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Stockholm, 28 April, 2009

SCA initiates efficiency improvement programme in Packaging

The European packaging market has been strongly affected by the recession. To strengthen SCA's packaging operations in Europe, an efficiency improvement programme has been initiated that will result in SEK 1,070m in lower annual costs with full effect from the second quarter of 2010.

Demand in Europe has fallen by 10%, and the industry is struggling with high producer inventories and pressure on both liner and corrugated board prices.

To lower costs and increase efficiency, SCA is now starting a programme which will generate annual savings of SEK 1,070m with full effect from the second quarter of 2010, of which SEK 310m in 2009. The cost for these measures amounts to SEK 1,700m and will be booked successively in 2009. Of the total cost for the programme, SEK 640m is write downs and SEK 1,060m cash expenditures. During 2009 the net impact on cash flow will be SEK -170m, however for 2010 the effect will be positive.

The actions in the programme include:
- Bringing forward the closure of the New Hythe mill in the UK to mid 2009
- Closure of 11 corrugated board plants in Europe
- Rationalization of units and workforce, in total 2,200 employees in Europe, of which 120 in Sweden, corresponds to 14% of the workforce.

In addition to the actions described above, SCA is cutting production for liner amounting to 160,000 tonnes during the first two quarters of this year. Some 1,000 employees were cut during the course of 2008.

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