

**SCA**  
**Interim Report Q2 2016**  
**Moderator: Magnus Groth**  
**July 19, 2016**  
**13:00 p.m. CET**

Josephine Edwall: Hello, and welcome to SCA's second quarter report 2016. My name is Josephine Edwall, I am Head of Communications. Today, our President and CEO, Magnus Groth, will, together with our CFO, Fredrik Rystedt, go through the highlights in the report, followed by a Q&A session.

*Slide 2*                    With this, I hand over to you, Magnus.

Magnus Groth:        Thank you, Josephine, and thank you for coming here in the middle of this beautiful summer day.

*Slide 3*                    So SCA had another solid quarter with a strong organic growth in adjusted operating profit, primarily coming from the hygiene part of the business. We had good organic sales growth in the hygiene business, and especially in the emerging markets, and this resulted in a strong cash flow.

We have made significant provisions for ongoing antitrust cases and tax cases, and none of these cases are new. We have reported about these cases, in some instances, for several years. And even though these are historic cases that we have announced before, we take all issues like this extremely seriously.

And I want to underline that I've done that several times before during these quarterly reviews, I want to underline again how seriously we take this so that we don't end up in situation like this again, going forward. Previously, we have accounted for this as contingent liabilities and we have informed about this in various ways. But for this quarter, we have decided to make provisions in our P&L for the full effect of ongoing tax cases and antitrust cases.

And, as I already mentioned, they are ongoing but the estimate is now that there will be higher than 50 percent probability that these cases will, in the end, be ruled against us. And we base this on changes in practice that we see in some other instances relating to other companies in similar situations.

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So with that, let's talk more about the business situation. Overall, our organic sales growth was 2 percent. Again, hygiene had a solid quarter with 5 percent growth in personal care, 3 percent growth in tissue, while forest products had a negative growth of 7 percent.

The adjusted operating profit improved by 9 percent, leading to an improved operating margin of 0.7 percent to 11.7 percent.

And earnings per share then was negatively affected, as already mentioned, by these provisions due to the tax and antitrust cases previously mentioned. If we would deduct these provisions, earnings per share would actually be increasing by 18 percent, based on the underlying performance.

Operating cash flow remained very strong and increased by 21 percent, compared to the same quarter last year.

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Our adjusted return on capital employed improved by 0.5 percent to 12.1 percent, so we're steadily moving closer our long-term target of 13 percent. And in this number, there's a negative impact from the Wausau acquisition. It's still early days and we're still working very hard with realizing the synergies and integrating Wausau. That's, by the way, progressing very, very well and ahead of time, but that has slightly negative impact on return on capital employed initially. But in spite of that, we are now up to 12.1 percent on return on capital employed.

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As you know, I like to talk to you about innovations, and this quarter we have some quite important innovations. One of them is the TENA overnight underwear that you can see on the slide. I will also show it live here.

It's important because this is something that we are selling in retail both in North America and in Europe. It's a product differentiates us from the

competition and that we're using to be even more successful in the battle that we are now in, as you know, since several years when it comes to the retail business in Europe and in North America. So this is an important launch that's ongoing now.

Another example is an ongoing launch of our dispenser range under the Tork brand, and this is a range that has very good properties in wet environments, so it's a very sturdy dispenser.

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Without going into all of these tissue launches, I'd like you to see the similarities here between the different packs. So in spite of launching products under different trademarks in different markets, we are becoming more and more global, both in, actually, how we present the products, the packaging, and also rolling out innovation on a broader scale throughout different markets.

As an example, the Zewa and Regio Just 1 products that you see there, down on the right-hand corner, is a product that we have been selling in Europe for quite some time, but we're rolling it out now in East Europe and in Latin America.

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So with that warm-up, I'd like to hand over to Fredrik for some more numbers. Fredrik Rystedt, Svenska Cellulosa AB SCA - CFO

Fredrik Rystedt: Thank you, Magnus. I'll start with the usual slide on net sales. And as Magnus already said, we grew with just over 2 percent in organic growth, and hygiene with approximately 4 percent and forest with minus 7 percent. And price, as you can see, contributed positively and about 1 percent for both tissue and personal care, and forest, as we also had in the first quarter a negative of 3 percent.

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Volume very strong, remains strong, I should say, in personal care and tissue, with approximately 2 percent, also good growth. We had lower volumes in forest with approximately 4 percent. Roughly about 2 percent of that decline in forest has to do with the closure of the paper machine in Ortviken, and the

other 2 percent has to do mainly with planned maintenance stops during the second quarter.

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If we look at the tissue growth there for a second, 2 percent is slightly lower than we've seen before. Although still good, it's slightly lower and that has to do with little bit lower mother reels sales, and also a somewhat lower growth for Vinda than we've seen in the previous quarter.

If we look at a little bit longer perspective on the organic sales growth, you can see that both tissue and personal care, during the quarter, actually achieved growth rates within the target range that we have set for these businesses. And underlying volume growth and mix improvements remain at good levels.

During 2015, and also in the first part of 2016, our organic growth in hygiene, in more general terms, were partly driven by price increases that we made during 2015. And those price increases we made on the back of very significantly higher raw material and adverse currency changes that we reported to you during last year.

Many of those price increases are now part of the comparable quarters that we use as comparables now and, therefore, of course, the growth levels are coming down. And, of course, this will also be the case in Q3, when the big price increases that we made during Q3 of last year in tissue in Europe will actually be part of the comparable numbers.

If we look at the growth rate here for forest, I already mentioned the volume side, but price levels on pulp, on kraftliner, and to some degree also on solid wood products, continued to be lower this year than the average of last year, although we can now see that the price levels are generally stabilizing.

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If we look at operating profit, on the organic growth we see a growth of 9 percent. So a stable and good growth in comparison to quarter 2 of last year. Price contributed with SEK140 million for personal care, SEK215 million for tissue and, as I already alluded to, negatively with SEK150 million roughly for forest.

Volume contributed positively, so about SEK300 million or so for hygiene and, of course, slightly negative at SEK20 million for forest.

For the first time, and you can see that here, for the first time I think it is in five quarters, we've actually seen a positive impact from raw material. And most of this benefit that you can see on this slide, this SEK70 million here, relates to our tissue business.

And we expect this to continue also for Q3. So if you compare Q3 of 2016, we expect that to be positive in comparison to Q3 of 2015. For personal care and forest, raw material prices are expected to be slightly lower, not a lot, but slightly lower, and for tissue, clearly lower.

And some of you, I know, are also interested in the sequential developments on the raw material. And there, we look at actually a slight increase for personal care and for forest, and also slightly up for tissue. So not a great deal sequentially, but slightly up for tissue, and this has to do with increases in recovered paper.

As you can see, and the same as in Q1, energy prices are still very low and contributing to the profit.

Now you see the other bar there, minus SEK368 million, and the other bar generally, it actually includes all items that are not included in either price mix, volume, raw material or the other items listed on this slide. Of course, it contains A&P or SG&A or other cost of goods sold, etc. And this quarter it's an exceptionally high number, that we're normally lower than this. And that's also despite the fact that we've had continued good efficiency gains.

What we have done is also continued to invest in growth. So we have higher A&P and we also have higher sales costs. So SG&A is going up, not least in Latin America, and also Vinda to a great degree. And then, in addition to that, we've also had fairly high inflationary cost. Also here Latin America is a contributor, with relative high salary cost inflation, partly on the back of currency.

And the final item there in this number of SEK368 million is also cost relating to transportation of finished products. So we import, for example, into Brazil and the currency movements make the product costs simply be higher, and that's part of that negative impact.

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If we look at cash flow, this is a slightly different number than you saw on Magnus' slide previously, because this also includes the strategic investments or all the capital expenditure that we do. And if you look at that capital, or operating cash flow, is increasing with approximately 1 percent. So you can see that operating cash surplus is continuing to do well and contributing favorably to cash flow.

Change in working capital is normally negative. We build, typically, working capital during Q1 and Q2. But despite that fact, in the quarter, we've had a slight positive contribution and that's also despite the growth we've seen in the Group.

So this is a very good performance and if you look at each individual working capital line, so inventory, accounts receivables, etc., all of them are performing well in terms of percentage of net sales. So we're quite pleased with this development.

Capital expenditure; if you take the total amount, SEK1.9 billion or just under SEK2 billion here and you also look at Q1, you can see that we've spent approximately SEK3.5 billion in capital expenditure so far this year.

Now we've given you a guidance of SEK9.5 billion, which is significantly higher than we've seen in the previous year. All this has to do with the Östrand investment, or primarily with the Östrand investment. So what you can conclude from this is that we have higher strategic investment than last year, which has to do with Östrand, and we will spend more in strategic capital expenditure during the second half of the year, also relating mainly to Östrand.

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We talked about the items, or Magnus talked about the items, affecting comparability and, as you can see, there are quite a few during this quarter. The biggest one is, of course, the SEK964 million for the antitrust cases.

Approximately SEK500 million of this SEK964 million relates to antitrust cases where a verdict has already been delivered, and the remaining SEK464 million, roughly, is related to our own estimations of outstanding cases where no verdict exists so far.

Of course, the final amounts here remain uncertain, so this is the best judgment that we can make on expected costs, going forward.

In addition to those antitrust cases, we've also continued restructuring efforts in closing one plant in Spain and another one in France, as you can see here. And then we've continued our integration efforts with Wausau, which is going according to plan and, of course, the estimates that we have both relating to synergies and integration costs remains the same as we have communicated before. So this is very much in line with the plan.

And then finally, we also have a positive number here of SEK218 million, which is relating to a capital gain when we sold our recycling, or our shares in the recycling company IL Returpapper.

*Slide 14* So with those words, Magnus.

Magnus Groth: Thanks, Fredrik. Digging into the different businesses in some more details; in personal care we had organic growth of 5 percent and an improved operating profit of 10 percent. And we continued to see better price mix, higher volumes and cost savings, so all the levers that we want to pull to achieve improving margins and improving volumes.

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We're also, as Fredrik mentioned, investing more in advertising and promotion to keep growing in the very profitable categories of feminine care and incontinence care, primarily in Latin America.

Adjusted return on capital employed actually came above our target of 30 percent, and was 31.1 percent in the quarter. And again, the margin improvement was nearly 140 basis points from 11.3 percent to 12.7 percent, so a big improvement in margins in personal care.

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And this volume and margin improvement actually is more or less coming from many parts of the business, which is good. As you can see here, we had good growth both in mature and in emerging markets and also in all the different segments in personal care; 4 percent in incontinence, 4 percent in baby and 9 percent in feminine care.

Behind those numbers, digging down into some more geographic detail, it's worth to mention that in Europe this is now the last quarter where we had a significant growth comparatively to the same quarter last year from a big private label contract that we gained almost two years ago now. So the rollover effect will be complete after this quarter; however, we still see good growth in other parts of the European baby business.

In emerging markets a mixed picture; Latin America is performing well, Asia is performing very well, Russia had a little bit of a slower quarter, and also baby diapers in Latin America. But overall, a positive development and we continue to look at different positions in different markets to see what we can do to improve because, as you know, we are working actively to have good growth and good margins in all the geographies and all the categories where we are active.

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Moving on to tissue; we had organic sales growth of 3 percent, which is in the range of our target which is between 3 percent and 4 percent. And the adjusted operating profit improving 8 percent benefited, again, from better price mix, volumes, savings and, for the first time in five quarters, from also lower raw material costs. The operating margin improved by 70 basis points to 12 percent.

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And if we move on then to see the breakdown, there's quite a difference here where actually growth in mature markets was close to zero, while we continued to have double-digit growth in emerging markets.

Between consumer tissue and Away-from-Home, both show good growth; 3 percent in consumer tissue, 4 percent in Away-from-Home. And then looking one step in more detail; in Western Europe, we had lower volumes for consumer tissue and, if you remember, last quarter I was saying that we were

at the end of a long period of quite tough price increases due to higher raw material costs, and I feel that we have managed this transition, now that we see much, much lower raw materials, quite well in balancing volume and margins.

We focused very, very much on margins over the last year or two before volume and now we are looking forward, moving back to also getting a good balance of margin and volume. So that's something I feel confident about will develop well, going forward.

In Away-from-Home, we had higher sales in Europe and slightly lower sales in North America. And, as you can see, in all emerging markets we had growth; slightly lower in Russia in this quarter.

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Forest products, finally, where we had an organic sales growth that was negative 7 percent consisting of a mix of price and volume. Fredrik mentioned that approximately half of this volume decrease comes from the closure of paper machine number two, the publication paper machine in Ortviken that we announced last year, and the other half from maintenance stops during the first -- or during the second quarter this year.

Also operating profit was lower 16 percent due to lower prices, lower volumes, helped by lower energy and material costs. So altogether, an operating margin of 12.4 percent for forest products.

Looking forward, we expect a stabilization of prices in the various areas, so no big changes expected, going forward, for the next couple of quarters.

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So with that, I'd like to hand over to Josephine, I nearly said, and we can use this slide, I think we already went through most of these bullets to summarize.

We continue to see a solid performance in the hygiene business; good growth momentum, improving margins, resulting in good cash flow. In the forest products business we are also doing well when it comes to our investments, our big projects, in our savings, but were negatively affected by the price developments, compared to a year ago, but we expect this to level out, going forward.

*Slide 21*      Now, Josephine.

Josephine Edwall: Now with this, let's open up for questions.

Mikael Jåfs:      Mikael Jåfs, Kepler Cheuvreux. I have two questions. One is around raw material pricing and where you're saying that you now start to see some gains from lower pricing. How difficult will it then be to maintain your end product pricing, or the stabilization of the raw material market is not significant enough to impact it?

Magnus Groth:    As you can see, we have increased margins substantially, due to the price increases we did last year until the beginning of this year, and the downturn now of raw material prices in this quarter. We foresee that there will be some more price pressure; of course, also our customers and consumers see that raw material prices are coming down and this is something we will have to manage. But I feel that it's a better position to be in than vice versa. But it's a situation that we will manage, going forward, also balancing with volume growth.

Mikael Jafs:      Thank you. And then my last question; you mentioned there about higher recycled paper pricing, this has been quite stable for some time. Do you have any particular reason why we see higher RCP prices?

Fredrik Rystedt:  I don't; it's actually supply/demand issue, so with recycle sometimes you see volumes being exported out of the relevant markets and you see higher prices. So we've actually seen that trend going up, so it's more a demand/supply issue; that's mainly the reason.

Mikael Jafs:      Perfect, thank you.

Josephine Edwall: Next question? If not, do we have anything on the telephone conference; do we have any questions there, operator?

Operator          Your next question comes from the line of Celine Pannuti.

Celine Pannuti:    My first question, it's trying to understand the others; Fredrik, you gave a list of items in your presentation. I see that in tissue the others were quite

meaningful, in fact SEK270 million. Could you give a bit more light of what is there and to which extent this recurs or not in the coming quarters? That's my first question.

Fredrik Rystedt: Yes, I can do that, Celine. There are actually quite a few items. I mentioned most of them but we see many, many different things, and one of the bigger items there is actually the salary inflation or the fixed cost we have in the production facilities. And a lot of it is actually coming from Latin America, as I mentioned, so that's part of it.

We also see quite a lot higher cost, and some of you may have also seen the Vinda report this morning, we see quite a lot of higher cost for sales and administration as an example, and, of course, that's a result of very strong growth rates we see in Vinda. So there are many different items that we see in that line, pretty much in line with what I said.

And there are also small and big, so I'll just take an example there. We have somewhat lower production volumes as an example, that's not a main contributor, but we reduced production volume to actually take down our inventory and to make ourselves sufficient.

And there is also, in the tissue side, some stock value adjustments on the back of lower prices. There are quite a few different items there, but many of them are, sort of, of a permanent nature, some are more temporary.

Celine Pannuti: So because when you talk about these fixed costs, and the higher salaries, all of that seems to be part of the ongoing business. So I'm a bit surprised that it does come such a big acceleration on a quarterly basis.

Fredrik Rystedt: If you look back a few years, Celine, you will see that Q2 is typically high on the other line there. So we normally have higher costs in Q2 on all the other items there. This has to do with many different things. First of all, we typically have a wage negotiation reset, for instance negotiate wage system, and you have retroactive pay for the full year. That's one example.

Second, there is quite often you have launches of new products with additional A&P spend, and the same thing goes for sales and administration.

So we normally have higher other costs in the second quarter of any given year. So from that perspective, it's just unusually high in comparison to the normal Q2 level and this was higher than normal.

Celine Pannuti: Okay. My second question is for personal care. Growth rate remains quite strong, so first thing is, could you a bit give us an idea of how you are tracking versus the market from a market share standpoint? I was quite surprised how well you did in mature markets.

And the second part of that question is, Russia, down 2 percent, was quite a surprise; are you rolling back price increases from last year? And should we expect this, therefore, to continue, given the high comp in the second half?

Magnus Groth: Overall, we're doing well on market shares. We are, in general, positive gaining market share in feminine care; stable to positive in incontinence care; and gaining market share in baby in Europe. So in general, that's doing quite fine.

In Russia, we are seeing some temporarily increased competition. Some of our competitors are investing right now to regain some market share, so there's a higher activity. As we have stated before, it's difficult to draw long-term conclusions from what's going on during one quarter, and I don't foresee that we are giving away prices here. But, however, going forward again, the comps will become more difficult since we made price increases second half of last year, and we will compare to those now moving into second half of this year.

Fredrik Rystedt: I think maybe on the Russian side also, just adding, is, Celine, you already know that, but we've had fantastic growth numbers in Russia for quite some time, so we've really strengthened our business there. And now, of course, also the ruble has strengthened in comparison to the euro, which is also having an impact, so this is part of the story.

Celine Pannuti: All right. And then last question, on your adjusted EPS came up 18 percent and I think it was quite a bit versus consensus. Could you flesh out the drivers of that? It seems to be lower minorities, and as well lower net financial, to which extent those are recurring. Thank you.

Fredrik Rystedt: Yes, if I may, the main contributor there is the financial net that you can see is very low for the quarter, so it's unusually low. It has to do with currency impact from this divestment, or the integration of our Asian business into Vinda. So we have a positive impact. We actually had a slight negative impact in the first quarter and we now have a positive impact in this quarter. So it's unusually low in this quarter but, if you take the full year, it's roughly okay if you put it like that in the financial net. And, of course, in the quarter that's the main reason for the EPS deviation from the expectation, if you put it that way.

Celine Pannuti: Thank you.

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

Iain Simpson: Just a quick question from me, if I may? Some of your competitors have flagged a slight increase in price competition in European diaper. That sounds like a market you're pretty happy in, but I just wonder if you could talk about the price dynamics in European diaper at all. I know you flagged that you lapsed some pricing, but I was just wondering what you're seeing in the overall marketplace. Thank you.

Magnus Groth: In the overall marketplace, there's not that much new capacity in Europe. But quite a lot of capacity has changed hands, so market shares have shifted quite significantly over the last two years, and mostly to our benefit. So we're very happy about that. And at some point, of course, that drives, to some extent, price competition. But I would state that price competition is always tough in the baby category, and there's not a big difference there.

Iain Simpson: Thank you.

Operator: Your next question comes from the line of Linus Larsson.

Linus Larsson: Just a couple more questions on price, if I may? Last year partly in high inflationary environment you were able to hike prices. I just want to hear if there are examples where such price hikes are now being rolled back. And then on a more general, even more general, note, are there any price hike initiatives ongoing in any of your categories? Thank you.

Magnus Groth: Starting with then the possibility for price hikes, we're looking at opportunities, especially in Away-from-Home, since the raw material cost for recovered paper has increased slightly. So that's an area where we are looking at price increases. And especially North America, we see some price increase also in the market.

Another geographic area we're looking at this is the UK, of course, as a result of the Brexit, where we, like everybody else, are affected both by transaction and translation impacts. Transaction to the extent that we are importing raw materials, and translation, because of the weaker pound of course, any profit is translated back at the lower rate. But we're in a reasonably good position because we produce tissue, to a high extent, in the UK, while personal care products are imported into the UK. So that's something we're looking into at this point in time.

Price decreases; I see a discussion about an increasing price pressure on consumer tissue in Europe in general due to the lower raw material prices. Last year, we had the added effect of also quite a lot of capacity coming into the market. Most of that capacity has actually been absorbed now, except for Spain maybe. So, yes, we expect to have discussions about price decreases rather than price increases, going forward, and that's a situation that I think we can manage.

Linus Larsson: Very good, that's very helpful. And the Away-from-home tissue price hike in the US, the timing and magnitude of that?

Magnus Groth: I don't have that detail today, but that's something that we are looking into.

Linus Larsson: Great. And then maybe also just a clarification, if at all possible, on the other items that were discussed previously on the call, the SEK270 million year-on-year impact. It sounds to me as if much of it is recurring, but do I understand it right that some of it might be falling away in the third quarter?

Fredrik Rystedt: I think, Linus, there are items there that are, of course, also of temporary nature. But most of them are, as I mentioned, salary increase for instance, are of course there, and the higher A&P spend is likely to continue. Of course,

that's paying off for us. SG&A costs and those three are the main parameters there, of course, they will also stay. So most will stay, as I mentioned before.

Linus Larsson: Great. And then just one final check on what you've said before regarding your changed accounting, or changed disclosure, from January 1 next year. Anything to add there? Is that project still on track? Anything you want to share with us on how that disclosure will appear in the first quarter results in 2017?

Magnus Groth: There's nothing new to report about dividing the Group into two separate divisions. That work is ongoing according to the time plan that we had previously communicated.

Linus Larsson: Excellent. Thank you.

Operator: Your next question comes from the line of Stellan Hellström.

Stellan Hellström: I guess most of the questions I had have been answered, but I would like to also come back to the cost increase in tissue on the other line here. And just to understand it correctly, this salary inflation that you're seeing in some emerging markets, is that coming with a lag relative to the price increases that you've made? Or how does that work?

And then also, on A&P spending here, is it some phasing going on in the quarter, or is it a higher level that we see? Thanks.

Fredrik Rystedt: Salary inflation is just something that has sort of come in to the numbers, so higher salary and wage costs have come in, in particular this quarter. So that's not really tied to the price increases we have made.

If you look at the A&P, also there we have spent additional amounts in personal care and, to some degree also, in tissue. So there is really no phasing there. Q2 is normally a big month for A&P, but this is, compared to last year Q2, so we have increased the level overall, SG&A in particular.

Josephine Edwall: Were you okay with that, or did you have another question? We'll take the next question.

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

Oskar Lindström: My first question is around cost savings. You've now closed two plants, one in Spain, and one in France, and I realize you work continuously with cost savings in your operations. But do you feel that these cost closures, and perhaps ones that you'll do in the future, are they enough to just counter cost inflation? Or will we see some underlying cost take out as well?

Magnus Groth: I can start, and then Fredrik can correct me. We have an ambitious plan for cost savings and efficiencies, going forward, and we see as much opportunity for savings and efficiency improvements, going forward, as what we have achieved historically. During the Capital Markets Day, we described our tissue roadmap that, for the first time, we have actually set up a 10-year plan for how to develop our tissue, which is, of course, the most asset intensive part of our hygiene business, our tissue business over the next couple of years. And the closures you've seen now are examples of that.

We are closing old, small, inefficient facilities and only investing in big efficient facilities in the right locations. Specifically, these closures that we're announcing here, we don't see the effects of the savings from that yet. That will come in the coming quarters.

I feel that there's a lot to be done in general, both in tissue but also in personal care and in forest products, going forward. So we have plans in all these three areas, and targets of course.

Oskar Lindström: If I may ask, you previously, when you've had cost-save programs or plans, you've actually set them out in formalized cost-save programs and guided us on what to expect. What is the reason for not doing so now?

Magnus Groth: This is something we stopped reporting end of 2014, if I remember correctly, when we had a couple of savings programs, both in hygiene and in forest. We also had the G-P integration program. We said that we think that -- of course, we have programs internally and we follow up rigorously every month and every quarter on those programs.

But they tend to start to live their own life, if you report them externally. And we wanted to have a very -- we don't want to see any double accounting in this area when it comes to savings and then it's better to keep them internal, to show the effect on the bottom line. We also want to make sure that the savings and the efficiencies that we do hit the bottom line and that don't come out as some kind of project numbers. That's the reason.

Oskar Lindström: Thanks.

Fredrik Rystedt: I can maybe add there because I think any company can produce a cost program. And most companies will deliver on those cost programs because what you do is you set a specific number of activities, and then you calculate the benefit relatively conservative and then you track them and off you go.

What is actually important is the total cost development of the Group, the total COGS development or SG&A, whatever that is. Of course, if you have the correct cost culture with continuous improvement, if you have the capability of tracking your productivity improvement all the way down to the bottom line, and thirdly, that you have all the right activities, then it's much more efficient, over the longer perspective, to run it like this and not contain it in the part of a cost program.

If you do the cost program, you can improve there but you lose at the other end. What we're trying to do is to actually achieve a good cost development on the totality of things. That I think we have -- we have the measures, as Magnus alluded to, in the tissue roadmap.

Oskar Lindström: Thanks. If I may come back to this issue, which the other people have asked about, is the pricing on tissue. You had still, in Q2, quite good momentum on price mix year on year, and you now mention price pressure going on in the market. How soon should we expect that to hit your tissue business, or is that not a given?

Magnus Groth: That's definitely not a given. We're doing everything we can; working with, of course, innovation and partnerships with our retailers to show that we are creating value for them and for this category, and to work with other ways of not focusing primarily on prices.

We work very hard to -- and price pressure also, it's nothing new; it's something that we're facing continuously in all categories and at all times. There's more discussion when there's a short drop in raw material prices but, after a while, that normalizes again.

We have different ways of negotiating with different retailers in different countries. Sometimes it's annual, sometimes it's ongoing. You can change prices at any time after negotiations. So there's always a lag from any negotiation regarding price increases or decreases.

Oskar Lindström: All right. Thank you very much; those are all my questions.

Operator: Your next question comes from the line of (Ilam Edry).

Ilam Edry: My question is, considering the lower price in mature markets for tissue, you mentioned price competition, but could it also be linked to private label price decrease? What could we expect on this private label/own brand split for the future?

Magnus Groth: The price changes occur quicker on private label than on own brands. One thing is that we are expecting more price pressure, going forward, than we've seen over the years when we had increase in raw material costs. But we also believe that this is business as usual and something that we will manage. So I cannot give you any prediction if and when something will happen when it comes to the outcome of increasing price pressure.

Operator: Ilam, your line is still open.

Josephine Edwall: I suggest we take next question.

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

Iain Simpson: Just on Vinda, you mentioned that was going a little bit slower than it had in the past. Clearly, that's a business that has done incredibly well for you in recent quarters. I just wondered if you could comment about the slowdown at all. Is it just beginning to lap the rollout of international brands, or is it a marketplace thing? Thank you.

Magnus Groth: I can start, Fredrik. It's definitely a marketplace thing. We believe that the Chinese tissue market, that we have communicated before, is growing roughly in line with GDP so that would be around 6 percent, 7 percent. Vinda has taken a large part of that growth over the last couple of years and gained market share actually, and we are now the number one branded tissue player in China. So that's all going well.

We believe that underneath this 6 percent to 7 percent, the three big established player will actually keep growing faster because they will take market share from the smaller player as the markets consolidate. Nevertheless, this is a slower growth than historically, due to the new normal of China. So this is just an effect of the market development.

When it comes to the launch of our international brands, like Tempo in Mainland China, that's going extremely well. We're seeing high growth numbers, which is good because those are also high margin segments within the tissue category. So that's going well.

Also in personal care, just to mention that the integration with SCA's pan-Asian -- or Asian business is also developing well. We saw good growth, as you can see on the previous slide, in our Asian personal care business, now managed by Vinda.

Iain Simpson: Thank you very much.

Operator: Your next question comes from the line of Celine Pannuti.

Celine Pannuti: A follow-up from me. First in terms of your guidance, or the discussion we have had about tissue, there seems to be this question about the pricing discussion, which we may not see right away, but at the same time, you're talking about the potential from volume acceleration. I was wondering whether you could share with us what kind of volume growth you see right now in the market and, what could be a run rate growth especially in developed markets? That's my first question.

Magnus Groth: Run rate growth rate hasn't really changed in developed markets. It's still a few percent, 1 percent to 2 percent annually, so there's no change there. When it comes to SCA's growth in these markets during the second quarter it was zero, because we focused very, very much on price increases and, what we're doing now is we're finding the balance between pricing and volume. And that's what we are focusing on now in our discussions with retailers, going forward. It's very difficult to specify what that will lead to. I just feel confident that these are discussions that we always had with our customers, especially in the retail part of the business.

It's more stable in Away-from-Home actually, and also the underlying raw material prices are more stable. So I think we can manage that and find that balance between margin and volume.

Celine Pannuti: All right. Just also on tissue, you mentioned that Away-from-Home was negative in North America; did I understand well? And can you maybe give a few comments on Wausau, how is Wausau progressing?

Magnus Groth: Wausau is progressing better than our integration plans, both when it comes to synergies and when it comes to their margin. So we are super happy about Wausau and how that business is going and also the integration.

We had a slightly lower or negative growth, partly because of the performance of some our distributors; in Away-from-Home, we work mostly through distributors. It could be an impact from the ongoing integration work; of course, that takes some focus maybe from going for volumes. So that's something we have discussed intensely in our North American business, that we need to keep our eyes on the customers and consumers and not lose that focus while we are integrating. So we have that discussion continuously.

Celine Pannuti: And my last question, I promise. There was a few question on the calls about the others, which came a bit stronger than expected. I understand that they are going to recur, but maybe there as an extra impact for the quarter. At the same time, you seem to see a further benefit from tissue, a raw material tailwind in the coming quarter, at least. Overall, I presume you see what the market expect for margin for the year, which 12.1 percent for the year which is 80

basis point; you did plus 100 in the first half. Do you feel that's a realistic expectation?

Magnus Groth: Celine, we don't make any projections like that, as you know.

Celine Pannuti: Thank you.

Operator: Your next question comes from the line of Justin Jordan.

Justin Jordan: I've got two questions, unrelated. Firstly, just on Brexit, for SCA 9 percent of revenues from the UK, you've talked about tissue relatively insulated, it's just translation FX headwind, going forward. But on personal care, are you aiming to recoup essentially all the sourcing raw material FX headwinds that you now have, going forward, through price increases? Or do you think that will be a battle, going forward, and should we anticipate a marginal impact in the UK?

Magnus Groth: I'm sure it will be a battle and, again, it's always a battle. Most retailers in the UK have stated that they will not try to recover any losses they see from the Brexit from their consumers. So they are saying that they're going to take that negative impact, and that makes it more difficult for suppliers to these companies. All suppliers are more or less in the same situation. So to what extent this will have an impact, or how long will it take until it balances, I don't know, but it's something we are working with, of course, continuously.

Justin Jordan: Thank you. Just moving divisions, as it were to, forest products in terms of outlook for the back half of the year, you talked about a stable price outlook. Just specifically on one product, kraftliner, some of your peers have talked about achieving EUR20 a ton price increase in July 1 or so. What has SCA achieved?

Fredrik Rystedt: Approximately the same.

Justin Jordan: Thank you.

Magnus Groth: That may be an average, with publication prices actually came up for a while for the first time in many years, slightly coming back again and you know that story in publication paper, while pulp is expected to be quite stable. And when

it comes to solid wood, we are seeing some slight increases also in prices, so some differences between the different segments but overall quite stable.

Fredrik Rystedt: Again, we're comparing here when we talk about price movements against last year's quarter, so we've seen a decline in solid wood products and kraftliner, and also during last year, soft wood pulp. So that means, of course, that the average last year is higher, and that's why you see this impact on the price. This quarter now we see a slight uptake in kraftliner, as you just alluded to. We also see in soft wood pulp it's not a lot but \$10, \$15 per ton. So there's some stabilization or even positive movements but, of course, the average last year remains higher than this year still.

Justin Jordan: Thanks for clarifying.

Josephine Edwall: Okay. I understand this was the last question from the telephone and we have one more question from the floor.

Rutger Smith: Just a question on Vinda; are you allowed to augment your holding by buying over the stock exchange, or do you only have the possibility to make bids, as Vinda is a quoted company I mean?

Magnus Groth: To buy shares in Vinda? I don't know. We have our -- Fredrik, can you answer that?

Fredrik Rystedt: We're not doing that over the stock exchange; we're not buying shares over the stock exchange. So I guess your question is whether we have such a big stake that we would be subject to a bid situation. We have to come back on that question; it's not a relevant question. It's a hypothetical question for us, we're not buying on the stock exchange.

Magnus Groth: I'll just add to that; we're very, very happy with the current ownership situation and we expect that to last for the long term. So we have a very good balance between us having the majority, still having the founder, Mr. Li, as a very strong owner and a float on the Hong Kong stock exchange. We think that's a great setup.

Rutger Smith: It is a relevant question, but it may not be in your cards, that's the difference.

Magnus Groth: Of course.

Josephine Edwall: So no more questions from the floor. Any final remarks, Magnus, before we conclude this press conference?

Magnus Groth: Thank you for a good discussion and look forward to seeing you next quarter which is coming up soon, as always. So thank you very much.

Josephine Edwall: Thank you and goodbye.

Fredrik Rystedt: Thank you.

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