

SCA
Moderator: Jan Johansson
January 30, 2015
10:00 a.m. CET

Joséphine Edwall: Hello my name is Joséphine Edwall, Head of Communications. And today on stage, I have Jan Johansson, our CEO who will go through the highlights of the report. And afterwards, we'll have a Q&A session where our CFO, Fredrik Rystedt will join on stage. So, with this, I hand over to you Jan.

Jan Johansson: Thank you very much, and good morning. I have severe cold but I will do my best anyway to keep my voice intact. Just let me start a little bit with the macro environment that we are living in. And as you all know, we still have very weak development of the global economy.

Europe we don't really see any positive development. We see currency being difficult in many countries in the emerging markets. China's growth is also slowing down. We still have a lot of geo political problems in the world that is of course impacting demand in different areas.

In spite of that, we still have a reasonably good growth in our hygiene business even in the mature markets. We also with the strength of dollar of course have a headwind when it comes to raw materials because most of the raw materials is priced in dollar.

SLIDE 1 - SUMMARY 2014

Having said that, coming into our result, we do have the highest profit before tax in the history of SCA. We have good organic growth, we have a very strong cash flow, we also, I'll talk a little bit later, very strong growth in our emerging markets.

We have higher sales and profits in all our business areas. And we continue to work with efficiency and we are in line with our plans in efficiency. I have talked a lot about innovations earlier and I will come back to that also. We had a very successful year when it comes to introducing new innovations to the market.

We have also successfully transferred our business in China into Vinda, and that creates a very interesting potential for further growth. We continue to be including in key sustainability index which is also very important for us. And we propose an increase of dividend by 10.5 percent to 5.25.

Just one comment around this also, just to see the impact of raw material. If you take the full year we have about 1.2 billion SEK increased cost in raw materials and of that 40 percent is impacted by currency. But we have been able to offset that by reduced costs and price/mix, etcetera.

SLIDE 2 - GROUP 2014 vs 2013

Another way of looking at it is in this way; we have an increase of sales of 12 percent. If we exclude acquisition, acquisition is about 7 percent but then we also had divestment that had a negative impact of 1 percent. Organic sales growth, 3 percent. Including Vinda's organic growth it's actually 4 percent, because Vinda has quite good growth during the year.

Operating profit increased by 14 percent. If we take away the big profit we had in forest swaps last year, it is actually an increase of 18 percent. Also, operating margin is going up, earnings per share up by 19 percent, and we also had a very strong cash flow.

SLIDE 3 - EFFICIENCY PROGRAMS

Efficiency programs, we have been talking about that since we started it. If we look at the Hygiene business in total now, we have implemented the blueprint in all our sites. That doesn't mean that the impact of the blueprint is yet seen in all operations. But now we have a very clear way of how we

should work, how we should improve, how we should reduce cost in our operations.

We also more and more are using our scale when it comes to buying raw material, etcetera. And we also, in some areas corporate with other buyers like in pulp. So today we are the biggest pulp buyer in the world and that of course helps to get good terms in the market.

Warehouses is a bottleneck many times, and we used to have too many warehouses, maybe in too many places. Now we are looking into that. We are changing that. We are combining warehouses with different categories. That's the work that's been ongoing but that will continue also, and that will improve of course the efficiency in transportation and efficiency in stock handling, etcetera.

Forest, also in line with plan. And we will reach the 1.3 billion this year, we were at 1.2 in the end of the year. We have been closing two saw mills and in doing that we actually keep the same volumes as we did before we closed which means quite a big productivity improvement in our saw mill operations.

We also have combined the maintenance organizations up in the north of Sweden, and that's also a very good efficiency impact on maintenance. And we work continuously of course on the harvesting and how we harvest, and improve the productivity on that. Then of course we had the storm that had a negative impact on that because it's so much more expensive to walk into forest that is lying down than actually do it in the planned way.

Georgia-Pacific, we reached 80 million, and the target '16 is 125 million. Blueprint has not finalized, it's ongoing in the Georgia-Pacific synergies. But we feel quite confident that we will reach the target that we have communicated to you.

SLIDE 4 - EFFICIENCY PROGRAMS – EXAMPLES OF IMPROVEMENTS

Another way of looking at this, 10 percent machine efficiency improvement in

personal care, 4 percent in converting in tissue, 3 percent in paper making, and of course the 3 percent in paper making is a much more bigger impact and more difficult then maybe to do it on the converting side. Sourcing cost down 5 percent. Logistic cost 5 percent. Energy consumption 6 percent.

So we can truly see that what we're doing has an impact in all areas of where we actually are working. And this work is of course is not going to stop once we have reached the target of different programs we have announced. We will continue with this and we still see some interesting potential going forward. We are not going to set up a new program. But now we will do it in the day to day business.

SLIDE 5 - INNOVATIONS AND PRODUCT LAUNCHES - Q4 2014

Innovation as I said very important. We launched four very important innovations this quarter. One in TENA Pants which is 20 percent thinner, it's safer and it's more comfortable. And the same with TENA Lady Normal, it also is safer, and it takes away, kills some of the problems with odors in the diapers.

We also have introduced our baby diapers with the longest lasting as long as 12 hours. New Tempo with a new exclusive theme around scents that has been introduced during the fourth quarter.

SLIDE 6 - INNOVATIONS AND PRODUCT LAUNCHES 2014

Looking on a yearly basis, we have introduced about 30 new innovations globally. And as we have talked about lots of time, we have a much more efficient innovation process than we used to have. And the bottleneck should be in the market, the bottleneck should not be in innovation. And we are in a situation now where the bottleneck is in the market. And that is the position we should continue to have and continue to work to have.

SLIDE 7 - SCA GROUP – MATURE MARKETS AND EMERGING MARKETS

Just to show a little bit the change in the company and the difference between mature and emerging markets. 2012, we had about 24 percent of our sales in emerging market, this is now on group level, I will get back into the different hygiene areas. And '14 about 31 percent. And if you look at the margins in mature market, where we come from 10.9 to 13.5. Then in the emerging markets, we of course invest to get the growth, and that has an impact on the margin. So that's why we see a lower margin in emerging markets. But all in all, it's still an improvement from a group level and in the margin from 10.1 to 11.4.

And this is of course the balance we tried to keep in the company; how much should we invest in growth in relation to which margin we want to have. We could grow faster, then it would have a negative impact on the margin, and we could grow slower and then we would have a positive impact on the margin. So this is the balance we try to keep all the time.

But I think this is a good picture for you to see that the mature business is actually improving, then we invest the cash flow from that into the emerging markets.

SLIDE 8 - SCA GROUP ROCE 2014 - MATURE MARKETS AND EMERGING MARKETS

Another way of looking at that is also on return on capital employed. You know we have a target for the Group of 13 percent. If you look at the mature markets we have reached 13 percent return on capital employed. Then of course, we invest in emerging markets and that is bringing down the return on capital employed.

Still we will have the same target. And as you know we have different targets in different business groups. As an example, Tissue, we want to reach 15

percent, in Personal care 30 percent, Forest we want to be in the top quartile of our competitors. So those targets are of course still valid.

SLIDE 9 - NET SALES Q4 2014 vs Q4 2013

Looking how the net sales has grown Q4 to Q4, we have a positive price/mix of 1 percent. We have a volume of 3 percent. And we have acquisition, and we do have a positive currency impact when it comes to sales. So the organic sales growth all in all is 4 percent during the quarter.

I think we are in a good position when it comes to this, even compared to our big international competitors.

SLIDE 10 - GROUP - ORGANIC SALES GROWTH Q4 2014 vs Q4 2013

Looking at where the growth is coming. We can see in total 4 percent, mature markets 3 percent, emerging markets 9 percent. And we do have some very, very sweet spots when it comes to growth. We have shown some examples here if you take Incontinence Russia it's 23 percent, Tissue Russia 16, Incontinence Latin America 19, Feminine Latin America 20 percent. So we do have some very strong positions in some categories in markets where you do still find some organic growth in the market. So I'm very happy with that and we will of course continue to emphasize the growth in emerging markets.

SLIDE 11 - GROUP - Q4 2014 vs Q4 2013

If we look at operating profit all in all it's 3 percent but then as you remember we had about 455 million gains in forest swaps last year, and we had 3 million this year. So if you compare apple to apple it's actually an improvement of 20 percent of operating profit.

We have better price/mix as I said, and we also have higher volumes. Cost saving, quarter over quarter is about 385 million in cost savings. Then we have consolidation of Vinda but quite a lot of headwind in raw materials, about 600 million, Q4 to Q4, of which 55 percent is currency.

If we remove the forest swaps in this then the margin in '13, it would have been 11.6. So like for like it's an improvement in margin also.

Earnings per share, is of course impacted by swaps but also of items affecting comparability. And as I said also, very strong improvement of cash flow.

SLIDE 12 - PERSONAL CARE – Q4 2014 vs Q4 2013

Walking into Personal Care, an improvement of sales of 7 percent, operating profit 8 percent, and also 20 percent basis points improvement of the margin.

One thing you could of course be a little bit worried about when you see the mature markets and the growth, and probably in particular when you look at incontinence. If we look at Europe in all, we have 5 percent growth in incontinence. Western Europe 3 percent growth. So the hit in growth here is actually mainly or only in North America.

When we talk about Personal Care, of course we need to come into Procter & Gamble, and their launch in inco in Europe. And if we look at the past four weeks, of course we follow this closely every week, they have not really gained any more market share. In UK when they started they had 2 percent market share, they have gained 5 percent. So they are now at 7 percent market share. And it's been sort of a stand still on that level.

During the same time, we have been growing 2.5 percent in sales. So the market has expanded as we also assumed, you remember we talked about that if we get another company, big company driving penetration then the market will expand. And that's actually what we've seen in U.K.

You see similar situation in France, and of course they will, go in to more country, like Germany, etcetera, going forward.

But so far, we have been reasonably successful in defending our position. And as I said, in the third quarter, the truth will come when you see the second and third repetition of buying. Because now everything is sold on promotion, so it's very difficult to say if the consumers actually like the product or not.

And once more I want to emphasize, there is nothing unique in the product. It's a similar or same product as we have. And then of course brand is very important and the perception that the consumers have on the market.

But we don't underestimate them, it's a strong company, it's a big company. And we will continue to do our thing, and we'll continue to monitor this extremely closely.

And here you can also see that in Personal Care, is the category where we have the highest presence in emerging market. Now we have 43 percent presence in the emerging market. And I think I gave a statement a couple of years ago that we're aiming at 50 percent of our sales in emerging markets. So we are well ahead to that target.

SLIDE 13 - TISSUE – Q4 2014 vs Q4 2013

Coming into Tissue and here we have the impact of Vinda, because, that has been, is now of course consolidated in the company. But we have overall a growth of 24 percent, excluding Vinda it would be 9 percent.

We don't include the organic growth in Vinda Q4 to Q4 because they don't present that. So these figures we have excluded that in the presentation.

Operating profit improved by 17 percent. It would be 7 percent excluding Vinda. So still a good growth in operating profit. And if we exclude Vinda we would be on the same level when it comes to operating margin because they operated in a slightly lower margin than we are.

And here we have 31 percent of the sales in emerging markets and the reason for that is also as we have discussed the defensive investment in Georgia-Pacific in Europe to get the consolidation and synergies, and that of course reduced the sales in mature market because that was quite a big company that we did acquire.

We have raw material cost increase of some 265million, Q4 to Q4, of which 70 percent is currency.

SLIDE 14 - FOREST PRODUCTS – Q4 2014 vs Q4 2013

Then going into Forest operations. They have quite a substantial improvement you can't really believe that when you look at this picture. But once again 455 million in forest swaps last year and 3 million this year. So if we compare apple to apple the margin would have been 2013, 12.6 instead of 25.1. So in that perspective quite a substantial improvement in operations. And we have improved all the different parts in Forest.

Looking at the different parts, of course we continue to see publication paper going down. And we of course anticipate that it will continue to go down. And the last estimate is that this year we will see somewhere between 5 and 6 percent less volume in the market.

So the situation in publication paper has not improved, it's still a huge overcapacity. And it will still continue to be a very, very difficult operation for anyone in Europe today to reach any profitability. We need much more closure of paper production if this is going to be a good business.

Kraftliner, well in balance. And we have increased prices that we got during fourth quarter. Our saw mill operations, volume wise quite good. Growth is still coming on, and in particular North Africa, China. But since we had price increases last year, now the supply has increased and that is putting some pressure on price, not a pressure on volume.

Pulp is a little bit strange. Has had a little bit strange behavior in the market because normally you see a clear correlation or a negative correlation between dollar and pulp prices. And we haven't really seen that last year which is a little bit surprising. We do see now prices coming down in the market. And they should come down with the strengthening of the dollar.

So my at least guess is that we will see a pressure on pulp all qualities during this year. And some of course are suffering quite a lot on the high pulp price. We have an advantage since we still have an internal hedge on pulp. So from a group level at least we gain something on that. It doesn't help Tissue or Personal Care but it helps the Group.

SLIDE 15 - DIVIDEND

Well, once again increase by 10.5 percent up to 5.25. We believe that we have a very strong balance sheet. We are on the low side when it comes to debt. We have a very strong cash flow. We have improved our profit generation quite substantially so we believe that this is a level that we can absolutely be in without risking any future potential acquisitions or expansions in the company.

SLIDE 16 - FULL YEAR 2014

So to summarize, highest profit before tax ever, good organic sales growth, strong in emerging markets, strong cash flow, higher sales and profits in all our business areas. Risk - the major risk is, except geo-political risk which we don't really know where they are, is the FX is where the dollar going, where are the other currencies going. In the countries where we have a dramatic change in currency, like in Russia, we have also dramatic increases of prices, and in Latin America the same.

It's more difficult in Europe. But we are increasing prices in Away from Home. We will push whatever we can to increase prices in consumer tissue. It will not have an impact in first quarter, it then will have an impact on the second quarter. Saw mill operation probably not the possibility to increase at least the first half year. Kraftliner, probably another price increase or price increases late in the year that will impact this year. Personal Care, it's a completely different game as you know it's innovation, innovation, innovation. So it's not really adjusting price increase.

But we do have a benefit in Personal Care, and that is the oil prices are going down and we have a lot of raw material that is oil price connected. But we have a lag of 4-6 months before we have it in our P&L. Pulp, we have a lag about 45 days. So it's a longer lag to oil based materials than we have on the pulp.

So with that, I will end my presentation. And I will open up the floor for questions.

Q&A

Joséphine Edwall: OK. And we ask Fredrik Rystedt also to join on stage. And Jan, I just want to say, Jan will of course comment everything that has been in Swedish media regarding business jet and hunting hospitality. And I think from the media who is here from Sweden, you have time after the press conference so we can focus now on the quarterly report, and from the investors and the people who are on the call.

So let's focus on the quarterly report now in the Q&A session.

Yes, the first question here.

Linus Larsson: Thank you. It's Linus Larsson with SEB. I'll start in a somewhat different end and maybe if we could clear the table when it comes to the non-recurring items in the fourth quarter, they were 887 million, and from what I can understand you specified 540 million kronor of those in the report. And I assume that a large part of the remainder is relating to previously announced cost savings program. But if you maybe could just comment on the residual 347 million krona of non-recurring costs in the quarter please.

Fredrik Rystedt: Yes. I'll do that Linus. Again we have continued the operation as Jan alluded to with our perform to grow and GP. So the absolute majority relates to those two. We also had a closure of a part of a facility in Germany and we had one in U.K. So that's pretty much all of that remaining part. So normal efficiency work as we have done before.

Linus Larsson: You wouldn't give a figure on what's relating to the previously announced cost savings program; the GP and the 300 million euro program?

Fredrik Rystedt: If we take the UK and the German facilities in combination totally it's a bit over 150 million, and another 150 roughly relate to GP and perform to grow.

Linus Larsson: That's great. Thank you very much for that. And then just looking more at the operational side, the raw material headwind in the quarter was 138 million

krona across the group, and just taking into account what you just said about the lag effects, the currency which is embedded in this, will that impact sequentially be bigger in Q1 versus Q4, or how should we think about the timing of the FX related cost inflation in particular?

Jan Johansson: Well, I mean we have of course some delays in the system due to some hedges in the contractual situation. But they are quite short so of course if you look at the FX development, it will come in during the first quarter. Mainly I would guess.

Fredrik Rystedt: Yes, absolutely. I mean we'll have it continuously because the average, if we assume that the average dollar rate will be for the year as it is right now then of course it's going to be a stronger dollar throughout the year. So we'll have a negative impact. And of course Q1 will have that, will compensate to some degree by the oil based products, should the oil price stand but of course it is a higher dollar rate and therefore higher raw material cost. We'll see that throughout the quarters.

Linus Larsson: And the oil, in which quarter should we expect that oil cost related tailwind to occur?

Fredrik Rystedt: We'll see that to some degree in Q1 but I think Jan alluded to, we got a four to six months lag relating to oil products. So it's non-woven for instance or SAP, and back sheets, and those kind of products. So of course oil does necessarily play in all of it. So if you have a 50 percent decrease in oil price that doesn't necessarily translates into 50 percent SAP but it has a large impact. And it has a large impact with approximately 4-6 months delay.

So the net impact of currency and oil price in Q1 is of course likely to be or it's going to be negative.

Jan Johansson: And we have as you know seen oil price coming down gradually. So of course if you'd go 4-6 months away then of course that will kick in now.

Linus Larsson: And then just finally for me on the first quarter and the start of the year, sometimes in the past you've talked about the seasonality of your hygiene

business that Q4 tends to be strong, Q1 tends to be somewhat weaker. Could you comment to any degree upon that on I guess volumes in particular in hygiene?

Jan Johansson: I think when it comes to, normally the major impact of that was seen in incontinence. Because there was a lot of pre-buying if institution had cash left in the end of year. We have tried to even that out by different way of giving bonuses and things like that. But then of course seasonality in terms of how much snow it is, and if the people are getting cold as myself and we will sell more hankies, etcetera. That still remains. And in U.S. for example the strongest season is when the ice cream season starts. So that means that when it's cold and snowing, it's a lower season. So you have some seasonality. And Q1 is normally the weakest from that perspective.

Linus Larsson: Thank you very much.

Joséphine Edwall: Now we have Mikael Jåfs.

Mikael Jåfs: Thank you. Mikael Jåfs, Kepler Chevreux. I have two questions. The first one is around forex effects for this year. I mean you have an excellent table in the Annual Report regarding the long term effect from currency changes. But there are a lot of them going on now. So in your words, if you try to summarize what we have seen so far from all the currencies, and net net, is the currency effect the positive or a negative for SCA's operating profit going forward?

Jan Johansson: With the currency rates we have today it's a negative.

Mikael Jåfs: OK. Thank you. And then the second question is on advertising and promotion. Last year you said that you would keep the budget unchanged but reallocate.

Can you give some guidance for the coming year?

Jan Johansson: A&P and trade spends are obviously two items that we can, very short term impact ourselves. And looking at the situation we have now with

incontinence, we need to keep the readiness to do things if Procter suddenly change their plans, etcetera.

But having said that, I think you will see a slight increase next year in relation to sales but it's not going to be any dramatic. And if we need to do something dramatic, we will reallocate.

I mean that's a good thing with these two, you can manage them.

Mikael Jåfs: Perfect. Many thanks.

Joséphine Edwall: Next question. Yes.

Karri Rinta: Yes, Karri Rinta, Svenska Handelsbanken. If I look at the report it seems that Vinda had a strong fourth quarter especially compared to the third quarter. Is that sequential increase fully due to the changes that you made with them so that they take care of the personal care business as well? Or is there something else that helped them to perform so well in the fourth quarter? And how do you see the 2015 outlook in near term?

Jan Johansson: The benefit in the Vinda operation is that when we transferred all our business to them, we took a lot of restructuring cost in SCA, that's what you see also in the quarter result.

So from that perspective, because they had all the infrastructure they need, all the sales people they need, everything. So they took it on their own platform with a few people coming in.

So the business we were managing is of course now giving a better result in Vinda. So partly it's due to that, but they are also doing very strongly in their core business, in the tissue business. So it's a combination.

Karri Rinta: OK. Thank you. And then the, sorry, the incontinence market and the, I think in the report you wrote that in the U.S. you lost some volume. Is that because U.S. is a different animal in terms of market structure or is it basically since P&G that's their home market and that's where they have put most of their marketing efforts? And you have maybe backed out a little bit?

Jan Johansson: The reason is of course that P&G is going into the market. But the most impact is that KC is defending their position as we are defending our position in Europe. So I don't think they have been more successful in U.S. than in Europe if you look from a Procter point of view. There's a massive promotion, massive advertising, and we are a reasonably small player in the U.S. So we from that perspective, we suffer more than we would have done in Europe with the position we have here.

And we have lost volumes during this war between KC and Procter. We haven't lost much positions though, which is probably more important.

Karri Rinta: All right. Thank you.

Joséphine Edwall: Yes, Stellan Hellström.

Stellan Hellström: Hi. This is Stellan Hellström with Nordea. I had a question on the planned, price increases in tissue. I mean how, they obviously only to a part or small part realized as of now. But the plans that you have, how far will that take you in terms of being able to offset the FX raw material headwind this year?

Jan Johansson: Well if we look at Away from Home Europe as I said, it's going to be a price increase from, or there is a price increase from first of January. Consumer tissue with the contractual situation we have, it will not have any impact in the first half of the year.

So that means that if the currency continue as it is, it will be difficult just by price increases to offset the impact of the currency. But I mean we do have more tools in the box also, and we then need to work even more with cost saving. And maybe even more with innovations, we can get new products out on the market.

But only price increases for this year, everything else alike is difficult in consumer tissue.

Stellan Hellström: Just also, a follow-up on that.

Jan Johansson: Having said that, it's necessary with the price increase. We have to do it. And all the market is in the same situation, and maybe we are in a little bit better shape because we have more efficient operations, but there need to be a price increase.

Stellan Hellström: Sure. Question also on the sort of cost savings. There are no big programs or additional programs planned for 2015, but I mean you have had quite a lot of restructuring costs in 2014, how do you see that in '15 then?

Jan Johansson: Well we still have some left in Georgia-Pacific. But if we don't start any new program then of course they will fade out.

Stellan Hellström: OK.

Jan Johansson: I don't know if you have a comment?

Fredrik Rystedt: No, not really. They will continue in GP as you said.

Stellan Hellström: Thanks.

Joséphine Edwall: OK. I got a sign, we also have questions from the telephone conference. So OK just one question before from the floor, before we open up.

Johan Hellekant: I'm Johan Hellekant from Svenska Dagbladet. We know that there is a very big also international interest concerning travel policies in SCA. It's been written by in Financial Times. So please Mr. Jan Johansson, could you tell a little bit how can it be that you use a private jet to or a business jet to go to Brazil for the final in championships of football?

Jan Johansson: We have, a company like SCA as many companies in the same situation with the same market presence, we are more than 100 countries today, need to use business jet because otherwise it's impossible to really do a good job.

And sometimes we do combine business trips with representation. And that was the Brazil trip for example, when I was there I did a lot of work. I was actually invited, I didn't participate in the program, from the person who invited me because I was working during the days.

So it was a combination of work and representation. And it was absolutely in line with our old policy that we had.

Johan Hellekant: Can you comment on that your daughter should have been with you on this business trip during the championships in Brazil?

Jan Johansson: I can comment on the internal rules in the company, and I think those are probably the same in many companies also, is that if we have a business trip we are allowed to bring a family member as long it's not increasing the cost for the company. And as long as we pay for that person flying in the plane. So that was, as you know we have changed the policy now so now it's not allowed, but that was according to the previous policy that we had.

Johan Hellekant: But did you take this private, or this business jet to different cities in Brazil to see football matches?

Jan Johansson: I was not in the cities mentioned in the newspaper. And that's the only thing I want to answer on this.

Johan Hellekant: The different cities with this plane?

Jan Johansson: There is and as you know there is an external auditor, previous judge of the Supreme Court who is going through all our travels in SCA now. And why don't we wait until we see the result of that and then we can have a discussion on it.

Johan Hellekant: Well it's, we are now telling more and more about the travel policies and how they have been applied, and we see that there are lots of traveling that has not been told about with this private business jet.

Jan Johansson: But I don't think it's in my job to talk on all my travels with the news. Because we have comment on all the travels that you have brought up. But I mean if you're going to follow me around the world then it's a lot of travel.

Johan Hellekant: Could it be that it is like 3 million krona to go back and forth to Brazil?

Jan Johansson: No, that's absolutely wrong. But that will be part of the investigation. And I've been asked by the people who are going to do this, not really to talk about it anymore until they have concluded their research. And it's ongoing as we're speaking. So why don't we wait and see on the conclusion, then we'll see if we've been doing something wrong or if not.

Johan Hellekant: There's been a lot of turbulence in the leadership of the company, Sverker Martin-Löf has left. So it's normal to ask questions about this. What do you think about the continuation?

Jan Johansson: Sverker is in the Board of the company, he is not in the management of the company. I mean that has been solved by the main shareholder Industrivärden, and I have not participated in the process. So you have to ask them about that.

Johan Hellekant: All right. Thank you.

Joséphine Edwall: Do we have any more questions from the floor before we open up? Then we open up from the telephone conference. Operator, can we have the first question please?

Operator: Thank you. As a reminder, if you wish to ask a question, please press star, one your telephone.

Your first question comes from the line of Celine Pannuti from JP Morgan. Please ask your question.

Celine Pannuti: Yes. Good morning. A few questions from my side. Firstly on the personal care, you commented on the growth rate in inco, can you, sorry, can you as well comment on you know what has driven the strong feminine care performance as well as diapers? And how much of that strong growth is recurring as we go into 2015? My second question is on Vinda. You mentioned about you know the good Q4 as well as the restructuring and how that hurt the margin. Are we, do you think that we are now in terms of margin and pressure in China, have we reached the bottom? What do you see for 2015? And finally, can you comment about what should we be looking at for sustainable tax rates?

Thank you.

Jan Johansson: If I start with the Vinda situation. Our assumption is that there will be a major restructuring in China. I think I talked about that more than half of the market has an average capacity of less than 5,000 ton, and the rest in 20,000 ton.

And we do see that happening, and it's also being more pushed by the government because the environmental problems with these small sites are quite enormous. And I also believe that we've seen some of these huge investments announcement in new capacity has been withdrawn as we also anticipated.

But I think the competitive situation is still very strong but Vinda has a very strong position. And Vinda is the only one with absolutely premium products, only virgin fiber products the most modern machines you can imagine. So they are in a very good position really to be a winner in this consolidation.

But whether or not the pressure will ease up this year or not, I think it's too early to say.

Tax rates same level.

Fredrik Rystedt: Approximately 26 percent roughly, Celine.

Jan Johansson: But I missed your first question.

Celine Pannuti: Yes, and in fact yes, so my first question is a follow up as well on the Vinda. So my first question is, the growth rate in personal care, sorry, in feminine care and diapers has been as quite strong especially at the end of last year. What kind of growth should we, I mean what have been the drivers of that? What should we expect for 2015? And a follow-up on Vinda, at which point can we expect that the newly acquired assets from you in terms of personal care will start to benefit as well the top line for the personal care division.

Jan Johansson: If we look at the driver, we have had some very successful innovation launches in Latin America, that has been driving the growth. And also in

Russia, when it comes to incontinence. We actually had also good growth in baby in Europe, but less so in Latin America.

You know the target we have is around 5 to 7 percent organic growth. And that's still the target we have when it comes to personal care. Then we have the currency situation, etcetera, but we have been quite good at dealing with that in emerging markets.

When it comes to Vinda, I think, or I think, I know that they are taking on this new business extremely seriously and with great passion. We have education ongoing for all the people working in the personal care area in China, with all our best staff and some of them are actually attending twice because they thought it was so good and so interesting.

So I feel very optimistic when it comes to the potential growth in personal care. We do need to upgrade some of the products before we can really push hard launch in baby and maybe also in feminine. So don't expect any miracle this year but maybe next year.

Celine Pannuti: OK. Thank you.

Joséphine Edwall: OK. Operator, you can keep on with the questions.

Operator: Thank you. Your next question comes from the line of Kartik Swaminathan from Bank of America. Please ask your question.

Kartik Swaminathan: Hi, everyone. Kartik Swaminathan here from Bank of America Merrill Lynch. Thank you for taking my questions. I had two. The first one was on the hygiene business. Could we please get some color on the operating profit drivers for personal care and tissue? It wasn't quite clear what the big drivers were behind the other line. Could you just clarify if it was all cost cutting, or whether there were some other factors in play?

And my second question was on personal care. I think I recall comments on the innovation part of the presentation mentioned. The pipeline is full and that the market is really now the constraint for launching new products which is of course a good position to be in internally. But could we get a bit of

elaboration as to how this potential constraint as you put it will impact your price and mix into 2015 and whether you still see scope to launch new products and push up pricing?

Jan Johansson: If I take the second and you take the first one. So to start with the second one, we do have some interesting innovations in the pipeline that absolutely will be launched during 2015. I think I totally alluded that also maybe the last quarter that we have a very detailed eight quarter plan on launches.

And this is the only way of actually communicating with the consumers is to have a new innovation and an upgrade an innovation, etcetera. So we don't have that all the time, then we cannot really improve the price/mix and drive the growth. So I feel as positive for this year as we actually executed last year.

Kartik Swaminathan: And just a quick follow up. So is the ambition really to try and offset all of the cost inflation that you have seen and are seeing in pulp or is this business as usual?

Jan Johansson: When it comes to personal care, it's absolutely part of the solution. And then we are helped on by as we talked previously by the lower oil prices, which is a big part of the costs in personal care.

Fredrik Rystedt: Should I take the first question, and maybe. Kartik, I guess your question is on the other remaining parts, and there were several components, but if I just take the main ones, of course efficiency by far is the biggest item. So a bit over 200 in Tissue, or close to 200 in Personal Care. So that's a very substantial part.

Then we have had some, as we've had also in Q3, some negative distribution cost influenced by primary that comes from France and from the U.S. as we discussed in Q3. And the final part is of course the acquisition of Vinda which contributes with their profit this year and of course we had some share of earnings in Q4 also last year.

So those are the main components. There are bits and pieces of course more than that, but those are the main.

Kartik Swaminathan: Excellent. And of these just to be totally clear, we don't expect any further negative distribution costs and I guess it would follow logic that the internal efficiency would still have a positive impact into 2015 along with of course Vinda?

Fredrik Rystedt: If I may comment, I think we will expect some further distribution cost, relating to these tax items. So in the U.S. it had to do with the number of hours that drivers can actually run their vehicle before they took break, and then in France it was road tax, we have a couple of other things.

That happened largely in Q3, in Q4, so Q1 and Q2 will have that adverse impact as we go forward.

Kartik Swaminathan: Understood. Thank you very much.

Operator: Thank you. Your next question comes from the line of Ian Simpson from Société Generale. Please ask your question.

Ian Simpson: Thank you very much for taking the question. A couple from me, firstly looking at the input cost picture for the first quarter '15, you very kindly quantified the impact in fourth quarter '14 you know with 600 million SEK in Personal Care, 265 in Tissue. Clearly the quarter is not done yet but if raw materials and FX kind of stay where they are, how should we think about the input cost headwind you have in first quarter of '15? Will it, I mean guessing more than fourth quarter '14 but kind of how much more? And then secondly, just in Personal Care, you flagged that you'd have a couple of good innovations that helped to drive the top line. Just checking on top line, is that a sort of a completely clean number that we've seen in the fourth quarter? Or has that been flattening at all by pipeline fail associated with your innovations? Thanks very much.

Jan Johansson: The answer to the second question is a no.

Fredrik Rystedt: It's actually, we will not give an exact number. I can only give you the components. So we'll have continued negative dollar impact which is of course not insignificant. And we'll have some positive oil based raw materials with some lag but it will still be positive.

We'll also have some diesel cost positive impact and perhaps some energy. But the net impact of this will continue to be negative as it has been also in Q4. So we're not going to be able to quantify because partly it's also dependent very much on how we're able to negotiate for instance with various suppliers and of course also dollar rate development and other currencies. So it's difficult to give you an exact number but of course we'll report as we have done in this quarter, we'll also report for Q1.

Jan Johansson: And then you have of course cost saving, price/mix etcetera offsetting it also. So it is complex material.

Ian Simpson: Thank you very much.

Operator: Thank you. Your next question comes from the line of Oskar Lindström from Danske Bank. Please ask your question.

Oskar Lindström: Yes. I have a number of questions. And the first one is, coming back to this other line for both Tissue and Personal Care, which was significantly larger in Q4 than it had been for the first nine months for both of these business areas. And I understand that it's cost savings and Vinda also in the case of tissue. But why would those factors not impacting to a similar size for the first nine months. That's my first question.

Fredrik Rystedt: I can only comment, first of all we had a good quarter in terms of efficiency. And then Vinda had a good result. So those are the main differences.

Oskar Lindström: Right which was not then the case in the first nine months. OK. Second question comes a little bit, the group net pulp purchases for 2015, and the net exposure to the U.S. dollars. Is that, are those numbers that you could give us already now?

Fredrik Rystedt: You mean how much we are buying in pulp?

Oskar Lindström: Yes, because now we have the old figures for 2013. But of course the company has grown also through acquisitions since then. So I was wondering

a little bit if you had updated net exposure towards pulp in terms of tons being purchased?

Jan Johansson: I mean I'll give you just I think pulp is one thing, but of course I guess you are after the dollar base. So we have raw material purchases as you can read, by roughly about 27 billion, approximately 13 of those are clearly exposed to the dollars.

So that would give you a magnitude. It's actually more than that but we also buy in dollars in the U.S. for instances so what is sort of currency exposed is roughly about 13 of that 27. So that will give you a rough idea.

Oskar Lindström: Right. And then in terms of tons, if we're talking about the net pulp purchases?

Jan Johansson: I mean we can't give out any figure for this year. I mean we have just started the year but if you use the last year, I guess you get pretty close.

Oskar Lindström: All right. And what were those for 2014 if you're referring to last year?

Jan Johansson: I don't have it in my head. Can we get back to that?

Oskar Lindström: OK. Surely. And talking a little bit about M&A, you know what's your outlook for M&A in your case for 2015? What are the opportunities out there? What are you interested in? You know what can you say about this? I mean this is a big theme a couple of years ago, less so in 2014, what should we look forward to in 2015?

Jan Johansson: I think we have been doing some 30 acquisitions/divestments at the value of 40 billion SEK. So what we have been concentrating at maybe to consolidate that. But we are actively looking for new acquisitions. And I've been quite clear myself that Brazil is one of our main targets when it comes to acquisitions.

So we are working very hard to find something that fits in to the company. Would something interesting come up in U.S. we would absolutely have a look at that to strengthen our position in the retail side.

India, organic, I think that would be the main geographic areas where we're actually looking at acquisitions today. And that we are growing extremely strong in Brazil in incontinence. We are in par with number one when it comes to volume now in just a short time but it's not enough with incontinence if you want to be strong in retail. We do need some more categories in a country that is low penetration there is some interesting growth.

Oskar Lindström: Are you, following up on that answer, are you primarily would say you know new categories, are those categories you know where you are present today in other markets like femcare and tissue, and so on, or would you also consider you know completely new categories for the group?

Jan Johansson: We are looking into new categories also, yes, that fits in to our system.

Oskar Lindström: Right. Another question, comes back to the costs for cleaning up after the storm which I guess were included in the forest products division for 2014. Can you give a number for how large those I guess extraordinary costs were for forest products in 2014?

Jan Johansson: If you look at it from P&L impact, of course we did have some substantially increase in harvesting cost. At the same time we had lower cost in buying external material so I would guess over time they will sort of take out each other from an P&L perspective. I'm not going to dig in exactly on the cost on this. But it's sort of a wash from that, time wise not necessarily in that but over time absolutely.

Oskar Lindström: OK. And finally, you mentioned organic growth for tissue, including Vinda, was that sort of like for like as if you'd had Vinda also in the fourth quarter of 2013 included?

Jan Johansson: I did that on the yearly basis. I did not do it on a quarterly basis since Vinda is not reporting that. Before we consolidated Vinda, we did not have sales or anything in our account, it was just, what do you call it, share of earnings which improved the margins of course because you did not have the sales, and

when we consolidated you get the sales and you have a double negative impact, lower margin in Vinda and removing it from the margin in the previous year.

Oskar Lindström: All right.

Jan Johansson: Can I come back to your question on pulp consumption? So again 2015, we don't comment on the pulp consumption but if you take 2014, we consumed 2.8 million tons, and out of that we are to roughly 26 or 25, 26 percent self sufficient in our own pulp operation. So that will give you a hunch of the number of tons.

Oskar Lindström: Super. Exactly that number which I was looking for. Thank you.

Joséphine Edwall: Yes, Oskar, I think we need to have another question because there are people waiting also on the phone line.

Oskar Lindström: I'm done. Thank you.

Joséphine Edwall: Thank you.

Operator: Thank you. Your next question comes from the line of Guillaume Delmas from Nomura. Please ask your question.

Guillaume Delmas: Good morning, gentlemen. My first question is on tissue. We saw some nice organic sales growth acceleration birth in consumer tissue and mature markets to 3 percent sequentially. Could you shed more light on this acceleration? And still on tissue, if we look back at Q1 '13 you were off to a slow start in U.S. away from home because the tough weather conditions. We're currently seeing a snowstorm on the east coast of the U.S., so should we expect again a slow start for away from home?

My second question is on personal care. The acceleration in Q4 in baby diapers. To what extent is that reflective of the new private level contract you got in Western Europe.

And then my last question, I think I missed your answer on your earlier question on your tax rate. What is your guidance for 2015 tax rate? Thank you very much.

Jan Johansson: Similar as this year.

North America, of course if we will have a similar situation as we had last year, when people were forbidden to go outside, it will have an impact on all the business in the U.S. and in any company, in any categories.

I guess the storm that was, that we got a warning of that should be one meter of snow was one decimeter of snow and that will of course not have an impact but if you have a similar situation anyone doing any business in US will be impacted.

I forgot the first question already.

Fredrik Rystedt: I think you had baby diapers there. If that new contract has had an impact?

Guillaume Delmas: Yes.

Fredrik Rystedt: The answer is yes, it has had an impact. And then we've also done, we talked about that previously in the few quarters, we've done some rebuilds on machines and of course that's also part of the volume increase during the fourth quarter.

Jan Johansson: Sequential

Fredrik Rystedt: Yes, sequential

Can I just comment on the tax rate? We had a fairly low tax rate as you may have seen in Q4. So that pushed the tax rate down a little bit. For next year will be roughly in line with 26 percent. I think I had that question before and I said 26 percent. So that's our estimate. It will be some volatility but roughly in that order of magnitude.

Guillaume Delmas: Thank you very much.

Joséphine Edwall: OK. With that I think we need to conclude this press conference. So Jan, any final comments from you?

Jan Johansson: Thank you very much. Well the conclusion is that we did have a very good year. Best in history. We have had strong development in all our areas, including important part as the innovation. And our forest operation has also been doing very good during the year. So from that perspective, I think at least we are reasonably happy with the year. And also since the interest is very high on how we travel in the company, I will just mention that we do use business airplanes. About 6 percent of the management's travel is with business airplanes. About 4 percent of our travel costs is in business airplanes. And there are, there will be two investigations in the company now looking into this, if we have been violating any internal rules, external rules etcetera. And very much welcome that and we in particular welcome that we get an external one that has been accepted by our shareholders.

And then we will see if we made some mistakes in the company or not. So thank you very much.

END