

Svedala to cut its ongoing costs by a further SEK 365 million through new rationalization measures

- Svedala's Board of Directors has decided to continue with the Group's rationalization program. The new measures are expected to result in a permanent reduction of an additional SEK 365 million in annual costs in addition to the cost reductions of SEK 60 million presented in the nine-month report. In total, the two programs will reduce Svedala's costs by SEK 425 million over a two-year period.
- The annual reduction in costs is estimated to amount to SEK 320 million as of year 2000, followed by a further SEK 105 million as of 2001.
- The program will result in nonrecurring costs of SEK 150 million and write-downs of fixed assets by SEK 20 million, which will be mainly charged against earnings in 2000.

Svedala's Board of Directors has decided to continue rationalization efforts in order to reduce the Group's costs. Annual savings amounting to an additional SEK 365 million have been identified as of 2001. The program will yield annual savings of SEK 260 million as of next year and a further SEK 105 million as of 2001. The program will result in nonrecurring costs of SEK 150 million and write-downs of fixed assets by SEK 20 million, of which SEK 20 million is being charged against earnings in 1999 and the remainder mainly during the first half of 2000.

The measures presented today are an expansion of the savings presented in October in connection with the interim report, whose aim is to cut annual costs by SEK 60 million. A charge of SEK 20 million for this work was expensed earlier this year. Accordingly, Svedala intends to reduce its cost level by SEK 425 million, corresponding to about SEK 6 per share.

Since its formation in 1987, Svedala has undergone rapid expansion that has involved several different stages. Organic growth has been supplemented by acquisitions and the development of a strong after-market concept, Svedala Houses. During recent years, Svedala has

devoted considerable effort to product development. The Group's many acquisitions have provided access to state-of-the-art technological expertise. Product development work has focused on new products in which only the best properties from the acquired companies are utilized. This has resulted in more efficient and more competitive products. In addition, the product range has been significantly trimmed. For example, Svedala currently manufactures only one type of cone crusher and jaw crusher, compared with ten or so models of each of these products in the past.

The more concentrated product program is now preparing the ground for the next stage in Svedala's development – integration of the acquired companies. This rationalization program will mainly involve savings at the production level, in the form of fewer employees and production plants, thus further sharpening the Group's manufacturing efficiency. In the after-market, work will continue on an undiminished scale and new administrative systems will provide scope for rationalization.

In parallel with the savings programs, work to reduce Svedala's inventories will continue. At the beginning of 1999, the Group announced that it aimed to reduce total inventories by at least SEK 500 million over a period of 12 months. By the end of the third quarter, inventories had been reduced to SEK 4 092 million, or by approximately SEK 250 million compared with the first quarter. In a somewhat longer-term perspective, Svedala's aim is to reduce inventories by a total of SEK 1 000 million.

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SVEDALA is a world-leading supplier of equipment and complete systems to the construction and mineral-processing industries. Through global coverage combined with local presence and a conscientious focus on providing service close to the customer, Svedala has become an important partner to industry. Today, the after-market accounts for nearly 45 percent of the Group's sales of about SEK 15 billion. With some fifty Svedala Houses in more than 50 countries and nearly 200 local Svedala Service Houses, Svedala has established a unique position on the market. Currently, markets outside Sweden account for approximately 95 percent of sales and the Group has some 11 000 employees.