

SCA

Moderator: Jan Johansson

October 29, 2014

10:00 a.m. GMT

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 once again, welcome. I will as I normally do, start with some macro discussions. And maybe it's needless to talk about this because everyone knows that we are in a quite weak economy almost all over the world. But sometimes we need to remind ourselves anyway how that may impact a business.

And, as you know, we do have a very weak development in the global economy where GDP forecast is downgraded almost all the time; and maybe with the exception of U.S. The political conflicts, of course, are impacting us, with Ukraine, but also the Middle East.

If we take SCA as an example, we have been the market leader in countries like Libya, Syria. And of course, you understand it's very difficult now to have any business environment in the situation we have.

We still have a very low growth in mature markets. But in the Hygiene business, we do have good growth in emerging markets as you may have seen from the report. When growth is becoming slower, then, of course, competition is also increasing; because it's less to compete on.

And we see that also in some of our markets. And this quarter we are also hit very much by, in particular, the stronger U.S. dollar. We buy all almost, the bulk of our raw materials all over the world in dollar. And then, of course, if you're in Columbia, it's buying pulp in dollar. You will have a hit. But also, the euro dollar has changed quite substantially. And that short-term is difficult to offset. But, of course, over time, we need to take care of that. I'll get back to that a little bit later.

We do see an increased demand in Europe of kraftliner and solid-wood products, which of course, is very positive. In this difficult environment, we have anyway, a very strong increase of operating profit and cash flow in the Company.

We also have good organic growth even compared to some of our major competitors globally. We continue to work with cost efficiency.

I'm going to use two slides today just to show what we're doing and some impact of that. We have several new launches. I will touch upon that also. That's one of the most important measurements we have actually to offset cost increases; but also to increase growth.

We have now successfully transferred our Chinese business to Vinda. As from 1st of October. And we continue to receive recognition for our sustainability work in the Company. That is also giving positive business impact in particularly in the emerging markets.

Summarizing, we have a growth in sales of 16 percent. And that, of course, also include the acquisition of Vinda. But Vinda had an impact of seven percent on that; so, still excluding Vinda, it was quite a good growth.

Organic sales growth of four percent; we do not include Vinda in that since it's still regarded as an acquisition. But if we do that, it would have been five percent organic growth.

Operating profit is increasing by 16 percent. Vinda's impact of that is about four percent. So, the underlying business is still generating quite a good profit increase.

Operating margin, flat; and it is slightly negatively impacted by the consolidation of Vinda. Because Vinda does have a lower margin in their business than we have. So, excluding Vinda, we would have a slightly higher margin.

Substantially increase in earnings per share, 30 percent. And also as we talked about in Q2, we are regaining some of the working capital that we tied up in Q2 in Q3 now. So, it's substantially improvements of cash flow almost 60 percent.

Coming back to the efficiency programs because we do get questions on that, what we are doing. One major measurement or action that we have is that we have a blueprint implementation in all of our plants. And it sounds very simple.

We have a blueprint of a perfect paper plant. And we have a blueprint of a perfect converting plant. And then we implement that in all our operations over the world. And that is almost finalized in the Perform to Grow program, but still we have some things to do in Georgia-Pacific, and in particular in France.

And that will also during this year be more action oriented and more impact of that going forward. We also of course work with sourcing. We work with our warehouses, et cetera, et cetera; and the same in Forest. If we look at some of the results, you can see that Personal Care machine efficiency in converting is going up, same in Tissue, and same in Papermaking.

And if you take Papermaking, three percent - it looks like a rather small figure. But if you look in a papermaking-environment, that's actually a substantial improvement of efficiency. And we also see costs coming down when it comes to sourcing, logistics and energy consumption.

So, the cost saving programs are working. And also working as we communicated and planned in the beginning.

If we look at innovation, last quarter we had some innovation on the incontinence side.

This quarter we have been focusing on the feminine side. And we have three new innovations that we present here. And if you look at the report also, you see that we have a quite a strong growth in feminine almost all over the world. And that is also a category that we want to grow in.

We want to be bigger in the feminine category. It's mainly a branded category. It's also a category where innovation actually makes a difference to gain market share and to have satisfied customers. So, that's why we are focusing quite a lot in that area.

But also, some new innovations in Tissue, in Tempo, in Lotus, and also in our Xpressnap where we also got a very prestigious award in U.S. on one of our new innovations. So, innovation is working.

And as I have been talking about I think for maybe a year or two now, we are in a situation where the bottleneck is on the market and not in the innovation. And that should be the bottleneck, which means that we do have new products.

We have plans for new products for the coming two, three years. And that's very important because that's also something we can communicate with our retailer customers. They want to know what is happening not only next week, but also next year, and two years ahead, and three years ahead.

So, that's a very positive change that we're seeing in our innovation funnel and the work we are doing there. And this is also probably the best and maybe even the only way you can really offset quick cost increases in the raw materials side. New innovations, new communication, new way of pricing your products.

If we look at the Group and how the net sales has been growing. We have a price mix of one and volume of three. Then, of course, also the acquisition is impacting. But we also, from a group level on the translation impact, a positive currency impact.

Then, that is mainly offset by transaction impact when it comes to the hit of the raw material when we go down to the P&L. So it's positive in translation, negative on transaction.

And if we look at the different markets, in total four percent; mature markets, of course, still very slow, but two percent, emerging markets, nine percent. If we add Vinda into that, we would have had a growth of 11 percent in emerging markets. And as I said, five percent in total.

And we also show here some very strong development in different countries. And, of course, we talked a lot about Russia and the problems in Russia. We are actually growing very strongly in Russia.

People still need our products. Then of course, we are hit by the depreciation of the ruble. But as long as we can produce in Russia and sell in Russia, it's more a translation impact than a transaction impact.

We actually also had a decent growth in Europe during the quarter. We grew the Baby with eight percent in Europe in a non-growth environment. And we grew the Fempro with nine percent; which also is very good. It's exactly in accordance with our strategy. And we also had an Inco growth of some two percent in a market that is normally not growing.

On top of that, a very good growth in some of the emerging markets. So, I think we at least are proving that we are able to grow in a more and more difficult macro environment; even in a market that doesn't have any growth at all, like the European market.

And then, if we look at the different parts of the growth, the organic operating profit growth was six percent. We have a better product mix. We have higher volume. And of course, cost savings is coming in, more and more.

Consolidation of Vinda is helping us in this aspect. But then, the very fast increase of raw material, both in price, but very much in FX is in the short-term difficult to offset. Operating profit flat; as I said excluding Vinda, it

would have been a slight increase in the operating profit. But still, a very strong improvement in earnings per share.

We have 30 percent as I commented on; and also, a very good return of cash flow with almost 60 percent.

Coming into Personal Care; and the major impact, if I start with the operating margin is, of course, the raw material. We had an increase cost of 159 million SEK in the quarter for raw material.

And that would have meant, everything a like, we would have over 13 percent margin, if we wouldn't have had the short-term hit on raw material. And, of course, we need to deal with this. And we deal with this in different ways. We continue to look at costs, how we can reduce our costs.

Innovations will help us offset that. But we will also need to look at price increases in particular categories, in particular countries. So that's something we are working very hard with just now.

When we talk about Personal Care, it's obvious that I need to get into Procter & Gamble's entrance on the Incontinence market. And they've started in the U.K. And they're now coming into France, Belgium, and Germany.

One positive thing is that the entrance of Procter has really had a positive impact on the growth of the market. The market has grown by 18 percent after they introduced in U.K. But you have to be careful with that figure, it's one month.

And 80 percent of the sales in the U.K. has been on promotion; which means that probably people are overspending now.

And we will know after the second and the third return to buy the products whether or not it's sustainable. I guess it's not. Because the penetration has increased slightly. But it has not increased so it has impacted the market with 18 percent.

They have gained some market shares. They had some two percent market share even before they started. And I think volume wise, they have gained some five, six percent during this period. We have increased our sale by five percent in the U.K since they entered.

And it's far too early to say if this is going to be a success for Procter or if it's going to be difficult for us. We have to wait until the third, fourth, fifth time people are coming back to buy their products. But so far, from our perspective, our tactic is working.

But, as I said last quarter also you can never underestimate such a big and good player as Procter. But we do have an extremely strong brand. We do have the trust of the consumers. We do have the trust of the customers.

And we also have to remember that they are entering a piece of the market. They're not entering the total market. The retail market in Europe is about 18 percent of the total inco market. And then we also believe that they will go in to the pharmacy market; which is very different.

Because you do sell different products in pharmacy than you do in retail, a little bit more heavy products that they are not into, they are more into the light products. But if you also include the whole pharmacy market and the whole retail market in Europe, it's about 34 percent of the inco market.

But we continue to follow this. And we continue, of course, to invest in TENA to keep our position. We are not substantially increasing our costs. We are redirecting some of the A&P that we were planning.

And this is of course something we need to follow every quarter and see how it's developing. But, so far, it's going according what we would have guessed before they entered the market.

Going back to to Tissue, we had an absolutely beautiful growth in Vinda with over 20 percent. But with the lower margin than we have in rest of our business.

So, Tissue – the Vinda margin is actually taking down the Tissue margin. Without that, we would have been flattish in the margin. And the negative impact here is that we have less price increases in raw material than in Personal Care, but we also have quite substantial transportation costs because of two new legislation. France increased the road tax and U.S new legislation, drivers are not allowed to drive as long as previously. They need to sleep. And that has sort of short-term impacted the cost side.

Good growth in Away-From-Home, gaining market share almost all over the world. Some problems in the U.S.; of course, for the year, the winter problems we had is impacting. But we do have an overcapacity in Tissue in U.S.

Now, that was primarily directed to the Consumer Tissue. When the Consumer Tissue cannot absorb it's spilling over to the Away-From-Home side. And that has increased the competition in U.S. and Q3 to Q3, we do have a reduction in price.

But we actually managed to increase the price Q2 to Q3 in the U.S. So, even though there is an increased competition, we have been - managed to renew our contracts actually to have an increase; small, but still an increase.

And same here, if we would have included Vinda in the growth in emerging market; the growth would have been 13 percent, the organic growth. And of course, next year they will be part of the organic growth. Forest is probably the most positive surprise in the report.

And it's been a strong quarter. And we have been able to get some price increases into kraftliner. It's about 15 euro in Q3. And we expect another 20 euro in Q4. We have increased sales of publication paper even though the market is still going down.

Newsprint is down with as much as nine percent. And also, magazine paper is down by some two, three percent. But we have increased our production. We have had some higher costs in our Forest operation due to – you remember that we had more than five million cubic meters that was storm felled.

And of course, it's much more expensive to go in to take care of that forest than it is to when you can do it in an organized way. And the storm also made us buy somewhat more external forest than using our own forest. And that had an impact on the cost side.

Solid-wood, good demand; unfortunately, the supply is increasing. So we may anticipate some price pressure in Q4 on solid-wood, still good volumes. So, of course, you have the Christmas etc that will impact it.

Pulp is growing strong. And the pure Forest operation is also growing quite strong. And we are obviously helped here by the weaker Swedish Crown.

So, summarizing, in a very difficult environment where we are downgrading country after country almost every month. And you look at this small country now with zero interest rates indicating that we're not as strong as maybe we believed a couple of months ago.

With maybe one exception, U.S., even though the consumer side in the U.S. is not as strong as maybe the industrial side. So, we have to keep an eye on that. Because in the end, that will actually dictate the growth of the U.S, how the consumer is behaving.

In spite of all of this, we have substantially improved our profits, substantially improved our cash flow and earnings per share. So, with that, thank you. And we open the floor for questions, I guess?

Joséphine Edwall: So we start here with Linus.

Jan Johansson: Absolutely.

Linus Larsson: Thank you. It's Linus Larsson with SEB. Just coming back to your raw material costs comments and in Q3 on Q2, there was costs inflation of 158 million krona in the two –in Personal Care and Tissue combined. Could you say how much of that was currency related?

Is it possible to make a breakdown of that? And second to that, in Q4, do you have a view or guidance on this kind of potential cost inflation continuing Q4 on Q3, please?

Jan Johansson: Well, in Personal Care, it was about 50, 50. In Tissue it was – Tissue was much less than Personal Care. Personal Care, I thought was 159, and Tissue,

Fredrik Rystedt: It is 159. So, but roughly half and half, currency.

Linus Larsson: In both subdivisions?

Fredrik Rystedt: Less in Tissue; so, it was – so, it's roughly half and half in Personal Care, and a little less in Tissue.

Linus Larsson: OK. Great, and Q4 on Q3, do you have a view at this stage? What kind of raw material cost inflation we should expect sequentially?

Jan Johansson: I mean, first of all it's very difficult to forecast the currency. Because the currency move will have a bigger impact than maybe the price. The price is sort of. The general economy doesn't really support a price increase in the raw material. And normally, you would see a negative reaction on pulp pricing when the dollar is getting stronger; which you haven't seen in this case. One would in history, historically it's always been like a negative correlation. But you haven't really seen that.

I mean you see hardwood softening up a little bit. But softwood is still very strong. But we don't expect from sort of a price point of view any substantial increase. Then you have the currency play; which is difficult.

Linus Larsson: And elsewhere on your variable cost side, I mean, oil price under the pressure. At what stage will you be seeing some tailwind in plastics, super absorbents, et cetera?

Jan Johansson: Well, in average, three to six months after you see the oil prices coming down or coming up we will get it in the P&L.

Linus Larsson: So not – you wouldn't expect that, given your contract structure, etc its not in the?

Jan Johansson: Not Q4.

Linus Larsson: Not in Q4?

Jan Johansson: No, more in Q1 then.

Linus Larsson: And then, something different, just finally on Vinda, you say that Vinda is at this stage margin dilutive. Is that what we should expect for the foreseeable future? Or at what stage will margins be on par? I understand the balance between growth and margins, but what's your thinking around that and how will you play that, do you think?

Jan Johansson: I think Vinda is a growth case. And they should grow. And, as you maybe saw from the report this morning they're growing substantially higher than the market today.

They are gaining market share. They have in many cases a superior products to a lot of competitors since they are using the modern technology and a lot of virgin fibers. And the consumers are actually trading up a little bit in China now to the better products.

And we will continue to ride on that, if we can. Because there will be a huge consolidation in China. Companies will be forced to close down with old production. And we want to be the one who is going to gain that. So for me, China is not a margin game; it's a growth game.

Linus Larsson: Thank you.

Joséphine Edwall: Margareta, I think that was on the front row.

Mikael Jåfs: Thank you. Mikael Jåfs from Kepler Cheuvreux. A couple of questions. Historically, when you have faced higher raw materials, you have been able to offset this within one and a half or perhaps two quarters. Should we think otherwise now?

Jan Johansson: I think in Tissue absolutely. In Personal Care, as we've said many times also, it's not, you don't have the same sort of discussion with the retailers as you have in Tissue. Because you have the discussion with the consumers.

And they need to see a benefit before they actually accept a price increase. And the benefits would be the innovations we're introducing. So those will give a higher margin. But, of course, we – in certain categories we will increase the price anyway. But you can't just say generally, we will increase by X percent in Personal Care.

But it's absolutely, and we aren't going to accept this. I mean, we have to do something to offset, of course, the higher costs. So, that's on top of the agenda for everyone now.

Mikael Jåfs: And then, a second question. You have a very strong cash flow now in Q2. Could you give us some color and flavor what to do with this cash flow going forward?

Jan Johansson: Yes, it's a difficult one. I mean, we need to; we had some weak cash flow in the first quarters. And, in the end of the day, of course it's the shareholders deciding what they're going to do with the cash flow. If they believe that we are over financed. And that's something we have to get back to.

Mikael Jåfs: Thank you.

Oscar Lindström: Oscar Lindström from Danske Bank. The European Tissue business is a big part of your overall business. And could you say something a little bit about the competitive environment in the European Tissue business, any new capacity or price pressure and so on?

Jan Johansson: It is and has always been an overcapacity. If we talk about mother reels now, in Europe. And today we are sitting on, well, the majority of that ourselves in terms of mother reels, which means that we tried to use that overcapacity in a smart way in the market.

And so far, it's been working quite well. The only new investments that we know of is the Wepa, they are planning to add, I think it was 60,000 ton in Germany. Otherwise, we don't see any new capacity coming in.

It's also very local. So you cannot really look as Europe is Europe. You have to look more from of countries or regions because you can't really transfer the products. So it's a more difficult puzzle than just Europe.

Oscar Lindström: I'd like to follow up with another question on the European Hygiene market where private label is quite sort of prevalent. Have you seen or are you seeing any change in the share of the market that private label has in Europe both on the Baby Diaper and on the Tissue side and perhaps also on the other Personal Care products?

Jan Johansson: Tissue, it's quite stable. Actually branded are growing a little bit. Baby, they are gaining market shares. If you look at the European, not very much but still gaining market shares. Feminine, almost nothing; Incontinence, it's still, the bulk is still very branded. But, of course, you had private label coming in the more value segments than in the premium segments.

Oscar Lindström: Right.

Jan Johansson: So, it's nothing new compared to the past five years you could say.

Oscar Lindström: And the final question, if I may. The Östrand pulp mill, there was a piece of news that you'd sought to extend the environmental production permit there. Could you talk a little bit about the logic for increasing capacity at the Östrand pulp mill?

Jan Johansson: It's absolutely too early to do that. So we'll come back to that. We are just looking into, to see, I mean, in the end, the most important thing for that part of the business is how do we create the value on the trees, on the forest? And we look at different ways of doing that. And this could be one way. But we're far, far from any decision.

Oscar Lindström: Right. Thank you.

Joséphine Edwall: So, anymore questions from the floor? If not, then operator, do we have any questions on the telephone conference?

Operator: Thank you. As a reminder if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the hash key. Thank you, the first line comes from the line of Kartik Swaminathan. Please ask your question.

Kartik Swaminathan: Hi, thank you for taking my questions. Kartik Swaminathan from Bank of America Merrill Lynch. My first question was on – if you could please give some color and some of the commentary on what happened in Personal Care in the U.S.?

One of your competitors on that conference call believed that it's possible private label and your TENA brand have been losing some share due to competition in the Adult Inco space.

And then my second question was when thinking about raw material price progression over the next couple of quarters, I understand that softwood is probably the closest proxy to understanding what's happening in Fluff Pulp, but if there's any further considerations that we need to take in supply or demand to understand how that translates into cost inflation and Personal Care, that would be very useful.

Jan Johansson: OK, thank you. If we start with the U.S. And, of course, in the U.S., we're much smaller in Incontinence. And we only have one category in the retailers and that's the Incontinence. And if we look at the development so far we are, if I remember right, we're flattish Q2 to Q3 in Incontinence.

We have not been de-listed anywhere. And we have the same strategy as we have in Europe. That we are going to defend our position. Procter has entered the market and gained some market share. And of course KC is fighting them furiously also in the U.S. But as far as we can see in this early stage, it seems like it's more cannibalizing on the Feminine side in the U.S. than it's in Europe. Even though in Europe it's also cannibalizing on the Feminine side.

But so far, we are on track. And we have not suffered as much as you would have guessed maybe with a small position; rather, when you have 70 percent market share that we have in some countries in Europe. So we are holding up. But there is, of course, a tough situation. But we are executing the same plan as we do in Europe to defend our position.

When it comes to the pulp situation, the reason that we have had different direction with hard and softwood pulp is of course that the balance in soft has been much stronger than in hard. New hardwood is coming in as we speak.

Now, there have been a couple of new projects announced in softwood and in this part of the world. And that's, of course, will have an impact on the balance of softwood at least as soon as they are in operation. But I guess, the best answer is if you follow that, that will give you the best indication on the fluff price development.

Kartik Swaminathan: Thank you. And just a very quick follow up on the first answer. I was wondering when you talk about flattish volume trends. Is that with respect to your growth or your market share Q3 on Q2?

Jan Johansson: It's growth.

Fredrik Rystedt: Growth.

Kartik Swaminathan: OK, thank you.

Joséphine Edwall: Anymore questions from the telephone conference, operator?

Operator: There are, thank you. Your next question comes from the line of Rosie Edwards. Please ask your question.

Rosie Edwards: Yes, good morning, two questions from me. Firstly, just back on P&G. I think in the release you talked about P&G's intention to enter healthcare channels. I just wanted to clarify that. And if so, do we know which markets they're planning to do that?

And then, the second question and sort of a bigger picture on sort of operating margins. I mean, two or three years ago, you're sort of group operating margin

was 14% was speculated and talked about, What is your latest position on this given margins are still only around the 11?

Jan Johansson: If we start with Procter, then, the, I mean we divide the market in sort of retail, home care and institutional. Retail is about 18 percent of the market in Europe. And then if you add pharmacy it's about 34 percent of the market.

The product range in pharmacy, it's slightly different from the retail. Because then you're coming in more to heavy Inco side also. Not only the very light Inco side. And Procter is more targeting the light, mid Inco side, not the heavy Inco side.

And I think also when they reported on their sales in Europe, I think they were sort of reporting on that segment which they are targeting. And maybe not the whole market. So if they would enter all of the pharmacies in Europe and all of the retail, they would work on 34 percent of the market.

And I don't know if that is the answer to your question. If you look at the margin speculation, of course I have not speculated in the margin myself. And I'm not really sure of that.

But what we have is a clear target on the 15 percent return on capital employed on Tissue and 30 percent on Personal Care. And we feel still very confident that we will reach that figure. And maybe that is then translating to 14. I'm not sure of that.

Rosie Edwards: OK, yes, that's fine, thank you.

Joséphine Edwall: And the next question, operator?

Operator: Thank you. The next question comes from the line of Celine Pannuti. Please ask your question.

Celine Pannuti: Yes, and good morning. It's Celine Pannuti from J.P. Morgan. I have a few follow ups. My first one is on pricing. We've seen that pricing has vanish. I include that you had mix as well benefits vanished.

In Q2, you had some positive impacts in both Personal Care and Tissue. And we've seen that there was no pricing. So, can you walk us through what has happened? And then, what we should be looking at in the coming quarters? Could we expect pricing to come back? The second question is on China.

Could you comment on how your Diapers business is going? And, a last question on FX transaction in Personal Care and raw materials. I think at the Q2 stage, you were hinting that you would face a much better environment in the Q4. Is that still the case? Thank you.

Jan Johansson: If we start with the pricing, I think we communicated in Q2 also that we didn't really see any price increases – further price increases in Q3 than we already had from the beginning of the year. And as I said, when it comes to Tissue, we will certainly start to implement.

We have already announced in Away-From-Home from the 1st of January. And we will start with that in CT also to offset the raw material price increases. As I also said, in Personal Care, it will be more targeting pricing and new products than a general pricing. But it's of course not an acceptable situation for us.

That we do see our margins coming down in particular in Personal Care. Because in Tissue it's actually flattish from that point. And even though we had all of these higher costs. But 159 million in one quarter, is impossible to deal in that quarter. But, of course, we will deal with it in one of the three ways that I mentioned.

Looking at Baby in China, Libero is actually doing very well. We are growing quite strong with Libero. Sealer is still losing market share. So, we have different development on, on Libero and Sealer. And in the end that's of course, a quality question. Because the quality of Libero is much higher than the quality of Sealer.

And this is something now we discuss very hard with Vinda. How to change that process. And with the muscles they have and also actually with the Baby production facility they have, they will be in a much better position than we were actually to change this to something positive.

Jan Johansson: The third one, what was that?

Fredrik Rystedt: I think, there was the FX, Celine, that was the FX impact on Q4. I think, this is as you can see largely depending on the dollar movement. So it's of course, your speculation is as good as ours in terms of how the dollar will go. But, of course, in comparison to Q3, it hasn't really gone in the right way. So it's largely a dollar issue.

Celine Pannuti: OK. And thank you, just to come back on my first question. If I look at Q2, you had some positive impact from pricing. So, why is Q3 not as good as Q2. So, I understand one is some pricing pressure in U.S. Away-From-Home. But can you give us a bit more flesh on the bone on what has happened?

Jan Johansson: U.S. is of course, impacting the pricing in Q3 also, even we had a price increase on new contracts, we had a price decrease on old the contracts. So all in all it's a reduction in price. I don't know if you have any comments on other?

Fredrik Rystedt: Not really, I don't, I mean we haven't had, we had some benefits in comparison and also sequentially Q1 and Q2. And now, we've also had, for instance, in the U.S. as Jan already mentioned, a slight positive increase in the U.S. So there are no major price movements.

I think that's the short answer. We, we've had some selective compensation for smaller parts of the Personal Care, but not, of course enough to cover the raw material increase.

Celine Pannuti: Thank you.

Jan Johansson: Thank you.

Joséphine Edwall: Yes, operator, you can take the next question.

Operator: Thank you, and the next question comes from the line of Sophie Chiu. Please ask your question.

Sophie Chiu: Hi, good morning. This is Sophie from Credit Suisse Hong Kong. My question is regarding the transaction that you – about Vinda. So, basically

you sold – the China business to Vinda at the – EBIT to sells at about 1.7 times. And do you -- We think that the valuation is a little bit too high considering that some of the business are probably still at loss. So, we just – we want to know about what is your -- because you just mentioned it's a growth story in China.

So, we want to know what's your view on the growth that you expect in Vinda in China? And also, what is the synergy, potential synergies that perhaps we can see from the manufacturing or the procurement? Thank you.

Jan Johansson: I think when it comes to Vinda's strategy and Vinda's growth, I have to ask them to answer that. I mean it is a listed company and I really can't comment on that. Synergy side of course there will be a lot of synergies, both on the cost side, but mainly on the distribution and sales side.

And we are substantially reducing the sales force and the administration in China because we are sort of lifting over the business to Vinda where they have all of this already; which means that there will be a quite a huge reduction of people overall in China, if we combine SCA and Vinda. But the growth case, you need to discuss with Vinda.

Sophie Chiu: I see, but because, last year you have a quite a strong growth from your China business. So, I just want to know would you still be expecting something similar, or?

Jan Johansson: It's, I mean, you probably saw the Vinda report this morning with an extremely good growth in Tissue. And I talked about their products, but, of course, a very important part of that is also they are a very, very strong distribution in the sales force.

And once we have properly introduced our products in Vinda, of course, I expect that will have a positive impact on the Personal Care. Not this quarter, not next quarter, but certainly next year.

Sophie Chiu: Can we expect some synergy in terms of the material procurement or the manufacturing?

Jan Johansson: You can expect synergies in many fields, including that, yes.

Sophie Chiu: OK, and thank you.

Jan Johansson: Thank you.

Operator: Thank you. Your next question comes from the line of William Houston. Please ask your question.

William Houston: Yes, good morning. Three questions, please. Firstly, could you update us on the pricing side of things for Incontinence in the U.K. - how that developed over – since the P&G entry, please? Secondly, could you update us on your plans in the Spanish Diaper market?

And thirdly, could you just talk a bit more about the cost cutting programs in Europe, particularly Georgia-Pacific and how you expect capacity to change for your business over the coming quarters, please. Thank you.

Jan Johansson: If we start with, with the U.K. and Procter & Gamble. They have not reduced the price. So the price is in par with our price. Maybe even in some categories, slightly higher. But of course, heavy promotion, more than 80 percent of the sales overall in the U.K. last month has been sold on promotion.

So, you don't see it on price, but you see it on promotion. When it comes to Spain, we are, as you know, investing in baby production in Spain. And that's mainly to supply Mercadona because we have been transporting from Poland so far. And of course, with the local production it will substantially improve our profitability.

France, there will obviously be a change of the supply situation in France. And there will probably be some closure of some businesses also, as we planned when we acquired the Georgia-Pacific. And we are just now in the middle of the discussions and negotiation with the unions around this. So, I have to come back when we finalized that. And then you will get an exact answer of what we are doing.

William Houston: Yes, sorry, just on, Spain and on France. Have you got any update on the timing for when the new lines will be open in Spain? And the France changes, when we, roughly, can expect those changes to come through?

Jan Johansson: Spain the first line is up and the second will start next year. So the first up and running; and the second next year.

William Houston: So, sorry, and the first will be up and running in Q4?

Jan Johansson: Sorry?

William Houston: The first will be up and running, or is up and running already?

Jan Johansson: It's up.

William Houston: It is up and running, perfect, thanks.

Jan Johansson: And France, we'll come back to that maybe later this year or in the beginning of next year depending on how the discussions are going.

William Houston: OK, thanks very much.

Operator: Thank you. Next question comes from the line of Stellan Hellström. Please ask your question.

Stellan Hellström: Hi. I had a question on Personal Care and pricing again. I think in Q2, you had a positive effect from pricing, I guess related to emerging market pricing.

There was no support in the third quarter from price mix. And I wonder if this is reflecting higher promotional spend? Or, if there's any other reason?

Jan Johansson: Do you have an answer to that?

Fredrik Rystedt: Not, not really, I don't think it's particularly. It is a lot of promotional spend as Jan has alluded to. But it's not really that. It's been slow pricing movements this quarter.

Stellan Hellström: OK. You also mentioned pricing and cost. It means to offset higher raw material cost in Personal Care. Is there anything more you can do on costs

given that you now have been largely through your hygiene efficiency program?

Jan Johansson: There's always a lot more to do on costs, always. So, we started that work already some time ago. We are not going to have any new programs. So, you don't have to be afraid of that. But, of course, we need to do the day to day productivity improvements.

And there's always a lot to do. If you make a big program like this, you take what you see; which is obvious. And when you start to dig, you find more than you can do. And of course, we will do that also.

Fredrik Rystedt: And, and the cost focus will not be less just because this program ends. It's still going to be exactly the same pressure.

Stellan Hellström: OK, thanks.

Joséphine Edwall: So, operator, I understand you have two more questions. Is that correct?

Operator: That is indeed, correct, yes. Would you like me to open it up for the next one?

Joséphine Edwall: Yes, please.

Operator: No problem. Your next question comes from the line of Chas Manso. Please ask your question.

Chas Manso: Yes, good morning. I think I have three questions. Firstly on Baby Diapers; you said that it was eight percent growth in Europe and two percent overall. Perhaps on the European eight percent, you could discuss where the growth is really coming from, whether the Spanish line was a big contributor to that?

And if the overall is two percent, it sounds as if there are declines elsewhere. So, could you take us through the major declines elsewhere and why they are declines? That's the first question. The second question is on the U.S., the overcapacity in Tissue spilling over to Away-From-Home. Can you give us an idea of the percentage level of overcapacity impacting Away-From-Home? Is it getting worse and how quickly can it be absorbed?

And the third question would be on Consumer Tissue. Q3 is another quarter of zero organic sales growth. Is this zero the ongoing rate we should expect? Could you just sort of explain to us the dynamics here? And, you know, what is required really to get some positive organic growth into Consumer Tissue?

Jan Johansson: If we start with Baby, the growth was mainly in private label; Europe and in Russia. The Spanish operation has not yet impacted the growth. And we had a decline in growth mainly in China, Sealers, but also some in Latin America due to some tough competition.

And we also sort of protected the margin a little bit more than the volumes. So, those two were the major negative and the major positive. And what was the second?

Chas Manso: Away-From-Home in the U.S.?

Jan Johansson: Yes. Yes. It's an interesting development or not. I don't know how you, if you should define it in the U.S. Because they have done a lot of investments, upgrading the quality in the paper by TAD and Atmos. But obviously, the market doesn't really want to have that. So, that means that if you use conventional paper with very expensive upgraded machines.

And, and those conventional papers were mainly made to actually penetrate the private label market much more in the U.S. And that is growing quite quickly as you know now. Because all of the big retailers want to have private label. But the volume is so big that it can't be consumed as fast as was anticipated.

So, that's why you see spill over to Away-From-Home. And the spill over then is on the – on the reel or commodity side on Away-From-Home. And it's not on the premium side. Today we have our value-added sale is more than 40 percent in the U.S. But still, almost 60 percent is more on the commodity side.

So, that's where you see the pressure. And it's very difficult to see when it would sort of be consumed by the market. Because that depends very much how fast the private label market can grow in Consumer Tissue in the U.S.

And, I mean, we also looked a couple of years ago to, to really upgrade the paper quality into TAD and Atmos in the U.S. But we saw this coming, so, we, we actually didn't do it. Because now we can buy mother reels from the market and still convert it to a good product.

So, so it's positive on one side, we save capital, it's negative on the other side, the commodity side is more competition, not really on the upgraded side.

Jan Johansson: Third?

Fredrik Rystedt: Consumer Tissue.

Chas Manso: On Consumer Tissue, zero growth, is this the new normal?

Jan Johansson: In, the mature markets, it's the combination of leaving some contracts that we didn't like the margin on. And also growth in, in other areas. I mean, the only way you can grow in a market that is not growing is of course, by growing market share or introducing products that are at the higher value. And that we are doing and working on.

But we are not very keen on starting a price war by being extremely aggressive in gaining market shares in a market where we have 30 percent market share. Then we'd rather protect the margin, if that is an answer to your question? But, of course, with new innovations we anticipate a growth that is higher than the GDP growth.

But this time, this year we have rebalanced the portfolio a little bit more to branded and less private label. And over all the year, it has a negative impact on the volume.

Fredrik Rystedt: And Western Europe is heavy for us, still. And of course that impacts with the private label contracts. It has a large impact. But we have significant growth in Russia. We have it in Mexico.

And of course, you've seen the Vinda numbers. So, there's a lot of different areas where, where Consumer Tissue continues to grow with very strong numbers.

Jan Johansson: And the emerging market is being a bigger part of our portfolio now. It's –
It's a little bit more than 30 percent today. So, it's, it's becoming more important for the growth case.

Chas Manso: OK. But until you anniversary the exit of those low margin contracts. Until that anniversary happens, is zero growth the most reasonable assumption?

Jan Johansson: Yes, or, or a very small growth I would say.

Chas Manso: OK, thank you.

Joséphine Edwall: So, with this, let's have the final question, operator.

Operator: Thank you, the next question comes from the line of Celine Pannuti. Please ask your question.

Celine Pannuti: Sorry, hello. Can you hear me now?

Jan Johansson: Yes.

Celine Pannuti: Yes, I just had a follow-up. In the Tissue orders was the – there was some almost flat, if I look at the deviation number where you should have the benefit from the sellings. So can you say what was the hit there?

And I am, you know, rebounding on the commentary you made about this overcapacity in Europe. At which point you realized to tackle that because I presume that probably the drain as well on your EBIT? And maybe restructure, thank you.

Jan Johansson: You, you mean the overcapacity in Tissue in Europe?

Celine Pannuti: Yes.

Jan Johansson: We have had overcapacity in Europe for the past 50 years. And it's less now actually than we've seen in the past. And also, we are sitting on the bulk of it, which means that it's easier to manage where the over capacity issues should come out.

And of course, if we can sell mother reels to a competitor and avoid an investment in new capacity, at that competitor that is, of course, better for the market and us than not doing that. So we do sell quite a lot of our overcapacity of mother reels to our competitors today; which in my view is – it's quite a good thing.

Fredrik Rystedt: You had the question Celine on Tissue other. That's largely distribution. It's, what Jan alluded to. We have new roadtax in France and we have new legislation in the United States as to how many hours a driver, or a truck driver can drive before, before taking a rest. So, that's had a fairly significant impact. That's basically that impact.

Celine Pannuti: Thank you.

Joséphine Edwall: OK, any final remarks, Jan?

Jan Johansson: Thank you. I think we have touched upon the most important subjects. And we have of course – a couple of major things. We have the global economy. We have the good growth that we have in spite of the global economy. We have the hit of the raw material.

But overall, we still have been able to improve the profits and the cash flow and the profit per share. So I think, we have actually proven that we do have a strong brand portfolio. And we do have a strong market presence.

And we can actually grow even in very difficult environment. So with that, thank you very much.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may now all disconnect.

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