

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

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SCA raises the value of its forest assets Significant synergies through P&G acquisition SCA implements measures to enhance competitiveness

SCA is raising the value of its forest assets by SEK 5,200 million to SEK 23,300 million based on sustained higher timber prices.

SCA is also carrying out a number of measures to enhance competitiveness. The acquisition of Procter & Gamble's European tissue operations this autumn generates significant synergies within sales and marketing, enabling an improved production structure amounting to a value of approximately SEK 700 million annually.

In addition, a review has been carried out of tissue operations that are not directly affected by the acquisition from P&G and within other business areas. The review has led to the Group implementing efficiency enhancements and impairment of some non-current assets in conjunction with restructuring. The cost of all these measures will amount to SEK 4,900 million which will be booked in the fourth quarter. Of this amount, impairment charges account for SEK 3,700 million and net cash expenditure after some disposals for SEK 700 million. The improvement in operating profit will have full effect after three years when it will amount to approximately SEK 1,400 million per year, including synergies from the P&G acquisition.

SCA's President and CEO, Jan Johansson: "Growth and profitability will be our priorities over the next few years. The P&G acquisition gives us unique opportunities to develop our brand platform while improving the efficiency of our production structure."

The acquisition of P&G's European tissue operations was carried out this autumn for SEK 4,725 million. The EBITDA margin in the acquired operations amounts to approximately 12% before synergies. The acquisition strengthens SCA's position as the leading player in Europe with a market share of approximately 30% in consumer tissue and strong brands within handkerchiefs, kitchen rolls and toilet tissue. The acquisition will enable SCA to more quickly implement the strategic shift of its product portfolio towards an increasingly higher proportion of brand-related sales.

A new brand platform for all European markets is now being developed with the aim that the product portfolio should consist of a few strong brands in order to ensure marketing synergies.

The synergies from the acquisition are expected to have full effect after three years and will then amount to SEK 700 million per year. Synergies arise both within sales and marketing and by improving the production structure in order to achieve better logistics and service. The intention is to further optimize production through concentration to a lower number of units thereby enabling the phase-out of approximately 100,000 tonnes of capacity.

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Higher forest valuation

SCA is Europe's largest private forest owner with 2.6 million hectares of forest land. The company has performed a review of forest asset valuations and assessed that timber prices over time will remain at a higher level than was used in earlier appraisals. The new valuation will be SEK 23,300 million before tax, an increase of SEK 5,200 million, and is based on a higher timber price but with an unchanged discount rate of 6.25%. The revaluation will be reported in the results for the fourth quarter of 2007.

Measures within packaging and sawmill operations

In order to further strengthen competitiveness within the European packaging operations, approximately 80 million m² of corrugated board and 200,000 – 300,000 tonnes of paper capacity will be phased out. It is primarily a changed customer structure that has made these measures necessary in order to create long-term competitiveness.

Production adjustments and personnel cutbacks will be carried out in the Swedish sawmill operations.

Total effects

The total cost of all these measures is SEK 4,900 million, which will be booked in the fourth quarter. Of this amount, SEK 3,700 million is impairment of non-current assets and SEK 1,200 million cash expenditure. At the same time, disposals are expected to provide SEK 500 million. Net cash expenditure is therefore expected to be SEK 700 million. An estimated 1,400-1,700 positions will be affected by these measures. The improvement in operating profit will have full effect after three years when it will amount to approximately SEK 1,400 million per year, including synergies from the P&G acquisition.

Business group	Total cost SEKm	Cash expenditure SEKm	Disposals SEKm	Impairment SEKm	Annual improvement in operating profit, full effect SEKm
Tissue, incl. synergies	3,750	600		3,150	1,150
Packaging	900	500		400	150
Forest Products	250	100		150	100
Total	4,900	1,200	500	3,700	1,400

A phone conference takes place today, December 19, at 09.00 CET. Visit www.sca.com for more information.

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This report has been prepared in both Swedish and English. In case of variation in the content of the two versions, the Swedish version shall prevail.

NB

This information is such that SCA must disclose in accordance with the Securities Markets Act. The information was submitted for publication on December 19 at 08.00 CET.