



Final Transcript



 InterCall[®]

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Contents

Corporate Participants	3
Presentation	3
Question and Answer	8

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Corporate Participants

Jan Johansson

President and CEO

Lennart Persson

CFO

Joséphine Edwall

Head of Communications

Presentation

Joséphine Edwall

Most welcome to SCA 3rd quarter report press conference, here at our headquarters, as the Waterfront building in Stockholm. My name is Joséphine Edwall and I'm Head of Communications for SCA and today, our President and CEO Jan Johansson will go through the report, and in the end, we will have a Q&A session, where also our CFO, Lennart Persson, will join on stage. So, I hand over to you, Jan.

Jan Johansson

Thank you very much and once again, welcome to the first meeting of this kind in our head office. If I start a little bit with the macro situation, in general we still have a very weak economy in Europe. The unemployment rate is still on a very high level. The trade is still weak, or even going down in many countries. And, of course, the situation in the US is not helping, neither the global market nor the US markets.

But, in spite of that, if we look at our categories, we have had a reasonably strong quarter, with growth both in emerging markets, and even in the mature markets. We're still impacted by

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

currency movement. Of course, we have our strong Swedish currency, but also a weakening of some of the currency in emerging markets, which has an effect, particularly in the translation, not necessarily on the transaction side.

When it comes to the forest industry, I'm getting back to that of course later, we still see a difficult situation with publication paper. News is down by 6% and LWC is down by 8%, year to date, so the structural development is continuing in that part. And, of course, the weaker economy is also impacting that, but having said that, we have the second strongest results in SCA in Q3, so we have been managing reasonably well, even though we have a difficult macro perspective around us.

If we look at our efficiency programme, I'm not going to dig into this. The only thing I'm saying is that we are on plan, and everything is going as we have communicated, and there is no reason to believe that it should not continue in that way.

Coming into a summary between Q3 and Q3, we do have a sales growth, in the company and of course we are still impacted by acquisitions and divestments, so we always try to show the apples with apples situation. I comment on some of the figures later, on how that has impacted.

We also have some growth in the forest industry, and everything, except publication paper, is doing quite well at the moment, and we also are improving our EBIT, compared to Q3.

Higher volume has impacted the result by 300 million. We also have higher prices that has impacted the result by some 140 million, and cost saving Q3 to Q3 is about 550 million.

One negative aspect of this is, of course, if you look at the operating cash flow. That has decreased, but the main part of that is receivables. If you look at inventory, it's actually had a positive impact on the cash flow, and receivables is of course impacted by the increased sales, but also some prepayment or early payment to our suppliers, so it's all in control. It's due to when the end of the month is coming. If it is coming on a Friday or a Saturday, or a Monday, of course you have a big swing on the working capital, but the most important thing, inventory is still going down, and had a positive impact on the cash flow.

Looking at this one, if we look at the sales, we have a negative impact of divestment by 1.4 billion, on the Q3 sales, and acquisition had a positive impact of 340 million, and what we have to remember also, going forward, is that the remedy package that we were forced to sell when we

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

acquired GP will also have an impact on Q4 and Q1, because we divested most of it in Q1, but still had some of it left in Q2, this year. And, the total remedy package, Q3, has an impact of 450 million in sales, and some 28 million in the result, and all in all, 2 billion in sales, and around 300 million in EBIT, when you look on a yearly basis, for the remedy package.

We continue to strengthen our balance sheet, the gearing is down now to 0.52, and you know that we have a target of 0.7, so we are still below the target, when it comes to debt to equity ratio.

Sequentially, we have flat sales in the Group, and summer months are normally a little bit weaker than the spring and autumn months. In spite of that, we have increased some of our profitability, and in particular, in Tissue. Cost savings continue to come in. We have some 72 million in Tissue, compared to Q2, and also in Forest, cost savings coming in by some 50 million.

We had some lower sales in Baby, and I'll get back to that, when I get into Personal Care. And, on the nine months year to date, we have negative currency impact of 450 million SEK. We have also seen energy costs coming up, with some 210 million SEK. We have a positive impact of raw material, of 153, but of that, 183 is in Forest, which means that we have a higher raw material prices in our hygiene business.

Savings is up to 1.2 billion, compared to last year, and if we look at the divestments, it's negatively impacting us with some 2.5 billion but acquisitions positively 5.8 billion, so it's a mixture all the time of what is divestments and acquisitions.

So, coming into Personal Care, we do still have a good growth in incontinence products, both in the mature markets, and in the emerging market. We are still growing in Europe, even though the market is not growing very much, we are gaining market share. We are driving penetration and, when you drive penetration, it's always difficult to look at the market share, because the market shares were not there until you actually penetrate them, to come into the market.

For Baby, we had some strange development in the market. The market in Europe, many countries are down in baby during the summer. I think, mainly all countries except Germany is down, and one reason which may sound a little bit strange is that it's been a very warm summer in many parts of Europe, and when it's a very warm summer, you tend not to put diapers on your children, but in Germany, at least in the Western part of Germany, it was a cold summer, so the baby sales were actually up in the Western part of Germany. It was even down in Sweden, because we had such a warm summer.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

At least, that is what we believe, because we don't really understand why it's down, and of course, the weak economy. Greece is down by 12%. It's not only the sun, it's also because of the weak economy, but overall we believe it is due to that, and we have to see, now in Q4, if it was actually that and the sales is picking up, and this is the market that is down, so it's not only our sales. It's the market's sales.

Feminine is doing great, very strong. We are growing in all parts. We are growing profitability. This is the smallest of our categories, but one of the most profitable that we have, and we also have an ambition to continue to grow the feminine market.

Growth in emerging markets is continuing, and of course, we see some slow down due to the general weak economy in the Western world, but less in our categories than maybe in other categories in emerging markets.

A slightly lower EBIT, even though we had a positive impact on volume of 125 million SEK, we also had a positive price mix of 32 million, and cost saving of 90 million, but then we have currency, negative raw material, and also we are investing more in the markets. Where we've invested some 82 million more in the market during the quarter, compared to Q3 21012, so that is consuming the improvement, but the important thing is, volume is positive, price mix positive, cost savings positive. Market activities, we can always drive or not drive, so that's really within our control.

Then, of course, currency, we can't do anything about it. It is what it is.

Coming to Tissue, a very positive development. We are now in Q3 on a return on capital employed, above 14% in tissue overall and you know that we have a target of 15%. We have a growth in all our areas, in Consumer Tissue and in Away from Home. Emerging market is continuing to grow quite well.

We are in the middle of a process to have an offer on Vinda, as you know, and the dividend day is today in Vinda, so we have seen some movement in shares, but our estimate was that everyone will keep their shares, so they get their dividend, and then they will sell it, so we are still very positive that we will reach the target, to get about 50 or 50.1% in Vinda, and it will be open until the 28th October, if I remember rightly.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

So, now, from today and going on, then we will see the movements of shares, and if we are on track, and the one indicating that we are on track is the share price has never been above our bid. It's always been below our bid, that's for me, at least, an indication that it will be accepted.

Also, a quite substantial improvement of profitability. Higher volumes has a positive impact of 160 million SEK. Price is 70, cost saving 300, but then we also have higher energy raw material cost negatively impacting by 80 million, and currency around 40 million in negative impact.

Coming into Forest Products, and as I said, our sawmill operations are doing better, our kraftliner is doing better, and our pulp business is doing better, but we do have a challenging situation on the publication paper, and if we look at the decreased sales, the lower prices have impacted the publication paper by 5%, compared to Q3 last year, and then of course, the others are then having a positive impact.

We continue to drive the cost saving very strongly. We have a positive impact of 160 million, on cost savings. We have higher prices of some 40 million, and we also have lower material costs, in particular the wood raw material, which has impacted by 45 million, but energy cost is going up, so we have 80 million higher energy costs, so everything is moving in the right direction, except publication papers.

Going forward, because I know I will get that question, the price increases in publication paper, it's probably an opportunity for next year to increase the newsprints. We believe it will be more difficult in other qualities, but at least that's the assumption we have.

So, to summarise, we have higher sales and profit in Tissue and Forest, higher sales, slightly lower profitability in Personal Care, and you know the reasons for that now. The marketing activities, among others. Efficiency programmes on track, Vinda, and of course we are now also walking into India, so that's very exciting. We are starting to invest and will be starting at least some import sales quite soon in India, to test the market.

We also have several new product launches during the quarter, and you of course all understand the importance of innovation, that we do get new products, new launches into the market, and that is accelerating, and of course, in doing that, that will also impact short term, the margin slightly negative, but of course, with new features on the market, there's an argument to discuss with the consumers, with the customers on a different price level, so all in all, it's very positive to get new products on the market.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

We have also inaugurated the first wind park, with Statkraft, and in the first phase, it will produce some 200 GwH, but then it will go up to some 350, during the start up phase of the wind park, and this is, as you know, just the beginning of a major investment in wind power in Sweden, where we are not really investing, but we have the land for the investment.

We also are continuing to get credits for our sustainability work, which we think is very important. As you know, even though we have a difficult situation in the market, it is something that consumers are looking very much at, and customers even more, and today, as you know, also the shareholder base is growing very much when it comes to sustainability funds, so I think we have almost 80, 85% of all the sustainability funds in Europe, as shareholders in SCA.

So, with that, ladies and gentlemen, I want to open the floor for questions.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Questions and Answers

Linus Larsson, SEB

Thank you very much. It's Linus Larsson with SEB. First of all, congratulations on a fantastically strong tissue result in the third quarter. And, regarding tissue, where you had price mix improvement of some 80 million sequentially, cost savings, improvement sequentially over 70 M SEK, looking into the fourth quarter, you have been talking about a price increase coming through late in the third quarter. You have continuous cost savings coming through.

Are these sequential improvements that we see in Q3 and Q2 also indicative for the sequential improvement going into the fourth quarter, or is it even better, or anything deviating from this trend?

Jan Johansson

We will see, it's in some of the price increase as well, late in Q3, we will see some price increases in Q4, and of course, the cost saving will continue. It will not be a straight line, the cost saving. It will be, depending on where we are on the projects, so from that perspective, yes. Then, we are in Q4, we have some two days less invoicing days, something like that. You have to look at the totality, but you are right in the assumption that price increases will come in a little bit more in Q4, cost saving, absolutely and then we have Q4, with Christmas and some fewer invoicing dates.

Linus Larsson, SEB

Tissue volumes Q4 as Q3?

Jan Johansson

I'm not going to give you the volumes.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Linus Larsson, SEB

And, also partially relating to tissue, on the energy cost side, you said that you have seen some energy cost increases, and if you could shed some light on where and what and what to expect as we go into the fourth quarter, where you have some potential seasonal effect as well?

Jan Johansson

Well, I guess that, looking at the situation, at least in Sweden, you will see higher energy prices going forward. Nuclear is not doing very well, there's very little water in the system, so it's my assumption that energy prices will come up, and in the rest of the world, I would guess more or less flattish, depending on the US situation, if that will have an impact, but at least we are saved until early next year now, I guess.

Joséphine Edwall

Next question please.

Oskar Lindström, Danske Bank

Oskar Lindström from Danske Bank. I'd like to ask some questions about the Personal Care division. First of all, regarding the still declining EBIT in absolute terms, sequentially. You cited the weaker than expected baby diaper market in Europe, and then also some higher A&P costs. Is that the entire picture, because we've seen this trend now, well, this is the fourth quarter in a row. Is there anything else that you see? Increasing competition in this segment, or reasons for the, well, this negative trend?

Jan Johansson

Well, as I said, we had a positive volume impact, and a positive price mix impact, in Personal Care, so from that perspective, no. But, of course, there's always tough competition, and in a weak economy, the competition even increases, because you want to attract the consumers, but

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

you have to remember that you're talking about a business area with a return on capital employed of above 28%, and some of the category is far above that, so from my point of view, you have to balance the profitability with the growth and the margins, so the margin is one indicator, but of course, if you can run a business with 50% return on capital employed, and maybe go down to 49 and grow it by 10%, you probably would prefer that, so it's always a balance between profitability and margins.

Oskar Lindström, Danske Bank

You talked a little bit about the product launches, which should come in towards the end of the year, or next year, and them being one of the reasons for the higher A&P spend that we've seen in this past quarter. Should we expect the product launches to have a positive impact on earnings next year?

Jan Johansson

Absolutely.

Oskar Lindström, Danske Bank

Very good, and a little bit about the cost savings as well, and this goes for the group as a whole. You know, they came in very nicely this quarter, could you specify some of the specific actions? Because, we haven't really seen any mill closures on the tissue side, for example? Or, large cost saving activities, so I presume there's a lot of smaller actions going on, a little bit under the radar screen?

Jan Johansson

Well, you have a difference of course, for Forest and in Hygiene you have GP and you have the cost savings programme, but the low hanging fruits are already picked out of course, and that's when you reduce administration and sales force, and marketing force, so now we're into the heavy stuff, in the production side, and it's very simple. We have a perfect plant, managed by

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

perfect managers, and perfect people, and then we copy that all over the world, and of course, it takes time before you have changed the perfect management etc, but it's actually going quite well, and the potential that we have mentioned here, I don't have any doubts whatsoever that we're going to reach, but of course, it takes longer time to change a plant than to ask 50 people in administration to leave the company, and that's why we have 2015 and 2016, as the target when it will be 100% done.

And, Forest is also absolutely according with the plan, with the 1.3 billion, so we are delivering what we have promised to deliver, so far, and I'm sure we will continue with that, when it comes to cost.

Joséphine Edwall

And, on the fourth.

Lars Kjellberg, Credit Suisse

Lars Kjellberg, Credit Suisse. Just a couple of follow ups on the cost savings, looking at the two major programmes in hygiene, one seems to be running a bit short of schedule, 130 in the productivity and efficiency programme, where there's a target of 200, with not a great deal of incremental in Q3, should we still expect a number? That would tend to imply of course a significant step up in cost savings in Q4, while the other programme is running actually ahead of the full year target already now. Any thoughts on that target actually moving up?

Jan Johansson

When you talk about the full year target, are you referring to the annualised saving, yes? Which is not necessarily on a yearly basis, it's annualised, so it can go over the full year also. I don't know if you want to answer that, Lennart.

Lennart Persson

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

I mean, yes, as you said, we have announced that and when it comes to end of a quarter, it's depending on that. The P and L impact is fourth quarter, or if it is coming after the year end, it's an open question, of course, but it is, as Jan said, it is going according to plan, and we will deliver it.

Jan Johansson

The answer is, you can't take the annualised figure and put all of that in Q4?

Lars Kjellberg, Credit Suisse

No, I appreciate that, but incrementally it was not that much in Q3 but to reach the run rate target for the full year, you need to step up the run rate meaningfully actually in Q4, that was really my question. If that's in the cards.

Jan Johansson

But, I'm not sure, have we communicated that?

Lennart Persson

200 million, we said roughly, as an annualised at year end.

Jan Johansson

Yes, that's true.

Lars Kjellberg

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Then, on the forest product side, can you...it was a big step up on a sequential basis, can you just try to run through again what sort of moving parts, and if we go into Q4, if we should expect any disturbing the maintenance work that will actually bring down the margins there?

Jan Johansson

You are talking overall, or the cost saving programme, or?

Lars Kjellberg, Credit Suisse

Effectively... pieces, and especially someone else in the store talked about very strong forestry results, is that one part of the positives in Q3?

Jan Johansson

Do you want to comment? I can comment Q4 then.

Lennart Persson

We can see, if you compare the third quarter with the second quarter, we had more maintenance stops in the second quarter, even if we had in the kraftliner also in the third quarter, costing us 60 million. We have some remaining costs also for quarter four, coming from the stops, and then of course, we have seen profit improvements, not in publication paper, but in the other, and then, when it comes to the forest operation, it depends also on how much you're harvesting on your own, or how much you're harvesting on purchased trees.

Lars Kjellberg, Credit Suisse

Final question then, when you're looking on...your growth initiative has been very tissue heavy, if you like, and less so on the personal care, where actually, as you highlighted, your margins and

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

returns are much higher. There is one former partner or employee in Domtar has shown that it's trying to buy a lot of personal care assets, and there's more for sale now in Europe. Why are you not in the running for these sort of assets? Are they not attractive, or do you not focus on personal care growth?

Jan Johansson

It's a big question, but if you look at the portfolio today, we have some 38% of the sales in personal care in emerging markets, and some 18/19 in tissue, so we are from that perspective more into personal care in emerging markets. When we look at, you're referring to Domtar or? What they have been acquiring has not been of any interest to us.

Lars Kjellberg, Credit Suisse

Would you like to grow personal care, from an M&A perspective?

Jan Johansson

We are growing, I mean, we acquired Everbeauty in China, as an example. Yes, what we need, especially in emerging markets or any markets, you need either baby or tissue as the driver into the market. You need the volume to carry the other products, and normally there is less competition in tissue than in baby, if you go into an emerging market, for many reasons. It's more capital and it's a different business than the personal care business, but overall in the portfolio, I would like to have a better balance between personal care and tissue, so from that perspective, you're right.

And, if there would be any good assets for sale, that fits our portfolio, we would certainly look at that, but we are not prepared to pay sky high prices, and never get a return on it.

Lars Kjellberg, Credit Suisse

Thank you.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Joséphine Edwall

Okay, so let's open up, I think we have some questions also from the webcast. So, and the telephone conference, so let's take one question there first, and then we'll go back to the audience, so operator, can we have one question from the telephone?

Operator

You can indeed, madam, and that comes from Bank of America Merrill Lynch, from Kartik Swaminathan. Your line is now open.

Kartik Swaminathan, Bank of America Merrill Lynch

Hi everyone, thank you for taking my question. Kartik Swaminathan calling from Bank of America Merrill Lynch. My first question was getting a little bit of colour on what's happening in emerging markets, because, looking through your prior presentation over the past couple of quarters, it seems there was quite a dramatic slowdown in EM growth in personal care, and I was wondering whether there are any particular geographies, where you've been impacted more than others, and I recall during the management presentation just now, you mentioned certain segments of the market were worse than others, and also whether there were any kind of specific factors over the quarters, as to whether that might have impacted you?

Jan Johansson

The main reason for the lower growth compared to previous quarter is actually that we are running out of acquisition, so it's more comparable now, quarter to quarter, and previously, we had acquisition impacting emerging markets quite substantially, but having said that, as you normally see in China, and we talked a little bit about the summer in Europe, that we were surprised, but in China, it's a fact that during summer, babies don't carry diapers, so that's also one reason why it's a little bit lower in Q3.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

But, otherwise, in general terms, it has not happened anything on the market, when it comes to our categories, that should make you worried about the growth so far. Currency, yes, because there, the currency is getting weaker in a lot of emerging countries, and that is of course impacting when we translate it into Swedish currency, but otherwise not. Acquisition, summer, currency.

Kartik Swaminathan, Bank of America Merrill Lynch

Thank you, and my second question was on kraftliner, if you could give us a little bit of colour as to whether you're still seeing weakness in pricing post the summer, and what demand has been like?

Jan Johansson

The demand has been kept up. We have had some stops during Q3, in our kraftliner mills, but the inventories are slightly higher in Q3 than they were in Q2, and we don't see, at the moment anyway, a possibility to increase the kraftliner, even though testliner prices are going up and of course, if Testliner continues to go up, that's a good indication to increase kraftliner, but at the moment, we feel it's not the right time to do it.

Kartik Swaminathan, Bank of America Merrill Lynch

Do you think it will take until the end of the year to destock that extra inventory, or could it be faster than that?

Jan Johansson

No, I guess, you will, since December it's very slow in the packaging business overall. I guess, you will have to see until quarter one before it's turning.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Kartik Swaminathan, Bank of America Merrill Lynch

Okay. And, my final question was just on the sequential movement on prices for personal care? If you can just remind us whether you already scheduled increases, or whether there would be some contracts rolling over, with increases into Q4 versus Q3, to barter raw materials and other cost inflation?

Jan Johansson

In personal care? Normally, when it comes to branded business, you need to have some new feature on the market to increase prices, which we are introducing, but the impact of that will come first in Q1, so I guess, no major price changes in Q4.

Kartik Swaminathan, Bank of America Merrill Lynch

Excellent, thank you very much.

Joséphine Edwall

Let's go back to the floor, and we have a question there.

Stellan Hellström, Nordea

Hi, this is Stellan Hellström with Nordea. I had a question on A&P spending, and I think you said before that you expected A&P spending in the second half for hygiene to be on par with the first half, and I'm just wondering if you're sticking to that, or if there's something that has changed in the overall picture, that makes you want to change that?

Jan Johansson

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

If you compare Q2 to Q3, I think we said that it would be flattish, and I think it was 17 million higher, so for me, that is flattish, and I don't expect it to grow in Q4.

Stellan Hellström, Nordea

Also given that you have a lot of new products coming out, do you see more A&P spending next year, or is that too early to talk about?

Jan Johansson

No, I don't really see any reason for that in the way we see the business today. I mean, A&P, most of the sales today are on P, on promotion, and the consumer behaviours are changing day to day, so you will, I think, over time you will see less A and more P, and today, almost all sales in the retail chain is on promotion. If I follow the sales week by week, it can be like this, depending on whether we are promoting or not, but no, not really, not any higher. It's different, it's shifting to promotions from A but overall, I don't see any reason for any substantial increase.

Joséphine Edwall

We have more questions from the telephone, I hear, so operator? We can take another question from the telephone, please?

Operator

Thank you, madam, and from JP Morgan, you have a question from Celine Pannuti, your line is now open.

Celine Pannuti, JP Morgan

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Yes, good morning, in fact I have a few questions. The first one is on the baby market, I mean, you explained what you thought was a decline over the summer. Can you say whether, I don't know if you can track market share, given that a lot of your market is in, business is in private label, but do you have a sense of whether your contracts are still running, or have you seen some maybe contracts closed? So, how do you refer in terms of market share?

And, my next...the second part of that question is, is there any news that you can share with us, on what's happening relating to Kimberley Clark leaving this market?

My second question is as well on baby, sorry personal care. You mentioned just now that you have increased A&P, I was wondering whether there was as well other investments? For instance, in India, do you have as well more salespeople, or headquarter costs? And, to which extent you can quantify that, if that has been already taken in the third quarter?

And, finally, in tissue, you grew quite well, 4% growth in volume. Is it, can you break down what has been the growth in Western Europe, please? Thank you.

Jan Johansson

Yes, if I look, take the first question. As you know, we are very big in private label, in Europe, about 50/50 of our sales, and we have not lost any contracts in private label, and private label is gaining market share in Europe, and Procter is losing, and if you look at the markets where we do have branded, which is mainly the Nordic markets and Russia, if you compare Q2 to Q3, we are a couple of points down in the Nordic market, but it's too short period to tell if we are losing market share, because it depends very much on promotion and not promotion, so the major impact, as far as I can see it anyway, is that the market is down, and not that we are down.

Emerging markets, we are still gaining market shares, so that's not a problem.

The market is the market it is not SCA, and the second question was India, of course we are investing in India now, and that will have an impact on the margin, but still it's very small figures. It's not really something you can highlight.

Kimberley Clark is closing down. They are still selling on the market in some categories. We are of course targeting some of their customers, not all, and we will continue to gain on this. We are

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

probably more going in our thoughts for not building a new brand in a country where we don't have a brand today, because the risks and the costs are too high, so we'll probably go for the private label part of it, rather than the branded part. It's not 100% decided, but at least that's the way we see it today.

Celine Pannti, JP Morgan

Okay, and my other question was on the growth in tissue, what has been the driver for that?

Jan Johansson

Q3 to Q3, you correct me Lennart, I think acquisition is positively 3% and divestment negatively 4% on sales. And, the driver is the emerging market, it's growing quite well. We are growing in the US, in Away from Home. But, we also have a growth in Europe, both in Away from Home and in Consumer Tissue, even though if it's slower in consumer tissue, and we do gain market shares in Europe at the same time, and we have a target to actually, to continue to gain market share from the position we have today.

We are not allowed to acquire anything more in Europe on tissue, but we are going to get a higher market share by organic growth.

Celine Pannuti, JP Morgan

Thank you, may I just come back to one question that was asked, and I would like some clarification? In terms of raw material bill, as we look into the fourth quarter, what kind of inflation are you looking at, and is there any specific differences, for instance, in personal care versus tissue?

Jan Johansson

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

We still see part of the pulp coming up, but we also see some other parts coming down, so overall I would call it flattish, if you take the total portfolio, but of course, from an individual category, it can be up, but for another one, it could be down, but overall it's flattish.

Celine Pannuti, JP Morgan

And, in personal care, are we seeing continued raw material inflation in all base raw mats?

Jan Johansson

No, we don't see that.

Celine Pannuti, JP Morgan

All right, thank you.

Jan Johansson

And, as you know, we also have a delay of three to six months, for any price changes in oil based materials.

Joséphine Edwall

Operator, next question from the telephone, please?

Operator

Thank you, madam, from Barclays Bank, you now have a question from the line of Iain Simpson, your line is now open, sir.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Iain Simpson

Thank you very much, and good morning, gentlemen. Just a couple of quick questions from me. Firstly, looking within personal care, you mention that feminine care had done very well in emerging markets. It would be great if you could just remind us what proportion of that feminine care business is emerging markets? And, perhaps talk a little bit about the drivers within that, as to what did cause that growth?

Secondly, you talked, if I heard you correctly, about how there are two fewer invoicing days in the fourth quarter. It would be great to hear a little bit more about that, and whether that's going to affect your whole business.

And then, just lastly, it would be great if you could talk a little bit about incontinence, and specifically how you feel the branded part of your incontinence business has been performing, and whether you're happy with the level of A&P that you're currently putting behind that, with a view to next year? Thanks very much.

Jan Johansson

If I start with the last one, we only have branded business in incontinence all over the world, and of course, we would like to grow that faster, since it's such a good category for us and the penetration is still, as you know, very low, but we have to balance that with the margin impact of actually driving penetration, so we try to have a decent growth without destroying the margin, and as you know also, we have an extremely strong position globally, and in all markets we are, so we are spending the A&P that we think is the level to drive penetration, without destroying margins.

When it comes to feminine, I actually said that we have been doing very well all over the place, even in Europe, we have the improved feminine and growing market share, and growing profitability. It was not only in emerging market part of it, and feminine in the group is 14% of the sales, so it's a small category, but actually with the highest growth margin.

What was the third one, I forgot it?

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Iain Simpson

It was the third question was just for some colour on the two fewer invoicing days in the fourth quarter? And, just, sorry, just on feminine, what proportion of your feminine business is emerging market, thank you very much.

Jan Johansson

65%, thank you. We have some extremely strong position in the emerging markets, when it comes to feminine, and very high market share. It's also, when we talk about this, our small acquisition in Brazil is gaining market share, so we are soon number one on the market, if we are not already number one on the market, so all our personal care products are actually doing great in emerging markets.

Invoicing dates, Lennart talks about that.

Lennart Persson

What was the question about that?

Jan Johansson

Two less days, what is the impact?

Lennart Persson

I mean, it is, if you have 20/22 each month, you can take a percentage of 60 for two days, in the Hygiene as well. For a quarter, it is 60 days, invoicing days roughly, and if it is two less.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Jan Johansson

The sales is 100% determined on the invoicing date, so if it's less invoicing days, we get less sales. If it's more, we get more sales in a quarter.

Iain Simpson

Thank you, and that's affecting all three business units, so there are no changes in terms of how invoicing works in each one, all three business units have two fewer days in the fourth quarter?

Lennart Persson

Maybe not in Forest. I think we often see that happening.

Jan Johansson

But, over a year, we normally should have the same number of invoicing days.

Joséphine Edwall

Okay, next question from the telephone, operator please?

Operator

Thank you, madam, and now, from Redburn, you have a question from William Houston, your line is now open, sir.

William Houston

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Hello there, you mentioned maintenance shut downs, coming in some effect in Q4. Could you just talk about what scale those will be, and how those compare to Q4, last year, please?

And then, secondly on the wind power, given the opening of your wind farm, can you just talk about when you expect to be seeing some profit impact from those projects, please?

Jan Johansson

I'll start with the wind, and then you take the first one? If you look at the wind power, it depends what kind of deals we have, because we have a number of set ups in the market. The simplest one is that you lease the land, and then we get revenue immediately. Then, you have one that we build the windmills, and as soon as the windmills start to work, we get part of the revenue of the windmills, and then we have a third one, when the park is finished, we get an ownership of that park, as we have with Statkraft, and in that deal, we'll get 40% of the ownership.

And then, we have another, or a fourth is that we have a combination of getting ownership and getting competitive supply of energy from their existing production today, so there is a huge bunch of different set ups, but overall, before you see a real good, or a real big impact of this, I would guess it's another three, four, five years ahead, because it takes such a long time to get the permits, and then you need to build it, etc, so it's a long term project but without any cash out or investment for us, so that's of course the beauty of it.

Joséphine Edwall

Could you repeat the first question again? And, then Lennart, you can answer that.

William Houston

Yes, sorry on the maintenance shut down side, you mentioned that you were expecting still some maintenance shutdown impact, in Q4. Could you just quantify the impact that you're expecting, and how that compares to Q4 last year, please?

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Jan Johansson

For this year, it is 25-30 million SEK. I don't remember what we had in the fourth quarter last year. Compared to 60 in the third quarter.

William Houston

Sorry, just lastly, on the invoicing days, could you just...is that a year on year, you expect two less inventory days, invoicing days in Q4, or is that a quarter on quarter comment, please?

Jan Johansson

It was compared to quarter three this year. Quarter four this year, compared to quarter three.

William Houston

Okay, so year on year, your invoicing days will be the same in Q4 of this year, than last year?

Jan Johansson

I have not looked at that, but I mean, but I think the Christmas holiday will have almost the same number of red days as last year. In part of the world and Europe is the main part of our world.

Joséphine Edwall

Operator, let's continue with the next question, from the telephone.

Operator

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Thank you very much, madam. Now, from ABG, you have a question from Martin Melbye, your line is now open, sir.

Martin Melbye, ABG

Maybe this has been answered, but those tissue price increase announcements you had there, and you realised in September, how large were those? 3%, 5% or what is it?

Jan Johansson

That's unfortunately nothing we communicate, since we have a lot of customers, and a lot of negotiations, so we keep that to ourselves.

Martin Melbye, ABG

Is that something that could be speculated upon, maybe saying that you had 1% for... or, is that wrong to say that?

Jan Johansson

Too low, no we are joking. We can't really get into that, because then we will have problems. The only thing I can say, when it comes to tissue, even though that we do have an improvement over the years now, it's still not enough. We need to improve profitability more in tissue, because of the capital we have invested there, so this is not enough. We need to be able to offset raw material cost increases by price increases and then we need to deal with the normal inflation, also and in doing that, we need to improve the profitability. We are at 14% in Q3, it's not good enough, we need to get up.

Joséphine Edwall

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Okay, I think we have a final question from the telephone, so operator, let's open up for that one.

Operator

Thank you very much, madam, and that is from Societe General, from Chas Manso, your line is now open.

Chas Manso

Yes, thank you. I have a number of questions. Could we kick off with Q4? I mean, in Q3, I think your group organic growth was around 5%, but the comp looks considerably harder in the next quarter, by something like 500 basis points. Is that something that we should take into account, or do you believe that you can offset that?

Jan Johansson

We are not giving the forecast for the fourth quarter.

Chas Manso

Is that comp a real comp that we should be looking at? Sometimes, when we look at the historical comps, they actually reflect things as even the year before that, and so they're not real comps, and I'm just seeing that there's Q4 comp is 500 basis points harder than it was in this Q3, and I'm just wondering whether that is something that we should consider a real hurdle for you or not?

Joséphine Edwall

Sorry, we do not really understand your question.

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Chas Manso

Maybe we take that one offline? Okay, sure, and then going on, there was some talk about new launches. I think mostly in the future, next year, were there any new launches in this quarter that you can talk about, or any entries into new markets this quarter, that you can talk about?

Jan Johansson

Yes, we had some new launches, both in tissue and in feminine, especially in tissue, during the brand Tempo, where we have another development on an even softer paper in that one, and we also had, in Tena a new product for light inco in Tena that's been launched during the quarter.

We had a new kind of soap released in Columbia, that we have a great release on. We start in Columbia with work in there. It's an intimate soap, so we have a lot of new things on the market, and not necessarily on all markets at the same time, because we can test it in one market. If it's working, then we can duplicate it in other markets.

Chas Manso

And, in terms of group organic growth, could you just give us simply what the organic growth was in your emerging markets, versus your mature markets?

Jan Johansson

We will look it up, I don't have it in my memory. We have a growth in personal care of 6% in emerging markets, and we have 13% in tissue in emerging markets. Overall growth in tissue, 8% and 5% in personal care.

Chas Manso

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

And, on the baby diaper side, Kimberley announced its exit some time ago, and we still haven't really seen anything come through, how long do you think it will take until the industry settles, the contracts are reallocated and so it comes through?

Jan Johansson

I mean, we are in the middle of the discussion in different markets today. The problem is of course also that there is not really an over capacity on baby in Europe, which of course is positive and they are closing down, so no one is buying their assets, so there will be a deficit of baby diapers, and the question is, how fast can we cope with that?

But, I guess it will take probably a year before we have sorted everything out. And, see where we can get the capacity or anyone else can get the capacity, so from that perspective, for us it's a positive situation. For consumer and customer, a little bit difficult situation.

Chas Manso

And, on the pulp situation, industry wide pulp situation, my understanding was that there was some major new pulp capacity due to come on stream sometime in the second half that would alleviate your input costs, could you update us on that situation, whether that's happened or not?

Jan Johansson

You can clearly see on the development of eucalyptus that the prices are going down, and of course that's because there is a lot of capacity coming out on the market. On the other hand, you see the other parts of the fibre is actually increasing, because there is no new capacity coming in, on the hardwood, sorry, on the softwood, and we buy 50:50, hard and soft, so for us, of course, it evens out, the price increases and the price decreases.

Chas Manso

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

Sorry, the final one from me, assuming that the Vinda operation goes through as you're hoping, just over 50%, what kind of debt capacity do you think you'll be left with?

Lennart Persson

The 50%, we will spend some three billion Swedish kronor, and as you know, we are at a debt level of 52, and with an equity of 60, you have some 9-10 billion before you reach that.

Chas Manso

9-10 billion Swedish kronor debt capacity, yes?

Lennart Persson

Yes, but it's not a target for us to go up to the 0.70 but the Vinda acquisition to reach the 50, will take three billion Swedish kronor.

Jan Johansson

We will still have a very strong balance sheet.

Joséphine Edwall

Okay, I think we conclude the Q&A session with that. Any final remarks from you, Jan, before we end?

Jan Johansson

18/10/2013	09:00 GMT	Fronto Internet Broadcast AB Duration: 57 mins
------------	-----------	---

I think we said everything in the summary, that I mean, despite a very tough market, we are still performing reasonably good. We are still growing, we're improving profitability, we have a hiccup in baby during the third quarter. I'm not particularly nervous about that, and otherwise, we are doing quite well. So, with that, thank you very much.
