

SCA – press conference September 3, 2007

Sverker Martin-Löf: Welcome. I would like to introduce Jan Johansson, our new president and CEO, and Lennart Persson, who I'm sure you're familiar with, our CFO.

Lennart will be acting as our CEO until Jan will be able to take up his position in what we hope will be a few months' time.

Let me begin by summarizing the background for the board's decision. If we look back at the past six years, when Jan Åström has been president and CEO of SCA, this period has been characterized by a tough market climate, and we have experienced substantial setbacks competition-wise.

The competition has been fierce, mainly within trade due to the consolidation of European trade, which has placed us under a great deal of pressure when it comes to costs.

With regard to the packaging sector, we have faced a great deal of change due to the relocation of the European manufacturing industry, where we have had our client base, and this has resulted in our having to adapt our cost structure.

So we have faced a great deal of efficiency-enhancement and cost-reduction programmes, and so on, that Jan Åström has managed in a commendable manner during this time period.

The board has expressed the following views:

When we look, say, five years to the future, our most important challenge is to raise our profitability.

In many areas, our profitability is less than satisfactory.

Certain areas are doing very well, while others are lagging behind.

Our company has a rather large capital base, which is why profits are very important to us and our cash flow.

Our ambition is to take advantage of growth opportunities and make better use of our available resources. And to make use of the fact that we have products, such as within the sector of hygiene and consumer-oriented products, where SCA already has a good growth rate.

Particularly in the rapidly emerging new markets in Eastern Europe, including Russia, Latin America, and Asia.

And we have footholds there that we intend to fully explore, but it's vital that we strengthen and expand these ties, and that we take part in this development and improve our growth rate.

The board has made the assessment that when we enter into this phase -- which may be similar to previous periods when SCA has grown rapidly due to various efforts -- it may be a suitable opportunity to implement a change in leadership at SCA.

It will be a new phase that will require a different brand of involvement than that of recent years. And characteristics we particularly like about Jan Johansson are his well-honed leadership skills, and his flair for uniting management and injecting energy into the process. He has what it takes to manage a phase such as this.

This is basically the reasoning behind the board's decision today. As I mentioned, Lennart will be acting as CEO temporarily, until Jan is able to take up his position.

If you have any questions, we can answer them now. Then we will turn the floor over to Jan and Lennart, so they may say a few words.

So please, if you have any questions.

Reporter: with regard to raising profitability in the consumer product sphere. And you apparently need a new CEO in order to make this happen. As far as I know, Jan Johansson has gained his experience at Boliden, so I don't quite understand the connection.

Sverker Martin-Löf: Finding consumer experts is not a problem, what we need -- according to our evaluation -- is a CEO with good leadership skills and the capacity to energize the organization.

I was around when Carl-Henric Svanberg came to Ericsson. He wasn't a telephone expert, but he certainly got that company moving. So that's the type of scenario we have pictured.

Reporter: The characteristics your previous CEO lacked, they aren't exactly news to you. He's been around for many years, so why have you waited so long to replace him?

Sverker Martin-Löf: It's always possible to discuss aspects such as timing, and though we feel that Jan Åström has done a fine job so far, we will need a different kind of leader to forge ahead.

Reporter: But in hindsight, this decision could have been made two or three years ago.

Sverker Martin-Löf: Well, those are your words, not mine. What I am saying is that our cost-reduction programs have gone well, and they have been effected for a long period of time. So in that respect, this decision is very well timed.

Jan Johansson: I'd like to comment on your question. That's right, I haven't worked in the consumer sector during the past six years, but prior to that, for some 20 years, I worked with the consumer market.

It's easy to forget history.

Reporter: Where was that?

Jan Johansson: At Shell, for about ten years. And I tried to create a market over at Vattenfall, too.

Reporter: Tell us how much that attempt cost.

Jan Johansson: At any rate, it was profitable for Vattenfall.

Reporter: What do you plan to do to increase profitability, more specifically?

Sverker Martin-Löf: To put it simply; take better advantage of the growth we have on various markets. And increase volume. And make sure we are in the running in the fast-paced development of the growth markets, an opportunity we can utilize better.

Reporter: Your shares have gone up a few percent since Åström was appointed. To what extent was the decision to change CEO based on this?

Sverker Martin-Löf: Are you referring to the increase today?

Reporter: No, I meant since 2002.

Sverker Martin-Löf: Well, just look at what has happened to our competitors.

And take into account what it's been like in our line of business.
It's not easy to base a decision on that then.
These years have not been easy, that's why we've tried to cut costs.

Reporter: With regard to market opportunities, you mentioned that costs had to be kept down.
What kind of signals have you received that this might change?

Sverker Martin-Löf: Well, a great deal has happened with our own cost base. Particularly within the areas of Hygiene and Packaging, and that has enhanced our competitive edge.
We have made certain acquisitions and additions.
Plus that our proposed acquisition of the hygiene sector of Procter & Gamble may be approved by the European Union commission in the next few days.

That will provide us with a substantial financial boost to improve our position.

A great deal has been done to get us into a better position.
And in addition to this, raw material developments have come to the fore in the foresting industry.

This cost development has lagged behind that of other materials, such as minerals and other materials that help to boost a positive price development.

That applies for us within most areas, that we have the potential to gradually improve our margins.

But that has more to do with the economy in general.

Reporter: When it comes to the structure of SCA, will it be under review in connection with this new appointment?

Sverker Martin-Löf: No, we think the structure we have now is just fine.

We are aware that it can change. We're glad to have raw material holdings. It would have been nice to have some more energy holdings as well, but right now we're glad to have the raw materials.

But all companies review their structure on a continuous basis. Situations change, and at present, 50 % of SCA's turnover comes from hygiene products.

We have moved very decisively towards refined consumer products; products that are not as vulnerable from a competitive point of view, since they are regional, not global. And we intend to continue down that road.

Reporter: You'd like to continue down that road, you say.
How much... Five years from now...
Will it be organic growth, or growth by way of acquisitions?

Sverker Martin-Löf: Historically speaking, we have grown extensively by way of acquisitions. And it has benefited mainly the market in Western Europe and in North America.

When we talk about the markets in Eastern Europe and in Asia, then we are, to a much greater extent, facing organic growth.

There are opportunities for growth by way of acquisitions as well: Vinda is an example of this, we acquired this company in Asia.

There will probably be combinations, but compared to before, there will probably be more organic growth, relatively speaking, than in Western Europe.

Reporter: Was the board unanimous in its decision?

Sverker Martin-Löf: Yes indeed. I guarantee you that.
Not that we usually have a vote...

Reporter: How long have you been looking for a new CEO?

Sverker Martin-Löf: Well, in conjunction with planning this new phase we told ourselves, that when we implement these changes, we should reach a point where we are also able, ideally, to select a new CEO at the same time.

And as I've said previously, Jan Åström has run SCA in a very capable manner for many years, so we felt we could take our time and carefully recruit a new CEO, and find the person we felt was the most suitable, and thereby avoid a long period of uncertainty. So we have spent about six months doing this.

Reporter: "No longer than three months", you say. But is one month realistic?

Sverker Martin-Löf: You'll have to ask Jan.

Jan Johansson: Everything was officially finalized today.

So I have not yet had the opportunity to conclude the dialog with my present place of employment. The period will not exceed three months, but right now it is difficult to be more precise than that.

Sverker Martin-Löf: Maybe we should ask what Lennart plans to do during these few months?

Lennart Persson: For myself, and for everyone else here at SCA, it will be "business as usual".

Just like Sverker Martin-Löf said, we have an interesting and challenging autumn ahead of us, and this week we are waiting for the decision of the EU commission with regard to the strategically important P&G acquisition, and naturally, we are prepared to as quickly as possible integrate this acquisition into SCA.

And in the short term, on September 17, SCA will have a capital market day in the US, which will of course, take place as planned.

So we have a great deal on our agenda this fall.

And, of course, we are greatly anticipating the day when Jan takes up his new position here.

Reporter: When did SCA take initial contact with Jan Johansson?

Sverker Martin-Löf: I don't think we have to reveal that. And I don't even remember exactly when it was.

Reporter: Things seem to have moved fairly quickly.

Sverker Martin-Löf: Yes, but how can you effect a change like this in a public company and discuss it a few weeks beforehand?

It doesn't work like that. You set a date when you can, so to speak, "push the button". You need to be prepared by then.

And we have prepared the groundwork during a certain period of time in order to make all the pieces fall in place.

Reporter: It's gone fairly quickly. What have you had time to discuss?

Jan Johansson: Are you asking me?

Sverker Martin-Löf: It hasn't gone that fast.

Jan Johansson: In order to take a step like this, you certainly need to discuss matters thoroughly. You know that the company puts a lot of thought into a matter like this before they take such a step, and that they analyze the situation before making a decision like this one.

So of course I've given it a great deal of thought.

Sverker Martin-Löf: We have put a great deal of work into this for quite some time.

To find what was right for us, because we did not want to risk having a period of uncertainty.

This was very important for our entire organization and the market as well.

We did not want to lose time or momentum.

Reporter: So Jan, how well do you know SCA at this point?
Can you pinpoint the opportunities and the potential threats?

Jan Johansson: It's too early to say. That would be strange.
But I have observed SCA all my life, and I'm probably more familiar with a certain part of SCA, which would be the foresting and paper business.

But SCA has always been of great interest to me.
I worked for SCA when I went to school, doing different jobs, so I've taken note of their progress and development over the years.

And I've been happy to see their progress.
But naturally, I still have a lot to learn.

Reporter: What aspects of your time at Boliden are you most pleased with?

Jan Johansson: A lot of things. The aspect that pleases me the most is that we have created a company that now stands stronger than it ever has, including during the "golden years".

We have doubled in size, we have a cost position that is strong at all levels, and we also have a management and a management culture that promotes growth, where people feel empowered to evolve and create.

That's my favourite accomplishment.

And the value has increased as well.

Sverker Martin-Löf: I guess I should say that the first time I talked to you was when I was on the board of Boliden.

So I had the privilege of being there during the crisis, which Jan managed impressively.

The banks were banging on your door back then.

Jan Johansson: That's right.

Reporter: Doesn't it feel odd to leave Boliden right when they are in the process of the massive Aitik investment?

Jan Johansson: At this point, all the investments have been made; the major components and so on.

And it feels good. The company has a great team taking care of things up there. So everything appears to be going smoothly.

Reporter: Could you elaborate... You mentioned your experience of Shell with regard to consumer-oriented products...

Jan Johansson: All I said was that I wasn't entirely lacking in that department. That doesn't mean that I don't have a lot more to learn. Basic industry isn't all I've worked with.

Sverker Martin-Löf: In our opinion, it's an advantage that Jan has worked within a number of different fields.

And the aspects we find important are his leadership skills, the ability to work in a well-delegated organization and inspire people to work efficiently, and a capacity to manage business development in a crucial phase.

That's what attracted us, and we have a lot of talented people in the field of consumer-oriented products, so that's not SCA's problem when it comes to dealing with a phase like the one we're facing now.

Our objective is to have a high-energy team to lead the way.

And then you need a leader who can deal with a situation like that.

Reporter: During the years with the former president and CEO, there was a great deal of conflict between the chairman and the CEO.

Sverker Martin-Löf: Pardon me?

Reporter: There was a great deal of conflict between the chairman and the CEO...

Sverker Martin-Löf: In this company?

Reporter: Yes...

Sverker Martin-Löf: I don't know about that.

Reporter: It's regular subject for discussion, it's hardly an advantage that the CEO doesn't get along with the chairman. How are you going to approach...?

Sverker Martin-Löf: This is a figment of your imagination. I've never had any trouble with Jan Åström in that respect. Go ahead and ask him.

That was a fairly odd statement. It's better to stick to the truth. That's what we usually do.

Bodil Eriksson: Well, it looks like there aren't any more questions. So I would like to thank you all for coming today.

Sverker Martin-Löf: Thank you.