

SCA Q3 Report July- September 2011
Tuesday, 25th October 2011
08:30 Hrs UK time
Chaired by Jan Johansson

Jan Johansson, President and CEO, SCA

Good morning and welcome to the SCA Interim Report. To start with, just a few comments on the important raw material markets for SCA, and we have seen our major raw materials coming down during the last quarter if we look at pulp, oil-based and recovered paper. At the same time we have seen the dollar strengthening, so in euro terms we actually haven't seen pulp, as an example, coming down in the major part of our operations. The interesting situation on pulp is that the spot prices today are about \$100 below what you can see on the contractual prices; it seems like there's still downward pressure on the pulp side. And the important part in our Personal Care business, the oil-based raw material, is also coming down. But as you know, we have a time lag of between three to six months before we get the lower prices into our P&L in the Personal Care business.

General comments on the market situation in particular the financial crisis that we are in the middle of in Europe, we haven't still seen any impact on our businesses due to that. So we still have reasonably good volumes and as you can see, and will see later, quite a good growth in parts of our business. Coming into Q3 compared to Q3 last year: in local currency we have an overall growth of 6%, still good growth in emerging markets both in Personal Care and in Tissue. Packaging volumes are up and we also have a substantial price increase in our corrugated business, compared to last year. Publication paper, also some volume increases and solid wood still, on this comparison, a good growth of 7%. We do have slightly lower EBIT and that is mainly due to the increased prices for raw materials. We have some 900 million in higher raw material costs compared to Q3 last year, but also a currency impact of SEK180 million.

If we look nine months to nine months, we have a similar growth in local currency of some 6% and also in this period a good growth in emerging markets both in Personal Care and in Tissue. Packaging volume is up; corrugated prices are up; publication volume flattish, still a little bit up; and solid wood also nine month-nine months. Same situation on raw material but we have as much as SEK3.1 billion higher raw material prices and also currency impact of 700 million. So we have been able to offset almost all of that by increased prices, increased volume and improved mix in our business. And a cash flow of a little bit more than 4 billion.

Looking at the results from this perspective you can see that the impact on sales just in currency is a little bit above 1 billion, Q3 to Q3; you can also see that we have a substantial improvement between Q2 and Q3 and I will get back to that a little bit later. If we go to the first nine months, the sales impact of currency is as much as 5 billion, and that is, as you know, the translation impact and it's not a transaction impact. So in local currency, as I said, 6% overall growth. And we continue to reduce the debt/equity ratio

even though it has been heavily impacted by the remeasurement of the pension liabilities in Q3, due to the low interest rate mainly but also, of course, the stock exchange developments.

So coming into Q3 compared to Q2 overall still growth in the company. We have a substantial EBIT increase of 13% and that's higher prices, but we also see raw materials continuing up in Q3 and that's mainly because of the lag in the oil-based but also there is a lag in the pulp contracts. And as I said, in euro terms, pulp is still on the same level or even slightly higher compared to the previous period. Looking at the business area, Personal Care, it's an EBIT increase of 18% and we also forecasted some improvement in the Hygiene business when we reported the Q2 report. And it's higher prices and volumes but still higher raw material prices. Tissue, 21% improvement in EBIT, higher volumes and better mix, and also prices coming in as we announced in Q2 and I will get back to that a little bit more when we're going into the different business areas. Packaging also, an EBIT increase of 14%, it's higher prices but slightly lower volumes compared to Q2 and that is mainly due to seasonality. Forest, we say flat, it's actually 1 million better so it's also slightly better but, of course, it's flattish. And increased prices but also increased raw material costs.

We have also announced a restructuring programme and as you remember from the Q2 and the Capital Markets Day, we announced that we are investigating further efficiency improvements, in particular within our Hygiene business. And this programme has a cost of SEK1.4 billion and of which write down is SEK500 million; it will impact some 2,000 employees in the company. Savings will be SEK700 million when it's finalised and this is mainly in Hygiene, it's partly in Packaging, and a very small part in forest operations. And it's in Europe but it's also outside Europe, in Mexico, where we actually have closed the plant now when we have started up a new tissue plant in Mexico. And we will see this gradually coming in as an impact during a two-year period, the savings, and the costs will mainly be taken in Q4 and first half next year.

So coming into the different business areas, and starting with Personal Care. First of all it's, of course, very positive that we have been able to improve the margins from Q2 where we had a margin of 9.5 and now we are up to 10.9 in Q3. We have continued growth in our main categories; we are gaining market share in incontinence, which is very important, as you know, that is our most important category within Personal Care. But also growth in feminine care and baby diapers. We are ramping up the new production in Poland; we are getting the new contracts, as I incorporated during the beginning of next year. And then we will be 100% utilised in our production facilities in Baby. And we have been dragging, of course, the fixed costs while we have been working up, ramping up the volumes, but also reducing costs. And part of the restructuring programme is actually a substantial efficiency improvement in our Baby production, which means that with less machines we can produce more. And, of course, then we need less people and less machines in going forward.

Good growth in emerging markets and also incontinence care is growing well in emerging markets. But from a profitability point of view the higher raw material costs, which we see compared to this period, is SEK176 million. We have not been able to offset that fully by price and volume increases but, as I said, the lower raw material in Personal Care will gradually get into the business in Q4 and Q1 next year, since we have a lag of three to six months in our contractual positions with our suppliers.

Coming into Tissue, we also had an increase of 5% in Away-From-Home, and emerging markets a good growth. In Tissue we have implemented a price increase in Away-From-Home of 5%; that has not impacted Q3 fully and it will gradually get in, in Q4 and Q1, due to the contractual situation with our Away-From-Home customers. We have also implemented a price increase of 2.5% in consumer Tissue, and the same situation there; it will gradually get in, in Q4 and Q1 next year. Now we'll see what happens with the raw material prices, we don't have any plans for further price increases during Q4. Now we have to focus to get all of these through and into the system so we can see it in the P&L in the coming quarters. Same thing here, improvement of margins, Q2 to Q3, from 7.6 to 8.1 and mainly due to price increases, volume, but also negatively impacted by higher raw material cost, even though those are less than we have seen in the previous quarter. But we also had a negative currency impact of some SEK40 million in Q3.

Moving to Packaging, in Packaging we, as you know, have been trying to increase the kraftliner prices; with the current situation we have not been able to do that. We don't see for the rest of the year any possibility to increase the kraftliner prices. There is a slight downward pressure on the testliner prices in the market today and mainly driven by an expectation that the prices will come down. And the OCC prices are coming down and then that creates an expectation on the paper prices. And that is also because of more inventories in the system; no one would like be on inventories when they believe that testliner prices will come down. The underlying corrugated volumes are still good and up till today we see none or very, very little impact of any financial crisis. And the price increases we've been able to implement in corrugated in Q3 is around 2.2%. Still having a very big raw material price increase of SEK450 million for Q3.

Forest operations, in general we see pressure on prices in our sawmills and that is mainly driven by increased production in the system, mainly from Finland. The underlying consumption is still on a good level and I would say that probably the sawmills are the earliest in any change in the consumption. They're even before Packaging, if you see any change in behaviour from the market. But the pressure on price now is over-production, and we will reduce our production during Q2 and I believe that, from what I've seen from some of our competitors, they're doing the same to keep the inventory levels on a decent level. We also have an improvement of margins here between Q2 and Q3, from 11.7 to 12.3; increased raw material costs of SEK250 million and here also we have a transaction and a translation impact from currency, that is SEK105 million. We don't anticipate any further price increases for the rest of the year in publication paper but we do anticipate price increases for next year, both in magazine paper and newsprint. The level of those price increases are still difficult to forecast but there will certainly be price increases.

So, going forward, there is still an uncertainty in the global economy, even though we see some positive signs from the US in the last days. We still need to solve the Greece problem of course; everyone is aware of that. And hopefully we will have some solution from our political friends in Europe in the coming week. We see still prices of raw materials coming down and we expect it will continue to come down for the next quarter. We will have further price increases coming into our Hygiene business mainly in Tissue but also in parts of our Personal Care business but not in totality. So with that, I will stop and we will open the floor for questions and I will ask Lennart to join me in answering those questions.

Questions and Answers

Linus Larsson, SEB Enskilda

Thank you, it's Linus Larsson from SEB Enskilda. You said that you haven't seen any impact on demand as of yet. One of your potentially cyclical exposures is in Packaging and I just wondered if you could elaborate a bit on your near term outlook in terms of corrugated pricing in the fourth quarter and also what you expect in terms of volumes in Q4 versus Q3?

Jan Johansson

Normally, as you know, Q4 is for seasonality reasons one of our weaker quarters, since you have Christmas and all the holidays. So we assume that we will have the same pattern this year, which means that you will have lower volumes in Q4 compared to Q3. And we don't anticipate any further price increases in Q4 due to the fact that there is a pressure on testliner and there is a weaker quarter.

And is it too early to anticipate a slight decline, even in corrugated pricing?

We don't have any indication of that as yet but it depends of course on how all our competitors are acting, also if some get nervous and want to increase their market share etc. But there are no market fundamentals that are indicating that it should happen, because we still have very high OCC prices and those should be governing the testliner prices, even though we see a slight pressure on testliner prices now.

And then also just on your cost savings programme, that 700 million of savings, could you break that down into the various business areas; how much is Personal Care, Tissue, Packaging?

We haven't communicated that yet so I don't know, Lennart, if we want to do that at this stage?

Lennart Persson, CFO, SCA

No, but the main saving is in Tissue and Personal Care.

Jan Johansson

Yes.

And how much incremental savings in 2012 versus 2011, could you give any reference as to the timing of this two-year implementation?

What we can say today is that it will gradually get in 12 and 13; we can't exactly say when. We will try to do this as soon as possible of course.

Oh that's great, okay, thank you.

Oskar Lindström - Erik Penser Bank

Hello, Oskar Lindström with Erik Penser Bank. I'd like to follow up on the questions regarding the restructuring programme. Is it, you mentioned that Mexico was included; does it include the closure of the plant in Mexico City? And then, following on that, will it include plant closures in Europe or any plant closures or changes in structure in Australia?

It's including the closure of Ecatepec in Mexico; there is no closure of a plant in Europe but, of course, it's closure of production or operations in a plant. We're reducing the number of machines. Australia is not included.

All right, and a follow up question: in the Personal Care division, you managed to improve your EBIT margin sequentially. Could you divide that roughly between how much was the effect of improved prices, which you mentioned, and how much was the effect of the end of the Linselles/Oława restructuring programme, which had burdened previous quarters as I understand it?

Lennart, will you try to answer?

LP: Yes, if we start with the closure of Linselles and move to Poland, that we have said should give us €15 million in savings on an annual basis, and of course that is done now. So some of that will come into the fourth quarter. And then how much will come from price increases or cost or reduction of volumes, that is split between those three factors.

Okay, but during the second quarter you had still some costs related to the move of production, which burdened the results then. That was not included in the third quarter, there was no effect from sort of production disturbances?

But the saving is the 15 million, including the moving costs etc, so you'll start now to see the €15 million coming into the P&L in the fourth quarter.

Thank you very much.

Mikael Jåfs, Cheuvreux

Hello, Michael Jåfs from Cheuvreux. A question regarding the impact from increased pension liabilities. Could you just please run us through what happened there and should we expect more of that to come or?

JJ: Yes, and that of course only had an impact on the balance sheet, on the net debt. And if you have seen the report, we have reported with and without the pension, when it comes to gearing. But Lennart maybe you want to?

LP: Yes, and we have seen an increase from the 2 billion deficit up to 4.8 and of course if that will stay there we might see some increased costs next year, due to the deficit increase. On the other hand it is a, what I said, valuation is for each month, so it is very volatile for the time being, both the interest rates and the return on the assets.

If you look in a three- to four-year period, you will see that it moves quite a lot.

And what, are there any sort of threshold interest rates or stock exchange that we should be looking at?

It is long term interest rates that we are using for discounting, calculating the net present value of the obligations, and the obligations increase when the interest rates are declining. And at the same time we now have seen a lower return or a shrinking plan assets as well, so you have both today, lower interest rates and negative return on the assets.

Thank you.

Claes Rasmusson, Swedbank

Those price increases that you commented on, 5% for AFH and 2.5%, is that something that you have actually achieved for the fourth quarter, are they fully implemented?

JJ: We have achieved it but due to the contractual situation it may not impact or it will not impact fully in the fourth quarter.

But towards or in Q1 you will have achieved these amounts?

Yes.

And when it comes to the cost decreases that you see continuing, would that be mainly pulp or is it RCP as well?

As we see the trend today it's probably that all of the raw materials will come down. Then of course it depends also on the dollar/euro exchange, because there is a negative correlation to dollar in pulp at the same time. But the downward pressure is obvious since the spot price is so much lower than the contractual prices are. And if you go to China it's even lower than that. And there's more pressure on eucalyptus than on what we produce but normally they follow each other after a while also, so the trend is downwards. And oil-based prices, we are, we know that it will be lower since we have a delay of three to six months. OCC very much depends on China, what they do, they've been in the US for a time now because of the low dollar rates. And if the dollar is increasing you probably will see them come back to Europe again. On the other hand it seems like the inventory levels in China are still very high in all raw materials.

And electricity, do you have a window for that one as well?

Well, I mean, yes, it's a difficult question. We do have hedges of course and in this part of the world it depends very much on the water system and now we have quite a good reserve level. But of course the winter period is increasing the electricity prices. But as we see it today we don't see any dramatic change in electricity prices, as long as the producers are not spilling the water and producing electricity instead.

Thanks.

Lars Kjellberg - Credit Suisse

In the present environment, where we stand today, what sort of cost decreases would you anticipate Q4 and then going into Q1 when the full impact has been felt, let's assume

current exchange rate, current prices for the various raw materials? And the second question is are you positioning yourself in terms of the pulp purchases in any way to keep decent inventories, do you have low inventories and the same thing on the recycle side?

Well, if I start on the inventory side, we always aim for the lowest possible inventories and we have been quite good in achieving that. We have inventories in Personal Care Europe today of 1.7% of sales and in Tissue, we're around 4, something like that. So quite good levels. When it comes to the cost position, if you look at the restructuring programme that we're talking about, you will probably not see very much of that in Q4. It may start to work in a little bit in Q1, Lennart?

LP: Yes.

But not in Q1.

And in terms of the raw material side, that's really what I was asking?

JJ: Lower costs.

But you can't quantify?

No.

Are you seeing, we've seen a number of companies in various industries talking about an element of de-stocking throughout the supply chain. Are you seeing any of that in your Hygiene business?

Not in the Hygiene business but I suspect without actually having any proof of it, that we do see some of this in packaging since expectation is that the paper prices will come down and then of course you try to reduce your inventory. But in the Hygiene business, no; everyone is on the lowest level today, no one has built up their inventories.

And a final question: when you're looking at cost, we talked about pulp, we talked about recycled fibre, another big element of course is wood. What sort of trends, we've seen a few cuts in Sweden I guess; are you seeing wood appreciably coming down?

Our assumption is that you will see slightly lower wood prices, going forward. It depends very much also where you are in the world of course but in our part it depends very much on how the sawmill operation is going and how much they will ask for. But we anticipate slightly lower prices.

I just recall one question that I had. When you're looking at this regional split of electricity cost in Sweden, I guess given your big presence up north that should be a real net benefit for you. Will you be able to benefit from that?

Well it is a fact that you have different price areas in Sweden and the prices in the north are lower than they are in the south. So as a general answer, yes, but then of course it depends very much on our hedges and the long term contracts we have in the supply and our ability also to produce ourself. We are a big producer of energy from renewables but it's not a negative fact to be in the north of Sweden, if I answer it diplomatically.

Thank you.

Myles Alsop - UBS London

Yes, hi there, just a few quick questions. Could you clarify with the Away-From-Home Tissue price increases of 5%, consumer Tissue increases of 2.5%. In what regions are those price increases? Are they just in Europe or Away-From-Home just in the US?

The price increases that we talked about in Q2 were mainly in Europe and it's the same with the one I commented today.

So that's for Away-From-Home as well, it's mainly in Europe?

It's mainly in Europe, yes.

Okay, and with the corrugated increase, 2%, is that a sequential quarter-on-quarter increase?

Yes.

Okay, and just going back to the corrugated volumes and you kind of expecting some seasonal weakness in Q4 but you're not seeing any signs of any real slowdown yet. How much visibility do you actually have there? How confident are you that things are actually holding up okay at this stage?

I mean, we have the visibility in our order books but a lot of this is also bought on sort of a day-to-day operation. So it's not like in some businesses, where you have a six month order book. So from that perspective there is of course some uncertainty into it but what we can see from the behaviour of the customers today it's not any signs of any dramatic movements, like we saw in the previous financial crisis.

Okay, and on the, just lastly, on the Tissue margins. We talked a while ago about a 10% margin in the second half this year and then obviously that was pushed back because of pulp cost increases. How confident are you now that we're going to get to that 10% margin in even Q4 or Q1 next year?

I think we still have the absolute ambition to reach that level in Q1 next year. As you've seen from the raw material prices, they have continued to go up during the quarter, which means that we are running after higher costs. But we still believe that we have the momentum to reach that target.

Do you think the industry is disciplined enough to sustain it at that level throughout next year or is this going to be a kind of one, two quarter peak margins before Tissue prices fall back down again?

I think it depends very much on where you see the raw materials heading also because if there is a downward pressure on raw materials the incentive or the probability to increase prices is reduced. But the discipline is better and of course at the 10% level, that's where you at least have to be to cover a decent return on the capital. So we feel reasonably

confident that we can achieve that.

Okay, and maybe one very last question. Do you think we're going to see either or both on the tissue side in Europe and corrugated this side, do you think we're going to see any material consolidation or industry restructuring next year?

Well that's always a very difficult question and looking at the fragmented market in both packaging and tissue there is certainly a need for it. But it's an impossible question to answer for me.

Okay, thank you.

Johan Sjöberg - Carnegie, Stockholm

Yes, hi there, could you say something, could you quantify the price increases that you will see now in Q4 as an average for Personal Care, just broad picture, both for Tissue segment and also Personal Care, just to get a feeling for the magnitude there in terms of percentage quarter-over-quarter?

In Personal Care the main impact in Q4 will be the reduced raw material prices. There will be some price increases in the incontinence business but I can't say exactly how much that will be and I don't think we're prepared to give you a firm figure on each quarter on this one. Only that it will be fully implemented during Q1 next year.

Now you're referring to Tissue?

Yes, I jumped to that.

Okay, good. Coming back to the price pressure on testliner; we've seen prices coming down by 10% if you look at the FOEX price statistics. Typically how big of a price decrease would you have to give in to your corrugated buyers, for 10% price drop in testliner?

I think if I remember rightly there's a 2% drop in testliner prices. But of course it's more the expectation than the actual drop in testliner prices that the market is acting on. So with an expectation on lower paper prices then the possibility to increase prices in corrugated is, of course, limited. But then, as you know, we also have index clauses that automatically price to the liner prices, with a delay of five to six months. And those will be impacted in steps if testliner prices are going down. The positive side is though that even though inventories have come up slightly they are still far below where they were in 2008. So it is not as we are building huge inventories, not yet at least.

Mikael Jåfs, Cheuvreux

To market share increases in Personal Care, could you just elaborate a little bit on the size and what segments and where?

We are actually growing both in Personal Care but also in Tissue, particularly in Away-From-Home where we are now have about a 20% market share in Europe and we are still growing our market share in the US which is very important. The main category with a

growing market share is incontinence, both in retail but also institutional, in Europe but also in emerging markets. We were falling below 40% in Europe some one and a half year ago and now we are above 40% market shares again. Also because we are entering into the value segment which is the fast-growing segment in incontinence but also innovation, we actually have a much higher speed in the innovations coming out into the market in incontinence and that's the best way, the most profitable way of growing market shares and growing profits in incontinence. In Baby, since we lost 500-600 million pieces of baby diapers two years ago and now we are gaining it back, it also means that we are gaining market share but we are gaining back the market shares we lost in the private label business. Feminine is reasonably stable I would say in Europe, still growing in emerging markets, both in volume and in market shares.

Oskar Lindström, Erik Penser Bank

Oskar Lindström here with two follow-up questions, the first refers to these price increases in tissue, 5% and 2.5%, are those for part of your tissue business within Away From Home and Consumer Tissue respectively, or are they average for the entire business, you mentioned a little bit earlier here in response to a question that it was mainly in Europe and not America in Away From Home, is it a similar situation in Consumer Tissue that the 2.5% price increase pertains to parts of your Consumer Tissue business?

I mentioned Europe since this is absolutely the bulk of our business. If you look at price increases in Mexico, Columbia, for example, it's much higher than 2.5%. But Europe is 2.5%; Away-From-Home is also higher in the emerging markets but in Europe it's 5%. In US we have assumed flattish prices during the rest of the year.

Okay, so the 5% and 2.5% are averages roughly?

Yes, we have increases in Australia and New Zealand and also both in Consumer Tissue and Away-From-Home but since the bulk is in Europe that's why I concentrate on there. Otherwise it will be higher in some markets.

Second question is regarding acquisitions. Is it, so that I'm understanding, that you've shifted your acquisitions and growth a little bit away from China and perhaps South East Asia and are now focusing more on the Middle East and Latin America, where you've made the two most recent acquisitions while you've sold businesses in China?

Yes, we sold packaging in China. I wouldn't say that; it's also a matter of finding the right partner or the right company, so we're still looking and of course investigating China very carefully to find a partner to expand. The inco business in China is doing great; but of course it's a small business and it would be helped by adding other business into China and that is certainly, absolutely our ambition. So it's not that we have left China or South East Asia; it's more that we have had better and faster opportunities in other parts of the world.

And the final question, if I may. Within the incontinence segment, are you seeing any effect perhaps not sort of, well from a sort of tighter healthcare budgets in Europe. There's been a lot of talk about in Spain, the regions cutting down on healthcare spending. Is that in any way affecting demand for your more premium incontinence care products?

It has been impacting us, even since the first financial crisis. It's an ongoing process where countries are trying to save money. But we're mitigating that by better and cheaper products and lowering costs in production. That's something we do every day.

Thank you.

Johan Sjöberg, Carnegie, Stockholm

Coming back to Tissue operations, on an earlier question here. Margins in 2009 peaked at 10.9%, now things are moving your way right now. Price are coming up, cost inflation is coming down. Last time around we saw prices coming down at the same time as raw material costs started to increase by the end of 2009. How will you prevent that situation from happening again now?

I think it's two things. What we have to remember also is if you take consumer Tissue, more than 20% of the sales are outside Europe and we have had huge problems in Mexico, for example, where we now are substantially going to increase margins as long as we ramp up the new production in Mexico. We are improving profitability in Australia. When it comes to the major part then, in Europe, I think we on the contrary proved that we were able to keep the margin, substantially all of the margin when raw material prices went down in 2009. But of course if there is a substantial reduction in raw materials prices we want to and we have to give away part of that to our customers also. But it should certainly improve the margins, not the contrary.

But it seems like you have some type of disharmony between your own prices and raw materials costs; you're always lagging, your chasing costs and prices are following costs, and how can you mitigate that? Is it possible to shorten your contract length there or something like that?

That's something we are looking into, at the same time you would like to have the safety of a contract of some length for your customers. So it's always a balance, a risk balance of selling the volume and transferring the cost side into your pricing system. We do have some 45 days delays on pulp when it comes up and down at the same time. So I don't think that. We're never going to match that, specially if you have an extremely volatile market as we've seen in the pulp business the past years. We have to deal with that internally; we can't pass on all the risk to our customers.

Okay, thanks.

Al Cattermole - JP Morgan Asset Management, London

Hi there, two questions. First on inventory: are you seeing any build up of supplies and in any specific areas? And then on funding, have you seen any change in your conditions on the CP markets and do you feel you have any need to come back to the bond markets to do another issue? Thank you.

Thank you. We don't see any inventory build up in any part of our system and I think most of the customers and the competitors learnt their lessons during the last recession. So everyone is trying to keep lean and inventories on a good level. So we don't see that, and Lennart maybe you want to comment on it?

LP: We were in the bond market in May, as you remember; we still have 6-7 billion outstanding CP and that is also at normal, good conditions.

Okay, thank you.

Jussi Uskola - Deutsche Bank, Helsinki

Okay, thanks, a few quick ones. The first related to the US tissue business: I was just wondering, how do you see your position in that market right now? I mean valuations of the sector have been coming down massively and your position there is not on the same level as it is elsewhere. Is that something that we should be considering, going forward? Secondly, I'm just wondering, you've talked about newsprint price increases; what make you confident about price increases in the existing environment, where waste paper prices are moving constantly down. And it seems that the pace is even accelerating as we speak.

JJ: Okay, if I take the first question. We are the second biggest tissue producer in the US today, in terms of volume; we have a substantial position in the markets, we have more than 50% of the fast food market in the US. I'm talking about Away-From-Home now, not consumer Tissue. And we are growing our value added sales in a very good way in the US, which means that we are introducing our dispensers with patented solutions. So my expectation in the US, going forward, is on the contrary very, very positive. We will continue to gain market share; we will continue to improve our profits. We are still are only on the level of about 30% value added sales but after the last decision or the latest decision of improving the paper quality in US, as we did last quarter, we will have a substantially better position to grow our value added sales. So I feel very confident in that.

But you don't feel that you are in need of M&A activity in that market right now?

Not in the tissue part, no. If we look at the Publication Paper side, it's of course one obvious reason for possibilities to increase prices is that there is a good consolidation or has happened. And hopefully we'll see some more consolidation and that will help to balance the market. We are, as a business, if you look at SCA and all our competitors, in need of a price increase; a lot of our competitors are running their businesses with red figures and you can't just continue to do that. So that will at least hopefully put some good discipline into the market and we will see price increases.

Okay, thanks

And we will certainly aim for that.

Markus Almerud - Morgan Stanley, London

Hi, Markus Almerud from Morgan Stanley. A couple of quick ones here. Firstly, in Tissue, the 4% volume growth that you're seeing, firstly is that in all regions? And second it seems that volumes in Away-From-Home are fairly flat, it's mainly prices driving, whereas Consumer Tissue is increasing a bit faster. Is this all emerging markets or do you see growth in Europe as well?

I lost your first question but if I take the second one, we still see growth in Europe but, of course, in Western Europe the growth is very much connected to the GDP growth and as

you know we've had quite a low GDP growth in Europe, if you look at the Away-From-Home. Eastern Europe is still growing quite well. I lost your first question.

Oh, no, it was just the volumes between Away-From-Home and Consumer Tissue, are volumes in Away-From-Home fairly flat or are both segments growing?

Both segments are growing but Away-From-Home is growing faster than Consumer Tissue.

Okay, then on Personal Care, could you please split incontinence products and diapers in terms of volumes and prices, the 7% we see in inco; is it mainly volumes which are driving that or do we see some price increase on that as well? And also the same thing in diapers, is it mainly volume there?

Incontinence, it's both price increases and volumes, and we will continue to increase prices in part of the inco segment, mainly the healthcare segment, during Q4. In Baby it's a combination of volume and price increases, mainly volume so far.

And in inco, is it mainly volume or is it split fairly equally between price and volumes?

Inco, it's mainly volume if you look at the Q3 results.

Okay, and then you talked a little bit about inventories on containerboard in the market, you say that they're a bit higher than they were before but they're far below 2008 and then it broke down just about there. Can you elaborate a little bit on what you're seeing in containerboard inventories in the market please?

Well, what we can say from maybe the longer perspective is that we do need a growth of 2-3-4% in Europe in total to offset the increased production coming into the market. And then I'm including Eastern Europe also, not only Western Europe. And if that doesn't happen then you will gradually get an over supply on testliner. Then again you will probably see some more closures, as we have seen in the past two years, when production capacity has been above what is the demand of the market. And then I talked about testliner. Kraftliner is, from a European perspective, much more balanced but then of course we do get some exports from the US, depending on the dollar level. So that market is more impacted on exports/imports than the testliner market.

And in terms of containerboard inventories at the moment, would you characterise them as being average or below?

No, I would probably say they are average, if there is an average, I would say that.

Okay, perfect, thank you.

Nitin Dais - JP Morgan, London

My question has been answered, thank you very much.

Closing Comments

Thank you, what I would like to point out from the Q3 Report is that we did achieve what we actually said that we would achieve, when we presented the Q2 Report. And the market developments have been as we also forecasted in the Q2 Report. And we feel quite confident that we will achieve what we have communicated in the Q3 Report, going forward, both for Q4 and in the beginning of next year. So with that, thank you very much.