

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Corporate Communications

Box 7827, SE-103 97 Stockholm, Sweden

Tel +46 8 788 51 00 www.sca.com



Stockholm, 17 September 2007

Continued good growth for SCA in key Americas market

SCA sees a continued positive sales trend for its hygiene products in North, Central and South America (Americas) over the next few years. SCA already has leading brands established on these markets. Organic growth is expected to be 5 – 7 % in the next few years. Furthermore, SCA sees opportunities for selective acquisitions.

At a capital market day in New York today, SCA Americas' management presented their strategy for continued growth and profitability improvements in the region. SCA's CFO and acting CEO, Lennart Persson, confirmed at the same time the Group's potential for improvement as presented earlier. This means that SCA can improve its earnings by an additional 1-2 percentage points over the next two years from today's operating surplus margin of 15%. The outlook presented at the end of the second quarter is thus unchanged.

SCA Americas today has dedicated hygiene operations with strong market positions within both tissue and personal care products and the goal is to achieve organic growth of 5 – 7 % over the next few years.

"We have strong brands in our product portfolio," says Thomas Wulkan, President of SCA Americas. "In Colombia, for example, our brands for tissue (Familia) and feminine care (Nosotras) outperform some of the best-known brands in the world in terms of awareness and recognition. We have built up our positions locally, often through strong joint ventures. We have the platform – now we want to continue to grow and establish SCA in new markets in the region," says Thomas Wulkan.

SCA is open for selective acquisitions, but underlines that organic growth is at least equally important, together with raising the value-added content of products and services.

In the US, SCA has established itself as a leading player within AFH tissue. The strongest segments are the restaurant sector and commercial workplaces. Within both these segments SCA is working to increase the value of its products and services.

"Our target is to double the proportion of sales of high-value products from 15% to 30% within the next four years. Our launch of the Tork brand is a decisive part of this work," says Thomas Wulkan.

Within incontinence care, SCA is today the leading supplier to nursing homes and institutions in North America. Total sales of incontinence care products had annual growth of approximately 9% in 2004–2006.

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“Our assessment is that we will continue to have a strong sales trend in the years ahead. However, improving margins within the nursing home and institutions segment is just as important as good growth,” Lennart Persson concludes.

Lennart Persson also commented on SCA’s development after the second quarter.

“SCA presented a strong second quarter, which showed that all operations had improved their earnings. Market trends continue to be in our favour during the autumn, while we are now entering a period with higher raw material costs. In view of the impact of the European holiday periods on the third quarter, our third-quarter outlook given in the half-year report was stable development, i.e. on a par with the second quarter. This remains unchanged”, says Lennart Persson.

The capital market day was attended by some 60 American and European analysts and investors.

For further information please contact:

Bodil Eriksson, SVP, Corporate Communications, +46 8 788 52 34
Pär Altan, VP, Media Relations, +46 8 788 52 37
Johan Karlsson, VP, Investor Relations, +46 8 788 51 30

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This information is such that SCA must disclose in accordance with the Securities and Clearing Operations Act. The information was submitted for publication on 17 September 2007 at 24.00 CET.
