestal y Agricola Monte Aguila, S.A.	Chile	20%
Mountain Tree Farm Company.....	Washington	50%
Sancell, Inc.	Canada	50% (/4/)
Scott Health Care (a partnership).....	Delaware	50%

</TABLE>

- -----

(/1/The)percentage shown includes ownership by Scott Paper Company and by other subsidiaries or affiliates listed.

(/2/This)subsidiary is 100% owned by Scott Paper Company de Costa Rica, S.A.

(/3/The)Company sold this subsidiary in February 1994.

(/4/This)affiliate is 100% owned by Scott Health Care.

EXHIBIT 23. CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-8 (Numbers 33-28777 and 33-38606) and on Form S-3 (Number 33-49888) of Scott Paper Company of our report dated January 25, 1994 appearing on page 19 of the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedules, which appears on page 18 of this Form 10-K.

Price Waterhouse

Philadelphia, Pennsylvania
March 23, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of the undersigned Directors of Scott Paper Company does hereby nominate, constitute and appoint E. A. Horwitz, S. D. Ford and F. W. Bubb, III, or any one of them, as his or her agents or agent and attorneys or attorney in fact, in his or her name to execute on behalf of Scott Paper Company its Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 25, 1993, the authority herein given to include execution of amendments to any part of such Annual Report on Form 10-K, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF each of the undersigned has executed this Power of Attorney this 15th day of March 1994.

----- William A. Andres	/s/Philip E. Lippincott ----- Philip E. Lippincott
/s/Jack J. Crocker ----- Jack J. Crocker	/s/Richard K. Lochridge ----- Richard K. Lochridge
/s/Pierre J. Everaert ----- Pierre J. Everaert	/s/Bruce K. MacLaury ----- Bruce K. MacLaury
/s/John F. Fort, III ----- John F. Fort, III	/s/Claudine B. Malone ----- Claudine B. Malone
/s/William H. Gray, III ----- William H. Gray, III	/s/Gray L. Roubos ----- Gary L. Roubos
/s/Peter Harf ----- Peter Harf	/s/Paula Stern ----- Paula Stern
/s/J. Richard Leaman, Jr. ----- J. Richard Leaman, Jr.	