

SCA
Interim Report Q2 2015
Moderator: Magnus Groth
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Joséphine Edwall: Hello, and welcome to SCA's second-quarter report for 2015. My name's Joséphine Edwall, I'm Head of Communications for SCA. And, today we have our CEO and President, Magnus Groth, who together with the CFO, Fredrik Rystedt, will go through the highlights of the report. And, afterward we will as usual have a Q&A session.

So with that, I hand over to you, Magnus.

Magnus Groth: Thank you very much, Joséphine. This presentation we will make in three parts. I will start with an overview of the quarter; Fredrik will dig more into the financials; and then I will come back to talk about the markets and the categories more specifically.

SLIDE: Summary Q2 2015

But starting, then, with the overall developments.

We continue to see good organic growth and operating profit, especially strong growth in the emerging markets, just as in the first quarter, resulting in a strong cash flow.

We continue to innovate, and the second quarter we launched 10 new products; I'll get back to that in a while.

During the quarter we were also able to increase prices in Central Europe, in tissue. This is a price increase that will then have effect gradually in the third

quarter, with full effect in the fourth quarter. So a gradual effect of this, but I know that this is something that we discussed in the first-quarter review.

During the quarter, we also decided to invest in our production facility in Brazil.

And our inclusion in the FTSE4Good Index has been reconfirmed, and this means that we get very, very high rankings when it comes to environmental, social and governance factors. So this is something we're very happy about.

SLIDE: Group - Q2 2015 vs Q2 2014

I will let Fredrik dig into the numbers, but overall a positive development, as I already mentioned, in sales, profit and margin, as well as cash flow.

SLIDE: Strategic Priorities

This reconfirms our focus on three strategic priorities: profitable growth, innovation, and efficiency.

SLIDE: Investment in Brazil

Then talking specifically about profitable growth, we have taken the decision to invest in Brazil, approximately SEK650 million. The production is planned to start second half of next year, and the reason for this is that we are taking the next step after an acquisition in 2011, when we acquired a company that had a 10 percent market share in incontinence care products, and approximately 4 percent market share in baby products.

Since then we have grown the incontinence market share to 23 percent, so a very, very positive development. A large part of this growth we have outgrown the current facility, and we are importing a large part of these volumes now to Brazil, with very high duty costs and import costs.

So now is the right time to invest in a local facility, and Brazil is very, very attractive: it's almost 200 million employees. It's the world's third-largest

retail market for incontinence products, and it's still growing at a high pace. So this is a strategic investment that we feel very good about.

And then through 2017 we will see the benefits also on our profits, when we have a much, much lower cost for our incontinence care business in Brazil.

But during the last quarter we did not only speak about growing in the emerging markets. We also spoke about fewer but bigger bets, so the markets that we really focus on, we will invest in for the long term. Brazil is one of them. China, India, and Russia are three other focused markets.

At the same time, we are reviewing some smaller positions, with a criteria that's very straightforward: do we believe that we can have a number one or number two position? And, do we believe that we can have the best profitability and development in those markets?

SLIDE: Addressing low performing markets

Based on those criteria we have decided at the same time as this investment to step out of the baby diapers business in Brazil, because that market position was based on a value proposition, and a very, very small market share.

Based on the same logic, we have also changed our go-to-market model in Thailand, from having our own salesforce in the country to now changing that to an export model from Malaysia.

Going forward, we are looking at similar simplifications of our emerging market positions that we have today.

With that I'd like to hand over to Fredrik for the financials.

Fredrik Rystedt: Thank you, Magnus. I will just give you a brief overview.

SLIDE: Net Sales - Q2 2015 vs Q2 2014

As you have seen, we grew our sales by 13 percent. Of course, included in that number is a big contribution, with 8 percent from currency translation.

This is, of course, a weaker Swedish krona in more general terms, but also particularly a stronger British pound and US dollar. So that, of course, increased sales quite a lot.

But we have also achieved price increases. Predominantly, as we have talked about before, we've done that in Latin America; we've done that in Russia, and Eastern Europe; and we also have impacts from price increases in our away-from-home tissue business in Europe.

As you can also see, volume continued to be existing in all of our different business areas; so a good continuation.

SLIDE: Organic Sales Growth

If you look at a little bit of a longer-term perspective, you can clearly see that the first half now has -- first half of 2015 has picked up a little bit, in terms of growth.

One of the things here is that volume has been there this quarter. It was also there last quarter so -- in all business areas. But we -- and most of that come from new innovations like baby in Europe, for instance.

We also have good contribution from Vinda; so, in this quarter alone the contribution from Vinda is approximately 1 percent.

We have a strong contribution from price so we have raised prices and that has an impact on the growth level of the Group this year. Of course, as Magnus talked about, we have achieved also other price increases that will gradually be there in the rest of this year or towards the latter part of this year.

SLIDE: Operating Profit* - Group - Q2 2015 vs Q2 2014

If we take a look at the operating profit, it has grown by, as you can see, 10 percent so a good growth. And that includes two items. Here, of course, currency translation; once again, the Swedish krona and British pound primarily.

But we also have an adverse impact from forest swaps. You may recall that as of January 1 of 2015, we no longer take profit or gains from forest swaps into our income statement.

So, of course, for Q2 of 2015, there is no profit contribution from forest swaps whilst in Q2 of 2014, we had SEK175 million and that's part of the other bar that you see on this line. So if you take away the currency and the forest -- the gain from forest swaps, those two, the organic or underlying comparable growth was 9 percent in the quarter.

Of course, most notably here, SEK435 million negative impact from raw material; most of this coming from the tissue operation. So if you recall from first quarter, we had a negative -- a very significant negative impact both in Personal Care and Tissue. We still have that in Personal Care. So roughly 8 percent of the profit is gone due to raw material but, in Tissue, it's much more significant so approximately 22 percent of last year's profit. So most of this raw material is in Tissue.

We're quite pleased to note that the component price and mix is bigger, as you can see here. Close to SEK500 million. So that is, again, coming from Latin America and Russia and away from home, etc. And, as I said, volume contribution has been there from all the different business areas.

Just a few comments on the other. I already mentioned that part of this SEK175 million of those SEK240 million that you see relates to the gains from forest swaps, but there is also another part which comes from a wide number of different things.

Actually, we have a positive part which is savings, efficiency gains. We have in the quarter had levels of savings approximately equal to that of last year. So we continue to actually become more and more efficient.

But we also have higher A&P. We also have higher SG&A cost for the Group as a whole and, of course, normal part such as inflation, etc. Worth noting, however, is that A&P and SG&A as a percentage of sales are not increasing. So it's just a normal continuation of the business, so to speak.

SLIDE: Cash Flow - Q2 2015 vs Q2 2014

Finally, a couple of words on the cash flow. If you look at the operating cash flow including all investments, so strategic and continuous, ordinary capital expenditure, our cash flow increased by 55 percent.

Looking at the different components, working capital is performing better than it did last year. So we have a good performance in many parts of the Group whilst CAPEX for the first half of this year is roughly on the same level.

So the big swing between last year and this year is largely due to the operating cash surplus. If you look at the number, it's actually a much bigger swing than what you would see for EBIT. The reason is very simply that once again the forest -- or gains from forest swap is not a cash flow item, so the underlying cash flow impact is much bigger.

The other part is pretty much about the same size, is increased depreciation this year. So that's why the operating cash surplus improvement is much bigger than what you would see for EBIT.

And with those words, Magnus?

Magnus Groth: Thank you, Fredrik. Then we'll dig into the three business areas in some more detail.

SLIDE: Personal Care - Q2 2015 vs Q2 2014

I'm very happy to once again be able to state that better price/mix, better volumes and cost savings actually apply to all our three business areas. So it's a recurring theme.

When it comes to Personal Care, actually those three improvements have made it possible for us to keep the operating margin at 11.3 percent, in spite of the significant raw material headwinds that we had also in this quarter.

In Personal Care, we have a negative effect on the fluff pulp, from currency mostly; and a positive effect from the oil-based materials. But the positive effect doesn't outweigh the negative effect in fluff pulp. That negative impact on the margin was approximately 80 basis points, so it's a significant negative impact and that we cover then through price/mix, volumes and cost savings.

SLIDE: Personal Care - Q2 2015 vs Q2 2014

Looking specifically into the markets and the sub-categories. Again, we have a very good organic sales growth in the emerging markets. Looking at the categories, especially feminine care, shows a very, very positive development.

In the mature markets, we continue to see a very strong growth in baby. This is in Europe, where we are now finally delivering the entire large retail brand contract that we won almost a year ago.

We also have market share gains for Libero, both in the Nordic market and in Russia.

In feminine care, we put in place a boost plan two years ago, which is paying off in higher market shares in most European countries.

In North America, we had lower sales for incontinence products compared to a year ago because of the strong competition in the retail arena and also a slow development in healthcare.

However, if you look at it sequentially, quarter 2 compared to quarter 1 this year, we're actually seeing leveling off here and some light in the tunnel, so that the incontinence products market or performance for us is, I think, gradually improving now also in North America.

Emerging markets: Latin America, we have record high market shares in almost all Latin American countries where we are present in feminine care and in incontinence care. We also have higher sales for baby diapers, even though that entirely comes from price/mix; so no volume improvement, but

because of the continuing depreciation of most Latin American currencies we have increased prices across the line, not only in baby but in all our categories.

And in Russia a very, very strong growth, which, to a high extent, again is price increases but also an underlying volume growth actually.

SLIDE: Personal Care - Innovations and Product Launches Q2 2015

The innovations during the quarter in Personal Care are all in incontinence care, this is not a coincidence. We have been working very, very hard to upgrade our entire incontinence care portfolio over the years and also preparing for the increased competition from Procter & Gamble in the retail category.

So all our innovations that we're launching now are focused on incontinence care and many of them also on light incontinence, so specifically for the retail market. So I'm very happy to see that the decisions that we made two years ago are actually coming -- hitting the market now with hopefully, then, a good success going forward over the next number of years.

SLIDE: Tissue - Q2 2015 vs Q2 2014

Moving over to Tissue, again we had a good organic sales growth of 4 percent. But in this case the improvements in price/mix, volumes and cost savings couldn't offset the raw material price impact, which is much, much bigger in Tissue than in Personal Care. So here we see a decrease in the operating margin from 11.8 percent to 11.3 percent. But behind this is actually 320 basis points of negative impact from raw materials. So most of that we compensated for, but not entirely.

Again, I think a good performance and behind this comes now also going forward and gradually the price increases that we put in place in Central Europe here during the quarter.

SLIDE: Tissue – Q2 2015 vs Q2 2014

Having a look at the markets. Very strong growth in emerging markets, primarily Vinda, but also Latin America and, more specifically, Mexico. And a higher growth in consumer tissue than in away from home tissue during the market.

Looking then at Western Europe, we had flat sales and this is partly driven by the fact that we have been in tough negotiations with the retailers during the quarter. What this means is typically that the retailer immediately stops all promotions of your products during those negotiations to put pressure on your back of course. We're beyond that now.

When it comes to away-from-home tissue in Europe we have some one-time effects, because during the first and second quarter last year we still had some supply agreements remaining from the remedies that we were forced to do when we acquired GP's European business.

If you remember, in 2012, we had to divest certain assets and contracts, but we were still delivering under some of those contracts until second quarter last year, but this has now been discontinued according to the agreement with the competition authorities in Europe. So it's a little bit of a one-time effect. We are not losing any market shares in Europe in away from home.

In North America we continue to see a recovery in away-from-home tissue, we had very strong sales in the second quarter and a good momentum going forward. In the emerging markets, as I already mentioned, behind this we see very much Vinda in China and Latin America.

SLIDE: Tissue - Innovations and Product Launches Q2 2015

The innovations are a mix of things and I actually have some of them here behind me. Looking specifically at the Tork cleaning cloths, you could argue that what can you do with a piece of cloth. But I think what differentiates us from our competitors here is that we have the size, the scale, to really come

with innovation that has a noticeable and tangible payout off and benefit for the user.

So as you can see here we can prove that this new product it's -- this one over here, our new industrial cleaning cloth requires 32 percent less time for cleaning a certain surface than other products. It uses 40 percent less solvents; so it also has a positive environmental impact. And it uses 20 percent less effort, which is very important for the people who are using these products in an industrial situation, for instance.

I think that's a very good example of the type of innovation that -- I'll put it this way. Buy more Tork; it's a great brand.

The new Plenty Easy Clean Wipes I think is another good example, we tend to think about the kitchen roll as something we use for cleaning in the kitchen. But we are extending this category first to household towels and now to what we define as household tools. So a tool that you can use for many cleaning applications throughout your household. We also have an example behind here that you can look at later.

SLIDE: Forest Products – Q2 2015 vs Q2 2014

Finally, Forest Products, continue to have a very strong performance both in terms of sales and operating profit. The operating profit is very much driven by the strong dollar, which is benefiting our Forest Products division since we are producing these products in Sweden. Especially kraftliner and pulp see increasing demand and a good price picture, while sawn timber during the quarter experienced slightly declining prices. Overall, again a good performance in Forest Products.

SLIDE: Innovative Marketing Platform

I just want to briefly say something about our three-year marketing platform, the participation of a female team in the Volvo Ocean Race, which finished in Gothenburg a few weeks ago.

We see it as a global marketing platform with a focus on women and with a strong connection to sustainability and CSR issues.

We are still summing up the output, our result from this project, but we can already see that we are exceeding all the targets that we set at the beginning of this project, so that the SCA brand is now much stronger connected to our product brands.

We have met hundreds of thousands of consumers, talking to them, teaching them about our products, but also about the Company SCA and vice versa. SCA learning from these consumers and customers and with an impressive media value that we are still looking at.

But, of course, having the crown princess of Sweden visiting us and sailing with the boat twice, both in Portugal and Gothenburg, she's the godmother of the boat, has a very positive impact on this project and also on SCA.

SLIDE: Q2 2015 – Summary

To sum up then, a very similar summary to what we showed of the first quarter: good growth in sales and profit; strong growth in emerging markets; strong cash flow.

When it comes to the global environment this is the same as we showed as the first quarter: we continue to see low growth in mature markets and good growth in emerging markets.

We will have currency headwinds due to the stronger US dollar also going forward.

And, the market remains very, very competitive going forward, but no change.

Thank you very much for listening, time for some questions.

SLIDE: Q&A

Joséphine Edwall: With this we open up for question and answers. Yes, the first question here?

Stellan Hellström: Stellan Hellström with Nordea. First I wanted to ask about the tissue and the price increases that you carried out in consumer tissue, if you could give any help in understanding how much you've been able to raise prices?

And also, maybe if you can comment what you see competitors are doing to offset raw material prices?

Magnus Groth: First of all, it's not possible to completely in one go offset the huge currency headwinds that we had, especially in Europe, during this year. So we can offset part of it to give you some indication.

We also know that the retail environment in Europe is highly competitive, so that it's tough negotiation with the big retailers.

I'm very happy with the outcome to put it that way, I think it compensates to the extent that we had expected but I can't give any specific percentage numbers on that.

Stellan Hellstrom: And overall on competitor pricing, maybe also other categories, what you see and how they are acting?

Magnus Groth: When it comes to consumer tissues specifically we are seeing increasing prices across the board. In emerging markets, markets with highly fluctuating currencies like Russia, Ukraine, Latin America there is -- I think all competitors are adjusting prices according to the currency development, so everybody is doing the same.

Europe is a bit special, because of the tough competitor environment and the fact that we are the market leader in tissue, so it's our role really to set the price levels.

Stellan Hellström: Very good. Then also a question on incontinence care and what you see there in terms of competitive developments, particularly with regards to Procter &

Gamble. Have you seen any different patterns of their approach recently, particularly maybe also referring to the new markets that they've entered?

Magnus Groth: No not really, I think the message is the same as after the first quarter, they have achieved close to 10 percent in some markets, but not above 10 percent, which is very important from our perspective, because if you're not around 20 percent or the number one or two actor, then it's tougher to be on the shelf in a retail environment.

No big changes in pricing or product strategy, actually, that I can see from Procter side.

Stellan Hellström: And Germany do you see anything?

Magnus Groth: No specific changes, no.

Stellan Hellström: Just a final one also on -- if you can give any comment on what you expect or what we can expect in terms of any acquisitions to add to your product portfolio, if you're actively looking, etc.?

Magnus Groth: Yes, as we stated many times we don't speculate on that, we are active as we have been over the last number of years in looking at different prospects. But the difficulty with acquisitions, you never know if or when acquisitions happen.

Stellan Hellström: All right, thanks.

Joséphine Edwall: So any more questions from the room? No. Okay, then let's open up from the telephone. Operator, please start with the first question.

Operator: The first question comes from the line of Celine Pannuti from JPMorgan.

Celine Pannuti: I have in fact, sorry, a few questions; I hope you'll allow me. First of all, just to rebound on that question on pricing. You said that you cannot offset all of this year, all of the pricing in tissue. But over time, like say over the next 12 to 18 months, would it be fair to think that the level of pricing will be able to offset all of the pressure you've seen?

Magnus Groth: We will have to pull all levers that we have. We have to continue to increase prices. We have to continue to cut costs, improve our product mix. So we will work in all those areas. I can't be more specific than that.

Celine Pannuti: Okay. My second question is on raw material cost. If you could give us a bit of outlook for what we should be expecting, incrementally, in the second -- in the third quarter, whether we should be expecting personal care maybe to see some tailwind already and in tissue as well, if you could give us an update?

Magnus Groth: Fredrik?

Fredrik Rystedt: Hi, Celine, I can start with that. If you look at Personal Care this quarter, as we have elaborated on, we have a positive impact from oil-related products. Plastics has come down and therefore SAP, non-woven, etc.

What has actually taken place in the last couple of months is that the plastics indices has once again started to increase. This is not due to oil. This has to do with the supply-demand balance. There are not many producers of these materials and we are, therefore, expecting higher prices than we have seen now. From that perspective, the oil-based products is actually at its lowest here in Q2 and will rise in Q3 and Q4.

Now you've seen SEK435 million. We're not giving any specific guidance, but, of course, that benefit we've seen from oil is not going to be there.

If you look at the general picture, these SEK435 million, all of that adverse impact comes from currency; in fact more than 100 percent. If you look at the currency movement, or the dollar rate as you saw it in Q3 of last year, it was still a high level -- or the euro-dollar was still at a high level. So the dollar strengthening appeared, predominantly, in the fourth quarter.

In total, the Q3 raw material will be pretty much, of course high, as you have seen throughout this year, perhaps more adverse, or likely to be more adverse, for Personal Care than what you've seen in the second quarter.

Celine Pannuti: And for tissue?

Fredrik Rystedt: Yes, as I said, Celine, all of the tissue increase of raw material has to do with the dollar rate. Of course, we don't know the average dollar rate for Q3, but if it looks like it does right now, then it will be roughly similar to what you've seen during this quarter, Q2, about the same.

Celine Pannuti: Okay. If you allow me, I have a few follow up. In fact, Fredrik, in your elocution, you mentioned that the savings you've done in the quarter were the same level as quarter last year. Last year, I think absolute incremental savings were up SEK500 million. Is that a number we should be relating to? Is that what you're hinting at?

Fredrik Rystedt: No, we are not providing -- as of this year, we are not specifically providing numbers relating to efficiency savings, Celine. The reason we're not doing that is that the important thing is not what we achieve on specific activities or programs. The importance is the total cost development of the Group. That's why we're not doing that.

But the SEK500 million number that you have, I think is more the sequential, or maybe annualized impact, but in reality the actual saving was significantly lower than that.

We have set the ambition for this year that we will continue to become increasingly productive, to about the same level as we saw last year. It was not SEK500 million last year; it was much less than that. But it's keeping up a good pace.

Celine Pannuti: All right. Thank you. Just one final question, you mentioned that diapers -- you are investing in Brazil incontinence, but exiting diapers.

Incontinence seems to be quite a strong category in Brazil, but what is your view on the diapers category as a whole? Was it just that the portfolio you had was challenged, because of its position, but are you still looking at the diaper category in Brazil as an interesting one?

Magnus Groth: One of the reasons why we are leaving Brazil in diapers is what I already mentioned. We only have a 4 percent market share and we have a value proposition.

Also, the machines we have are quite outdated, and when we move to the new facility, we will not invest in new baby machines. So I don't see that we will come back in baby in Brazil.

However, there will be room in the new facility to expand into other categories, and we will review that over the next year, to what extent we will expand in one or two other categories, but not baby.

Celine Pannuti: So the baby category in Brazil is not of interest to you?

Magnus Groth: No.

Celine Pannuti: Okay. Thank you.

Joséphine Edwall: Okay, Operator, second question?

Operator: Second question comes from the line of Oskar Lindström from Danske Bank.

Oskar Lindström: Yes, good afternoon. Two questions. First one regarding organic growth, this was a strong 5 percent in Q2 on the back of the 6 percent you had in Q1. This is at the higher end of your growth targets, and certainly higher than you had for many of the previous quarters.

My questions are really two -- first of all, do you see any need to raise your organic growth targets, especially on the tissue side, perhaps because you now have Vinda contributing to strong organic growth there?

The second question would be to what extent is the organic growth impacted by devaluation of local currencies, because I suppose a lot of the organic growth is coming from price increases in local currencies to compensate for devaluation of those currencies, or am I misunderstanding the logic here?

Magnus Groth: I will take the first simple question and leave the second difficult question to Fredrik.

The first question is that, no, it's too early to change our targets. I think we're very happy to hit our targets for a few quarters. We have a very good momentum also going forward.

If I remember, the indications we gave last quarter was that we expect to see a higher growth than last year but not at the same pace as we had in the first quarter. I guess that gives you a little bit of a range. Exactly where we end up, I think, is yet to be seen.

Then over to the tricky question, Fredrik.

Fredrik Rystedt: Yes, you're absolutely right. You have seen now, of course, both in Q1 and Q2 that we've had a positive price/mix. And of course more price than mix in these quarters, perhaps. Of course, that has to do with exactly what you said. I also showed the long-term trends before that we have had price increases contributing to a higher net sales growth. So, of course, that's clearly helping.

We've done those price increases throughout the last, you can say, three quarters or something like that. Russia we started predominantly in Q4 and Latin America the same. So a part of the growth component that you see or a part of the growth is related to exactly what you're talking about.

Oskar Lindström: If I may come with two follow-up questions. First of all, to the easy question, you had 6 percent in Q1, 5 percent now in Q2. Should we expect this to slowly come down somewhat during the second half of the year?

Magnus Groth: I think I already gave an indication and the range, so I can't be more specific than that.

Oskar Lindström: Okay. Sorry, it was worth trying. The second more difficult question, if we exclude -- if we had done organic growth in constant FX rates, can you give an indication of what level would the 5 percent that we saw now in Q2 have been? Is that possible?

Fredrik Rystedt: Yes, of course, you can always do that. But what -- I think if I just may, before I answer that question, just come back to the first and the second, before it was 6 percent and now it's 5 percent, does that mean a falling trend?

I just want to highlight a thing you may remember in that first quarter was of course in that sense impacted by two favorable comparables. One was the winter, very cold winter in 2014 on the US away-from-home market.

The second was related to a distributor change that we undertook in Italy. That contributed to approximately about 1 percent or so, something like that. So from that sense, Q1 and Q2 are very similar, as Magnus alluded to before.

Then to your second question, can you take away? Yes, of course, you can always, and we are aware of the price and the mix and all the other components. But it's not really a very -- I don't think it's a very good analysis to do at its full, because sometimes we have much more mix, depending on the innovation pace, and sometimes we have price increases.

So I think, of course, what counts overall in the end is the margin, but there is a price component. Of course, that means that if you take-away price, then clearly you can see here that most of that price factor that you saw on net sales. Of course, most of that relates to price this time, and therefore you could see the underlying in some sort of way; not all of it but most of it.

Oskar Lindstrom: And my final question, more on strategy. You mentioned in this report, and you've mentioned before, that you want to focus more on fewer emerging markets and, certainly, you acted in that direction.

Something else that you've said is that you are interested in or considering entering into new adjacent, I assume, product categories on the retail side. Can you maybe give an update on your thinking on that? Has that become more interesting or less interesting compared to six months ago say?

Magnus Groth: There is nothing new really. In markets where we have a very, very strong market position, either business to business or business to consumer, so a strong go-to-market setup and already number one and number two positions,

yes, we could consider adding new categories because that would be then a synergy of course. But it's part of our longer-term outlook.

There's nothing specific and nothing really new. What we are pushing more and more quarter over quarter is for instance wet wipes and soap, which I think we mentioned many times, because these are two fast-growing adjacent categories where we are already present, but we are undertrading.

So if every bathroom, for instance, that used Tork products, hand towels, also had Tork soap in the bathroom, that would be huge potentially for us, and the same thing with wipes.

I think that the Plenty Easy Pull that I showed here and we have here also behind us, is another example we can grow in adjacencies to existing categories, and also organically.

Oskar Lindstrom: Right. Thank you. Those were my questions.

Joséphine Edwall: So the final question from the telephone; I understand it's one more final.

Operator: Ladies and gentlemen, yes, next question comes from the line of Sophie Chiu from Credit Suisse.

Sophie Chiu: Hi, Magnus, this is Sophie. I have one question. Just wondering, your subsidiary Vinda, I wonder, would you consider to maybe perhaps give them the production, because right now, as far as I understand, that most of the products, the SCA brands in China still produce overseas -- I mean outside China. So would you consider that?

And also, in terms of procurement, would you share the procurement with Vinda? That's my question. Thank you.

Magnus Groth: First question; actually, well over 95 percent of the products sold by Vinda are made by Vinda. There are a few products, personal care products and also the Tempo hankies that are still imported, but gradually, they are building their own production capacity also for those today, smaller parts of Vinda.

The reason why they're building this production capacity is that we are expecting these categories to grow, of course, going forward and become a bigger part of Vinda sales. But it's a very, very small part of Vinda sales that they don't produce themselves today. So that was the first question.

And the second question, procurement. We are looking at cooperating more closely with Vinda in many different areas, and procurement is definitely one of them. But we're also working more and more closely together when it comes to financing, innovation, product development, many different areas; go to market and so on.

Sophie Chiu: Got it. Thank you.

Joséphine Edwall: Okay. So I understand that was the last question. So any final remarks, Magnus, before we end this press conference?

Magnus Groth: Well the final remarks is that we continue to have a good momentum, both top line and profit and cash-wise.

So we are satisfied with the development and we are looking very much into the details of the business. We are continuing to talking about improving every day, and we see many, many areas where we can do even better than we're doing today. So keeping up the pace, keeping up the momentum going forward; that's our main focus.

Thank you.

Joséphine Edwall: Okay, thank you for today and goodbye.

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