Good morning and welcome to the SCA interim report. I would like to start with some SCA market update and as we communicated in the Q1 report we have continued to see the raw material prices coming up and looking at some of them the OCC is up with 330% compared to last year and all and all today this have a negative impact on SCA of 1.7 billion SEK. If we look from Q1 to Q2 raw material is 735 million SEK. What we have done to take care of this is, as we also said, we have been working with our cost, to reduce the cost, we have increased prices in particularly in Packaging during Q2, but also some significant volume improvements. In particular, looking at the hygiene business we had a good quarter in incontinence care, in Away From Home and feminine and also our emerging market is growing quite well. We also see volumes coming back from Packaging, even from a very low level, but we have an increase of some 9% compared to last year and also some growth in Publication papers of some 2%.

If we look at the result we also can see that we have a significant currency impact, due to the fact that the Swedish crown is strengthened to the other currencies we are working with, and if we exclude that impact we actually have an increase of net sales compared to last year. Looking at the profit level, the EBIT level, it's an increase of 6% compared to last year if we don’t take the currency into consideration and profit before tax of some 12%. Looking at the cash flow, we had a very positive impact last year on working capital. This year we have seen the impact of the increased raw materials, which means the inventory level has increased, but it’s not in number of days, it's the value of the raw material, it is of course important that we keep the days or even reduce them from the level we have today.

Going in to half year to half year it’s once again higher volumes, lower production costs but of course higher raw material costs and also increasing market activities, in particular within Personal Care, which I will come back to a little bit later. Looking at Q1 to Q2 we have improved profit in all our business areas, we have improved sales and we have some good growth in certain of our categories, and I will get back to that also when I get into the specific categories. The most surprising thing for us in Q1, compared to the forecast, is probably the volume increases in particular in Away From Home.

Looking at our net debt and debt payment capacity we are still on a good level of 33% and we are continuously trying to reduce our net debt. One thing that we discuss, of course, all the time in a society today is the financial market. If we look at the debt maturity of SCA today we have a rather positive situation. If we look at the commercial paper, which is a big portion of this year, we are only using, as you know, these papers if we a better interest rate than we can get from the unutilized credit lines that we have, that is on the level of 29 billion SEK. Which means that we have that reserve if we don’t want to use the commercial papers. And you can see the maturity going forward in our debt portfolio. So we feel reasonable comfortable in this situation, to put it mildly.
Coming back to Personal care and we have, as you see, a sales decrease in Personal Care and as I communicated during Q1, we are, in particular in Europe, going through a major restructuring effort in Personal Care. So 2010 will be the restructuring where we are closing plants. We are focusing on improving the profitability, especially in the retailer brand side, and as you also know we lost some major contracts last year, Tesco for example, that has a negative impact on sales. It doesn’t have so much impact on the profitability. But the positive thing in Personal Care is if we look from Q1 to Q2, we have a growth in all our categories; of 4% in baby, 4% in feminine and 4% in incontinence. Looking at Europe, which is our biggest market, we have some 7% growth in baby and 4% in inco and 4% in fempro so we are getting back to the growth scenario in Personal Care. But we will continue with the restructuring, we continue to move all the private label production to one plant and we continue to close and restructure facilities in Personal Care and that will be finalized during next year.

Coming back to Tissue then, where we have seen the most positive growth in volume. If you compare to Q1 we have a total growth in Away From Home of some 10% and Europe 7%, America 13% and Asia 10%, so a very good momentum and this also came very much in the end of the quarter. We haven’t yet seen any of the price increases coming through in the European tissue business. We have seen of course the raw material increases coming through but not seen the full impact because as you know we have some 45 days delay before we get price increases in raw material into our P&L. We will increase prices in consumer tissue in Europe with an average 6% second half of the year and we will increase it in Away From Home with some 3% in average during the second half of the year. We have announced also a 9% in the US in Away From Home and the negotiations are ongoing. We have already concluded 80% of the volumes in consumer tissue in Europe on the average level of 6%. We will of course continue on the cost side in the tissue also, so a combination of price and cost will slowly move back the margin into the level we had before.

In Packaging, the restructuring program is ongoing, we have reached some 80% of the 1 billion in cost savings as we communicated. At the same time, the raw material or the OCC prices are up with more than 300% and between Q1 and Q2 we have some 600 millions in cost increases in raw material and that’s something we, of course, have to capture all the time. We have seen some 3% price increases in Packaging compared to Q1 and as you can see compared to last year we have some 9% volume growth. We will continue to increase prices in Q3 so we anticipate some 4% improvement in price during Q3 on the corrugated side. As you know we have a lot of indexed agreements where we have a time delay of 4 to 6 months before we get the test liner prices, increases in test liner prices walking through to the corrugated. But a very good momentum, volume is coming back, even from a very low volume level and prices are starting to kick in and the restructuring program also continues as planned.

If we look at Forest Products, the probably most surprising in Q1 were the volume growth in both magazine papers and newsprint. And we have seen that
continue, from a global point of view we see a growth of between 5 to 15% today in magazine paper and also newsprint is growing quite well. And this is of course giving us an opportunity to increase prices, so we will increase prices in magazine papers between 4 to 5% during the second half of the year. We actually also succeeded in increasing newsprint in the UK during the second quarter with 5%, even though we had a yearly contract, so the market is growing and it’s getting a little bit tighter which means that we have the opportunity to increase prices, which is absolutely important. Pulp of course is going strongly, as you know with the high pulp prices, solid wood is also going quite strong, so we have a positive momentum in all our areas within Forest Products today.

Well, looking at the outlook and comment a little bit on that; we do see an improved market condition, of course we have to be watching the financial situation in different parts of the world and if it will have an impact on our business. So far we haven’t seen anything of that. We will see price increases coming in during the second half year, everything will not of course be in Q3 due to the contractual situation. Some will come in Q3 and some will come in Q4. Good demand as I said, and prices will pick up in tissue all over the world. Packaging as I said, improved fundamentally, volumes are coming back, price increases will continue. And in the forest industry the same, recovery from a very low level but still a positive recovery in volumes and price increases will start to kick in as of the third quarter. Having said that we have to remember also that normally the third quarter is a weaker quarter for SCA due to seasonality with all the holidays etc. We close some production but that is, as you have seen, it happens every year so it’s nothing new for our business. So I think with that I will move over to questions. Lennart will you join me?

LK (Lars Kjellberg, Crédit Suisse) Just to clarify when you talked about tissue prices up 6% on average in H2, if you can quantify…

JJ Consumer tissue in Europe.

LK Consumer tissue specifically. If you want to talk about Away From Home then, what do you expect in the US and in Europe, and also you talked about obviously spreading that over two quarters as supposed to…, so well how do you see that started in the second half year?

Well, if we look at consumer tissue to start with, it has different contracts with different customers so we believe that, let’s say maybe from the European 6%, maybe 3 to 4 will come in in Q3 and the rest will come in in Q4. Away From Home will be evenly spread during the quarter, the price increase. US 9% is more difficult because we have just started the negotiations for the 9% but that will not be from the beginning of the third quarter, it will be spread over the two quarters.

LK And just to confirm, you said 80% had been concluded?

JJ In Europe, in consumer tissue.
LK And just a final question, on the packaging volume recovery. A good 9% of course in the second quarter, how does that volume compare to 2008, if you take it as a base?

JJ If I remember rightly, I think the volume was down some 16% or was it even more.

LP (Lennart Persson, CFO, SCA): In the beginning of 2009, yes.

LK So it’s sort of half ways back?

JJ Yeah, exactly. So it’s still not where we were.

LK Thank you.

LL (Linus Larsson, SEB Enskilda) Two more questions on tissue please, first, to better understand the surprisingly strong second quarter results in tissue, if you could talk a bit about cost, it seems as if the raw material cost inflations that you did have were offset by lowered costs in other areas, if you could help us understand which costs did decline in tissue in the second quarter and secondly coming back to the tissue price increases in the second half, to what extent are they directly linked to the increases in raw material costs and to what extent are you seeing a risk that a roll-over in fiber cost could actually derail these price increases in tissue in the second half?

JJ If we start with the margin improvements: One aspect also is that the impact over raw material price increase was not as big as we anticipated when we communicated Q1, so it was slightly lower than we anticipated. And partly due also to the delay in raw material, which means that the raw material prices in tissue will continue to go up during Q3, since we have this delay. On the cost side it’s in distribution and in production in terms of higher production utilization during the quarter and maybe energy also, Lennart, I don’t ?.

LP: Somewhat yes, energy also.

JJ The second question, of course the increase in raw material is important to discuss price increases and without that it would be much more difficult, but I don’t see any risk today that it will change during the third and fourth quarter. I mean, we see raw materials now leverage out, it’s not increasing anymore and mainly due to China. I think in the last couple months China has reduced the import with 42-43% of pulp and some 30% of waste paper, but we still believe that we will be on this level, but not higher in the raw material prices so that shouldn’t have a negative impact on the price increases. I don’t know if that was an answer to your question.

LL Sure, thanks.
MJ (Mikael Jåfs, Cheuvreux) A question on volumes, you mentioned that you have seen an improvement. Could you give some colors as to let’s say the monthly development during Q2, was it a steady increase or what did it look like?

JJ It is in volume, it is of course also partly prebuying since we have announced price increases. But it’s not a bulk, it’s not the majority, we actually saw market picking up in Away From Home, not in Consumer tissue, in May-June but it accelerated in June.

MJ And then a question on your tax rate, 28% and then you write in the report that that’s what we should expect and previously it’s been a bit lower so to say, what is the reason for the higher tax rate.

LP The reason is a split, very much the split between the countries of our total profit.

MJ Thank you.

OL: Hey, Oskar Lindström from Erik Penser Bank. Just a question on Personal Care, you mentioned now there’s the restructuring and also higher raw material costs. Should we expect margins to decrease further from this level or at what point do you sort of see them heading up north again?

JJ I think, particularly taking in consideration the seasonality in Q3 you may see some pressure on the margins in Personal Care. All in all for the group we believe that there will not be any dramatic change, but in Personal Care it could be a little bit lower in Q3, due to raw material and seasonality, and of course also the cost programs that we are driving in Personal Care. So I would say, you will probably see that changing slightly in Q4 and then improving during next year and then we’ll be up on the level that we discussed previously.

OL: Talking about the, I mean it’s always more or less tough competition in the segment, I’m aware and you mentioned it. But are you seeing a change that your competitors are really stepping up there, marketing activities, launching new products. That there’s sort of a step change in this segment? That’s also a sort of a explanation possibly for lower margins?

JJ One reason for Personal Care also is that we have increased A&P during Q2 compared to the previous quarters. But that is mainly to drive growth and in particularly in the value segment in incontinence as we have described previously. I mean, competition is always fierceful so I don’t see any difference actually. Of course Procter & Gamble’s introduction now with new specification on, in diapers, it’s putting a certain pressure that we get the same products on the market with the thin diaper and then they have the ultra thin diaper that they have launched in the US, with some problems though, so we will see how that will develop, but we will have the same specification in time to the market. But of course it’s driving costs a little bit but on the other hand it should drive margin also, when you have it out on the market.

OL: Just a final question on those diapers since you brought it up, do you know that they are bringing this to Europe, or do you think that there will be a delay in that?
JJ: I mean, the thin diapers is already here and the ultra thin, of course…

OL: The ultra thin.

JJ: Of course they will drive it globally but they have some problems in the US because some mothers are claiming that the babies get some problems with the diapers and that may or may not delay it. I would be surprised if it delayed it, I mean it is the new pulp-free diaper and there are huge cost benefits compared to the old ones so they will probably drive it all over the world. And we will do the same also if it’s successful.

OL: Thank you.

CR (Claes Rasmuson, Swedbank) On Publiction papers you are announcing, or expecting, price increases of 45% - how is that being met from the clients.

JJ: Well, I trust that we will achieve it. I don’t want to comment our clients but I’m pretty sure that we will achieve it.

CR: Okay. And further on on Personal Care, should we expect more sort of restructuring charges or anything like?

JJ: The program we announced was 60 million Euro and we don’t see that is going to come up so that’s the level we are working with.

CR: And overall, you seem fairly confident with the shorter outlook here on those most segment, but if you were to look at Europe, is there any area where you are not sort of happy with the way the markets are developing?

JJ: Well internally, for SCA it’s of course baby, I mean as you can see we have lost some 8% compared to last year, even though we are growing from Q1 to Q2 and, but I feel very confident in the plan we have. It will substantially increase the margin in baby once we have delivered that. But otherwise, except for the macro things which we cannot impact, what is going to happen with the debt level in certain countries etc. It’s looking reasonably good.

CR: Thanks.

OL: Hallo, Oscar Lindström from Erik Penser Bank again. Just a follow-up question on the Away From Home price increases. You mentioned 6% for consumer tissue in Europe and that was 80% of the contracts and 3% from Away From Home in Europe and then 9% for Away From Home in North America. Are those your announced price increases or is that an agreed price increase with your costumers, because sometimes those can be two different things?

JJ: In US it’s always an announced price increase and then of course it depends on how our competitors are acting, what level you will achieve but all our competitors in the US are announcing price increases. But if it will end at 9, 5, 12, I mean it’s too early to say.
OL: There were no price increases in Q2 in North America?

JJ: No.

LP: No.

JJ: The bulk of the contracts are ending end of June and end of December but we had some minor contracts that had price increases during Q1 and Q2 also. But the bulk is end of June.

OL: Thank you.

So any questions from the telephone. No. Any mail.

Yes, we have two questions via e-mail and one from Barry Dixon, Davy Stockbrokers, Dublin.

BD: Can you please outline the corrugated price increases achieved year to date as well as individually in quarter 1 and Q2?

JJ: Year to date we have, Lennart, 3% price increases, and Q1, if I remember rightly it was 1....?

LP: 1.5.

JJ: 1.5 in price increases and we expect another 4% as I said in Q3.

And the last question from Martin Melbye, ABG, regarding the new acquisition, the Copamex acquisition that we announced earlier today.

MM: What are the historical EBIT margins here?

JJ: Well to start, I mean it’s not a major acquisition for SCA but it’s a very important acquisition. For the first time now we will have a full product range within our hygiene business. We didn’t have baby in Mexico previously, even though the market share in value is 6%, sorry 4% and in volume 6%, but it’s a very good base for us to start to grow the baby business in Mexico and Central America. And this is an extremely interesting market. I mean, the usage of diapers is 0.9 per child a day and I think, in some other parts of the world, we are up to 6, 7, 8, 9. Also the stability in Mexico, even though some problems in some areas, is much, much better then it used to be a couple a years ago. So it’s a very important one. The historical margins we don’t communicate at this stage. It’s a long answer to a short question.

That was all.

JJ: Two from the telephone.
One question from the line of Miles Allsop from UBS London, please go ahead, the line is now open.

MA: Yeah, just a few quick questions. First of all on the corrugated market; Could you give us a sense where test liner inventories are in Europe today and with waste paper costs falling during the second quarter, are you seeing any pressure on test liner prices today, that’s the first question?

JJ Well the inventory levels in general are on a healthy level today which means that it should still promote some price increases, I don’t remember days, 20…, something, I don’t have the days in my head, but the inventories haven’t started to grow anyway which is very good. There will be further price increases, we have announced another price increase yesterday and are seeing our competitors also announce further price increases in test liner and if you look at the 330% price increases in OCC we are still running behind the raw material price increases, so the necessity of increasing prices is still there. So I believe that we’ll continue.

MA: So, with the test liner increases after September now, it’s not just kraft liner?

JJ It’s both.

LP: For us it is both.

JJ I saw some of our competitors only announced kraft liner I think, so in that respect it’s right.

MA: Yeah, but you’re going for test liner and kraft liner.

JJ Yes.

MA: Okay, and could you give us a sense of what sort of investment you’ll need to make to upgrade your nappy machines to produce those ultra thin product. Is that’s going to be a burden on profitability during 2011, if you go down this route or would it be incorporated in this sort of restructuring you’re doing in the division already?

JJ The thin diapers we are already producing, we introduced that this year and of course short term, you have an impact because you have to stop the machine and you have to change part of the machinery, but all and all, from an investment point of view in relation to SCA it’s nothing. Is more that you loose some days when you change part of the machinery.

MA: And getting back to tissue, obviously very surprising strong quarter, do you expect margins to recover up to around that 10% level, you think it is sustainable by the end of this year or is that it’s going to be something more during 2011?

JJ I think, looking at the contractual portfolio and the restructuring program with the cost cutting program we are running in tissue, you will not see a full impact, I believe until next year.
MA: Okay, but 10% next year is certainly achievable?

JJ That’s my view, yes.

MA: Okay. And then, and obviously you just divested the Chinese corrugated operations, since you get a decent price, are there any further smaller divestments that you’re considering and thinking more radically as well, I mean you talked about the need for consolidation in corrugated, do you see any progress in that?

JJ Well, we have a couple of smaller operations that are looking into divest but with very limited impact on packaging, when it comes to restructuring. I mean the market is still looking the same way as it did a year ago, I’m not aware of any activity to change that today.

MA: Okay. And on the acquisition from the small step in Mexico, are you starting to turn the taps on again in terms of acquisitions and chasing growth in hygiene products or is this just a kind of sensible add-on which was opportunistic?

JJ Well I think our first priority is of course to protect our balance sheet and our cash flow but having done that we will certainly look at some acquisitions but we are not going to start to heavily increase debt or destroy our cash flow.

MA: Okay. Thank you.

JJ Thank you.

The next question comes from the line of Ross Gillardi from Merrill Lynch, please go ahead your line is now open.

RG: Hey, good morning. Thank you. I just had a few follow ups, most of my questions have been answered. But just again on the corrugated pricing, I wanted to confirm, it’s sounds like you were up 1-1.5% in Q1 and then up another 3% sequentially in Q2 and you expect to be up another 4% in Q3 versus Q2, is that correct?

JJ Well the 1.5 I’m a little bit unsure of, but that what we have in our memory, otherwise you’re right.

RG: So Q2 you were up 3%. Do you see prospects for further box price increases after the third quarter because it would seem like by the end of Q3 you’re gonna be up 8-9% of the bottom?

JJ As long as you see test liner prices going up you will also see the corrugated prices going up.

RG: Okay, great. And then on the Personal Care restructuring, could you elaborate a little bit more on the cost savings and resources of cost savings, and you mentioned that you’re moving your private label business to one facility, kind of more what’s behind that?
The private label business is very much a commodity business, of course you have to have the right specification, otherwise you will lose contracts as we did in Tesco for example, but having that it's a commodity game which means that cost is very important. To optimize that production as we will do now in Olawa will absolutely bring some cost benefits in the production chain but then of course you also have to work on all other aspects from transportation to sales etc. etc. So we have created a completely separate private label organisation within Personal Care in Europe now that will work under the conditions that you should in a commodity business. The cost saving will be 15, Lennart…

15, yes, 15 million Euro when it is fully through the restructuring.

Per year.

I’m sorry, could you repeat that number?

15, one five.

Okay.

On an annual basis.

And the currency is?

Euro, sorry.

Okay, then just lastly, could you talk a little bit more about wood costs and then also just interested to hear what you’re seeing in terms of saw log and pulp wood prices, you know in Sweden?

Well, if we start with the wood side, we have seen prices coming up with some 5% during Q2, we don’t believe that that will continue in Q3 and Q4, and as you may know that we have quite some big price differences in Sweden depending if you are in the mid, south or north of Sweden, so what is happening is that the prices in the south is getting closer to the prices in the north but we don’t expect any further price increases in our part of the business. It would probably be more price increases in the mid and the south of Sweden but not in the north.

And you’re talking price increases for sawn timber or for wood fiber, you say 5% versus Q2.

It’s in both.

Okay.

For wood.

For wood.
RG: For wood, yes.

JJ If you look at a saw mill operations we have continued to have a reasonably strong development, the volume growth is not as it used to be a couple of years ago but due to closure of a lot of mills we still have a reasonable good balance. We don’t anticipate any major price increases during the second half for that operation.

RG: Okay. Great. And then, what are you seeing on recovered paper prices, because obviously the inflation was enormous in the outset of the second quarter and it seemed like maybe, you know prices were rolling over a bit but… Yeah, what are you seeing in the last few weeks for example?

JJ Well, we have seen prices being stabilized and very much also due to that China is importing less, I think it was down some 25-27% during the second quarter. So I believe that the way China will act or not act will have a bigger impact on the prices than anything else and that’s very difficult to have a view on but as we see it today we believe the prices will be reasonably stable during the second half, having come down a little bit during Q2.

RG: What was the down 25-27%, what number were you referencing?

JJ It’s the waste paper imports of China from Europe and US.

RG: Imports of paper were down 25-27% in Q2 versus Q1?

JJ Yes.

RG: Yeah, okay. Alright, that’s very helpful, thanks very much.

JJ Thank you.

We have two more questions from e-mail and from Christian Georges, Olivetree Securities and I think one of them has already been answered and the second one is.

CG: Ontex was for sale, no interest?

JJ Ontex has been sold for 1.2 billion Euro, we looked into Ontex and we decided we were not interested. It’s mainly a private label player and we didn’t really see any benefits in production, and the price tag in our view was a little bit high so we didn’t continue that way. Anything more from the room? One here.

KR: Yes, Karri Rinta, Handelsbanken. Just a clarification, I think you said that in the second quarter the costs increased by 750 million SEK or the impact from higher raw material costs was 750 million SEK?

JJ That was in packaging, wasn’t it.

KR: That was one of the first slides.
JJ  Sorry.

KR: Actually the first slide.

JJ  Sorry, yeah true. Q1 to Q2 for the group, yeah.

KR: Yeah. Do you have any ballpark figure on the Q3, are we looking at a cost increase and if so, is the magnitude clearly smaller than it was in the second quarter or are we talking similar levels.

JJ  Of course, part of the price increases are now included in our inventories, which means that we walk into Q2 with higher prices, and since we have seen prices sort of leverage out we are not really prepared to give you any specific figure on that. But the price increases you have seen so far are not fully impacted in the Q2 result.

KR: But it shouldn’t be a higher number than what we saw?

JJ  No, it shouldn’t be.

KR: Okay, thanks.

JJ  Okay. Thank you very much, thank you for coming in the middle of the Swedish summer.