

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

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SCA focusing on cash flow and strengthened hygiene positions

In response to the recession and global financial turmoil, SCA is adapting its near-term plans to the prevailing situation. Most important is to reverse the Group's cash flow trend and to continue strengthening SCA's successful positions in hygiene markets around the world. This applies not least for SCA's home market in Europe, which accounts for 80% of consolidated sales and 85% of operating profit.

At a Capital Market Day held today in Stockholm, SCA's CEO, Jan Johansson, presented his and the management's views of the company's development in 2009 and 2010.

SCA's plans for the years ahead are focused in three areas: 1) Reduced costs and higher cash flow, 2) Capital efficiency, and 3) Innovation.

"Our action plan for the years immediately ahead addresses lower growth and tougher times," said Johansson. "Parts of our business are sensitive to economic swings and will continue to be adversely affected. In these businesses we are concentrating our efforts to improve cash flow and increase the efficiency of our plants.

"At the same time, through continued innovation and investments in product development we have favourable prospects to strengthen our key positions in the hygiene market, which is more resilient to economic swings. The European market is the most important for us, and we will prioritize harder among our emerging markets".

The prevailing financial and economic climate may also give rise to new opportunities for structural deals, noted SCA, which sees a continued need of consolidation in the packaging sector.

In view of its ambition to strengthen the Group's cash flow, in the years immediately ahead, SCA will wait and see with further expansion in markets in which it does not already have an established position. However, incontinence care products will have continued global priority.

During the Capital Market Day, SCA presented its target for return on capital employed as the overall goal for the Group and its constituent parts.

"Our goal is for the Group to deliver a 13% return on capital employed. We will achieve this within a 3-4 year period, provided that the economy recovers toward the end of 2010," said Johansson.

Despite the negative impact of the recession, SCA's management is working to improve cash flow by a couple billion SEK during the next two years.

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