Contents

Corporate Participants  3
Presentation  4
Question and Answer  8
Corporate Participants

Josephine Edwall

Jan Johansson

Lennart Persson
Presentation

Josephine Edwall

Hello and welcome to SCA’s first quarter results for 2013. My name is Josephine Edwall, head of Communication for SCA and today, as usual, our CEO and president, Jan Johansson will go through the highlights from the report and we will have a Q&A session together with our CFO, Lennart Persson, in the end. So with this I hand over to you, Jan.

Jan Johansson

Thank you very much. To start with, some macro updates and, as I think everyone’s well aware of now, we still continue to have a weak development in Europe and particularly if you look at the domestic consumption in different countries and, of course, the increased unemployment in Spain, etc, is putting a lot of pressure into the system. We do see some stronger development in US and particularly in our hardwood businesses. It seems like the construction, the building industry is picking up.

Emerging markets; still growth in a very good level from a market perspective but also internally for SCA. If we look at Tissue we still see some growth in Europe, even we have a difficult situation, and continued strong growth in emerging markets. Personal Care; incontinence product is continuing to grow. I will come back to that when I get into that business area, and we see a stable demand both when it comes to baby and feminine, and also emerging market is continuing to grow quite well.

The challenge we have is mainly within our Forest operations where we saw prices coming down in Q1 and volumes coming down. Volume is down on a European level on some 4 to 5%; compared to Q4, it’s actually down around 11%. On kraftliner, a very good balance on the markets, on hardwood the balance is improving.

So coming into the results, we had a sales growth of 20%. Of course, acquisition is driving that but we also have an organic growth so we, if we take away the acquisition it stands for about 19% of the growth. We also have in Forest, as I said, lower prices which is impacting the sales and profitability. The EBIT increase of 25%; of that some 18% is coming from acquisitions. Cost
saving programme is coming in. I’ll get back to that also in a moment. And we also have lower raw material costs compared to Q1 last year. Cash flow is continuing to improve.

If we look at the efficiency programme, we have tried to explain it in the different programmes that we have running now. The €300 million programme we have achieved in Q1, SEK160 million and annualised we are now up to €75 million. If we look at Georgia Pacific we have SEK54 million in Q1 and annualised €25 million of that €125 million and as we have explained, since bulk of the savings is in supply chain and in the production it will be rather later than earlier in the process. In Forest, of the SEK1.3 billion we have achieved SEK35 million in the quarter and annualised SEK140 million.

Looking at the Q1 result, the Swedish currency continued to, of course, have a negative impact on the businesses, mainly in terms of translation except for Forest, where you also have the negative impact of transaction. But from a translation and transaction point of view we are negatively impacted by 900 million in sales, Q1 to Q1, and some 205 million in EBIT currency impact.

If we look at earnings per share we have to remember that Packaging was included Q1 last year. It’s not included now. It’s about SEK0.38 impact in earnings per share. On the other hand, we have Georgia Pacific in and that is offsetting that 0.38. On top of that we have higher restructuring costs Q1 this year compared to Q1 last year, which is in the number of SEK0.38 also. So taking that in consideration, even the earnings per share is going up.

Debt gearing is, continue to improve. We are now down to 0.51. If we exclude the pension debts it’s actually down to 0.45. Q1 to Q4 and as we clearly communicated last time, we do have a seasonality impact in, between Q4 and Q1 and you can obviously see that on the Hygiene business. We also had, increased raw material cost of some SEK138 million, mainly in Tissue and Forest. Looking at the Forest production we had increased prices in all our countries outside Sweden in euro. In dollar we have all-time high in prices, we have higher prices in Japan, in China, in North Africa but, of course, translating them back to Swedish crown and producing in Swedish crowns, you will see a small impact of that in the real operation.

Personal Care; very good development. Of the sales growth of 11%, some 7%’s coming from acquisition. We had a little bit more than 5% growth in Inco Europe. We are gaining market shares. We are increasing penetration, mainly in the men segment. The Inco men is increasing by 13% compared to last year so very positive development. Baby also continued to increase, the
same as feminine care and emerging market is growing with some 18% and 5% from that is coming from acquisition.

Substantial improvement in EBIT. Of the 27%, 7% is coming from acquisition. If we look at the cost saving we have, all in all, some cost saving on SEK102 million in Personal Care and then I include the programme we presented 2011 also. And of the 300 million programme, some 47 million is included already in the Q1 figures.

Coming into Tissue, also with a substantial sales growth where, of course, bulk of that is coming from the acquisition. Of the 33%, some 30% is coming from acquisition. Looking at emerging markets, the 17% growth; of that, 7% is coming from acquisitions so we still have a very good underlying organic growth and that goes, of course, the same for Personal Care.

Of the EBIT increase, some 30% is coming from acquisition. In cost saving, if I include the old programmes with the new programme, we have some 132 million included in the result of Q1, of which 113 is coming from the 300 million programme and Georgia Pacific.

Forest operation; we still had, as I think we anticipated also, further price decreases in Q1 with some 3 to 4%. We have divested Aylesford, which has an impact of 11% on sales but, as I said, solid wood is going stronger and in particular outside Sweden. We will increase prices in kraftliner, we, in two steps, €20 plus €20. €20 will be implemented in May and another €20 implemented in June. The balance is very good in kraftliner so the possibility to increase prices should absolutely be there.

We also will increase prices in our hardwood operations during the second quarter. There is an absolute need to increase prices even in publication paper. I can't really foresee that you will see any impact of that in Q2 but hopefully we'll manage to increase prices so we can see some impact in the second half of the year.

The currency impact Q1 is as much as SEK110 in Forest and that's then including transaction. We also have a capital gain, not cash flow, impacted by SEK121 million and that's because we have swapped some forest land that had that impact on our business.

So if we summarise, we have good sales growth, we have higher earnings for the Hygiene business. The currency is putting pressure on the Swedish operations, of course. Efficiency programmes are running as planned and we will achieve what we have communicated to the market. We have now got all the approvals by the divestment we had to do to acquire Georgia
Pacific and the impact on the results for Q1 of the divested businesses was SEK67 million. We have also finalised the divestment of Laakirchen and the impact in Q1 on the result on forest from that operation was SEK34 million. We will also have some maintenance stops in the Forest during Q2, in Ortviken and Östrand and in our kraftliner operation and the estimate now is that that will have a negative impact of somewhere around SEK70 million for Q2.

So with that, ladies and gentlemen, we open up the floor for questions.
Questions and Answers

Josephine Edwall

So then we start here on the front row

Johan Sjöberg, Carnegie

Thank you. Johan Sjöberg from Carnegie. Can you say something about the efficiency programmes going into the second quarter? The achieved rate that you achieved now in Q1; is that a level which one should expect now for the coming quarters?

Jan Johansson

Well, I mean, what we have communicated is the impact in Q1 and the run rate and that’s as far I can go today so what you could expect is it’s at least what we have as a run rate.

Johan Sjöberg, Carnegie

And in terms of Q1, normally it’s a seasonally weak quarter for your Hygiene operations. Was it some, was it like as planned would you say, now in Q1 or was there something else impacting your underlying earnings, apart from the seasonal weakness and, of course, the currency?

Jan Johansson

I think, if you go back three years in time, I think we have seen, we have been able to reduce the seasonality slightly every year. I think 2011, it was 500 million, then less so it is an impact but it’s less than it was last year. I don’t know if that’s an answer to your question but little bit lower impact than maybe we anticipated.

Johan Sjöberg, Carnegie
Can you quantify the seasonal weakness in Q1, quarter over quarter?

Jan Johansson

I mean, the negative impact you see in Q1 compared to Q4 is mainly seasonality and then, of course, what I said also about the raw material but the rest is seasonality.

Johan Sjöberg, Carnegie

And can you say or can you put a figure on the seasonal weakness, how big of impact it had during Q1 versus the fourth quarter?

Jan Johansson

No, I don’t have that figure in the totality. I mean, then you have to mix all the different categories and so on but in general, you could say, if you take the difference between Q4 and Q1 you have the seasonality.

Johan Sjöberg, Carnegie

All right, thank you.

Josephine Edwall

Next question we have on the third row.

Linus Larsson, SEB
Yes, it’s Linus Larsson, SEB, continuing on the Tissue profitability and the sequential development. You have talked about seasonality and the volume impact. I’m just a bit curious about the price effect. It appears that pricing, mixed price had a negative impact as well in Q1 versus Q4. Could you talk a bit about that or what’s the explanation for that? And is there any price pressure that you’re seeing in any markets or segments within Tissue?

Jan Johansson

If you look, compare Q4 to Q1 it’s not any particular from a price point that has happened. Q1 to Q1 you, we had some minor price decreases during last year that impacted that comparison but not between Q4 and Q1. I mean, there is always a price pressure, it’s always a tough competition. That’s something we live with day-to-day but on other hand, as you can see, our raw material prices are coming back, in particular pulp and also the US dollar is changing so from my point of view, the incentive is rather to increase prices than to decrease prices.

Linus Larsson, SEB

It’s not a concern that we should have, you are maintaining or maybe even increasing Tissue prices as of now?

Jan Johansson

It’s always a concern but the ambition is to offset the increased costs that we get.

Linus Larsson, SEB

Okay, and then also on the cost side, if you could talk a bit about the associate line which came off in the first quarter versus the fourth quarter and talk a bit about the restructuring that I suspect is at least part of the explanation and what kind of restructuring costs we should expect in Australasia in the quarters ahead.
Jan Johansson

Lennart.

Lennart Persson

Yes, it is fluctuating a bit, as you say. It is from Australia and New Zealand. Vinda is quite stable. We have had some restructuring costs in the first quarter. I expect less in the second quarter.

Jan Johansson

Otherwise you can say, in general, Australia and New Zealand is actually doing a very good job, it’s improving, excluding the items Lennart mentioned.

Linus Larsson, SEB

For how long do you expect to be seeing restructuring costs in that region?

Lennart Persson

It will take this year but the main part of the restructuring is taken already.

Linus Larsson, SEB

Thank you.

Josephine Edwall

So another question? Yes.
Karri Rinta, Handelsbanken

Yes, Karrin Rinta, Few clarifications; firstly this 160 million in cost savings. Does that include the Georgia Pacific synergies?

Jan Johansson

The 160 is the 300 million programme

Karri Rinta, Handelsbanken

and then on top of that you have the Georgia Pacific programme

Jan Johansson

Yes

Karri Rinta, Handelsbanken

Okay, thanks. Then this divested unit; is it now so that those will be now excluded from April 19th onwards?

Jan Johansson

They will be excluded in Q2, yes.

Karri Rinta, Handelsbanken

All right, thanks.
Josephine Edwall

Okay. Any more questions from the floor? Then we open up, operator, for questions from the telephone so do we have any questions?

Operator

Of course, thank you. Just a reminder for those on the telephones; please press * and 1 to ask a question. You have a question from Celine Pannuti. Please go ahead.

Celine Pannuti – JPM

Yes, good morning, a few questions. First of all, you talk about the raw material environment; can you please give us a bit of an outlook of what we should be expecting for the year? I think in the previous call you mentioned something like 2, 3% raw material increase but if you can confirm that. Second – and that, you know, there was a question earlier on pricing. Should we expect therefore pricing to pick up in the second half of the year on your Hygiene divisions?

Second question would be on… You mentioned where you had higher marketing spend in Personal Care in this quarter. Can you tell us what is this regarding? Because I think you already had some high spend last year so I was a bit surprised that you had even higher spend this quarter.

And then finally on FX, I think in March in the call you told us that the impact for the year from the Swedish krona should be 500 million on EBIT. As of today could you give us an update of what could that be for the year? Thank you.

Jan Johansson

Okay, thank you. If we look at the raw material situation, the increase in raw material we have seen is mainly on the pulp side, impacting the Tissue operations. In Personal Care we actually
have seen raw materials coming down a little bit during the quarter. Looking at the fundamental, there is not really any driving forces for further increase in raw material prices. There are some expectations on some small increases in pulp, also, I believe, very much influenced by the dollar developments since there is a negative correlation between dollar and pulp.

The main challenge may not really be the price changes in dollar but rather, how will euro/dollar move since we produce the bulk of it in euro and we buy it in dollar and that’s, of course, a very difficult question to answer.

When it comes to our market activities, we do continue to invest and particularly in our incontinence care business to gain market share and increase penetration because that has, in the little bit longer run, an incredible potential. As I said, we grew the Tena for men by 13% and the penetration is extremely low in that segment so if we can increase that, that would absolutely benefit the profit and the growth going forward so that’s one reason why you see a slightly increased cost on that side.

What was the third question?

________________________________________

Celine Pannuti – JPM

It was on FX.

________________________________________

Jan Johansson

Sorry?

________________________________________

Lennart Persson

FX.

________________________________________

Jan Johansson
Ah, FX. Well, I mean, recently the Swedish krona has weakened a little bit so, but it’s, I mean, it’s too early to say that it will have a major impact for the year so I think, at least for time being, we should stick to the assumption we had at that call.

Celine Pannuti – JPM

Okay, and just to go back on raw material, if I understood well, you think you will have a balance between oil-based raw material, which are coming down, and pulp prices, which are coming up; is that what you’re saying?

Jan Johansson

Yes. You could maybe put it like that, even though the pulp is, of course, in volume and value much higher than the oil-based. But on the other hand, it’s something we need to offset in some way or another, either by higher prices or even further reduction of costs. We’re not going to accept over time that it will have negative impact on the margin. But as you know, we always have a difference in timing, we have 40 to 45 days impact of the pulp increases or decreases, then we have a longer time period to get it out to our customers but it will be offset in one way or another, as I think we also have proved the past two or three years.

Celine Pannuti – JPM

Very good, thank you.

Josephine Edwall

So, operator, then we can take the second question from the telephone.

Operator

Certainly. Your next question is from Peter Testa. Please ask your question.
Peter Testa – One Investment

Yes, thank you very much. Maybe just following on from that question on pricing, you declared in Tissue that it was your ambition to get the price increases. Have you started to initiate these steps in Tissue so far?

Jan Johansson

Yes, we have.

Peter Testa – One Investment

Okay, thank you. And then on the Personal Care business, there was also a, in the deviation table, price mix effect, a negative price mix effect. I was wondering if you could help us understand what that’s from, please.

Jan Johansson

It’s mainly coming from a major contract growth in volume in Europe with a slightly lower price than we had in average but still giving an extremely good return.

Peter Testa – One Investment

Okay. Would this be reflecting any of the possible impacts of competitor withdrawing in the baby sector, which is also a strong segment?

Jan Johansson

Sorry, I missed that question. What was it?
Peter Testa – One Investment

Would this, you know, point you just made be reflecting any competitor withdrawal in the baby sector in Europe?

Jan Johansson

Yes, that is, of course, something we’re still working on, that Kimberly Clark is leaving part of Europe in baby and also in Tissue actually but you don’t see any impact of that in Q1 and you will not see any impact in Q2 either because we haven’t really decided how we should move on that.

Peter Testa – One Investment

Right, okay. And then just a question on the cost savings plans, just, could you give a general sense of whether you think you’re running ahead or behind your previously viewed schedule?

Jan Johansson

I think we are in line.

Peter Testa – One Investment

Okay, on both – on all three, sorry?

Jan Johansson

Yes.
Peter Testa – One Investment

Okay, fine. And then just lastly on raw material and on Personal Care, you described, you know, pulp as more, as a bigger part of the business that relates more to Tissue. On the Personal Care in isolation, do you think the raw material view is relatively favourable now for Q2 at least?

Jan Johansson

I would say, stable or slightly down.

Peter Testa – One Investment

That’s great. Thank you very much for the answers.

Jan Johansson

Thank you.

Josephine Edwall

So, operator, then we take the final question from the telephone.

Operator

And your final question is from Oskar Lindstrom. Please ask your question.

Oskar Lindstrom – Danske Bank

Yes, good morning. A couple of questions; the – this is Oskar from Danske Bank, by the way – sorry. The first one is coming back to this issue of Tissue and rising raw material costs and
potential price increases. In this quarter we saw price mix negative both year on year and quarter on quarter and you previously talked a little bit about, that you have initiated price talks with some clients on the Tissue side. Could you say a little bit more about that, how those are going?

Jan Johansson

I mean, we have a negative raw material impact of 40 million so it’s not particularly substantial and I’m not going to comment on our discussions with our customers.

Oskar Lindstrom – Danske Bank

Okay. Second question is, if I understand and remember correctly, you previously warned about how higher oil prices could lead to increased raw material costs in the Personal Care division. Am I understanding you correctly that you’re now no longer seeing that as a threat going forward?

Jan Johansson

I mean, it’s, the oil prices are coming down and that will have an impact on the oil-based materials but with a delay of four to six months. And I guess the anticipation now globally with the shell gas, etc, is putting a pressure on oil price.

Oskar Lindstrom – Danske Bank

All right. And more sort of long-term question; your debt level is now coming down fairly quickly and do you see, you know, the focus going forward being on strengthening your balance sheet, M&A or dividends? You know, in which direction are you leaning?

Jan Johansson

Well, I mean, you know, we have a policy of gearing of 0.7 and now we are down to 0.5 so that, of course, gives us some space to look at some acquisition but also, of course, if we don’t see
anything good to do with the money there’s always the decision for the AGM to decide whether or not it should be given back to the shareholders. We don’t have any intention to build some cash mountain in the company. Cash should work.

________________________________________

**Oskar Lindstrom – Danske Bank**

Okay. Sorry, I just want to come back to this issue of Tissue pricing, I mean, because it is correct that you’d previously mentioned that you’d initiated talks with clients about rising, raising prices on Tissue. Yes?

________________________________________

**Jan Johansson**

Yes.

________________________________________

**Oskar Lindstrom – Danske Bank**

But now you don’t want to sort of say what the status of those talks is or…

________________________________________

**Jan Johansson**

Right.

________________________________________

**Oskar Lindstrom – Danske Bank**

Okay. Well, those are all my questions, thank you.

________________________________________

**Jan Johansson**

Thank you.
Josephine Edwall

Okay, so any final questions from the floor before we end? No. So that makes the finalisation of today. Thank you so much for attending and have a good day.

Jan Johansson

Thank you very much.