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SCA's efficiency enhancement program started – effects in the third quarter

SCA's initial information and negotiation process for the previously announced efficiency enhancement program has proceeded faster than planned. As a result, earnings in the third quarter will be charged with the program's entire restructuring costs totaling SEK 4,900 M, of which write-downs account for SEK 2,300 M.

At the end of August 2005, SCA announced an efficiency enhancement program that fully implemented should yield annual savings of SEK 1,550 M. The program primarily affects SCA's European production structure within Packaging, where 17% of testliner capacity will be phased out, corresponding, net, to 350,000 tons. In addition, SCA will phase out 7% of its European tissue production capacity, corresponding to 100,000 tons. At the same time, an investment will be made in a new tissue machine with a capacity of 60,000 tons.

Since detailed plans exist and union representatives have been informed about them, the program's total restructuring costs, in accordance with IFRS recommendations, will be charged in the third quarter 2005. SEK 2,300 M of the total SEK 4,900 M is related to write-downs of fixed assets and SEK 2,600 M to other restructuring costs. The tax effect of the costs is estimated at 26%. The savings effect and the cash flow impact during the third quarter are marginal. Implementation of the program is proceeding according to plan.

The union negotiations are being carried out locally for each unit. Among other units, negotiations about closure have been held to date for the testliner plants in Argovia, Switzerland and Djursland, Denmark, with a combined capacity of 310,000 tons. The two mills employ a total of 245 persons. The plant in Argovia will be closed in November 2005, while the plant in Djursland will be shut down in March 2006. In addition, negotiations are being conducted pertaining to the tissue plant in Tilburg in the Netherlands. The mill has a production capacity of slightly more than 30,000 tons and has 130 employees. The mill in Tilburg will be shut down in the second half of 2006. SCA's ambition is to support the employees at the units that will be closed to the greatest extent possible.

Costs for the efficiency enhancement program are included in operating profit but will not be broken down by business area. These costs are reported in the "Other" line item. Information about the program will continuously be published in SCA's interim reports.

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