

SCA

Moderator: Magnus Groth

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9:00 a.m. CET

Josephine Edwall: Hello, and welcome, everyone, to SCA's first-quarter report for 2015. My name is Josephine Edwall and I'm Head of Communications for SCA. And today with us we have Magnus Groth, our CEO for SCA; and also, our CFO, Fredrik Rystedt will join on stage.

Magnus will now introduce our report. I hand over to you, Magnus.

Magnus Groth: Thank you; and welcome, everyone.

Starting with the general market conditions, we continue to see slow growth in hygiene in mature markets and good growth in emerging markets. In forest products, we see increasing demand for sawn timber and for kraftliner, while we continue to see declining demand for publication paper. So no changes in the general market conditions.

Moving over then to SCA's performance in the first quarter. We had good growth both in sales and in operating profit, and a strong growth in emerging markets, 11 percent. Actually, growth in the mature markets was also quite good, 4 percent; so well, above the underlying market growth. We had a strong cash flow, an improvement with 37 percent, and higher sales and profits in all our three business areas.

We continue to work with efficiency, and this is incredibly important especially now to offset the increase we have in raw material costs, and this is a theme we'll get back to. But the increase year over year, so first quarter over first quarter last year, was SEK 721m. And also, quarter over quarter sequentially, we had a significant increase in raw material costs. And most of this is related to the strong dollar, since many of our raw materials are denominated in dollars.

And in numbers, sales increased by 15 percent. And then excluding acquisitions and divestments and the exchange rate effects, we had an increase of 6 percent organically.

Operating profit likewise then excluding one-time effects, excluding the effect of currencies and also taking out the forest swap that we had in the first quarter last year, we had an increase of the operating profit of 6 percent to SEK 2,872m.

Operating margin had a slight increase of 10 basis points, and earnings per share rose by 15 percent. And as I already mentioned, a strong improvement in cash flow with 37 percent.

Moving over to our strategic priorities, we continue again to be consistent with the strategy that we set three years ago focusing on three areas, efficiency, innovation and growth.

Maybe I'd like you to have a look at this picture of growth because I took it myself in India. So actually, this is a mom and pop store which then is a family-owned, very small outlet. And here is a consumer who is looking at one of our Libero packs and actually buying a full pack. Normally, in these types of stores, they buy a single diaper, or maybe a two-pack diaper. So really interesting to see the interaction here and why they choose the Libero instead of other possible brands.

And what I want to emphasize when it comes to these three priorities is that they go together; that we need to look at the entire value chain; that when we innovate, we innovate in a way that we make sure that we also improve our efficiencies, our efficiencies in producing the products, but also in logistics in

transporting the products. So not only in, of course, creating more consumer value and more customer value.

So all this goes together, and this is something that we're driving very hard, because in the last couple of years, we've very much focused on basic savings, so cost cutting. But now, we need to look at saving and cutting costs in a smarter way; looking at value engineering, material rationalization, reducing the number of suppliers, improving our logistics footprint. And there's still a lot to do in this area.

Moving over to innovation, here are some examples. And I'd like to focus on toilet tissue today and the innovation we have here, which is a launch all over Europe, and it's actually the first time we make a toilet tissue re-launch all over Europe, because our toilet tissue positions are based on many acquisitions with many different trademarks.

And again, I think this shows the benefits of scale, because what we're doing for the first time is that when we improve the product quality, we also come up with a new design, but now we have the same design. I have some samples here.

So this is the Swedish toilet tissue that you can buy in the store, and this is the German one. And if you check here, it's the same pack design here with this heart here. And in this way, of course, we save a lot of time on designing different packs, and so on, and we also get a more consistent brand building. And it's all based on our brand equity which is 'love your skin' in this case when it comes to toilet tissue.

And another example is that – so this was a very popular product in France. It's a 5-ply that we acquired with G-P three years ago. And now, we're rolling out this product all over Europe. So this again is the German version that we're just launching now. And the benefit, the customer claim is that with 5-plys, you only have to take one sheet at a time instead of taking several sheets at a time.

So that's some examples of what we're doing.

And, with that, I'd like to hand over to Fredrik to dig more into the details. And then, I will come back with the financials for the individual business areas. So please, Fredrik.

Fredrik Rystedt: Thank you, Magnus. I will start with showing you the development of sales.

And as you alluded to, Magnus, we grew our sales by 15 percent in the quarter versus the same quarter last year, and organically with 6 percent. And as you can see on this slide, we increased price/mix. And we also increased volume.

If you look at the first one, the price and mix, it was actually all over the Company largely. So we had for all business areas growth. Forest, of course, as a consequence partly of currency, up by 5 percent. If you take Personal Care roughly about 2 percent, and Tissue about 1 percent.

Volume, this is largely an issue for Hygiene, so it's pretty much equally distributed between hygiene and Personal Care. And, of course, currency is just translation on the back of largely weaker Swedish crown. So again, a strong sales growth.

If you look at the different regions and mature and D&E markets for us, you can see that mature markets increased by 4 percent. And if we start by Western Europe, we had a good growth in actually Baby and Fempro and Incontinence. Baby diapers, as you will recall, we had a new contract last year, a private retail brand contract, and that is part of that story. But we actually also grew in the retail brand side.

Fempro, we had significant market investments during the first quarter, and that was part of the reason for the growth. And also Incontinence, despite – and Magnus will come back to that a little later – despite Procter & Gamble launch, we continued to grow at healthy levels also for Incontinence.

Slightly lower growth for Away-from-Home tissue, and that was largely on the back – as you will recall, we announced a price increase at January 1 and there was a little pre-buying in the fourth quarter. So there was a little slower growth in this quarter. But again, tissue continues to do well.

The picture in the United States, or North America, is somewhat more mixed. Lower sales for Inco on the back of P&G launch, and a good growth for Away-from-Home tissue. And this is partly a result of actually a fairly weak quarter last year. You will remember the harsh winter that we suffered from Q1 2014. We didn't have that this year, so it was actually much better. And, of course, also a reasonable quarter this year.

Emerging markets quite strong across the board, and particularly so in Latin America and Russia. This is in Latin America Fempro products and predominantly also Inco. So good performance in Russia, pretty much across the board.

And also for Tissue; some of you may have seen Vinda announcing this morning, so a very, very, good growth for Vinda. But we also continued to grow in Latin America and Russia. So a strong performance for both mature and for D&E markets in terms of sales.

So this is a little bit how the change of profit is distributed and the different factors. And one thing that you should really note here is, of course, the very significant impact that Magnus mentioned to the SEK 721m in raw materials. This is actually 27 percent of our profits in Q1 2014. So it's very rare that we have this kind of impact.

This is largely in – actually, significant, more significant for Personal Care, but Tissue is also a very big portion of the profit for Tissue. So of course, this is on the back of the dollar strengthening.

In fact, if you look at the Tissue, 90 percent of the increase of raw material comes from the dollar strengthening. The same figure for Personal Care is about 65 percent, and if you take the Group as a whole, about 80 percent. So of course, the dollar impact is very significant in the raw material numbers.

As you can see, we compensated in price/mix and also volume. If you take the price/mix, roughly about SEK 250m of that SEK 550m that you see there is relating to Forest. But we also had positive price increases in Personal Care and Tissue.

We've increased prices in Latin America. We've increased prices in Russia, and we've also increased, as I said, prices in Away-from-Home in Europe. So a good performance and mix was also positive across the board.

Volume, this is largely hygiene growth of volume; Personal Care roughly about 5 percent on average, and 4 percent for Tissue. So that's the composition of this. And currency is, as I said, our foreign result.

Finally, just a word on cash flow. Magnus said that operating cash flow increased by 37 percent. If you include also strategic investments, as you can see here, we increased roughly about 60 percent in cash flow. So it's a good quarter for us in that sense.

Most of that comes from the cash surplus. And you will note that if you actually look at the operating cash surplus, it is slightly bigger improvement than what you would see in our EBIT figure. And that, of course, has to do with the fact that last year, quarter 1, we had – part of our EBIT was related to a forest swap capital gain. That SEK 152m doesn't actually impact cash flow.

So that's why the operating cash surplus is slightly bigger improvement than what you would see in our EBIT. And we also have higher depreciation this year.

So overall a good performance. If you look at working capital, this is normal seasonal patterns that you would see.

We have given a forecast for the year of approximately of 6 or 6.5 perhaps at prevailing currency rates, and we're still about at that level. It's slightly lower in the quarter, but that's more of a phasing issue. So we're pretty much in line with our forecast here as well.

Magnus Groth: Thank you, Fredrik. So something then about our three business areas again, and something of a repetition, but anyway, focusing now on Personal Care.

In this part of the business, we had an organic sales growth of 6 percent, which is then a mix of price/mix 2 percent and volume 4 percent. Strong

growth in emerging markets as you can also see here at the bottom of this slide, 10 percent when it comes to Personal Care categories.

And when you look at the different category's growth, you can see the fantastic, phenomenal 16 percent in feminine, which is very much based on the boost plans that we have been talking about now for a year. We're actually putting more A&P behind our feminine category and we're seeing the results now. And this is also linked to the product launches that we've done over the last couple of years.

And also, Baby diapers, partly because of now fully delivering on this big European retailer-brand contract, but we have a very good performance also in our branded business. And in Sweden, we are well over 60 percent now in market share which we haven't been for over five years. We've been around 55 percent. But I think we have a recipe that's working also now on our branded products in the Nordic markets.

Operating profit also increased 6 percent on higher volumes, higher price/mix and cost efficiencies. And the higher raw material costs here, out of this SEK 710m is – almost half of it is relating to Personal Care. So that shows the huge influence on Personal Care.

And I know there will be questions here, but what about the benefits of the lower oil prices since we have a lot of oil-based products in Personal Care. Well, there's a delay. And today, we see the benefits in oil-based price – in the oil-based products coming late quarter 2 and then second half of the year primarily.

We also invested, as already mentioned, behind feminine, incontinence products with a fight against Procter & Gamble's incontinence launch, and also based on our – opening of our first manufacturing facility in India to support that growth, which is moving according to plan in a good way.

Tissue, sales growth 18 percent. And Vinda, our company in China, actually grew over 20 percent in the quarter, which is very promising considering what you read about China and of slowing down slightly. And as you can see here,

the organic sales growth of 5 percent is based on an improvement in price/mix also for Tissue and a volume improvement of 4 percent.

And operating profit up 12 percent. Again, higher volumes, higher price/mix and cost savings. And as we already mentioned now, but it is a theme, the higher raw material costs basically coming from the dollar strengthening.

And when you look at it quarter over quarter, we also have a significant difference. We already mentioned that quarter over quarter, compared to last year, it was SEK 721m of higher raw material costs. But if we compare quarter 1 to quarter 4, it was actually SEK 277m of increasing raw material costs. So this has also continued from the fourth quarter into the first quarter.

And looking then down at the bottom here, you can see again the growth of 14 percent in emerging markets; but actually, 4 percent in mature markets is also very good. And that consumer tissue is the big growth this time in Away-from-Home tissue. That's 2 percent. We have a strong growth in the Americas which are picking up; and a slower growth in Europe, again, due to pre-buying end of last year in Europe in anticipation of a price increase that we did from 1 January.

Finally, Forest Products; sales growth of 8 percent. Price/mix, volume and currency. Strong growth for kraftliner and pulp. Operating profit increased 56 percent, which is, of course, amazing. This is very much currency-related. So in Forest Products we have a very strong positive impact of this. Higher prices, lower energy costs and continued cost savings here as well, so a positive development.

And with that, I'd like to summarize the first quarter. Good growth in both sales and operating profit, strong growth in emerging markets, cash flow. And the higher sales and profits comes from all the three business areas.

And the global environment, not much change during the first quarter.

Again, low growth in mature markets, good growth in emerging markets; continued increasing raw material costs due to the dollar, and a competitive market environment.

And looking forward we continue with this, which is, of course, keeping the momentum in the business, which is incredibly important. And our other priority which we're also working with, there's a note in the report which is then to work with our confidence building, especially here in Sweden.

And we have decided then to hand back one of the company planes which is on a lease that expires next year, in about – I think in October next year. And since we're not using it, we are handing that back prematurely.

So those are two priorities that we are driving very clearly forward, and I'm very happy to see that we are keeping the momentum in the business in a very good way and that everybody is focusing on their plans and delivering to those plans.

Thank you for listening.

Josephine Edwall: OK. Thank you, Magnus. And with this, we open up for Q&A.

Stellan Hellström: Stellan Hellström, Nordea. I have two questions. First, on the raw material situation and what you can do in terms of pricing, if you can give any flavor on what you're seeing going forward in all of the business and maybe in consumer tissue in particular.

Magnus Groth: Yes. And we already increased prices primarily in Latin America and in Russia and other emerging markets. And what we are working with now is increasing tissue prices in Europe, which takes longer. But I expect that we will see price increases in the second half of the year also in Europe.

Stellan Hellström: Thanks. Also a question on incontinence care. If you can give some flavor on recent developments, maybe in particular in Europe what you see.

Magnus Groth: In Europe, the trend continues that we see a much higher growth of the entire category. And we believe this is because of the increased advertising and promotion that both we and Procter & Gamble are doing now, fighting it out.

When it comes to Procter's market share, it remains under 10 percent. It's leveling off there, which is, of course, encouraging for us. And actually, what

we see now is, because they launched almost a year ago that – and when that happened, we said that maybe the volume growth is due to also pre-buying or the customers filling their cupboards with products. But we know now that this is an increased penetration. So actually, more consumers are using more incontinence products.

Stellan Hellström: Thanks.

Linus Larsson: Linus Larsson, SEB. Just following up on the margins which were the lowest they have been for quite a few quarters now in both personal care and in tissue. Just to understand where we are in that cycle. You've told us pretty clearly what the reasons behind are, but what's the raw material cost increase sequentially in both those two divisions?

Magnus Groth: Yes. Overall in hygiene, sequentially, it was, as I mentioned, SEK 277m. And the split I'm not sure about. Do you have that split?

Fredrik Rystedt: Yes. It's – personal care, it's about SEK 45m sequentially, and the rest is largely tissue.

Linus Larsson: OK, great. And just coming back to what you said about price, on a total basis for tissue as a whole, Q2 on Q1, what kind of expectation do you have there?

Magnus Groth: I think you should expect an effect primarily in the second half of the year because those negotiations are ongoing into the second quarter.

Linus Larsson: Great. You've also said that one of your key priorities is to keep the pace up given everything that has happened in the Group recently. What does that mean in terms of M&A activity? Is that a valid comment also for your acquisitive growth agenda?

Magnus Groth: Of course, we don't comment on acquisitions, but we're continuing as we have done before, of course, in looking at different opportunities. And as we stated before, we look primarily into emerging markets for opportunities, and also especially in the personal care categories. That's where we are looking for M&A opportunities, as before. No change.

Linus Larsson: No change. OK. Thank you very much.

Mikael Jåfs: Mikael Jåfs, Kepler Cheuvreux. Could you give us some update on the situation with Vinda now that you are putting your personal care products into that company and basically tell us how that is progressing?

Magnus Groth: I would say it's progressing very well in cooperation between SCA and Vinda. These categories are new to Vinda, but of course, Vinda has the distribution network, the sales force, the go to market, and so on.

We're not yet seeing it in increased sales in personal care, so that's not part of the growth that you see here in personal care in the first quarter. But I think we have good plans and we have a good momentum and good cooperation also.

Mikael Jafs: Thank you.

Josephine Edwall: Any more questions from the floor? No? Then we open up from the telephone. So, operator, do we have any questions?

Operator: Thank you. We do have questions on the phone line. Your first question comes from the line of Celine Pannuti. Please ask your question.

Celine Pannuti: Yes, good morning. I have a few questions, if you do not mind. Coming back on the raw material question, can you give an idea of –with the SEK 700m extra costs you see in Q1, what shall we be looking for in the coming quarter? If you give us an idea of the magnitude coming through.

That's my first question.

Magnus Groth: Thank you, Celine. I will hand over to Fredrik.

Fredrik Rystedt: Yes. Good morning, Celine. I'll try and answer. I think – let me start by a couple of different things.

We mentioned last quarter that we purchase raw materials in dollar-denominated – dollar-denominated raw materials for approximately SEK

13bn. So of course, that impact will be there also in Q2 because it's likely the dollar/euro as an example will be lower in Q2 2015 than it was in 2014. So that's easy to – not easy, but it's possible to calculate.

The other factor is, of course, raw material related to oil. And of course, we've seen that decline. And as Magnus alluded to, we'll see much more of that impact in Q2 and even more so in Q3 and Q4.

So if you sum that up a little bit, what you would expect for personal care is if you compare to last year's raw material cost, you will see personal care being flat to maybe slightly up. And sequentially, for personal care related to Q1, it's likely that prices will be lower.

If you take tissue, it's of course a more challenging picture, so prices will remain – or costs will remain higher in comparison to Q2 also last year, and also sequentially. So that gives you a rough picture.

But, again, the SEK 13bn gives you a good view, and as I think we also talked about, we purchase roughly about SEK 7bn in oil related products per year. And of course, there is a positive impact from oil having come down.

Celine Pannuti: OK. Thank you very much. That's very helpful. My next question is on the volume, which were quite good in the quarter. Now you have as well some easy comp because of Away-from-Home into U.S.. I think as well Russia last year was an easy comp on volume. So question is anything that we should – that is material enough for you to flag, or whether in fact you see better momentum in general in volume, and whether that kind of level should be expected to continue in the coming quarters.

Magnus Groth: I can comment on that, and then you can correct me, Fredrik. But I think we see a good momentum when it comes to volume. No major changes, even though volumes were very high in some areas in the first quarter, of course. We see that we have a good volume development in most categories.

Celine Pannuti: OK. In Away-from-Home in the U.S., I think you flagged that to be a good performance. Can you talk about what is the underlying market doing?

Because I think there were some issues with pricing in the previous quarters. So beyond the easy comp, what are you seeing in the market place?

Magnus Groth: Yes. I think approximately a year ago, first we had the winter storms and then we actually had a change, negative price/mix effect in the Away-from-Home market in the U.S., and that is gradually recovering. So we're gradually seeing improved volumes but also improved price/mix in the U.S..

Celine Pannuti: OK. Thank you. And then finally, my last question. You mentioned efficiency and to be smarter about the way you do look at innovation in an integrated way. Is there a bit more meat on the bone or indication you could give us for us to get a sense of magnitude of what to expect from the savings?

Magnus Groth: I think that the expected savings that I see in the estimates and the market reports are quite accurate, which means that we have made a slightly slower pace of savings in the first quarter than we expect going forward.

Celine Pannuti: OK. Thank you.

Magnus Groth: Thanks.

Josephine Edwall: So, operator, I suggest you just take all of the rest of the questions that you have on line.

Operator: Thank you. Your next question comes from the line of Ricardo Romiatzi (questions asked by Peter Testa from the same company – One Investments).

Peter Testa: It's Peter Testa. Maybe just to follow on from a couple of Celine's questions, please. When you look at – just to help us make our calculation, when you look at the effective inventory as it delays the raw mat/FX increase coming through, can you give us some guidance as to how we should think about the inventory cycle delaying the impact coming through on a sequential basis, please; how many months, and how long we should – when we're doing our moving averages?

Fredrik Rystedt: I can try and do that. I'm not sure I can enlighten you that much more. The inventory is not really the main issue. It's actually the delay in the contract.

So if you take, for instance, fluff pulp, the delay between the actual price decreases is roughly about 70 days.

So typically, for quarter 2 in 2015, we would negotiate the price in mid Q1. So February would actually define the prices for Q2. If you take oil-based materials, you will understand we negotiate the price roughly four to six months in advance.

So this is why you would see the oil price come down towards the latter part of last year, and you see the impact towards the – well, Q2 or the latter part of this year.

So it's not about really the inventory cycle or turnover that much. It's much more related to the cycle times of the markets and the negotiation of contracts.

Peter Testa: OK. And would the inventory cycle have any impact on how FX earns its way through on raw mat? Because you would hold for example raw mat and working process and maybe finished goods through the chain at an FX rate of December and January, and so on, when you think about the lag?

Fredrik Rystedt: Yes. That's true, Peter. You will have exactly that impact. But that impact is relatively short because the actual throughput time or inventory turnover is relatively quick, as you can see from our balance sheet. So it's rather quick and typically within any given quarter.

Peter Testa: Right. OK. And then just on prices, can you give us some understanding as to how sequentially prices work through Q1 versus Q4, and the extent to which you think based upon prices achieved at the end of the quarter you have some momentum going into Q2?

Magnus Groth: I don't think we can give that much more guidance actually, more than what we have given.

Peter Testa: Right. OK. Then specifically on cost savings, can you just say what the cost saving impact was in Q1, please, year over year?

Magnus Groth: Do we publish that? I know the number, but...

Fredrik Rystedt: Yes. We don't normally typically publish the number exactly. We have done that in accordance with the different programs. And as you will recall both the improved program and perform to grow has now expired. We don't do that. But if I just any way allude to it, we have roughly the same efficiency gain as we had in Q1 of last year. So we continue in line with our aspiration to save roughly at the same pace, and we've done that also this quarter.

Peter Testa: OK. Is there anything you can say on the programs, program specific, just update?

Magnus Groth: Yes. The remaining program is Georgia-Pacific integration where we have now achieved SEK 90m out of the synergy savings that will end up at SEK 125m by the end of next year, 2016. We are on plan and we expect to achieve the full savings according to plan.

Peter Testa: OK. And last question on product launches. Can you give any sense as to how you think the phasing of product launch impact will come through this year based upon your declared plans?

Magnus Groth: We have a good funnel for innovations this year, the sales increase from innovations typically has a six to nine-month delay after the initial launch because you have a rollout and then you need customer acceptance; you do all the advertising and promotion, and so on. So the sales improvements that we see this year based on innovation is coming from launches we did basically last year, last fall.

Peter Testa: OK. Thank you.

Operator: Your next question comes from the line of Kartik Swaminathan

Kartik Swaminathan: My questions have been answered, thanks very much.

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

Oskar Lindström: Yes, hello. I'd like to look a little bit at the organic growth in Europe which was – yes, you had some maybe easy comps in some markets, but it was fairly strong at 4 percent. And you allude to the fem care segment being one of the

drivers here. This organic growth rate that we saw in mature markets in Q1, is that a pace that we should expect it to continue at for the rest of this year? Have you changed something to increase the pace sustainably?

Magnus Groth: I don't think that we can state that that clearly because you also have to remember that we don't promote or market the full 12 months in any category.

Typically, you have a program where you do advertising and promotion maybe seven to nine months depending on the category, and then you also have quarters where you don't do as much. And so there could be variations between quarters which are then explained by this phenomena. But overall, I think we have a good growth momentum also in Europe.

Oskar Lindström: All right. Thank you.

Operator: Your next question comes from the line of Iain Simpson.

Iain Simpson: Thanks very much, good morning gentlemen. You talked about moving away from basic cost programs to trying to build operational efficiency into innovation and kind of looking holistically throughout the whole business. Are you able to give any more color? I understand your reticence to give numbers, but just a few examples of the sort of things that you're doing just to help us better understand what that consists of.

Thank you very much.

Magnus Groth: Yes. I mentioned some examples I think initially. One is – actually, the products I just showed here earlier, the toilet tissue that I showed, we have a new embossing technique that actually increases the bulk and softness of the toilet tissue but with a lower grammage. So the value engineering, we actually use less pulp in the same toilet roll but with a perceived increased softness and bulk, so thickness. So that's one example.

Another example is that we can be better at designing, for instance, folding a diaper. So when it's in a pack the packs fit perfectly to the pallet in the truck and not to 95 percent. And then, of course, immediately you improve the logistic costs by just having better truck fill.

So those are examples of designing for cost efficiency.

Another one is that every time we innovate, we also understand can we use this using fewer raw materials, fewer suppliers, fewer (base sheets) than we had before instead of adding new specifications and new base sheets. That's another example.

Iain Simpson: Thank you very much. And just one follow up, if I may. So your growth in Russia was 27 percent in personal care and 15 percent in tissue. Are you able to decompose that at all into price and volume? Would we be right in thinking that all or more than all of that was price? So were volumes down in Russia?

Thank you very much.

Magnus Groth: I don't have the exact number. Maybe you have it. But volumes are also up, actually.

Fredrik Rystedt: Yes. It's both. It's actually both price. The price is a significant portion of it, but we continue to grow actually volume-wise in all of the categories.

Iain Simpson: Thank you very much.

Operator: Your next question comes from the line of Karri Rinta. Please ask your questions.

Karri Rinta: Karri Rinta, Handelsbanken. First a clarification, this raw material headwind of SEK700 million plus that you saw in Q1. Did you say that 80 percent of that was FX and 20 percent then the underlying local currency prices for raw materials? Did I get that right?

Magnus Groth: Yes.

Karri Rinta: OK. Thank you. Then a more strategic question on feminine care. You are showing good organic growth, but you're still pretty small in that category. So what would be the benefits of being larger player in this category? And are you happy with growing organically, or is this one of your key focus areas

when it comes to acquisitions in emerging markets, and maybe Europe as well?

Magnus Groth: Yes. As I stated, personal care is a focus area for acquisitions, and feminine is part of that. And of course, if you have a nationwide marketing campaign and you have 30 percent market share instead of 15 percent, then the cost per liner or per towel is half for that marketing campaign. So the scale benefits are huge in marketing and in other areas.

Karri Rinta: OK. And then finally, incontinence. Now that you have about a year to study Procter & Gamble's market entry, are you happy with the way that you – with your product portfolio, how your products are positioned and that you're still pretty much 100 percent focused on the brand TENA Or do you see maybe you should diversify the same way that Procter & Gamble is doing?

Magnus Groth: We will continue to focus on TENA and we have a good product range. But of course, we are working to continuously adapt and improve the product range to really mitigate and meet Procter in the different markets.

Karri Rinta: All right. Thank you very much.

Operator: Your next question comes from the line of Dole Hathorn.

Dole Hathorn: I have two questions on the forest products division. Firstly, could you give us an update on how successful your EUR40 a tonne kraftliner price increase has been?

And secondly, what are you thinking about for the kraftliner mill strategically now as taking over the CEO role? Would you be thinking about finding them a new home if you were offered a good price?

Magnus Groth: First of all, the kraftliner prices, we are achieving not all of it but more than half of it, to give you an estimate.

And when it comes to the strategy, we have a long and successful strategy of being a hygiene and forest products company, and we stick to that strategy.

Dole Hathorn: So no plans at the moment to divest any of the kraftliner?

Magnus Groth: We stick to our strategy.

Dole Hathorn: Sure. Thank you.

Operator: Your next question comes from the line of Robert Waldschmidt. Please ask your question.

Robert Waldschmidt: Good morning. Two questions, if I may. Coming back to Western Europe, and in particular diapers, you've discussed a strong result driven both by own brand and branded. You clearly mentioned the contract win a year ago as driving own brand. I just wanted to see if you're also taking share within own brand, or if the share gains are principally related to the branded portion of the business.

And then second question would be with respect to the significant number of launches that we've seen in the quarter. Can you just give some color on the phasing of the A&P? I would presume to support the launches, you would have had a heavier weighting of A&P in Q1 which obviously might settle down as we go through the rest of the year.

Thank you.

Magnus Groth: OK. So starting then with the branded business, the Libero business, which we have in the Nordics, in Russia and some Eastern countries. We are actually gaining market share in most of these markets under our own brand, in Libero, including Russia. So I think we've found the marketing formula that works.

When it comes to the retailer brands or private label which we're offering then in other countries in Central Europe and in the U.K., actually, most of our customers there are also gaining market share. So it's not only that this one contract is now being fully delivered; it's also that we have a good modern product offering.

And I think we're actually voted the best diaper in Spain here just a few days ago, which is then not under our own brand but under our customer's brand. So it shows that the product is very competitive.

And in the second question, so about A&P, we had slightly higher A&P in the first quarter. Maybe then we will see in the coming quarters, but we will see a slightly higher A&P this year than last year. I think that then gives you a range.

Robert Waldschmidt: OK. Thank you.

Operator: Your next question comes from the line of William Houston.

William Houston: Two questions from me, please, one on the capacity closures in tissue that have been announced in France. Could you just talk briefly around those, what the kind of timescale is there, and whether that's it for capacity closures or you would expect any more?

And secondly, on the diaper lines in Spain, are those both up and running now?

And you talked about selling the capacity in the Polish mill which is freed up. Could you just talk about whether that's fully done now as well, please?

Thank you very much.

Magnus Groth: OK. So we haven't announced any capacity closures in France, but we are in union negotiations and we are not in a position to announce anything before those union negotiations are finalized. Those union negotiations are progressing according to plan. And this is, of course, an important part of our G-P integration and G-P synergy program.

So that's that.

When it comes to the two baby lines in Valls in Spain, both are up and running. The second line is still on. Its running in curve but according to plan.

And thirdly, we actually have a very good capacity utilization in all our personal care mills now in Europe, so we have a high capacity utilization all over. So we needed those two lines in Spain.

William Houston: Brilliant. Thank you very much.

Josephine Edwall: So we seem to have no more questions. I see this on my computer here in the front. So with this, do you have any final conclusion, Magnus? Then we are done.

Magnus Groth: We're done. Thank you very much for listening.

Josephine Edwall: Thank you very much and goodbye.

END