Joséphine Edwall: Today we have our president and CEO, Jan Johansson. He'll walk you through the report. And we will have a question and answer session where also our new CFO, Fredrik Rystedt will join. So, with this, I hand it over to you, Jan.

Jan Johansson: Thank you very much, and as usual I will start with a general market update. And I think you recognize this now. It hasn't been changed, I think for a couple of years. It's still quite a weak market in the mature markets with some exceptions. I will get back to that a little bit later. And we still have a good momentum in emerging markets overall in the hygiene business.

If we look at the forest business, we still see as also expected that publication paper demand is coming down. I will get back to that also a little bit later. But also an improved market for solid-wood.

Going into our own business, we did have quite a good organic growth during the quarter, strong EBIT development. The efficiency program is working according to plan. We also had several launches in all our major brands during the quarter. We have now finalized the floating of our joint venture in Australia.

And we also, as you may have seen announced this morning that we have transferred our operation in China into Vinda. Coming back to that deal that we have done. As we have communicated previously also, one of the major reasons for actually going up to the major shareholder in Vinda was to be able to capitalize on their extremely strong position in China with more than 300,000 points of sales. And in doing that now we will transfer all the Chinese operation. And as you remember from our acquisition from Everbeauty, we also acquired some part of Taiwan. Taiwan will not at this stage be included in Vinda. But, of course, the ambition is that going forward that will also be a part of Vinda. But we want to start with China to make sure that we have a smooth transition. That we can get all the
competence into Vinda in the right way. And the transaction does not have any impact on our P&L.

This is also a subject then to the approval by the shareholders of Vinda. So there will be an AGM here in the coming months. The summary of the group; we have an increase of sale of some 12 percent. If we exclude Vinda, Vinda impact that with seven percent of the sales. The organic growth is 3.3 percent. It says three percent here. If we include the organic growth of Vinda after the acquisition, the growth would have been organically four percent.

Operating profit, up by 29 percent of which Vinda stands for six percent. And gross margin (up) – I’m sorry; operating margin up with 150 basis points. Earnings per share up 56 percent. Operating cash flow 28 percent. I will comment some of these figures a little bit later. But this is also a good summary of the quarter.

What is also very good is that we continue to launch new innovations under our major brands. And this quarter, we have had new features and new products coming into the market both in TENA, Libresse, Libero and also in Away From Home. These launches have, of course, as we also mentioned in Q1 had an impact on the cost situation. Because we rebuilt machines. We have start up costs when we introduce new products on the market. But now we have the first ones introduced to the market. And so far, it's working as well as we hoped it should do in the plans.

In, Away From Home, we have an innovation that we call Bloe. And this is really changing the sort of management of bathrooms in terms of toilets. It's a system that helps to clean the toilet. It's a system that kills odors from the toilet. But also, maybe most importantly, it can actually reduce water consumption with more than 30 percent. And in some countries, of course, water is a scarce resource. And it's already implemented in Holland. And now we will start to launch in other parts of the world. At the same time also directed to the facilitators of commercial bathroom is EasyCube, which will help the facilitator to really be at the right place at the right time where you need to clean the bathroom. And when you see that the traffic there is very high. Because they can't see that today. So, they have to send out people without actually knowing if it's necessary or
not. So, this will really help our customers to save time and to save money.

We have also have a very interesting new Wet Wipe. And this Wet Wipe is not only cleaning, it's also killing the bacterials. So, it's a cleaning with bacteria killer at the same time. We introduced this in the U.S. now. But then, of course, it will also be launched in, in other countries. So, from an innovation perspective, I think we've been talking about that quite a lot now.

That the bottleneck is not now in innovation. The bottleneck is in the market where it should be. And we'll be gradually see new innovations coming out to the market. And this is a few good examples of what they've been doing during this quarter.

Coming back to the group, as I said organic growth of three, or 3.3 percent and four with Vinda. And we have growth in all our business areas. And in the emerging markets, we have some exceptional growth in some markets. I will also touch upon that a little bit later. But we also see forest picking up when it comes to increase of sales.

Operating profits up by 29 percent. The organic profit growth, 11 percent; so, we tried to help to divide from the organic profit growth and the including acquisition, et cetera. And we have a better price/mix. We have higher volumes; and of course, cost saving is kicking in. And acquisition in China, which is not included in the organic growth. It's included in the 29 percent.

Gain from forest swap this quarter also; but we also have some substantial higher costs in raw materials and in particular in personal care. And I will get back to that when I talk about personal care. And operating cash flow increased by 28 percent.

Another way of looking at the net sales growth is, and you can see on this chart where we have price/mix, volume, acquisition, and currency. And price/mix volume is around the three percent of the organic growth in the company. But then, of course, we have acquisition and we also have a positive currency impact on the growth. But here you can see all the components that is actually creating the growth in the company.
If we look at geography. And I started to say the mature market is stable; which means that there's virtually no growth. And you can see here that we only have one percent growth in mature markets. But in emerging markets we have nine percent growth. And in some countries; and I give a few examples here in the feminine care in Latin America, a 19 percent growth. We have incontinence Latin America, a 23 percent growth; incontinence in Russia, 29 percent growth.

And you remember that we did have a problem in Russia when they took away 30 percent of the reimbursement overnight. And we're actually taking that back without any change in the reimbursement. And that shows maybe a little bit of the strength of the brand TENA. And also tissue in Russia is growing by 22 percent.

But also positively in the mature market, we are growing in Away From Home in Western Europe with five percent; which I think is also a strength of the brand, Tork. And with the new innovations we have coming in, which, of course, will take some time especially the ones on the bathroom. But that will certainly help us to get a stronger position in the market.

Some comments on this one and maybe one on operating cash flow. And we, we do have quite a good increase in that. But overall, if we look at the cash flow year to date, we are not really satisfied with that. It should be stronger. And the main reason for that is actually all in receivables. Because that will come into the company during Q3.

But normally, you should have seen a, a stronger cash flow. And the good thing is that we don't see any increase in inventory except some in forest because of the storm. Then we have to take care of the tree that has been falling, of course. And that has a slight impact on the forest inventories.

Debt equity ratio, 54 to 56; impacted by Vinda acquisition but also, the increase in the pension debt due to the long interest rates going down. And that immediately have an impact on the pension. But still on a very low level compared to our target. So, coming into personal care; we had a cost increase in raw materials and currency impact of 196 million Swedish crowns. And if we just take the currency impact out of that and add it to the operating profit, the operating profit would actually have gone up by nine percent instead of going down
as you see in the result today. We did also communicate in Q1 that we saw higher raw material prices in fluff pulp for personal care. And we will continue to see some uplift in pulp price in Q3. But then it will come down.

Since we have a delay in the market price into our operations, we can see fluff pulp actually going down now. But since we have the previous quarter, the second month of the previous quarter impact in Q3. There will be a slight increase even in Q3. Not as much as you've seen from Q1 to Q2. And the currency changes, is not continuing. We see the, the currency is also being stabilized in this terms.

Also here, mature markets is no growth. The good thing is that emerging markets today is 43 percent of our sales in personal care. So, we are growing that quarter by quarter. And as you know we also have a target to be at least 50 percent; and hopefully above that, emerging markets sales from personal care.

The good thing though is that Q1 to Q2, we have a growth even in the mature market of five percent in personal care. Some examples here when it comes to growth. And, of course, from a small base, still in a very competitive environment. We have grown TENA in China with 35 percent, Q2 to Q2. We have grown TENA in Latin America with 23 percent. We have grown TENA in Brazil with over 30 percent.

Libero China growth, 89 percent, Q2 to Q2; so, we have some very good growth momentum in some of our growth markets, which we, of course, will continue to capitalize on. But the main downside in Q2 in personal care is actually on the raw material and currency impact. Otherwise, we have a positive price/mix. We have a positive volume growth.

And Q1 to Q2, even the mature market a growth of five percent.

Coming back to tissue, sales growth of 18 percent. Of that, Vinda stands for 13%. We have an organic sales growth of two percent excluding Vinda. But also, positive price/mix and positive volume; and also a very strong growth in emerging markets as I comment.
I can mention maybe a few more figures. Away from Home China is up 29 percent; Tempo, China, up 44 percent. And Away From Home, Latin America, up 10 percent compared to Q2 last year. Also, to comment a little bit on North America since we did have the severe impact of the winter in Q1. We actually have seen the U.S. market coming up with as high as 21 percent Q1 to Q2.

So, it was a winter effect. And now we actually see the market coming back. When it comes to mature market, which we also explained in Q1 was that we did leave some private label contracts that had an impact on, on the volume on sales. And that is taking down mature markets with one percent – percentage points in sales. But we have grown the branded market in Europe with two percent.

So, we have shifted the private label to branded. But of course the volume private label is bigger than the volume branded. But in a transition way, it's a positive thing, if we can actually switch from, from very low probability private label to higher profitability branded sales. We also have Q1 to Q2, an increase in sales in mature markets with four percent. So, it has been picking up since, since Q2 to Q2.

Forest operations, we did have another forest swap this quarter, 175 million. We had one in Q1 also. And I think it was 152, if I remember rightly. But Q2 last year, we didn't have a swap. So, that's of course, the comparison you can see here. But even if you remove the impact of the forest swap we have increased the margin to 10.6 percent. So, it is really a good improvement in the forest operation.

The difficult part is still publication paper. And it is all qualities in publication paper. Consumption is down as I said with some four percent. And we estimate that we will in relation to this see actually price decrease in publication paper for the second half year. On the other hand, solidwood, stronger; and pulp is going strong. We did not get the price increase in Kraftliner because the market didn't follow our announcement on price increases. But we now see companies in Europe announcing price increase on Testliners. And if that is sticking on, then, of course, there will be a price increase in Kraftliner, also. Because if the difference is too big between Kraft and Testliner, you can actually swap some of the Kraftliner to the Testliner. Not all, of course, but the relation needs to be within
certain boundaries. Otherwise, it's difficult only to increase the Testliner prices. But overall, a strong performance.

Some comment on Procter & Gamble; and once again, entering the incontinence market. And they have started in the U.K. And they launched their new incontinence under the same brand as the feminine brand. And the result so far is actually that we have increased our sales in the U.K. since their introduction.

The good thing with Procter once again coming into incontinence is of course, that that will help to drive penetration. And you know penetration is very low even in the mature market. It is below 40 percent in the European market. And if we are two driving penetration it is of course better than if we are the only one driving penetration.

They are mainly focusing on retail. And as you know we are very strong in retail in Europe. But we're even stronger on what we define healthcare. On the global level it's more than 70, 30, 70 home care and 30 retail. We have, of course, known about this for some time. That they were going to introduce incontinence. We have been given time to prepare ourselves. And we will defend our positions.

We have looked into the products. You should never, of course, underestimate Procter & Gamble. It's a great company and great innovation skills. But what we have seen so far, the product is not very different from what you can find on the market. And it's too early to see if we need to do something more or not. We don't anticipate that we will increase our A&P this year from what we have been communicate. But we will reallocate A&P from other areas to incontinence to defend our position. And we do have an extremely strong position with the TENA brand. And as you know we are more than twice the size of number two on the global market. And we are dominating the European market.

And the U.S. market which is probably the weakest position we have, the total Inco market in the U.S. and Canada, it's about ten percent of the Inco sale, if you look at the retail U.S. it's about five percent of our sales and adding quite a little to the profitability. But of course, we have the ambition to continue to be number one. We have done it before. And we will try to do it again to defend our positions in the market.
So, summarizing, market you know. Good organic growth in the company; improved profitability, efficiency program is working. Several new launches, and of course, important to launch new features and new products under the brand TENA in a situation like that. This will help us to defend our position.

And we have finalized Australia. And we also finalized what I communicated to integrate our Chinese business into Vinda. So, with that I will open up the floor for questions. I will ask Fredrik to join me.

Joséphine Edwall: We’ll start with the first question.

Linus Larsson: Thank you. Thank you very much. It's Linus Larsson with SEB. You displayed a lot of big positive figures in terms of organic growth across your various categories. Could you maybe also highlight which the laggars are where? Because I understand you have some negative growth in certain categories or geographies within the group. Would you care to highlight those as well?

Jan Johansson: Well we're still struggling with Sealer in China, which is a tiny, tiny part of our business. And, and as I said in Q1 also it will take time before we're back to where we were one year ago since we lost so much in Q3 and Q4. So that is still lagging behind. But that's probably the only one where you really see that we are not catching up as we were a year ago. Is there anything else, Fredrik?

Fredrik Rystedt: No, I, I think as you saw previously you had a very significant growth of all of these emerging markets. And that those examples came from that. I think the main issue is that growth on the mature markets are – this quarter at least very slow.

Jan Johansson: And also that overall in any market baby diapers is a highly competitive product. So we don't really see any major growth in the baby business. Of course in the mature market there is no growth. It's not any organic growth. If you want to grow, you have to really gain market share. We have not been investing in getting market share in our branded business. But we have increased our sales in private label in Europe as I talked about also in the first quarter.
Linus Larsson: May I also ask regarding today's announcement about the Vinda transaction. How will the transaction itself affect cash flow? The value of the deal is one billion Swedish krona. Could you say something about how that would enter into SCA's consolidated cash flow?

Fredrik Rystedt: Actually it doesn't. Because we already consolidate Vinda. So it doesn't have an impact. It only has an impact on the results, of course, in the minority as we go forward. So very small impact, if any.

Linus Larsson: Great, thank you. And also regarding forest products, the remark that you made about publication paper price declines. Would you mind quantifying or estimating how much of a price decline there might be in the third quarter?

Jan Johansson: Well, I mean, it's more based on the fact that consumption is continuing down. And we don't see closures of production facilities in the same level as consumption. And that will, of course, increase competition. And that will drive prices down. Everyone will want to have a 100 percent utilization rate. It would be very surprising if you don't see a price decrease in, in the second half.

Linus Larsson: And how far are you at this stage? Are you halfway through negotiations? Or could you say something about that just to get the feeling for how…?

Jan Johansson: You want to have a figure?

Linus Larsson: NO, but I mean what kind of visibility do you have?

Jan Johansson: My guestimate.

Linus Larsson: Yes.

Jan Johansson: Two to three percent.

Linus Larsson: OK, that's excellent, thank you very much. And just final question if I may. The, forest land gain this quarter again. Should we expect more of that to come in the coming quarters?

Jan Johansson: I don't think in near-time. I don't see that we should have anything like that. Of course, we would love to have because we add value to the company. But I don't see it in the second half of the year.
Linus Larsson: OK, thank you very much.

Mikel Jáfs: Mikael Jáfs Kepler Cheuvreux. I'd like to continue a little bit on this Vinda deal you say that they have more than 300,000 points of sale. Could you try to describe for us what will the benefit be for SCA?

Jan Johansson: It will be a cost benefit. There are, of course, cost synergies in combining two businesses in the same region. And they have an extremely efficient distribution network. They have a very solid sales organization. So, if we can when we have educated them in the personal care products, of course, we get much more power out to the market than we have today.

And that should, of course, have a very positive impact on sales on Baby, on Inco, and – but even more maybe on Tempo, which we, of course, we introduced to China. And now they're more than 70 percent market share in Hong Kong. And we will, of course, also try to boost Away From Home sales. But the categories we're in now with the combined distribution skills, and the muscles of both companies it's quite unique in China.

Mikel Jáfs: And then a second question; recently we've seen the Swedish krona depreciate. How and when will this potentially affect SCA?

Jan Johansson: It is already today. And as you saw from my chart when I broke down the sales growth in sales. You had a currency impact on that. So, but in – in particular, of course, in forest. Because we, we have on the opposite emerging market currencies have gone down; which is affecting mainly personal care since we are bigger in personal care than tissue. But the Swedish crown from translation already now; transaction forest already now; but not the rest of the business.

Mikel Jáfs: OK, thank you.

Fredrik Rystedt: We had a positive impact currency translation, about 100 million in this quarter. So, it has impacted already as Jan said.

Joséphine Edwall: Anymore questions from the floor? Otherwise, we open it up for the telephone. So, operator, could we have the first question from the telephone, please?
Operator: Yes, you first question today comes from the line of Kartik Swaminathan from London. Your line is open.

Kartik Swaminathan: Hi there, and thank you very much for taking my questions. Kartik Swaminathan from Bank of America Merrill Lynch. My first question, and apologies if I missed this. But could you please let us know the split of Inco sales by channel in Europe with respect to retail versus healthcare? And if you could please remind us as to your ambitions on new product launches in H2?

Jan Johansson: We have about 73 percent of our sales in Europe is what we define as healthcare, and 27 percent is retail. And North America, 59 percent is healthcare and 49 percent is retail; globally, 62 healthcare and 38 retail.

Kartik Swaminathan: Thank you. And on product launches in H2?

Jan Johansson: Since we now have just introduced new products on the market, we will concentrate to get them up on the shelf and impacting the sales in a positive way. So, we don't have any major new ones – these ones are actually now introduced to the market and not really in all countries yet. We just started with them.

Kartik Swaminathan: OK, thank you. My second question is on Everbeauty. Why is it only the Mainland China operations that were sold into Vinda? If I recall correctly, you also have some operations in Taiwan which are a big part of the sales that you originally acquired?

Jan Johansson: That's true. We have a strong position in particular in incontinence in Taiwan but also in Baby. They also have quite a big export business to the Philippines. And then, we decided together with Vinda that we leave that outside until they have integrated the Chinese business. Because this is a big step for Vinda to take over the personal care business of SCA. And not to destroy the process or, or asking too much of the people we had better take it in two steps than in one step. So, that's the only reason to be cautious with the integration process.

Kartik Swaminathan: OK. And my final question was on what kind of investment you think would be needed in order to support your international brands? Clearly I expect them to attract a premium on price relative to what's currently being
Jan Johansson: We need to look into that when we have started the integration process. I mean, we are still waiting for shareholders approval for the acquisition. So, I think it's a little bit too early for me to comment on that. So can we get back when we have all decided and finalized?

Kartik Swaminathan: OK, thank you very much.

Jan Johansson: Thank you.

Joséphine Edwall: So, a second question from the telephone, please operator?

Operator: Your next question comes from the line of Peter Testa from Lugano. Your line is open

Peter Testa: Hi, yes, it's Peter Testa from One Investments. Two questions, please; one is just to make sure I understood this point on personal care, FX and raw mat affect. And I'm a little bit confused. Because on the release itself it talks about the change in operating profit being from raw mat being you know a significant negative. And currency being a small positive in personal care.

And I was wondering, when you described it, the other way around in your comments. Can you just maybe help understand you know how I'd look at that table? And what the, the impact is on raw mat and FX on the personal care profitability, please in the quarter?

Jan Johansson: Yes, I'm sorry. I should have been more specific on that. In the report we are only talking about transaction impact. And what I was talking about was, was – sorry, translation. And what I was talking about was the transaction impact. So the translation positive; and transaction negative. I should have made that clear. I'm sorry about that.

Peter Testa: OK. And the raw mat minus 22 percent seems quite a big number compared to price/mix 11. Can you help us understand in terms of you know maybe – you know the impact of raw mat. The price increases
which are being put through which will help further mitigate that looking at the second half?

Jan Johansson: It should have a positive impact mainly as we can see it now without any further price increases or further cost cuts in Q4. Since we still see fluff pulp coming up slightly a little bit more in Q3. Since we have the delay in pricing. But then, of course, we can also see that it's coming down now; which means that we will have that benefit in Q4 together with the price increase.

Peter Testa: Thanks.

Jan Johansson: – Well, was that clear and you understood?

Peter Testa: Yes, I understand what you mean.

Jan Johansson: Yes.

Peter Testa: OK. So, it should head towards flatter because of the prices continuing to come through with the raw mat. And you know and working with less of an increase. And then swing into Q4.

Jan Johansson: Yes, yes.

Peter Testa: OK. And then, the other question I had was over the last two or three quarters there's been a certain disruption in your business due to market changeover decisions taken; you know Italy, and China, and so on. And there are two parts of the question there.

One is you know and without looking to be specific. Do you think these significant decisions are largely behind us now with the Vinda transaction? Or, do you think – are there other markets where you'll see some of these decisions made in significant size of the balance of the year?

Jan Johansson: No, I don't think you will see anything like that. I mean, and it was two, two things in last year. One was China which was a little bit surprise to us also. And the second was Russia, which of course, was planned but not communicated. And I don't see anything of that coming when we go forward.
Peter Testa: OK. And then the other part was when you look at the, the bounceback that you've seen in Q2 from those – you know Q4 and Q1 decisions. Can you give some sort of understanding as to what benefit you think you've seen in terms of you know restocking and rebuilding of brand positions in China and Russia, for example?

Jan Johansson: Well, Russia is growing extremely strong both in Baby, Inco and in tissue. China is growing very strong on our sort of global SCA brands. But we're still struggling a little bit with Sealer even though we have repositioned it. And we have seen some positive impact during the, the first half year. But we are far from where we were a year ago. So it still needs some work to get that position back. And with Vinda, we believe that will be a much faster solution than if we would do it ourselves.

Peter Testa: Right. But overall, do you think you've recovered at least the sales rates that you had before on both of their?

Jan Johansson: Not with Sealer, no.

Peter Testa: Not with Sealer but …

Jan Johansson: In all other, more than that.

Peter Testa: Yes, more than that. OK. That's great, thank you.

Jan Johansson: And Sealer is once again, a tiny, tiny portion of our business, so.

Operator: A question comes from the line of Stellan Hellström from Stockholm. Your line is open.

Stellan Hellström: Thank you. First two questions on tissue. You specify in your earnings breakdown that sort of the other items adds some four percent to your EBIT. Now that includes, I assume Vinda; which contributed ten percent. Can you give us any idea why the cost savings are not coming through more than like one could expect here?

Fredrik Rystedt: Yes, we can do that. There are several other things there. And of course, things like inflation is negative, of course, in this line. But we also have some other cost increases and particularly around packaging and some other materials. So those are the the main reasons.
Stellan Hellström: And how do you see that, I mean in going forward? Will this continue to be a negative factor in the coming quarters or?

Fredrik Rystedt: I think inflation of course, will be there. We also had another issue in Q2, which would have to do with a slightly lower production volume in tissue. And that, of course, will be roughly in the same area. So, you shouldn't expect any major differences. But, of course, we try to keep as much as possible of the savings we do.

Stellan Hellström: All right, very good. Then, also a question on the U.S. business. I think that you were planning to hike prices in the U.S. And if you can give us any idea on how that is progressing?

Jan Johansson: Yes, we are estimating that we will have some net price increases of one to two percent.

Stellan Hellström: Good, good, and thanks. And then also finally a question on A&P spending in personal care. I think you've said earlier that you expect that to be flat year-on-year and now for the year. And then, now you're up clearly in the first half. Is this still a valid expectation?

Jan Johansson: Yes, I think we comment that in relation to sales.

Stellan Hellström: Yes, sure.

Jan Johansson: That was you know the same level as in relation to the sales. And still stands.

Stellan Hellström: OK. And with the transaction with Vinda. That could perhaps change a bit, or?

Jan Johansson: I mean the Vinda process will take a couple of months. I don't think it will have a major impact during this year.

Stellan Hellström: OK, but maybe next year or do you think that's going to be a significant impact?

Jan Johansson: I mean since we are consolidating Vinda a hundred percent, I don't think it will have an impact next year either.
Stellan Hellström: I'm thinking that if you're planning sort of more of a major launch into new shelf space so to say in China. That you would have to support that with an increased A&P spending, but…

Jan Johansson: I think that the major problem in China is probably not the A&P. It's actually sales. To get sales running in a good way. To have people on the floor and people in the stores. And bigger distribution, et cetera. We will get that with Vinda and without actually investing anymore. So, I, I don't think the A&P is the problem. It's the sales.

Stellan Hellström: Yes, and very good, thanks.

Jan Johansson: Thank you.

Operator: And your next question comes from the line of Celine Pannuti from London. Your line is open.

Celine Pannuti: Yes, good afternoon, and just a few questions. The first one is if we look at personal care. I'm trying to understand the moving parts here in your performance and some of which you have already commented. So, am I rightly understanding that despite the savings and you had some higher A&P FX hit on transaction in Q1 and Q2. It was quite material. And you had this higher fluff and packaging costs in personal care. Now, if you can comment on that? My understanding is that this FX transactions should not be as dramatic in the second half of the year. Can you please comment on these and whether effectively what would be the. You had commented on fluff actually. But if you could comment on the other raw mat packaging in personal care? Secondly, in personal care, I wanted to understand if you could you know now your margin is better in tissue than in personal care when the gross margin clearly; and the return on invested capital are much higher in personal care. What do you think midterm should be the trajectory for personal care?

Obviously, you are putting a lot of investment up front. But how should we be looking at it on the maybe a midterm basis? Then if you would have comment on personal care, why incontinence growth rather low at three percent? And what happened in feminine care? Thank you.

Jan Johansson: Yes. Many questions and I'll see if I remember them. It's…
Celine Pannuti: I'll repeat, if not.

Jan Johansson: Yes, if I take the first one. You're absolutely right. It's what—it was quite substantial, 196 million SEK Q2 to Q2 in raw material and FX transaction. When it comes to FX, we don't see any further sort of impact on that as long as it stays as we are today. And fluff which is the most important part of this raw material increase. Is as we talked about now coming down. But it was going up during Q2. And our price is set by average price of the second month of the quarter before we buy the fluff; which means that we still will have some price increases during Q3. But then it will come down after that. What was the second one?

Celine Pannuti: The margin in personal care midterm?

Jan Johansson: The margin? OK the margin in personal care is not on the level that we want to have it today. It should increase. And as you know we have a target on return on capital employed on 30 percent. And I think we were at 28.7% this quarter which means that we need to bring up the profitability and we need to improve the margin.

We have as you said, really invested quite a lot in personal care during this first half year by upgrading all of the production facilities in incontinence and Baby with start up costs, et cetera. So of course we really are going to see a payback of that fourth quarter and going forward.

Celine Pannuti: And the other question was incontinence growth in the quarter. And as you said there is strong growth in the feminine care.

Jan Johansson: Feminine care, it was growing quite well. And if you look at Europe, we had quite a slow growth where we have our biggest incontinence market during Q2. And also, we were impacted by a very slow growth in the U.S. two big markets in incontinence. So, that's why you see a slower growth in the quarter.

I guess you asked the quarter or the half year. And the market is not growing very much. And we have not really been too aggressive in gaining market share during the quarter. We have actually been preparing very much to welcome Procter & Gamble when they arrived to the market; which we're doing in the U.K. now. In the U.K., we're actually growing
quite well at the moment. So, it's more a tactical move than actually factual change on the market.

Celine Pannuti: OK, and if you allow me, I would like as well to clarify your point that you made in tissue. So, you did say in tissue that you had an increase in a raw mat, which was I think packaging costs. And I would presume as well as pulp prices. Do you think that packaging costs will still be higher going forward? But what about pulp prices?

Jan Johansson: My estimate on pulp prices for the second half year is that it's coming down both in soft and hardwood. And in particular in hardwood, we have 2.3 million new tons coming out to the market. And that will have an impact on the softwood also since we can actually switch a little bit. I mean, we have also worked internally. Normally we are 50, 50, and now we are at 45, 55 hardwood and softwood. So that will impact even if the softwood market is quite tight today. So it will come down. Packaging, I can't see that packaging costs will go up for the second half.

Celine Pannuti: OK, good. And just a point on Vinda. You know the Vinda joint venture you know the sale rather in China. Does it mean that all of the launches that will happen in personal care are going to be booked in Vinda? And therefore, any top line acceleration will be seen in Vinda. And it will not be part of your like-for-like computation in the second half of this year?

Jan Johansson: Well, since we consolidated a 100 percent of Vinda, you will see – still see it in SCA. So, it's from that perspective it will not be different from today.

Fredrik Rystedt: And just that we already separate there as you – as you may see in consumer tissue and Away From Home. And we will do that, of course, also for this business.

Celine Pannuti: Good, thank you so much.

Jan Johansson: Thank you.

Operator: Your next question comes from the line of (William Houston) from London. Your line is open.

William Houston: Hello there, three questions from me, please. Firstly just on the incontinence launches seen in the U.K. I think this speculated numbers of
SKUs was up to about 24 different SKUs for the Always brand. It doesn’t feel like they’ve launched anywhere near that in the U.K. at present. Could you just comment on that on the scale of the launch? And how you think that compares to the – to the eventual rollout that you will have from, from Procter? Point two would be on improving the margin mix. It's something you did in Q1 by exiting some low margin contracts. Do you think that's something you can do a lot more of over the coming quarters? And then point three, just in terms of the cost cutting programs that you've got ongoing. Could you talk about any kind of specific tangible things that you've done in this quarter to take costs out of the business such as kind of headcount reduction? Is there any production capacity that you've exited on the converting tissue side or anything like that? That you can give us on a kind of tangible cost cutting you've done, please?

Jan Johansson: Well, if I start with Procter. We did assume that they would have a full range of incontinence products. And I guess in the end they will have that. Otherwise, it's very difficult for them to enter the market. And they were delayed, as you know in U.K. also the shelves were empty for a while. But our assumption is that there will be a full scale SKUs on the market. And that's what we are preparing ourselves to deal with. And, of course, it may take some time in different countries depending on the supply situation. But, but we are prepared for a full scale. What was the second?

William Houston: Sorry, it was on the margin mix.

Jan Johansson: Oh yes, sorry. No, I don't really see that. We have quite silent exchange and quite a lot of tonnage during the past two or three years from lower margin to higher margin. But then gradually over the year; and now it was sort of a one shot one quarter. On the other hand, we grow the branded business by 2 percent. I can't see that we have the situation like that going forward, no.

William Houston: And then, lastly on just kind of tangible cost cutting measures that you've taken, please?

Jan Johansson: We, we are continuing to drive the productivity in the supply chain. And now that's mainly where you see the cost cuts coming from. Now it's not heads anymore. It's more pure productivity improvements excluding France. Because we are still dealing with France and the negotiations in
France. So, I exclude that from that comment. But otherwise it's more in supply chain. We have already done the sales. And the marketing we have done and the IT. But now it's pure production.

William Houston: Yes, and just in terms of the, the French negotiations. Could you update us on how they're going? And when you would expect to hear a bit more from them? Because I mean, I can understand that takes a while. But if you had anymore color on that, that would be helpful.

Jan Johansson: Well, there is nothing in the process that is going to change the plan that we will have all of the synergies by the end of 2016. So, from that perspective it's going according to plan.

William Houston: OK. And just, just lastly on your, your sourcing. I mean, that was expected to be about a billion kronor of saving. And your kind of 700 initiatives that you were going to put into your sourcing organization. Is there any update you can give on how you think you are through the sourcing savings, specifically please?

Jan Johansson: I'm not sure I can comment that in particular. But, of course, there is a good opportunity now being the biggest pulp buyer in the world as we are together with Vinda. And as you know in pulp, you have the same system as everywhere else that you have one market price and then you have a different price for big customers. But the only thing I can say is that we still have some good potential in sourcing. We haven't really consolidated the global sourcing in all our products and transportation. So, my expectation is that it will continue to deliver.

William Houston: OK, that's helpful. Thank you very much.

Jan Johansson: Thank you.

Operator: Your next question comes from the line of Oskar Lindström from Stockholm. Your line is open.

Oskar Lindström: Yes, hi, I have three questions. The first one…

Jan Johansson: Take them one by one.
Oskar Lindström: Yes, all right, so the first one concerns the competitive environment in the European tissue market. Is that something you could say a little bit more about given the size of that business for you? And has it – you know is there any change in the competitive environment there with the new capacity coming in, or imports affecting it?

Jan Johansson: No not really, it's not changed from what we have communicated previously. It’s always competition of course. If you look at the result that we're delivering or we have been delivering for the last four or five years it's of course, a lot of internal savings that is improving margin. But also, the way we are taking the lead in the market as the market leader in Europe. So, it is no different from a quarter ago or a year ago.

Oskar Lindström: All right, the second is more specific. It's regarding the split of your hygiene cost savings between tissue and personal care. I think you gave that early on in the program. But is that maybe something you could give more detail on now?

Jan Johansson: I think we are only reporting the accumulated now. But I've also been very specific that the absolutely bulk is in tissue.

Oskar Lindström: So, is that sort of two-thirds, or?

Jan Johansson: The absolutely bulk.

Oskar Lindström: Absolutely bulk, I'll look that up, yes.

Jan Johansson: Yes.

Oskar Lindström: And, and that's going to be also the case going forward.

Jan Johansson: Yes.

Oskar Lindström: Yes, so there's no shift there. And the final question is you know that we you know we have talked today about a situation where one of your competitors enters a new segment in the personal care field. Is that something you yourselves are looking at? Are there any new product segments out there which are – which you are keen to enter.
And I'm not talking about just sort of brand extensions into you know very adjacent segments. But really new product segments. Is that something that interests you, or you see a need for?

Jan Johansson: Well, first of all it's not the first time Procter is entering the incontinence market. They actually have a product in the European market today on the very light Inco side. So, it's not the first time. And, and of course, we have the highest respect for them. But we, we are going to defend our position.

We don't have any, any major … I show you some examples today, which you can call a new category when you go into – the really washroom facilities with the new products in Away From Home. And that's of course, a new category in a way, even though it's within the Away From Home market. But otherwise, we don't have any spectacular new category that we're going to enter into.

Oskar Lindström: All right, and there's no – it's not something that you think could be interesting for you going forward to add on a new product segment? I guess especially on the personal care side?

Jan Johansson: Well, we are of course, looking if we can add something to the structure we have today that would fit the structure. And that will be accepted by our customers as natural for SCA and to the category. But we don't have anything today.

Oskar Lindström: All right, well, thank you very much.

Jan Johansson: Thank you.

Operator: A question comes from the line of Chas Manso from London. Your line is open.

Chas Manso: Yes, thank you. I have a few questions. Could I start off with the Away From Home. You were saying at the beginning that I think it was from Q1 to Q2. Your U.S. Away From Home grew, I think you said 21 percent. Could you just confirm that? Obviously, we're more interested in the Q, the year-on-year growth from Q2 to Q2. And how strong that has been. And if that's been quite strong, the implication therefore is that the
consumer's tissue side has been under more pressure. And could you just say whether that is the case or not?

Jan Johansson: Yes, it's. The reason I mentioned the sequential. It was of course, that we did have, have some challenges during Q1 with the winter. And some part of the market we're afraid that it was sort of the market that went down. And that's why I said 21 percent is right. And if I remember right top of my head, it's four percent Q2 to Q2 in, in growth.

Chas Manso: OK. Does that mean consumer tissue in mature markets is down?

Jan Johansson: We are not in consumer tissue in the U.S. We are only in the Away From Home. But of course, we can see that the consumer tissue market in the U.S. is changing. Because of the new capacity and private label is getting into the market in a completely new way than we had seen before.

Chas Manso: OK. And on the P&G issue, could you just inform us when they actually did enter the U.K.? And then, you're saying you're growing nicely on the back of that. Do you have a feel for the impact on market growth? And what the price gap is between you know equivalent SKUs between you and P&G?

Jan Johansson: That's of course a positive thing with Procter & Gamble compared to maybe a private label supplier is that they are not driving prices down. So, they are on the equal price level as we are in the markets. And it's too early to say if it's really penetration that has increased or if someone else is losing market shares. But we are not doing that. We're actually gaining market shares. They entered a month ago if I remember right now.

Chas Manso: Thank you. OK, and on the – on the saving programs. If my numbers are right, the incremental saving in Q2 was less than the incremental saving in Q1. And I just wondering whether to trend wise, we've gone over the hump. And now, incremental savings from here on in will continue to slow down?

Jan Johansson: Well, I mean, the closer we – if you take it quarter by quarter. Of course, the closer we get to the end of the program, the individual month will be less. But I don't think you can draw that conclusion, Fredrik?
Fredrik Rystedt: No, it will depend on of course, what we do in individual quarters. You can't necessarily draw the conclusion. We are on plan. And of course the perform to grow program will be completed this year. And where we still will continue with GP savings. So, it will marginally decline. But, of course, we have still some room to go.

Chas Manso: Great. And on this sort of housekeeping issue. If you could comment on associates and minorities which are quite volatile so far this year? Are the Q2s minorities and associates kind of a cleaner base than the Q1 you know for us to try and extrapolate going forward?

Jan Johansson: I think the only thing we have there is Australia, isn't it? In, associates because we have consolidated everything else. And of course, in Australia we have had the listing of the company, very successful by the way. And that has been drawing a lot cost during the process. And that's why you see some impact on that. But otherwise it should not be as volatile as you've seen it this quarter going forward. And we are after the listing we're holding 32 percent of the shares. And previously we had 50 percent of the company. So that will still be reported as associate.

Chas Manso: All right, and, and the minority line this quarter is twice that as last quarter. There was some exceptionals in last quarter I believe. Is, is this quarter minorities sort of a clean number?

Fredrik Rystedt: It's not a clean number. As Jan just alluded to, we have had some share of costs, of course for that listing in Australia. I think as we go forward, Australia will pick up a little bit.

Chas Manso: Right, OK, and thank you. And finally, the last quarter you mentioned sort of which categories and geographies you were sort of gaining share. Or where shares were flat. Could you perhaps go through that again for Q2?

Jan Johansson: Yes, I think we are – the only place where we are losing, have been losing market share in Q2 is on Sealer in China. Otherwise, we have been gaining or on the same level.

Chas Manso: Thanks, and OK. I mean, in Q1 market shares were pretty flat in European consumer tissue, baby diapers, and retail incontinence. You've mentioned that you're now gaining share in European retail Inco. But are they still flat in consumer tissue and baby diapers?
Jan Johansson: Well, we, we have been gaining shares in baby diapers due to this new contract as I informed of in Q1. If you look at the market in totality of course that’s a private label not a branded. I mean, it can shift depending on your promotion strategy. Whether or not you have a promotion. But if you look at the trend, I think the only trend where we have lost is in Sealer China.

Chas Manso: Great, OK, and thank you.

Jan Johansson: Otherwise, as I mentioned during the presentation, on the growth figures in the emerging markets. Of course, in all of these markets where you see the double digits or even a 30 percent growth. There, of course, we are gaining a lot of market share in those markets. Because they are not growing in the same speed.

Fredrik Rystedt: And we have also grown Inco overall in Europe. Not only retail, overall.

Chas Manso: Thank you.

Fredrik Rystedt: And Away From Home.

Operator: You have one more question from the line of Peter Testa. Please ask your question.

Peter Testa: Yes, it was just on the comment you made a minute ago about the U.S. market changing as private label arrives in a way it has not done before. Can you give a sense as to whether that creates any opportunity for you in the U.S. market? Or, it changes any views you might have about M&A in the U.S. market?

Jan Johansson: Well, I guess with the valuation you would see on any consumer tissue in the U.S. And with what we see on the market development it would be very difficult to justify an acquisition.

Peter Testa: And any opportunity to enter a private label in the U.S. markets?

Jan Johansson: We have looked into that. And one of our major customers have asked us. But we believe it's a wrong timing to actually enter that market now. I mean, if it goes the same way as Europe did for 10, 15, and 20 years, then probably you should wait a little bit before you enter it. It could be
different of course. But we need to see where it's sort of ending before we do something.

Peter Testa: OK, so it's not clearly stabilized or established enough to understand what the say production capacity you would need, for example?

Jan Johansson: Now, the only thing we see is that it is actually coming in too much capacity in the U.S. today. And the main part of that is directed to the consumer tissue. Of course, when the can't sell it in consumer tissues, some may spill over even on the Away From Home. But we are using that now. So, we're actually buying mother reels in the U.S. instead of tying up capital ourselves.

Peter Testa: OK, OK, great, thank you.

Jan Johansson: Thank you.

Joséphine Edwall: So, I understand that was the final question. So, any closing remarks?

Jan Johansson: I think we have covered everything. So, I just want –those of you who are in this part of the world that soon will have some holiday. I hope you get a good holiday. And then we have interesting autumn to tackle together. So thank you very much.

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